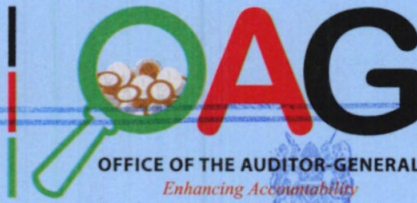


REPUBLIC OF KENYA



THE NATIONAL ASSEMBLY  
PAPERS LAID

DATE: 18 FEB 2026

DAY.

Wednesday

TABLED  
BY:

Deputy Majority Leader  
of Majority Party

REPORT

Irene Nduku



OF

THE AUDITOR-GENERAL

ON

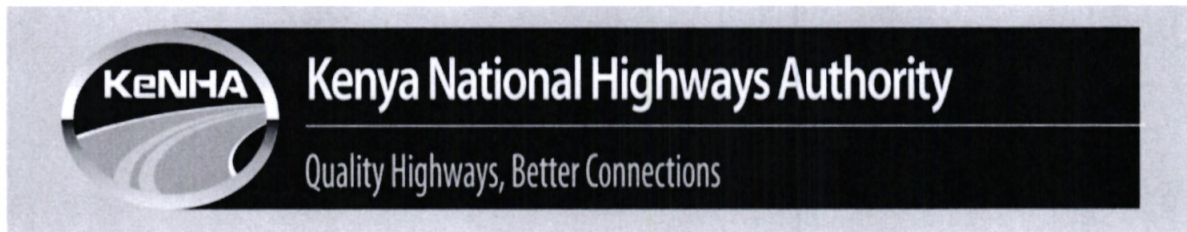
KENYA SOUTH SUDAN LINK ROAD PROJECT

FOR THE YEAR ENDED  
30 JUNE, 2025

KENYA NATIONAL HIGHWAYS AUTHORITY



**MINISTRY OF ROADS & TRANSPORT**



**PROJECT NAME: KENYA SOUTH SUDAN LINK ROAD PROJECT**

**IMPLEMENTING ENTITY: KENYA NATIONAL HIGHWAYS AUTHORITY**

**PROJECT GRANT/CREDIT NUMBER:  
KfW FRANKFURT AM MAIN ("KfW")**

**PROJECT REF NO: 202062065/202083939**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2025**

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**Transitional IPSAS Financial Statements/Prepared in accordance with the Accrual Basis of Accounting  
Method under the International Public Sector Accounting Standards (IPSAS)**



***Kenya South Sudan Link Road Project***  
***Annual Report and Financial Statements for the financial year ended June 30, 2025***

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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 and Social Management Plan
FY	Financial Year
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
GoK	Government of Kenya
KeNHA	Kenya National Highways Authority
KfW	Kreditanstalt für Wiederaufbau
Kshs.	Kenya Shillings
MoRT	Ministry of Roads and Transport
NEMA	National Environment Management Authority
TNT	National Treasury
PAPs	Project Affected Persons
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
SDG	Sustainable Development Goals
SIA	Social Impact Assessment
SMART	Specific, Measurable, Achievable, Realistic and Time

**2. Project Information and Overall Performance**

**2.1 Name and registered office**

Kenya South Sudan Link Road Project

**Objective:**

The KfW FRANKFURT AM MAIN (“KfW”) approved Euro 113.5 million of loans and Grants to the Governments of Kenya (GoK) for Rehabilitating / Upgrading of the Kitale - Morpus Road Section (75 km). The road forms part of the Kenya - South Sudan international corridor.

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

**Contacts:**

Director General  
Kenya National Highways Authority  
P O Box 49712-00100  
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E-mail: [dg@Kenha.co.ke](mailto:dg@Kenha.co.ke)  
Website: [www.kenha.co.ke](http://www.kenha.co.ke)

**Kenya South Sudan Link Road Project****Annual Report and Financial Statements for the financial year ended June 30, 2025****Project information and overall performance (continued)****2.2 Project Information**

Project Start Date:	24 <sup>th</sup> April 2017
Project End Date:	31 <sup>st</sup> December 2027
Project Coordinators:	Eng. Henry Gakuru
	Eng. Clarence Karot
Project Sponsor:	Kfw Frankfurt Am Main (“Kfw”)/ GoK

**2.3 Project Overview**

Line Ministry/State Department	The project is under the supervision of the State Department of Roads on behalf of Ministry of Roads & Transport.
Project Ref number	202062065/202083939
Strategic goals of the project	The strategic goals of the project are as follows: <ul style="list-style-type: none"> <li>i. To promote and facilitate regional economic integration of South Sudan.</li> <li>ii. Provide access to the Mombasa Port.</li> <li>iii. Facilitate relief and reconstruction efforts in South Sudan.</li> <li>iv. Improve integration of Turkana district in the Kenyan economy.</li> </ul>
Summary of Project Strategies for achievement of strategic goals	Implementation of the project in timely, efficient and effective manner.
Other important background information of the project	<ul style="list-style-type: none"> <li>i. The project is part of the larger East African Community (EAC) Kenya-South Sudan Link Road (A1) initiative.</li> <li>ii. It involves upgrading the existing road to a two-lane paved carriageway, including a 10-km dual section through Kamatira Hills.</li> <li>iii. The upgraded road is expected to benefit the region by facilitating the transportation of agricultural produce, improving accessibility, and promoting trade and economic growth.</li> </ul>
Areas that the project was formed to intervene	The project was formed to intervene in the following areas: <ul style="list-style-type: none"> <li>• Reducing Transport cost and travel time between Kenya and South Sudan.</li> <li>• Improvement of economic and living standard of people in towns along the corridor.</li> </ul>
Project duration	The Project period is for duration of 11 years from 24th April 2017 to 31st December 2027

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

**2.4 Bankers**

Cooperative Bank of Kenya Ltd  
 Upper Hill Branch, Nairobi

Kenya Commercial Bank  
 JKIA Branch, Nairobi

National Bank of Kenya Ltd  
 Hill Branch, Nairobi

**2.5 Independent Auditor**

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

**2.6 Roles and Responsibilities**

List of the people who are working on the project.

No.	Names	Title designation	Key qualification	Responsibilities
1	Eng. Henry Gakuru	Director Development	Registered Eng.	Project Implementation Team Leader
2	Eng. Clarence Karot	Deputy Director, Development	Registered Eng.	Project Co-Ordinator
3	Mr. W Nyatwanga	Deputy Director, Environment & Social	Environmental & Social Specialist	Safeguard Specialist
4	Mr. Chanje Kera	Deputy Director, Finance & Accounts	CPA (K)	Financial Specialist
5	Mr. R Kilel	Assistant Director, Supply Chain Services	Procurement Specialist	Procurement Specialist

**Kenya South Sudan Link Road Project****Annual Report and Financial Statements for the financial year ended June 30, 2025****Project information and overall performance (continued)****2.7 Funding summary**

The Project is for a duration of 11 years from 2017 to 2027 with an approved budget of Euro.113,500,000 equivalent to Kshs.12,604,345,250 (rate @111.0515) by the donor component and an amount of Kshs.3,419,448,893 by GoK as highlighted in the table below:

**A. Source of Funds**

Source of funds	Donor Commitment-		Amount received to date – (30th June 2025)		Undrawn balance to date	
	Euros	Kshs	Euros	Kshs	Euros	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
<b>i) Grant</b>						
Kfw Frankfurt Am Main	23,500,000	2,609,710,250	2,477,215	275,098,489	21,022,785	2,334,611,761
<b>(ii) Loan</b>						
Kfw Frankfurt Am Main	90,000,000	9,994,635,000	17,207,103	1,910,874,549	72,792,897	8,083,760,451
<b>(ii) Counterpart funds</b>						
Government of Kenya		3,419,448,893		24,952,290		3,394,496,603
<b>Total</b>	<b>113,500,000</b>	<b>16,023,794,143</b>	<b>19,684,318</b>	<b>2,210,925,328</b>	<b>93,815,682</b>	<b>13,812,868,815</b>

**B. Application of Funds**

Application of funds	Amount received to date- (30th June 2025)		Cumulative Amount paid to date- (30th June 2025)		Unutilised balance to date (30th June 2025)	
	Euros	Kshs	Euros	Kshs	Euros	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
<b>i) Grant</b>						
Kfw Frankfurt Am Main	2,477,215	275,098,489	2,477,215	275,098,489	-	-
<b>(ii) Loan</b>						
Kfw Frankfurt Am Main	15,551,675	1,910,874,549	17,207,102	1,910,874,549	-	-
<b>(iii) Counterpart funds</b>						
Government of Kenya	-	24,952,290	-	24,952,290	-	-
<b>Total</b>	<b>19,684,318</b>	<b>2,210,925,328</b>	<b>19,684,318</b>	<b>2,210,925,328</b>	<b>-</b>	<b>-</b>

**Kenya South Sudan Link Road Project**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**

**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	2024-2025			Cumulative		
	Budget	Actual	%	Budget	Actual	%
	Kshs	Kshs		Kshs	Kshs	
Counterpart Funds - GoK	21,312,169	17,562,169	82%	195,347,440	24,952,290	13%
Grant & Loan from Kfw	740,000,000	488,014,753	66%	3,346,000,000	2,185,973,039	65%
<b>Total</b>	<b>761,312,169</b>	<b>505,576,922</b>	<b>66%</b>	<b>3,541,347,440</b>	<b>2,210,925,329</b>	<b>62%</b>

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

- Site Clearance and Top Soil Stripping is complete from Km 2+000 to 14+560.
- Site Clearance and Top Soil Stripping is in progress from Km 16+600 to 18+000 RHS and Km 18+800 to Km 19+500 RHS.
- Earth works are in progress from Km 12+300 to Km 17+400. Pipe Culvert construction of 16 No. pipe culverts is complete, while 2 No. at km 23+397 (Extension), 25+905, 26+670 (Extension) are in progress during the month.
- Backfill is complete for 1 No. PUP and 8 No. Pipe culverts.

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

Financial Year	Budget	Actual	Percentage (%)
FY 2024/25	761,312,169	505,576,922	66%
FY 2023/24	1,645,028,770	1,571,031,273	96%
FY 2022/23	302,500,000	52,684,840	17%
FY 2021/22	574,000,000	53,746,716	9%
FY 2020/21	103,506,501	26,774,857	26%
FY 2019/20	500,000	417,950	84%
FY 2018/19	154,500,000	692,770	0%
<b>Total</b>	<b>3,541,347,440</b>	<b>2,210,925,328</b>	<b>62%</b>

***Kenya South Sudan Link Road Project***

***Annual Report and Financial Statements for the financial year ended June 30, 2025***

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

- iv. Implementation challenges and recommended next steps.

<b>Item No.</b>	<b>Project Implementation Challenges</b>	<b>Recommendations</b>
1	The Covid 19 pandemic which caused initial delays in the procurement of specialized consultancies namely RAP Guidance and Support & Witness Non-Governmental Organization (NGO).	It was recommended that an extension of the disbursement period be granted from 31 December, 2021 revised to 31 December, 2027
2	Reductions in GoK budgetary allocations.	To work closely with the Parent Ministry and the National Treasury for budget provisos to be made in subsequent financial years.

**2.9 Summary of Project Compliance:**

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

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

**Introduction**

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

The key development objectives of the project's agreement /plan are to:

- a) Improve road condition, safety and increase efficiency along the Sudan link corridor.
- b) Facilitate trade and transport both locally and internationally.

**Progress on attainment of Strategic development objectives**

To implement and cascade the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified to track progress and performance measurement:

Below, we provide the progress on attaining the stated objectives:

<b>Project</b>	<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
Kenya South Sudan Link Road Project	Improve road condition, safety and increase efficiency along the Sudan link corridor.	Improve road condition, re-design of Kamatira hills to improve road safety due to numerous accidents reported in the area.	Improved road safety at Kamatira forest hills.	The works contractor has been secured.  Maintenance of Existing Road.
	To facilitate trade and transport both locally and internationally.	Opening up of Northern Kenya to South Sudan and beyond to facilitate transport and trade.	Improved social infrastructure.  Increased economic trade along the corridor.	Enhanced social infrastructure.  The project is still at the initial stages.

**4. Environmental and Sustainability reporting**

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

**1. Sustainability strategy and profile**

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

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

**2. Environmental performance**

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

**Environmental and Sustainability Reporting (Continued)**

**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**

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

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.

**b) Responsible ethical practices**

The Authority equally sensitizes staff on anticorruption and integrity issues

**c) Regulatory impact assessment**

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.

Further, the Authority endeavours to honour its contractors and vendors payments through paying within the set payment timelines in the contracts and agreements.

**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 are also encouraged to give back to society by participating in the Authority's corporate social responsibility projects. 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.

The project has identified construction of Kesogon market and Kamatira dispensary as part of the Corporate Social Responsibilities.

**5. Statement of Project Management Responsibilities**

The Director General, KeNHA and the Project Implementation Team Leader are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year ended on June 30, 2025.

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

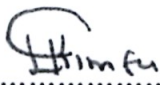
The Director General, KeNHA and the Project Implementation Team Leader accept responsibility for the Project's financial statements, which have been prepared on the accrual basis method of financial reporting, using appropriate accounting policies in accordance with International Public Sector Accounting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

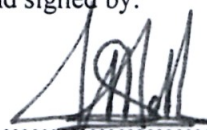
The Director General, KeNHA and the Project Implementation Team Leader are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year ended June 30, 2025, and of the Project's financial position as at that date. The 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 as well as 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 27 AUG 2025 and signed by:

  
.....  
**Eng. Luka Kimeli**  
**Ag. Director General**

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

# REPUBLIC OF KENYA

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

## REPORT OF THE AUDITOR-GENERAL ON KENYA SOUTH SUDAN LINK ROAD PROJECT FOR THE YEAR ENDED 30 JUNE, 2025- KENYA NATIONAL HIGHWAYS AUTHORITY

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### PREAMBLE

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

- A. Report on 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 the 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; and,
- 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, 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 is issued when the Auditor-General concludes that the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management, and Governance.

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 transitional IPSAS financial statements of Kenya South Sudan Link Road Project set out on pages 1 to 26, which comprise of the statement of financial position as at 30 June, 2025, and the statement of statement of financial

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

In my opinion, the transitional IPSAS financial statements present fairly, in all material respects, the financial position of Kenya South Sudan Link Road Project as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) including the transitional provisions permitted under IPSAS 33 and comply with the Kenya South Sudan Link Road Project Financing Agreement KfW FRAKFURT AM MAIN ("KfW) dated 24 April, 2017 and the Public Finance Management Act, 2012; and The National Treasury and Economic Planning Circular No. 3 of 14 April, 2025.

In addition, the special accounts statements present fairly, transactions for the year, and the closing balance have been reconciled with the books of account.

### **Basis for Opinion**

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya South Sudan Link 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. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis amounts of Kshs.761,312,169 and Kshs.505,576,922 resulting to an underfunding of Kshs.255,735,247 or 34% of the budget. However, the project spent an amount of Kshs.505,576,922 against actual receipts of Kshs.505,576,922 resulting to 100% utilization on the available funds.

The underfunding affected the planned activities of the project and impacted negatively on service delivery to the public.

#### **2. Low Absorption of Project Funds**

The Project commenced on 24 April, 2017 and is expected to end on December, 2027. The Project has covered eight (8) years or 74% of Project period withdrawing an of amount of Kshs.2,210,925,328 or 14% of the expected receipt (Kshs.16,023,794,143). Note 2.7(A) on page vi reflects undrawn amount of Kshs.13,812,868,815 with only two

(2) years eight (8) months remaining to the Project closure. The credit may lapse without being fully utilized and the Project's planned deliverables not achieved.

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 Emphasis of Matter, Report on Lawfulness and Effectiveness in Use of Public Resources respectively as shown on **Appendix 1**. However, the Management has not provided an explanation why the issues have not been resolved.

### **Other Information**

The Management is responsible for the Other Information set out on page iii to xii which comprise of project Information and Management, 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.

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.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE 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 3000 and ISSAI 4000. The standards require 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, 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 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 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.

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

### **Conclusion**

As required by Financing Agreement between the Government of Kenya and KfW FRAKFURT AM MAIN("KfW), 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.

## **Basis for Conclusion**

The Financing Agreement requires that I report on the legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate opinion as to the Project's compliance with laws and regulations. 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 (Accrual 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 57 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(5) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require 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 58 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 ISSAIs 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 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**

**25 November, 2025**

**Appendix I: Unresolved prior year Matters**

<b>NO.</b>	<b>ISSUE</b>	<b>STATUS</b>
1	Budgetary Control and Performance	Unresolved
2	Failure to Settle Pending bills	Unresolved
3	Delayed Project implementation	Unresolved

**Kenya South Sudan Link Road Project**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**

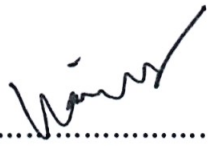
**7. Statement of Financial Performance for the Year Ended 30th June 2025**

	Notes	FY 2024/2025
		Kshs
<b>Revenue</b>		
Revenue Transfers	6	-
Miscellaneous Revenue		-
<b>Total revenue</b>		-
<b>Expenses</b>		
Use of goods and services		-
Depreciation and amortization expense		-
Transfer to other Government Entities		-
Other Transfers/Subsidies/Grants		-
Certified Works		-
<b>Total expenses</b>		-
<b>Surplus/ (deficit)</b>		-

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

  
.....  
**Eng. Luka Kimeli**  
**Ag. Director General**

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

  
.....  
**CPA Isaac Kimani Karumba**  
**Ag. Deputy Director (F&A)**  
**ICPAK Member No.3321**

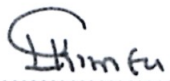
**Kenya South Sudan Link Road Project**


**Annual Report and Financial Statements for the financial year ended June 30, 2025**

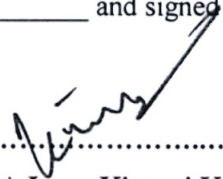
**8. Statement of Financial Position as at 30th June 2025**

	Note	2024/25	1 <sup>st</sup> July 2024
		Kshs	Kshs
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash equivalents	7	-	-
Receivables -Advance	8	1,581,482,569	1,542,446,109
Inventories		-	-
Prepayment		-	-
<b>Total Current Assets</b>		<b>1,581,482,569</b>	<b>1,542,446,109</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	9	666,995,632	237,650,111
<b>Total Non- Current Assets</b>		<b>666,995,632</b>	<b>237,650,111</b>
<b>Total Assets (a)</b>		<b>2,248,478,201</b>	<b>1,780,096,220</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and Other Payables	10	-	78,131,434
Retention Amounts Payable	11	40,936,493	-
Deferred Income		-	-
<b>Total Current Liabilities</b>		<b>40,936,493</b>	<b>78,131,434</b>
<b>Total Liabilities (b)</b>		<b>40,936,493</b>	<b>78,131,434</b>
<b>Net Assets (a-b)</b>		<b>2,207,541,708</b>	<b>1,701,964,786</b>
<b>Represented By:</b>			
Capital Grant		2,207,541,708	1,701,964,786
Accumulated Surplus		-	-
<b>Total Net Assets</b>		<b>2,207,541,708</b>	<b>1,701,964,786</b>

The financial statements were approved on 27 AUG 2025 and signed by:

  
.....  
Eng. Luka Kimeli  
Ag. Director General

  
.....  
Eng. Henry Gakuru  
Director -Development

  
.....  
CPA Isaac Kimani Karumba  
Ag. Deputy Director (F&A)  
ICPAK Member No.3321


**Kenya South Sudan Link Road Project**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**

**9. Statement of Changes in Net Assets**

Description	Capital Grant	Accumulated Surplus	Total
		<b>Kshs</b>	
<b>As at 30<sup>th</sup> June 2024 (Cash Basis)</b>	-	-	-
Adjustments:			
Asset Recognition	1,780,096,220	-	<b>1,780,096,220</b>
Liabilities recognition	(78,131,434)	-	<b>(78,131,434)</b>
<b>As at 1<sup>st</sup> July 2024</b>	<b>1,701,964,786</b>	-	<b>1,701,964,786</b>
Capital Grants received during the FY	505,576,922	-	505,576,922
Surplus/(Deficit) for the year		-	-
<b>As at 30<sup>th</sup> June 2025</b>	<b>2,207,541,708</b>	-	<b>2,207,541,708</b>

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

The financial statements were approved on 27 AUG 2025 and signed by:



.....  
**Eng. Luka Kimeli**  
**Ag. Director General**



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



.....  
**CPA Isaac Kimani Karumba**  
**Ag. Deputy Director (F&A)**  
**ICPAK Member No. 3321**

**Kenya South Sudan Link Road Project****Annual Report and Financial Statements for the financial year ended June 30, 2025****10. Statement of Cashflow for the year ended 30th June 2025**

Description	Note	FY 2024-2025
		Kshs
<b>Cashflow from operating activities</b>		
<b>Receipts</b>		
Revenue Transfers		-
<b>Total receipts</b>		-
<b>Payments</b>		
Use of goods and services		-
<b>Total payments</b>		-
<b>Net cash flow from operating activities</b>	12	-
<b>Cashflow from investing activities</b>		
Acquisition of non-financial assets		(505,576,922)
Proceeds from sale of Assets		-
Acquisition of Intangible assets		-
<b>Net cash flows from investing activities</b>		(505,576,922)
<b>Cash flow from financing activities</b>		
Capital Grants		505,576,922
<b>Net cash flow from financing activities</b>		505,576,922
Net increase/Decrease in cash and cash equivalents		-
<b>Cash and cash equivalent at 1<sup>st</sup> July 2024</b>	7	-
<b>Cash and cash equivalent at end June 2025</b>	7	-

**Kenya South Sudan Link Road Project**

**Annual Report and Financial Statements for the financial year ended June 30, 2025**

**11. Statement of Comparison of Budget and Actual Amounts for the Year ended 30th June 2025**

Receipts/ Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs	
<b>Budget Carry Overs from previous periods</b>	-	-	-	-	-	0%
<b>Receipts</b>						
Bridge Settlement Financing	-	17,562,169	17,562,169	17,562,169	-	100%
Transfers from GoK	20,000,000	16,250,000	3,750,000	-	3,750,000	0%
Proceeds from Loan - Kfw	2,708,000,000	2,068,000,000	640,000,000	368,428,440	271,571,560	58%
Proceeds from Grant - Kfw	800,000,000	700,000,000	100,000,000	119,586,313	(19,586,313)	120%
<b>Total Revenue</b>	<b>3,528,000,000</b>	<b>2,766,687,831</b>	<b>761,312,169</b>	<b>505,576,922</b>	<b>255,735,247</b>	<b>66%</b>
<b>Payments</b>						
Use of goods and services	5,000,000	1,250,000	3,750,000	-	3,750,000	0%
Acquisition of non- financial assets	3,523,000,000	2,765,437,831	757,562,169	505,576,922	251,985,247	67%
<b>Total Payments</b>	<b>3,528,000,000</b>	<b>2,766,687,831</b>	<b>761,312,169</b>	<b>505,576,922</b>	<b>255,735,247</b>	<b>66%</b>
<b>Surplus</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0%</b>

1. The allocation for Grants and loans were significantly reduced in the 3<sup>rd</sup> supplementary budget due to fiscal framework.
2. The Authority is yet to receive the budgetary allocation of Kshs 3,750,000.
3. The drawdowns will continuously increase as the works progress.

**Budget Reconciliation**

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	-
1		-
	Closing Cash and Cash Equivalent as per the statement of	-

**12. Notes to the Financial Statements**

**1. General Information**

Kenya National Highways Authority (KeNHA) is established by and derives its authority and accountability from the Kenya Roads Act, 2007. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to improve transportation infrastructure on National Trunk Roads, which are classified as Class S, Class A, and Class B roads. This advances road development to support national and regional integration, and promote greater connectivity and efficiency. The Kenya South Sudan Link Road Project is under the supervision of KeHNA.

**2. Statement of Compliance and Basis of Preparation**

The Project financial statements have been prepared in accordance with the Public Finance Management Act, 2012 and with the International Public Sector Accounting Standards (IPSAS).

These financial statements were authorized for issue by the accounting officer on 27 AUG 2025

**3. Adoption of New and Revised Standards**

**i) New and amended standards and interpretations in issue effective in the year ended 30 June 2025.**

<b>Standard</b>	<b>Effective date and impact:</b>
IPSAS 43	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognize, measure and present information on right of use assets and lease liabilities.</p> <p><i>The project does not anticipate that the standard will have any impact on its operations and reporting.</i></p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p><i>The project does not anticipate that the standard will have any impact on its operations and reporting.</i></p>

**Kenya South Sudan Link Road Project**

**Annual Report and Financial Statements for the financial year ended June 30, 2025**

Standard	Effective date and impact:
<p>IPSAS 45- Property Plant and Equipment</p>	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognized as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g. valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p> <p><i>The Project does not expect these amendments to have a material impact on its operations or financial statements.</i></p>
<p>IPSAS 46 Measurement</p>	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> <li>i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.</li> <li>ii. Clarifying transaction costs guidance to enhance consistency across IPSAS;</li> <li>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</li> </ul> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> <p><i>The Project does not expect these amendments to have a material impact on its operations or financial statements.</i></p>

**ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025**

Standard	Effective date and impact:
<p>IPSAS 47- Revenue</p>	<p><b>Applicable 1<sup>st</sup> January 2026</b></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p> <p><i>The Project does not expect these amendments to have a material impact on its operations or financial statements.</i></p>

**Kenya South Sudan Link Road Project**

**Annual Report and Financial Statements for the financial year ended June 30, 2025**

<b>Standard</b>	<b>Effective date and impact:</b>
IPSAS 48- Transfer Expenses	<p><b>Applicable 1<sup>st</sup> January 2026</b></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p> <p><i>The Project does not expect these amendments to have a material impact on its operations or financial statements.</i></p>
IPSAS 49- Retirement Benefit Plans	<p><b>Applicable 1<sup>st</sup> January 2026</b></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p> <p><i>The project does not anticipate that the standard will have any impact on its operations and reporting.</i></p>
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<p><b>Applicable 1<sup>st</sup> January 2027</b></p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ol style="list-style-type: none"><li>i. Limited improvements to existing accounting practices for exploration and evaluation expenditures.</li><li>ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26.</li><li>iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.</li></ol> <p><i>The project does not anticipate that the standard will have any impact on its operations and reporting.</i></p>

**iii) Early adoption of standards**

The Project did not early – adopt any new or amended standards in the financial year 2024/2025.

**4. Summary of Significant Accounting Policies**

**a) Revenue recognition**

**i) Revenue from non-exchange transactions**

**Transfers from other government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Project and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that have been acquired using such funds.

**ii) Revenue from exchange transactions**

**Interest income**

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

**b) Budget information**

The original budget for FY 2024/2025 was approved by the National Assembly on 28th January 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals to conclude the final budget. Accordingly, the entity recorded additional appropriations following its approval.

The Project's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on page 5 under section 11 of these financial statements.

**c) Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition or construction of the item of property appropriately according to the acronyms you use in your financial statements plant and equipment.

**Notes to the financial statements (Continued)**

**Property, plant and equipment (Continued)**

When significant parts of property, plant and equipment are required to be replaced at intervals, the Project recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

All other repair and maintenance costs are recognized in surplus, or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

**d) Leases**

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the Project. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Project also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Project will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

**e) Intangible assets**

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite. Intangible assets with an indefinite useful life are assessed for impairment at each reporting date.

**f) Research and development costs**

The Project expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Project can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale.
- Its intention to complete and its ability to use or sell the asset.
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset.
- The ability to measure reliably the expenditure during development.

**Notes to the financial statements (Continued)**

**Research and development costs (Continued)**

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

**g) Financial instruments**

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *The Project does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Project's financial statements.* A financial instrument is any contract that gives rise to a financial asset of one Project and a financial liability or equity instrument of another Project. At initial recognition, the Project measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

**Financial assets**

**Classification**

The Project classifies its financial assets as subsequently measured at amortized cost, fair value through net assets/ equity, or fair value through surplus and deficit on the basis of both the Project's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless the Project has made an irrevocable election at initial recognition for particular investments in equity instruments.

**Subsequent measurement**

Based on the business model and the cash flow characteristics, the Project classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

**Notes to the financial statements (Continued)**

**Amortized cost**

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

**Fair value through net assets/ equity**

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

**Fair value through surplus or deficit**

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the Project manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

**Trade and other receivables**

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year-end.

**Impairment**

The Project assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The Project recognizes a loss allowance for such losses at each reporting date. The Project did not have any impairment during the financial year.

***Financial liabilities***

***Classification***

The Project classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

**h) Inventories**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method.

**Notes to the financial statements (Continued)**

**Inventories (Continued)**

- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Project.

**i) Provisions**

Provisions are recognized when the Project has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Project expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

**Contingent liabilities**

The Project 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.

**Contingent assets**

The Project does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Project in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

**j) Nature and purpose of reserves**

The Project creates and maintains reserves in terms of specific requirements. The Project maintains grants and surplus reserves. The grant reserves are exchequer and donor funds received from the Government and Development Partners for development of roads. The surplus reserve represents the surplus or deficit of Road maintenance contributions and other internally generated funds against road maintenance and operation expenses. The exchequer and Development partner funds are capitalized in the statement of financial position whereas Road maintenance contributions are expensed in the statement of financial performance. However, the portion of exchequer funds spent on non-capital items or project expenses is transferred to recurrent transfers and treated as recurrent government grants and expenditures accordingly.

**Notes to the financial statements (Continued)**

**k) Changes in accounting policies and estimates**

The Project recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

**l) Employee benefits**

**Retirement benefit plans**

The Project does not provide retirement benefits nor does it pay any fixed contributions into a separate fund.

**m) Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. At each reporting date, foreign currency monetary items are translated using the closing rate. Non-monetary items measured in historical cost are translated using the exchange rate at the date of the transaction, and those measured at fair value are translated using the exchange rates at the date when the fair value was determined. Exchange differences arising from the settlement of monetary items or translation of monetary/non-monetary items at rates different from those at which they were initially reported are recognized in surplus or deficit in the period.

**n) Borrowing costs**

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

**o) Related parties**

The Project regards a related party as a person or an entity with the ability to exert control individually or jointly or to exercise significant influence over the Project, or vice versa. Members of key management are regarded as related parties and comprise the directors, the Principal and senior managers.

**p) Service concession arrangements**

The Project analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Project recognizes that asset when, and only when, it controls or regulates the services. The operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Project also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**Notes to the financial statements (Continued)**

**q) 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.

**r) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2025.

## **5. Significant Judgments and Sources of Estimation Uncertainty**

The preparation of the Project's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

### **Estimates and assumptions.**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Project based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Project. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

### **Useful lives and residual values**

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Project.
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- The nature of the processes in which the asset is deployed.
- Availability of funding to replace the asset.
- Changes in the market in relation to the asset

### **Provisions**

Provisions were raised and management determined an estimate based on the information available. There were no additional provisions made in the reporting financial year.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Notes to the financial statements (Continued)

**6. Revenue Transfers**

Description	2024/2025
	KShs
<b>Unconditional Transfers</b>	
GoK Counter Part funding	-
Transfers from Development partners (Kfw)	-
<i>Other unconditional transfers</i>	
<i>Bridge Settlement Financing</i>	17,562,169
<b>Total Unconditional Transfers (a)</b>	<b>17,562,169</b>
<b>Conditional Transfers</b>	
Transfers from Development partners (Kfw)	488,014,753
<i>Other conditional transfers</i>	-
<b>Total Conditional Transfers (b)</b>	<b>488,014,753</b>
<b>Total Transfers for the Year (a + b)</b>	<b>505,576,922</b>

**a) Details to Revenue Transfers**

Name of The Entity Transferring	Amount recognized to Statement of Financial performance	Amount deferred under deferred income.	Amount moved to Capital fund	Total transfers (2024/25)
	Kshs	Kshs	Kshs	Kshs
GoK Counter Part funding	-	-	-	-
Bridge Settlement Financing	-	-	17,562,169	17,562,169
Transfers from Development partner- (Kfw)	-	-	488,014,753	488,014,753
<b>Subtotal</b>	-	-	<b>505,576,922</b>	<b>505,576,922</b>
Deferred Income realized	-	-	-	-
Transfers in Kind	-	-	-	-
<b>Total*</b>	-	-	<b>505,576,922</b>	<b>505,576,922</b>

**Kenya South Sudan Link Road Project**

**Annual Report and Financial Statements for the financial year ended June 30, 2025**

**Notes to the financial statements (Continued)**

**7. Cash and Cash Equivalents**

Description	2024/25	1 <sup>st</sup> July
	Kshs	Kshs
Cash in Bank	-	-
Cash on hand	-	-
<b>Total Cash and Cash Equivalents</b>	<b>-</b>	<b>-</b>

**Project Bank Accounts**

Details	2024/2025	1st July 2024
	Kshs	Kshs
<b>Local Currency Accounts</b>		
National Bank of Kenya Ltd. [A/c No. 01001032733200]	-	-
Co-operative Bank of Kenya [A/c No 01141160979900]	-	-
Kenya Commercial Bank [A/c No1274695775]	-	-
<b>Total bank account balances</b>	<b>-</b>	<b>-</b>

**8. Receivables**

Description	2024/2025	1 <sup>st</sup> July 2024
	Kshs	Kshs
Counter Part Funding	-	-
Contractor's Advance payments	1,581,482,569	1,542,446,109
<i>Other Receivables</i>	-	-
<b>Total Receivables</b>	<b>1,581,482,569</b>	<b>1,542,446,109</b>

**Ageing analysis for Receivables**

Description	2024/2025		1 <sup>st</sup> July 2024	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	39,036,460	2%	-	0%
Between 1- 2 years	1,542,446,109	98%	1,542,446,109	100%
Between 2-3 years	-	%	-	%
Over 3 years	-	%	-	%
<b>Total (a+b)</b>	<b>1,581,482,569</b>		<b>1,542,446,109</b>	

**Notes to the financial statements (Continued)**

**9. Property, Plant and Equipment**

Cost	Capital		Total
	Work in progress		
	Kshs		Kshs
<b>Depreciation rate</b>			
As At 1 July 2024 (opening balances)	237,650,111		237,650,111
Additions	489,914,786		489,914,786
Disposals	-		-
Transfers/Adjustments	(60,569,265)		(60,569,265)
<b>As at 30<sup>th</sup> June 2025</b>	<b>666,995,632</b>		<b>666,995,632</b>
<b>Depreciation and Impairment</b>			
As at 1 July 2025	-		-
Depreciation charge for the year	-		-
Impairment loss	-		-
Transfers/ Adjustments	-		-
<b>As At 30<sup>th</sup> June 2025</b>	<b>-</b>		<b>-</b>
<b>Net Book Values</b>			
As at 1 <sup>st</sup> July 2024	237,650,111		237,650,111
<b>As at 30<sup>th</sup> June 2025</b>	<b>666,995,632</b>		<b>666,995,632</b>

**10. Trade and Other Payables**

Description	2024/2025		1 <sup>st</sup> July 2024	
	Kshs		Kshs	
Trade payables	-		78,131,434	
<b>Total trade and other payables</b>	<b>-</b>		<b>78,131,434</b>	
Ageing analysis: (Trade and other payables)	2024/2025	% of the Total	Comparative FY	% of the Total
Under one year	-	0%	60,569,265	78%
1-2 years	-	0%	4,573,626	6%
2-3 years	-	0%	12,988,543	17%
Over 3 years	-	0%	-	0%
<b>Total</b>	<b>-</b>		<b>78,131,434</b>	

Balance b/f was Kshs.78,131,434 and the balance c/f was Nil. A more detailed analysis of the payables is attached to Annex 4 in these financial statements.

**Kenya South Sudan Link Road Project  
Annual Report and Financial Statements for the financial year ended June 30, 2025**

**Notes to the financial statements**

**11. Retention Amounts Payable**

Description	2024/2025		1 <sup>st</sup> July 2024	
	Kshs		Kshs	
Contractor's Retention held by – Development Partner	40,936,493		-	
<b>Total deposits</b>	<b>40,936,493</b>		<b>-</b>	
<b>Ageing analysis: (Refundable deposits)</b>	<b>Current FY</b>	<b>% of the Total</b>	<b>Comparative FY</b>	<b>% of the Total</b>
Under one year	40,936,493	100%	-	0%
1-2 years	-	0%	-	0%
2-3 years	-	0%	-	0%
Over 3 years	-	0%	-	0%
<b>Total</b>	<b>40,936,493</b>	<b>100%</b>	<b>-</b>	<b>0%</b>

Details of Retention in FY 2024-2025		Amount
Contractor's Retention as at 1 <sup>st</sup> July 2024		-
1.	Retention Chongqing IPC 02 PV 95973	3,243,997
2.	Retention Chongqing IPC 02 PV 95972	17,266,082
3.	Retention Chongqing IPC 04 PV 98992	3,230,764
4.	Retention Chongqing IPC 04 PV 98991	17,195,650
Contractor's Retention as at 30 June 2025		<b>40,936,493</b>

**12. Cash Generated from operations**

Description	2024/2025
	Kshs
<b>Surplus/Deficit for the year</b>	-
<b>Adjusted for:</b>	
Depreciation	-
Non-cash grants received	-
Impairment	-
Gains and losses on disposal of assets	-
<b>Working capital adjustments</b>	
Increase in inventory	-
Increase in receivables	-
Increase in deferred income	-
Increase in payables	-
Increase in payments received in advance	-
<b>Net cash flow from operating activities</b>	<b>-</b>

**13. Related Party Disclosures**

**Nature of related party relationships**

Entities and other parties related to the Authority include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

**Government of Kenya**

The Government of Kenya is the principal shareholder of the *Entity*, holding 100% of the *Entity's* equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the *Entity*, both domestic and external.

**Other related parties include:**

- i) Kenya Roads Board.

Description	2024/2025
	Kshs
<b>a) Grants /transfers from the government</b>	
Grants from Kenya Roads Board	17,562,169
Donations in kind	-
<b>Total</b>	<b>17,562,169</b>

**14. Events after the Reporting Period**

There were no material adjusting and non-adjusting events after the reporting period.

**15. Ultimate and Holding Entity**

The Authority is a State Corporation under the Ministry of Roads and Transport. Its ultimate parent is the Government of Kenya.

**16. Currency**

The financial statements are presented in Kenya Shillings (Kshs) rounded to the nearest Kshs.

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**13. Annexes**

**Annex 1. Prior Year Auditor-General's Recommendations**

<b>Ref No.</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Status:</b>	<b>Time frame</b>
783	<p><b>Emphasis of Matter</b></p> <p><b>Budgetary Control and Performance</b></p> <p>The statement of comparison of budget and actual amount reflects final budget and actual on comparable basis of Kshs.1,645,028,770 and Kshs.1,571,031,273 respectively resulting to an under-funding of Kshs.73,997,497 or 4% of the budget.</p> <p>The underfunding affected the planned activities of the Project and negatively impacted on service delivery to the public.</p>	<p>We note the audit observation.</p> <p>We wish to clarify that during the financial year, the Authority did not receive the entire exchequer funds that had been budgeted for from the National Treasury.</p> <p>The Authority continues to work closely with the Parent Ministry and the National Treasury with the aim of allocating additional budget to ensure smooth service delivery of the project.</p>	Not resolved	Ongoing
784	<p><b>Failure to Settle Pending Bills</b></p> <p>Note 1 of other important disclosures and Annex 4 to the financial statements reflect pending accounts payable balance of Kshs.78,131,434 as at 30 June, 2024. Review of the financial statements and other records revealed the following observations:</p> <p>i. Included in the movement of the accounts payable are additions for the year of Kshs.93,728,055 for consultancy services which is above the approved supplementary budget of Kshs.40,000,000 leading to unbudgeted/unfunded expenditure of Kshs.53,728,055.</p>	<p>We note the audit observation that note 1 and Annex 4 to the financial statements reflect accounts payable balance of Kshs.78,131,434 as at 30 June, 2024.</p> <p>We wish to clarify that the printed budget was Kshs.1,400,000,000 which was sufficient to cater for the planned expenditure. The second revised supplementary budget however reduced the projects</p>	Not Resolved	Ongoing

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Ref No.	Issue / Observations from Auditor	Management comments	Status:	Time frame
	<p>Failure to adhere to the budget may lead to delayed payments and interest and penalties from the suppliers.</p> <p>ii. Included in the trade payables is an amount of Kshs.12,988,543 for consultancy services that has been outstanding for more than a year.</p> <p>Management attributed this situation to inadequate Government budget allocations in the year under review and prior financial years. Failure to clear pending bills in the year to which they relate distorts the budget of the following year as they constitute a first charge on that budget.</p>	<p>AIA grant component budget from Kshs 1.4B to 40M resulting in the outstanding bills. The Authority continues to work closely with the Parent Ministry and the National Treasury with the aim of allocating additional budget to settle the pending bills.</p> <p>We further clarify that the pending bills are as a result of inadequate GoK budgetary allocations in the current and prior financial years.</p> <p>In FY 2024/2025 the Authority received Kshs.17,562,169 through the Bridge finance facility which was used to settle all the pending bills.</p> <p>The Authority continues to work closely with the Parent Ministry and the National Treasury with the aim of allocating additional budget, in the subsequent years to ensure bills are paid as and when received.</p>		
785	<p><b>Other Matter</b></p> <p><b>Unresolved Prior Year Matters</b></p> <p>In the audit report of the previous year, several issues were raised under the Report on Lawfulness and Effectiveness in Use of Public Resources. However, although the issues had been discussed in the</p>	<p>We note the audit observation.</p> <p>We however wish to clarify that the Authority has appeared before the Public Accounts Committee and made its submissions on all matters raised by the</p>	Not Resolved	FY 2025/2026

**ya South Sudan Link Road Project**  
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Ref No.	Issue / Observations from Auditor	Management comments	Status:	Time frame																																								
	Public Accounts Committee of the National Assembly, they remained unresolved as at the time of the audit in October, 2024.	Auditor General on the Project financial statements up to FY 2021/22.																																										
786	<p><b>Basis for Conclusion</b></p> <p><b>Delay in Project Implementation</b></p> <p>The funding summary information in the financial statements under Paragraph 2.7A - source of funds reflects an amount of Kshs.16,006,231,974 in respect of as the projected total funding for the project. Further, the amount received to date totaled Kshs.1,705,348,406 resulting to an undrawn balance to date of Kshs.14,300,883,568.</p> <p>The details are as shown in the table: -</p> <table border="1"> <thead> <tr> <th>Source of funds</th> <th>Donor Commitments</th> <th>Amount Received to date (30<sup>th</sup> June 2024)</th> <th>Undrawn balance to date</th> </tr> <tr> <td></td> <td>Kshs</td> <td>Kshs</td> <td>Kshs</td> </tr> <tr> <td></td> <td><b>A</b></td> <td><b>B</b></td> <td><b>A-B</b></td> </tr> </thead> <tbody> <tr> <td><b>i) Grant</b></td> <td></td> <td></td> <td></td> </tr> <tr> <td>KfW-Grant</td> <td>2,609,710,250</td> <td>155,512,176</td> <td>2,454,198,074</td> </tr> <tr> <td><b>ii) Loan</b></td> <td></td> <td></td> <td></td> </tr> <tr> <td>KfW-Loan</td> <td>9,994,635,000</td> <td>1,542,446,109</td> <td>8,452,188,891</td> </tr> <tr> <td><b>iii) Counterpart Funds</b></td> <td></td> <td></td> <td></td> </tr> <tr> <td>GoK</td> <td>3,401,886,724</td> <td>7,390,121</td> <td>3,394,496,603</td> </tr> <tr> <td><b>Total</b></td> <td><b>16,006,231,974</b></td> <td><b>1,705,348,406</b></td> <td><b>14,300,883,568</b></td> </tr> </tbody> </table>	Source of funds	Donor Commitments	Amount Received to date (30 <sup>th</sup> June 2024)	Undrawn balance to date		Kshs	Kshs	Kshs		<b>A</b>	<b>B</b>	<b>A-B</b>	<b>i) Grant</b>				KfW-Grant	2,609,710,250	155,512,176	2,454,198,074	<b>ii) Loan</b>				KfW-Loan	9,994,635,000	1,542,446,109	8,452,188,891	<b>iii) Counterpart Funds</b>				GoK	3,401,886,724	7,390,121	3,394,496,603	<b>Total</b>	<b>16,006,231,974</b>	<b>1,705,348,406</b>	<b>14,300,883,568</b>	<p>We note the audit observation that the financial statements under Paragraph 2.7A - source of funds reflects projected total funding for the project amount of Kshs.16,006,231,974 yet the amount received as at 30 June, 2024 totalled Kshs.1,705,348,406 resulting to an undrawn balance to date of Kshs.14,300,883,568 or 11% of the expected receipts.</p>	Not Resolved	Ongoing
Source of funds	Donor Commitments	Amount Received to date (30 <sup>th</sup> June 2024)	Undrawn balance to date																																									
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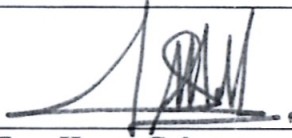
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Ref No.	Issue / Observations from Auditor	Management comments	Status:	Time frame
	<p>The project commenced on 24, April, 2017 and was initially expected to end on 31 December, 2021 which was later revised to 31 December, 2027 and has therefore been in existence for more than seven (7) years while having received a total of Kshs.1,705,348 or 11% of the expected receipts.</p> <p>Further, the amount of Kshs.1,705,348,406 includes a balance of Kshs.1,542,446,109 which was paid to the road contractor as advance payment as per the contract agreement for mobilization. The Contract for road works was signed on 21 February, 2024 between the Kenya National Highways Authority and the contractor. The contractor sum was agreed at Kshs. 15,424,461,082 and the contract period was expected to run for eighty-four (84) months comprising of thirty-six (36) months improvement works period, twelve (12) months defects notification period and thirty -six (36) months starting from the defect's notification period. From the foregoing the road works and maintenance project are expected to take seven (7) years to complete as agreed.</p> <p>However, it may not be possible for the Project to receive the undisbursed amount of Kshs. 14,300,883,568 which represents 89% of the expected total funding within the remaining three (3) years project duration.</p>	<p>We wish to clarify that the Authority is accelerating steps to ensure implementation is completed within the extended credit period. The Engineer's camp construction works, the Four Services (Supervision</p>		

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Ref No.	Issue / Observations from Auditor	Management comments	Status:	Time frame
	<p>Further, Paragraph 4.1 of the loan agreement dated 24 April, 2024 states that the borrower will pay a non-refundable commitment fee of 0.25% on undisbursed loan amounts. The commitment fee is due for payment in arrears on 30 March and 30 September of each year, for the first time on 30 September, 2017. The Project is at risk of incurring additional and avoidable penalties on the undisbursed loan amounts due to delay in the implementation of the Project.</p> <p>In the circumstances, the overall objectives of the Project may not be met and this may affect service delivery to the public.</p>	<p>Consultancy, Works Contract, Resettlement Action Plan (RAP) Guidance and Witness NGO) are all in good progress.</p> <p>We note the audit observation.</p> <p>We wish to clarify that following the challenges the project faced at the initial stage of implementation due to Covid 19, the Authority through the National Treasury requested for loan extension and the separate agreement extended the deadline for requesting disbursements from 31 December 2021 to 31 December 2027.</p> <p>Further we note this is an inherent loan condition that was agreed upon between the Financier and the National Treasury. The works are being accelerated to enhance absorption hence reducing the commitment fees payable.</p>		

  
 Eng. Luka Kimeli  
 Ag. Director General

  
 Eng. Henry Gakuru  
 Director Development


**Kenya South Sudan Link Road Project**

*Annual Report and Financial Statements for the financial year ended June 30, 2025*

**Annex 2 - Reconciliation of inter-entity transfers**

	<b>Project Name:</b>	<b>Kenya South Sudan Link Road Project</b>		
	<b>Break down of transfers from the State Department of Ministry of Roads and Transport</b>			
<b>A.</b>	<b>Government Counterpart funding</b>			
		Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
			-	
			-	
		<b>Total</b>	-	
<b>B.</b>	<b>Direct payments</b>			
		Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
			-	
		<b>Total</b>	-	
<b>C.</b>	<b>Others</b>			
	<b>Fuel Levy Funds</b>			
		Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
			-	
	<b>Bridge Financing</b>			
		01/04/2025	17,562,169	FY 2024/2025
		<b>Total</b>	<b>17,562,169</b>	
		<b>Total (A+B+C)</b>	<b>17,562,169</b>	

  
 .....  
**Eng. Luka Kimeli**  
**Ag. Director General**

  
 .....  
**CPA Isaac Kimani Karumba**  
**Ag. Deputy Director (F&A)**  
**ICPAK Member No. 3321**

**Kenya South Sudan Link Road Project**  
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**Annex 3 – Analysis of Loan from Development Partner**

**Kfw Frankfurt Am Main ("Kfw") (Loan)**

No	Date	Name of Payee	Currency of Payment	Payment Reference	Amounts in respective Currency of IPC/fee note		Equivalent amount in reporting currency	Equivalent amount in Donor Currency	Description
					USD	Kshs			
1.	13/02/25	Chongqing International Construction Corporation	KES	PV 95973 WA 017	-	29,195,975	29,195,975	262,905	Kitale-Morphus IPC 2
2.	13/02/25	Chongqing International Construction Corporation	USD	PV 95972 WA 016	1,091,277	-	155,394,738	1,399,303	Kitale-Morphus IPC 2
3.	27/05/25	Chongqing International Construction Corporation	KES	PV 98992 WA 025	-	29,076,878	29,076,878	261,832	Kitale-Morphus IPC 4
4.	27/05/25	Chongqing International Construction Corporation	USD	PV 98991 WA 024	1,086,826	-	154,760,849	1,393,595	Kitale-Morphus IPC 4
<b>Total Amounts received for FY 2024/2025</b>					<b>2,178,103</b>	<b>58,272,853</b>	<b>368,428,440</b>	<b>3,317,635</b>	

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**Annex 4 – Analysis of Grant from Development Partner**

**Kfw Frankfurt Am Main ("Kfw") (Grant)**

No	Date	Name of Payee	Currency of Payment	Payment Reference	Amounts in respective Currency of IPC/fee note		Equivalent amount in reporting currency	Equivalent amount in Donor Currency	Description
					USD	Kshs			
1.	02/08/2024	Lea Associates South Asia Pvt Ltd	EUR	PV 92010 WA 13	-	-	52,214,861	470,186	Kitale-Morphus FN 1B
2.	16/01/2025	Lea Associates South Asia Pvt Ltd	KES	PV 95442 WA 014	-	7,456,064	7,456,064	67,141	Kitale-Morphus FN 002
3.	24/01/2025	Lea Associates South Asia Pvt Ltd	EUR	PV 95632 WA 015	-	-	14,841,433	133,645	Kitale-Morphus FN 003
4.	28/03/2025	Pamoja Trust	KES	PV 96521 WA 020	-	7,875,000	7,875,000	70,913	Kitale-Morphus FN 001
5	29/04/2025	Lea Associates South Asia Pvt Ltd	EUR	PV97660 WA 021	-	-	9,977,050	71,193	Kitale-Morphus FN 004
6	27/05/2025	Lea Associates South Asia Pvt Ltd	KES	PV 98798 WA 023	-	34,400	34,400	310	Kitale-morphus FN 10
7	27/05/2025	Lea Associates South Asia Pvt Ltd	EUR	PV 98797 WA 022	194,896	-	27,187,505	244,819	Kitale-morphus FN 10
<b>Total Amounts received for FY 2024/25</b>					<b>194,896</b>	<b>15,365,464</b>	<b>119,586,313</b>	<b>1,058,207</b>	

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**Annex 5 – Fixed Asset Register**

Asset class	Historical Cost b/f	Additions during the year	Disposals during the year	Transfers in/(out) during the year	Historical Cost c/f
	(Kshs)	(Kshs)	(Kshs)		(Kshs)
	2024/25				2024/25
Infrastructure Assets - Roads	1,542,446,109	409,364,933	-	(1,542,446,109)	409,364,933
Consultancy Services	159,518,677	137,148,482	-	(39,036,460)	257,630,699
<b>Total</b>	1,701,964,786	546,513,415	-	(1,581,482,569)	666,995,632

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**Annex 6 – Pending Bills**

	Original Amount	Date Contracted	Amount Paid To-Date	Adjustment	Outstanding	Outstanding Balance	Comments
					2024/2025	2023/2024	
	a	b	c		d= a - b		
<b>Construction of Roads</b>							
<b>Consultancy Services</b>							
LEA Associates South Asia	38,295,124	21/06/2022	38,295,124	-	-	3,524,205	4
LEA Associates South Asia	34,708,215	07/03/2023	34,708,215	-	-	6,024,205	5
LEA Associates South Asia	24,940,962	23/02/2023	24,940,962	-	-	3,440,133	6
LEA Associates South Asia	2,888,654	28/08/2023	2,888,654	-	-	398,435	7
LEA Associates South Asia	1,153,147	12/09/2023	1,153,147	-	-	159,055	8
LEA Associates South Asia	29,116,989	12/09/2023	29,116,989	-	-	4,016,136	9
LEA Associates South Asia	60,569,265	21/05/2024	-	60,569,265	-	60,569,265	1B
<b>Total Consultancy Services</b>	<b>191,672,356</b>		<b>131,103,091</b>	<b>60,569,265</b>	-	<b>78,131,434</b>	
<b>Land</b>			-	-	-	-	
<b>Grand Total</b>	<b>191,672,356</b>		<b>131,103,091</b>	<b>60,569,265</b>	-	<b>78,131,434</b>	

**Annex 7 – Other Support Documents**

1. Bank Reconciliations statements as at 30<sup>th</sup> June 2025