

REPUBLIC OF KENYA



Enhancing Accountability



REPORT

THE NATIONAL ASSEMBLY
PAPERS LAID
DATE: 12 MAR 2024 TUESDAY
TABLED BY: Hon. Owen Baya, MP
Deputy leader, Majority Party
Inzofu mwaka

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THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR ENDED
30 JUNE, 2023**

KENYA NATIONAL HIGHWAYS AUTHORITY





MINISTRY OF ROADS AND TRANSPORT



Kenya National Highways Authority

Quality Highways, Better Connections

NORTHERN CORRIDOR TRANSPORT IMPROVEMENT PROJECT

KENYA NATIONAL HIGHWAYS AUTHORITY

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

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2023

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

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1. Acronyms and Glossary of Terms

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

2. Project information and overall performance

2.1 Name and registered office

Name: Northern Corridor Transport Improvement Project

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

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

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Jomo Kenyatta International Airport
Off Mazao Road
Nairobi, Kenya

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

Telephone: +254-20-495000

E-mail: dg@kenha.co.ke

Website: www.kenha.co.ke

2.2 Project Information

Project Start Date:	25 June 2004
Project End Date:	30 December 2015
Project Manager:	Eng. S. Ogege
Project Sponsor:	<ul style="list-style-type: none"> • Government of Kenya • International Development Association (IDA)

2.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the State Department of Roads under the Ministry of Roads and Transport (MRT).
Project number	P082615
Strategic goals of the project	The strategic goals of the project are as follows: <ul style="list-style-type: none"> (i) Increasing the efficiency of road transport; and (ii) Promoting private sector participation in the management, financing and maintenance of road assets

*Northern Corridor Transport Improvement Project
Annual Report and Financial Statements for the financial year ended June 30, 2023*

Project information and overall performance (Continued)

Summary of Project Strategies for achievement of strategic goals	The project management aims to achieve the goals through the following means: (i) Rehabilitation of Northern Corridor and Emergency Restoration of Damaged Public Assets (ii) Private Sector Participation in Road Management and Maintenance (iii) Institutional Strengthening in Road Sector and Technical Assistance (iv) Strengthening Governance in Construction Industry
Other important background information of the project	The objective of the Project is to enhance the efficiency and effectiveness of the country's transport sector through: (a) increasing the efficiency of road transport; (b) promoting private sector participation in the management, financing, and maintenance of road assets. (c) to improve sound economic status of the country at large
Areas that the project was formed to achieve	The project was formed to intervene in the following areas: (i) Reduction in freight and passenger travel times from Mombasa to Malaba & Busia (ii) The un-rehabilitated road sections covered by the additional financing also experienced much greater deterioration than expected over the last few years, due to partly, the heavy growth in traffic as well as due to damage resulting from unusually heavy rains and floods (iii) The post-election crisis in the country saw extensive damage to some critical infrastructure, public buildings and equipment
Project duration	The project started on 25 June 2004 and ended on 30 December 2015

2.4 Bankers

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

2.5 Independent Auditor

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

Project information and overall performance (Continued)

2.6 Roles and Responsibilities

Names	Title designation	Key qualification	Responsibilities
Eng. H. Gakuru	Ag. Director Development	Registered Engineer	Overall Development Projects oversight
Eng. Samuel Ogege	Deputy Director - Special Projects	Registered Engineer	<ul style="list-style-type: none"> Plan, direct, control and coordinate activities of the program components. Coordinate project implementation activities Prepare project implementation reports, <ul style="list-style-type: none"> Attend project coordination meetings
Mr. W. M. Barongo	Deputy Director Environment & Social Safeguards	NEMA Lead Expert	<ul style="list-style-type: none"> Coordinate Project Social safeguards activities Coordinate Project Environmental safeguards activities
CPA Chanje Kera	Deputy Director Finance and Accounts	Certified Public Accountant	<ul style="list-style-type: none"> Provide professional advice on project accounting and finance on regulations and financial management processes Coordinate financial reporting processes Coordinate Project reporting
Mr. R. Kilel	Assistant Director Supply Chain Management	Registered KISM & CIPS Member	<ul style="list-style-type: none"> Provide professional advice on project procurement on policies and management purchasing processes Coordinate project procurement activities.

*Northern Corridor Transport Improvement Project
Annual Report and Financial Statements for the financial year ended June 30, 2023*

Project information and overall performance (Continued)

2.7 Funding summary

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

Below is the funding summary:

A) Source of Funds

Source of funds	Donor Commitment-		Amount received to date – (30.06.2023)		Undrawn balance to date (30.06.2023)	
	USD	Kshs	USD	Kshs	USD	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Loan						
International Development Association	307,493,959	31,088,315,753	307,493,959	31,088,315,753	-	-
Nordic Development Fund	16,641,543	1,458,246,791	16,641,543	1,458,246,791	-	-
(ii) Counterpart funds						
Government of Kenya	-	31,771,414,058	-	31,771,414,058	-	-
			-	-		
Total	324,135,502	64,317,976,602	324,135,502	64,317,976,602	-	-

Funding summary

Project information and overall performance (Continued)

B) Application of Funds

Application of funds	Amount received to date – (30 th June 2023)		Cumulative Amount paid to date – (30th June 2023)	Unutilised balance to date – (30th June 2023)	
	<i>USD</i>	<i>Kshs</i>	<i>Kshs</i>	<i>USD</i>	<i>Kshs</i>
	(A)	(A')	(B')	(A)- (B)	(A')-(B')
(i) Loan					
International Development Association	307,493,959	31,088,315,753	31,088,315,753	-	-
Nordic Development Fund	16,641,543	1,458,246,791	1,458,246,791	-	-
	-	-	-	-	-
(ii) Counterpart funds	-	-	-	-	-
Government of Kenya	-	31,771,414,058	31,771,414,058	-	-
Total	324,135,502	64,317,976,602	64,317,976,602	-	-

2.8 Summary of Overall Project Performance:

- 1) Maji ya Chumvi - Miritini (35 km and increased to 40 km)
Contract successfully completed and handed over to Employer.
- 2) Sultan Hamud-Machakos Turnoff (55 km)
Contract successfully completed and handed over to Employer.
- 3) Machakos Turn off-JKIA 33 km (including 12 km of dual carriageway)
Contract successfully completed and handed over to Employer.
- 4) Lanet-Njoro Turnoff (dual 16 km)
Contract successfully completed and handed over to Employer
- 5) Njoro Turnoff-Timboroa (84 km)
Contract successfully completed and handed over to Employer
- 6) Mau Summit-Kericho (57km)
Contract successfully completed and handed over to Employer.
- 7) Kericho-Nyamasaria (76 km)
Contract successfully completed and handed over to Employer.
- 8) Nyamasaria-Kisumu - Kisian including Kisumu Bypass road
Contract successfully completed and handed over to Employer.

Project information and overall performance (Continued)

9) Emergency Restoration of Public Assets
Contract successfully completed and handed over to Employer.

10) Rehabilitation of Kisumu Airport – Kisian Road 7km
Contract successfully completed and handed over to Employer.

2.9 Summary of Project Compliance:

There were no cases of reported non-compliance with applicable laws and regulations, and essential external financing agreements/covenants, Statement of Performance against Project's Objectives

3. Statement of Performance against Project's Predetermined Objectives

The key development objectives of the project are to:

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

Progress on attainment of Strategic development objectives

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement:

Below we provide the progress on attaining the stated objectives:

Project	Objective	Outcome	Indicator	Performance
Northern Corridor Transport Improvement	<p>Increasing the efficiency of road transport along the Northern corridor to facilitate trade and regional integration.</p> <p>Promoting private sector participation in the management, financing and maintenance of road assets</p> <p>Restoration of damaged public buildings damaged as a result of the 2007 post-election crisis.</p>	<p>Reduction in vehicle operating costs, passenger travel time and road crash related costs. Kenyan products will be more competitive in regional and international markets</p> <p>Consolidate the achievements made so far, enhance the efficiency and effectiveness of service delivery, and promote good governance and professional integrity in the roads sector</p>	<p>Reduction in freight and passenger travel times from Mombasa to Malaba</p> <p>Award of one long term performance-based road maintenance and management contract to the private sector.</p>	<p>Current travel and freight movement time between Mombasa to Malaba has reduced by 25%.</p> <p>Already a section of the corridor (Nairobi Expressway Project) has been completed under Public Private Partnership and opened tolled..</p>

4. Environmental and Sustainability reporting

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

1. Sustainability strategy and profile

Sustainable Development Goals (SDGs) 2015-2030 provides a plan of action for the people and 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

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

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

5. Community Engagements

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

The Contractor has been involved in various CSR activities geared towards providing the local residents by, improvement of access roads and enhancing learning and playing environment in schools along the project road. To enhance social safeguards in projects, the Authority undertakes Resettlement Action Plan (RAP) studies and implements its recommendations, carries out Social Impact Assessments (SIA), undertakes gender mainstreaming and conduct stakeholders' forum to sensitize the public in several cross cutting issues.

5. Statement of Project Management Responsibilities

The Director General of Kenya National Highways Authority and the Project Management for Northern Corridor Transport Improvement Project are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year ended on **June 30, 2023**. This responsibility includes: (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

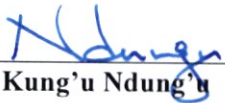
The Director General of Kenya National Highways Authority and the Project Management for Northern Corridor Transport Improvement Project accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting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

The Director General of Kenya National Highways Authority and the Project Management for Northern Corridor Transport Improvement Project are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year ended **June 30, 2023**, and of the Project's financial position as at that date. The Director General of Kenya National Highways Authority and the Project Management for Northern Corridor Transport Improvement Project further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

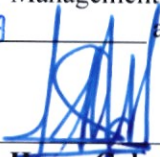
The Director General of Kenya National Highways Authority and the Project Management for Northern Corridor Transport Improvement Project confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project financial statements


The Project financial statements were approved by the Director General of Kenya National Highways Authority and the Project Management for Northern Corridor Transport Improvement Project on 26 SEP 2023 and signed by them.



Eng. Kung'u Ndung'u
Director General



Eng. Henry Gakuru
Ag. Director Development



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

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON NORTHERN CORRIDOR TRANSPORT IMPROVEMENT PROJECT IDA CREDIT NO. 3930-KE AND 4571-KE FOR THE YEAR ENDED 30 JUNE, 2023 - KENYA NATIONAL HIGHWAYS AUTHORITY

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Northern Corridor Transport Improvement Project set out on pages 1 to 23, which comprise of the statement of financial assets as at 30 June, 2023 and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Northern Corridor Transport Improvement Project-IDA Credit No.3930-KE and No.4571-KE as at 30 June, 2023 Kenya National Highway Authority and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Financing Agreement IDA Credit No.3930-KE and No.4571-KE dated 8 May, 2009 between Republic of Kenya and International Development Association and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccuracies in the Financial Statements

The financial statements prepared and presented for audit had the following anomalies:

- i. The statement of receipts and payments reflects comparative balance of Kshs.9,702,270 in respect of deficit for the year. However, review of the statement of assets reflects comparative balance of Kshs.2,496,331 in respect of the surplus for the year resulting to unexplained and unreconciled variance of Kshs.7,205,939.
- ii. The statement of financial assets reflects Nil balances of comparative balances in respect of deposits and retention monies. However, review of Note 10 to the financial statements reflects comparative balance of Kshs.12,198,601 in respect of deposit and retention monies not reported. Further, the decrease in deposits and retention monies was not reported in the statement of cash flows.

In the circumstances, the accuracy and completeness of the balances in the financial statements could not be confirmed.

2. Unsupported Miscellaneous Receipts

The statement of receipts and payments reflects miscellaneous receipts of an amount of Kshs.2,287,195 in respect of interest income as disclosed in Note 3 to the financial

statements. However, review of the supporting schedule provided for audit revealed an amount of Kshs.2,690,817 in respect of interest income including unsupported interest expenses of an amount of Kshs.403,622. Further, bank statements confirming the receipts and expenses were not provided for audit review.

In the circumstances, the accuracy and completeness of the miscellaneous receipts amount of Kshs.2,287,195 in respect of interest income could not be confirmed.

3. Unsupported Expenditure on Refurbishment of Offices

The statements of receipts and payments reflects acquisition of non-financial assets amount of Kshs.10,283,971 in respect of refurbishment of buildings and as disclosed in Note 6 to the financial statements. Further, review of supporting documents including payment vouchers, bills of quantities, notification of tender award, acceptance of tender and contract agreement revealed that the repair and renovation of the Ministry of Public Works offices in Homabay and Oyugis was procured and implemented between September and October 2015. Further the payment voucher provided for audit review confirms that the payment was made on 22 February, 2022 which relates to the previous financial 2021/2022.

In the circumstances, the regularity, accuracy and completeness of the expenditure amount of Kshs.10,283,971 in respect of acquisition of non-financial assets could not be confirmed.

4. Unsupported Other Grants, Transfers and Payments

The statement of receipts and payments reflects other grants, transfers and payments amount of Kshs.61,640,781 in respect of miscellaneous payments and as disclosed in Note 7 to the financial statements. Management indicated that the amount was paid to the operation account after the closure of the project. However, supporting documents as agreement between Management, the National Treasury and the Donor on the closure of the project and the condition of the refund of the monies in the project account revealed the project still had a special deposit account which had balance of USD42,172.

In the circumstances, the accuracy and completeness of payments of an amount of Kshs.61,640,781 in respect of transfers and payments could not be confirmed.

5. Unsupported Cash and Cash Equivalents

The statement of financial assets reflects Nil balance in respect of cash and cash equivalents and as disclosed in Note 8 to the financial statements. However, supporting documents including certificate of bank balance, bank statements and bank reconciliation statements as at 30 June, 2023 were not provided for audit review.

In the circumstances, the accuracy and completeness of the Nil balance in respect of cash and cash equivalents could not be confirmed.

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

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

1. Pending Bills

Annex 3 to the financial statements reflects analysis of pending bills in respect of road contractors totaling Kshs.3,597,877,130 as at 30 June, 2023. As previously reported, Annex 3 to the financial statements clearly shows that a total of Kshs.3,589,974,572 were contracted on 28 and 30 June, 2022 which was seven and a half years after the project end date of 30 December, 2015. Further, review of the supporting documents including two Dispute Board Arbitration reports on Mau Summit Kericho Rd and Kericho-Nyamasaria-Rd-0421 and Kericho Nyamasari Rd -0422 in respect to delays in settling outstanding payments in time revealed higher amounts awarded in two portion on foreign and local currencies to the contractor which are at variance and inconsistent with balances reflected in Annex3 of the analysis of pending bills as detailed below. In addition, supporting documents including invoices and interim payment certificates in respect to Kisumu Airport Kisian and Road Over Rail Bridge: IPC No.9 were not provided and records at Annex3 indicate that no bills were settled during the year.

Road	Information as per Annex 3			Information as per Dispute Board Arbitration Report			
	Date of Contract	Contract Amount	Outstanding	Date of Contract	Contract Amount	Outstanding (USD)	Outstanding (Kshs.)
RD-0421	28-6-2022	1,391,684,274	1,391,684,274	26-10-2009	6,832,657,486	4,887,199	1,076,341,681
RD-0422	28-6-2022	1,586,806,817	1,586,806,817	8-02-2010	8,006,708,791	3,575,728	1,356,180,186

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

2. Project Closure Report

The Project information at Section 2.2 of the annual report and financial statements reflects the project end date of 30 December, 2015. However, the project closure report

was not provided for audit, being almost eight (8) years after the expiry of the closure period.

3. Unresolved Prior Year Matters

As disclosed under the progress on follow up of auditor's recommendations section of the financial statements, the prior year audit issues remained unresolved as at 30 June, 2023. Management has not provided satisfactory reasons for the delay in resolving the issues.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

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

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) 2315 and 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

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

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

Responsibilities of the Management and those Charged with Governance

The Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal controls as the 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 governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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


- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

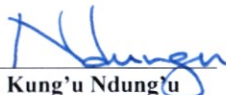
06 December, 2023

Northern Corridor Transport Improvement Project
Annual Report and Financial Statements for the financial year ended June 30, 2023


7. Statement of Receipts and Payments for the year ended 30th June 2023

	Note	Receipts and payments controlled by the entity	Payments made by third parties	Total	Receipts and payment controlled by the entity	Payments made by third parties	Total	Cumulative to-date (From inception)
		2022-2023			2021 -2022			
Receipts		Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
Transfer from Government entities	1	10,283,971	-	10,283,971	-	-	-	31,697,866,006
Loan from external development partners	2	-	-	-	-	-	-	32,546,562,544
Miscellaneous receipts	3	2,287,195	-	2,287,195	2,496,331	-	2,496,331	73,548,052
Total receipts		12,571,166	-	12,571,166	2,496,331	-	2,496,331	64,317,976,602
Payments								
Compensation of employees	4		-		-	-	-	52,959,675
Purchase of goods and services	5		-		-	-	-	185,456,726
Acquisition of non-financial assets	6	10,283,971	-	10,283,971	12,198,601	-	12,198,601	64,017,919,420
Other grants and transfers /payments	7	61,640,781		61,640,781				61,640,781
Total payments		71,924,752	-	71,924,752	12,198,601	-	12,198,601	64,317,976,602
Deficit/(Surplus)		(59,353,586)	-	(59,353,586)	(9,702,270)	-	(9,702,270)	-

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


 Eng. Kung'u Ndung'u
 Director General


 Eng. Henry Cakuru
 Ag. Director Development

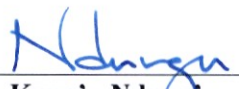

 CPA Chanje Kera
 Deputy Director (F&A)
 ICPAK Member No. 8279

*Northern Corridor Transport Improvement Project
Annual Report and Financial Statements for the financial year ended June 30, 2023*


8. Statement of Financial Assets as at 30th June 2023

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
Financial Assets			
Cash and Cash equivalents			
Bank Balances	8	-	59,353,586
Total Cash and Cash equivalents		-	59,353,586
Total Financial Assets		-	59,353,586
Financial Liabilities			
Deposits and Retention monies			-
Net Assets		-	59,353,586
Represented By			
Fund Balance B/fwd.	9	59,353,586	56,857,255
Surplus/(Deficit) for the Year		(59,353,586)	2,496,331
Net Financial Position		-	59,353,586

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 26 SEP 2023 and signed by:


Eng. Kung'u Ndung'u
Director General

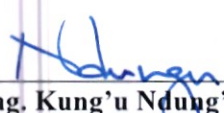

Eng. Henry Gakuru
Ag. Director Development

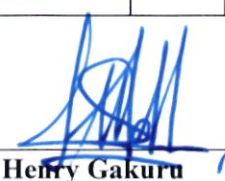

CPA Chanje Kera
Deputy Director F&A)
ICPAK Member No. 8279

*Northern Corridor Transport Improvement Project
Annual Report and Financial Statements for the financial year ended June 30, 2023*

9. Statement of Cashflow for the year ended 30th June 2023

Description	Notes	2022-2023	2021-2022
		Kshs	Kshs
Cashflow from operating activities			
Receipts			
Transfer from government entities	1	10,283,971	-
Miscellaneous receipts	3	2,287,195	2,496,331
Total receipts		12,571,166	2,496,331
Payments		-	-
Other grants and transfers /payments	7	(61,640,781)	-
Total Payments		(61,640,781)	-
Adjustments during the year			-
Net cash flow from operating activities		12,571,166	2,496,331
Cashflow from investing activities		-	-
Acquisition of non-financial assets	6	(10,283,971)	(12,198,601)
Net cash flows from investing activities		(10,283,971)	(12,198,601)
Cash flow from financing activities			
Proceeds from foreign borrowings		-	-
Net cash flow from financing activities		-	-
Net increase in cash and cash equivalents		(59,353,586)	(9,702,270)
Cash and cash equivalent at beginning of the year		59,353,586	69,055,856
Cash and cash equivalent at end of the year		-	59,353,586


Eng. Kung'u Ndung'u
Director General


Eng. Henry Gakuru
Ag. Director Development


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

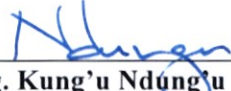
Northern Corridor Transport Improvement Project

Annual Report and Financial Statements for the financial year ended June 30, 2023


10. Statement of Comparison of Budget and Actual amounts for the year ended 30th June 2023

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
Receipts						
Transfer from Government entities	-	-	10,283,971	10,283,971	-	100%
Miscellaneous receipts	-	-		2,287,195	2,287,195	-
Total Receipts	-	-	10,283,971	12,571,166	2,287,195	122%
Payments						
Acquisition of non-financial assets	-	-	10,283,971	10,283,971	-	100%
Other grants and transfers /payments	-	-	-	61,640,781	(61,640,781)	-
Total Payments	-	-	10,283,971	71,924,752	(61,640,781)	699%
Deficit	-	-	-	(59,353,586)	(59,353,586)	

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


Eng. Kung'u Ndung'u
Director General


Henry Gakuru
Ag. Director Development


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

11. Significant Accounting Policies

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

a) Statement of compliance and basis of preparation

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

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

b) Reporting entity

The financial statements are for the **Northern Corridor Transport Improvement Project** under the Kenya National Highways Authority. The financial statements are for **Northern Corridor Transport Improvement Project** as required by Section 81 of the PFM Act, 2012.

c) Reporting currency

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

d) Recognition of receipts

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

i) Transfers from the Exchequer

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

ii) External Assistance

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

Significant Accounting Policies (Continued)

iii) Other receipts

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

iv) Donations and grants

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

v) Proceeds from borrowing

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

vi) Undrawn external assistance

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

e) Recognition of payments

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

i) Compensation to employees

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

Significant Accounting Policies (Continued)

ii) Use of goods and services

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

iii) Interest on borrowing

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

iv) Repayment of borrowing (principal amount)

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

v) Acquisition of fixed assets

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

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

f) In-kind donations

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

Significant Accounting Policies (Continued)

g) Cash and cash equivalents

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

For the purposes of these financial statements, cash and cash equivalents also include short term cash imprest and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

h) Restriction on cash

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation. Amounts maintained in deposit bank accounts are restricted for use in refunding third part deposits.

i) Imprests and Advances

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

j) Contingent Liabilities

A contingent liability is:

- a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b) A present obligation that arises from past events but is not recognised because:

Significant Accounting Policies (Continued)

- i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
- ii) The amount of the obligation cannot be measured with sufficient reliability.

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities. Letters of comfort/ support, insurance, Public Private Partnerships, The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

k) Contingent Assets

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

l) Pending bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as 'memorandum' or 'off-balance' When the pending bills are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

Significant Accounting Policies (Continued)

m) Budget

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

n) Third party payments

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

o) Exchange rate differences

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

Significant Accounting Policies (Continued)

p) Comparative figures

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

q) Subsequent events

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended **June 30, 2023**.

r) Prior period adjustments

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

*Northern Corridor Transport Improvement Project
Annual Report and Financial Statements for the financial year ended June 30, 2023*

12. Notes to the Financial Statements

1. Transfers from Government entities

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

Description	KShs		Cumulative to-date (from inception)
	2022-2023	2021-2023	
<i>Counterpart funding through the line Ministry</i>			
Counterpart funds Quarter 1			8,038,947,304
Counterpart funds Quarter 2			9,645,069,557
Counterpart funds Quarter 3			7,129,215,712
Counterpart funds Quarter 4			6,874,349,462
Total			31,687,582,035
<i>Other transfers from government entities</i>			
Ministry	-	-	-
Project	-	-	-
Agency	-	-	-
Total			
Appropriations-in-Aid	10,283,971		10,283,971
Total	10,283,971	-	31,697,866,006

2. Loan from External Development Partners

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

Description	2022-2023				2021-2022	Cumulative to date
	Amount in loan currency	Loans received in actual amount	Loans received as direct payment*	Total amount in Kshs	Total amount in Kshs	
	USD	Kshs	Kshs	Kshs	Kshs	Kshs
Multilateral Donors						
Norway Development Fund						1,458,246,791
International Development Association						31,088,315,753
Total						32,546,562,544

Notes to the Financial Statements (Continued)

3. Miscellaneous receipts

Description	2022-2023			2021/2022	Cumulative to-date (from inception)
	Receipts controlled by the entity in Cash	Receipts controlled by third parties	Total receipts	Total receipts	
	Kshs	Kshs	Kshs	Kshs	Kshs
Interest income	2,287,195	-	2,287,195	2,496,331	73,548,052
Total	2,287,195	-	2,287,195	2,496,331	73,548,052

4. Compensation to Employees

Description	2022/2023			2021/2022	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total payments	Total payments	
	Kshs	Kshs	Kshs	Kshs	Kshs
-					
Basic wages of temporary employees	-	-	-	-	52,959,675
Total	-	-	-	-	52,959,675

5. Purchase of Goods and Services

Description	2022/2023			2021/2022	Cumulative to-date
	Payments made in Cash	Payments made by third parties	Total payments	Total payments	
	Kshs	Kshs	Kshs	Kshs	Kshs
Domestic travel and subsistence	-	-	-	-	29,464,389
Foreign travel and subsistence	-	-	-	-	18,363,089
Printing, advertising, and information supplies	-	-	-	-	29,695,880
Training payments	-	-	-	-	84,565,499
Hospitality supplies and services	-	-	-	-	7,695,073
Specialized materials and services	-	-	-	-	15,015,532
Routine maintenance – vehicles and other transport equipment	-	-	-	-	657,264
Total	-	-	-	-	185,456,726

Notes to the Financial Statements (Continued)

6. Acquisition of Non-Financial Assets

Description	Payments made in Cash	Payments made by third parties	Total payments	Total payments	Cumulative to-date
	Kshs.	Kshs.	Kshs	Kshs	Kshs
Refurbishment of buildings	10,283,971	-	10,283,971	-	443,803,302
Construction of roads	-	-	-	12,198,601	55,175,752,520
Purchase of vehicles & other transport equipment	-	-	-	-	487,801,252
Purchase of office furniture & general equipment	-	-	-	-	392,325,104
Purchase of specialised plant, equipment and machinery	-	-	-	-	965,155,286
Research, studies, project preparation, design & supervision	-	-	-	-	3,737,308,189
Acquisition of land	-	-	-	-	2,757,806,524
Acquisition of other intangible assets	-	-	-	-	57,967,243
Total	10,283,971	-	10,283,971	12,198,601	64,017,919,420

7. Other Grants, Transfers and Payments

Description	2022-2023			2021-2022	Cumulative to-date
	Payments made in Cash	Payments made by third parties	Total payments	Total payments	
	Kshs	Kshs	Kshs	Kshs	Kshs
Miscellaneous payments	61,640,781		61,640,781		61,640,781
Total	61,640,781		61,640,781		61,640,781

Notes to the Financial Statements (Continued)

8. Cash and Cash equivalents

Description	2022-2023	2021-2022
	Kshs	Kshs
Bank accounts (Note 8A)	-	59,353,586
Cash in hand	-	-
Cash equivalents (short-term deposits)	-	-
Total	-	59,353,586

8 A Bank Accounts

Project Bank Accounts

Details	2022-2023	2021-2022
	Kshs	Kshs
<u>Local Currency Accounts</u>		
NCBA [A/c No 1000012177]	-	59,353,586
Total bank account balances	-	59,353,586

Special Deposit Accounts

The balances in the Project's Special Deposit Account as at 30th June 2023 are not included in the Statement of Financial Assets since they are below the line items and are yet to be drawn into the Exchequer Account as a voted provision.

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

Special Deposit Accounts Movement Schedule

Description	2022-2023	2021-2022
	USD	USD
A/C NCTIP KeNHA [A/c No 0810297087613]		
Opening balance	42,172	42,172
Total amount deposited in the account	-	-
Total amount withdrawn (as per Statement of Receipts & Payments)	-	-
Closing balance (as per SDA bank account reconciliation attached)	42,172	42,172

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

Notes to the Financial Statements (Continued)

9. Fund Balance Brought Forward

Description	2022-2023	2021-2022
	Kshs	Kshs
Bank accounts	-	59,353,586
Total	-	59,353,586

10. Changes in Accounts Payable

Description	2022-2023	2021-2022
	Kshs	Kshs
Deposit and Retentions as at 1 st July 20	-	12,198,601
Closing accounts payables as at 30 th June 20	-	-
Change in payables	-	12,198,601

**Other Important Disclosures
Pending Accounts Payable (See Annex 3)**

	Balance b/f FY 2020/2021	Additions for the year	Paid during the year	Balance c/f FY 2022/2023
Description	Kshs	Kshs	Kshs	Kshs
Construction of civil works	3,597,877,130	-	-	3,597,877,130
Total	3,597,877,130	-	-	3,597,877,130

*Northern Corridor Transport Improvement Project
Annual Report and Financial Statements for the financial year ended June 30, 2023*

13. Annexes

Annex 1: Prior Year Auditor-General's Recommendations

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>Basis for Qualified Opinion</p> <p>Inaccuracies in the Financial Statements</p> <p>The statement of receipts and payments reflects a deficit of Kshs.9,702,270 for the year ended 30 June, 2022. However, the statement of financial assets reflects a surplus of Kshs.2,496,331 for the same period resulting in unexplained difference of Kshs.12,198,601.</p> <p>In the circumstances, the accuracy of the financial statements could not be confirmed.</p>	<p>We agree with the audit observation that the statement of receipts and payments reflects a deficit of Kshs. 9,702,270 for the year ended 30 June 2022 whereas the statement of financial assets reflects a surplus of Kshs. 2,496,331 resulting to a difference of Kshs.12,198,601.</p> <p>This is attributed to the following:-</p> <ol style="list-style-type: none"> 1. The Project Bank account has earned interest of Kshs.2,496,331 during the reporting year and, 2. A retention amount of Kshs.12,198,601 was refunded to the contractor having been withheld in the prior years as reported in the statement of financial assets for the prior year. <p>The reporting template requires that the amounts retained or released be reported as in the statement of</p>	<p><i>Pending</i></p>	<p>October,2023</p>

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		<p>financial assets liabilities and the bank account interest earned as incomes reported as a miscellaneous receipt. The deficit/ surplus will therefore be the income less expenses/ financial liabilities realised during the period. For this project, the deficit of Kshs. 9,702,270 was therefore arrived at as follows: -</p> <p>Income (Kshs. 2,496,331) less financial liabilities for the year (Kshs. 12,198,601). Please note that this project was completed more than 10 years ago hence there were no further activities with a financial implication.</p>		
	<p>Unsupported Bank Balances The statement of financial assets reflects bank balance of Kshs.59,353,586 as at 30 June, 2022. However, and as reported in 2021/2022, the opening balance of Kshs.69,055,856 was not supported with bank reconciliation statement and bank</p>	<p>We disagree with the audit observation that the bank balances were not supported by bank confirmation certificate.</p> <p>During the audit process, Management availed the letter from NCBA Bank confirming the bank balance for the KeNHA-NCTIP as at 30th June 2022 to have been Kshs.</p>	Pending	October, 2023

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>confirmation certificate.</p> <p>In the circumstances, the accuracy of bank balance of Kshs.59,353,586 as at 30 June, 2022 could not be confirmed.</p>	<p>59,353,582.25. The bank reconciliation statement for the same account was provided indicating the actual bank balance of Kshs. 59,353,582.25.</p> <p>Please note that the opening bank balance for FY 2021/2022 as at 1st July 2021 was Kshs. 69,055,856. The above was the closing balance for FY 2020/2021 which was audited and confirmed to comprise of:-</p> <ul style="list-style-type: none"> a) Bank balance at NCBA – Kshs. 56,857,255 b) Bank balance at NBK Retention -Kshs. 12,198,601 c) Project bank balance as at 30/06/21-Kshs. 69,055,856. <p>The above closing project bank balance as at 30th June 2021 of Kshs. 69,055,856 was verified during the audit exercise for FY 2020/2021. Further note that the</p>		

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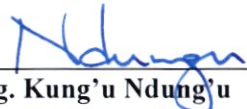
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>difference of Kshs. 2,496,331 between the opening project bank balance and closing project bank balance of Kshs. 56,857,255 and Kshs. 59,353,582.25 was the total net interest earned during the financial year under review whereas the Kshs. 12,198,601 retention money shown at the close of FY 2020/2021 did not appear at the close of FY 2021/2022 since it was released to the contractor during the year under review.</p>		
	<p>Other Matter Unsupported Pending Bills Note 12.1 and Annex 2 to the financial statements reflects pending accounts payable in respect of road contractors totalling Kshs.3,597,877,130 as at 30 June,2022. Annex 2 of the financial statements clearly shows that a total of</p>	<p>We agree with the audit observation that the project recorded a pending bill of Kshs. 3,597,877,130 in FY 2021/2022 although supporting documents dates back to previous financial year. Please note that the above amounts of Kshs. 3,597,877,130 were under dispute resolution mechanisms in the prior financial years hence reported</p>	Pending	October, 2023

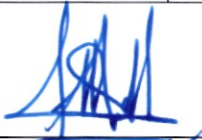
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	<p>Kshs.3,589,974,572 were contracted on 28 and 30 June 2022 which was six and a half years after the project timelines. Further the financial statements for the year ended 30 June 2021 did not disclose any pending bills at that point even though a pending bill of Kshs.7,902,558 is reflected as the opening balance as at 1 July, 2021. No documentation have been provided in support of the above pending bills. Review of the project's records indicate that no bill was settled during the year and the project therefore runs the risk of incurring significant unquantified interest costs and penalties with the continued delay in settling invoiced bills.</p>	<p>under contingent liabilities. However, upon their crystallization following a court award in FY 2021/2022, they transited from contingent liabilities to actual confirmed liabilities hence recognition in the project financial statements for year ended 30th June 2022.</p> <p>This matter had not been adjudicated and awarded as at the time of reporting for the year ended 30 June 2021.</p> <p>The awards are supported by the three (3) Dispute Board awards of Kshs. 3,589,974,572 and IPC of Kshs. 7,902,558 shared during the audit for the current financial year.</p> <p>We disagree with the audit observation that the pending bill amount of Kshs 7,902,558 was not reported in the prior year's project financial statements. This pending bill was actually included in the project financial</p>		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>statements for FY 2020/2021</p> <p>We agree with the audit observation that no bill for this project was settled in FY 2021/2022. This was due to lack of project line budget provision in FY 2021/2022 due to constrained budget ceilings.</p>		
	<p>Project Closure Report</p> <p>The Project information at Section 1.2 of the annual report and financial statements reflects the project end date of 30 December, 2015. However, the project closure report was not provided for audit, being almost seven (7) years after the expiry of the closure period.</p>	<p>We agree with the audit observation that the Project closure report was not provided during the audit exercise.</p> <p>Please note that the project was administered under FIDIC Conditions of Contract. As per FIDIC Conditions of Contract, a final account shall only be prepared upon both parties to the contract settling all outstanding matters. Please note that the government is yet to settle all project pending bills including claims thereof. The project bank account at NCBA Bank was closed during the FY 2022/2023</p>	<p>Not Resolved</p>	<p>Ongoing</p>


Eng. Kung'u Ndung'u
Director General


Eng. Henry Gakuru
Ag. Director Development

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Annex 2 - Variance explanations - Comparative Budget and Actual amounts for FY 2022-2023

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance (below 90% and over 100%)
	a	b	c=a-b	d=b/a %	
Receipts					
Transfer from government entities	-	10,283,971	10,283,971	100%	
Miscellaneous receipts		-	2,287,195	-	*
Total Receipts	-	10,283,971	12,571,166	0%	
Payments					
Acquisition of non-financial assets	-	10,283,971	10,283,971	100%	
Other grants and transfers /payments		61,640,781	0	-	**
Total payments	-	71,924,752	10,283,971	699%	

* The 0% realisation is due a miscellaneous receipt of Kshs. 2.3 million relating to bank interest.

** This amount relates to Project bank Account Balance after closure of the account on expiry of the loan

Annex 3 - Analysis of Pending Bills

Supplier of Goods or Services	Date Contracted	Original Amount	Amount Paid To-Date	Outstanding Balance 2022-2023	Outstanding Balance 2021/22	Comments
		a	b	C = a - b		
Construction of civil works						
H YOUNG	11-Sep-17	7,902,558	-	7,902,558	7,902,558	Road Over Rail Bridge: IPC No.9
SBI International Holdings Ag	28-Jun-22	1,391,684,274	-	1,391,684,274	1,391,684,274	Mau Summit-Kericho
SBI International Holdings Ag	28-Jun-22	1,586,806,817	-	1,586,806,817	1,586,806,817	Kericho - Nyamasaria
SBI International Holdings Ag	30-Jun-22	611,483,481	-	611,483,481	611,483,481	Ksm Airport-Kisian
Total		3,597,877,130	-	3,597,877,130	3,597,877,130	

Annex 4 – Summary of Fixed Assets Register

Asset class	Opening Cost (KShs) 2022/23	Donations in form of assets (KShs) 2022/23	Purchases/ Additions in the Year (KShs) 2022/23	Disposals in the Year (KShs) 2022/23	Transfers in/(out) Kshs 2022/23	Closing Cost (KShs) 2022/23
	(a)	(b)	(c)	(d)	(d)	(e)= (a)+ (b)+c)-(d)+(-)d
Land	2,757,806,524	-	-	-	-	2,757,806,524
Buildings and structures	433,519,331	-	10,283,971	-	-	443,803,302
Office equipment, furniture and fittings	392,325,104	-	-	-	-	392,325,104
Transport equipment	487,801,252	-	-	-	-	487,801,252
Other Machinery and Equipment	965,155,286	-	-	-	-	965,155,286
Infrastructure assets roads	58,913,060,709	-	-	-	-	58,913,060,709
Intangible assets	57,967,243	-	-	-	-	57,967,243
Total	64,007,635,449	-	10,283,971	-	-	64,017,919,420

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