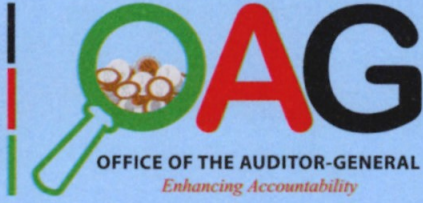


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REPORT

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ON: Irene Nduku

THE AUDITOR-GENERAL

**KAPCHORWA-SAUM-KITALE AND
ELDORET BYPASS PROJECT
NO.P-ZI-DBO-0183 ADB (NEW)**

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

**KENYA NATIONAL HIGHWAYS
AUTHORITY**

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MINISTRY OF ROADS AND TRANSPORT



Kenya National Highways Authority

Quality Highways, Better Connections

**PROJECT NAME: MULTINATIONAL UGANDA –KENYA: KAPCHORWA –SUAM – KITALE &
ELDORET TOWN BYPASS ROADS PROJECT**

IMPLEMENTING ENTITY: KENYA NATIONAL HIGHWAYS AUTHORITY

**PROJECT GRANT/CREDIT NUMBER:
AFRICAN DEVELOPMENT BANK (ADB) LOAN NO 2000200001052
AFRICAN DEVELOPMENT FUND (ADF) LOAN NO 2100150037300**

PROJECT NO P-ZI-DBO-183

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2025

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

*Multinational Uganda –Kenya: Kapchorwa –Suam – Kitale & Eldoret Town Bypass Roads Annual Report
and Financial Statements for the financial year ended June 30, 2025*

Multinational Uganda –Kenya: Kapchorwa –Suam – Kitale & Eldoret Town Bypass Roads Annual Report and Financial Statements for the financial year ended June 30, 2025

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1. Acronyms and Definition of Terms

ADF	African Development Fund
AfDB	African Development Bank
CBK	Central Bank of Kenya
CPA	Certified Public Accountant
DNP	Defects Notification Period
EAC	East African Community
EIK	Environment Institute of Kenya
EXIM	Export – Import
FY	Financial Year
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
IPC	Interim Payment Certificate
KeNHA	Kenya National Highways Authority
KSHS.	Kenya Shillings
MoR&T	Ministry of Roads and Transport
PAPs	Project Affected Persons
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
RMB	Renminbi
SDG	Sustainable Development Goals
TNT	National Treasury
UA	Unit of Account
UA	Unit of Account
USD	United States Doller

2. Project Information and Overall Performance

2.1 Name and registered office

Multinational Uganda –Kenya: Kapchorwa –Suam – Kitale & Eldoret Town Bypass Roads Project

Objective:

The African Development Bank Group (AfDB) approved USD 256.36 million of loans to the Governments of Kenya (USD 150.56 million) and Uganda (USD 105.7 million) for the upgrading of 118 km road section connecting the two countries as well as the construction of the 32 km Eldoret town bypass, in Kenya. Once completed in 2021, the project will contribute to improve the living standards of the 1.4 million people in the project zone of influence.

The construction of the Eldoret bypass (32km) will reduce traffic congestion in Eldoret Town, by avoiding crossing of the city centre. Thus, the average speed will increase from 26km/hr in the existing road to 42km/hr

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

Contacts:

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

Multinational Uganda –Kenya: Kapchorwa –Suam – Kitale & Eldoret Town Bypass Roads 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:	23 rd February ,2018
Project End Date:	30 th September 2023 (inclusive of DNP)
Project Engineer	Eng. Mutii Kivoto
Project Sponsor:	1.African Development Bank (AfDB) 2.Government of Kenya

2.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the State Department of Roads on behalf of the Ministry of Roads and Transport
Project number	P-ZI-DBO-0183
Strategic goals of the project	The strategic goals of the project are as follows: <ul style="list-style-type: none"> To Connect Kenya and other Part of East & Central African Facilitate Trade and movement of people in East and Central African by improving the transit time
Achievement of strategic goals	<p>The project management aims to achieve the goals through the following means:</p> <ul style="list-style-type: none"> Rehabilitation of the road that and to reduce transportation cost and transit time <p>Involving the local communities and community based organizations in monitoring conditions along the road, including preservation of the road signs. This will assist in dealing with environmental issues and the guarding against damages and the theft to road signs and road Infrastructure</p> <p>The upgrading of the 118km road connecting Kapchorwa (Uganda) to Kitale (Kenya) will provide</p> <ol style="list-style-type: none"> An all-weather access for citizens, farmers and traders. The project also includes a construction of a One Stop Border Post in Suam to facilitate trade between the two countries, travellers and transport operators. The upgrading of the road will reduce the travel time in Uganda (Kapchorwa-Suam) from 4hrs to 1.5hrs and in Kenya (Suam-Kitale) from 1.5hrs to 45 minutes. The project area is very fertile and has high agricultural potential and the upgrading of the road from gravel to bitumen standard will facilitate the supply of farm inputs and evacuation of produce to major market centres.

Multinational Uganda –Kenya: Kapchorwa –Suam – Kitale & Eldoret Town Bypass Roads Annual Report and Financial Statements for the financial year ended June 30, 2025

Project Information and Overall Performance (Continued)

Other important background information of the project	The AfDB and ADF loans will cover 88% of the Kenya project costs whereas the Government of Kenya contribution will be 12% of the project cost.
Areas that the project was formed to intervene	The project was formed to intervene in the following areas: <ul style="list-style-type: none"> • Reducing Transport cost and travel time between Nairobi and Kampala. • Improvement of transportation of farm inputs and produces to and from the project area • Improvement of economic and living standard of people in towns along the corridor
Project duration	5 years

2.4 Bankers

Cooperative Bank of Kenya Ltd
Upper Hill Branch
P.O. Box 48231 – 00100, Nairobi

National Bank of Kenya
Hill Branch
P.O Box 72866 – 00200, Nairobi

Kenya Commercial Bank
JKIA Branch, Nairobi

2.5 Independent Auditor

Auditor General
Office of The Auditor General
P.O Box 30084-0100
Nairobi

Multinational Uganda –Kenya: Kapchorwa –Suam – Kitale & Eldoret Town Bypass Roads Annual Report and Financial Statements for the financial year ended June 30, 2025

Project Information and Overall Performance (Continued)

2.6 Roles and Responsibilities

List of the people who are working on the project.

	Names	Title designation	Key qualification	Responsibilities
1.	Eng. Henry Gakuru	Director-Development	Registered Civil Engineer	Project Team Leader
2.	Eng. Mutii Kivoto	Deputy Director	Registered Civil Engineer	Project Team Coordinator & Construction Specialist
3.	Mr. Walter Nyatwanga	Deputy Director	Registered NEMA Lead expert. Member EIK	Environment Social Safeguards Specialist
4.	CPA. Chanje Kera	Deputy Director-Finance & Accounts	Certified Public Accountant (CPA)	Project Financial Specialist
5.	Ms. Levina K. Wanyonyi	Deputy Director-Supply Chain Management	Registered KISM	Project Procurement Specialist

2.7 Funding summary

The Project is for duration of 5 years from 23rd February 2018 to 30th September 2023 with an approved budget of USD 130,000,000 equivalent to Kshs 8,858,656,800 and Kshs 6,322,697,382 as indicated below:

Below is the funding summary:

A. Source of Funds

Source of funds	Donor Commitment-		Amount received to date – (30th June 2025)		Undrawn Balance to date (30th June 2025)	
	USD (A)	Kshs (A')	USD (B)	Kshs (B')	USD (A)-(B)	Kshs (A')-(B')
(i)Loan						
African Development Bank (ADB)	82,000,000	8,858,656,800	58,081,772	6,274,713,251	23,918,228	2,583,943,549
African Development Fund (ADF)	48,000,000	6,322,697,382	40,019,364	4,323,387,988	7,980,636	1,999,309,394
(ii)Counterpart funds						
Government of Kenya	-	8,214,810,051	-	5,555,048,605	-	2,659,761,446
Total	130,000,000	23,396,164,233	98,101,136	16,153,149,844	31,898,864	7,243,014,389

Multinational Uganda –Kenya: Kapchorwa –Suam – Kitale & Eldoret Town Bypass Roads Annual Report and Financial Statements for the financial year ended June 30, 2025

Project Information and Overall Performance (Continued)

B. Application of Funds

Application of funds	Amount received to date - (30th June 2025)		Cumulative Amount paid to date - (30th June 2024)	Unutilized balance to date - (30th June 2025)	
	USD	Kshs	Kshs	USD	Kshs
	(A)	(A')	(B')	(A)-(B)	(A')-(B')
(i)Loan					
African Development Bank (ADB)	58,081,772	6,274,713,251	6,274,713,251	-	-
African Development Bank (ADF)	40,019,364	4,323,387,988	4,323,387,988	-	-
(ii)Counterpart funds					
Government of Kenya		5,555,048,605	5,555,019,168.24		29,437
Total	98,101,136	16,153,149,844	16,153,120,407	-	29,437

2.8 Summary of Overall Project Performance:

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

	2024/2025			Cumulative		
	Budget	Actual	%	Budget	Actual	%
Counterpart Funds-GOK	597,297,741	575,863,741	96%	10,063,608,461	10,869,050,699	108%
Loan from external Development Partners	381,071,758	412,300,274	108%	8,637,071,758	5,284,069,708	61%
Total	978,369,499	988,164,015	101%	18,700,680,219	16,153,120,407	86%

(ii) Physical progress based on outputs, outcomes, and impacts since project commencement.

The progress is at 100% for the construction of Eldoret Town and 96 % for the upgrading of Kitale – Endebess Suam

Multinational Uganda –Kenya: Kapchorwa –Suam – Kitale & Eldoret Town Bypass Roads Annual Report and Financial Statements for the financial year ended June 30, 2025

Project Information and Overall Performance (Continued)

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

Financial Year	Budget	Actual	Percentage (%)
FY2024/25	978,369,499	988,164,015	101%
FY 2023/24	2,103,437,748	1,814,845,184	86%
FY 2022/23	1,576,899,792	1,268,810,502	80%
FY 2021/22	2,835,000,000	2,089,978,412	74%
FY 2020/21	1,825,212,548	1,561,952,909	86%
FY 2019/20	5,836,706,886	4,913,674,746	84%
FY 2018/19	1,694,609,563	1,755,699,395	104%
FY 2017/18	1,827,444,183	1,744,218,613	95%
FY 2016/17	23,000,000	15,776,631	69%
Total	18,700,680,219	16,153,120,407	86%

- iv) The following are the Project's implementation challenges and recommended next steps.
- The project had a challenge of acquiring land to pave way for smooth project implementation.
 - The project also had a challenge of inadequate budget provisions coupled with late release of exchequer funds.

The Authority in liaison with the Parent Ministry and the National Treasury ensured the Project was allocated adequate GoK budget provisions. subject to approved budget ceilings.

2.9 Summary of Project Compliance:

There was no significant case of non-compliance with applicable laws and regulations and essential external financing agreements /covenants was reported during the year, therefore no consequences suffered on account of non-compliance or likely to be suffered and consequently no mitigation measures taken or planned to alleviate the adverse effects of actual or potential consequences of non-compliance

Multinational Uganda –Kenya: Kapchorwa –Suam – Kitale & Eldoret Town Bypass Roads Annual Report and Financial Statements for the financial year ended June 30, 2025

Project Information and Overall Performance (Continued)

The status report is as follows.

PROJECT DESCRIPTION		PROGRESS REPORTED TO DATE
<p>1. Lot1- Construction of Eldoret Town Bypass Road Project (88 km) road section Contract type: Works Contractor: M/S China Wu Yi Co Ltd Contract Signed: 1st September, 2017 Commencement Date: 12th February, 2018 Original Completion Date: 13th December, 2021 Revised Completion Date 30th September, 2022 Original Contract amount: KES. 5,079,517,696 Revised Contract Amount KES 6,585,040,564.67</p> <p>Consultant: Abdul Mullick Associates Ltd in association with MAX and Partners and TIMCON Associates Inc.</p> <p>Contract Amount: Kshs. 318,835,894.00</p>	Physical progress,	100%
	Amount certified	KES. 6,330,926,835
	Amount paid	KES. 5,692,974,119
	Time lapsed	62.5 Months
<p>2. Project Name: Upgrading of Kitale – Endeless - Suam (C45) Contract type: Works Contractor: China State Construction Engineering Corporation Ltd Contract Signed: 17th August, 2017 Commencement Date: 26th February, 2018 Original Completion Date: 25th August, 2020 Revised Completion Date 30th September, 2023 Original Contract amount: KES. 4,474,991,402.73 Revised Contract amount KES 4,955,349,857.65</p> <p>Consultant: SARI Consulting, Consulint SRL and Ochieng Abuodha & Associates Contract Amount: USD. 1,235,950.95 KES. 210,165,831.00 Revised Contract Amount USD 1,305,812.57 and KES 271,816,565.59</p>	Physical progress,	96 %
	Amount certified	KES 4,924,432,766
	Amount paid	KES. 4,678,334,523
	Time lapsed	77 Months

3. Statement of performance against project's predetermined objectives

Introduction

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer when preparing financial statements of each National Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the national government entity's performance against predetermined objectives

The Project is a multinational operation that provides an important link between Uganda and Kenya by connecting through the border post of Suam. The Uganda side of the project road is Kapchorwa-Suam and the Kenya side of the project road are Suam-Kitale and Eldoret Bypass. The project road supports the regional integration objective of member countries of East African Community (EAC) and Great Lakes Region, especially Uganda and Kenya by connecting to Suam and further linking with Democratic Republic of Congo (DRC) and South Sudan. This is a transformative project that contributes to socio-economic development, poverty reduction and regional integration in eastern Uganda and western Kenya

The key development objectives of the project are to:

- a) The project is a regional road traversing via Suam border and supports regional and national social-economic growth strategies and improves the traffic congestion in Eldoret Town
- b) The improvement of the road will promote the effort of the Governments in poverty reduction through better road infrastructure in the two countries by providing all weather access for the supply of farm inputs and evacuation of produce to major market centres, thus improving the level of service and efficiency of the road network and reducing transport costs.
- c) It will also support regional integration, economic co-operation and foster transport linkage with Uganda, Kenya, DRC and South Sudan.

Progress on attainment of Strategic development objectives

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

Multinational Uganda –Kenya: Kapchorwa –Suam – Kitale & Eldoret Town Bypass Roads Annual Report and Financial Statements for the financial year ended June 30, 2025

Statement of performance against project’s predetermined objectives (Continued)

Below we provide the progress on attaining the stated objectives:

Objective	Outcome	Indicator	Performance
Contribute to the improvement of economic and social welfare of citizens of Uganda and Kenya	Reduced transport costs	GDP per Capita	Uganda USD1099, an increase of 39% and Kenya, USD 2189, an increase of 38%in 20
Enhance regional trade between Uganda and Kenya	Reduced Congestion	Trade volume in USD using Suam border	To increase to USD4.92million worth of trade (Kenya with Uganda) by 2025
Costs and travel time for specific types of vehicles and trips	Reduced transport costs	(a) Average passenger fare /person on Kapchorwa-Suam and Suam-Kitale. (b) Average vehicle travel time on Kapchorwa-Suam and Suam-Kitale.	a) In Uganda, there was a reduction of 29% per person and in Kenya, there was a reduction of 25% per person in year 2021. b) In Uganda there was Reduction of travel time by 63% to 1.5hrs and in Kenya, by 50% to 45 minutes in year 2021.
Road accidents	Improved rate of survival out of vehicle accidents	Rate of survival out of accidents.	i) In Uganda, the rate of fatalities per 10,000 vehicles had reduced by 30%. ii) In Kenya, the rate of fatalities per 10,000 vehicles had reduced by 20%.

4. Environmental and Sustainability Reporting

Multinational Uganda –Kenya: Kapchorwa –Suam – Kitale & Eldoret Town Bypass Roads has a main focus of improving transportation infrastructure to enhance connectivity and efficiency. In terms of environmental and sustainability reporting, the strategy involved rigorous assessment and mitigation of environmental impacts throughout the project lifecycle. Below is a brief highlight of the activities that drive towards sustainability.

i. Sustainability strategy and profile

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

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

ii. Environmental performance

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

iii. Employee welfare

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

Environmental and Sustainability Reporting (Continued)

iv. Market place practices

a) Responsible Supply chain and supplier relations

The Authority strive to ensure responsible competition practices through undertaking annual governance audits in projects, monitored the implementation of policies and further promoted ethical conduct in projects.

b) Responsible ethical practices

The Authority equally sensitized staff on corruption and integrity.

c) Regulatory impact assessment

The Authority undertook 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.

v. Community Engagements

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

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

Multinational Uganda –Kenya: Kapchorwa –Suam – Kitale & Eldoret Town Bypass Roads Annual Report and Financial Statements for the financial year ended June 30, 2025

5. Statement of Project Management Responsibilities

The Director General 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.

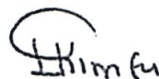
The Director General and the Project Implementation Team Leader accept responsibility for the Project's financial statements, which have been prepared on the Accrual Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The Director General and the Project Implementation Team Leader 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 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 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 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

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



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

REPORT OF THE AUDITOR-GENERAL ON KAPCHORWA-SAUM-KITALE AND ELDORET BYPASS PROJECT NO. P-ZI-DBO-0183 ADB (NEW) FOR THE YEAR ENDED 30 JUNE, 2025 - KENYA NATIONAL HIGHWAYS AUTHORITY

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 Kapchorwa-Saum-Kitale and Eldoret Bypass Project No.P-ZI-DBO-0183-KENHA ADB (New) set out

Report of the Auditor-General on Kapchorwa-Saum-Kitale and Eldoret Bypass Project No. P-ZI-DBO-0183 ADB (New) for the year ended 30 June, 2025 - Kenya National Highways Authority

on pages 1 to 33, 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 Kapchorwa-Saum-Kitale and Eldoret Bypass Project No.P-ZI-DBO-0183-KENHA ADB (New) 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 333 and comply with the Kapchorwa-Saum-Kitale and Eldoret Bypass Project No.P-ZI-DBO-0183-KENHA ADB (New) Financing Agreement No.P-ZI-DBO-183 dated 23 February, 2018 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 Kapchorwa-Saum-Kitale and Eldoret Bypass Project No. P-ZI-DBO-0183-KENHA ADB (New) 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. Failure to Settle Pending Bills

The statement of financial position and as disclosed in Note 10 to the financial statements reflects a balance of Kshs.1,908,748,934 in respect of trade and other payables. Included this balance is an amount of Kshs.1,104,383,944 relating to compensation to Project Affected Persons and payable to the contractors that has been outstanding for long. Management did not demonstrate efforts to clear this amount. Failure to settle pending bills when due distorts the budget of the subsequent year as they constitute a first charge on that budget.

2. Low Absorption of Project Funds

The Project commenced on 23 February, 2018 and was expected to end on 30 September, 2023 a duration of five (5) years which was later extended for two (2) year

up to 30 September, 2025. However, the funding summary information as disclosed on paragraph 2.7(A) on sources of funds, reflects total Project funding amount of Kshs.23,396,164,233 out of which an amount of Kshs.16,153,149,844 or 69% of total had been drawn as at 30 June 2025 leaving undrawn balance of Kshs.7,243,014,389 or 31% with only three months left to the Project end date. The Project may end without full disbursement resulting to incomplete works or pending bills.

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 prior year audit report, several issues were raised under the Emphasis of Matter, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on the Effectiveness of Internal Controls, Management and Governance. Review of the status during audit of the Project in 2024/2025 revealed that the following six (6) issues remained unresolved:

NO.	Financial Year	Audit Issue
1	2023/2024	Budgetary control and performance
2	2023/2024	Failure to settle pending bills
3	2023/2024	Outstanding disbursement of Donor and Counterpart Funds
4	2023/2024	Nugatory payment- interest on delayed payments
5	2023/2024	Unutilized lorry park on lot 1 road project
6	2023/2024	Delayed completion of the Project

Other Information

The Management is responsible for the Other Information set out on page iii to xiv 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, except for the effects of the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Delayed Project Implementation

Field inspection carried out on Kapchorwa-Saum-Kitale and Eldoret Bypass Project No.P-ZI-DBO-0183-KENHA ADB (New) in the month of October, 2025 revealed that the Project had several incomplete activities as listed below despite the fact that the Project period had expired and no evidence of period extension was provided for review.

- i. Compensation for persons affected by the project is pending.
- ii. Civil works, including concrete pavement for parking, partitions, and paint work for buildings, are incomplete.
- iii. Electrical works at the market are incomplete.
- iv. One-stop border post electrical works, including generator installation, high mast installation, data cable fitting, CCTV, and arrestors, are pending.
- v. Road markings are incomplete in some sections.
- vi. Pedestrian walkway construction is incomplete.
- vii. Curb installation at the Kwanza junction is pending.
- viii. Guardrails at bridges are incomplete.
- ix. Incinerator installation is not done.
- x. Two flameless glass doors are pending installation.

- xi. Some locals have taken to adding their own bumps on the road, which could compromise safety.

Delayed Project completion denies public services that could have accrued from completed project.

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 the Financing Agreements No. p-ZI-DBO-183 between the Government of Kenya and African Development Bank (ADB) and African Development Fund , 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

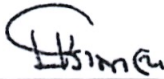
26 November, 2025

Multinational Uganda –Kenya: Kapchorwa –Suam – Kitale & Eldoret Town Bypass Roads 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
Revenue		
Revenue Transfers		-
Miscellaneous Revenue		-
Total revenue		-
Expenses		
Employee costs		-
Use of goods and services	7	3,926,000
Depreciation and amortization expense		-
Transfer to other Government Entities		-
Other Transfers/Subsidies/Grants		-
Certified Works		-
Total expenses		3,926,000
Other gains/(losses)		
Gain/Loss on sale of assets		-
Gain/Loss on foreign exchange transactions		-
Impairment loss		-
Surplus/ (deficit)		(3,926,000)

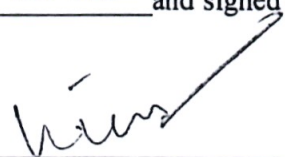
The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 27 AUG 2025 and signed by:



Eng. Luka Kimeli
Ag. Director General



Eng. Henry Gakuru
Director -Development




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


Multinational Uganda –Kenya: Kapchorwa –Suam – Kitale & Eldoret Town Bypass Roads Annual Report and Financial Statements for the financial year ended June 30, 2025

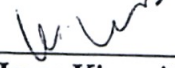
8. Statement of Financial Position at 30th June 2025

	Note	FY 2024-2025 Kshs	1 st July 2024 Kshs
Assets			
Current Assets			
Cash and Cash equivalents	8	1,973,392	4,762,834
Receivables		-	-
Inventories		-	-
Prepayment		-	-
Total Current Assets		1,973,392	4,762,834
Non-Current Assets			
Property, Plant and Equipment	9	17,936,244,061	18,377,946,374
Intangible Assets		-	-
Total Non- Current Assets		17,936,244,061	18,377,946,374
Total Assets (a)		17,938,217,453	18,382,709,208
Liabilities			
Current Liabilities			
Trade and Other Payables	10	1,908,748,934	3,334,689,262
Third Party Deposits	11	1,943,955	1,167,397
Deferred Income		-	-
Total Current Liabilities		1,910,692,889	3,335,856,659
Total Liabilities (b)		1,910,692,889	3,335,856,659
Net Assets (a-b)		16,027,524,564	15,046,852,549
Represented By:			
Accumulated Surplus		(330,563)	3,595,437
Capital fund		16,027,855,127	15,043,257,112
Total Net Assets		16,027,524,564	15,046,852,549

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 No.3321

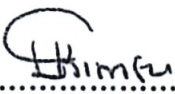
Multinational Uganda –Kenya: Kapchorwa –Suam – Kitale & Eldoret Town Bypass Roads Annual Report and Financial Statements for the financial year ended June 30, 2025

9. Statement of Change in Net Assets as at 30th June 2025

Description	Capital Grants	Accumulated Surplus	Total
		Kshs	
As at 30 th June 2024 (Cash Basis)	-	3,595,437	3,595,437
			-
Adjustments:			-
Asset Recognition:	18,377,946,374	-	18,377,946,374
Liability recognition	(3,334,689,262)	-	(3,334,689,262)
		-	-
		-	-
As at 1 st July 2024	15,043,257,112	3,595,437	15,046,852,549
			-
Surplus/(Deficit) for the year	-	(3,926,000)	(3,926,000)
Capital Grants received during the year	984,598,015	-	984,598,015
As at 30 th June 2025	16,027,855,127	(330,563)	16,027,524,564

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

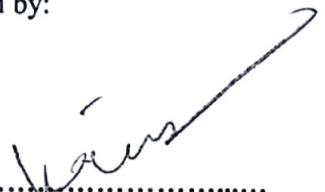
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Eng. Luka Kimeli
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Director -Development


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Ag. Deputy Director (F&A)
ICPAK Member No. 3321

Multinational Uganda –Kenya: Kapchorwa –Suam – Kitale & Eldoret Town Bypass Roads Annual Report and Financial Statements for the financial year ended June 30, 2025

10. Statement of Cash flows for the Year ended 30th June 2025

Description	Note	FY 2024 2025
		Kshs
Cashflow from operating activities		
Receipts		
Revenue Transfers		-
Miscellaneous Revenue		-
Total receipts		-
Payments		
Employee costs		-
Use of goods and services		3,566,000
Transfer to other Government Entities		-
Other Transfers/Subsidies/Grants		-
Certified Works		-
Total payments		3,566,000
Net cash flow from operating activities	12	(3,566,000)
Cashflow from investing activities		
Acquisition of non-financial assets		(983,821,457)
Proceeds from sale of Assets		-
Acquisition of Intangible assets		-
Net cash flows from investing activities		(983,821,457)
Cash flow from financing activities		
Capital transfers: GoK Counterpart funding		572,297,741
Capital transfers: Development Partner		412,300,274
Net cash flow from financing activities		984,598,015
Net increase/Decrease in cash and cash equivalents		(2,789,442)
Cash and cash equivalent at 1st July 2024	8	4,762,834
Cash and cash equivalent at end June 2025	8	1,973,392

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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	
Budget Carry Overs from previous periods		-	-	3,595,437	(3,595,437.00)	-
Receipts						
Direct Payments-ADB	1,526,071,758	(1,145,000,000)	381,071,758	412,300,274	(31,228,516)	108%
Bridge Financing	87,683,302	509,614,439	597,297,741	572,297,741	25,000,000	100%
Total Revenue	1,613,755,060	(635,385,561)	978,369,499	988,193,452	(9,823,953)	101%
Payments						
Use of goods and services	87,683,302	(62,683,302)	25,000,000	3,566,000	21,434,000	14%
Acquisition of Non-financial assets	1,526,071,758	(572,702,259)	953,369,499	984,598,015	- 31,228,516	103%
Total	1,613,755,060	(635,385,561)	978,369,499	988,164,015	(9,794,516)	101%
Surplus	-	-	-	29,437	(29,437)	

Multinational Uganda –Kenya: Kapchorwa –Suam – Kitale & Eldoret Town Bypass Roads Annual Report and Financial Statements for the financial year ended June 30, 2025

Budget Reconciliation

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	29,437
1	Third party deposits	1,943,955
	Closing Cash and Cash Equivalent as per the statement of Cash flows	1,973,392

12. Notes to the Financial Statements

1. General Information

The Kenya National Highways Authority is established by and derives its authority and accountability from Roads Act 2007. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity’s principal activity is the Management, development, rehabilitation and maintenance of national trunk road.

2. Statement of Compliance and Basis of Preparation

The 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.*

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1st January 2025</i></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 recognise, measure and present information on right of use assets and lease liabilities.</p> <p>The project does not anticipate that the standard will have any impact on its operations and reporting.</p>
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></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</p>

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Standard	Effective date and impact:
	<p>presented separately in the statement of financial performance.</p> <p>The project does not anticipate that the standard will have any impact on its operations and reporting.</p>
<p>IPSAS 45- Property Plant and Equipment</p>	<p><i>Applicable 1st January 2025</i></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 recognised 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>The project does not anticipate that the standard will have any impact on its operations and reporting.</p>
<p>IPSAS 46 Measurement</p>	<p><i>Applicable 1st January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> <p>The project does not anticipate that the standard will have any impact on its operations and reporting.</p>

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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><i>Applicable 1st January 2026</i></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>The project does not anticipate that the standard will have any impact on its operations and reporting.</p>
<p>IPSAS 48- Transfer Expenses</p>	<p><i>Applicable 1st January 2026</i></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>The project does not anticipate that the standard will have any impact on its operations and reporting.</p>
<p>IPSAS 49- Retirement Benefit Plans</p>	<p><i>Applicable 1st January 2026</i></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>The project does not anticipate that the standard will have any impact on its operations and reporting.</p>

Multinational Uganda –Kenya: Kapchorwa –Suam – Kitale & Eldoret Town Bypass Roads Annual Report and Financial Statements for the financial year ended June 30, 2025

Standard	Effective date and impact:
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<p><i>Applicable 1st January 2027</i></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"> i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. 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. 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. <p>The project does not anticipate that the standard will have any impact on its operations and reporting.</p>

iii) Early adoption of standards

The Project did not early – adopt any new or amended standards in the financial yea

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 Project upon receiving the respective approvals to conclude the final budget. Accordingly, the Project recorded additional appropriations of Kshs. (635,385,561) on the FY 2024/2025 budget 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 *II* of these financial statements.

Notes to the Financial Statements (Continued)

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. 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.

Notes to the Financial Statements (Continued)

- 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.

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 amortised 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.

Notes to the Financial Statements (Continued)

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.

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.

Notes to the Financial Statements (Continued)

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.
- 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.

Notes to the Financial Statements (Continued)

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 development partner funds received from the Government and Development Partners for development of roads. The surplus reserve represents the surplus or deficit of internally generated funds against other project operation expenses and transfers. The exchequer and Development partner funds are capitalized in the statement of financial position. However, the portion of exchequer and development partner funds spent on non-capital items or project expenses is transferred to recurrent transfers and treated as recurrent government and development partner grants and expenditures accordingly.

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 employ project specific employees hence does not maintain Retirement benefit Plans.

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.

Notes to the Financial Statements (Continued)

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.

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.

Notes to the Financial Statements (Continued)

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Project 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

There were no provisions made in the 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.

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Notes to the Financial Statements (Continued)

6. Revenue Transfers

Description	FY 2024-2025
	KShs
Unconditional Transfers	
GoK Counter Part funding	-
Bridge Financing	572,297,741
Bank Interest	-
Total Unconditional Transfers (a)	572,297,741
Conditional Transfers	
Transfers from Development partner-ADB	412,300,274
Deferred Income	-
Total Conditional Transfers (b)	412,300,274
Total Transfers for the Year (a + b)	984,598,015

(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 (FY 2024-2025)
	Kshs	Kshs	Kshs	Kshs
GOK Funding	-	-	-	-
Bridge Financing	-	-	572,297,741	572,297,741
Transfers from Development partner-ADB	-	-	412,300,274	412,300,274
Subtotal	-	-	984,598,015	984,598,015
Deferred Income realized	-	-	-	-
Bank Interest	-	-	-	-
	-	-	-	-
Total	-	-	984,598,015	984,598,015

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Notes to the Financial Statements (Continued)

7. Use of Goods and Services

Description	FY 2024/25
	<u>Kshs</u>
Bank charges	-
Domestic travel and subsistence	3,926,000
Foreign travel and subsistence	-
Training payments	-
Total	3,926,000

8. Cash and Cash Equivalents

Description	FY2024/25	1 st July
	<u>Kshs</u>	<u>Kshs</u>
Cash in Bank	1,973,392	4,762,834
Cash on hand	-	-
Total Cash and Cash Equivalents	1,973,392	4,762,834

Project Bank Accounts

Details	FY 2024/2025	FY 2023/2024
	<u>Kshs</u>	<u>Kshs</u>
National Bank of Kenya [A/c No 01001-327332-00]	1,943,955	1,167,397
Cooperative Bank [A/c No 011141160979900]	29,437	3,595,437
Total bank account balances	1,973,392	4,762,834

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Notes to the Financial Statements (Continued)

9. Property, Plant and Equipment

Cost	Capital Work in progress	Land	Total
	Kshs		Kshs
Depreciation rate			
As At 1July 2024 (opening balances)	13,371,041,698	5,006,904,676	18,377,946,374
Additions	261,021,129		261,021,129
Disposals	-		-
Transfers/Adjustments	(702,723,442)		(702,723,442)
As at 30th June 2025	12,929,339,385	5,006,904,676	17,936,244,061
Depreciation and Impairment			
As at 1July 2024	-		-
Depreciation charge for the year	-		-
Impairment loss	-		-
Transfers/ Adjustments	-		-
As At 30th June 2025	-		-
Net Book Values			
As at 1st July 2024	13,371,041,698	5,006,904,676	18,377,946,374
As at 30th June 2025	12,929,339,385	5,006,904,676	17,936,244,061

*Multinational Uganda –Kenya: Kapchorwa –Suam – Kitale & Eldoret Town Bypass Roads
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Notes to the Financial Statements (Continued)

10. Trade and Other Payables

Description	FY2024/25		1 st July 2024	
	Kshs		Kshs	
Road works- Pending Bills	1,908,388,934		3,334,689,262	
Recurrent payables	360,000		-	
Total trade and other payables	1,908,748,934		3,334,689,262	
Ageing analysis: (Trade and other payables)	FY2024/25	% of the Total	FY2023/24	% of the Total
Under 1 year	360,000	0.02%-	-	-
1-2 years	-	-	3,334,689,262	100%
2-3 years	1,908,388,934	99.98%	-	-
Over 3 years	-	-	-	-
Total	1,908,748,934	100%	3,334,689,262	100%

11. Third-Party Deposits

Description	FY2024/25		1 st July 2024	
	Kshs		Kshs	
Contractor's Retention	1,943,955		1,167,397	
Gratuity	-		-	
Total deposits	1,943,955		1,167,397	
Ageing analysis: (Refundable deposits)	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	776,558	40%	-	-
1-2 years	1,167,397	60%	1,167,397	100%
2-3 years	-	-	-	-
Over 3 years	-	-	-	-
Total	1,943,955	100%	1,167,397	100%

Notes to the Financial Statements (Continued)

12. Cash Generated from Operations

Description	FY 2024-2025
	Kshs
Surplus/Deficit for the year	(3,926,000)
Adjusted for:	
Depreciation	-
Non-cash grants received	-
Impairment	-
Gains and losses on disposal of assets	-
Working capital adjustments	
Increase in inventory	-
Increase in receivables	-
Increase in deferred income	-
Increase in payables	360,000
Increase in payments received in advance	-
Net cash flow from operating activities	(3,566,000)

13. Events after the Reporting Period

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

14. Ultimate and Holding Entity

The Authority is a Semi- Autonomous Government Agency under the Ministry of Roads and Transport. Its ultimate parent is the Government of Kenya.

15. 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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
	<p>Basis for Qualified Opinion</p> <p>Unsupported Prior Year Adjustments Note 8 to financial statements reflects prior year adjustment amounts of Kshs.1,217,296,234 and Kshs.4,768,528 in respect to land compensation and rehabilitation of roads respectively. However, Management have not submitted the supporting schedules or ledgers and journal vouchers for the adjusted amount of Kshs.1,217,296,234. In the circumstances, the accuracy and completeness of the prior year adjustment amount of Kshs.1,217,296,234 could not be confirmed.</p>	<p>We note the audit observation that Note 8 to financial statements reflects prior year adjustment amounts of Kshs.1,217,296,234 and Kshs.4,768,528 in respect to land compensation and rehabilitation of roads respectively</p>	Resolved	
	Emphasis of Matter			
1	<p>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.2,103,437,748 and</p>	<p>We note the audit observation that the statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis amounts of Kshs.2,103,437,748 and Kshs.1,814,857,794 resulting to an under-funding of Kshs.288,579,954 or 14% of the budget</p>	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
	<p>Kshs.1,814,857,794 resulting to an under-funding of Kshs.288,579,954 or 14% of the budget.</p> <p>Further, the statement does not include the itemized budget for the various expenditure codes under purchase of goods and services to enable proper budgetary controls. Therefore, the comparison between the budgeted and actual expenditure codes could not be determined.</p> <p>The underfunding affected the planned activities of the Project and may have negatively affected service delivery to the public.</p>	<p>We however wish to clarify that in FY 2023/2024, the Project had a final GoK allocation of Kshs.103,437,748 out of which Ksh.101,437,748 was received from the Exchequer as indicated in the statement of comparison of budget and actual amounts.</p> <p>We further clarify that the Project had a final Development Partner budget allocation of Kshs.2,000,000,000 however the Authority was only able to request for Kshs.1,713,420,046. This is based on the works done by the contractors and services rendered by the supervision consultant as per their submitted Interim Payment Certificates (IPCs) and Fee Notes (FNs).</p> <p>We lastly clarify that the Development Partner does not disburse proceeds of the credit to the Authority but makes payments directly to the contractors and consultants of the project as per the duly approved IPCs and FNAs.</p> <p>From the foregoing, there was no underfunding but as correctly observed, an under-expenditure.</p>		
2	<p>Failure to Settle Pending Bills</p> <p>Note 1 on other important disclosures and Annex 4 to the financial statements reflect pending accounts payable balance of Kshs.3,334,689,262 as at 30 June, 2024. The balance includes amounts of Kshs.2,106,145,939 for construction of roads, Kshs.1,204,698,605 for land compensation and Kshs.23,844,718 for</p>	<p>We note the audit observation regarding delays in compensating persons affected by the project (PAPs).</p> <p>We however wish to clarify that Pending bills accumulated due to the long compensation procedures arising from legal challenges, inadequate GoK budgetary provisions coupled with delayed exchequer releases to facilitate prompt payments.</p>	Not Resolved	Continuous

Multinational Uganda –Kenya: Kapchorwa –Suam – Kitale & Eldoret Town Bypass Roads Annual Report and Financial Statements for the financial year ended June 30, 2025

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
	<p>supply of goods and services respectively. Review of documents and schedules provided for audit in support of land compensation revealed that there is a long delay in compensating of persons affected by the project (PAPs). It was not clear why the PAPs had not been compensated in full despite the progress of the project being at an average of 97% to completion and the contractual period of the project having expired. 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>The Authority continues to work closely with the Parent Ministry and the National Treasury with the aim of allocating additional budget to clear the outstanding pending bills. In FY 2024/2025 however, the Project received a budgetary allocation of Kshs. 572,297,741 from bridge financing which was utilized towards settlement of part of the pending bills.</p>		
	Other Matter			
1	<p>Outstanding Disbursement of Donor and Counterpart Funds The funding summary information in the financial statements under paragraph 2.7A - source of funds, reflects an amount of Kshs.23,396,164,233 in respect of the projected total funding for the Project. Further, the amount received to date totaled Kshs.15,168,551,829 resulting to an undrawn balance of Kshs.8,227,612,404. The project commenced on 23</p>	<p>We note the audit observation. We however wish to clarify that the project received a further extension to 30 September 2025. The overall objectives of the project have been met, and this did not affect service delivery to the public</p>	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
	<p>February, 2018 and was expected to end on 30 September, 2023 and has therefore been in existence for more than five (5) years while having received a total of Kshs.15,168,551,829 or 65% of the expected receipts.</p> <p>However, although Management explained that the project duration was extended to 31 March, 2025, it may not be possible for the Project to receive the undisbursed amount of Kshs.8,227,612,404 which represents 35% of the expected total funding by that date.</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>			
2	<p>Unresolved Prior Year Matters</p> <p>In the audit report for the previous year, several issues were raised under the Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, review of the prior year Auditor-General’s recommendations and the implementation status report revealed that all of the issues remained unresolved as at 30 June, 2024.</p>	<p>We note the audit observation.</p> <p>We wish to clarify that the Authority has appeared before the Public Accounts Committee and made its submissions on all matters raised by the Auditor General on the Project financial statements up to FY 2021/22.</p>	Not Resolved	Continuous

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
	Further, although the issues had been discussed in the Public Accounts Committee of the National Assembly, they remained unresolved as at the time of the audit in October, 2024.			
	Basis for Conclusion.			
1	<p>Nugatory Payments - Interest on Delayed Payments</p> <p>Review of records provided for audit revealed that the contractor has filed a claim for Kshs.318,602,456 in respect to interest charges caused by delays in the implementation of the project by the employer. The amount includes Kshs.132,581,708 in respect to interest on delayed payments of Interim Payment Certificates (IPC) No. 20, 27 and 30. Further, an additional claim of Kshs.186,020,748 was caused by unnecessary delays in the payment of certified works by the Authority. In the circumstances, the Project may incur an additional and avoidable cost of Kshs.318,602,456 which could have been applied in the execution of other</p>	<p>We note the audit observation.</p> <p>We wish to clarify that Interest on delayed payments is a contractual obligation provided for in the contract agreement which the Contractor opted to invoke as a result of delays in settling the IPCs.</p> <p>We further wish to clarify that claims on interest on delayed payment arise due to inadequate GoK budgetary provisions coupled with delayed exchequer releases to facilitate prompt payments. The Authority continues to work closely with the Parent Ministry and the National Treasury with the aim of allocating additional budget.</p>	Not Resolved	Continuous

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
	projects.			
2	<p>Unutilized Lorry Park on Lot 1 Road Project</p> <p>An audit inspection exercise carried out on 25 September, 2024 on Lot 1 phase of the project revealed that the construction of Eldoret by-pass was complete and had been taken over by Kenya National Highways Authority (KeNHA) and is fully in use by the general public. The contract for Lot 1 road project had an original contract sum of Kshs.5,079,517,696 which was later revised to an amount of Kshs.6,585,040,565.</p> <p>Further, it was observed that included in the deliverables for the road construction was a lorry park that was constructed after acquisition of land at the tail end of the thirty-two (32) kilometer stretch of the road. However, the audit inspection revealed that the facility was idle against the planned objective of the Project and therefore the value for money for the lorry park may not be realized as expected.</p> <p>In addition, the traffic flow through the bypass appears quite low compared to Uganda road which passes through Eldoret city and therefore working against the original idea of constructing</p>	<p>We note the audit observation.</p> <p>We wish to clarify that the lorry park facility may not be fully utilized at the moment however it is expected to be fully operational once the accompanying social services are provided in the future.</p> <p>We note the audit observation.</p> <p>We wish to clarify that the use of the bypass by motorists is optional and depends on other factors such as delivery points of cargo, hotel facilities and other social infrastructure facilities. These factors affect traffic flow through the bypass currently however it is expected that bypass will spur increased traffic flow once the social amenities are in place.</p>	Not Resolved	Continuous

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
	<p>the bypass. In the circumstances, the value for money for the construction of the lorry park on Lot 1 of the road project could not be confirmed.</p>			
3	<p>Delayed Completion of the Project The contract for Lot 2 - Kitale-Endebess-Suam Road was signed on 1 September, 2017 between Kenya National Highways Authority on behalf of the Government of Kenya and an international construction company. The commencement date was on 12 February, 2018 with the expected completion date being 13 December, 2021 which was later revised to 30 September, 2023. The contract sum was agreed at Kshs.4,474,991,402 which was later revised to Kshs.4,955,349,857 and the amount of certified works as at 30 June, 2024 was Kshs.4,924,432,766 with the total amount paid to date being Kshs.4,412,152,621 or 90% of the amount certified for payment. According to the progress report provided, the weighted progress stood at 94% compared to seventy-nine (79) months or 263% of the contract period elapsed. This implies that the</p>	<p>We note the audit observation. We wish to clarify that the delays experienced are due to lack of provision of right of way and delay of payment for the GOK counterpart component. As a result of the variation of prices, some project components could not be accommodated in the scope of works as had been envisaged in the current contract. The Authority continues to liaise with the Financier for additional resources so as to ensure completion of the outstanding items.</p> <p>We note the audit observation. We wish to clarify that the Financier granted No objection to the extension of the Defects Notification Period to 30 September 2025 to allow for the execution of the pending works which are ongoing.</p> <p>We wish to state that the percentage of weighted overall work completed stands at 96%.</p>	Not Resolved	Continuous

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
	<p>contractor is working behind schedule and therefore indicates slow progress in the execution of the contract. Available documents indicate that the project was taken over by the employer on 23 September, 2023 as evidenced by the taking over certificate. The section taken over by the employer included rehabilitation of Kitale-Endebes road of 19.8 km and the Endebes-Suam road at 25.2km.</p> <p>It was observed that the defects liability period was planned to last for twelve (12) months, from 20 July, 2023 to 19 July, 2024 for both Lot 1 and Lot 2 of the road projects. This implies that the contractor for Lot 2 may be undertaking works without a valid contract with the employer (KeNHA) since the contract period has lapsed. Further, the defects liability period for the project has elapsed before the actual road works have been completed. As a consequence, it is not possible to know who between the contractor and the employer, will take responsibility for the defects that may arise upon completion of the pending construction works.</p> <p>Although Management explained that an extension for completion of works</p>	<p>We note the audit observation. We wish to clarify that the performance guarantee was extended to 30 June 2025</p> <p>We note the audit observation.</p> <p>We wish to clarify that the highlighted pending works are ongoing and should be completed by 30 September 2025.</p>		

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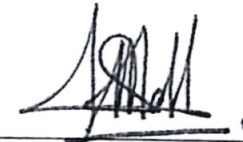
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
	<p>was granted by the Donor to 30 December, 2024, it may not be possible for the Contractor to have completed all the outstanding works by that date. In addition, the performance guarantee submitted by the Contractor was to expire on 30 September, 2024 and therefore may not cover the pending works since they had not been completed within the revised contract period.</p> <p>An audit inspection exercise carried out on the road construction project on 25 September, 2024 revealed the following unsatisfactory matters:</p> <p>The contractor is yet to complete the entire stretch of Kitale - Endebess road with approximately 1km of dual carriage in Kitale town. Further, the street lights and foot bridges in the town have not been done.</p> <p>Access and service roads identified in the scope of works are yet to be started (including the access road to Kitale Stadium). In addition, the Kitale Market is yet to be completed with several works yet to be completed. The roofing at the market was not well done and the market area floods when it rains and this may come with challenges to the traders as the rain</p>			

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
	<p>water may destroy their merchandise.</p> <p>Construction of bus bay is incomplete and there is slow relocation of Kenya Power poles and power lines.</p> <p>The one-stop boarder post is yet to be completed.</p> <p>In the circumstances, value for money may not have been realized in the implementation of the Project.</p>			



Eng. Luka Kimeli
Ag. Director General



Eng. Henry Gakuru
Director-Development

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Annexes (Continued)

Annex 2: Reconciliation of inter-entity transfers

Project Name:			
Break down of transfers from the State Department of Roads			
a. Government Counterpart funding			
	Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
Bridge Financing	21-May-25	572,297,741	
	Total	572,297,741	FY2024/25
B. Direct payments			
	Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
		-	
	Total	-	
C. Others			
	Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
		-	
	Total	-	
	Total (A+B+C)	572,297,741	

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



Eng. Luka Kimeli
Ag. Director General



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

Annex 3: Fixed Assets Register

Asset class	Opening Cost	Donations in form of assets	Purchases/Additions in the Year	Disposals in the Year	Transfers in/(out)/Adjustments	Closing Cost
	(KShs)	(KShs)	(KShs)	(KShs)	(KShs)	(KShs)
	2024/25	2024/25	2024/25	2024/25	2024/25	2024/25
	(a)	(b)	(c)	(d)	(e)	(f)= (a)+ (b)+'(c)-(d)+-(e)
Construction of Roads	13,371,041,698	-	261,021,129	-	(702,723,442)	12,929,339,385
Acquisition of Land	5,006,904,676	-	-	-	-	5,006,904,676
Total	18,377,946,374	-	261,021,129	-	(702,723,442)	17,936,244,061

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Annex 4: Analysis of Pending Bills

	Supplier/Contractor	Date Invoiced	Original Amount	Amount Paid To-Date	Outstanding Balance	Amount Paid in FY24-25	Adjustments	Amount - Interest waived in FY24-25	Outstanding Balance	Comments
			a	b	FY 2024/25				FY 2023/24	IPC/Fee Note number
									c=a-b	
	Construction of civil works									
1	China State Construction	15-Nov-21	345,126,245	345,126,245	-					
2	China State Construction	04-Mar-22	17,031,085		-	17,031,088.00			-	11
3	China State Construction	18-Mar-21	54,583,766	-	-	54,583,766.00			17,031,085	12
4	China State Construction	31-Aug-22	28,514,394	-	-	28,514,394.00			54,583,766	13
5	China State Construction	13-Dec-22	27,493,621	-	-	27,493,621			28,514,394	14
6	China State Construction	16-Jan-23	29,992,246	-	-	29,992,246			27,493,621	15
7	China State Construction	17-Feb-23	21,822,741	-	4,050,164	17,772,577.00			29,992,246	16
8	China State Construction	12-Apr-23	17,336,694	-	17,336,694				21,822,741	17
9	China State Construction	17-Apr-23	17,837,581	-	17,837,581				17,336,694	18
10	China State Construction	15-May-23	22,158,766		22,158,766				17,837,581	19
11	China State Construction	15-May-23	33,448,001	-	33,448,001				22,158,766	20
12	China State Construction	05-Jun-23	32,825,294		32,825,294				33,448,001	21
13	China State Construction	27-Jun-23	16,396,911	-	-	16,396,910.87			32,825,294	22
14	China State Construction	14-Aug-23	16,717,732	-	-	16,717,731.63			16,396,911	23
15	China State Construction	11-Feb-23	33,461,522	-	33,461,522				16,717,732	24
16	China State Construction	12-May-23	80,312,469	-	26,572,838		53,739,630.85		33,461,522	25
17	China State Construction	22-May-23	135,726,127		81,986,496		53,739,630.85		80,312,469	26
18	China State Construction	29-Apr-24	208,072,431	-	34,080,829		173,991,602.16		135,726,127	27
19	China State Construction	06-Jun-24	208,072,431	-	74,771,366		133,301,065.45		208,072,431	28
20	China State Construction	10-Jun-24	236,508,878	-	28,436,447		208,072,431.45		208,072,431	29
21	China Wu Yi Co.	18-Mar-21	266,382,155	266,382,155	-				236,508,878	30
										13

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	Supplier/Contractor	Date Invoiced	Original Amount	Amount Paid To-Date	Outstanding Balance	Amount Paid in FY24-25	Adjustments	Amount - Interest waived in FY24-25	Outstanding Balance	Comments
	Ltd.									
22	China Wu Yi Co. Ltd.	25-Jun-21	35,627,380	-	-	35,627,380.40			35,627,380	14
23	China Wu Yi Co. Ltd.	23-Sept-21	46,823,014	-	-	46,823,014.00			46,823,014	15
24	China Wu Yi Co. Ltd.	03-Dec-21	51,277,768	-	-	51,277,768.00			51,277,768	16
25	China Wu Yi Co. Ltd.	19-Jan-22	32,086,603	-	32,086,603				32,086,603	17
26	China Wu Yi Co. Ltd.	23-Feb-22	46,228,186	-	-	46,228,186.00			46,228,186	18
27	China Wu Yi Co. Ltd.	18-Apr-22	17,837,581	-	17,837,581				17,837,581	19
28	China Wu Yi Co. Ltd.	15-May-22	58,585,954	-	33,695,194	24,890,760.00			58,585,954	20
29	China Wu Yi Co. Ltd.	09-Jun-22	43,424,245	-	43,424,245				43,424,245	21
30	China Wu Yi Co. Ltd.	04-Aug-22	33,269,509	-	33,269,509				33,269,509	22
31	China Wu Yi Co. Ltd.	15-Dec-22	38,719,254	-	38,719,254				38,719,254	23
32	China Wu Yi Co. Ltd.	22-Jun-23	75,654,831	-	75,654,831				75,654,831	25
33	China Wu Yi Co. Ltd.	20-Dec-23	49,381,729	-	49,381,729				49,381,729	26
34	China Wu Yi Co. Ltd.	29-Apr-24	199,461,178	-	32,670,365	154,320,770.06	12,470,042.76		199,461,178	27
35	China Wu Yi Co. Ltd.	06-Jun-24	139,456,016	-	34,815,018	44,601,081.00		60,039,916.65	139,456,016	28
	Sub-Total		2,372,528,094	266,382,155	798,520,325	612,271,294	635,314,404	60,039,917	2,106,145,939	
37	Apec Consortium	26-Aug-20	51,277,768	32,917,715	-	10,990,931	7,369,122		18,360,053	4
38	Kaiboi Technical Training Institute	14-Jun-23	3,305,565	-	3,305,565				3,305,565	KTTI/30/2022/2023
39	Vera Beauty & Fashion College	12-Aug-22	2,179,100	-	2,179,100				2,179,100	KeNHA/001/2022
	Sub-Total		56,762,433	32,917,715	5,484,665	10,990,931	7,369,122		23,844,718	
	Land Compensation		5,008,053,437	3,803,354,832	1,104,383,944.10	100,314,661			1,204,698,605	
	Operations									
40	Masai Mara Sopa Lodge Ltd	11-Jan-25	360,000		360,000					110603960000186000
	Grand Total		7,437,703,964	4,102,654,702	1,908,748,934	723,576,886	642,683,526	60,039,917	3,334,689,262	

