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OF	
CLERK THE TABLE:	Miriam Moko

**THE AUDITOR-GENERAL**

**ON**

**KENYA TRANSPORT SECTOR  
SUPPORT PROJECT  
(CREDIT NO.4926 KE AND NO.5410 KE)**

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

**KENYA NATIONAL HIGHWAYS  
AUTHORITY**



MINISTRY OF ROADS AND TRANSPORT



**Kenya National Highways Authority**

Quality Highways, Better Connections

**PROJECT NAME: KENYA TRANSPORT SECTOR SUPPORT PROJECT**

**IMPLEMENTING ENTITY: KENYA NATIONAL HIGHWAYS AUTHORITY**

**PROJECT LOAN NO: 4926-KE / 5410-KE**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

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

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

*Kenya Transport Sector Support Project*  
*Annual Report and Financial Statements for the financial year ended June 30, 2023*

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	<b>Page</b>
<b>Table Contents</b>	
1. Acronyms and Glossary of Terms .....	ii
2. Project Information and Overall Performance .....	iii
3. Statement of Performance against Project’s Predetermined Objectives .....	ix
4. Environmental and Sustainability reporting .....	x
5. Statement of Project Management Responsibilities .....	xiii
6. Report of the Independent Auditor on Financial Statements for Kenya Transport Sector Support Project .....	xiv
7. Statement of Receipts and Payments for the year ended 30th June 2023 .....	1
8. Statement of Financial Assets as at 30th June 2023 .....	2
9. Statement of Cashflow for the year ended 30th June 2023 .....	3
10. Statement of Comparison of Budget and Actual amounts for the year ended 30 <sup>th</sup> June 2023 .....	4
11. Significant Accounting Policies .....	5
12. Notes to the Financial Statements .....	13
13. Annexes .....	19

**1. Acronyms and Glossary of Terms**

CBK	Central Bank of Kenya
CPA	Certified Public Accountant
EIK	Environment Institute of Kenya
FY	Financial Year
ICPAK	Institute of Certified Public Accountants of Kenya
IDA	International Development Association
IPSAS	International Public Sector Accounting Standards
KenHA	Kenya National Highways Authority
KISM	Kenya Institute of Supplies Management
Kshs.	Kenya Shillings
KTSSP	Kenya Transport Project Support Project
MRT	Ministry of Roads and Transport
NEMA	National Environment Management Authority
PAP	Project Affected Persons
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
SDG	Sustainable Development Goals
TNT	National Treasury
UA	Unit of Account
USD	United States Dollar

## Project Information and Overall Performance

### 2.1 Name and registered office

Project Name:	Kenya Transport Sector Support Project
Objective:	<p>(1) The objective of the project is to increase the efficiency of road transport along the Northern Corridor and the Tanzania – Kenya – Sudan Road Corridor</p> <p>(2) Enhance aviation safety and security to meet international standards; and improve the institutional arrangements and capacity in the transport sector.</p> <p>(3) Improve institutional Arrangements and capacity in the Transport Sector</p>
Address:	The project headquarters offices are at Barabara Plaza, Jomo Kenyatta International Airport, Nairobi, Off Mazao Road
Contacts	<p>Telephone 020-8013842</p> <p>Email <a href="mailto:dg@kenha.co.ke">dg@kenha.co.ke</a>, <a href="mailto:info@kenha.co.ke">info@kenha.co.ke</a></p> <p>Website <a href="http://www.kenha.co.ke">www.kenha.co.ke</a></p>

### 2.2 Project Information

Project Start Date:	23 <sup>rd</sup> May, 2011
Project End Date:	31 <sup>st</sup> December, 2019
Project Manager:	Eng. Henry Gakuru – Ag. Director, Development Eng. Clarence O. Karot – Project Engineer
Project Sponsor:	World Bank – International Development Association and the 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 under the Ministry of Roads and Transport.
Project Number	P-124109
Strategic goals of the project	<p>The project management aims to achieve the goals through the following means:-</p> <p>(i) Increase efficiency of road transport along the Northern Corridor and the Tanzania – Kenya – Sudan Road Corridor to facilitate trade and regional integration.</p> <p>(ii) Promote private sector participation in the management, financing and maintenance of road assets.</p>
Achievement of strategic goals	(i) Implementation of the project in timely, efficient and effective manner
Project duration	Eight years from year 2011 to 2019

**Project Information and Overall Performance (Continued)**

- 2.4 Bankers**
- NCBA Bank Limited  
NIC House Branch  
Nairobi  
A/c No. 1625990333  
A/c No. 1625990181
- Co-operative Bank of Kenya  
Upper Hill Branch,  
Nairobi  
A/c No. 01141160979900
- National Bank of Kenya  
Hill Park Branch, Nairobi  
A/c No. 0100132733200

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

**2.6 Roles and Responsibilities**

<b>Names</b>	<b>Title Designation</b>	<b>Key qualification</b>	<b>Responsibilities</b>
Eng. Henry Gakuru	Ag. Director, Development	Registered Engineer	Project Technical Team Leader
Eng. Clarence O. Karot	Deputy Director, Special Projects	Registered Engineer	Team Co-ordinator and Construction Specialist.
Eng. P. Omondi	Deputy Director, Special Projects	Registered Engineer	Project Co-Ordinator
Mr. Chanje Kera	Deputy Director, Finance & Accounts	Registered Public Accountant	Project Financial specialist
Mr. W. Nyatwanga	Deputy Director, (Environmental & Social)	Registered Environmental Specialist	Safeguard Specialist
Mr. Richard Kilel	Assistant Director, Supply Chain Services	Registered Member KISM	Project Procurement Specialist

**2.7 Funding Summary**

The project was for duration of Eight years from 23<sup>rd</sup> May, 2011 to 31<sup>st</sup> December 2019 with an approved budget of XDR 234,225,000 equivalent to USD 325,621,937 equivalent to Kshs. 29,495,071,705 by IDA and Kshs 17,296,573,391 by GK as highlighted in the table below: -

Project Information and Overall Performance (Continued)

A. Source of Funds

Source of funds	Donor Commitment-		Amount received to 30th June 2023		Undrawn balance to 30th June 2023	
	Donor currency	Kshs	Donor currency	Kshs	Donor currency	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
	USD	KSHS	USD	KSHS	USD	KSHS
<b>(i) Loan</b>						
International Development Association - IDA	325,621,937	29,495,071,705	325,621,937	29,495,071,705	-	-
<b>(ii) Counterpart funds</b>						
Government of Kenya		17,306,573,391	-	17,306,573,391	-	-
<b>Total</b>	<b>325,621,937</b>	<b>46,801,645,096</b>		<b>46,801,645,096</b>		

B. Application of Funds

Application of funds	Amount received to date – (30th June 2023)		Cumulative Amount paid to date – (30th June 2023)		Unutilised balance to 30th June 2023	
	Donor currency	Kshs	Donor currency	Kshs	Donor currency	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
	USD	KSHS	USD	KSHS	USD	KSHS
<b>(i) Loan</b>						
International Development Association - IDA	325,621,937	29,495,071,705	325,621,937	29,495,071,705	-	-
<b>(ii) Counterpart funds</b>						
Government of Kenya		17,306,573,391	-	17,295,659,430	-	10,913,961
<b>Total</b>	<b>325,621,937</b>	<b>46,801,645,096</b>	<b>325,621,937</b>	<b>46,790,731,135</b>		<b>10,913,961</b>

2.8 Summary of Overall Project Performance

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

	2022/2023			Cumulative		
	Actual	Budget	%	Actual	Budget	%
Counterpart Funds - Gok	1,640,953,520	1,715,102,182	96%	17,306,573,391	17,608,778,017	96%
Loan from External Development Partners	-	-	-	29,495,071,706	58,783,622,774	50%
<b>Total</b>	<b>1,640,686,906</b>	<b>1,715,102,182</b>	<b>100%</b>	<b>46,801,645,096</b>	<b>76,392,400,791</b>	<b>61%</b>

**Project Information and Overall Performance (Continued)**

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

**Kisumu – Kakamega Road Project**

Date	Outputs-Outcome			Impacts
	Contract Sum Amount	Amount Certified to date	% of Physical Works Completed	% of Time Elapsed
5/01/2013	7,961,527,361	7,955,291,811	100%	100%

**Kakamega – Webuye Road Project**

Date	Outputs-Outcome			Impacts
	Contract Sum Amount	Amount Certified to date	% of Physical Works Completed	% of Time Elapsed
29/11/2016	5,210,857,261	5,210,857,261	100%	100%

**Webuye - Kitale Road Project**

Date	Outputs-Outcome			Impacts
	Contract Sum Amount	Amount Certified to date	% of Physical Works Completed	% of Time Elapsed
10/01/2013	5,734,959,347	5,715,281,315	100%	100%

**Construction of Three (3) Interchanges (Nyahururu Town Off, Njoro Turn Off and Mau Summit)**

Date	Outputs-Outcome			Impacts
	Contract Sum Amount	Amount Certified to date	% of Physical Works Completed	% of Time Elapsed
27/10/2014	3,194,933,604	3,194,906,848	100%	100%

**Bachuma Gate - Maji Ya Chumvi Road Project**

Date	Outputs-Outcome			Impacts
	Contract Sum Amount	Amount Certified to date	% of Physical Works Completed	% of Time Elapsed
27/10/2014	4,986,218,101	4,985,613,246	100%	100%

**Dualling of Athi River – Machakos Turn-Off Road Project**

Date	Outputs-Outcome			Impacts
	Contract Sum Amount	Amount Certified to date	% of Physical Works Completed	% of Time Elapsed
08/3/2016	5,288,549,208	4,602,026,347	90.3%	100%

**Project Information and Overall Performance (Continued)**

Dualling of Kisumu Boys – Mamboleo Junction

Date	Outputs-Outcome			Impacts
	Contract Sum Amount	Amount Certified to date	% of Physical Works Completed	% of Time Elapsed
04/11/2020	2,837,949,930	1,972,451,789		Contract terminated

Completion of Kisumu Boys – Mamboleo Junction

Date	Outputs-Outcome			Impacts
	Contract Sum Amount	Amount Certified to date	% of Physical Works Completed	% of Time Elapsed
09/09/2020	1,314,945,369	560,268,922.70	72.1%	100%

Construction of Ahero Interchange

Date	Outputs-Outcome			Impacts
	Contract Sum Amount	Amount Certified to date	% of Physical Works Completed	% of Time Elapsed
5/11/2020	655,908,412	555,432,699		Contract terminated

Construction of Kericho Interchange

Date	Outputs-Outcome			Impacts
	Contract Sum Amount	Amount Certified to date	% of Physical Works Completed	% of Time Elapsed
5/11/2020	679,950,376	517,849,770		Contract terminated

Completion of Kericho & Ahero Interchange

Date	Outputs-Outcome			Impacts
	Contract Sum Amount	Amount Certified to date	% of Physical Works Completed	% of Time Elapsed
18/09/2020	1,388,321,424	789,398,730	96% Ahero & 89%	100%

Construction of Office Complex for the Road Sector Institutions

Date	Outputs-Outcome			Impacts
	Contract Sum Amount	Amount Certified to date	% of Physical Works Completed	% of Time Elapsed
13/03/2017	3,545,946,038	3,410,481,933	100%	100%

Access Road to EASA

Date	Outputs-Outcome			Impacts
	Contract Sum Amount	Amount Certified to date	% of Physical Works Completed	% of Time Elapsed
15th May 2017	351,473,428	350,995,847	100%	100%

**Project Information and Overall Performance (Continued)**

STATUS OF PROJECTS UNDER DESIGNS PROCESS: -

- (i) Nakuru – Nyahururu –Nyeri - Marua Road Project  
Designs for the Feasibility Study, Environmental and Social Impact Assessment, Preparation of Resettlement Action Plan and the Design and Tender Documentation for Rehabilitation of the Nakuru-Nyahururu-Nyeri-Marua Road report was completed and handed over to the Authority.
- (ii) Lake Victoria Ring Road.  
Designs for the Feasibility Study, Environmental and Social Impact Assessment, Preparation of Resettlement Action Plan and the Design and Tender Documentation for Rehabilitation of the Lake Victoria Ring Road - report was completed and handed over to the Authority.
- (iii) Garsen-Hola-Madogo Sections  
Designs for the Feasibility Study, Environmental and Social Impact Assessment, Preparation of Resettlement Action Plan and the Design and Tender Documentation for Rehabilitation of the Garsen-Hola-Madogo Sections- report was completed and handed over to the Authority.
- (iv) Mombasa Northern Bypass  
Designs for the Feasibility Study, Environmental and Social Impact Assessment, Preparation of Resettlement Action Plan and the Design and Tender Documentation for Rehabilitation of the Mombasa Northern Bypass - report was completed and handed over to the Authority.

**iii) absorption rate for each year since the commencement of the project.**

Financial Year	Budget	Actual	Percentage (%)
FY 2022/23	1,715,102,182	1,640,953,520	96%
FY 2021/22	2,758,217,373	2,558,542,921	93%
FY 2020/21	1,924,053,584	1,775,647,808	92%
FY 2019/20	5,561,113,064	4,900,620,761	88%
FY 2018/19	9,191,898,800	9,124,924,884	99%
FY 2017/18	13,117,981,423	11,922,183,093	91%
FY 2016/17	16,258,514,692	4,958,241,310	30%
FY 2015/16	3,830,000,000	3,248,583,141	85%
FY 2014/15	8,868,000,000	3,689,042,195	42%
FY 2013/14	4,766,729,674	1,667,000,787	35%
FY 2012/13	5,115,790,000	305,767,821	6%
FY 2011/12	3,285,000,000	1,010,136,856	31%
<b>Total</b>	<b>76,392,400,791</b>	<b>46,801,645,096</b>	<b>61%</b>

**2.9 Summary of Project compliance: -**

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

### 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 key development objectives of the *project's agreement* are to:

- a) Increase efficiency of road transport along the Northern Corridor and the Tanzania – Kenya – Sudan Road Corridor to facilitate trade and regional integration.
- b) Improve institutional Arrangements and capacity in the Transport Sector

#### Progress on attainment of strategic development objectives

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

Below we provide the progress on attaining the stated objectives:

Objective	Outcome	Indicator	Performance
Increase the efficiency of road transport along the Northern Corridor and the Tanzania - Kenya-Sudan road corridor.	Increased efficient transportation of people, goods and services	Increase efficiency of road transport along the Northern Corridor and the Tanzania – Kenya – Sudan Road Corridor to facilitate trade and regional integration.	Completion of the majority of projects as noted in note 1.8 (b) has led to significant increase in efficiency and trade facilitation
Improve institutional Arrangements and capacity in the Transport Sector	Construction of an Office Complex for the Road Sector Entities	Completion and Occupation of office Complex	Project Completed and opened for use by the road agencies and the public at large
	Marking boundaries for the right of way to secure KeNHA's road assets	Marking of Boundaries along target roads	Project completed hence securing the road reserves

#### **4. Environmental and Sustainability reporting**

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

##### **1. Sustainability strategy and profile**

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

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

##### **2. Environmental performance**

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

## **Environmental and Sustainability reporting (Continued)**

Social Management Plan (ESMPs) as well as Environmental Social Impact Assessment (ESIA) on projects.

### **3. Employee welfare**

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

### **4. Market place practices**

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

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

### **5. Community Engagements**

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

The Contractor has been involved in various CSR activities geared towards providing social amenities to the local residents through drilling of boreholes and construction of water kiosks

**Environmental and Sustainability reporting (Continued)**

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.

Some of the CSR activities implemented though the Project are tabulated below.

No.	Road Project	CSR Activity	Status of CSR activity
1	Various	Youth empowerment	The Authority provides internship, industrial attachment and apprenticeship opportunities to young people.
2	Kisumu – Kakamega Road Project	Centres along project road	Gambogi market, Chavakali shoe shine sheds, Sigalagala street lights, Kiboswa, Majengo and Khayega loop roads
		Mwoki School	The Authority constructed 10 new classrooms and administration block. (The leveled pupils' playground, kitchen and a dining hall, toilet for staff and pupils, fencing of school compound was done by the Contractor since they leased school land for quarrying)
		Magongo water supply	Installation of a borehole and an elevated water tower with one 10,000 litre tank to be used by the community.
3	Kakamega – Webuye Road Project	Lubao Market	The amenities include construction of an ablution block and market stalls - ongoing
		Kakoi Dispensary	Dispensary Block and Toilet Block - ongoing
		Bukhuywa Secondary school	Construction of two classrooms at Bukhuywa Secondary School - ongoing
		Matete Centre	A modern maternity wing was successfully completed at Matete and awaiting handing over to handed over to the Kakamega County. (The County to furnish the maternity with equipment)
4	Webuye - Kitale Road Project	Webuye Interchange	Constructed an ablution block, septic tank, a borehole, elevated water tank for the community and overhead flood light
		Kamukuywa, Misikhu, Sikhendu and Kiminini centres	The amenities include market stalls at Misikhu, Sikhendu and Kiminini with loop roads. At Kamukuywa a bus park, loop road, toilet, septic tank, borehole and shoe shine shed were constructed
5	Bachuma Gate – Maji ya Chumvi	Samburu and Taru	The amenities include two markets at Samburu and Meli Kubwa, and, three water kiosks erected along the project route. The same have been handed over to County Government for management.

**5. Statement of Project Management Responsibilities**

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

The Director General, KeNHA and the Project Management of Kenya Transport Sector Support Project, accept responsibility for the project's Financial Statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with the International Public Sector Accounting Standards.

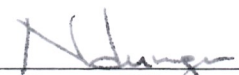
The Director General, KeNHA and Project Management of Kenya Transport Sector Support Project, are of the opinion that the Project financial statements give a true and fair view of the state of the Project's transactions during the financial year ended June, 30, 2023 and the Project's financial position as at that date.

The Director General, KeNHA and the Project Management of Kenya Transport Sector Support Project further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial Statements as well as on the adequacy of the systems of internal financial control.


The Director General, KeNHA and the Project Management of Kenya Transport Sector Support Project, confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year under audit are used for the eligible purposes for which they were intended and were properly accounted for.

**Approval of the Project financial statements**

The project financial statements were approved by the Director General, KeNHA and Project Management for Kenya Transport Sector Support Project on .....26 SEP. 2023.....and signed by them.

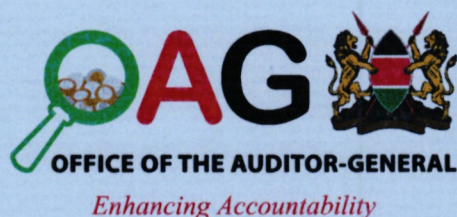
  
\_\_\_\_\_  
**Eng. Kungu Ndungu**  
**Director General**

  
\_\_\_\_\_  
**Eng. Henry Gakuru**  
**Ag. Director-Development**

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

# REPUBLIC OF KENYA

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NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON KENYA TRANSPORT SECTOR SUPPORT PROJECT (CREDIT NO.4926 KE AND NO.5410 KE) FOR THE YEAR ENDED 30 JUNE, 2023 - KENYA NATIONAL HIGHWAYS AUTHORITY**

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### **PREAMBLE**

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

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

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

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

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Opinion**

I have audited the accompanying financial statements of Kenya Transport Sector Support Project, set out on pages 1 to 30, which comprise of the statement of financial assets as

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*Report of the Auditor-General on Kenya Transport Sector Support Project (Credit No.4926 KE And No.5410 KE) for the year ended 30 June, 2023 - Kenya National Highways Authority*

at 30 June, 2023, and the statement of receipts and payments, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Kenya Transport Sector Support Project as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and complies with the Financing Agreement No.4926-KE dated 23 May, 2011 and as amended through Financing Agreement No.5410-KE dated 31 March, 2014 between International Development Association and the Republic of Kenya and the Public Finance Management Act, 2012.

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

### **Basis for Opinion**

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

### **Emphasis of Matter**

#### **1. Long Outstanding Pending Bills**

Note 1 Other important disclosure and Annex 4 to the financial statements reflects pending bills amounting to Kshs.6,925,616,718 as at 30 June, 2023. The pending bills has been outstanding for long some dating back to year 2010. Failure to settle pending bills during the year to which they relate distorts the financial statements and adversely affects the budgetary provisions for the subsequent year in which they form a first charge. Further, pending bills balance of Kshs.6,925,616,719 includes pending payments of Kshs.3,831,471,877 owed to a company arising from court awards in determination of several disputes. Review of the records provided, revealed that delayed payments of the awards has continued to attract interests which amounted to Kshs.852,887,652 as at 30 June, 2023 (Kshs.412,570,553- June, 2022). In addition, there were new claims on disputes amounting to Kshs.184,626,698 recorded during the year under review.

In the circumstances, the project continues to incur nugatory expenditures in form of interests and penalties due to continued delay in payment of court awards that could have been avoided.

## 2. Project Closure Report

Review of the project financing agreement revealed that the Project was to end on 31 December, 2018. However, the Project has continued operations four and a half (4½) years after closure date and no closure report was provided for audit review.

My opinion is not modified due to the effects of the above matters.

### Key Audit Matters

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

## REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

### Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matter described in the Basis for conclusion on Lawfulness and Effectiveness in 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 completion of Projects

The project Management entered into various contract agreements for Construction of roads. During the year under review, the Projects status reports revealed that three (3) projects had not been completed and were behind schedule as analyzed below:

- i) Construction of the second carriageway of the Athi River Machakos turn off section contract number KeNHA/RD/SP/1973/2016 commenced on 8 March, 2017 with completion date of 7 December, 2017 at contract sum of Kshs.5,288,529,208. The contract period and contract sum were varied to 28 April, 2023 and Kshs.6,229,173,463 respectively. However, the project progress report revealed that the project was yet to complete and was at 90.3% complete.
- ii) Completion of the dualling of Kisumu Boys' roundabout (JNA1/B1)-Mambolea Junction (JN A1/C34) road commenced on 4 November, 2020 with completion date of 4 November, 2021 at contract sum of Kshs.1,314,945,369. However, the project progress report revealed that the project was yet to complete and was at 72.1% complete despite the fact that the contract period had expired.
- iii) Completion of Ahero interchange at junction B1/A1 and Kericho interchange at B1/C23 Junction commenced on 4 November, 2020 with completion date of 4 November, 2021 at contract sum of Kshs.1,388,321,424. The contract period was varied to 11 January, 2023. However, the project progress report revealed

that the projects were yet to complete and were at 96% (Ahero) and 89% (Kericho) complete.

Delayed completion of the projects denied the public benefits that could have been derived from the projects.

In the circumstances, value for money has not been obtained.

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

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

### Conclusion

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

### Basis for Conclusion

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

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

### Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash

Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

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

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

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

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

### **Auditor-General's Responsibilities for the Audit**

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

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

Further, in planning and performing the audit of the financial statements and review of compliance, I consider internal control in order to give an assurance on the effectiveness

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

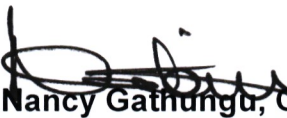
Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the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

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

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

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

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

  
CPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**


**Nairobi**

**08 November, 2023**

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

	Note	FY 2022/23				FY 2021/22				Cumulative to date
		Receipts and payments controlled by the entity	Payments made by third parties	Total	Receipts and payments controlled by the entity	Payments made by third parties	Total			
		Kshs	Kshs	Kshs	Kshs Restated	Kshs	Kshs Restated	Kshs Restated		
<b>Receipts</b>										
Transfer from Government entities	1	1,640,678,060	-	1,640,678,060	2,558,217,373	-	2,558,217,373	16,957,970,504		
Loan from external development partners	2	-	-	-	-	-	-	29,495,071,705		
Miscellaneous receipts	3	275,460	-	275,460	325,548	-	325,548	348,602,887		
<b>Total Receipts</b>		<b>1,640,953,520</b>	<b>-</b>	<b>1,640,953,520</b>	<b>2,558,542,921</b>	<b>-</b>	<b>2,558,542,921</b>	<b>46,801,645,096</b>		
<b>Payments</b>										
Purchase of goods and services	4	13,103,892	-	13,103,892	16,989,450	-	16,989,450	435,797,886		
Acquisition of non-financial assets	5	1,619,574,962	-	1,619,574,962	2,541,227,923	-	2,541,227,923	46,181,429,064		
Miscellaneous Payments	6	8,008,052	-	8,008,052	-	-	-	173,504,185		
<b>Total Payments</b>		<b>1,640,686,906</b>	<b>-</b>	<b>1,640,686,906</b>	<b>2,558,217,373</b>	<b>-</b>	<b>2,558,217,373</b>	<b>46,790,731,135</b>		
<b>Surplus / (Deficit) for the year</b>		<b>266,614</b>	<b>-</b>	<b>266,614</b>	<b>325,548</b>	<b>-</b>	<b>325,548</b>	<b>10,913,961</b>		

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

  
**Eng. Kungu Ndungu**  
 Director General


**26 SEP 2023**

Date

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

**26 SEP 2023**

Date

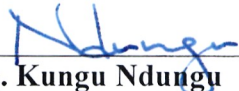
  
**CPA Chanje Kera**  
 Deputy Director (F&A)  
 ICPAK Member No. 8279  
**26 SEP 2023**

Date


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

	Note	2022/23 Kshs	2021/22 Kshs
<b>Financial Assets</b>			
Cash and Cash Equivalents Bank Balances	7	670,510,323	769,681,605
<b>Total Financial Assets</b>		<b>670,510,323</b>	<b>769,681,605</b>
<b>Financial Liabilities</b>			
Payables - Retentions	8	659,596,362	759,034,258
<b>Net Assets</b>		<b>10,913,961</b>	<b>10,647,347</b>
<b>Represented By:</b>			
Fund Balance B/fwd. Surplus /(Deficit) for the year	10	10,647,347 266,614	10,321,799 325,548
<b>Net Financial Position</b>		<b>10,913,961</b>	<b>10,647,347</b>

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

  
Eng. Kungu Ndungu  
Director General

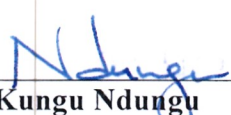
  
Eng. Henry Gakuru  
Ag. Director-Development

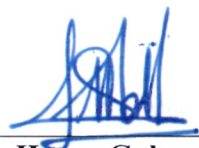
  
CPA Chanje Kera  
Deputy Director (F&A)  
ICPAK Member No. 8279

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

	Note	2022/23 Kshs	2021/22 Kshs Restated
<b>Receipts</b>			
Transfer from Government entities	1	1,640,678,060	2,558,217,373
Miscellaneous receipts	3	275,460	325,548
<b>Payments</b>			
Purchase of goods and services	4	(13,103,892)	(16,989,450)
Miscellaneous Payments	6	(8,008,052)	-
<b>Net cash flow from operating activities</b>		<b>1,619,841,576</b>	<b>2,541,553,471</b>
Cashflow From Investing Activities			
Acquisition of Non-Financial Assets	5	(1,619,574,962)	(2,541,227,923)
Increase (Decrease) in Accounts Payables - Retentions		(99,437,896)	(185,260,533)
<b>Net cash flows from Investing Activities</b>		<b>(1,719,012,858)</b>	<b>(2,726,488,456)</b>
Cashflow From Borrowing Activities			
Proceeds from Foreign Borrowings	2	-	-
<b>Net cash flow from financing activities</b>		<b>-</b>	<b>-</b>
Net Increase In Cash And Cash Equivalent		(99,171,283)	(184,934,985)
Cash and cash equivalent at beginning of the year		769,681,606	954,616,591
<b>Cash and cash equivalent at end of the year</b>		<b>670,510,323</b>	<b>769,681,606</b>

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

  
Eng. Kungu Ndungu  
Director General

  
Eng. Henry Gakuru  
Ag. Director-Development

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

26 SEP 2023

Date

26 SEP 2023

Date

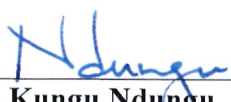
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10. Statement of Comparison of Budget and Actual amounts for the year ended 30<sup>th</sup> June 2023

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Variance	% of Var
	a	b	c=a+b	d	e=c-d	f=d/c %
<b>Receipts</b>						
Transfer from Government entities	1,096,037,499	619,064,683	1,715,102,182	1,640,678,060	74,424,122	96%
Miscellaneous receipts	-	-	-	275,460	-	100%
<b>Total Receipts</b>	<b>1,096,037,499</b>	<b>619,064,683</b>	<b>1,715,102,182</b>	<b>1,640,953,520</b>	<b>74,148,662</b>	<b>96%</b>
<b>Payments</b>						
Purchase of goods and services	1,096,037,499	619,064,683	1,715,102,182	13,103,892	82,423,328	95%
Acquisition of non-financial assets:				1,619,574,962		
Miscellaneous Payments	-	-	-	8,008,052	(8,008,052)	100%
<b>Total Payments</b>	<b>1,096,037,499</b>	<b>619,064,683</b>	<b>1,715,102,182</b>	<b>1,640,686,906</b>	<b>74,415,276</b>	<b>96%</b>
<b>Surplus/Deficit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>266,614</b>	<b>(266,614)</b>	

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

  
Eng. Kungu Ndungu  
Director General

  
Eng. Henry Gakuru  
Ag. Director-Development

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

26 SEP 2023  
Date

26 SEP 2023  
Date

26 SEP 2023  
Date

## 11 Significant Accounting Policies

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

### a) **Statement of compliance and basis of preparation**

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

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

### b) **Reporting entity**

The financial statements are for the Kenya Transport Sector Support Project under the Kenya National Highways Authority. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012 .

### c) **Reporting currency**

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

**Significant Accounting Policies (Continued)**

**d) Recognition of receipts**

The Project recognises all receipts from the various sources when the event occurs, and the related cash has actually been received by the Government.

**i) Transfers from the Exchequer**

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

**ii) External Assistance**

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

**iii) Other receipts**

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

**iv) Donations and grants**

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

**Significant Accounting Policies (Continued)**

**v) Proceeds from borrowing**

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

**vi) Undrawn external assistance**

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

**e) Recognition of payments**

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

**i) Compensation of employees**

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

**ii) Use of goods and services**

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

**Significant Accounting Policies (Continued)**

**iii) Interest on borrowing**

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

**iv) Repayment of borrowing (principal amount)**

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

**v) Acquisition of fixed assets**

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

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

**f) In-kind donations**

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

**Significant Accounting Policies (Continued)**

**g) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank

account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**h) Restriction on cash**

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

**i) Imprests and Advances**

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

**Significant Accounting Policies (Continued)**

**j) Contingent Liabilities**

A contingent liability is:

- a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b) A present obligation that arises from past events but is not recognised because:
  - i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
  - ii) The amount of the obligation cannot be measured with sufficient reliability.

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities. Letters of comfort/ support, insurance, Public Private Partnerships,

The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

There were no contingent liabilities in the year.

**k) Contingent Assets**

The Kenya Transport Support 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 Kenya Transport Support Project in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

**l) Pending bills**

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

**Significant Accounting Policies (Continued)**

or 'off-balance' items to provide a sense of the overall net cash position of the Project at the end of the year. When the pending bills are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

**m) Budget**

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

**n) Third party payments**

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

and are disclosed in the payment to third parties' column in the statement of receipts and payments.

**Significant Accounting Policies (Continued)**

**o) Exchange rate differences**

The accounting records are maintained in the functional currency of the primary economic environment in which the Project operates, Kenya Shillings. Transactions in foreign

currencies during the year/period are converted into the functional currency using the exchange rates prevailing at the dates of the transactions. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of receipts and payments.

**p) Comparative figures**

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

**q) Subsequent events**

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

**r) Prior period adjustments**

Prior period adjustments relate to errors and other adjustments noted arising from previous year(s). Explanations and details of these prior period adjustments are presented in **note 11** of these financial statements.

12. Notes to the Financial Statements

1. Transfers from Government entities

	2022/23	2021/22	Cumulative
	Kshs	Kshs	to-date
Counterpart funds Quarter 1	974,342,154	546,745,017	3,500,526,554
Counterpart funds Quarter 2	-	354,260,567	2,530,895,142
Counterpart funds Quarter 3	294,285,306	686,582,168	2,705,130,034
Counterpart funds Quarter 4	-	970,629,621	7,849,368,174
<b>TOTAL</b>	<b>1,268,627,460</b>	<b>2,558,217,373</b>	<b>16,585,919,904</b>
<b>Other transfers from government entities</b>			
<i>Fuel Levy Funds</i>			
Fuel Levy funds Quarter 1	-	-	-
Fuel Levy funds Quarter 2	-	-	-
Fuel Levy funds Quarter 3	-	-	-
Fuel Levy funds Quarter 4	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Annuity fund</b>			
Annuity funds Quarter 1	-	-	-
Annuity funds Quarter 2	-	-	-
Annuity funds Quarter 3	12,500,000	-	12,500,000
Annuity funds Quarter 4	331,853,223	-	331,853,223
<b>Total</b>	<b>344,353,223</b>	<b>-</b>	<b>344,353,223</b>
Appropriations-in-Aid	27,697,377	-	27,697,377
<b>Total</b>	<b>27,697,377</b>	<b>-</b>	<b>27,697,377</b>
<b>Grand Total</b>	<b>1,640,678,060</b>	<b>2,558,217,373</b>	<b>16,957,970,504</b>

2. Loan from External Development Partners

The Project's financing agreement lapsed on 31<sup>st</sup> December 2019 hence no funding from Development Partners was received in form of loans negotiated by the National Treasury in the current FY (FY 2021/22 Kshs Nil). A cumulative amount of Kshs 29.5 billion was however utilised in the project.

*Kenya Transport Sector Support Project*  
*Annual Report and Financial Statements for the financial year ended June 30, 2023*

Notes to the Financial Statements (Continued)

3. Miscellaneous Receipts

	FY 2022/23			FY 2021/22	Cumulative to-date
	Receipts controlled by the entity	Receipts controlled by third parties	Total Receipts	Total Receipts	
	Kshs	Kshs	Kshs	Kshs	Kshs
Bank Interest	275,460	-	275,460	325,548	139,714,078
Advance Payment Guarantee Recall - Vil Ltd	-	-	-	-	208,888,809
<b>Total</b>	<b>275,460</b>	<b>-</b>	<b>275,460</b>	<b>325,548</b>	<b>348,602,887</b>

4. Purchase of Goods and Services

	FY 2022/23			FY 2021/22	Cumulative to-date
	Payments controlled by the entity	Payments made by third parties	Total Payments	Total Payments	
	Kshs	Kshs	Kshs	Kshs	Kshs
Communication, supplies and services	-	-	-	-	15,922,489
Domestic travel and subsistence	13,103,892	-	13,103,892	16,989,450	285,204,477
Training expenses	-	-	-	-	134,670,920
<b>Total</b>	<b>13,103,892</b>	<b>-</b>	<b>13,103,892</b>	<b>16,989,450</b>	<b>435,797,886</b>

Notes to the Financial Statements (Continued)

5. Acquisition of Non-Financial Assets

	FY 2022/23			FY 2021/22	Cumulative to-date
	Payments controlled by the entity	Payments made by third parties	Total Payments	Total Payments	
	Kshs	Kshs	Kshs	Kshs Restated	
Construction of roads	1,619,574,962	-	1,619,574,962	2,541,227,923	41,879,020,594
Purchase of office furniture & general equipment	-	-	-	-	35,285,439
Research, studies, project preparation, design & supervision	-	-	-	-	4,197,339,836
Acquisition of other intangible assets	-	-	-	-	69,783,195
<b>Total</b>	<b>1,619,574,962</b>	<b>-</b>	<b>1,619,574,962</b>	<b>2,541,227,923</b>	<b>46,181,429,064</b>

6. Miscellaneous Expenditure

	FY 2022/23			FY 2021/22	Cumulative to-date
	Payments controlled by the entity	Payments made by third parties	Total Payments	Total Payments	
	Kshs	Kshs	Kshs	Kshs	
Interest Overcharge	-	-	-	-	11,015,603
Refunds to IDA in relation to Encashment of VIL Ltd Advance Payment Guarantee	-	-	-	-	154,480,530
Transfers to Revenue Account	8,008,052	-	8,008,052	-	8,008,052
	<b>8,008,052</b>	<b>-</b>	<b>8,008,052</b>	<b>-</b>	<b>173,504,185</b>

Notes to the Financial Statements (Continued)

7. Cash and Cash Equivalents

	2022/2023	2021/2022
	Kshs	Kshs
Bank accounts (Note 7A)	670,510,323	769,681,605
<b>Total</b>	<b>670,510,323</b>	<b>769,681,605</b>

7A - Bank Accounts

	2022/23	2021/22
	Kshs	Kshs
NCBA A/C No. 1625990333	-	7,732,592
NCBA A/C No. 1625990181	2,914,755	2,914,755
NBK A/C No. 0100132733200	561,158,483	759,034,258
KCB Bank Call Deposit A/C No. 1110623704	98,437,879	-
Co-operative Bank of Kenya A/C 01141160979900	7,999,206	-
<b>Total</b>	<b>670,510,323</b>	<b>769,681,605</b>

Special Deposit Accounts

The Project Special Account was closed after the financing agreement lapsed on 31<sup>st</sup> December 2019

8. Accounts Payables – Retentions

Description	2022 - 2023		2021 - 2022	
	Kshs		Kshs	
Retention	659,596,362		759,034,258	
<b>Total</b>	<b>659,596,362</b>		<b>759,034,258</b>	
	2022 - 2023	% of the Total	2021 - 2022	% of the Total
Ageing analysis:				
Under one year	17,840,984	3%	26,050,299	3%
1-2 years	26,050,299	4%	-	0%
2-3 years	-	0%	44,414,407	6%
Over 3 years	615,705,080	93%	688,569,553	91%
<b>Total</b>	<b>659,596,362</b>	<b>100%</b>	<b>759,034,258</b>	<b>100%</b>

Notes to the Financial Statements (Continued)

9. Changes in Accounts Payable – Retentions

Description	2022 - 2023	2021 - 2022
	Kshs	Kshs
Retentions as at 1 <sup>st</sup> July	759,034,258	944,294,792
Closing accounts payables as at 30 <sup>th</sup> June	659,596,362	759,034,258
Change in payables	<b>(99,437,896)</b>	<b>(185,260,533)</b>

10. Fund Balance Brought Forward

	FY 2022/23	FY 2021/22
	KShs	KShs
Bank accounts	769,681,605	954,616,591
Deposits and retention	(759,034,258)	(944,294,792)
<b>Total</b>	<b>10,647,347</b>	<b>10,321,799</b>

11. Prior Year adjustment

	Balance b/f FY 2021/2022 as per financial statements	Adjustments	Adjusted Balance b/f FY 2021/2022
Description	Kshs	Kshs	Kshs
Cumulative Acquisition of non - financial assets to 30 June 2022	43,802,819,844	759,034,258	44,561,854,102
Acquisition of non - financial assets FY 2021/22	2,726,488,456	(185,260,533)	2,541,227,923
Summary of Fixed Assets	43,802,819,844	759,034,258	44,561,854,102

The adjustment relates to treatment of retention held by the Authority as part of acquisition of non- financial assets in the year in which they are retained as opposed to its accounting as part of non-financial assets in the year they are released to the contractor.

*Kenya Transport Sector Support Project  
Annual Report and Financial Statements for the financial year ended June 30, 2023*

**Other Important Disclosures**

**1. Pending Accounts Payable (Annex 4)**

	<b>Balance b/f FY 2022/2023</b>	<b>Additions for the period</b>	<b>Paid during the year</b>	<b>Balance c/f FY 2022/2023</b>
<b>Description</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
Construction of Roads	5,631,384,587	2,288,968,049	1,159,510,458	6,760,842,178
Supervision Services	293,026,448	331,812,597	460,064,504	164,774,540
Supply of Goods and Services	-	13,103,892	13,103,892	-
<b>Total</b>	<b>5,924,411,035</b>	<b>2,633,884,537</b>	<b>1,632,678,854</b>	<b>6,925,616,718</b>

13. Annexes

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

Ref. No.	OBSERVATION	RESPONSE	Status:	Time Frame
1	<p><b>BASIS FOR QUALIFIED OPINION</b></p> <p><b>Inaccuracies in the Financial Statements</b> The statement of receipts and payments reflects deficit for the year of Kshs.184,934,985. However, the statement of financial assets reflects a surplus for the year of Kshs.325,548 resulting in unexplained variance of Kshs.185,260,533. In the circumstances, the accuracy of the financial statements could not be confirmed.</p>	<p>We disagree with the audit observation that the financial statements contains unexplained variance of Kshs 185,260,533.</p> <p>The deficit recorded in the financial year amounting to Kshs 184,934,985 is made up of two items namely interest income less retention money released (Kshs. 325,548 less Kshs. 185,260,533) hence the deficit of Kshs. 184,934,985. This was clarified during the audit exercise hence all figures were explained.</p> <p>The reduction in retention amounts of Kshs 185,260,533 in the current year subsequently led to reduction in the Financial Liabilities (Payables Retentions) from Kshs 944,294,792 in FY 2020/21 to Kshs 759,034,258 in FY 2021/2022. The movement in accounts payable, retention is as indicated in note no. 9 of the financial statements.</p> <p>The Accounting and disclosure of the above items are therefore consistent with the Projects reporting template issued by the National Treasury, hence the accuracy of the Financial Statements.</p>	Resolved	Closed

**Kenya Transport Sector Support Project  
Annual Report and Financial Statements for the financial year ended June 30, 2023**

2	<p><b>Comingling of Project Account</b> The statement of financial assets and Note 7 to the financial statements reflects cash equivalents balances of Kshs. 769,681,605. However, two bank confirmation certificate attached in support of cash and Cash equivalents balance relate to the Authority's bank accounts holding balances totalling to Kshs. 1,071,589,264. The relationship and balances in these bank accounts with the project has not been explained. This amount to comingling of projects funds.</p> <p>In the circumstances, the accuracy of the cash and cash equivalents balance of Kshs 769,681,605 could not be confirmed.</p>	<p><b>NB:</b> This is a new observation introduced in the final audit report but was neither contained in the Management letter nor Draft Report. It is also not clear how the auditor arrived at the reported amount of Kshs 1,071,589,264.</p> <p>We would however wish to clarify that the closing cash balance amounting to Kshs 769,681,605 are held in the following bank accounts:</p> <table style="margin-left: 40px;"> <tr> <td>NCBA A/c. No. 1625990333</td> <td style="text-align: right;">Kshs 7,732,592</td> </tr> <tr> <td>NCBA A/c. No. 1625990181</td> <td style="text-align: right;">Kshs 2,914,755</td> </tr> <tr> <td>NBK short term deposit A/c</td> <td style="text-align: right;">Kshs 700,000,000</td> </tr> <tr> <td>NBK A/c No. 0100132733200</td> <td style="text-align: right;">Kshs 59,034,258</td> </tr> <tr> <td><b>Total</b></td> <td style="text-align: right;"><b>Kshs 769,681,605</b></td> </tr> </table> <p>We therefore wish to confirm that the balance of Kshs 769,681,605 as reported in the financial statements is accurate.</p>	NCBA A/c. No. 1625990333	Kshs 7,732,592	NCBA A/c. No. 1625990181	Kshs 2,914,755	NBK short term deposit A/c	Kshs 700,000,000	NBK A/c No. 0100132733200	Kshs 59,034,258	<b>Total</b>	<b>Kshs 769,681,605</b>	Resolved	Closed
NCBA A/c. No. 1625990333	Kshs 7,732,592													
NCBA A/c. No. 1625990181	Kshs 2,914,755													
NBK short term deposit A/c	Kshs 700,000,000													
NBK A/c No. 0100132733200	Kshs 59,034,258													
<b>Total</b>	<b>Kshs 769,681,605</b>													

**Kenya Transport Sector Support Project  
Annual Report and Financial Statements for the financial year ended June 30, 2023**

1	<p><b>OTHER MATTER</b></p> <p><b>Delay in Project Implementation</b></p> <p>As previously reported the financing agreement indicates that the Project lifespan was 23<sup>rd</sup> May, 2021 to 31<sup>st</sup> December, 2018. Paragraph 1.7 of the financial statements on funding summary reflects an approved budget of donor funds of Kshs. 29,495,071,705 all of which has been received. In addition, paragraph 1.8 of the financial statements on summary of overall project performance revealed that, as at 30 June 2022 actual payments totalled to Kshs. 2,743,477,906 out of the budget of Kshs. 3,312,559,529 or 83% performance. Further, four (4) road projects were not completed while three (3) projects had their contracts terminated.</p> <p>In the circumstances, the delayed contract execution impacts negatively on the project costs and the attainment of the objectives of the project</p>	<p>We agree with the audit observation that four (4) road projects were not complete as at close of the financial year. This situation arose from cash flow constraints on the part of the contractors and supervision consultants as a result of inadequate budgetary allocations due to low exchequer ceilings in the current as well as prior financial years. The Authority will however endeavour to allocate budgets in the subsequent financial years in order to facilitate completion of the remaining milestones for the road projects subject to budget ceilings.</p>	Not Resolved	Ongoing
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*Kenya Transport Sector Support Project  
Annual Report and Financial Statements for the financial year ended June 30, 2023*

3	<p><b>Pending Bills</b> Note 12 and Annex 3 to the financial statements reflects pending bills amounting to Kshs.5,621,824,796 as at 30 June, 2022. Review of records revealed several issues as indicated below:</p>	<p>We agree with the observation that the project had outstanding bills as at 30 June 2022. The KTSSP project was co-financed by GK and the International Development Association (IDA) whose credit and financing ended on 30 December 2019 prior to completion of all the project components. Following the exhaustion and lapse of the credit from the Development Partner, the Government took up the responsibility of ensuring the projects are financed in order to facilitate their completion for use by the public.</p> <p>In FY 2022/23 the Authority secured budgetary allocations amounting to Kshs 1,096,037,499 which was utilized in settlement of part of the pending bills.</p> <p>The Authority will also allocate budgets in subsequent financial years in order to ensure that all the pending bills are eventually settled.</p>	Not Resolved	Ongoing
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*Kenya Transport Sector Support Project  
Annual Report and Financial Statements for the financial year ended June 30, 2023*

3.1	<p><b>Unsupported Accounts Payable</b> Included in the pending bills balance are pending payments in respect of supervision services pending payments of Kshs.293,026,448 which include unexplained and unsupported negative movements of Kshs.29,227,892.</p>	<p>We disagree with the audit observation that the pending payments of Kshs.293,026,448 includes unexplained and unsupported negative movements of Kshs.29,227,892. The negative movement of Kshs 29,227,892 was an unfortunate erroneous entry in the initial draft financial statements, but the error was corrected in the revised financial statements that were submitted for audit by the auditor in issuing the audit opinion.</p> <p>The attached amended financial statements, the basis of which the auditor issued audit opinion are the amended financial statements which indicates additions in the financial year 2021/22 of Kshs 323,693,787 under supervision services. The opening balances on the other hand amounted to Kshs 322,254,340 and payments amounting to Kshs 352,921,679 were made during the year resulting in closing balance of Kshs 293,026,448</p> <p><i>NB: The auditor adopted the revised and corrected financial statements but maintained the audit observation relating to the initial draft financial statements as observed in the Management letter</i></p>	Resolved	Closed
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*Kenya Transport Sector Support Project  
Annual Report and Financial Statements for the financial year ended June 30, 2023*

			Resolved	Closed
	<p>Annex 3 reflects opening balance for supervision services of Kshs.282,934,200 while documents cast to the closing balance of Kshs.293,026,448 upon taking into account the payments to date. The recomputed amount of opening balance should have been Kshs.332,633,449 resulting to an unexplained variance of Kshs.49,699,249.</p>	<p>We disagree with the audit observation that annex 3 (consultancy services) of the audited financial statements has an unexplained variance of Kshs 49,699,249.</p> <p>The variance of Kshs 49,699,249 was a regrettable error in the initial draft financial statements which was corrected by amending the original total fee note amounts of Kshs 332,633,449 as noted in the audit observation. This was corrected in the amended financial statements, the basis of which the auditor issued the audit opinion. The reported outstanding bills are therefore correct.</p> <p><i>NB The auditor adopted the revised and corrected financial statements but maintained the audit observation relating to the initial draft financial statements as observed in the Management letter</i></p>		

*Kenya Transport Sector Support Project  
Annual Report and Financial Statements for the financial year ended June 30, 2023*

	<p>Further, included in the pending bills balance are pending payments of Kshs.876,649,634 due to a contractor arising out of the determination of High Court, case No. HCC075 of 2018. Annex 3 to the financial statements reflects original amount of the pending bill as Kshs.1,276,649,634. However, the accounting records provided for audit indicated that the original balance payable for this bill was Kshs.1,291,376,941 resulting to an unexplained variance of Kshs.14,727,307.</p>	<p>We disagree with the audit observation the original pending bill recorded arising from the High Court determination on case no. HCC075 of 2018 was recorded as Kshs. 1,276,649,634 instead of Kshs.1,291,376,941.</p> <p>The financial statements which are attached to the audit opinion has an adjusted and correct original award of Kshs 1,261,922,327 (USD 5,918,829.55 @ 102.0735 and Kshs 684,766,679.11 Less Kshs 27,000,000 over-casted under DB No. 03). Copies of Dispute Resolution Board's decisions which were availed during the audit process are available for further reference.</p> <p><i>NB: The auditor adopted the revised and corrected financial statements but maintained the audit observation relating to the initial draft financial statements as observed in the Management letter</i></p>	Resolved	Closed
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*Kenya Transport Sector Support Project  
Annual Report and Financial Statements for the financial year ended June 30, 2023*

	Resolved	Closed
<p>In addition, Annex 3 to the financial statements reflects total original pending bills amount of Kshs 11,042,079,990 which includes an amount of Kshs.3,372,323,314 being the original amount payable to a contractor in respect to awards granted by the Dispute Resolution Board. However, review of records maintained by the legal department revealed that the original amount payable to the contractor was Kshs.3,804,526,291 resulting in an unexplained difference of Kshs.432,202,977.</p>	<p>We disagree with the audit observation that the final audited financial statements have an unexplained variance of Kshs 432,202,977. The amount of Kshs. 3,372,323,314 that was indicated as the original amount payable to the Contractor in respect of awards granted by the Dispute Resolution Board in the draft project financial statements submitted for audit on 30th August 2022 had a regrettable overcasting error. The financial records were however subsequently amended to reflect the correct figure of Kshs 3,777,526,186 (Kshs 3,804,526,291 Less Kshs 27,000,000 overcast in DB Decision No. 03) as noted during the audit.</p> <p><i>NB: The auditor adopted the revised and corrected financial statements but maintained the audit observation relating to the initial draft financial statements as observed in the Management letter</i></p>	

*Kenya Transport Sector Support Project  
Annual Report and Financial Statements for the financial year ended June 30, 2023*


3.2	Unexplained Land Compensation valuation difference		Resolved	Closed
<p>Included in the pending bills is a balance of Kshs.823,379,197 in relation to land compensation which reduced by Kshs.345,387,044 from Kshs.1,168,766,241 in the 2020/2021 financial. Review of records provided revealed that the National Land Commission revalued an initial land compensation award to a brokerage firm from Kshs.596,221,387 to Kshs.148,217,710, vide a letter reference No. NLC/FIN/53/1 dated 5 January, 2022, thereby reducing the valuation by Kshs.448,003,677. However, this reduction differs with the year-to-year movement reported in the financial statements of Kshs.345,387,044 by Kshs.102,616,633. Management did not provide an explanation for the difference. The project runs the risk of incurring significant and unquantified interest costs and penalties.</p> <p>In the circumstance, the accuracy of the pending bills balance of Kshs 5,621,824,796 could not be confirmed.</p>	<p>We disagree with the audit observation that the final audited financial statements indicate a reduction in the land compensation amounts by Kshs 345,387,044 instead of the re-valuation amount of Kshs 448,003,677.</p> <p>The draft financial statements submitted for statutory audit on 30<sup>th</sup> August 2022 indicated an erroneous reduction of Kshs 345,387,044 instead of Kshs 448,003,677. This was a regrettable error following which we amended our records to indicate a correct movement of Kshs 448,003,677, hence the closing land compensation amount of Kshs. 720,762,564. This led to the amendment of the financial statements. The Kshs.720,762,564 amount is made up of the following;</p> <ol style="list-style-type: none"> <li>1. Opening balance from FY 2020/21 Kshs 1,168,766,241</li> <li>2. Less downward revaluation Kshs 448,003,677</li> <li>3. Closing balance as at 30<sup>th</sup> June 2022- Kshs 720,762,564:</li> </ol> <p>The amount of pending bills reported in the revised financial statements were therefore correct as explained above.</p> <p><i>NB The auditor adopted the revised and corrected financial statements but maintained the audit observation relating to the initial draft financial statements as observed in the Management letter</i></p>			

*Kenya Transport Sector Support Project  
Annual Report and Financial Statements for the financial year ended June 30, 2023*


		Resolved	Closed
	<p><b>Nugatory Expenditure</b> Included in the pending bills balance of Kshs.5,621,824,796 as recorded under Annex 3 to the financial statements is Kshs.419,930,283 relating to interest charged, which arose from delayed payments.</p> <p>The payment of interest on defrayment of delayed payments leads to loss of Government funds which could have been avoided.</p>	<p>We agree with the audit observation that the project had attracted interest on delayed payments which is a nugatory expenditure. The unfortunate situation was a result of:</p> <ol style="list-style-type: none"> <li>2. Exhaustion of Development Partner funds and subsequent lapse of credit agreement prior to completion of all the project components</li> <li>1. Insufficient exchequer budgets in the current as well as prior financial years arising from low budgetary ceilings</li> </ol> <p>The Authority will however endeavor to provide adequate budgetary provisions in subsequent financial years subject to allocated ceilings to facilitate settlement of the entire pending bill.</p>	
4	<p><b>Project Closure Report</b> The financing agreement for the Project revealed that the Project was to end on the 31 December, 2018. However, as previously reported, the Project closure report was not provided for audit review, being more than three and a half (3½) years since the Project closing date. In the circumstances, management was in breach of the covenants.</p>	<p>We agree with the Audit observation that the project closure report was not ready during the audit period. We however wish to advise that the project closure report will be prepared upon completion of the ongoing for (4) road projects</p>	<p>Not Resolved</p> <p>Ongoing</p>

**Kenya Transport Sector Support Project  
Annual Report and Financial Statements for the financial year ended June 30, 2023**

	<p><b>BASIS FOR CONCLUSION Irregular Purchase of Goods and Services</b></p> <p>The statement of receipts and payments reflects purchase of goods and services of Kshs.16,989,450. As disclosed at Note 4, the amount comprises of domestic travel and subsistence. However, a detailed work plan to confirm that the activities paid for related to the project was not provided for audit purposes.</p> <p>In the circumstances, the validity of the expenditure could not be confirmed.</p>	<p>We disagree with the audit observation that there was unsupported expenditure.</p> <p>We wish to clarify that all expenditure in respect to domestic travel and subsistence are pre-authorized by the Director General. Payments vouchers relating to these expenses with their approvals were availed to the audit team during the audit exercise. These expenses were also incurred within the approved project budget and procurement plans which were availed to the audit teams during the audit exercise.</p>	Resolved	Closed
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**Eng. Kungu Ndungu**  
 Director General

26 SEP 2023  
 Date

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

26 SEP 2023  
 Date

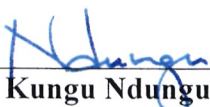
Annex 2 - Variance Explanations - Comparative Budget and Actual amounts For Current FY

	Final Budget	Actual on Comparable Basis	Budget Utilisation Variance	% of Utilisation Variance	Comments on Variance
	a	b	c=a-b	d=b/a %	
<b>Receipts</b>					
Transfer from Government entities	1,715,102,182	1,640,678,060	74,424,122	96%	
Miscellaneous receipts	-	275,460	(275,460)	100%	
<b>Total Receipts</b>	<b>1,715,102,182</b>	<b>1,640,953,520</b>	<b>74,148,662</b>	<b>96%</b>	
<b>Payments</b>					
Purchase of goods and services	1,715,102,182	13,103,892	82,423,328	95%	
Acquisition of non-financial assets:		1,619,574,962			
Miscellaneous Payments	-	8,008,052	(8,008,052)	100%	
<b>Total Payments</b>	<b>1,715,102,182</b>	<b>1,640,686,906</b>	<b>74,415,276</b>	<b>96%</b>	


*Kenya Transport Sector Support Project*  
*Annual Report and Financial Statements for the financial year ended June 30, 2023*

**Annex 3 - Reconciliation of Inter-Entity Transfers**

Break down of Transfers from the State Department of Roads		
Bank Statement Date	Amount (KShs)	FY to which the amounts relate
<b>a. Government Counterpart Funding</b>		
15-Jul-22	754,342,156	FY 2021/22
30-Sep-22	219,999,998	FY 2022/23
10-Feb-23	294,285,306	FY 2022/23
<b>Total</b>	<b>1,268,627,460</b>	
<b>Others</b>		
<b>b. Fuel Levy Funds</b>		
30/03/2023	12,500,000	FY 2022/23
<b>Total</b>	<b>12,500,000</b>	
<b>c. Annuity fund</b>		
25-May-23	331,853,223	FY 2022/23
<b>Total</b>	<b>331,853,223</b>	
<b>d. Appropriations-in-Aid</b>		
12-Apr-23	17,697,377	FY 2022/23
10-May-23	10,000,000	FY 2022/23
<b>Total</b>	<b>27,697,377</b>	
<b>TOTAL(a+b+c+d)</b>	<b>1,640,678,060</b>	

  
 Eng. Kungu Ndungu  
 Director General

26 SEP 2023  
 Date

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

26 SEP 2023  
 Date

*Kenya Transport Sector Support Project*

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

**Annex 4 – Analysis of Pending Bills**

Supplier of Goods or Services	Date Invoiced	Original Amount	Amount Paid To-Date	Outstanding Balance	Outstanding Balance	IPC No
				2023	2022	
		a	b	c=a-b		
<b>Construction of Roads</b>						
<b>Works</b>			-			
Jiangxi Zhongmei	2017-12-20	37,073,029	-	37,073,029	37,073,029	22
Jiangxi Zhongmei	2018-11-22	58,351,538	-	58,351,538	58,351,538	31
Jiangxi Zhongmei	2020-01-10	80,800,872	64,512,796	16,288,076	16,288,076	38
Jiangxi Zhongmei	2021-11-20	52,271,643	-	52,271,643	52,271,643	40
Jiangxi Zhongmei	2021-07-21	295,421,014	152,500,000	142,921,014	-	42(claim)
Jiangxi Zhongmei	2018-11-22	447,685,104	424,085,462	23,599,642	23,599,642	10
Jiangxi Zhongmei	2019-04-02	406,562,790	403,060,849	3,501,941	3,501,941	12
Jiangxi Zhongmei	2021-11-24	193,421,581	177,492,561	15,929,020	15,929,020	16C
Jiangxi Zhongmei	2021-09-30	160,755,692	-	160,755,692	160,755,692	16D
China Dalian	2017-09-19	11,993,013	7,000,000	4,993,013	4,993,013	19A
China Dalian	2019-10-22	30,033,716	-	30,033,716	30,033,716	27A
China Railway No.10	2021-09-21	79,629,677	79,629,677	-	6,992,929	5
China Railway No.10	2021-11-08	69,205,849	62,212,922	6,992,927	69,205,849	6
China Railway No.10	2021-02-18	74,010,969	46,476,295	27,534,674	74,010,969	7
China Railway No.10	22-7-2022	147,112,035		147,112,035	-	8
Sbi International	2018-11-12	93,236,312	84,451,636	8,784,675	8,784,675	14
Sbi International	2019-03-05	120,989,547	120,922,016	67,531	67,531	16
Sbi International	2019-07-09	122,729,643	122,335,514	394,129	394,129	20
Sbi International	2020-08-27	126,087,384	-	126,087,384	126,087,384	21
Sbi International	2021-06-30	1,261,922,327	770,000,000	491,922,327	861,922,327	HCC075
Sbi International	2020-02-14	531,143,067	-	531,143,067	531,143,067	Court Award-E228
Sbi International	2020-07-10	774,730,308	-	774,730,308	774,730,308	Court Award-E377
Sbi International	2021-10-07	282,003,814		282,003,814	289,393,544	DAB-08
Sbi International	2022-01-13	201,323,929		201,323,929		DAB-09
Sbi International	2022-07-11	114,216,281		114,216,281		DAB-10
Sbi International	2022-09-08	239,023,274		239,023,274		DAB-11
China railway 21st	2022-05-16	109,367,645	109,367,645	-	86,903,111	38
China railway 21st	2022-10-07	36,122,926		36,122,926	-	39
China railway 21st	2023-03-02	301,162,296	8,184,404	292,977,892	-	40
China railway 21st	2023-05-10	285,456,232		285,456,232	-	41
China railway 21st	2023-05-10	28,905,817		28,905,817	-	41A
Sbi International	2019-02-12	59,831,662	58,687,297	1,144,365	1,144,365	11
Sbi International	2018-12-27	130,367,335	118,221,305	12,146,030	12,146,030	10

*Kenya Transport Sector Support Project  
Annual Report and Financial Statements for the financial year ended June 30, 2023*

Supplier of Goods or Services	Date Invoiced	Original Amount	Amount Paid To-Date	Outstanding Balance	Outstanding Balance	IPC No
				2023	2022	
Sbi International	2020-08-31	22,495,859	-	22,495,859	22,495,859	17
Sbi International	2019-08-28	149,719,262	-	149,719,262	149,719,262	Court Award-E229
Sbi International	2020-02-27	166,361,520	-	166,361,520	166,361,520	Court Award-E229
Sbi International	2020-07-10	206,892,032	-	206,892,032	206,892,032	Court Award-E375
Sbi International	2022-02-07	94,560,355	-	94,560,355	94,560,355	DAB-5
Sbi International	2022-08-02	70,410,417	-	70,410,417	-	DAB-6
Zhongmei Eng.	2021-09-23	78,092,281	78,092,281	-	21,865,713	4B
Zhongmei Eng.	2021-11-08	75,889,511	75,889,511	-	75,889,511	5
Zhongmei Eng.	2021-12-20	90,993,536	90,993,536	-	90,993,536	6
Zhongmei Eng.	2022-01-31	73,728,612	73,728,612	-	73,728,612	7
Zhongmei Eng.	2022-03-08	128,030,515	99,522,730	28,507,785	128,030,515	8
Zhongmei Eng.	18.08.2022	83,941,950	-	83,941,950	-	9
Zhongmei Eng.	15.12.2022	222,248,983	-	222,248,983	-	10
Zhongmei Eng.	04.04.2023	100,931,921	-	100,931,921	-	11
Zhongmei Eng.	2023-05-16	90,306,245	-	90,306,245	-	12
Sbi International	2019-02-21	27,055,033	24,457,941	2,597,092	2,597,092	12
Sbi International	2020-07-10	266,827,491	-	266,827,491	266,827,491	Court Award-E374
Sbi International	2022-02-17	35,976,280	-	35,976,280	35,976,280	DAB
China National Aero-Technology	2019-06-26	-	-	-	29,933,070	13A
China National Aero-Technology	2021-04-13	34,115,928	-	34,115,928	34,115,928	18A
China National Aero-Technology	2020-09-12	316,764,775	66,853,055	249,911,720	264,911,720	17C
China National Aero-Technology	2022-08-01	60,466,832	-	60,466,832	-	19
<b>Land Compensation</b>						
Land Compensation	Various Dates	522,358,595	368,435,006	153,923,589	153,923,589	
Land Compensation	Various Dates	2,645,660,090	2,252,668,332	392,991,758	392,991,758	
Land Compensation	Various Dates	60,903,555	49,846,380	11,057,175	11,057,175	
Land Compensation	Various Dates	361,493,995	198,703,953	162,790,042	162,790,042	
<b>Total Construction of Roads</b>		<b>12,949,173,895</b>	<b>6,188,331,717</b>	<b>6,760,842,178</b>	<b>5,631,384,587</b>	
<b>Supervision Services</b>						
Egis International	2021-10-19	5,526,493	527,453	4,999,040	4,999,040	57
Egis International	2022-09-07	5,040,078	-	5,040,078	-	82
Intercontinental Consultants & Tech.	2020-11-04	5,069,032	5,069,032	-	5,069,032	50
Intercontinental	2020-11-04	7,946,239	7,946,239	-	7,946,239	51

*Kenya Transport Sector Support Project*

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

Supplier of Goods or Services	Date Invoiced	Original Amount	Amount Paid To-Date	Outstanding Balance	Outstanding Balance	IPC No
				2023	2022	
Consultants & Tech.						
Intercontinental Consultants & Tech.	2020-11-04	7,946,239	2,946,239	4,999,999	7,946,239	52
Intercontinental Consultants & Tech.	2020-11-04	3,719,063	-	3,719,063	3,719,063	53(Tax)
Intercontinental Consultants & Tech.	2020-11-04	7,183,982	-	7,183,982	7,183,982	54
Intercontinental Consultants & Tech.	2020-11-04	95,189	-	95,189	95,189	55(Tax)
Cas Consultants & Itec Jv	2021-12-22	10,145,360	10,145,360	-	3,804,732	11
Cas Consultants & Itec Jv	2021-12-23	9,609,440	9,609,440	-	4,872,000	12
Cas Consultants & Itec Jv	2022-05-27	9,862,320	4,862,320	5,000,000	6,781,849	13
Cas Consultants & Itec Jv	2022-05-27	9,712,680	9,712,680	-	9,712,680	14
Cas Consultants & Itec Jv	2022-03-22	8,950,560	8,950,560	-	8,950,560	15
Cas Consultants & Itec Jv	2022-03-22	9,131,520	9,131,520	-	9,131,520	16
Cas Consultants & Itec Jv	2022-05-27	8,331,816	262,560	8,069,256	8,331,816	17
Cas Consultants & Itec Jv	2022-05-27	6,976,472	-	6,976,472	6,976,472	18
Intercontinental Consultants & Tech.	2020-11-05	10,708,114	10,708,114	-	449,328	42
Intercontinental Consultants & Tech.	2020-11-05	10,179,017	10,179,017	-	10,179,017	43
Intercontinental Consultants & Tech.	2020-11-05	8,757,183	6,336,962	2,420,221	8,757,183	44
Intercontinental Consultants & Tech.	2020-11-05	9,332,563	2,534,079	6,798,485	9,332,563	45
Intercontinental Consultants & Tech.	2020-11-05	10,050,697	-	10,050,697	10,050,697	46
Intercontinental Consultants & Tech.	2020-11-05	11,336,405	-	11,336,405	11,336,405	47
Intercontinental Consultants & Tech.	2020-11-05	11,204,725	-	11,204,725	11,204,725	48
Intercontinental Consultants & Tech.	2020-11-05	10,223,275	-	10,223,275	10,223,275	49
Egis International	2021-11-25	10,863,649	10,863,649	-	4,457,410	57
Egis International	2021-12-23	10,906,842	10,906,842	-	10,906,842	58
Egis International	2022-02-24	9,578,667	9,578,667	-	9,578,667	59
Egis International	2022-03-16	10,875,975	10,875,975	-	10,875,975	60
Egis International	2022-03-21	10,294,934	10,294,934	-	10,294,934	61
Egis International	2022-05-06	11,577,054	11,577,054	-	11,577,054	62
Egis International	2022-05-16	10,701,086	10,701,086	-	10,701,086	63
Egis International	2022-06-15	10,666,588	10,666,588	-	10,666,588	64
Egis International	2022-10-17	5,426,375	-	5,426,375	-	66
Egis International	2022-10-17	5,299,366	-	5,299,366	-	67

*Kenya Transport Sector Support Project  
Annual Report and Financial Statements for the financial year ended June 30, 2023*

Supplier of Goods or Services	Date Invoiced	Original Amount	Amount Paid To-Date	Outstanding Balance	Outstanding Balance	IPC No
				2023	2022	
Egis International	2022-12-15	5,380,345	-	5,380,345	-	68
Egis International	2023-02-23	2,868,578	-	2,868,578	-	69
Egis International	2023-01-13	2,781,358	-	2,781,358	-	70
Egis International	2023-02-23	2,610,410	-	2,610,410	-	71
Egis International	2023-02-24	2,562,962	-	2,562,962	-	72
Egis International	2023-03-20	3,071,871	-	3,071,871	-	73
Egis International	2023-05-10	3,142,260	-	3,142,260	-	74
Edon Consultants	2021-06-29	1,886,080	1,886,080	-	1,886,080	29
Edon Consultants	2021-06-29	3,424,332	3,424,332	-	3,424,332	30
Edon Consultants	2021-06-29	3,241,081	3,241,081	-	3,241,081	31
Edon Consultants	2021-06-29	1,633,496	1,633,496	-	1,633,496	32
Edon Consultants	2021-06-29	3,215,169	3,215,169	-	3,215,169	33
Nema	2016-11-18	31,700,295	-	31,700,295	31,700,295	21132
Attain Enterprise	2018-01-19	13,150,288	11,336,455	1,813,833	1,813,833	1
<b>Total Supervision Services</b>		<b>373,897,523</b>	<b>209,122,983</b>	<b>164,774,540</b>	<b>293,026,448</b>	
<b>Grand Total</b>		<b>13,323,071,418</b>	<b>6,397,454,700</b>	<b>6,925,616,718</b>	<b>5,924,411,035</b>	

*Kenya Transport Sector Support Project  
Annual Report and Financial Statements for the financial year ended June 30, 2023*

**Annex 5 – Summary of Fixed Assets Register**

Asset class	Opening Cost (KShs Restated) 2022/23	Donations in form of assets (KShs) 2022/23	Purchases/Additions in the Year (KShs) 2022/23	Disposals in the Year (KShs) 2022/23	Transfers in/(out) (KShs) 2022/23	Closing Cost (KShs) 2022/23
	(a)	(b)	(c)	(D)	(e)	(f)= (a)+ (b)+('c)-(d)+- (e')
Construction of Roads	40,259,445,632		1,619,574,962	-		41,879,020,594
Purchase of office furniture & general equipment	35,285,439		-	-		35,285,439
Research, studies, project preparation, design & supervision	4,197,339,836		-	-		4,197,339,836
Intangible assets	69,783,195		-	-		69,783,195
<b>Total</b>	<b>44,561,854,102</b>		<b>1,619,574,962</b>	<b>-</b>		<b>46,181,429,064</b>