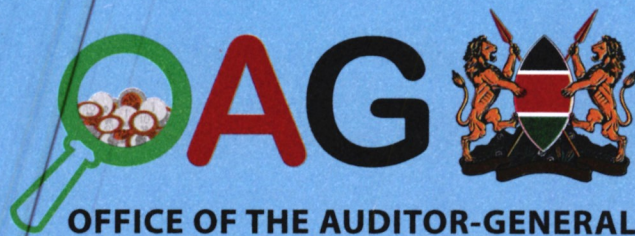


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

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REPORT

OF

THE NATIONAL ASSEMBLY  
PAPERS  
DATE: 06 DEC 2023  
DAY: WEDNESDAY  
TABLED BY: HON. OWEN BATA, MP  
DEPUTY MAJORITY LEADER  
FINLAY

ON

**MOMBASA-NAIROBI-ADDIS ABABA ROAD  
CORRIDOR PROJECT PHASE II (MARSABIT-  
TURBI ROAD) ID NO. P-Z1-DB0-027**

**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: MOMBASA – NAIROBI – ADDIS ABABA ROAD  
CORRIDOR PROJECT PHASE II (MARSABIT – TURBI ROAD)**

**IMPLEMENTING ENTITY: KENYA NATIONAL HIGHWAYS  
AUTHORITY**

**PROJECT LOAN No: 2100150020744**

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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)

*Mombasa – Nairobi – Addis Ababa Road Corridor Project Phase II (Marsabit – Turbi Road)*

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

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## 1. Acronyms and Glossary of Terms

ADB	African Development Bank
ADF	African Development Fund
CBK	Central Bank of Kenya
CPA	Certified Public Accountant
EIK	Environment Institute of Kenya
EU	European Union
FY	Financial Year
GK	Government of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
KeNHA	Kenya National Highways Authority
Kshs.	Kenya Shillings
KISM	Kenya Institute of Supplies Management
LSK	Law Society of Kenya
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

## 2. Project Information and Overall Performance

### 2.1 Name and registered office

**Name:** Mombasa – Nairobi – Addis Ababa Road Corridor Project Phase II (Marsabit – Turbi Road)

**Objective:** The Mombasa-Nairobi-Addis Ababa Road Corridor Project aimed at promoting trade and regional integration between Ethiopia and Kenya by improving transport communications between the two countries.

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

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

Telephone: +254-20-495000  
E-mail: dg@kenha.co.ke  
Website: www.kenha.co.ke

### 2.2 Project Information

Project Start Date:	11 <sup>th</sup> December 2011
Project End Date:	30th November 2017
Project Manager:	Eng. D. S. Cheron
Project Sponsor:	African Development Fund and the Government of Kenya

### 2.3 Project Overview

Line Ministry/State Department of the project	The project was under the supervision of the State Department of Roads under the Ministry of Roads and Transport
Project number	P – ZI – DBO - 027

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

Strategic goals of the project	The expected outcomes of the project include reduced transport and shipping costs between Kenya and Ethiopia; reduced transit time for import and export goods; and increased volume of Ethiopian transit goods using the port of Mombasa. The development of the corridor will expand market sizes beyond national boundaries and foster a conducive and enabling environment for the private sector and for attracting foreign direct investments. In addition to enhancing trade and strengthening regional integration, the project will contribute to poverty reduction in both countries by increasing access to markets and social services for the surrounding areas.
Achievement of strategic goals	The project involves the construction to bitumen standard of 438 km road sections including 245 km Merille River-Marsabit-Turbi road section in Kenya and 193 km Ageremariam-Yabelo-Mega road section in Ethiopia.
Areas that the project was formed to intervene	Ethiopia and Kenya share more than 1000 km of common border, and have a combined population of more than 150 million people (Yet there was no single all-weather road connecting the two countries). The main road connecting Addis Ababa to Nairobi has more than 700 km of missing links. The poor condition of the road represents a major constraint to trade between the two countries. The development of the Mombasa Nairobi- Addis Ababa transport corridor is warranted by the anticipated great trade potential between Kenya and Ethiopia and to a lesser extent between the Horn and East Africa countries to include Uganda, Tanzania, Eritrea, and Djibouti. The corridor will also serve as the most cost effective transit route to Mombasa Port for import/export goods to/from southern Ethiopia.
Project duration	The project started on 11 <sup>th</sup> December 2011 and ended on 30th June 2018

**2.4 Bankers**

NCBA Bank Limited  
NIC House Branch  
P.O. Box 44599- Nairobi  
Account Number: 1000015004

Co-operative Bank Of Kenya Ltd  
Upper Hill Branch, Nairobi  
Account Number:'01141160979900

**2.5 Independent Auditor**

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

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

**2.6 Roles and Responsibilities**

Names	Title designation	Key qualification	Responsibilities
Eng. H. Gakuru	Ag. Director Development	Registered Engineer	Project Oversight
Eng. D. S. Cherono	Project Manager	Registered Engineer	Project Manager
Mr. W. M. Barongo	Deputy Director Environment	Registered Environmental Specialist	Project Environmental Specialist
Mr. Chanje Kera	Deputy Director Finance & Accounts	Certified Public Accountant	Project Financial Management Specialist
Mr. R. Kilel	Assistant Director Supply Chain Management	Registered Member KISM	Project Procurement Specialist

**2.7 Funding summary**

The Project was for duration of 7 years from 2011 to 2018 with an approved budget of UA 125,000,000 equivalent to equivalent to Kshs 17,985,375,000 by the African Development Bank and Kshs 652,553,197 by GoK as highlighted in the table below:

Below is the funding summary:

**A. Source of funds**

Source of funds	Donor Commitment-		Amount received to date – (30.06.2023)		Undrawn balance to date (30.06.2023)*	
	UA	Kshs	UA	Kshs	UA	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
<b>(i) Loan</b>						
African Development Bank	125,000,000	17,985,375,000	94,060,091	13,533,648,013	30,939,909	4,451,726,987
<b>(ii) Counterpart funds</b>						
Government of Kenya	-	652,553,197	-	652,553,197	-	-
<b>Total</b>	<b>125,000,000</b>	<b>18,637,928,197</b>	<b>94,060,091</b>	<b>14,186,201,210</b>	<b>30,939,909</b>	<b>4,451,726,987</b>

\*The undrawn balance from the Development Partner was not utilized since the Project was completed in FY 2017/2018.

## Project Information and Overall Performance (Continued)

## B. Application of funds

Application of funds	Amount received to date – (30 <sup>th</sup> June 2023)		Cumulative Amount paid to date – (30 <sup>th</sup> June 2023)	Unutilised balance to date (30 <sup>th</sup> June 2023)	
	<i>Donor currency</i>	<i>Kshs</i>	<i>Kshs</i>	<i>Donor currency</i>	<i>Kshs</i>
	(A)	(A')	(B')	(A)-(B)	(A')- (B')
<b>(i) Loan</b>					
AfDB	94,060,091	13,533,648,013	13,533,648,013	-	-
<b>(ii) Counterpart funds</b>					
Government of Kenya	-	652,553,197	652,553,197	-	-
<b>Total</b>	<b>94,060,091</b>	<b>14,186,201,210</b>	<b>14,186,201,210</b>	<b>-</b>	<b>-</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	3,341,616	-	100	652,553,197	998,145,521	65%
Loan from External Development Partners	-	-	0%	13,533,648,013	20,975,000,000	65%
<b>TOTAL</b>	<b>3,341,616</b>	<b>-</b>	<b>100%</b>	<b>14,186,201,210</b>	<b>21,973,145,521</b>	<b>65%</b>

\*This project was completed in FY 2017/2018 and handed over to the Government. Any payments hereto are for settlement of pending bills.

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

The project was completed and taken over by the employer in FY 2017/2018

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

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

Financial Year	Budget	Actual	Percentage (%)
FY 2022/23	-	3,341,616	100%
FY 2021/22	-	-	-
FY 2020/21	8,263,996	5,735,716	69%
FY 2019/20	26,975,193	9,065,133	34%
FY 2018/19	83,507,195	64,194,822	77%
FY 2017/18	1,162,669,193	504,969,770	43%
FY 2016/17	888,681,118	536,344,688	60%
FY 2015/16	1,563,000,000	1,333,455,101	85%
FY 2014/15	4,218,000,000	3,918,498,317	93%
FY 2013/14	5,883,748,826	3,105,857,077	53%
FY 2012/13	3,957,300,000	2,940,103,999	74%
FY 2011/12	2,081,000,000	767,132,150	37%
FY 2010/11	2,100,000,000	997,502,820	48%
<b>TOTAL</b>	<b>21,973,145,521</b>	<b>14,186,201,210</b>	<b>65%</b>

**2.9 Summary of Project Compliance:**

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

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

The key development objectives of the project were to:

- (i) reduce transport and shipping costs between Kenya and Ethiopia
- (ii) reduce transit time for import and export goods; and
- (iii) increase volume of Ethiopian transit goods using the port of Mombasa.

**Progress on attainment of Strategic development objectives**

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

Project	Objective	Outcome	Indicator	Performance
Marsabit - Turbi.	To improve transport communications between Kenya and Ethiopia for the benefit of both countries and the region.	Transport and logistics costs are reduced; transit and travel times are reduced	Transport and shipping costs Transit time for imports and exports	Average travel time from Mombasa to Addis has been reduced
		Port of Mombasa becomes cost-effective alternative for Ethiopia's import/export shipping	Volume of transit goods to/from Ethiopia using the port of Mombasa	Increased volume of transit goods to/from Ethiopia
		Technical and Operational Capacity of Kenya Road Agencies is strengthened	Performance of Roads Agencies	The corridor is already under Performance based maintenance contracts.
		Improved economic and social welfare of towns along the corridor	Average household income	Increased average household income across the corridor.

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

The Mombasa – Nairobi – Addis Ababa Road Corridor Project Phase II (Marsabit – Turbi Road) 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 Social Management Plan (ESMPs) as well as Environmental Social Impact Assessment (ESIA) on projects.

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

### **3. Employee welfare**

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

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

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

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

### **5. Community Engagements**

During the implementation of the Project, the Authority is committed to remaining a responsible corporate citizen by being accountable for its actions through engaging in Public Participation. The Project's goal in terms of community engagement was to 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 social economic development. The project staff was also encouraged to give back to society by participating in the Authority's corporate social responsibility initiatives.

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

## 5. Statement of Project Management Responsibilities

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

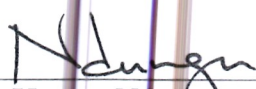
The Director General of Kenya National Highways Authority and the Project Management for Mombasa - Nairobi - Addis Ababa Road Corridor Project Phase II (Marsabit – Turbi Road) accept responsibility for the Project’s financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The Director General of Kenya National Highways Authority and the Project Management for Mombasa - Nairobi - Addis Ababa Road Corridor Project Phase II (Marsabit – Turbi Road) are of the opinion that the Project’s financial statements give a true and fair view of the state of Project’s transactions during the financial year ended June 30, 2023, and of the Project’s financial position as at that date. The Director General of Kenya National Highways Authority and the Project Management for Mombasa - Nairobi - Addis Ababa Road Corridor Project Phase II (Marsabit – Turbi Road) further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.


The Director General of Kenya National Highways Authority and the Project Management for Mombasa - Nairobi - Addis Ababa Road Corridor Project Phase II (Marsabit – Turbi Road) confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

### Approval of the Project financial statements

The Project financial statements were approved by the Director General of Kenya National Highways Authority and the Project Management for Mombasa - Nairobi - Addis Ababa Road Corridor Project Phase II (Marsabit – Turbi Road) 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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HEADQUARTERS  
Anniversary Towers  
Monrovia Street  
P.O. Box 30084-00100  
NAIROBI

## REPORT OF THE AUDITOR-GENERAL ON MOMBASA-NAIROBI-ADDIS ABABA ROAD CORRIDOR PROJECT PHASE II (MARSABIT-TURBI ROAD) ID NO. P-Z1-DB0-027 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 the Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on the Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Mombasa-Nairobi-Addis Ababa Road Corridor Project Phase II (Marsabit-Turbi Road) set out on pages 1 to 17, which comprise the statement of financial assets as at 30 June, 2023 and the statement of

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*Report of the Auditor-General on Mombasa-Nairobi-Addis Ababa Road Corridor Project Phase II (Marsabit-Turbi Road) No. P-Z1-DB0-027 for the year ended 30 June, 2023 – Kenya National Highways Authority*

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

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Mombasa-Nairobi-Addis Ababa Road Corridor Project Phase II (Marsabit-Turbi Road) as at 30 June, 2023 - Kenya National Highways Authority and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Loan Agreement No.2100150020744 dated 11 December, 2009 between the African Development Fund (ADF) and the Republic of Kenya and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **Unsupported Remittance of Revenue – Kshs.3,341,616**

The statements of receipts and payments and as disclosed in Note 6 to the financial statements reflects other transfers/payments cumulative amount of Kshs.18,750,099 which includes Kshs.3,341,616 described as transfer to A-I-A revenue account. However, review of the schedule provided for audit revealed that the amount was transferred from one local bank NCBA to an account at Equity Bank. The transaction was not supported by any documents including payment voucher and bank statements.

In the circumstances, the accuracy and completeness of the amount of Kshs.3,341,616 in respect of transfer to A-I-A revenue account could not be confirmed.

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

### **Key Audit Matters**

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

### **Other Matter**

#### **1. Pending Bills**

Annex 4 to the financial statements reflects outstanding pending bills balance of Kshs.62,165,683 as at 30 June, 2023. The pending bills relates to the construction of roads by one (1) firm. However, as reported in the previous years, the pending bills

balance of Kshs.62,165,683 have been outstanding since the financial years 2012. In addition, review of the Project's records indicate that no bills were settled during the year. The Project therefore runs the risk of incurring significant unquantified interest costs and penalties with the continued delay in settling invoiced bills.

Failure to clear pending bills in the year to which they relate distorts the budget of the following year as they constitute a first charge on the budget.

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

As disclosed under Note 2.2 of the Project information, the Project was earmarked to close on 30 November, 2017. However, Note 2.7 of funding summary indicates that the Donor had made commitment amounting to UA 125,000,000 which is equivalent to Kshs.17,985,375,000 as at 30 June, 2023. However, actual drawdowns during the project life amounted to UA 94,060,091 equivalent to Kshs.13,533,648,013 leaving out Kshs.4,451,726,987 undrawn. The credit thus lapsed without being fully utilized and the Project's planned deliverables earmarked for completion using the funding may not be realized.

In addition, Management did not provide the Project closure report for audit review, being more than six (6) years after the expiry of the Project.

## **3. Unresolved Prior Year Matters**

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

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

### **Conclusion**

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

### **Basis for Conclusion**

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

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

### **Conclusion**

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

## **Basis for Conclusion**

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

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

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

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

## **Responsibilities of the Management and those Charged with Governance**

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

In preparing the financial statements, Management is responsible for assessing the Project's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the 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 comply with the authorities which govern them and that public resources are applied in an effective way.

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

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

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal controls 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 controls 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 controls 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 control.

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

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

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and 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**

**24 November, 2023**

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


Notes	2022/23		2021/22			Cumulative to Date
	Payments made by the Entity in cash Kshs	Payments made by third parties Kshs	Total Payments Kshs	Payments made by the Entity in cash Kshs	Payments made by third parties Kshs	
<b>Receipts</b>						
1	-	-	-	-	-	650,162,579
2	-	-	-	-	-	13,533,648,013
3	114,943	-	114,943	135,846	-	2,390,618
<b>Total receipts</b>	<b>114,943</b>	<b>-</b>	<b>114,943</b>	<b>135,846</b>	<b>-</b>	<b>14,186,201,210</b>
<b>Payments</b>						
4	-	-	-	-	-	111,245,991
5	-	-	-	-	-	14,056,205,120
6	3,341,616	-	3,341,616	-	-	18,750,099
<b>Total Payments</b>	<b>3,341,616</b>	<b>-</b>	<b>3,341,616</b>	<b>-</b>	<b>-</b>	<b>14,186,201,210</b>
<b>Surplus / (Deficit)</b>	<b>(3,226,673)</b>	<b>-</b>	<b>(3,226,673)</b>	<b>135,846</b>	<b>-</b>	<b>-</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

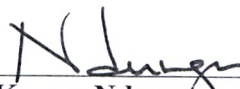
26 SEP 2023


Date:


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

	Note	2022/2023	2021/2022
		Kshs	Kshs
<b>Financial Assets</b>			
Cash and Cash Equivalents			
Bank Balances	7	-	3,226,673
<b>Total Financial Assets</b>		-	<b>3,226,673</b>
<b>Represented By:</b>			
Cash and cash equivalents b/fwd		3,226,673	3,090,827
Surplus / (Deficit) for the year		(3,226,673)	135,846
<b>Net Financial Position</b>		-	<b>3,226,673</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

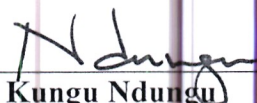
## 9. Statement of Cash flow for the year ended 30th June 2023

	Note	2022/2023	2021/2022
		Kshs	Kshs
<b>Cashflow from operating activities</b>			
<b>Receipts</b>		<b>Kshs</b>	<b>Kshs</b>
Transfer from Government entities		-	-
Miscellaneous receipts	3	114,943	135,846
<b>Payments</b>			
Purchase of goods and services		-	-
Miscellaneous payments	6	(3,341,616)	-
<b>Net cash flow from operating activities</b>		<b>(3,226,673)</b>	<b>135,846</b>
<b>Cashflow from Investing Activities</b>			
Acquisition of Non Financial Assets		-	-
Net cash flows from Investing Activities		-	-
<b>Cashflow from Borrowing Activities</b>			
Proceeds from Foreign Borrowings		-	-
Net cash flow from financing activities		-	-
Net Increase in Cash and Cash Equivalent		(3,226,673)	135,846
<b>Cash and cash equivalent at Beginning of the year</b>		<b>3,226,673</b>	<b>3,090,827</b>
<b>Cash and cash equivalent at End of the year</b>		<b>-</b>	<b>3,226,673</b>

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


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 Variance
	a	b	c=a+b	d	e=c-d	f=d/c %
<b>Receipts</b>						
Transfer from Government entities	-	-	-	-	-	-
Miscellaneous receipts	-	-	-	114,943	(114,943)	-
<b>Total Receipts</b>	-	-	-	<b>114,943</b>	<b>(114,943)</b>	-
<b>Payments</b>						
Purchase of goods and services	-	-	-	-	-	-
Acquisition of non-financial assets	-	-	-	-	-	-
Miscellaneous payments	-	-	-	3,341,616	(3,341,616)	100%
<b>Total Payments</b>	-	-	-	<b>3,341,616</b>	<b>(3,341,616)</b>	<b>100%</b>
<b>Surplus / (Deficit)</b>	-	-	-	<b>(3,226,673)</b>	<b>(3,226,673)</b>	<b>100%</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 Mombasa - Nairobi - Addis Ababa Road Corridor Project Phase II (Marsabit – Turbi Road) 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 are 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 Mombasa - Nairobi - Addis Ababa Road Corridor Project Phase II (Marsabit – Turbi Road) 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 Mombasa - Nairobi - Addis Ababa Road Corridor Project Phase II (Marsabit – Turbi Road) 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.

**Significant Accounting Policies (Continued)**

**l) Pending bills**

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as 'memorandum' or 'off-balance' 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). There were no Prior year adjustments in the current financial year.

12. Notes to the Financial Statements

1. Transfers from Government entities

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

	2022/23	2021/22	Cumulative
	Kshs	Kshs	to-date
Counterpart funding through Ministry of Roads and Transport			
Counterpart funds Quarter 1	-	-	321,317,252
Counterpart funds Quarter 2	-	-	53,124,663
Counterpart funds Quarter 3	-	-	75,723,475
Counterpart funds Quarter 4	-	-	199,997,189
	-	-	<b>650,162,579</b>

2. Loan from External Development Partners

This Financing agreement has lapsed hence no financing from Development Partners in form of loans negotiated by the National Treasury donors is expected. However cumulatively **Kshs 13,533,648,013** has been received.

3. Miscellaneous Receipts

	2022/23	2021/22	Cumulative
	Kshs	Kshs	Kshs
Interest income	114,943	135,846	2,390,618
	<b>114,943</b>	<b>135,846</b>	<b>2,390,618</b>

## Notes to the Financial Statements (Continued)

## 4. Purchase of Goods and Services

	FY 2022/23			FY 2021/22	Cumulative
	Payments made by the Entity in cash	Payments made by third parties	Total Payments	Total Payments	
	Kshs	Kshs	Kshs	Kshs	
Domestic travel and subsistence	-	-	-	-	32,784,727
Foreign travel and subsistence	-	-	-	-	20,812,586
Printing, advertising and – information supplies & services	-	-	-	-	4,424,028
Training expenses	-	-	-	-	34,509,406
Hospitality supplies and services	-	-	-	-	18,715,244
	-	-	-	-	111,245,991

## 5. Acquisition of Non-Financial Assets

	2022/23			2021/22	Cumulative to-date
	Payments made by the Entity in cash	Payments made by third parties	Total Payments	Total Payments	
	Kshs	Kshs	Kshs	Kshs	
Construction of roads	-	-	-	-	12,980,607,818
Construction of civil works	-	-	-	-	80,716,570
Research, studies, project preparation, design & supervision	-	-	-	-	829,448,461
Acquisition of land	-	-	-	-	44,892,135
Supply of equipment Plant & Machinery	-	-	-	-	65,323,403
Intangibles	-	-	-	-	55,216,733
	-	-	-	-	14,056,205,120

Notes to the Financial Statements (Continued)

6. Miscellaneous Payments

	FY 2022/23			FY 2021/22	Cumulative
	Payments made by the Entity in cash	Payments made by third parties	Total Payments	Kshs	Kshs
	Kshs			Kshs	Kshs
Finance charges	-	-	-	-	401,288
Refund to AfDB*	-	-	-	-	15,007,195
Transfers to AIA Revenue Account	3,341,616	-	3,341,616	-	3,341,616
	<b>3,341,616</b>	<b>-</b>	<b>3,341,616</b>	<b>-</b>	<b>18,750,099</b>

\* Amounts relate to refund to Development Partner of unspent cash balances held by the project

7. Cash And Cash Equivalents

	2022/23	2021/22
	Kshs	Kshs
Bank accounts (Note 7A)	-	3,226,673
	<b>-</b>	<b>3,226,673</b>

7A Bank Accounts

	2022/23	2021/22
	Kshs	Kshs
<b>Bank Accounts</b>		
<b>Local Currency Accounts</b>		
NCBA Bank Ltd [A/c No. 1000015004}	-	3,226,673
NBK Retention A/c	-	-
<b>Total local currency balances</b>	<b>-</b>	<b>3,226,673</b>

Special Deposit Accounts

The Project Special Account was closed after the financing agreement lapsed in FY 2017/2018

8. Accounts Payables - Retentions

The project was not holding any amounts in relation to retention payables in the current financial year (FY 2021/22 – Nil)

Notes to the Financial Statements (Continued)

Other Important Disclosures

1. Pending Accounts Payables (Annex 4)

	Balance b/f FY 2022/2023	Additions for the period	Paid during the year	Balance c/f FY 2022/2023
Description	Kshs	Kshs	Kshs	Kshs
Construction of Roads	62,165,683	-	-	62,165,683
<b>Total</b>	<b>62,165,683</b>	<b>-</b>	<b>-</b>	<b>62,165,683</b>


Mombasa – Nairobi – Addis Ababa Road Corridor Project Phase II (Marsabit – Turbi Road)

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

13. Annexes

Annex 1 - Prior Year Auditor-General's Recommendations

Ref.	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
	<b>Other Matter</b>			
	<b>Pending Bills</b>			
1	As disclosed under Note 12.1 and Annex 3 to the financial statements, the project had outstanding bills balance of Kshs 62,165,683 as at 30 June, 2022. Review of the project's records indicate that no bills were settled during the year under review and the entire balance of Kshs 62,165,683 was brought forward from previous year. The Project therefore runs the risk of incurring significant unquantified interest costs and penalties with the continued delay in settling invoiced bills.	It is true that the project had pending bills amounting to Kshs 62,165,683 as at 30 June 2022.  The Pending bills are as a result of inadequate GoK budgetary allocations in the current and prior financial years. The Authority will however endeavour to ensure that adequate GoK budgets are allocated to the project to facilitate settlement of the outstanding bills.	Not Resolved	Ongoing
2	<b>Project Closure Report</b> The Project information at section 1.2 of the annual report and financial statements reflects the project end date as 30 November 2017. However, the project closure was not provided for audit, being almost five (5) years after the expiry of the closure period	We agree with the audit observation that the project closure report was not ready at the time of audit. The project closure report is under development.	Not Resolved	Ongoing

  
Eng. Kungu Ndungu  
Director General

26 SEP 2023

Date

  
Eng. Henry Gakuru  
Ag. Director Development

26 SEP 2023

Date

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

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

	Final Budget	Actual on Comparable Basis	Budget Utilisation Variance	% of Utilisation Variance to Final Budget	Comments on Variance
	a	b	c=a-b	d=c/a %	
<b>Receipts during the year/period</b>					
Government of Kenya	-	-	-	-	
External financing	-	-	-	-	
Miscellaneous receipts	-	114,943	(114,943)	-	
<b>Total receipts</b>	-	<b>114,943</b>	<b>(114,943)</b>	-	
<b>Payments during the year/period</b>					
Purchase of goods and services	-	-	-	-	
Acquisition of non-financial assets	-	-	-	-	
Miscellaneous payments	-	3,341,616	(3,341,616)	100%	
<b>Total payments</b>	-	<b>3,341,616</b>	<b>(3,341,616)</b>	<b>100%</b>	


Mombasa – Nairobi – Addis Ababa Road Corridor Project Phase II (Marsabit – Turbi Road)

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


Annex 3: Reconciliation of Inter-Entity Transfers

PROJECT NAME: Mombasa – Nairobi – Addis Ababa Road Corridor Project Phase II (Marsabit – Turbi Road)			
Break down of Transfers from the State Department for Roads			
Government Counterpart	Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
a. Funding			
	Qtr 1	-	
	Qtr 2	-	
	Qtr 3	-	
	Qtr 4	-	
	<b>Total</b>	<b>-</b>	

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

  
 Eng. Kungu Ndungu  
 Director General

26 SEP 2023  
 Date

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

26 SEP 2023  
 Date

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	Comments
				FY 2022/23	FY 2021/22	
		a	b	c=(a-b)		
<b>Construction of Roads</b>						
Jiangxi Zhongmei Eng.Co.Ltd	16-Oct-12	4,497,967	134,938	4,363,029	4,363,029	IPC No. 08
Jiangxi Zhongmei Eng.Co.Ltd	01-Nov-14	13,087,873	392,636	12,695,237	12,695,237	IPC No. 29
Jiangxi Zhongmei Eng.Co.Ltd	03-Oct-13	18,775,310	563,260	18,212,050	18,212,050	IPC No. 17
Jiangxi Zhongmei Eng.Co.Ltd	18-May-15	26,895,367	-	26,895,367	26,895,367	IPC No. 38
<b>Grand Total</b>		<b>63,256,517</b>	<b>1,090,834</b>	<b>62,165,683</b>	<b>62,165,683</b>	

Annex 4 – Summary of Fixed Asset 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	13,810,056,279	-	-	-	-	13,810,056,279
Land	44,892,135	-	-	-	-	44,892,135
Buildings and structures	80,716,570	-	-	-	-	80,716,570
Other Machinery and Equipment	65,323,403	-	-	-	-	65,323,403
Intangible assets	55,216,733	-	-	-	-	55,216,733
<b>Total</b>	<b>14,056,205,120</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,056,205,120</b>