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*Enhancing Accountability*

THE NATIONAL ASSEMBLY  
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DATE: 08 MAR 2023

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TABLED  
BY

Hon. Owen Bayo, CBS, MP  
Deputy Majority Leader

CLERK-AT  
THE TABLE

Christine Ndlovu

REPORT

OF

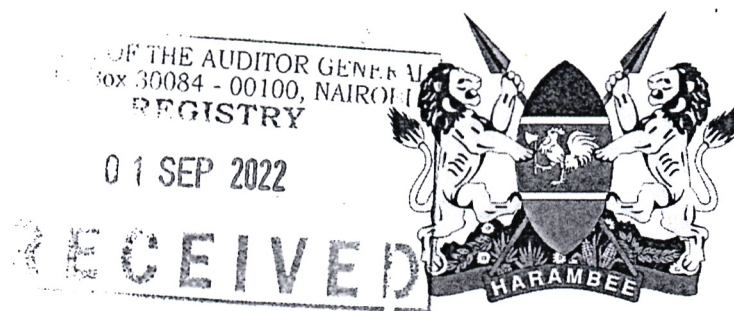
THE AUDITOR-GENERAL

ON

NUNO-MODOGASHE ROAD PROJECT

FOR THE YEAR ENDED  
30 JUNE, 2022

KENYA NATIONAL HIGHWAYS AUTHORITY



**MINISTRY OF TRANSPORT, INFRASTRUCTURE, HOUSING, URBAN DEVELOPMENT  
AND PUBLIC WORKS**



**PROJECT NAME: NUNO-MODOGASHE ROAD PROJECT**

**IMPLEMENTING ENTITY: KENYA NATIONAL HIGHWAYS AUTHORITY**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2022**

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*Nuno – Modogashe Road Project*  
*Annual Report and Financial Statements for the financial year ended June 30, 2022*

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## 1. Project Information and Overall Performance

### 1.1 Name and registered office

**Name:** Nuno – Modogashe Road Project

**Objective:**

- 1) To enhance the social and economic development of the North-Eastern Region of the country, reduce the vehicle operating cost and facilitate the transport of goods and passengers to and from the neighbouring countries.
- 2) The project provides the upgrading of Nuno-Modogashe Road to bitumen standard, with a length of approximately 147 kilometres, and a width of 6 meters, with a shoulder of 1.5 meters on each side.

**Registered Office Address**

Barabara Plaza

Jomo Kenyatta International Airport (JKIA) off Mazao Road

Nairobi Kenya

**Contacts:**

Director General

Kenya National Highways Authority

Po Box 49712-00100

Nairobi

Telephone: (254) 020 495000

E-mail: dg@Kenha.co.ke

Website: www.kenha.co.ke

### 1.2 Project Information

Project Start Date:	20 <sup>th</sup> November, 2015
Project End Date:	31 <sup>st</sup> March, 2020
Project Engineer	Eng. Daniel S. Cheron
Project Sponsor:	1. Kuwait Fund for Arab Economic Development (KFAED) 2. Saudi Fund for Development (SDF) 3. OPEC Fund for International Development (OFID) 4. Arab Bank for Economic Development in Africa (BADEA) 5. Abu Dhabi Fund for Development (ADFD)

### 1.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the Ministry of Transport, Infrastructure, Housing, Urban Development & Public Works
Project number	N/A
Strategic goals of the project	The strategic goals of the project are as follows: (i) Increase efficiency of road transport along the Mombasa-Nairobi-

*Nuno – Modogashe Road Project*

*Annual Report and Financial Statements for the financial year ended June 30, 2022*

	<p>Addis Ababa Road Corridor to facilitate trade and regional integration</p> <p>(ii) Enhance social economic development of the people of North Eastern of the country</p> <p>(iii) Reduce the vehicle operating cost and facilitate the transport of goods and passengers to and from the neighbouring countries.</p>																								
Achievement of strategic goals	Implementation of the project in timely, efficient and effective manner.																								
Other important background information of the project	<p>There are two components under this project that are being implemented by Kenya National Highways Authority (KeNHA).</p> <ol style="list-style-type: none"> <li>Civil Engineering works for the construction of approximately 147 kilometres of trunk road. The work involves site preliminary works, earth work, pavement layers, drainage structures and road safety works.</li> <li>Consultancy services for review of project design and for supervision of construction.</li> </ol>																								
<p>List of Goods:</p> <p>1. Kuwait Fund for Arab Economic Development</p>	<table border="1"> <thead> <tr> <th>No.</th> <th>Item</th> <th>Allocation Proceeds Expressed in KD</th> <th>Percentage of Total Cost of Item</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Civil Engineering Works</td> <td>4,950,000.00</td> <td>20%</td> </tr> <tr> <td>2</td> <td>Consultancy Services</td> <td>550,000.00</td> <td>100%</td> </tr> <tr> <td>3</td> <td>Contingencies</td> <td>400,000.00</td> <td></td> </tr> <tr> <td></td> <td><b>Total</b></td> <td><b>5,900,000.00</b></td> <td></td> </tr> <tr> <td colspan="4">Five Million Nine Hundred Thousand Kuwait Dinars</td> </tr> </tbody> </table>	No.	Item	Allocation Proceeds Expressed in KD	Percentage of Total Cost of Item	1	Civil Engineering Works	4,950,000.00	20%	2	Consultancy Services	550,000.00	100%	3	Contingencies	400,000.00			<b>Total</b>	<b>5,900,000.00</b>		Five Million Nine Hundred Thousand Kuwait Dinars			
No.	Item	Allocation Proceeds Expressed in KD	Percentage of Total Cost of Item																						
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3	Contingencies	400,000.00																							
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Five Million Nine Hundred Thousand Kuwait Dinars																									
<p>List of Goods:</p> <p>2. Saudi Fund for Development)</p>	<table border="1"> <thead> <tr> <th>No.</th> <th>Item</th> <th>Allocation Proceeds Expressed in Saudi Riyals</th> <th>Percentage of Total Cost of Item</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Civil Works (Part A of the Project)</td> <td>49,000,000.00</td> <td>17.49% of total expenditures</td> </tr> <tr> <td>2</td> <td>Unallocated</td> <td>7,250,000.00</td> <td></td> </tr> <tr> <td></td> <td><b>Total</b></td> <td><b>56,250,000.00</b></td> <td></td> </tr> <tr> <td colspan="4">Fifty-Six Million Two Hundred Fifty Thousand Saudi Riyals</td> </tr> </tbody> </table>	No.	Item	Allocation Proceeds Expressed in Saudi Riyals	Percentage of Total Cost of Item	1	Civil Works (Part A of the Project)	49,000,000.00	17.49% of total expenditures	2	Unallocated	7,250,000.00			<b>Total</b>	<b>56,250,000.00</b>		Fifty-Six Million Two Hundred Fifty Thousand Saudi Riyals							
No.	Item	Allocation Proceeds Expressed in Saudi Riyals	Percentage of Total Cost of Item																						
1	Civil Works (Part A of the Project)	49,000,000.00	17.49% of total expenditures																						
2	Unallocated	7,250,000.00																							
	<b>Total</b>	<b>56,250,000.00</b>																							
Fifty-Six Million Two Hundred Fifty Thousand Saudi Riyals																									

**Nuno – Modogashe Road Project**  
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List of Goods: 3. OPEC Fund for International Development	No.	Item	Allocation Proceeds Expressed in USD	Percentage of Total Cost of Item
	1	Civil Works	1,672,800.00	13.94%
	2	Unallocated	10,327,200.00	86.06%
		<b>Total</b>	<b>12,000,000.00</b>	
	Twelve Million United States Dollars			
List of Goods: 4. Arab Bank for Economic Development in Africa	No.	Item	Allocation Proceeds Expressed in USD	Percentage of Total Cost of Item
	1	Civil Engineering Works & Ancillaries	6,850,000.00	9.18%
	2	Consultancy Services	1,850,000.00	50%
	3	Unallocated	1,300,000.00	
		<b>Total</b>	<b>10,000,000.00</b>	
Ten Million United States Dollars				
List of Goods: 5. Abu Dhabi Fund for Development	The fund agrees to lend the Borrower an amount equivalent to Thirty-Six Million, Seven Hundred Thirty Thousand Only (36,730,000) Emirates Dirhams			
Project duration	The project is for duration of 4 years & 4 Months			

**1.4 Bankers** Co-operative Bank of Kenya  
Upper Hill Branch  
Po Box  
Nairobi

**1.5 Auditors** Auditor General  
Office of the Auditor General  
Po Box 30084-00100  
Nairobi

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

**1.6 Roles and Responsibilities**

List of the people who are working on the project

<b>Names</b>	<b>Title designation</b>	<b>Key qualification</b>	<b>Responsibilities</b>
Eng. Charles Obuon	Director-Development	Qualified	Project Implementing Team Leader
Eng. Daniel S. Cheron	Deputy Director-Special Projects	Qualified	Project Engineer
Mr Chanje Kera	Deputy Director-Finance & Accounts	Qualified	Project Financial Specialist
Ms Levina Wanyoyi	Deputy Director-Supply Chain Management	Qualified	Project Procurement Specialist

**1.7 Funding summary**

The Project is for duration of 4 years from 20<sup>th</sup> November 2015 to 31<sup>st</sup> March 2020 with an approved budget of USD 97,855,108 equivalent to Kshs. 9,893,366,734 as highlighted in the table below:

**A. Source of Funds**

<b>Source of funds</b>	<b>Donor Commitment</b>		<b>Amount received to date – (30.06.2022)</b>		<b>Undrawn balance to date - (30.06.2022)</b>	
	<i>Donor currency</i>	<i>Kshs</i>	<i>Donor currency</i>	<i>Kshs</i>	<i>Donor currency</i>	<i>Kshs</i>
	<i>(A)</i>	<i>(A')</i>	<i>(B)</i>	<i>(B')</i>	<i>(A)-(B)</i>	<i>(A')-(B')</i>
<b>(i)Loan</b>						
Kuwait Fund for Arab Economic Development (KFAED)	20,000,000	2,022,044,000	13,651,243	1,380,170,717	-	-
Saudi Fund for Development (SFD)	15,000,000	1,516,533,000	8,984,138	908,316,119	-	-
OPEC Fund for International Development (OFID)	12,000,000	1,213,226,400	7,160,599	723,952,353	-	-
Arab Bank for Economic Development in Africa (BADEA)	10,000,000	1,011,022,000	4,715,517	476,749,112	-	-
Abu Dhabi Fund for Development (ADFD)	10,000,000	1,011,022,000	7,566,401	764,979,786	-	-
<b>Total</b>	<b>67,000,000</b>	<b>6,773,847,400</b>	<b>42,077,898</b>	<b>4,254,168,087</b>	<b>-</b>	<b>-</b>
<b>(ii)Counterpart Funds</b>						
Government of Kenya (GoK)	30,855,108	3,119,519,334	31,741,758	3,209,161,549	-	-
<b>Total</b>	<b>97,855,108</b>	<b>9,893,366,734</b>	<b>73,819,656</b>	<b>7,463,329,636</b>	<b>-</b>	<b>-</b>

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

**B. Application of Funds**

Application of funds	Amount received to date - (30.06.2022)		Cumulative Amount paid to date - (30.06.2022)		Unutilised balance to date - (30.06.2022)	
	<i>Donor currency</i>	<i>Kshs</i>	<i>Donor currency</i>	<i>Kshs</i>	<i>Donor currency</i>	<i>Kshs</i>
	<i>(A)</i>	<i>(A')</i>	<i>(B)</i>	<i>(B')</i>	<i>(A)-(B)</i>	<i>(A')-(B')</i>
<b>(i) Loan</b>						
Kuwait Fund for Arab Economic Development (KFAED)	13,651,243	1,380,170,717	13,651,243	1,380,170,717	-	-
Saudi Fund for Development (SFD)	8,984,138	908,316,119	8,984,138	908,316,119	-	-
OPC Fund for International Development (OFID)	7,160,599	723,952,353	7,160,599	723,952,353	-	-
Arab Bank for Economic Development in Africa (BADEA)	4,715,517	476,749,112	4,715,517	476,749,112	-	-
Abu Dhabi Fund for Development (ADFD)	7,566,401	764,979,786	7,566,401	764,979,786	-	-
<b>(ii) Counterpart funds</b>						
Government of Kenya (GoK)	31,741,758	3,209,161,549	31,741,758	3,209,161,549	-	-
<b>Total</b>	<b>73,819,656</b>	<b>7,463,329,636</b>	<b>73,819,656</b>	<b>7,463,329,636</b>	<b>-</b>	<b>-</b>

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

**1.8 Summary of Overall Project Performance:**

(a) Budget performance against actual amounts for current year: -

Budget	FY 2021/2022		
	Actual	Budget	%
Counterpart Funds - GoK	89,642,215	98,507,400	91%
Loan from Development Partners			
KFAED	46,304,599	200,000,000	23%
<b>GRAND TOTAL</b>	<b>135,946,814</b>	<b>298,507,400</b>	<b>46%</b>

(b) Physical progress based on outputs, outcome and impacts since project commencement: -

The physical progress as at 30<sup>th</sup> June, 2022 is 100%.

(c) **Comment on value for money achievements.**

- The project procurement process is conducted through International Competitive Bidding (ICB) which results in excellent value for money.
- The authority (KeNHA) has put in place adequate checks & balances on appointment of the works consultant supervision who oversees the project implementation on daily basis on consultation and subsequent approvals from the employer and the bank.
- In addition to works supervision, the consultant undertakes design review before commencement of roads construction works to reduce uncertainties.
- Regular auditing of the project by Internal Auditors, External Auditors and Quality Assurance Departments.
- Project site review meetings by the Development Partners through supervision missions
- Monthly site meetings that involve the employer, the consultant and the contractor.

**1.9 Summary of Project Compliance:**

There are no significant cases of non-compliance with applicable laws and regulations, and essential external financing agreements/covenants, which has been reported

**2. Statement of Performance Against Project’s Predetermined Objectives**

**Introduction**

The key development objectives of the project are to:

- a) To increase efficiency of road transport along the Mombasa-Nairobi-Addis Ababa Road Corridor to facilitate trade and regional integration
- b) To enhance social economic development of the people of North Eastern region
- c) To reduce vehicle operating cost and facilitate the transport of goods and passengers to and from the neighbouring countries.

**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-bund (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:

<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
To increase efficiency of road transport along the Mombasa-Nairobi-Addis Ababa Road Corridor to facilitate trade and regional integration	Improved accessibility of Garissa, Isiolo, Wajir as well as Mandera towns	Reduced travel time between Garissa, Isiolo, Wajir as well as Mandera Towns on the Kenya and Ethiopia Border points.	The road is 100% complete and taken over during the Financial Year 2019/2020
To enhance social economic development of the people of North Eastern region	Enhanced population access to social services and tourist sites in northern Kenya	Increased volume of tourists visiting tourist sites in Wajir	Significant development of businesses along the road corridor have been observed
To reduce vehicle operating cost and facilitate the transport of goods and passengers to and from the neighbouring countries.	Reduced transport cost	Increase in number of passenger service vehicles in the road	Reduced average vehicle operating cost

### **3. Environmental and Sustainability Reporting**

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

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

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

#### **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 & Sustainability Reporting (Continued)**

While executing works, the Contractor continued to perform air quality management such as regularly dampening of deviations and other dust-prone accesses to lay dust; Sprinkling of stockpiles (mainly the quarry dust) at the construction camp; control of construction vehicle speed limits along the deviations and dusty accesses; regularly servicing of vehicles and other machinery to control exhaust gas emissions, maintenance of the asphalt and concrete batching plants including the dust collection systems to ensure effectiveness in dust collection.

### **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

**Environmental & Sustainability Reporting (Continued)**

achieve sustainable development. The project staff is also encouraged to give back to society by participating in the Authority’s corporate social responsibility projects.

During the project execution, the Contractor continued to offer employment opportunities to the locals as casuals. The Contractor also carried out awareness and education on HIV and protection against the disease and other sexually transmitted diseases. To improve relationship with the local communities, the contractor shared water with the local communities

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.

#### **4. Statement of Project Management Responsibilities**

The Director General, KeNHA and the Project Implementation Team Leader for Nuno – Modogashe Road 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, 2022. This responsibility includes: (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

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

The Director General, KeNHA and the Project Implementation Team Leader for Nuno – Modogashe Road Project are of the opinion that the Project’s financial statements give a true and fair view of the state of Project’s transactions during the financial year ended June 30, 2022, and of the Project’s financial position as at that date. The Director General, KeNHA and the Project Implementation Team Leader for Nuno – Modogashe Road Project further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.


The Director General, KeNHA and the Project Implementation Team Leader for Nuno – Modogashe Road 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 were used for the eligible purposes for which they were intended and were properly accounted for.

#### **Approval of the Project financial statements**

The Project financial statements were approved by the Director General, KeNHA and the Project Implementation Team Leader for Nuno – Modogashe Road Project on 30 AUG 2022 2022 and signed by them.



**Eng. Kungu Ndungu**  
**Director General**



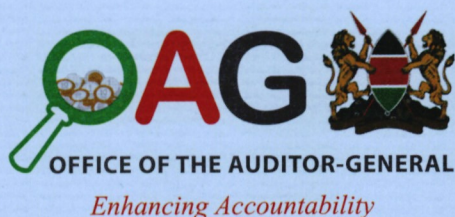
**Eng. Charles Obuon**  
**Director-Development**



**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 NUNO-MODOGASHE ROAD PROJECT FOR THE YEAR ENDED 30 JUNE, 2022 – 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 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

#### Qualified Opinion

I have audited the accompanying financial statements of Nuno-Modogashe Road Project set out on pages 1 to 16, which comprise the statement of financial assets as at

*Report of the Auditor-General on Nuno-Modogashe Road Project for the year ended 30 June, 2022 – Kenya National Highways Authority*

30 June, 2022, and the statement of receipts and payments, statement of cash flows and statement of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Nuno-Modogashe Road Project as at 30 June, 2022 and 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 Section 35 of the Public Audit Act, 2015 and Loan Agreements between the Republic of Kenya and OPEC Fund for International Development dated 20 September, 2010, Abu Dhabi Fund for Development dated 25 November, 2010 and Saudi Fund for Development dated 9 January, 2012.

### **Basis for Qualified Opinion**

#### **1. Presentation and Disclosure of the Financial Statements**

The financial statements did not include other important project background information and key qualifications for the officials involved in the implementation of the project as required by the Annual Financial Reporting Template for projects (Revised 30 June, 2022). Further, prior year auditor recommendations were not appended to the financial statements under progress on follow-up of prior year auditor's recommendations as required by the Financial Reporting Template.

In the circumstances, the presentation of the financial statements did not comply with the Annual Financial Reporting Template for projects (Revised 30 June, 2022).

#### **2. Cash and Cash Equivalents**

The statement of financial assets reflects nil cash and cash equivalents balance. However, Management did not provide bank statements, bank balance certificate and board of survey certificate to support the balance.

In the circumstances, it was not possible to confirm the accuracy of the nil cash and cash equivalents balance.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Nuno-Modogashe Road Project Management in accordance with ISSAI 130 on 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 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 matters 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**

#### **1. Payment of Approved Land Compensation**

Review of the contract agreement and a letter Ref. No. NLC/VAL1534/Vol. (15) dated 14 October, 2019 from the National Land Commission to the Management of Kenya National Highways Authority revealed that the Authority had approved payment of land compensation amounting to Kshs.147,594,798 to Project Affected Persons (PAPs). It was, however, noted that as at 30 June, 2022 a balance of Kshs.135,891,795 was outstanding as disclosed under Other Important Disclosures at paragraph 12 of the annual reports. The Management did not provide plans put in place to settle the outstanding debt.

In the circumstances, the delay in payment of the compensation dues may lead to loss of public funds in case of litigations instituted by the Project Affected Persons.

#### **2. Interest on Delayed Payments**

Review of summarised payment certificates revealed that the Authority paid a contractor an amount of Kshs.604,563,073 as interest charged on delayed payments. The Management did not provide plausible reason for the late payment which resulted in payment of huge interest and thus leading to loss of public funds.

In the circumstances, the value for money amounting to Kshs.604,563,073 could not be confirmed.

#### **3. Payment of Value Added Tax**

Review of summarised payment certificates revealed that the Authority paid a contractor a cumulative amount of Kshs.7,362,43,084 for the certified works which included an amount of Kshs.918,294,823 charged as Value Added Tax (VAT) by the contractor for works which were not vatable. However, as at 30 June, 2022, the Authority had recovered Kshs.148,474,743 from the retentions account of the contractor leaving outstanding balance of Kshs.769,820,080. The Management did not provide details of measures instituted to ensure full recovery of the outstanding balance.

In the circumstances, it was not possible to confirm value for money held by the contractor.

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.

### **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 control, 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 the sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Project or 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 the 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 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 noncompliance. 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 Authority's 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 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 the 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**


**18 November, 2022**

*Nuno – Modogashe Road Project  
Annual Report and Financial Statements for the financial year ended June 30, 2022*

**6. Statement of Receipts and Payments for the year ended 30th June 2022**

	Note	FY 2021/22		FY 2020/21		Total	Payments Made by Third Parties	Total	Cumulative to Date
		Receipts & Payments Controlled by the Entity	Payments Made by Third Parties	Receipts & Payments Controlled by the Entity	Payments Made by Third Parties				
		KShs	KShs	KShs	KShs				
<b>RECEIPTS</b>									
Transfer from Government entities	1	89,642,215	-	89,642,215	1,492,600	-	1,492,600	3,209,161,549	
Loan from external Development Partners	2	-	46,304,599	46,304,599	-	-	-	4,254,168,087	
<b>TOTAL RECEIPTS</b>		<b>89,642,215</b>	<b>46,304,599</b>	<b>135,946,814</b>	<b>1,492,600</b>	<b>-</b>	<b>1,492,600</b>	<b>7,463,329,636</b>	
<b>PAYMENTS</b>									
Purchase of goods and services	3	9,800	-	9,800	1,492,600	-	1,492,600	19,807,498	
Acquisition of non-financial assets	4	665,103,229	46,304,599	711,407,828	-	-	-	7,443,522,138	
<b>TOTAL PAYMENTS SURPLUS/DEFICIT FOR THE YEAR</b>		<b>665,113,029</b>	<b>46,304,599</b>	<b>711,417,628</b>	<b>1,492,600</b>	<b>-</b>	<b>1,492,600</b>	<b>7,463,329,636</b>	
		<b>(575,470,814)</b>	<b>-</b>	<b>(575,470,814)</b>	<b>-</b>	<b>-</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



**Eng. Charles Obuon**  
Director-Development





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


## 7. Statement of Financial Assets as at 30th June 2022

	Note	FY 2021/22	FY 2020/21
		Kshs	Kshs
<b>Financial Assets</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances	5A	-	575,470,814
Cash Balances		-	-
Cash Equivalents (short-term deposits)		-	-
<b>Total Cash and Cash Equivalents</b>		-	<b>575,470,814</b>
Accounts Receivables		-	-
<b>Total Financial Assets</b>		-	<b>575,470,814</b>
<b>Financial Liabilities</b>			
Payables- Deposits and Retentions	6	-	575,470,814
<b>Net Assets</b>		-	-
<b>Represented By</b>			
Fund balance b/fwd	7	-	-
Prior year adjustments		-	-
Surplus/(Deficit) for the year		-	-
<b>Net Financial Position</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 30 AUG 2022 2022 and signed by:

  
 Eng. Kungu Ndungu  
 Director General


  
 Eng. Charles Obuon  
 Director-Development

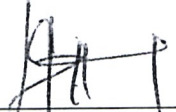
  
 CPA Chanje Kera  
 Deputy Director (F&A)  
 ICPAK Member No. 8279


8. Statement of Cashflow for the Year Ended 30th June 2022

Cashflow from operating activities	Note	FY 2021/22	FY 2020/21
<b>Receipts</b>		<b>Kshs</b>	<b>Kshs</b>
Transfer from Government entities	1	89,642,215	1,492,600
Proceeds from domestic and foreign grants		-	-
<b>Total Receipts</b>		-	-
<b>Payments</b>			
Purchase of goods and services	3	(9,800)	(1,492,600)
<b>Net cash flow from operating activities</b>		<b>89,632,415</b>	-
<b>Cashflow from Investing Activities</b>			
Acquisition of Assets	4	(711,407,828)	-
<b>Net cash flows from Investing Activities</b>		<b>(711,407,828)</b>	-
<b>Cashflow from Financing Activities</b>			
Proceeds from Foreign Borrowings	2	46,304,599	-
<b>Net cash flow from financing activities</b>		<b>46,304,599</b>	-
Net Increase in cash and cash equivalents		<b>(575,470,814)</b>	-
<b>Cash and cash equivalent at beginning of the year</b>		<b>575,470,814</b>	<b>575,470,814</b>
<b>Cash and cash equivalent at end of the year</b>		-	<b>575,470,814</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 30 AUG 2022 2022 and signed by:

  
 Eng. Kungu Ndungu  
 Director General

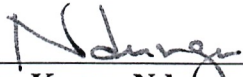
  
 Eng. Charles Obuon  
 Director-Development


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


**9. Statement of Comparison of Budget and Actual Amounts for the Year Ended 30<sup>th</sup> June 2022**

Receipts/Payments Item	Original Amount	Adjustments	Final Budget	Actual on Comparable Basis	Variance	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
<b>Receipts</b>						
Transfer from Government entities	50,000,000	(50,000,000)	-	89,642,215	(89,642,215)	-
Proceeds from borrowings-Direct Payments	-	59,000,000	59,000,000	46,304,599	12,695,401	78%
<b>Total Receipts</b>	<b>50,000,000</b>	<b>9,000,000</b>	<b>59,000,000</b>	<b>135,946,814</b>	<b>21,560,586</b>	<b>230%</b>
<b>Payments</b>						
Purchase of goods and services	-	9,000,000	59,000,000	9,800	(76,946,814)	230%
Acquisition of non-financial assets	-			135,937,014		
<b>Total Payments</b>	<b>-</b>	<b>9,000,000</b>	<b>59,000,000</b>	<b>135,946,814</b>	<b>(76,946,814)</b>	<b>230%</b>

Note: The significant budget utilisation/performance differences in the last column are explained in **Annex 1** to these financial statements.

  
 Eng. Kungu Ndungu  
 Director General

  
 Eng. Charles Obuon  
 Director-Development

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

## **10. Significant Accounting Policies**

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

### **10.1 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.

### **10.2 Reporting entity**

The financial statements are for Nuno – Modogashe Road Project under the State Department of Infrastructure. The financial statements are for the reporting entity's Nuno – Modogashe Road Project as required by Section 81 of the PFM Act, 2012.

### **10.3 Reporting currency**

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

### **10.4 Recognition of receipts**

Nuno – Modogashe Road 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 to 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.

### **Significant Accounting Policies (Continued)**

#### **iii) Other receipts**

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

#### **iv) Donations and grants**

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

#### **v) Proceeds from borrowing**

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

#### **vi) Undrawn external assistance**

These are loans and grants at reporting date as specified in a binding agreement and relate to funding for the Project currently under development where conditions have been satisfied or their on-going 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

### **10.5 Recognition of payments**

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

- **Compensation of employees**

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

- **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.

- **Interest on borrowing**

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

## **Significant Accounting Policies (Continued)**

- **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.

- **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 each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the consolidated financial statements.

### **10.6 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.

### **10.7 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

### **10.8 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

### **10.9 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 are 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

## **Significant Accounting Policies (Continued)**

enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

### **10.10 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.

Section 89 (2) (i) of the PFM Act requires the National Government to report on the payments made, or losses incurred, by the county government to meet contingent liabilities as a result of loans during the financial year, including payments made in respect of loan write-offs or waiver of interest on loans

### **10.11 Contingent Assets**

Nuno – Modogashe Road 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 Nuno – Modogashe Road 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.

### **10.12 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

## **Significant Accounting Policies (Continued)**

settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

### **10.13 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.

### **10.14 Third party payments**

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

### **10.15 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.

### **10.16 Comparative figures**

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

**Significant Accounting Policies (Continued)**

**10.17 Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2022.

**10.18 Prior period adjustments**

Prior period adjustments relate to errors and other adjustments noted arising from previous year(s). There were no prior year adjustments on the financial statements for the year ended June 30, 2022

## 11. Notes to the Financial Statements

### 1. Transfers from Government Entities

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

	FY 2021/22	FY 2020/21	Cumulative
	Kshs	Kshs	to-date
<b>Counterpart funding through Ministry of Transport and Infrastructure</b>			
Counterpart funds Quarter 1	9,800	304,900	474,850,064
Counterpart funds Quarter 2	68,948,012	1,166,700	392,377,689
Counterpart funds Quarter 3	-	-	541,706,257
Counterpart funds Quarter 4	20,684,403	21,000	1,800,227,539
<b>Total</b>	<b>89,642,215</b>	<b>1,492,600</b>	<b>3,209,161,549</b>

### 2. Loan from External Development Partner

During the 12 months to 30 June 2022 we received funding from development partners in form of loans negotiated by the National Treasury as detailed in the table below.

Name of Donor	Loans received in cash	Loans received as direct payment	Total	
			FY 2021/22	FY 2020/21
	Kshs	Kshs	Kshs	Kshs
<b>Loans Received from Multilateral Donors</b>				
Kuwait Fund for Arab Economic Development	-	46,304,599	46,304,599	-
<b>Total</b>		<b>46,304,599</b>	<b>46,304,599</b>	<b>-</b>

### 3. Purchase of Goods and Services

Item	FY 2021/22			FY 2020/21	Cumulative to Date
	Payments made by the entity in Cash	Payments made by third parties	Total Payments		
	KSh	KSh	KSh	KSh	KSh
Domestic Travel & Subsistence	9,800	-	9,800	1,492,600	15,910,062
Printing, Adverts & Information Supplies	-	-	-	-	3,207,496
Hospitality Supplies & Services	-	-	-	-	689,940
<b>Total</b>	<b>9,800</b>	<b>-</b>	<b>9,800</b>	<b>1,492,600</b>	<b>19,807,498</b>

## Notes to The Financial Statements (Continued)

## 4. Acquisition of Non-Financial Assets

	FY 2021/22			FY 2020/21	Cumulative to-date
	Payments made by the entity in Cash	Payments made by third parties	Total Payments		
	KSh	KSh	KSh	Kshs	Kshs
Research, studies, project preparation, design & supervision	-	46,304,599	46,304,599	-	341,501,625
Civil works	665,103,229	-	665,103,229	-	7,102,020,513
	<b>665,103,229</b>	<b>46,304,599</b>	<b>711,407,828</b>	<b>-</b>	<b>7,443,522,138</b>

## 5. Cash and Cash Equivalents Carried Forward

	FY 2021/22	FY 2020/21
Description	Kshs	Kshs
Bank accounts (Note 11.5A)	-	575,470,814
<b>Total</b>	<b>-</b>	<b>575,470,814</b>

## 5A Bank Accounts

	FY 2021/22	FY 2020/21
	Kshs	Kshs
Local Currency Accounts		
National Bank of Kenya Ltd. [A/c No. 0100132733200]	-	575,470,814
<b>Total bank account balances</b>	<b>-</b>	<b>575,470,814</b>

## 6. Accounts Payables

Description	FY 2021/22	FY 2020/21
	Kshs	Kshs
Retention	-	575,470,814
<b>Total</b>	<b>-</b>	<b>575,470,814</b>

## 7. Fund Balance Brought Forward

	FY 2021/22	FY 2020/21
	Kshs	Kshs
Bank accounts	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**Notes to The Financial Statements (Continued)**

**8. Changes in Accounts Payable - Retentions**

<b>Description</b>	<b>FY 2021/22</b>	<b>FY 2020/21</b>
	<b>Kshs</b>	<b>Kshs</b>
Retentions as at 1 <sup>st</sup> July	575,470,814	575,470,814
Closing Retention as at 30 <sup>th</sup> June	-	575,470,814
Change in Retention	<b>(575,470,814)</b>	-

## 12. Other Important Disclosures

### 1. Pending Accounts Payable (See Annex A)

Description	Balance b/f FY 2021/2022	Additions for the period	Paid during the year	Balance c/f FY 2021/22
	Kshs	Kshs	Kshs	Kshs
Construction of civil works	-	665,103,229	665,103,229	-
Lands Compensation	-	135,891,795	-	135,891,795
Supply of services	-	46,304,599	46,304,599	-
<b>Total</b>	<b>-</b>	<b>847,299,623</b>	<b>711,407,828</b>	<b>135,891,795</b>

### 2. External Assistance

#### a) External assistance relating to loans and grants

Description	FY 2021/2022	FY 2020/2021
	Kshs	Kshs
External assistance received as loans	46,304,599	-
<b>Total</b>	<b>46,304,599</b>	<b>-</b>

#### b) Undrawn external assistance

Description	Purpose for which the undrawn external assistance may be used	FY 2021/2022	FY 2020/2021
		Kshs	Kshs
Undrawn external assistance - loans	Road works & consultancy services	-	-
<b>Total</b>		<b>-</b>	<b>-</b>

*Unutilized loan balances cancelled*

#### c) Classes of providers of external assistance

Description	FY 2021/2022	FY 2020/2021
	Kshs	Kshs
Multilateral donors	46,304,599	-
<b>Total</b>	<b>46,304,599</b>	<b>-</b>

*External assistance for road rehabilitation works & supervision consultancy services.*

**Other Important Disclosures (Continued)**

*d) Purpose and use of external assistance*

	<b>FY 2021/2022</b>	<b>FY 2020/2021</b>
<b>Description</b>	<b>Kshs</b>	<b>Kshs</b>
Acquisition of Assets	46,304,599	-
<b>Total</b>	<b>46,304,599</b>	<b>-</b>

*e) External Assistance paid by Third Parties on behalf of the Entity by Source*

*This relates to external assistance paid directly by third parties to settle obligations on behalf of the entity*

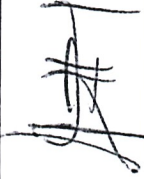
	<b>FY 2021/2022</b>	<b>FY 2020/2021</b>
<b>Description</b>	<b>Kshs</b>	<b>Kshs</b>
Multilateral donors	46,304,599	-
<b>Total</b>	<b>46,304,599</b>	<b>-</b>

*Nuno – Modogashe Road Project  
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**13. Prior Year Auditor-General's Recommendations**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
-	None	-	-	-

  
Eng. Kungu Ndungu  
Director General

  
Eng. Charles Obuon  
Director-Development

30 AUG 2022  
Date

30 AUG 2022  
Date

*Nuno – Modogashe Road Project  
Annual Report and Financial Statements for the financial year ended June 30, 2022*

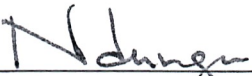
14. Annexes

Annex 1 - Variance Explanations - Comparative Budget and Actual Amounts for FY 2021-2022


	Final Budget a	Actual on Comparable Basis b	Budget Utilisation Difference c=a-b	% of Utilisation d=b/a %	Comments on Variance
<b>Receipts</b>					
Government of Kenya	-	89,642,215	(89,642,215)	-	FY 2020/2021 Exchequer budget received in FY 2021/2022 and paid
External financing	59,000,000	46,304,599	12,695,401	78%	Project completed
<b>Total Receipts</b>	<b>59,000,000</b>	<b>135,946,814</b>	<b>(76,946,814)</b>	<b>230%</b>	
<b>Payments</b>					
Purchase of goods and services	59,000,000	9,800	(76,946,814)	230%	FY 2020/2021 Exchequer budget received in FY 2021/2022 and paid
Acquisition of non-financial assets		135,937,014			
<b>Total Payments</b>	<b>59,000,000</b>	<b>135,946,814</b>	<b>(76,946,814)</b>	<b>230%</b>	

**Annex 2 – Reconciliation of Inter-Entity Transfers**

	<b>Project Name:</b>	<b>Nuno-Modogashe Road Project</b>		
	<b>Break down of Transfers from the State Department of Infrastructure</b>			
	<b>a. Government Counterpart Funding</b>			
	-	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>FY to which the amounts relate</u>
	Quarter 1	8-Jul-21	9,800	FY 2020/21
	Quarter 2	29-Nov-21	68,948,012	FY 2020/21
	Quarter 4	30-Apr-22	20,684,403	FY 2020/21
	<b>Total</b>		<b>89,642,215</b>	

  
 Eng. Kungu Ndungu  
 Director General

30 AUG 2022  
 Date

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

30 AUG 2022  
 Date

Annex 3 – Analysis of Pending Bills

Supplier of Goods/Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance	Outstanding Balance	Comments
				2022	2021	
	a	b	c	d=a-c		
<b>Sub-Total</b>						
<b>Consultancy Services</b>						
	-		-	-	-	
<b>Civil Works</b>						
	-		-	-	-	
<b>Sub-total</b>	-		-	-	-	
<b>Land Compensation</b>	602,478,955		466,587,160	135,891,795	-	
<b>Grand-Total</b>	<b>602,478,955</b>		<b>466,587,160</b>	<b>135,891,795</b>	-	

**Annex 4 – Summary of Fixed Asset Register**

<b>Asset class</b>	<b>Opening Cost</b>	<b>Purchases/Additions in the Year</b>	<b>Disposals in the Year</b>	<b>Closing Cost</b>
	<b>(KSh)</b>	<b>(KSh)</b>	<b>(KSh)</b>	<b>(KSh)</b>
	<b>FY 2020/21</b>	<b>FY 2020/21</b>	<b>FY 2020/21</b>	<b>FY 2021</b>
	<b>(a)</b>	<b>(b)</b>	<b>(c)</b>	<b>(d)= (a)+ (b)- (c)</b>
Construction of Roads	6,732,114,310	711,407,828	-	7,443,522,138
<b>Total</b>	<b>6,732,114,310</b>	<b>711,407,828</b>	<b>-</b>	<b>7,443,522,138</b>

