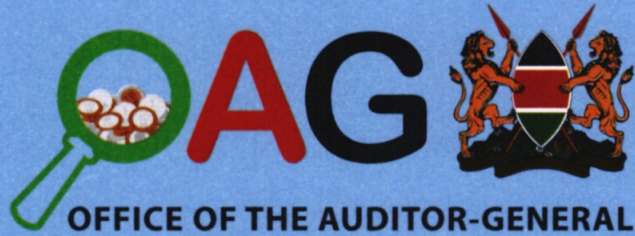


REPUBLIC OF KENYA



Enhancing Accountability



THE NATIONAL ASSEMBLY PAPERS LAID	
REPORT DATE: 05 DEC 2024	DAY: Thursday
TABLED BY:	Hon. Kimani Ichung'uah (Leader of the Majority Party)
CLERK-AT-THE-TABLE:	Anastacia

THE AUDITOR-GENERAL

ON

**PORT REITZ/MOI INTERNATIONAL
AIRPORT ACCESS (C110) ROAD
(FIDIC EPC/TURNKEY BASED) PROJECT**

**FOR THE YEAR ENDED
30 JUNE, 2024**

KENYA NATIONAL HIGHWAYS AUTHORITY



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY

07 NOV 2024

RECEIVED

MINISTRY OF ROADS AND TRANSPORT



Kenya National Highways Authority

Quality Highways, Better Connections

**PROJECT NAME: PORT REITZ/MOI INTERNATIONAL AIRPORT ACCESS (C110) ROAD
PROJECT**

IMPLEMENTING ENTITY: KENYA NATIONAL HIGHWAYS AUTHORITY

PROJECT GRANT/CREDIT NUMBER.....N/A.....

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2024**

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

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1. Acronyms and Definition of Terms

CBK	Central Bank of Kenya
CPA	Certified Public Accountant
EIA	Environmental Impact Assessment
EIK	Environmental Institute of Kenya
FY	Financial Year
GK	Government of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
JKIA	Jomo Kenyatta International Airport
KeNHA	Kenya National Highways Authority
KISM	Kenya Institute of Supplies and Management
Kshs.	Kenya Shillings
MoRT	Ministry of Roads and Transport
NEMA	National Environment Management Authority
PAPs	Project Affected Persons
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
SDG	Sustainable Development Goals
TMEA	Trade Mark East Africa
USD	United States Dollar

2. Project Information and Overall Performance

2.1 Name and registered office

Port Reitz/Moi International Airport Access (C110) Road project

Objective:

The project Road is a critical link from the Mombasa Port Kipevu West container terminal to the Northern Transport Corridor thus stimulating socio-economic development in the region. Upon its commissioning, the Kipevu West container terminal has not only increased cargo handling capacity at the port but also improved cargo off take from the port.

Previously, the old road was in fair condition with traffic flow bottlenecks at the major junctions and in particular the Port Reitz Junction and Magongo Road Junctions. In addition, the previous carriageway capacity was way below the designed traffic volumes expected upon the commissioning the Kipevu West container terminal. The above noted challenges led to the improvement of the road to address the issues identified above ahead of the commissioning of the container terminal.

Address: Barabara Plaza
Jomo Kenyatta International Airport (JKIA) off Mazao Road
Nairobi Kenya

Contacts: The following are the project 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

2.2 Project Information

Project Start Date:	7 th May, 2015
Project End Date:	27 th October, 2017
Project Engineer	Eng. Kevin Nyabuto
Project Sponsor:	Trade Mark East Africa (TMEA) Government of Kenya (GK)

Project Information and Overall Performance (Continued)

2.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of State Department for Roads
Project number	N/A
Strategic goals of the project	The strategic goals of the project were as follows: (i) Improve cargo off take from the port (ii) Reduce vehicle operating cost and facilitate the transport of goods and passengers to and from the container terminal and Moi International Airport respectively. (iii) Enhance social economic development of the community around the project area.
Summary of Project Strategies for achievement of strategic goals	The project management aims to achieve the goals through the following means: (i) Implementation of the project in a timely manner. (ii) Implementation of the project in efficient and effective manner.
Other important background information of the project	The project was jointly financed by TradeMark East Africa (TMEA) and the Government of Kenya (GK). In the financing agreement, TMEA contribution was 68% of the construction cost and the GK contribution was 32% of the construction cost including 100% cost of acquisition of additional right of way
Areas that the project was formed to intervene	The project was formed to intervene in the following problems/gaps: (i) Traffic congestion within Mombasa Town (ii) Slow cargo take off from the Port of Mombasa
Project duration	2 Years

2.4 Bankers

The following are the bankers for the project:

(i) Co-operative Bank of Kenya

Upper Hill Branch
Nairobi.

(ii) National Bank of Kenya

Hill Branch
Nairobi

2.5 Independent Auditors

The project is audited by the Office of the Auditor-General

Project Information and Overall Performance (Continued)

2.6 Roles and Responsibilities

List of the people who were working on the project.

Names	Title designation	Key qualification	Responsibilities
Eng. Henry Gakuru	Director-Development	Registered Engineer	Project Implementing Team Leader
Eng. Kevin Nyabuto	Deputy Director-Special Projects	Registered Engineer	Project Engineer
Mr. Walter B. Nyatwang'a	Deputy Director Environment & Social Interests	NEMA Lead Expert, Member-EIK	Project Safeguards Specialist
Mr. Chanje Kera	Deputy Director-Finance & Accounts	Certified Public Accountant of Kenya	Project Financial Specialist
Ms. Levina K. Wanyonyi	Deputy Director-Supply Chain Management	Registered Supply Chain Management professional (KISM)	Project Procurement Specialist

2.7 Funding summary

The Project was for a duration of 24.2 calendar months from 7th May 2015 to 8th May 2017 and defects notification period of 24 months with an approved budget of USD 59,834,256 equivalent to Kshs. 6,049,374,905 as highlighted in the table below:

A. Source of Funds

Source of funds	Donor Commitment		Amount Received to date - (30 th June 2024)		Undrawn balance to date	
	USD	Kshs	USD	Kshs	USD	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant						
TradeMark East Africa (TMEA)	20,000,000	2,022,044,000	17,707,539	1,790,271,185	2,292,461	231,772,815
(ii) Counterpart funds						
Government of Kenya	39,837,798	4,027,689,041	39,837,798	4,027,689,041	-	-
Total	59,837,798	6,049,733,041	57,545,338	5,817,960,226	2,292,461	231,772,815

Project Information and Overall Performance (Continued)

B. Application of Funds

Application of funds	Amount received to date - (30 th June 2024)		Cumulative amount paid to date - (30 th June 2024)		Unutilised balance to date - (30 th June 2024)	
	<i>Donor currency</i>	<i>Kshs</i>	<i>Donor currency</i>	<i>Kshs</i>	<i>Donor currency</i>	<i>Kshs</i>
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant						
TradeMark East Africa (TMEA)	17,707,539	1,790,271,185	17,707,539	1,790,271,185	-	-
(ii) Counterpart funds						
Government of Kenya	39,837,798	4,027,689,041	39,837,798	4,027,689,041	-	-
Total	57,545,338	5,817,960,226	57,545,338	5,817,960,226	-	-

2.8 Summary of Overall Project Performance:

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

Budget	FY 2023/2024			Cumulative		
	Budget	Actual	%	Budget	Actual	%
	Kshs	Kshs		Kshs	Kshs	
Counterpart Funds - GoK	-	-	-	4,462,263,207	4,027,689,041	90%
Grant						
TMEA	-	-	-	2,950,000,000	1,790,271,185	61%
TOTAL	-	-	-	7,412,263,207	5,817,960,226	78%

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

	Outputs-Outcome			Impacts	
	Contract Sum Amount	Amount Certified to Date	Status	Time Elapsed (Months)	% of Time Elapsed
	KSh	KSh			
	2,797,802,578	2,796,733,402	100%	36.2	100%

The physical progress as at 30th June 2024 was 100% against time elapsed of 100%.

Project Information and Overall Performance (Continued)

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

Financial Year	Budget	Actual	Percentage (%)
	Kshs	Kshs	
FY 2023/24	-	-	-
FY 2022/23	-	-	-
FY 2021/22	-	-	-
FY 2020/21	5,000,000	358,136	7%
FY 2019/20	275,581,985	123,480,786	45%
FY 2018/19	561,033,673	506,087,627	90%
FY 2017/18	963,792,681	784,776,341	81%
FY 2016/17	2,866,754,171	1,872,403,273	65%
FY 2015/16	2,130,100,697	1,961,620,449	92%
FY 2014/15	610,000,000	569,233,614	93%
Total	7,412,263,207	5,817,960,226	78%

(iv) Summary of Project Compliance:

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

3. Statement of Performance against Project’s Predetermined Objectives

Introduction

Section 81 (2) (f) / Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, the Accounting Officer include a statement of Port Reitz/Moi International Airport (C110) Road Project performance against predetermined objectives at the end of each financial year.

The key development objectives of the project were:

- a) To improve cargo off take from the port of Mombasa
- b) To reduce vehicle operating cost and facilitate the transport of goods and passengers to and from the container terminal and Moi International Airport
- c) To enhance social economic development of the people around the project area

Progress on the attainment of Strategic development objectives

To implement and cascade 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 to track progress and performance measurement.

Below we provide the progress on attaining the stated objectives:

Objective	Outcome	Indicator	Performance
To improve cargo off take from the port of Mombasa.	Reduced congestion in Mombasa town. Reduced travel time between Mombasa and Malaba.	Increased volume of Import Export trade handled at the port of Mombasa.	Improved turnaround time at the Port of Mombasa
To reduce the vehicle operating cost and facilitate the transport of goods and passengers to and from the container terminal and Moi International Airport.	Reduced congestion in Mombasa town.	Increased volume of Import/ Export trade handled at the port of Mombasa.	Improvement of traffic movement at intersections
To enhance social economic development of the people around the project area	Improved air quality along the project road hence improved health among communities along the project road.	Reduced CO ₂ concentration along the project road as a result of reduced traffic congestion	Trade volumes have increased along the project road as a result of ease of access to business premises.

4. Environmental and Sustainability Reporting

Port Reitz/Moi International Airport (C110) Road Project exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy. Below is a brief highlight of our activities that drive towards sustainability.

i. Sustainability strategy and profile

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

- a) *Good health and well-being (SDG 3)*: The Authority strives to undertake Road Safety Audits to identify accident black spots, implement intervention measures and provide road safety education to reduce accidents;
- b) *Gender Equality (SDG 5)*: The Authority encourages mainstreaming of gender equality in project and programmes by incorporating compliance to one third gender rule in procurement and recruitment;

Environmental and Sustainability Reporting (continued)

- c) *Industry, innovation and infrastructure (SDG 9)*: The Authority develops quality, reliable, sustainable and resilient infrastructure including regional and trans-border infrastructure to support economic development and human wellbeing with a focus on affordable and equitable access for all;
- d) *Sustainable cities and communities (SDG 11)*: The Authority endeavours to extend the paved road network to hitherto underserved areas in the region to improve nationwide access to high speed and all – weather connectivity; and
- e) *Climate action (SDG 13)*: The Authority endeavours to combat negative impacts of road development through environmental mitigation, climate change measures and compliance with National Environment Management Authority (NEMA) requirements in all development projects

ii. Environmental performance

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

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.

iii. Employee welfare

In all its staff appointments, the Authority takes deliberate actions to embrace Equal Employment Opportunity policies, gender mainstreaming, addresses concerns around Persons Living with Disabilities (PWDs) and takes affirmative action in line with prevailing Government Human Resource 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 at workplace.

Environmental and Sustainability Reporting (Continued)

iv. Marketplace 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.

v. Community Engagements

During the implementation of the Project, the Authority was 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 ensure that the project fosters long-term relationships with stakeholders and communities around the project. The aim is not just to build roads that foster development but to ensure collaboration with the local communities to achieve sustainable development. The project staff were also encouraged to give back to society by participating in the Authority's corporate social responsibility initiatives. During the project execution, the Contractor continued to offer employment opportunities to the unskilled locals as casuals. The Contractor also carried out awareness and education on HIV and protection against the disease and other sexually transmitted diseases.

To enhance social safeguards in projects, the Authority undertook Resettlement Action Plan (RAP) studies and implemented its recommendations, carried out Social Impact Assessments (SIA), undertook gender mainstreaming and conducted stakeholders' forum to sensitize the public in several cross-cutting issues.

5. Statement of Project Management Responsibilities

The Director General, KeNHA and the Project Implementation Team Leader for Port Reitz/Moi International Airport (C110) 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 the financial year ended on June 30, 2024. This responsibility includes: (i) maintaining adequate financial management arrangements 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 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 are of the opinion that the Project's financial statements give a true and fair view of the state of the Project's transactions during the financial year ended June 30, 2024, and of the Project's financial position as at that date. The Director General, KeNHA and the Project Implementation Team Leader further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements and the adequacy of the systems of internal financial control.

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

Approval of the Project financial statements


The Project financial statements were approved by the Director General, KeNHA and the Project Implementation Team Leader on 19 JUL 2024 and signed by them.



Eng. Kungu Ndungu
Director General



Eng. Henry Gakuru
Director-Development



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

REPUBLIC OF KENYA



Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON PORT REITZ/MOI INTERNATIONAL AIRPORT ACCESS (C110) ROAD (FIDIC EPC/TURNKEY BASED) PROJECT FOR THE YEAR ENDED 30 JUNE, 2024 - KENYA NATIONAL HIGHWAYS AUTHORITY

PREAMBLE

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

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

An Unmodified Opinion is issued when the Auditor-General concludes that the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management, and Governance.

The three parts of the report aim to address the Auditor-General's statutory roles and responsibilities as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Port Reitz/Moi International Airport Access (C110) Road Project set out on pages 1 to 17, which comprise of the

Report of the Auditor-General on Port Reitz/Moi International Airport Access (C110) Road (FIDIC EPC/TURNKEY BASED) Project for the year ended 30 June, 2024 - Kenya National Highways Authority

statement of financial assets and liabilities as at 30 June, 2024 and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Port Reitz/Moi International Airport Access (C110) Road Project as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Financing Agreement FIDIC EPC/Turnkey Based dated 5 February, 2015 between Trademark East Africa and the Government of the Republic of Kenya and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Port Reitz/Moi International Airport Access (C110) Road Project Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

1. Long Outstanding Pending Bills

Annex 4 to the financial statements and Note 9 on other important disclosures to the financial statements reflect the pending accounts payable balance of Kshs.822,548,139. The balance constitutes previous years' pending accounts payables in respect of unsettled land compensation and construction of civil works balances of Kshs.29,624,000 and Kshs.792,924,139, respectively. During the year under review, it was noted that the Project had no budget and there was no financial activity. No explanation was provided as to why the Project Management continues to disclose pending bills on unsettled land compensation and construction of civil works without making provisions on how to settle the bills.

In the circumstances, the Project is at risk of incurring additional cost in form of interest and penalties for failure to settle Project-related costs as and when they fall due.

2. Project Closure Report

Paragraph 2.7 on Funding Summary, the Project was for twenty-four (24) months starting from 7 May, 2015 to 8 May, 2017, with a defects notification period of twenty-four (24) months or two years. The approved budget was USD 59,834,256 equivalent to Kshs.6,049,374,905. Further, Paragraph 2.8 on Summary of Overall Performance indicates the physical progress as at 30 June, 2024 was 100%. However, the Project

closure report was not provided for audit. Management did not provide an explanation for the failure to close the Project, seven (7) years after the completion date.

My opinion is not modified in respect of these matters.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. Although Management had indicated the issues as resolved as at 30 June, 2024, no evidence was provided to support the position.

Other Information

The Management is responsible for the other information set out on page iii to xi which comprise of Project Information and Overall Performance, Statement of Performance Against Predetermined Objectives. Environmental and Sustainability Reporting, and Statement of Project Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Project's financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, 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 ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern

them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

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

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

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 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

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

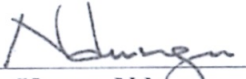
13 November, 2024


*Port Reitz/Moi International Airport Access (C110) Road Project
Annual Report and Financial Statements for the financial year ended June 30,2024*


7. Statement of Receipts and Payments for the Year Ended 30th June 2024

	Note	FY 2023/24			FY 2022/23			Cumulative to Date
		Kshs			Kshs			
		Receipts & Payments Controlled by the Entity	Payments Made by the Third Parties	Total	Receipts & Payments Controlled by the Entity	Payments Made by the Third Parties	Total	
		Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	
RECEIPTS								
Transfer from Government entities	1	-	-	-	-	-	4,027,689,041	
Proceeds from domestic and foreign grants	2	-	-	-	-	-	1,790,271,185	
TOTAL RECEIPTS		-	-	-	-	-	5,817,960,226	
PAYMENTS								
Purchase of goods and services	3	-	-	-	-	-	16,747,907	
Acquisition of non-financial assets	4	-	-	-	-	-	5,801,212,319	
TOTAL PAYMENTS		-	-	-	-	-	5,817,960,226	
SURPLUS/DEFICIT FOR THE YEAR		-	-	-	-	-	-	

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


Eng. Kungu Ndungu
Director General


Eng. Henry Gakuru
Director-Development

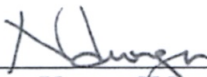

CPA Chanje Kera
Deputy Director (F&A)
ICPAK Member No. 8279

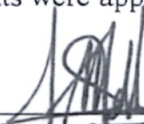
*Port Reitz/Moi International Airport Access (C110) Road Project
Annual Report and Financial Statements for the financial year ended June 30,2024*


8. Statement of Financial Assets and Liabilities as at 30th June 2024

Description	Note	FY 2023/24	FY 2022/23
		Kshs	Kshs
Financial Assets			
Cash & Cash equivalents	5	-	-
Total Financial Assets (A)		-	-
Financial Liabilities			
Payables- Deposits and Retentions	6	-	-
Total Financial Liabilities (B)		-	-
Net Financial Assets (A-B)		-	-
Represented By			
Fund balance B/fwd	7	-	-
Prior year adjustments		-	-
Surplus/(Deficit) for the year		-	-
Net Financial Assets		-	-

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 19 JUL 2024 and signed by:



 Eng. Kungu Ndungu
 Director General


 Eng. Henry Gakuru
 Director-Development



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

9. Statement of Cashflows for the year ended 30th June 2024

Description	Note	2023/2024 Kshs	2022/2023 Kshs
Cashflow from operating activities			
Receipts			
Transfer from Government entities	1	-	-
Proceeds from domestic and foreign grants	2	-	-
Total Receipts		-	-
Payments			
Purchase of goods and services	3	-	-
Total Payments		-	-
Net cash flow from operating activities		-	-
Cashflow from Investing Activities			
Acquisition of Assets	4	-	-
Net cash flows from Investing Activities		-	-
Cashflow from Financing Activities			
Net cash flow from financing activities		-	-
Net Increase in Cash and Cash Equivalent		-	-
Cash and cash equivalent at beginning of the year		-	-
Cash & cash equivalent at end of the year		-	-


Eng. Kungu Ndungu
Director General


Eng. Henry Gakuru
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 30th June 2024

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
Receipts						
Transfer from Government entities	-	-	-	-	-	-
Proceeds from Grants-Direct Payments	-	-	-	-	-	-
Total Receipts	-	-	-	-	-	-
Payments						
Purchase of goods and services	-	-	-	-	-	-
Acquisition of non-financial assets	-	-	-	-	-	-
Total Payments	-	-	-	-	-	-
Surplus/Deficit	-	-	-	-	-	-

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

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 Port Reitz/Moi International Airport (C110) Road Project under Kenya National Highways Authority as required by Section 81/ Section 164 of the PFM Act, 2012.

c) Reporting currency

The financial statements are presented in Kenya Shillings (Kshs), the project's functional and reporting currency. All values are rounded to the nearest Kenya Shilling.

d) Recognition of receipts

Port Reitz/Moi International Airport (C110) Road Project recognizes all receipts from various sources when an event occurs, and the related cash is received.

i) Transfers from the Exchequer

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

Significant Accounting Policies (continued)

ii) External Assistance

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

iii) Other receipts

This includes Appropriation-in-Aid and relates to receipts such as proceeds from the disposal of assets and the sale of tender documents. These are recognized in the financial statements when 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 payment advice is received by the recipient entity or by the beneficiary. In the case of a grant/donation in kind, such grants are recorded upon receipt of the grant item and its value determined. The transaction date 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 the reporting date 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. The funding summary analyzes the Project's undrawn external assistance.

Significant Accounting Policies (continued)

e) Recognition of payments

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

i) Compensation to employees

Salaries, wages, Allowances, and Statutory Contributions for employees are recognized when the compensation is paid.

ii) Use of goods and services

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

iii) Interest on borrowing

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

iv) Repayment of borrowing (principal amount)

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

Significant Accounting Policies (continued)

v) Acquisition of fixed assets

The payment on the 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 a receipt and as a payment. A fixed asset register is maintained by each public entity, and a summary is provided for consolidation purposes. This summary is disclosed as an annexure to the consolidated financial statements.

f) In-kind donations

In-kind contributions are donations 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.

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.

Significant Accounting Policies (Continued)

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.

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.

Significant Accounting Policies (Continued)

k) Contingent Assets

Port Reitz/Moi International Airport (C110) 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 Port Reitz/Moi International Airport (C110) 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.

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 are recorded as 'memorandum' or 'off-balance.' When the pending bills are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

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

Significant Accounting Policies (Continued)

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.

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 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 recognized 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, 2024.

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 on the financial statements for the year ended June 30, 2024

12. Notes to Financial Statements

1. Transfers from Government Entities

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

	FY 2023/24	FY 2022/23	Cumulative
	Kshs	Kshs	to-date
Counterpart funding through Ministry of Transport and Infrastructure			
Counterpart funds Quarter 1	-	-	936,841,062
Counterpart funds Quarter 2	-	-	1,267,314,630
Counterpart funds Quarter 3	-	-	596,797,997
Counterpart funds Quarter 4	-	-	1,226,735,352
Total	-	-	4,027,689,041

2. Proceeds from Domestic and Foreign Grants

During the financial period to 30 June 2024 we did not receive grants from donors. (Financial Year 2022/2023, Nil) Financing agreement lapsed in Financial Year 2019/2020

Name of Donor	Date received	FY 2023/24					FY 2022/23	Cumulative to date
		Amount in donor currency	Grants received in cash	Grants received as direct payment	Grants received in kind	Total amount	Total Amount	
		USD	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Grants Received from Multilateral Donors (International Organisations)								
TradeMark East Africa (TMEA)		-	-	-	-	-	-	1,790,271,185
Total		-		-		-	-	1,790,271,185

Notes to the Financial Statements (Continued)

3. Purchase of Goods and Services

	FY 2023/24			FY 2022/23	Cumulative to date
	Payments Made in Cash	Payments made by third parties	Total Payments	Total Payments	
	KSh	KSh	KSh	Kshs	
Domestic Travel & Subsistence	-	-	-	-	13,936,378
Hospitality Supplies	-	-	-	-	1,711,685
Printing, Adverts & Information Supplies	-	-	-	-	1,099,844
Total	-	-	-	-	16,747,907

4. Acquisition of Non-Financial Assets

Item	FY 2023/24			FY 2022/23	Cumulative to date
	Payments made in Cash	Payments made by third parties	Total Payments	Total Payments	
	Kshs	Kshs	Kshs	Kshs	
Research, studies, project preparation, design & supervision	-	-	-	-	652,333,308
Construction of Roads	-	-	-	-	2,571,737,091
Acquisition of land	-	-	-	-	2,577,141,920
Total	-	-	-	-	5,801,212,319

5. Cash and Cash Equivalents

	FY 2023/24	FY 2022/23
	Kshs	Kshs
Bank accounts (Note 5A)	-	-
Total	-	-

Notes to the Financial Statements (Continued)

5A Bank Accounts

	FY 2023/24	FY 2022/23
	Kshs	Kshs
Local Currency Accounts		
National Bank of Kenya Ltd Retention [A/c No. 0100132733200]	-	-
Co-operative Bank of Kenya Exchequer [A/c No. 01141160979900]	-	-
Total bank account balances	-	-

6. Deposits and Retention Monies

Description	FY 2023/24	FY 2022/23
	Kshs	Kshs
Retentions	-	-
Total	-	-

7. Fund Balance Brought Forward

	FY 2023/24	FY 2022/23
	Kshs	Kshs
Bank accounts	-	-
Total	-	-

8. Changes in Accounts Deposits and Retentions

Description	FY 2023/24	FY 2022/23
	Kshs	Kshs
Deposits and Retentions as at 1 st July	-	-
Closing Accounts Payables as at 30 th June	-	-
Change in Deposit and Retention	-	-

Other Important Disclosures

9. Pending Accounts Payable (See Annex 4)

Description	Balance b/f FY 2022/2023	Additions for the year	Paid during the year	Balance c/f FY 2023/24
	Kshs	Kshs	Kshs	Kshs
Construction of civil works	792,924,139	-	-	792,924,139
Lands Compensation	29,624,000	-	-	29,624,000
Total	822,548,139	-	-	822,548,139

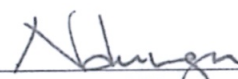
*Port Reitz/Moi International Airport Access (C110) Road Project
Annual Report and Financial Statements for the financial year ended June 30,2024*

13. Annexes

Annex 1: Prior Year Auditor – General’s Recommendations


Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe
1	<p><u>Other Matter</u> Unbudgeted and Unsupported Pending Bills Note 1 of other important disclosures and Annex 4 to the financial statements reflects pending accounts payable balance of Kshs. 822,548,139 as at 30 June, 2023 which was not supported with a ledger and relevant documents. As previously reported, the balance is made up of previous years pending accounts payable of Kshs. 29,624,000 with regard to 0.047Ha unsettled land compensation and Kshs.792,924,139 in respect to construction of civil works. However, during the year under review, the project had no budget provision, there was no financial activities and Project Management did not explain why they continue disclosing pending bills without making budgetary provision to settle the bills.</p>	<p>We disagree with the audit observation that the pending bills were unsupported. Annex 4 of the Financial Statements for FY 2022/23 indicates total pending bills of Kshs. 822,548,139 as at 30 June, 2023. This amount is made up of an IPC from the contractor for construction of civil works of Ksh 792,924,139 and Land compensation of Kshs. 29,624,000 which were provided during the Audit exercise.</p> <p>Management is however yet to appear before the Public Accounts Committee to defend itself.</p>	Un-Resolved	30 th April 2025

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe
	In the circumstances, the project is at risk of incurring additional cost in form of interest and penalties for failure to settle project related costs as and when they fall due.			
2	<p>Project Closure Report</p> <p>As disclosed under paragraph 1.2 of Project Information and Overall Performance, the Project commenced on 26 November, 2010 with a closure date of 31 October, 2015. The project closure report was not provided for audit review. Management did not provide an explanation for the failure to close the project, eight (8) years after the closure date.</p>	<p>We agree with the auditor’s observation that the project was started on 26 November 2010 and ended on 31 October 2015 and the project closure report had not been prepared and submitted for audit review eight (8) years after the closure period of the project.</p> <p>We wish to clarify that the Authority is in the process of preparing the Project Closure Report in conjunction with all the stakeholders</p>	Not Resolved	30 th June 2025


 Eng. Kungu Ndungu
 Director General

19 JUL 2024

Date


 Eng. Henry Gakuru
 Director-Development

19 JUL 2024

Date

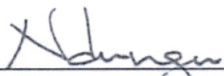
*Port Reitz/Moi International Airport Access (C110) Road Project
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Annex 2: Variance Explanations - Comparative Budget and Actual Amounts for Current FY


	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilization	Comments on Variance
	a	b	c=a-b	d=b/a %	
Receipts During the Year/Period					
Government of Kenya	-	-	-	-	Project Completed
Total Receipts	-	-	-	-	
Payments During the Year/Period					
Purchase of goods and services	-	-	-	-	
Acquisition of non-financial assets	-	-	-	-	Project Completed
Total Payments	-	-	-	-	

Annex 3: Reconciliation of Inter-Entity Transfers

	Project Name:	Port Reitz/Moi International Airport Access (C110) Road Project		
	Break down of Transfers from the State Department of Infrastructure			
	a. Government Counterpart Funding			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>FY to which the amounts relate</u>
		-	-	-
	Total	-	-	-


 Eng. Kungu Ndungu
 Director General

19 JUL 2024
 Date


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

19 JUL 2024
 Date

Annex 4: Analysis of Pending Bills

Supplier of Goods/Services	Date Contracted	Original Amount	Amount Paid To-Date	Outstanding Balance	Outstanding Balance	Comments
				2024	2023	
		a	b	c=a-b		
Civil Works						
China Wu Yi	01.03.2022	792,924,139	-	792,924,139	792,924,139	Final Cert
Sub-total		792,924,139	-	792,924,139	792,924,139	
Land Compensation						
		2,606,765,920	2,577,141,920	29,624,000	29,624,000	
Grand-Total		3,399,690,059	2,577,141,920	822,548,139	822,548,139	

Annex 5: Summary of Fixed Assets Register

Asset class	Opening Cost	Purchases/Additions in the Year	Disposals in the Year	Closing Cost
	(Kshs)	(Kshs)	(Kshs)	(Kshs)
	2023/24	2023/24	2023/24	2024
	(a)	(b)	(c)	(d)= (a)+ (b)-(c)
Land	2,577,141,921	-	-	2,577,141,921
Construction of Roads	3,224,070,398	-	-	3,224,070,398
Total	5,801,212,319	-	-	5,801,212,319