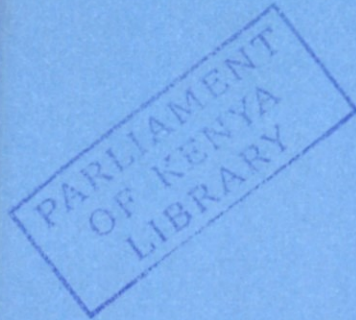


REPUBLIC OF KENYA



Enhancing Accountability

REPORT



DATE: 12 MAR 2024

OF *TUESDAY*
John Owen Baya, MP
Deputy leader, majority Party
Mombasa

THE AUDITOR-GENERAL

ON

**MOMBASA-NAIROBI-ADDIS ABABA ROAD
CORRIDOR PROJECT PHASE III
(TURBI-MOYALE) NO.P-ZI-DB0-095
LOAN NO.21001500255546**

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

KENYA NATIONAL HIGHWAYS AUTHORITY





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

08 NOV 2023

RECEIVED

MINISTRY OF ROADS AND TRANSPORT



Kenya National Highways Authority

Quality Highways, Better Connections

**PROJECT NAME: MOMBASA-NAIROBI-ADDIS ABABA ROAD CORRIDOR
PROJECT PHASE III (TURBI-MOYALE ROAD PROJECT)**

IMPLEMENTING ENTITY: KENYA NATIONAL HIGHWAYS AUTHORITY

**PROJECT GRANT/CREDIT NUMBER: LOAN 21001500255546
PROJECT NO P-ZI-DBO-095**

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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

Turbi-Moyale Road Rehabilitation Project

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

Turbi-Moyale Road Rehabilitation Project
Annual Report and Financial Statements for the financial year ended June 30, 2023

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1. Acronyms and Glossary of Terms

AfDB	African Development Bank
CBK	Central Bank of Kenya
Comparative FY	Financial year preceding the current financial year.
CPA	Certified Public Accountant
EIK	Environment Institute of Kenya
EXIM	Export – Import
FY	Financial Year
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
KeNHA	Kenya National Highways Authority
Kshs.	Kenya Shillings
MoR&T	Ministry of Roads and Transport
PAPs	Project Affected Persons
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
RMB	Renminbi
SDG	Sustainable Development Goals
SME	Small and Medium Enterprise
TNT	National Treasury
UA	Unit of Account
UA	Unit of Account

2. Project Information and Overall Performance

2.1 Name and registered office

Name: Mombasa-Nairobi-Addis Ababa Road Corridor Project Phase III-(Turbi-Moyale Road) Project

Objective:

- i) Improve Land Transport communications between Kenya and Ethiopia and contribute to enhanced Trade and regional economic integration.
- ii) Provide landlocked Ethiopia with an alternative outlet to the port of Mombasa.
- iii) Open up Kenyan's Northern Region (Arid Semi-Arid Lands of Kenya (ASAL) and integrate it with the rest of Kenya.

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

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

Project Information and Overall Performance continued

2.2 Project Information.

Project Start Date:	12 th October, 2012
Project End Date:	15 th October 2016
Project Engineer	Eng. Cleophas Makau
Project Sponsor:	1.Africa Development Bank (AfDB) 2.Government of Kenya

2.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the State Department of Roads on behalf of the Ministry of Roads and Transport.																																																
Project number	P-ZI-DBO-095																																																
Strategic goals of the project	The strategic goals of the project were to improve transport communications between Kenya and Ethiopia for the benefit of both countries and the region																																																
Other important background information of the project	<p>The project was financed by the Government of Kenya at 6% (UA 8,190,000.00) and the ADB at 94% (UA 120,000,000.00) The Project Components and costs are as tabulated below. (In Million Units of Accounts-UA)</p> <table border="1"> <thead> <tr> <th></th> <th>Components</th> <th>FE</th> <th>LC</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Turbi-Moyale -Works</td> <td>81.77</td> <td>27.25</td> <td>109.02</td> </tr> <tr> <td>2</td> <td>Services</td> <td>1.07</td> <td>0.27</td> <td>1.34</td> </tr> <tr> <td>3</td> <td>Construction Supervision</td> <td>2.09</td> <td>0.52</td> <td>2.61</td> </tr> <tr> <td>4</td> <td>Trade and Transport Facilitation</td> <td>0.90</td> <td>0.23</td> <td>1.13</td> </tr> <tr> <td>5</td> <td>Study of Future Projects</td> <td>5.18</td> <td>1.30</td> <td>6.48</td> </tr> <tr> <td>6</td> <td>Monitoring of Performance of Consultants & Contractors</td> <td>0.54</td> <td>0.13</td> <td>0.67</td> </tr> <tr> <td>7</td> <td>Projects Audits</td> <td>0</td> <td>0.09</td> <td>0.09</td> </tr> <tr> <td></td> <td>Total</td> <td>90.48</td> <td>29.52</td> <td>120.00</td> </tr> </tbody> </table>					Components	FE	LC	Total	1	Turbi-Moyale -Works	81.77	27.25	109.02	2	Services	1.07	0.27	1.34	3	Construction Supervision	2.09	0.52	2.61	4	Trade and Transport Facilitation	0.90	0.23	1.13	5	Study of Future Projects	5.18	1.30	6.48	6	Monitoring of Performance of Consultants & Contractors	0.54	0.13	0.67	7	Projects Audits	0	0.09	0.09		Total	90.48	29.52	120.00
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	Total	90.48	29.52	120.00																																													

Areas that the project was formed to intervene	<ul style="list-style-type: none">i) Promote regional economic integration by enhancing the development of regional trade between Ethiopia, Kenya and the COMESA countries.ii) Improve transport services between Ethiopia, Kenya and other counties in the sub-region.iii) Integrate the Kenya ASAL region with the rest of the country, in the administrative, economic and social context.iv) Improve accessibility and mobility to markets and other socio-economic infrastructure for the population in North-eastern region of Kenya.v) Spur economic activity between Kenya and Ethiopia and facilitate development of SMEs and trade.vi) Improve security along the corridor through improvement of response times to security breaches.
Project duration	3 years, Completed in 2015

2.4 Bankers

Co-operative Bank of Kenya Ltd
Upper Hill Branch,
Po Box 30415-00100, Nairobi
Account No.01141160979900

National Bank of Kenya Ltd
Hill Branch, Nairobi
Account number 01001032733200

2.5 Independent Auditor

Auditor General
Office of the Auditor General
Po Box 30084-0100
Nairobi

Project Information and Overall Performance continued

2.6 Roles and Responsibilities

Names	Title designation	Key qualification	Responsibilities
Eng. Henry Gakuru	Director-Development	Registered Civil Engineer	Oversight
Eng. Cleophas Makau	Deputy Director	Registered Civil Engineer	Team Leader
Mr. Walter Nyatwanga	Deputy Director	Registered NEMA Lead expert. Member EIK	Environment Social Safeguards Specialist
Mr. James Bowen	Director-Co-operate Services	Certified Public Accountant	Financial Specialist
Ms. Levina Wanyonyi	Deputy Director	Certified Supply Chain Professional	Supply Chain Specialist

2.7 Funding summary

The Project was for a duration of Four (4) years from 12th October 2012 to 15th October 2016 with an approved budget of UA 120,000,000 equivalent to Kshs 18,652,080,000 at the exchange rate of Kshs. 155.434 and Kshs. 1,246,057,945

Below is the funding summary:

A. Source of Funds

Source of funds	Donor Commitment		Amount Received to date – (30.06.2023)		Undrawn balance to date - (30.06.2023)	
	<i>UA</i>	<i>Kshs</i>	<i>UA</i>	<i>Kshs</i>	<i>UA</i>	<i>Kshs</i>
	<i>(A)</i>	<i>(A')</i>	<i>(B)</i>	<i>(B')</i>	<i>(A)-(B)</i>	<i>(A')-(B')</i>
(ii)Loan						
African Development Bank (ADB)	120,000,000	18,652,080,000	82,739,351	12,860,508,353	-	-
(ii)Counterpart funds						
Government of Kenya	-	1,246,057,945	-	1,246,057,945	-	-
Total	120,000,000	19,898,137,945	82,739,351	14,106,566,298	-	-

Project Information and Overall Performance (Continued)

B. Application of Funds

Application of funds	Amount received to date – (30th June 2023)		Cumulative Amount paid to date – (30th June 2023)		Unutilised balance to 30th June 2023	
	(A)	(A')	(B)	(B')	(A)- (B)	(A')-(B')
	UAC	KSHS	UAC	KSHS	UAC	KSHS
(i) Loan						
ADB	82,739,351	12,860,508,353	82,739,351	12,860,508,353	-	-
(ii) Counterpart funds						
Government of Kenya	-	1,246,057,945	-	1,195,430,044	-	50,627,901
Total	82,739,351	14,106,566,298	82,739,351	14,055,938,397	-	50,627,901

2.8 Summary of Overall Project Performance:

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

	2022/2023			Cumulative		
	Budget	Actual	%	Budget	Actual	%
Counterpart Funds-GOK	10,577,911	5,994,715	57%	8,766,107,014	1,195,430,044	14%
Loan from external Development Partners				11,132,030,931	12,860,508,353	116%
Total	10,577,911	5,994,715	57%	19,898,137,945	14,055,938,397	71%

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

The project is substantially complete and has been handed over to the employer.

Project Information and Overall Performance continued

ii) Absorption rate for each year since the commencement of the project

Turbi-Moyale Road Rehabilitation Project
Annual Report and Financial Statements for the financial year ended June 30, 2023

Financial Year	Budget	Actual	Percentage (%)
FY 2022/23	10,577,911	5,994,715	57%
FY 2021/22	-	-	0%
FY 2020/21	40,942,301	40,942,298	100%
FY 2019/20	72,600,000	42,759,438	59%
FY 2018/19	128,826,059	128,826,059	100%
FY 2017/18	55,829,020	55,829,020	100%
FY 2016/17	161,000,846	161,000,846	100%
FY 2015/16	189,809,087	98,953,392	52%
FY 2014/15	3,734,627,059	3,549,740,251	95%
FY 2013/14	11,460,244,851	8,559,897,502	75%
FY 2012/13	4,043,680,811	1,411,994,876	35%
TOTAL	19,898,137,945	14,055,938,397	71%

The project was fully taken over by the employer in October 2016, However, the expenditure incurred is on pending bills.

2.9 Summary of Project Compliance:

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

3. Statement of Performance against Project's Predetermined Objectives

Introduction

The sector goal of the project is to promote trade and regional integration. The expected long-term impact of the project includes increased intra-regional trade between Ethiopia and Kenya and the Eastern and Horn of Africa regions.

The Key development objectives of the project's agreement/Plan is to improve transport communications between Kenya and Ethiopia for the benefit of both countries and the region. The expected outcomes of the project include (a) reduced transport and shipping costs between Kenya and Ethiopia; (b) reduced transit time for import and export goods; (c) increased volume of Ethiopian transit goods using the port of Mombasa.

Objective	Outcome	Indicator	Performance
To improve transport communications between Kenya and Ethiopia for the benefit of both countries and the region.	<ul style="list-style-type: none"> Transport and logistics costs between Addis Ababa and Nairobi are reduced; transit and travel times are reduced. Port of Mombasa becomes cost-effective alternative for Ethiopia's import/export shipping Technical and Operational Capacity of Kenya Road Agencies is strengthened Improved economic and social welfare of towns along the corridor 	<ul style="list-style-type: none"> Volume of trade Transport and shipping costs Transit time for imports and exports Volume of transit goods to/from Ethiopia using the port of Mombasa Performance of Roads Agencies Average household income 	<ul style="list-style-type: none"> Trade between Ethiopia and Kenya estimated to grow from US\$ 48 M (2007) to US\$ 200 M (500%) by 2017 Port of Mombasa transit goods to/from Ethiopia to increase from zero tonnes in 2009 to 500,000 tonnes in 2014; and to over 1000,000 tonnes or 20% of total Ethiopian sea fret by 2018. Average transport cost of US\$ 0.50 per vehicle km on the corridor in 2009 reduced by 20% by 2011; and by 50% by 2014. Transit and travel time of 5 days between Addis and Nairobi in 2009 reduced by 20% (1 day) by 2011; and by 60% (3 days) by 2014

4. 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.

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.

Environmental and Sustainability Reporting (Continued)

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 to build roads that foster development and to ensure collaboration with the local communities to achieve sustainable development. The project staff is also encouraged to give back to society by participating in the Authority's corporate social responsibility projects.

The Contractor has been involved in various CSR activities geared towards improving the lives of local residents through construction of roadside amenities, milk houses and processors and slaughterhouses (for goats and sheep). To enhance social safeguards in projects, the Authority undertakes Resettlement Action Plan (RAP) studies and implements its recommendations, carries out Social Impact Assessments (SIA), undertakes gender mainstreaming and conduct stakeholders' forum to sensitize the public in several cross-cutting issues.

5. Statement of Project Management responsibilities

The Director General and the Project Implementation Team Leader for Turbi-Moyale 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, 2023. This responsibility includes: (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

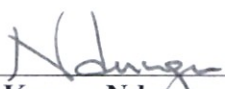
The Director General and the Project Implementation Team Leader Turbi-Moyale Road Project accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public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

The Director General and the Project Implementation Team Leader for Turbi-Moyale 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/period ended June 30, 2023, and of the Project's financial position as at that date. The Director General and the Project Implementation Team Leader for National Urban Transport 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, and the Project Implementation Team Leader for Turbi-Moyale 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/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project financial statements

The Project financial statements were approved by the Director General and the Project Implementation Team Leader for Turbi-Moyale Road Rehabilitation Project on 23 SEP 2023 and signed by them.




Eng. Kungu Ndungu
Director General

Date 23 SEP 2023



Eng. Henry Gakuru
Ag. Director -Development

Date 23 SEP 2023

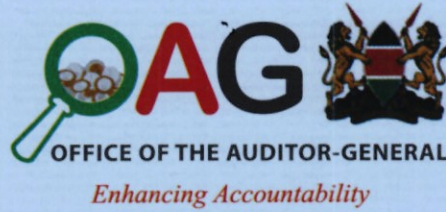


CPA Chanje Kera
Deputy Director (F&A)
ICPAK Member No. 8279

Date 23 SEP 2023

REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
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HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON MOMBASA-NAIROBI-ADDIS ABABA ROAD CORRIDOR PROJECT PHASE III (TURBI-MOYALE) NO.P-ZI-DB0-095 LOAN NO.21001500255546 FOR THE YEAR ENDED 30 JUNE, 2023 - KENYA NATIONAL HIGHWAYS AUTHORITY

PREAMBLE

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Mombasa-Nairobi-Addis Ababa Road Corridor Project Phase III (Turbi-Moyale) set out on pages 1 to 20, which comprise of the statement of financial assets as at 30 June, 2023 and the statement of receipts and

Report of the Auditor-General on Mombasa-Nairobi-Addis Ababa Road Corridor Project Phase III (Turbi-Moyale) No.P-ZI-DB0-095 Loan No.21001500255546 for the year ended 30 June, 2023 - Kenya National Highways Authority

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

In my opinion, except for the 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 Mombasa-Nairobi-Addis Ababa Road Corridor Project Phase III (Turbi-Moyale Road Project) as at 30 June, 2023 - Kenya National Highways Authority and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Loan Agreement No.21001500255546 dated 12 March, 2012 between the Republic of Kenya and African Development Fund(ADF) and the Public Finance Management Act,2012.

Basis for Qualified Opinion

1. Transfers from Government Entities

The statement of receipts and payments reflects transfers from government entities amount of Kshs.5,994,715 as disclosed in Note 1 to the financial statements. However, supporting documents provided for the audit showed that the funds were in respect of Isiolo-Nginyang Road which is not included in the project description in Annex1 of the Financing Agreement, and neither was there an amendment to the Financing Agreement.

In the circumstances, the accuracy, propriety and validity of receipts amounting to Kshs.5,994,715 in respect of transfers from government entities could not be confirmed.

2. Acquisition of Non-Financial Assets

The statement of receipts and payments reflects acquisition of non-financial assets of an amount of Kshs.5,994,715 in respect of research, studies, projects preparation, design and supervision as disclosed in Note 4 to the financial statements. However, supporting documents including payment vouchers and invoices provided for audit review were in respect of Isiolo-Nginyang Road which is not included in the project description in Annex1 of the Financing Agreement. In addition, Management did not provide approval on inclusion of the Isiolo-Nginyang Road in the project under review.

In the circumstances, the accuracy and completeness of payments of an amount of Kshs.5,994,715 in respect of acquisition of non-financial assets could not be confirmed.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Mombasa-Nairobi-Addis Ababa Road Corridor Project Phase III (Turbi-Moyale) Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits

of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

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

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.10,577,911 and Kshs.5,994,715 respectively resulting in an underfunding of Kshs.4,583,196 or 43% of the budget. Similarly, the Project spent Kshs.5,994,715 against an approved budget of Kshs.10,577,911 resulting to an under expenditure of Kshs.4,583,196 or 43% of the budget.

The underfunding and under expenditure affected the planned activities of the Project and impacted negatively on service delivery to the public.

2. Absorption of Project Funds

As disclosed under paragraph 2.2 of the project information, the Project was earmarked to start on 12 October, 2012 and close on 15 October, 2016. However, paragraph 2.7 of funding summary indicates that the Donor had made commitment amounting to UA 120,000,000 which is equivalent to Kshs.18,652,080,000. However, actual drawdowns during the project life amounted to UA 82,739,351 equivalent to Kshs.12,860,508,353 leaving out Kshs.5,791,571,647 undrawn which was not disclosed in the project financial statements. The credit thus lapsed without being fully utilized.

In the circumstances, the Project's planned deliverables earmarked for completion using the funding may not be realized.

3. Long Outstanding Pending Bills

Annex 4 to the financial statements reflects pending bills balance of Kshs.11,539,155 as at 30 June, 2023. The pending bills relates to consultancy services by two (2) firms. However, as reported in the previous year, the pending bills balances of Kshs.326,173 and Kshs.388,139 totalling to Kshs.714,313 in favor of one of the firms has been outstanding since the financial year 2016 out of which the balance of Kshs.326,173 relates to interest and penalties incurred. The balance of Kshs.10,824,843 is indicated to have been a bill incurred in June,2020 and in respect of Isiolo-Nginyang road project. The Management has not explained why the bills for the other project have been recognized. The project therefore runs the risk of incurring significant and unquantified interest costs and penalties associated with delays in settling the invoiced bills.

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

4. Project Closure Report

The Project information section and overall performance for the year ended 30 June, 2023 indicates that the project was started on 12 October, 2012 and ended on 15 October, 2016. However, no evidence has been provided for audit review in respect of extension of the project implementation period. Further, a project closure report had not been prepared and submitted for review eight (8) years after the closure period of the project.

5. Unresolved Prior Year Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

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

Conclusion

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

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the African Development Fund (ADF), except for the matters described under Basis for Qualified Opinion section of my report, I report based on my audit that:

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

Responsibilities of the Management and those Charged with Governance

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

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

The 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, the Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Project's financial reporting process, reviewing the effectiveness of how Management monitors compliance

with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal 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 controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

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

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

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

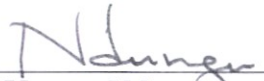
30 November, 2023


*Report of the Auditor-General on Mombasa-Nairobi-Addis Ababa Road Corridor Project Phase III (Turbi-Moyale)
 No.P-ZI-DB0-095 Loan No.2100150025546 for the year ended 30 June, 2023 - Kenya National Highways Authority*

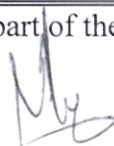
7. Statement of Receipts and Payments for the year ended 30th June 2023

	NOTES	2022/23			2021/22			Cumulative to-date
		Receipts & Payments Controlled by the Entity	Receipts & Payments made by the Third Party	Total	Receipts & Payments Controlled by the Entity	Receipts & Payments made by the Third Party	Total	
		Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	
Receipts								
Transfer from Government entities	1	5,994,715	-	5,994,715	-	-	-	1,246,057,945
Proceeds from domestic and foreign Loans	2	-	-	-	-	-	-	12,860,508,353
Total receipts		5,994,715	-	5,994,715	-	-	-	14,106,566,298
Payments								
Purchase of goods and services	3	-	-	-	-	-	-	18,273,724
Acquisition of non-financial assets	4	5,994,715	-	5,994,715	-	-	-	14,037,664,672
Total payments		5,994,715	-	5,994,715	-	-	-	14,055,938,396
Surplus		-	-	-	-	-	-	50,627,902.00

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


Eng. Kungu Ndungu
 Director General
 23 SEP 2023
 Date

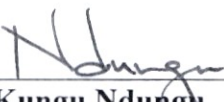

Eng. Henry Gakuru
 Ag. Director - Development
 23 SEP 2023
 Date



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

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

	Notes	2022/23	2021/22
		Kshs	Kshs
Financial Assets			
Cash and Cash equivalents			
Cash and Cash Equivalents			
Bank Balances	5	50,627,902	50,627,902
Total Cash and Cash Equivalents		50,627,902	50,627,902
Financial Liabilities			
Third Party Deposits and Retentions	7	50,627,902	50,627,902
Net Assets		50,627,902	50,627,902
Represented By:			
Fund balance b/fwd		-	-
Surplus/Deficit for the year		-	-
Net Financial Position		-	-

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 23 SEP 2023 and signed by:


Eng. Kungu Ndungu
Director General


Eng. Henry Gakuru
Ag. Director - Development


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

Date 23 SEP 2023

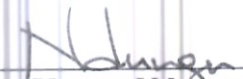
Date 23 SEP 2023


Date 23 SEP 2023


9. Statement of Cashflow for the Period 30th June 2023

	Note	2022/2023 Kshs	2021/2022 Kshs
Cashflow from operating activities			
Receipts			
Transfer from government entities	1	5,994,715	-
Proceeds from domestic and foreign grants		-	-
Miscellaneous receipts		-	-
Total receipts		5,994,715	-
Payments			
Purchase of goods and services		-	-
Transfers to other government entities		-	-
Other grants and transfers		-	-
Total Payments		-	-
Net receipts/(payments)		5,994,715	-
Adjustments during the year			
Prior year adjustments		-	-
Decrease/(increase) in accounts receivable		-	-
Increase/(decrease) in accounts payable:		-	-
Net cash flow from operating activities		5,994,715	-
Cashflow from investing activities			
Acquisition of non-financial assets	8	(5,994,715)	-
Net cash flows from investing activities		(5,994,715)	-
Cash flow from financing activities			
Proceeds from foreign borrowings		-	-
Net cash flow from financing activities		-	-
Net increase in cash and cash equivalents		-	-
Cash and cash equivalent at beginning of the year		50,627,902	50,627,902
Cash and cash equivalent at end of the year		50,627,902	50,627,902

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 23 SEP 2023 and signed by:


Eng. Kungu Ndungu
Director General


Eng. Henry Gakuru
Ag. Director - Development


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

Date 23 SEP 2023


Date 23 SEP 2023

Date 23 SEP 2023

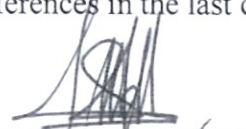
10. Statement of Comparison of Budget and Actual amounts for the year ended 30th June 2023

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Variance	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %
Receipts						
Transfer from Government entities	18,332,786	(7,754,875)	10,577,911	5,994,715	4,583,196	57%
Proceeds from domestic and foreign grants					-	
Total Receipts	18,332,786	(7,754,875)	10,577,911	5,994,715	4,583,196	57%
Payments		-				
Purchase of goods and services	18,332,786	(7,754,875)	10,577,911	5,994,715	4,583,196	57%
Acquisition of Non Financial Assets						
Total Payments	18,332,786	(7,754,875)	10,577,911	5,994,715	4,583,196	57%
Surplus or Deficit	-	-	-	-	-	


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


 Eng. Kungu Ndungu
 Director General

Date 23 SEP 2023


 Eng. Henry Gakuru
 Ag. Director -Development

Date 23 SEP 2023


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

Date 23 SEP 2023

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 Turbi-Moyale road project under the State Department of Roads. The financial statements are for the reporting entity Turbi-Moyale as required by Section 81 of the PFM Act, 2012 .

c) Reporting currency

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

d) Recognition of receipts

The Turbi-Moyale Road rehabilitation project recognises all receipts from the various sources when the event occurs, and the related cash has actually been received.

i) Transfers from the Exchequer

Transfer from Exchequer is 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 monies 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 ongoing satisfaction is highly likely and the project is anticipated to continue to completion. An analysis of the Project's undrawn external assistance is shown in the funding summary.

e) Recognition of payments

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

i) Compensation to employees

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

Significant Accounting Policies (Continued)

ii) Use of goods and services

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

iii) Interest on borrowing

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

iv) Repayment of borrowing (principal amount)

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

v) Acquisition of fixed assets

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

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

f) In-kind donations

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

Significant Accounting Policies (Continued)

g) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

h) Restriction on cash

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

i) Imprests and Advances

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

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

Significant Accounting Policies (Continued)

- i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
- ii) The amount of the obligation cannot be measured with sufficient reliability.

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

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

There were no contingent liabilities in the year.

k) Contingent Assets

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

l) Pending bills

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

Significant Accounting Policies Continued

m) Budget

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

n) Third party payments

Included in the receipts and payments, are payments made on its behalf by to third parties in form of loans and grants. These payments do not constitute cash receipts and payments. and are disclosed in the payment to third parties' column in the statement of receipts and payments. During the year, Kshs Nil billion being loan disbursements were received in form of direct payments from third parties.

o) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the Project operates, Kenya Shillings. Transactions in foreign currencies during the year/period are converted into the functional currency using the exchange rates prevailing at the dates of the transactions. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of receipts and payments.

Significant Accounting Policies Continued

p) Comparative figures

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

q) Subsequent events

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

r) Prior period adjustments

Prior period adjustments relate to errors and other adjustments noted arising from previous year(s). There were no prior period adjustments in the Financial Year

12. Notes to The Financial Statements

1. Transfer from Government entities

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

	2022/2023	2021/2022	Cumulative
	Kshs	Kshs	to-date
Counterpart funds Quarter 1	-	-	296,161,001
Counterpart funds Quarter 2	5,994,715	-	306,871,312
Counterpart funds Quarter 3	-	-	240,180,254
Counterpart funds Quarter 4			402,845,378
Total	5,994,715	-	1,246,057,945
Other transfers from Government entities			
Ministry of Roads and Transport			-
Appropriations-in-Aid			-
TOTAL	-		-
Grand Total	5,994,715	-	1,246,057,945

2. Proceeds from Domestic and Foreign Loan

Description	2022/2023					FY 2021/2022	Cumulative to date
Name of Donor	Date received	Amount in loan currency	Loans received in actual amount	Loans received as direct payment*	Total amount in Kshs	Total amount in Kshs	
		USD	Kshs	Kshs	Kshs	Kshs	Kshs
Loans received from bilateral Donors- IDA/GOK			-	-	-	-	12,860,508,353
Total		-	-	-	-	-	12,860,508,353

Notes to The Financial Statements (Continued)

3. Purchase of Goods and Services

Description	FY 2022/23			FY 2021/22	Cumulative
	Payments Made by the Entity in Cash	Payments made by third parties	Total Payments	Payments made by third parties	
	KSh	KSh	KSh	Kshs	Kshs
Domestic Travel & Subsistence	-	-	-	-	10,896,453
Branding & Advertising	-	-	-	-	7,377,271
Total	-	-	-	-	18,273,724

4. Acquisition of Non-Financial Assets

	2022/23			2021/22	Cumulative to-Date
	Payments made by the Entity	Payments Made by Third Party	Total Payments	Total Payments	
	Kshs	Kshs	Kshs	Kshs	Kshs
Research, studies, project preparation, design & supervision	5,994,715	-	-	-	940,529,124
Rehabilitation of Roads	-	-	-	-	13,031,812,338
Acquisition of land	-	-	-	-	65,323,210
Total	5,994,715	-	-	-	14,037,664,672

Notes to The Financial Statements (Continued)

5. Cash and Cash Equivalents

	2022/23	2021/22
	Kshs	Kshs
Bank accounts (Note 5A)	50,627,902	50,627,902
Cash equivalents	50,627,902	50,627,902

5A Bank Accounts

	2022/23	2021/22
	Kshs	Kshs
NBK - Retention (A/C No 01001-327332)	50,627,902	50,627,902
Total bank account balances	50,627,902	50,627,902

6. Accounts Payables

Description	2022/23	2021/22
	Kshs	Kshs
Retention - Payments controlled by the entity	50,627,902	50,627,902
Total	50,627,902	50,627,902

Notes to The Financial Statements (Continued)

7. Deposits and Retention Monies

Description	2022/2023		2021/2022	
	Kshs		Kshs	
Retention	50,627,901		50,627,901	
Deposits	-		-	
Total	50,627,901		50,627,901	
Ageing analysis:	Current FY	% of the Total	Comparative FY	% of the Total
Under one year				
1-2 years				
2-3 years				
Over 3 years	50,627,901	100%	50,627,901	100%
Total	50,627,901	100%	50,627,901	100%

Other Important disclosures

1. Pending Accounts Payables (See Annex 4)

	Balance b/f FY 2022/23	Additions for the year	Paid during the year	Balance c/f FY 2022/23
Description	Kshs	Kshs	Kshs	Kshs
Construction of Civil Works	17,533,871	-	5,994,715	11,539,156
Total	17,533,871	-	5,994,715	11,539,156

2. Changes in Accounts deposits and Retentions

Description	2022/23	2021/22
	KShs	KShs
Deposit and Retentions as at 1 st July	50,627,902	50,627,902
Deposit and Retentions as at 30th June	50,627,902	50,627,902
Change in Payables		-

3. Fund balance Brought forward.

Description	2022/23	2021/22
	Kshs	Kshs
Bank Account	50,627,902	50,627,902
Total	50,627,902	50,627,902

13. Annexes

Annex 1: Prior Year Auditor-General's Recommendations

Ref No	Issue / Observations from Auditor Other Matters	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe
	<p>Unsupported Cash and Cash Equivalents Balance The statement of financial assets and Note 5 to the financial statements reflect a bank balance of Kshs.50,627,902 for the Retention bank account held at a local bank as at 30 June, 2022. However, no bank reconciliation statement was provided in support of this balance. Further, the certificate of bank balance provided reflects a balance of Kshs. 1 ,042,912,466 as at 30 June, 2022 which is the retention balance for all the projects under the Authority.</p>	<p>We wish to note that although the Authority maintains one bank account for retention funds, the Authority maintains an accounting system which provides a retention ledger which provides the following details amongst others:</p> <ul style="list-style-type: none"> • The date when an amount was either retained or paid out, • The amounts retained or released, • The vendor to whom the amount relates to, and • The project to which the amount relates to <p>The authority is therefore able to segregate the retention funds held for each project which ensures accuracy of the balances reported in the project financial statements.</p>	Resolved	

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Ref No	Issue / Observations from Auditor Other Matters	Management comments	Status: (Resolved / Not Resolved)	Timeframe
	<p>Project closure Report</p> <p>The Project information in the financial statements provided for audit revealed that the project was to end on the 11 October 2015. However, the project closure report was not provided for audit, being more than seven (7) years after the expiry of the closure period.</p> <p>In the circumstances, Management did not adhere to the Project closure procedures.</p>	<p>We agree with the audit observation that the project closure report was not ready at the time of audit.</p> <p>We however wish to note that the reported final account will be prepared after all the pending bills are settled</p>	Not Resolved	Continuous
	<p>Pending Bills</p> <p>Annex 3 to the financial statements reflects pending bills balance of Kshs.17,533,871 as at 30 June, 2022. The pending bills relate to consultancy services offered by two (2) firms. The amount owed to one of the firms of Kshs.714,313 has been outstanding since the financial year 2016 out of which Kshs.326,173 relates to interest and penalty incurred. The balance of Kshs.16,819,558 is indicated to have been a bill incurred in June, 2020 and in respect of a different road project. Management has not explained why the bills for the other Bills have been recognised. The Project</p>	<p>We agree with the audit observation that the project had unpaid bills amounting to Kshs 17,533,571 as at 30 June 2022.</p> <p>We wish to clarify that the pending bills was as a result of;</p> <ul style="list-style-type: none"> i. Exhaustion of development partners funds ii. Inadequate Gok budget in the current as well as prior financial years. 	Not Resolved	Continuous


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	<p>therefore runs the risk of incurring significant and unquantified interest costs and penalties associated with delays in settling the invoiced bills.</p> <p>Failure to clear pending bills in the year to which they relate distorts the budget of the following year as they constitute a first charge on that budget.</p>	<p>The Turbi-Moyale project was co-financed by GoK and the African Development Bank (ADB) whose credit and financing ended prior to completion of all the project components. Following the exhaustion and lapse of the credit from the Development Partner, the Government took up the responsibility of ensuring the projects are financed in order to facilitate their completion for use by the public.</p> <p>We however disagree with the audit observation that an amount of Kshs 16,819,558 relate to a different road project. We wish to clarify that the amounts relate to one of the components under the financing agreement, i.e. Studies of future transport projects which included</p>		

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Ref No	Issue / Observations from Auditor Other Matters	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe
		feasibility/Environmental and social impact assessment/detailed design studies of transport future projects.		


 Eng. Kungu Ndungu
 Director General

Date 20 SEP 2023


 Eng Henry Gakuru
 Ag. Director- Development

Date 20 SEP 2023

Annex 2: Variance Explanations - Comparative Budget and Actual Amounts


Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Variance	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %
Receipts						
Transfer from Government entities	18,332,786	(7,754,875)	10,577,911	5,994,715	4,583,196	57%
Proceeds from domestic and foreign grants					-	
Total Receipts	18,332,786	(7,754,875)	10,577,911	5,994,715	4,583,196	57%
Payments		-				
Purchase of goods and services	18,332,786	(7,754,875)	10,577,911	5,994,715	4,583,196	57%
Acquisition of Non Financial Assets						
Total Payments	18,332,786	(7,754,875)	10,577,911	5,994,715	4,583,196	57%
Surplus or Deficit	-	-	-	-	-	

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Annex 3: Reconciliation of inter-entity transfer


Break Down of Transfers from The Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works			
Government Counterpart Funding	Bank Statement Date	Amount (KShs)	FY
	-	-	
Counterpart funds Quarter 1			
Counterpart funds Quarter 2	31-Oct-22	5,994,715	2022/23
Counterpart funds Quarter 3		-	
Counterpart funds Quarter 4		-	
	Total	5,994,715	

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


Eng. Kungu Ndungu
Director General

23 SEP 2023

Date


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

23 SEP 2023

Dat

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Annex 5 – Summary of Fixed Assets Register

Asset class	Opening Cost (KShs) 2022/23	Purchases/Additions in the Year (KShs) 2022/23	Disposals in the Year (KShs) 2022/23	Closing Cost (KShs) 2022/23
	(a)	(b)	(c)	(d)= (a)+ (b)-(c)
Construction of Roads	13,966,346,747	5,994,715	-	13,972,341,462
Land Acquisitions	65,323,210	-	-	65,323,210
Total	14,031,669,957	-	-	14,037,664,672