

REPUBLIC OF KENYA



*Enhancing Accountability*

THE NATIONAL ASSEMBLY  
PAPERS LAID

DATE: 28 NOV 2024 DAY: Thur

TABLED BY:	Hon. Naomi Wago, MP Deputy Chief Whip - Maj. Party
CLERK-AT THE-TABLE:	Vivian Wambui

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**REPORT**

**OF**

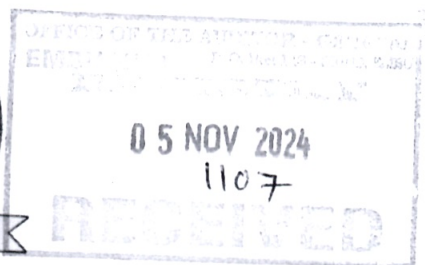
**THE AUDITOR-GENERAL**

**ON**

**ROADS 2000 PHASE TWO – CENTRAL KENYA  
RURAL ROADS IMPROVEMENT AND  
MAINTENANCE PROJECT (AFD CREDIT NO.  
CKE 101201B, CREDIT NO. CKE 104601J AND  
CREDIT NO. CKE 109401 M)**

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

**KENYA RURAL ROADS AUTHORITY**



**ROADS 2000 PHASE TWO-CENTRAL KENYA RURAL ROADS IMPROVEMENT  
AND MAINTENANCE PROJECT**

**KENYA RURAL ROADS AUTHORITY**

**PROJECT GRANT/CREDIT NUMBER: CKE 101201B, 1046 01 J AND CKE 1094**



**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)**

*Roads 2000 Phase Two-Central Kenya Rural Roads Improvement and Maintenance Project  
Annual Report and Financial statements for the year ended June 30, 2024*

*Roads 2000 Phase Two-Central Kenya Rural Roads Improvement and Maintenance Project  
Annual Report and Financial statements for the year ended June 30, 2024*

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## **1. PROJECT INFORMATION AND OVERALL PERFORMANCE**

### **1.1 Name and registered office**

#### **Name**

The project's official name is Roads 2000 Phase Two- Central Kenya Rural Roads Improvement and Maintenance Project

#### **Objective**

The key objective of the project is to improve 700 Kms of rural roads in Muranga, Kiambu, Nyeri, Kirinyaga, Nyandarua and Laikipia to gravel standards and 157 Km of low volume seal roads in the 6 regions.

#### **Address**

The project headquarters offices are in Nairobi, Nairobi County, Kenya.

The address of its registered office is:

Kenya Rural Roads Authority,  
Block B Barabara Plaza, Off Msa. Rd.  
Opposite KCAA Building Along Airport South Rd, JKIA  
P.O. Box 48151-00100 Nairobi

The project also has offices/branches as follows:

- Kiambu
- Murang'a
- Nyeri
- Kirinyaga
- Laikipia
- Nyandarua

**Contacts:** The following are the project contacts

Telephone: (254) (20) 2710464/0724735568/0733619197

E-mail: [dg@kerra.go.ke](mailto:dg@kerra.go.ke)

Website: [www.kerra.go.ke](http://www.kerra.go.ke)

**PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)**

**1.2 Project Information**

Project Start Date:	The project Phase I start date is <b>June 2007</b>
Project End Date:	The project Phase I end date is <b>September 2011</b>
<b>Phase II</b>	
Project Start Date:	The project Phase II start date is <b>5<sup>th</sup> July 2010</b>
Project End Date:	The project Phase II end date was originally <b>December 2019</b> but it was subsequently extended to 31 <sup>st</sup> December 2021.
Project Manager:	The Project Manager is Eng. Samuel N. Mwangi
Project Sponsor:	The project sponsors are Government of Kenya (GOK) and Agence Francaise De Development (AFD)

**1.3 Project Overview**

Line Ministry/State Department of the project	The project is under the implementation of Kenya Rural Roads Authority which falls under the State department for Roads.
Project number	CKE101201B/ CKE104601J/CKE 1094
Strategic goals of the project	The strategic goal of the project is to improve 110 Kms of rural roads in Kiambu, Nyeri, Kirinyaga and Laikipia to gravel standards and 76.4 Km of low volume seal roads in the 4 regions
Achievement of strategic goals	15 out of the 15 Batch 3 Gravel Contracts covering 110 Km have been completed. All Low Volume Seal Batch 3 contracts are completed in Kiambu, Kirinyaga and Nyeri Regions.

<p>Other important background information of the project</p>	<p>The project agreement was signed on the 5<sup>th</sup> July 2010 and the additional Credit Financing Agreement was signed in April 2016. The original implementation period was 48 months with a completion date of 30<sup>th</sup> June 2016. An application to extend the completion date by 30 months to December, 2019 was approved by the Development Partner.</p> <p>An extension for the usage of funds has been granted up to April 2021.</p> <p>Due to Covid-19 the extension was given up to 30<sup>th</sup> June,2022.</p>
<p>Current situation that the project was formed to intervene</p>	<p>The project was formed to intervene in the following areas:</p> <ul style="list-style-type: none"> <li>(i) Roads development</li> <li>(ii) Training contractors on Labour Based Routine Maintenance</li> <li>(iii) Improvement of accessibility to markets</li> </ul>
<p>Project duration</p>	<p>The phase I of the project started in June 2007 and ran up to September 2011. Phase II started in July 2010 and is expected to run up to December 2021.</p>

**PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)**

**1.4 Bankers**

The following are the bankers for the current year:

(i) Special Deposit Account

**Central Bank of Kenya- EURO Account**  
Haile Selassie Avenue,  
P.O. Box 60000-00200,  
Nairobi, Kenya.

(ii) Local Special Project Accounts

**NCBA Bank Ltd**  
NIC House Branch  
P.O Box 445990-00100  
Nairobi Kenya

KeRRA AFD Account Number 1000014814  
AFD Retention Account Number 1001964972

**Kenya Commercial Bank**  
Kencom House, Moi Avenue Branch,  
P.O. Box 48400-00100  
Nairobi, Kenya.

GoK Counterpart Account Number 1179736125

## 1.5 Auditors

### The project is audited by the:

Auditor General  
Office of the Auditor General  
Anniversary Towers, University Way  
P.O. Box 30084  
Nairobi

### Roles and Responsibilities

The key people working on the project are:

<b>Names</b>	<b>Title designation</b>	<b>Key qualification</b>	<b>Responsibilities</b>
Eng. Philemon K. Kandie <a href="mailto:dg@kerra.go.ke">dg@kerra.go.ke</a> <a href="mailto:philemon.kandie@kerra.go.ke">philemon.kandie@kerra.go.ke</a> +254 0777851103,0207807600	Director General	BSc Hons, P. Eng., MIEK, MSc. MBS.	Accounting Officer
Eng. Enoch K. Ariga <a href="mailto:dpde@kerra.go.ke">dpde@kerra.go.ke</a> <a href="mailto:Enock.ariga@kerra.go.ke">Enock.ariga@kerra.go.ke</a> +254 0777851103,0207807602	Director (Planning, Design & Environment)	BSc Hons, P. Eng., MIEK, MA (Planning)	Supervisor
Eng. Samuel N. Mwangi <a href="mailto:dpde@kerra.go.ke">dpde@kerra.go.ke</a> <a href="mailto:samuel.mwangi@kerra.go.ke">samuel.mwangi@kerra.go.ke</a> +254 0777851103,0207807602	Project Manager	<i>BSc MIEK, R. Eng.</i>	Coordinator of the Program Activities
CPA Jane K. Murage <a href="mailto:dcs@kerra.go.ke">dcs@kerra.go.ke</a> <a href="mailto:pauline.kahwai@kerra.go.ke">pauline.kahwai@kerra.go.ke</a> +254 0777851103,0207807601	Project Accountant	<i>BBA(Acc), CPA(K), ICPAK, MBA (Acc.)</i>	Accountant, support the project team regarding compliance, payments and reports.

## 1.6 Funding summary

The Project was originally planned for duration of Twelve (12) years from 2007 to 2019. However, it has been subsequently extended to December 2022. The approved budget is Euros 96,400,000 equivalent to Kshs 9,640,000,000 as highlighted in the table below:

**PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)**

Below is the funding summary:

**A. Source of Funds**

Source of funds	Development Partner Commitment-	Amount received to date – (30 <sup>th</sup> June, 2024)		Undrawn balance to date (30 <sup>th</sup> June, 2024)		
		<i>Donor currency (EUROS)</i>	<i>KShs</i>	<i>Donor currency (EUROS)</i>	<i>KShs</i>	
	<i>(A)</i>	<i>(A')</i>	<i>(B)</i>	<i>(B')</i>	<i>(A)-(B)</i>	<i>(A')-(B')</i>
<b>Grant</b>						
AfD Grant	8,100,000	810,000,000	7,856,441	785,644,098	243,559	24,355,902
<b>Loan Summary</b>						
AfD Loan	65,900,000	6,590,000,000	53,859,488	5,385,948,812	12,040,512	1,204,051,188
<b>Counter Part funds</b>						
<b>Government of Kenya</b>	22,400,000	2,240,000,000	24,351,524	2,435,152,358	(1,951,524)	(195,152,358)
Miscellaneous Receipts			901,430.63	90,143,063	(901,431)	(90,143,063)
<b>Total</b>	<b>96,400,000</b>	<b>9,640,000,000</b>	<b>86,968,883</b>	<b>8,696,888,331</b>	<b>9,431,117</b>	<b>943,111,669</b>

Exch rate=Kshs 100/Euro

**PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)**

**Application of Funds**

Application of funds	Amount received to date – (30 <sup>th</sup> June 2024)		Cumulative Amount paid to date – (30 <sup>th</sup> June 2024)	Unutilised balance to date 30th June 2024	
	<i>Kshs</i>	<i>Donor currency(Euro)</i>	<i>Kshs</i>	<i>Donor</i>	<i>Kshs</i>
	(A)	(A')	(B')	(A)-(B)	(A')-(B')
<b>(i) Grant</b>					
AFD	7,856,441	785,644,098	785,644,098	-	
<b>(ii) Loan Summary</b>					
AFD Loan	53,859,488	5,385,948,812	5,178,466,073	2,074,827	207,482,739
<b>i(ii) Counterpart funds</b>					
Government of Kenya	24,351,524	2,435,152,358	2,595,986,824	-1,608,345	-160,834,466
Miscellaneous Receipts	901,430.63	90,143,063		901,431	90,143,063
<b>Total</b>	<b>86,968,883</b>	<b>8,696,888,331</b>	<b>8,560,096,995</b>	<b>1,367,913</b>	<b>136,791,336</b>

Exch. Rate=Ksh 100/Euro

**PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)**

**1.7 Summary of Overall Project Performance:**

i) Budget performance against actual amounts:

The project absorbed 100% of the budget received in the financial year. A further 53% absorption was from carryover funds bringing the total absorption to 153%.

ii) Physical progress based on outputs, outcomes and impacts since project commencement, 15 out of the 15 Batch 3 Gravel Contracts covering 110 Km have been completed. All Low Volume Seal Batch 3 contracts are completed in Kiambu, Kirinyaga and Nyeri Regions. The training program has delivered 34,831 trainee days or approximately 104% of the original training program.

iii) The absorption rate for the project has been

Year	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2022/23	2023/24
<b>Absorption Rate</b>	95%	79%	64%	58%	71%	144%	54%	26%	100%

**Challenges encountered**

The table below summarizes the challenges encountered and recommends way forward:

	<b>Challenges</b>	<b>Recommendation /Way Forward</b>
1.	Inadequate Budget Provision	The Ministry in Consultation with the National Treasury to enhance budgetary allocation.
2.	Lengthy Disbursement Process	Fast Track disbursement
3.	Delays in issuance of tax exemptions	Faster response by the National Treasury to exemption requests.

**1.8 Summary of Project Compliance:**

The Program has ensured that all its activities carried out are within the laws of the Republic of Kenya and that all regulations and procedures have been followed. Among the regulations is the Environmental and Social Impact Assessment (ESIA). This was issued and authority was given for the implementation of the project.

## **2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETRMINED OBJECTIVES**

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer when preparing financial statements of each National Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the national government entity's performance against predetermined objectives.

The key development objectives of the *project's agreement/ plan* are to:

- i. Improve 110 Kms of rural roads in Kiambu, Nyeri, Kirinyaga and Laikipia to gravel standards and 76.4 Km of low volume seal roads in the 4 regions.
- ii. Improvement of accessibility to markets
- iii. Roads development
- iv. Training contractors on Labour Based Routine Maintenance

### **Progress on attainment of Strategic development objectives**

<b>Project</b>	<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
Public Works, Roads & Transport	The strategic goal of the project is to improve 110 Kms of rural roads in Kiambu, Nyeri, Kirinyaga and Laikipia to gravel standards and 76.4 Km of low volume seal roads in the 4 regions	Increased efficient transportation of people, goods and services.  Improved accessibility to markets.  Training contractors on Labour Based Routine Maintenance	Kms of roads improved to low volume seal standard.  Number of trainee days achieved	15 out of the 15 Batch 3 Gravel Contracts covering 110 Km have been completed.  All Low Volume Seal Batch 3 contracts are completed in Kiambu, Kirinyaga and Nyeri Regions. The training program has delivered 34,831 trainee days or approximately 104% of the original training program.

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

### **3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING**

The attainment of Vision 2030 aspirations relies heavily on the quality of road infrastructure network which will serve to reduce transport costs, improve accessibility and enhance road safety. National secondary trunk road infrastructure development and maintenance is a critical enabler in the realization and sustainability for each of the Big 4 government development agenda.

In undertaking its mandate of Connecting Devolved Kenya, The Authority addresses environmental sustainability concerns through undertaking ESIA's on its activities and implementation of the corresponding Environmental Management Plans to mitigate against negative environmental impacts.

Human Resources form the key asset through which The Authority meets its objectives. To safeguard employee welfare, The Authority has an Occupational Safety and Health Policy whose main goal is to define standards for promotion and maintenance of occupational safety and health and to foster a safe and healthy work environment for all. It inculcates best work practices and a sustainable safety and health culture that enhances competence and productivity.

The Authority's suppliers are key stakeholders in the achievement of the Authority's Strategic Objectives. Therefore, The Authority safeguards them by ensuring open and fair competition in the tendering process. This is achieved through the advertising of tenders in local newspapers with nationwide circulation in addition to the Authority's website. The Authority also requires all suppliers to sign a declaration against conflict of interest, fraudulent and corrupt practices.

Society is the mainstay of any organization, they are the producers of raw materials, suppliers, employees, policy-makers and eventual consumers of the organization products. In recognizing the important contribution of the wider society to achievement of our goals, the Authority undertakes community engagements by sponsoring and participating in marathon events, e.g. The Mater Heart Run and Chemususu Dam marathon. In compliance with the Presidential directive of attaining at least 10% forest cover, the Authority participated in the National Tree Planting Exercise undertaken in Ngong', Kajiado County. Further, in an effort to contribute to the growth of knowledge in the Engineering field, the Authority was one of the sponsors of the Engineering Students Association Annual Conference.

#### **4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES**

The Director General Kenya Rural Roads Authority and the Project Coordinator for Roads 2000 Phase Two-Central Kenya Rural Roads Improvement and Maintenance 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, 2024.

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
- vi) Making accounting estimates that are reasonable in the circumstances.

The Director General Kenya Rural Roads Authority and the Project Coordinator for Roads 2000 Phase Two-Central Kenya Rural Roads Improvement and Maintenance 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 Kenya Rural Roads Authority and the Project Coordinator for Roads 2000 Phase Two-Central Kenya Rural Roads Improvement and Maintenance 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, 2024, and of the Project's financial position as at that date.


They 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. They also confirm that the Project has complied fully

*Roads 2000 Phase Two-Central Kenya Rural Roads Improvement and Maintenance Project  
Annual Report and Financial statements for the year ended June 30, 2024*

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 Kenya Rural Roads Authority and the Project Coordinator for Roads 2000 Phase Two- Central Kenya Rural Roads Improvement and Maintenance Project on 26<sup>th</sup> September 2024 and signed by them.



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**Deputy Director (F &A)**  
CPA Matilda Wakere Ita  
ICPAK Member Number: 5469



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**Project Coordinator**  
Eng. Samuel Mwangi



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**Director General**  
Eng Philemon Kandie MBS

# REPUBLIC OF KENYA

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HEADQUARTERS  
Anniversary Towers  
Monrovia Street  
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NAIROBI

## REPORT OF THE AUDITOR-GENERAL ON ROADS 2000 PHASE TWO - CENTRAL KENYA RURAL ROADS IMPROVEMENT AND MAINTENANCE PROJECT (AFD CREDIT NO. CKE 101201B, CREDIT NO. CKE 104601J AND CREDIT NO. CKE 109401 M) FOR THE YEAR ENDED 30 JUNE, 2024 - KENYA RURAL ROADS AUTHORITY

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### PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statement;
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; and,
- 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.

A qualified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations is effective in the use of resources, or that its internal control, 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 Roads 2000 Phase Two - Central Kenya Rural Roads Improvement and Maintenance Project set out on pages

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*Report of the Auditor-General on Roads 2000 Phase Two - Central Kenya Rural Roads Improvement and Maintenance Project (AFD Credit No. CKE 101201B, Credit No. CKE 104601J and Credit No. CKE 109401M) for the year ended 30 June, 2024 - Kenya Rural Roads Authority*

1 to 18, which comprise of the statement of financial assets 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, 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 the Roads 2000 Phase Two - Central Kenya Rural Roads Improvement and Maintenance 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 Public Finance Management Act, 2012, and Financing Agreements Credit No. CKE 101201B, No. CKE 104601J and No. CKE 109401M dated 23 May, 2006, 5 July, 2010 and 4 April, 2016 respectively between Agence Francaise De Development (AFD) and the Republic of Kenya.

### **Basis for Qualified Opinion**

#### **1. Unsupported Prior Year Adjustment**

The statement of financial assets reflects prior-year adjustment balance of Kshs.32,770,568. However, approved journal vouchers and details, were not provided for audit.

In the circumstances, the accuracy and completeness of the prior year adjustment balance of Kshs.32,770,568 could not be confirmed.

#### **2. Inaccuracy in Accounts Payable**

The statement of financial assets reflects accounts payable balance of Kshs.32,770,568. However, the adjustment from Nil balance reflected in the initially submitted financial statements to the balance of Kshs.32,770,568 in the amended financial statements was not supported by journal vouchers, ageing analysis and ledgers. Further, the statement reflects Nil accounts payable comparative balance while Note 9 to the financial statements discloses comparative accounts payable balance of Kshs.3,363,070. This leads to unreconciled and unexplained variance of Kshs.3,363,070.

In the circumstances, the accuracy and completeness of accounts payable balance of Kshs.32,770,565 and Nil comparative balance could not be confirmed.

#### **3. Nugatory Expenditure on Accrued Interest**

The statement of receipts and payments reflects acquisition of non-financial assets amount of Kshs.63,618,534 being construction of roads as disclosed in Note 4 to the financial statements. However, review of documents provided revealed that payments amounting to Kshs.4,820,323 were made to a consultancy firm in respect to an interest

claim of Kshs.3,649,573 and 50% arbitration fee of Kshs.1,170,750 resulting from delayed settlement of a principal amount of Kshs.30,919,686 awarded by the Arbitral Tribunal for arbitration proceedings for not honoring a contract on consultancy services for design and supervision of Batch 2 low volume seal and gravel roads in Kiambu, Murang'a and Kirinyaga regions under the phase II of AFD Roads 2000 Programme.

No explanation was given by Management as to why the principal amount remained unpaid for three hundred and forty-eight (348) days after the forty-five (45) days granted by the Arbitral Tribunal, resulting to an interest claim of Kshs.3,649,573.

In the circumstances, the interest payment of Kshs.3,649,576 and arbitration fee of Kshs.1,170,750 were irregular charges to public funds.

#### **4. Inaccuracy in Acquisition of Non-Financial Assets**

The statement of receipts and payments reflects acquisition of amount of Kshs.63,618,534 being construction of roads as disclosed in Note 4 to the financial statements. However, examination of the payment vouchers and ledgers provided in support of the balance revealed that the authority paid retention money amounting to Kshs.9,609,481 from the KeRRA-GOK Counterpart-AFD Account and not from the designated retention account in respect to retention withheld in respect of two contracts No. AFD/NYR/LVS/3/2016/17 and AFD/NYR/LVS/2/2016/17.

In the circumstances, the accuracy and completeness of acquisition of non-financial assets amount of Kshs.63,618,534 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Roads 2000 Phase Two-Central Kenya Rural Roads Improvement and Maintenance Project Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

#### **Emphasis of Matter**

##### **Unspent Project Funds**

Review of project records in respect of the completed projects revealed unspent project funds amounting to Kshs.104,020,768 held at the KeRRA AFD bank account and KeRRA GoK AFD Counterpart bank account. The balance represents a significant amount that would have been disbursed for implementation of road maintenance, rehabilitation and development programmes. Management did not provide a satisfactory explanation for retaining the significant amount of cash in bank accounts at the expense of service delivery, since the roads implemented are in dire need of maintenance.

In the circumstances, the under-utilization of funds affected service delivery to the public.

My opinion is not modified in respect of this matter.

### **Key Audit Matters**

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

### **Other Matter**

### **Unresolved Prior Year Audit Matters**

In the audit report of the previous year, several issues were raised under the Report on Financial Statements. However, Management has not provided an explanation of how the issues were resolved.

### **Other Information**

### **Conclusion**

Management is responsible for the Other Information set out on page i to xii which comprise of project information and overall performance, statement of performance against project's predetermined objectives, environmental and sustainability reporting and statement of project's Management responsibilities. The Other Information does not include the financial statements and my audit report thereon.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

### **Basis for Conclusion**

In connection with my audit on the Roads 2000 Phase Two - Central Kenya Rural Roads Improvement and Maintenance Project Management 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 and I am required to report that fact. I have nothing to report in this regard.

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

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on the Lawfulness and Effectiveness in Use of Public Resources section of my report, I

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*Report of the Auditor-General on Roads 2000 Phase Two - Central Kenya Rural Roads Improvement and Maintenance Project (AFD Credit No. CKE 101201B, Credit No. CKE 104601J and Credit No. CKE 109401M) for the year ended 30 June, 2024 - Kenya Rural Roads Authority*

confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

## **Basis for Conclusion**

### **1. Unbalanced Budget**

The statement comparative budget and actual amounts reflects final budget receipts and expenditure of Kshs.50,000,000 and Kshs.44,340,988 resulting to a variance of Kshs.565,339 contrary to Regulation 33(C) of the Public Finance Management Regulations, 2015. Unless provided otherwise in the Act, these Regulations or any other guidelines developed in furtherance of the Act or these Regulations, the following guidelines shall be observed at all times during budget formulation and approval that the budget shall be balanced.

In the circumstances, Management was in breach of the law.

### **2. Presentation of the Financial Statements**

The statement of receipts and payments reflects purchase of goods and services, acquisition of non-financial assets and total payments amounts of Kshs.(4,875,185), Kshs.(63,618,534) and Kshs.(68,493,719) respectively. However, no explanation has been provided as to why the amounts have been presented in brackets contrary to the requirements of the financial reporting template issued by the Public Sector Accounting Standards Board.

In addition, the statement of assets and liabilities reflects Note 10 to the financial statements which has not been disclosed under notes to the financial statements. Further, Note 9 to the financial statements does not correspond to the statement of financial assets.

In the circumstances, the financial statements have not been presented in accordance with the financial reporting template issued by the Public Sector Accounting Standards Board and IPSAS.

The audit was conducted in accordance with ISSAIs 3000 and 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.

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

As required by the financing agreements Credit No. CKE 101201B, No. CKE 104601J and No. CKE 109401M dated 23 May, 2006, 5 July, 2010 and 4 April, 2016 respectively, I report based on my audit, that;

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

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

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

In preparing the financial statements, Management is responsible for assessing the Project's ability to continue 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 are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

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

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

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 INTOSAI Framework of Professional Pronouncements (IFPP). The Framework requires 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 IFPP 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 also 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**


**14 November, 2024**

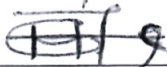
*Roads 2000 Phase Two-Central Kenya Rural Roads Improvement and Maintenance Project  
Annual Report and Financial statements for the year ended June 30, 2024*


**5. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2024.**

	Note	FY 2023/24		FY 2022/23	Cumulative to Date
		Receipts and payments controlled by the entity	Receipts and Payments made by third parties	Receipts and payments controlled by the entity	Cumulative to Date
				Kshs	Kshs
<b>RECEIPTS</b>					
Receipts from Government of Kenya	1	50,000,000.00		25,000,000	2,435,152,358
Proceeds from Domestic and Foreign Grants				-	785,644,098
Loan from External Development Partners	2				5,385,948,812
Miscellaneous Receipts	3	2,820,635		3,283,940	90,143,063
<b>TOTAL REVENUES</b>		<b>52,820,635</b>		<b>28,283,940</b>	<b>8,696,888,331</b>
<b>PAYMENTS</b>					
Compensation of Employees	4			-	8,491,458
Purchase of goods and services	5	(4,875,185)		69,034,876	1,283,348,891
Social Security Benefits				-	-
Acquisition of non-financial assets	6	(63,618,534)		3,363,070	7,268,256,646
Transfers to Other Government Entities				-	-
Other grants and transfers and payments					-
<b>TOTAL PAYMENTS</b>		<b>(68,493,719)</b>		<b>72,397,946</b>	<b>8,560,096,995</b>
<b>SURPLUS/DEFICIT</b>		<b>(15,673,084)</b>		<b>(44,114,006)</b>	<b>136,791,335</b>

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

  
**Deputy Director (F &A)**  
 CPA Matilda Wakere Ita  
 ICPAK Member Number: 5469


  
**Project Coordinator**  
 Eng. Samuel Mwangi

  
**Director General**  
 Eng Philemon Kandie, MBS

**6. STATEMENT OF FINANCIAL ASSETS AS AT 30<sup>TH</sup> JUNE 2024**

	Note	FY2023/2024	FY 2022/2023
		Kshs	Kshs
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances	7	136,791,336	152,464,420
Cash Balances		-	
Cash Equivalents (Short term deposits)	7	-	-
<b>Total Cash and Cash equivalents</b>		<b>136,791,336</b>	<b>152,464,420</b>
Accounts Receivable	9		-
<b>TOTAL FINANCIAL ASSETS</b>		<b>136,791,336</b>	<b>152,464,420</b>
<b>FINANCIAL LIABILITIES</b>			
Accounts Payable	10	32,770,568	
<b>NET ASSETS</b>		<b>104,020,768</b>	<b>152,464,420</b>
<b>REPRESENTED BY</b>			
Fund balance b/fwd	8	152,464,420	196,578,426
Surplus / (deficit) for the year		(15,673,084.36)	(44,114,006)
Prior Year Adjustment		(32,770,568.00)	
<b>NET FINANCIAL POSITION</b>		<b>104,020,768</b>	<b>152,464,420</b>

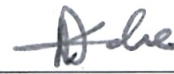
The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 26<sup>th</sup> September, 2024 and signed by:



**Deputy Director( F& A)**  
CPA Matilda Wakere Ita  
ICPAK Member Number: 5469



**Project Coordinator**  
Eng. Samuel Mwangi



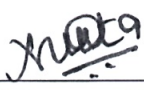
**Director General**  
Eng Philemon Kandie, MBS


*Roads 2000 Phase Two-Central Kenya Rural Roads Improvement and Maintenance Project  
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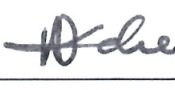
**7. STATEMENT OF CASHFLOW FOR THE PERIOD 30<sup>TH</sup> JUNE 2024**

	Note	2023-2024	2022-2023
		Kshs	Kshs
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts for operating income</b>			
Receipts from Government of Kenya	1	50,000,000.00	25,000,000
Miscellaneous Receipts	3	2,820,634.60	3,283,940
		<b>52,820,634.60</b>	<b>28,283,940</b>
<b>Payments for operating expenses</b>			
Compensation of Employees	4		-
Purchase of goods and services	5	-	
Social Security Benefits			-
Transfers to Other Government Entitiess			-
Roadworks expenditure			
<b>Adjustments during the year</b>			
Increase/(Decrease) in Accounts Payable:	10	(24,684,209)	(3,363,070)
Increase/(Decrease) in Accounts Payable:	10		
Decrease/(Increase) in Accounts Receivable	9		-
<b>Net cashflow from operating activities</b>		<b>28,136,426</b>	<b>24,920,870</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Roadworks Expenditure	6	(43,809,510)	(69,034,876)
<b>Net cash flows from Investing Activities</b>		<b>(43,809,510)</b>	<b>(69,034,876)</b>
<b>CASHFLOW FROM BORROWING ACTIVITIES</b>			
Loan from External Development Partners	2		
<b>Net cash flow from financing activities</b>			
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>		<b>(15,673,084)</b>	<b>(44,114,006)</b>
<b>Cash and cash equivalent at BEGINNING of the year</b>		<b>152,464,420</b>	<b>196,578,426</b>
<b>Cash and cash equivalent at END of the year</b>		<b>136,791,336</b>	<b>152,464,420</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 26<sup>th</sup> September 2024 and signed by:

  
**Deputy Director (F&A)**  
 CPA Matilda Wakere Ita  
 ICPAK Member Number: 5469

  
**Project Coordinator**  
 Eng. Samuel Mwangi

  
**Director General**  
 Eng Philemon Kandie, MBS


**8. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS**

	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Utilisation Variance	% of Utilisation
Consolidated	a	b	c=a+b	d	e=c-d	f=d/c %
<b>Receipts/Payments Item</b>						
<b>Receipts</b>						
Receipts from Government of Kenya	50,000,000	-	50,000,000	50,000,000	-	100%
Proceeds from Domestic and Foreign Grants		-	-	-	-	0%
Loan from External Development Partners		-	-	-	-	0%
Miscellaneous receipts	-	-	-	2,820,635	2,820,635	0%
<b>Total Receipts</b>	<b>50,000,000</b>	<b>-</b>	<b>50,000,000</b>	<b>52,820,635</b>	<b>2,820,635</b>	<b>106%</b>
						0%
<b>Payments</b>						0%
Compensation of Employees	-	-	-	-	-	0%
Purchase of goods and services		-	-	-	-	0%
Roadworks expenditure	44,340,988	-	44,340,988	43,775,649	565,339	99%
<b>Total Payments</b>	<b>44,340,988</b>	<b>-</b>	<b>44,340,988</b>	<b>43,775,649</b>	<b>565,339</b>	<b>99%</b>

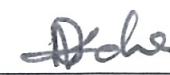
Note: The significant budget utilisation/performance differences in the last column are explained in Annex 1 to these financial statements.



**Deputy Director ( F&A)**  
CPA Matilda Wakere Ita  
ICPAK Member Number: 5469



**Project Coordinator**  
Eng. Samuel Mwangi



**Director General**  
Eng. Philemon K. Kandie, MBS

## **9. SIGNIFICANT ACCOUNTING POLICIES**

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

### **10.1 Basis of Preparation**

#### **10.2 Statement of compliance and basis of preparation**

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

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

#### **10.3 Reporting entity**

The financial statements are for the Roads 2000 Phase Two- Central Kenya Rural Roads Improvement and Maintenance Project under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012 .

##### **10.3.1 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.

#### **10.4 Significant Accounting Policies**

##### **a) Recognition of receipts**

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

##### **i) Transfers from the Exchequer**

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

##### **ii) External Assistance**

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

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

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

##### **b) 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.

##### **c) Proceeds from borrowing**

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

##### **d) Undrawn external assistance**

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

**e) Recognition of payments**

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

**i) Compensation of employees**

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

**ii) Use of goods and services**

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

**iii) Interest on borrowing**

Borrowing costs that include interest are recognized as payment in the period in which they 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.

**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.

**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.

**h) Accounts receivable**

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

**Significant Accounting Policies (Continued)**

**i) Contingent Liabilities**

A contingent liability is:

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

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

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

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

**j) Contingent Assets**

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

**Significant Accounting Policies (Continued)**

**k) Pending bills**

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the Project at the end of the year. When the pending bills are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

**l) Budget**

The budget is developed on a comparable accounting basis (cash basis), the same accounts classification basis (except for accounts receivable - outstanding imprests 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.

**m) 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.

**n) 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

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assets and liabilities denominated in foreign currencies are recognised in the statements of receipts and payments.

**o) 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.

**p) 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.

**q) Errors**

Material prior period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by: i. Restating the comparative amounts for prior period(s) presented in which the error occurred; or ii. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

## 10. NOTES TO THE FINANCIAL STATEMENTS

### 1. RECEIPTS FROM GOVERNMENT OF KENYA

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

	2023-2024	2022-2023
	Kshs	KShs
<i>Counterpart funding through Ministry of Transport and Infrastructure</i>		
Counterpart funds Quarter 1		-
Counterpart funds Quarter 2		25,000,000.00
Counterpart funds Quarter 3	50,000,000.00	-
Counterpart funds Quarter 4		-
<b>Total</b>	<b>50,000,000.00</b>	<b>25,000,000.00</b>

### 2. LOAN FROM EXTERNAL DEVELOPMENT PARTNERS

During the 12 months to 30<sup>th</sup> June 2024 we received funding from development partners in form of loans negotiated by the National Treasury donors as detailed in the table below:

Name of Donor	Loans received in cash 2023/24	Loans received in cash 2023/24	Loans received as direct payment* 2023/24
	Kshs	Kshs	KShs
<b>Loans Received from Multilateral Donors (AFD)</b>			
AFD	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 3. MISCELLANEOUS RECEIPTS

	2023-24	2022-23
	Receipts controlled by the entity in Cash	Receipts controlled by the entity in Cash
		KShs
Interest Income	2,820,634.60	3,283,940
<b>Total</b>	<b>2,820,634.60</b>	<b>3,283,940</b>

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**4. COMPENSATION OF EMPLOYEES**

	FY 2023/24	FY 2022/23
Basic wages of temporary employees		
<b>Total</b>		

**5. PURCHASE OF GOODS & SERVICES**

	2023/2024	2022/2023
	Payments made by the Entity in Cash	Payments made by the Entity in Cash
Other operating expenses	4,875,185	69,034,876
<b>Total</b>	<b>4,875,185</b>	<b>69,034,876</b>

**6. ACQUISITION OF NON-FINANCIAL ASSETS**

Description	FY 2023/24	FY 2022/23
	Kshs	Kshs
Construction of roads	63,618,534	3,363,070
<b>Total</b>	<b>63,618,534</b>	<b>3,363,070</b>

**7. CASH AND CASH EQUIVALENTS**

CASH AND CASH EQUIVALENTS C/FWD	FY 2023/24	FY 2022/23
Bank accounts (Note7A)	136,791,336.23	151,702,492.79
<b>Total</b>	<b>136,791,336.23</b>	<b>151,702,492.79</b>

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The project has Three(3) number of project accounts and One number of foreign currency designated account managed by the National Treasury as listed below:

**7A. Bank Accounts**

**Project Bank Accounts**

	2023/24	2022/23
		KShs
<b>Local Currency Accounts</b>		
NCBA Bank [A/c No 1000014814]	94,967,519	92,969,609
NCBA Bank Retention Ac No. 1001964972	32,770,568	55,320,206
KCB Bank Counterpart Ac. No. 1179736125	9,053,249	2,590,096
Cooperative Bank Nanyuki Ac No. 01132365417500		822,583
<b>Total bank account balances</b>	<b>136,791,336</b>	<b>151,702,493</b>

*Roads 2000 Phase Two-Central Kenya Rural Roads Improvement and Maintenance Project  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**8. FUND BALANCE BROUGHT FORWARD**

	<b>FY 2023/2024</b>	<b>FY 2022/23</b>
	<b>Kshs</b>	<b>KShs</b>
Bank accounts	152,464,420	196,578,426
<b>Total</b>	<b>152,464,420</b>	<b>196,578,426</b>

**9. ACCOUNTS PAYABLE**

<b>Description</b>	<b>2023/24</b>	<b>2022/23</b>
		<b>Kshs</b>
Retention/Contractors Owed	32,770,568	3,363,070.00
<b>Total</b>	<b>32,770,568</b>	<b>3,363,070.00</b>

*Roads 2000 Phase Two-Central Kenya Rural Roads Improvement and Maintenance Project  
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**PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS**

All the prior year Audit issues/Observation for F/Y 2021/2022 were resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p><b>Unsupported transfers to other government entities;</b> The statement of receipts and payments reflects Kshs 3,363,070 in respect of transfers to other government entities. However the balance was not supported with schedules and payment vouchers to confirm the date of transfer, the name of the payee and the amount. Further, there was no evidence of acknowledgement of receipt of funds by the beneficiary institutions. In the circumstances, the accuracy, completeness and regularity of the transfers to other government entities of Kshs 3,363,070 could not be confirmed.</p>	<p>Support documents are available for audit</p>	<p>Not resolved</p>	<p>Will be resolved during the current audit</p>
	<p><b>Unsupported cash and cash equivalents balance;</b> The statement of financial assets reflects cash and cash equivalents balance of Kshs 152,464,420 as disclosed in Note 5 to the financial statements. However review of the bank statements and cash books for each bank account operated revealed the following anomalies:</p> <p>Note 6 to the financial statements reflects a balance of Kshs 56,082,133 held in a retention account at a commercial bank. This balance is at variance with Kshs 55,320,206 reflected in the respective cash book. The resultant variance of Kshs 761,927 has not been explained or reconciled.</p> <p>Cash books in respect of two(2) bank accounts held at commercial banks in Nyandarua and Kirinyaga were not provided for audit.</p> <p>Certificate of bank balance as at 30 June 2023 for a retention account and a counterpart account held in two(2) commercial banks were also not provided for audit.</p> <p>Five(5) project accounts were closed during the year. However authority from the National Treasury to close the bank accounts, bank statements and bank reconciliations as at the date of closure were not provided for audit.</p>	<p>Support documents are available for audit</p>	<p>Not resolved</p>	<p>Will be resolved during the current audit</p>

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs 152,464,420 could not be confirmed.			
	<b>Receipts from government of Kenya;</b> The statement of receipts and payments reflects Kshs 25,000,000 in respect of receipts from government of Kenya as disclosed in Note 1 to the financial statements. This balance does not include Kshs 15,000,000 received on 21 December 2022 through the counterpart account held in a commercial bank. Management has not explained why the amount was not reported as a receipt. In the circumstances, the accuracy and completeness of the receipts from the government of Kenya of Kshs 25,000,000 could not be confirmed.	The supporting documents were provided and the issue resolved	Resolved	
	<b>Unsupported and Expensed Roadworks Expenditure;</b> The statement of receipts and payments reflects roadworks expenditure of Kshs 69,034,876. Examination of payment vouchers presented in support of the amount revealed that, Kshs 21,741,788 was in respect of retention funds previously withheld in the prior years in the retention bank account that were released during the financial year 2022/2023. The retention monies had therefore been captured as expenditure in the prior years and expensing them again during the year of release amounts to double accounting. In the circumstances, the accuracy and completeness of the roadworks expenditure of Kshs 69,034,876 could not be confirmed.	The supporting documents were provided and the issue resolved	Resolved	
	<b>Unreconciled Accounts payable-Contractors Retention;</b> The statement of financial assets reflects nil balance as at 30 June 2023. However, Note 10 to the financial statements reflects accounts payable balance of Kshs 3,363,070 which differs with Kshs 56,082,133 reflected in Note 6 to the financial statements, being retention money held in the retention bank account. Further, Note 10 reflects a comparative accounts payable balance of Kshs 61,085,162 as at 30 June 2022. The amount differs with the audited balance of Kshs 61,272,662 in the previous year's financial statements. Management has	The supporting documents were provided and the issue resolved	Resolved	

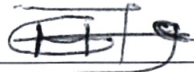
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	not explained or reconciled the resultant variance of Kshs 187,500. In the circumstances, the accuracy and completeness of accounts payable nil balance could not be confirmed			
	<b>Unresolved prior year audit matters;</b> In the audit reports of the previous years, several issues were raised. However, although the management has indicated that all the prior year issues were resolved, no evidence has been provided to confirm how the matters were resolved. In the circumstances, the matters remain un-resolved.	All the prior year issues were resolved.	Resolved	

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**Deputy Director**

CPA Matilda Wakere Ita

ICPAK Member Number: 5469



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**Project Coordinator**

Eng. Samuel Mwangi

\_\_\_\_\_  
**Director General**

Eng. Philemon Kandie, MBS

**ANNEX 2: INTER-ENTITY TRANSFERS**

		<b>Break down of Transfers from the State Department of 2024</b>	
<b>a.</b>			<b>Government Counterpart Funding</b>
		<u>Bank Statement Date</u>	<u>AMOUNT</u>
		17/01/2024	15,000,000.00
		08/02/2024	35,000,000.00
			<b>Total</b>
<b>b.</b>		<b>Direct Payments</b>	
		<u>Bank Statement Date</u>	
			<b>Total</b>
<b>c.</b>		<b>Others</b>	
		<u>Bank Statement Date</u>	
		Inter bank transfer	817,423
			<b>Total</b>
			<b>TOTAL(a+b+c)</b>
			<b>50,817,423</b>

**11. APPENDICES**

i. Bank Reconciliations statement as at 30<sup>th</sup> June 2024

# Bank Acc. - Detail Trial Bal.

Period: 07/01/23..06/30/24

KENYA RURAL ROADS AUTHORITY

This report also includes bank accounts that only have balances.

Bank Account: No.: R4815, Bank Acc. Posting Group: AFD\_RET, Date Filter: 07/01/23..06/30/24

Posting Date	Document Type	Document No.	External Document No.	Payee	Description	Amount	Balance Open	
<b>R4815</b>		<b>Kerra NCBA AFD Retention</b>						55,320,205.85
		Phone No.						
07/31/23		29			Bank Charges in the Month of July	-3,120.00	55,317,085.85 No	
07/31/23		29			Interest earned in the Month of May	100,328.70	55,417,414.55 No	
07/31/23		30			Bank Charges difference	-0.04	55,417,414.51 No	
08/08/23		PV:54585	PV:54585	Yamu Engineering Services Ltd	Second Release -final Rtn	-688,659.87	54,728,754.64 No	
08/31/23		6			Bank charges in the Month of Aug	-921.00	54,727,833.64 No	
08/31/23		7			Interest income earned	97,521.00	54,825,354.64 No	
08/31/23		8			Baobab Contractors	-2,169,029.68	52,656,324.96 No	
08/31/23		9			Yamu Contractors	-688,659.55	51,967,665.41 No	
08/31/23		10			Bank Charges error of commision	0.35	51,967,665.76 No	
08/31/23		10031			Reversal of wrong Posting	688,659.55	52,656,325.31 No	
08/31/23		10032			Bank charges	0.32	52,656,325.63 No	
09/28/23		PV:57235	PV:57235	GEOCHOM OPERATIONS SERVICES LTD	Retention Paid at H.Q after the Rgn AFD GOK was closed	-963,047.28	51,693,278.35 No	
09/30/23		18			Kerra NCBA AFD Retention -Bank Charges for the Month	-575.00	51,692,703.35 No	
09/30/23		19			Kerra NCBA AFD Retention -Interest earned	91,799.95	51,784,503.30 No	
09/30/23		20			Kerra NCBA AFD Retention -Bank Charges	-0.02	51,784,503.28 No	
10/31/23	Payment	10008			Bank Charges	-575.00	51,783,928.28 No	
10/31/23	Payment	10009			Intrest earned	92,262.40	51,876,190.68 No	
10/31/23	Payment	10011			Wrong posting date	-790,851.98	51,085,338.70 No	
10/31/23		10015			Kerra NCBA AFD Retention	790,851.98	51,876,190.68 No	
10/31/23		3			Bank Charges dECIMALS	0.03	51,876,190.71 No	
11/04/23	Payment	10010			Reversal Wrong date	-790,851.98	51,085,338.73 No	

# Bank Acc. - Detail Trial Bal.

Period: 07/01/23..06/30/24

KENYA RURAL ROADS AUTHORITY

11/27/23	PV:61106	PV:61106	Benaiah Maintanance and Gen. Services Ltd	1st Retention release Mia Moja -Umande	-843,899.50	50,241,439.23	No
11/27/23	PV:61137	PV:61137	Priska Engineering & Construction Co. Ltd	Second half Retention Pesi Mukuru Salama Simotwa RD Lot 1	-954,753.00	49,286,686.23	No
11/27/23	PV:61106			1st Retention release Mia Moja -Umande	843,899.50	50,130,585.73	No
11/27/23	PV:61137			Second half Retention Pesi Mukuru Salama Simotwa RD	954,753.00	51,085,338.73	No
11/30/23	10			Interest earned in the Month of November	77,096.00	51,162,434.73	No
11/30/23	11			Bank charges for the Month	-4,600.00	51,157,834.73	No
11/30/23	12			Kerra NCBA AFD Retention	-3,184,148.00	47,973,686.73	No
11/30/23	13			Kerra NCBA AFD Retention	-993,264.00	46,980,422.73	No
11/30/23	14			Kerra NCBA AFD Retention	-931,956.50	46,048,466.23	No
11/30/23	15			Kerra NCBA AFD Retention	-843,899.50	45,204,566.73	No
11/30/23	16			Kerra NCBA AFD Retention	-954,753.00	44,249,813.73	No
11/30/23	17			Kerra NCBA AFD Retention	-953,159.40	43,296,654.33	No
11/30/23	18			Kerra NCBA AFD Retention	-1,044,046.20	42,252,608.13	No
11/30/23	19			Kerra NCBA AFD Retention	-849,860.25	41,402,747.88	No
11/30/23	20			Equaline Distributors Ltd	-953,159.40	40,449,588.48	No
11/30/23	21			Reversal of wrong misposting	953,159.00	41,402,747.48	No
11/30/23	22			Reversal of wrong misposting	953,159.80	42,355,907.28	No
11/30/23	PV:61120	PV:61120	Rift Roller Construction Ltd	Second Half RTN Release Ngarero Edana Rd Lot 1	-849,860.25	41,506,047.03	No
11/30/23	PV:61120			Second Half RTN Release Ngarero Edana Rd Lot 1	849,860.25	42,355,907.28	No
12/05/23	PV:60959	PV:60959	Harmattan Company Ltd	Release of Second Half RTN Nyumba Tatu-Njonjo Girls Rd	-342,121.44	42,013,785.84	No
12/08/23	PV:61068	PV:61068	Equaline Distributors Ltd	Second RTN Release Edana Naibor	-953,159.40	41,060,626.44	No
12/15/23	PV:60951	PV:60951	Yamu Engineering Services Ltd	All RTN Ngarengiro-Edna Road AFD/LKP/3/2016/17 Lot 2	-1,200,829.70	39,859,796.74	No
12/31/23	29			Interest earned	58,751.75	39,918,548.49	No
12/31/23	30			Bank Charges	-2,875.00	39,915,673.49	No

# Bank Acc. - Detail Trial Bal.

Period: 07/01/23..06/30/24

KENYA RURAL ROADS AUTHORITY

12/31/23	AFDRET1223			Bank Charges December 2023	0.04	39,915,673.53 No
01/31/24	KFW 01 24			Interest Income for Jan 2024	57,663.00	39,973,336.53 No
01/31/24	BKCHG0124			Bank Charges	-575.00	39,972,761.53 No
02/05/24	PV:65023	PV:65023	Mikimaini Construction Company Limited	Release of 2nd Half Retention-Kianyaga Muchagara- Mikimaini const. Ltd	-3,097,020.00	36,875,741.53 No
02/19/24	PV:66093	PV:66093- RETENTION AFD	Bende Constructors Co. Ltd	Kanunga-Banana Rd	-1,765,366.85	35,110,374.68 No
02/29/24	INTEREST			Interest Income -current Account	50,014.35	35,160,389.03 No
02/29/24	BKCHG0224			Bank Charges	-1,150.00	35,159,239.03 No
03/04/24	PV:65889	PV:65889-IPC 5- PRISKA_PESI - MURUKU	Priska Engineering & Construction Co. Ltd	Priska Engineering & Construction Co. Ltd-Amount Retained	151,880.20	35,311,119.23 No
03/13/24	PV:66179	PV:66179- KERUGOYA- KANGAITA IPC 9	Gridiron Holdings Ltd	Gridiron Holdings Ltd-Amount Retained	387,310.00	35,698,429.23 No
03/19/24	PV:67402	PV:67402-IPC 10 IFRFSS	Jebess Contractors Ltd	Jebess Contractors Ltd-Amount Retained	397,883.60	36,096,312.83 No
03/19/24	PV:67402	PV:67402-IPC 10 IFRFSS	Jebess Contractors Ltd	Jebess Contractors Ltd-Amount Retained	397,883.60	36,494,196.43 No
03/31/24	INTEREST0324			Interest Income -current Account	50,764.16	36,544,960.59 No
03/31/24	RET0324			PV:65889 Priska Engineering & Construction Co. Ltd-	-151,880.20	36,393,080.39 No
03/31/24	RET0324			PV:66179 Gridiron Holdings Ltd-Amount Retained	-387,310.00	36,005,770.39 No
03/31/24	RET0324			PV:67402 Jebess Contractors Ltd-Amount Retained	-397,883.60	35,607,886.79 No
03/31/24	AFDC0324			Jebess Contractors Ltd-Amount Retained Correction	-397,883.60	35,210,003.19 No
04/11/24	BTR:7211	BTR:7211		Transfer of Retention Money for Priska PV 65889 IPC5	151,880.00	35,361,883.19 No
04/11/24	BTR:7212	BTR:7212		Transfer of Retention for Jebess PV 67402	397,884.00	35,759,767.19 No
04/11/24	BTR:7213	BTR:7213		Transfer of Retention money for Gridiron PV 66179	387,310.00	36,147,077.19 No
04/11/24	BTR:7214	BTR:7214		Transfer of Retention money for Mikimaini PV 43387	159,955.00	36,307,032.19 No
04/17/24	PV:70235	PV:70235	Mikimaini Construction Company Limited	Retention balance for Kianyaga-Muchagara	-593,922.00	35,713,110.19 No

# Bank Acc. - Tail Trial Bal.

Period: 07/01/23..06/30/24

KENYA RURAL ROADS AUTHORITY

04/30/24	PV:70469	PV:70469	SONIC CONSTRUCTION LIMITED	SONIC CONSTRUCTION LIMITED-Amount Retained	235,397.75	35,948,507.94 No
04/30/24	INTEREST0424			Interest Income -current Account	49,307.00	35,997,814.94 No
04/30/24	BKCHG0424			Bank Charges	-3,095.00	35,994,719.94 No
05/06/24	PV:70974	PV:70974	Gridiron Holdings Ltd	E1641 Kerugoya-Old Kangaita Retention Monies	-3,318,273.00	32,676,446.94 No
05/31/24	INTEREST0524			Interest Income -current Account	49,157.36	32,725,604.30 No
05/31/24	BKCHG0524			Bank_charges	-575.00	32,725,029.30 No
05/31/24	RETENTION0524			PV 70469 Sonic Construction Limited Retention	-235,397.75	32,489,631.55 No
06/13/24	BTR:7622	BTR:7622		PV 70469 Sonic Construction Limited	235,397.75	32,725,029.30 No
06/30/24	INTEREST0624			Interest Income -current Account	45,539.00	32,770,568.30 No
	<b>Kerra NCBA AFD Retention</b>				<b>-22,549,637.55</b>	<b>32,770,568.30</b>