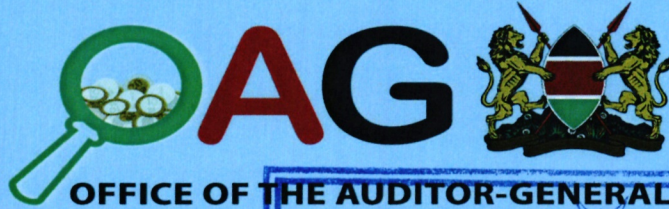


69



Enhancing Accountability

REPORT

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 18 FEB 2021

DAY:
Thursday

TABLED
BY:

L.O.M

CLERK-AT
THE-TABLE:

P. Muiga

PARLIAMENT
OF KENYA
LIBRARY

THE AUDITOR-GENERAL

ON

**IMPROVEMENT OF RURAL ROADS AND
MARKET INFRASTRUCTURE IN WESTERN
KENYA PROJECT
CREDIT NO.BMZ 2007-65 123 (KFW)**

**FOR THE YEAR ENDED
30 JUNE, 2020**

KENYA RURAL ROADS AUTHORITY



**Project Name: Improvement of Rural Roads and Market
Infrastructure in Western Kenya**

Implementing Entity: Kenya Rural Roads Authority

PROJECT GRANT/CREDIT NUMBER: 2007 65 123

KFW

GERMAN DEVELOPMENT BANK (KFW)

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2020**

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

Contents

PROJECT INFORMATION AND OVERALL PERFORMANCE	II
STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES	XII
REPORT OF THE INDEPENDENT AUDITORS ON THE IMPROVEMENT OF RURAL ROADS AND MARKET INFRASTRUCTURE IN WESTERN KENYA PROJECT	XIII
STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED 30TH JUNE 2020 ..	1
STATEMENT OF FINANCIAL ASSETS AND LIABILITIES AS AT 30TH JUNE 2020	2
STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2020	3
STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS	4
NOTES TO THE FINANCIAL STATEMENTS.....	5
1. <i>Basis of Preparation.....</i>	<i>5</i>
2. <i>Government of Kenya Counterpart Funding.....</i>	<i>10</i>
3. <i>Loans From External Development Partners</i>	<i>10</i>
4. <i>Interest Income.....</i>	<i>10</i>
5. <i>Roadworks Expenditure</i>	<i>10</i>
6. <i>Consultancy Services.....</i>	<i>10</i>
7. <i>Other Operating Costs</i>	<i>11</i>
8. <i>RMLF 10% Counterpart Funds</i>	<i>11</i>
9. <i>Cash and Bank Balances.....</i>	<i>11</i>
11. <i>Funds reclaimed and refunded to KFW.....</i>	<i>12</i>
PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS	13
ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS.....	14

PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name: The project's official name is Improvement of Rural Roads and Market Infrastructure in Western Kenya (IRRM)

Objective: The key objective of the project is Rehabilitation of rural roads to maintainable gravel standard and improvement of markets in Bungoma, Vihiga, Kakamega, Busia and Siaya counties.

Address: The project headquarters offices are 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:

- Bungoma,
- Vihiga,
- Kakamega,
- Busia
- Siaya

Contacts: The following are the project contacts

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

E-mail: kerra@kerra.go.ke/dgkerra@kerra.go.ke

Website: www.kerra.go.ke

1.2 Project Information

Project Start Date:	The project start date is 1st August 2012
Project End Date:	The project end date is 31st May 2019
Project Engineer:	The project manager is Eng. Argwings Oyoti
Project Sponsor:	The project sponsors are Government of Kenya (GOK), which will contribute 50% and German Development Bank through their Lending arm KFW which will contribute 50%

1.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of Kenya Rural Roads Authority which falls under the State department of Infrastructure of the Ministry of Transport, Infrastructure, Housing and Urban Development.
Project number	2007 65 123
Strategic goals of the project	The strategic goal of the project is Rehabilitation of rural roads to maintainable gravel standard and improvement of markets in Bungoma, Vihiga, Kakamega, Busia and Siaya counties.
Achievement of strategic goals	<p>The project management aims to achieve the strategic goals through improvement of a continuous 355kms of rural road network in the counties of Bungoma, Vihiga, Kakamega, Busia and Siaya to maintainable gravel standards.</p> <p>The market component is being implemented under the ministry of Agriculture while the Rural Roads Component is being implemented by KeRRA</p> <p>Batch 1 Contracts</p> <p>The first Batch of twelve works contracts (Batch 1) covering 84.7 Kms were procured in late 2014. Commencement orders were sanctioned in March, 2015 after getting No Objection from the Development Partner-KfW. All the roads under Batch 1 have been completed.</p> <p>Batch 2 Contracts</p> <p>Implementation of 15 Number Batch 2 works contracts targeting to improve to gravel standard a further 83.5km of rural roads in the Counties of Bungoma, Vihiga, Siaya, Busia and Kakamega was concluded in 2018.</p> <p>Batch 3 Lot 1& 2 Road works</p> <p>Implementation of a further (Twelve) 12 Batch 3 Lot 1 & 2 road works Contracts targeting to improve 72.5 Km to gravel standards in the Counties of Bungoma, Kakamega and Vihiga is ongoing after successful procurement process. Construction is expected to be concluded by June, 2020.</p>

<p>Other important background information of the project</p>	<p>The Programme was initially designed to run for Four (4) years from June 2012- July, 2016. The Completion date was however revised to 30th May 2019. The Loan and Financing Agreement is dated 14th December, 2009 while the Separate Agreement is dated 11th November, 2010.</p> <p>Training of Small Scale Contractors The programme targets to train 250 small scale Contractors in Labour Based Technology. So far Ninety-Nine (99) persons from 33 construction firms have undergone Classroom Training in labour-based technology at Kisii Training Centre. Suitable trial Contracts have been drawn for them to undertake before they get certified as qualified contractors. Implementation of Trial Contracts has delayed because of financial constraints.</p> <p>Private Sector Supervisors Twelve (12) Private Sector Supervisors who were recruited in 2014 have had their Employment Contract extended to March 2019. Private Sector Supervisors are paid from the Loan Funds.</p> <p>Environmental and Social Impact Assessment Studies (ESIAs): ESIAs for all Batches of road implemented were conducted and requisite NEMA Licences obtained. 2 Roads was conducted in-house by KeRRA trained officers.</p> <p>Workshops and Studies Four (4) stakeholder workshops were held on diverse dates since the programme started in the year 2012 within the focal area for the Programme. The purpose of these workshops was for prioritization of roads to be improved and other forms of sensitization. A Socio-Economic Baseline Study was conducted by the project management consultant in August, 2014. Two Studies namely, 1st Mile Study and Community Maintenance Studies were dropped out of this Programme on mutual understanding with the Development Partner because some of them had been overtaken by events or may not have had the intended impact at all.</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"> (i) Improvement of accessibility to markets (ii) Market Infrastructure development
<p>Project duration</p>	<p>The project started on 1st August 2012 and was expected to run until 30th May 2019. The PEA through the Authorised Party (The National Treasury), requested KfW to extend the disbursement period to end of February, 2020. The disbursement was later extended to 31st December, 2020.</p>

1.4 Bankers

The following are the bankers for the current year:

- (i) Special Deposit Account

Central Bank of Kenya- EURO Account Number 1000214295
Haile Selassie Avenue,
P.O. Box 60000-00200,
Nairobi Kenya

- (ii) Local Special Project Accounts (Disposition Fund Accounts)

NCBA Bank Ltd
NIC House Branch
P.O Box 445990-00100
Nairobi Kenya
KeRRA KfW Account Number 1001255416
KfW Retention Account Number 1001965006

Kenya Commercial Bank
Kencom House, Moi Avenue Branch,
P.O. Box 48400-00100
Nairobi Kenya
GoK Counterpart Account Number 1179736249
GoK-D33-Busia Development Account No 1119722349
GoK-D33-Siaya Development Account No. 1119721962

Co-operative Bank of Kenya (Subsidiary)
Co-operative House, Haile Selassie Avenue
P.O Box 48231-00100
Nairobi Kenya
KfW Bungoma- Account Number 011415365435
KfW Kakamega- Account Number 01141545929700
KfW Vihiga- Account Number 01141472733300

1.5 Auditors

The project is audited by

The Auditor General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084-00100 Nairobi Kenya

1.6 Roles and Responsibilities

Project Governance

The Project's governance framework requires the stakeholders to uphold the highest professional, ethical, moral and legal standards. This is achieved through effective segregation of duties with clear checks and balances as articulated in the Project Loan/Credit Agreement, the PFM Act 2012, the Project Design Report, the Implementation Manual and the Finance and Procurement Manuals.

1. The Parent Ministry

The parent ministry ensures that the Project's budget is captured in its development projects and disburses the government counterpart funding.

2. German Development Bank (KfW)

The German Development Bank is the project sponsors. They are responsible for reviewing and approving the project's withdrawal applications, expenditure justifications, no objection requests, expenditure category reallocation request, and participating in implementation support missions.

3. The Project Management Consultant

The Programme has Grontmij A/S as the Project Management Consultant in Association with Norken Kenya Ltd. They were procured in 2012 to assist KeRRA to implement the Programme by offering Technical Support Services as provided for in the Loan and Financing Agreement.

4. The Auditor

The Supreme Audit Institution in Kenya, that is, the Office of the Auditor General, is mandated by the Constitution of Kenya Chapter 12, Part 6, Article 229 which establishes the Office of the Auditor General. Chapter 15, Article 248, Section 3 and Article 249, Section 2 (a) and (b) and section 10 of the Public Audit Act, 2015 provide for the independence of the Office of the Auditor General.

The Auditor General is mandated to audit all national government entities, which include government development projects and present these statutory financial statements to the Parliament. This facilitates the submission of the audited report to the project's sponsors by 31 December each year.

*Improvement of Rural Roads and Market Infrastructure in Western Kenya
Reports and Financial Statements
For the financial year ended June 30, 2020*

5. Project Coordinating Team (PCT)

This team is based in Nairobi and is responsible for the project management and coordination functions. The PCT comprises of the Project Coordinator and a team of Technical Officers. The PCT is also supported by other administrative staff.

The key staff, who form the project coordinating team that is involved in the day to day management of the project and its implementation are:

Name and Contact Details	Title designation	Key qualification	Responsibilities
Eng. Philemon K. Kandie +254 (20) 2710464 dgkerra@kerra.go.ke	Ag. Director General	P.Eng, Bsc. Hons., MIEK, MSc.	Accounting Officer
Eng. E. Ariga +254 (20) 2710464	Director Planning, Design & Environmental Interests	P.Eng., MA (Planning), BSc., MIEK	Supervisor
Eng. Argwings. Oyoti +254 (20) 2710464 Argwings.oyoti@kerra.go.ke	Project Engineer	BSc MIEK	Coordination of the activities of the program

1.7 Funding summary

The Project is for duration of seven (7) years from 2012 to 2019 with an approved budget of Euros 13,700,000 equivalent to Kshs 1,370,000,000 as highlighted in the table below:

The Grant is channelled to the Ministry of Agriculture for market component hence the Nil balances in the following table.

Source of funding summary:

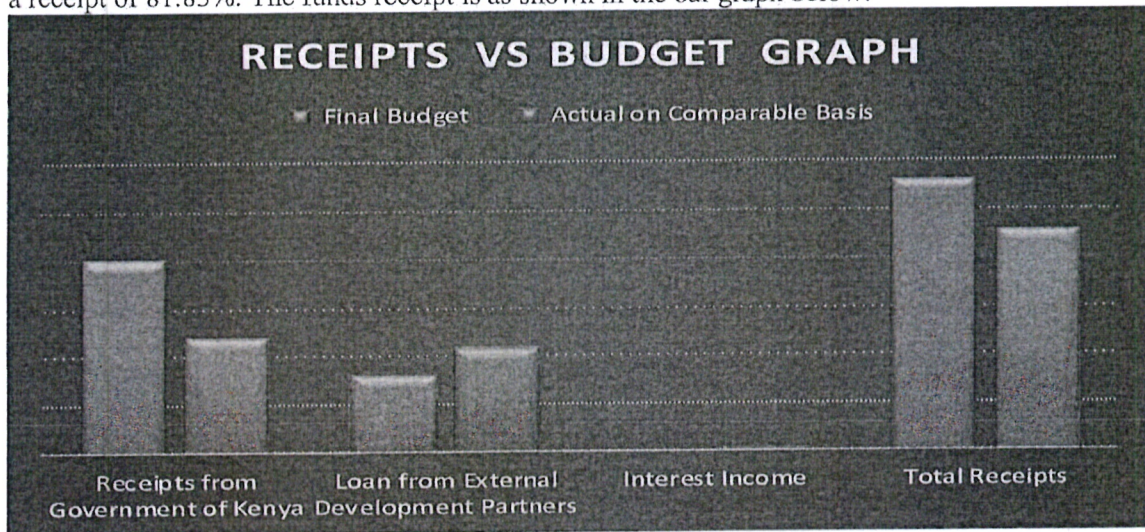
Source of Funds	Donor Commitment		Amount Received as at 30 th June 2020		Undrawn Balance as at 30 th June 2019	
	Euros (A)	Kshs (A')	Euros (B)	Kshs (B')	Euros (A)-(B)	Kshs (A')-(B')
GRANT SUMMARY- MINISTRY OF AGRICULTURE						
(i) German Development Bank	1,500,000	150,000,000	-	-	1,500,000	150,000,000
Total Grants	1,500,000	150,000,000	-	-	1,500,000	150,000,000
LOAN SUMMARY						
(ii) Loan					-	-
German Development Bank	7,500,000	750,000,000	7,419,068	741,906,848	80,932	8,093,152
Gain on Exchange Rates	-	-	-	-	-	-
Total Loans	7,500,000	750,000,000	7,419,068	741,906,848	80,932	8,093,152
COUNTERPART FUNDS SUMMARY						
(iii) Counterpart Funds					-	-
Government of Kenya	4,700,000	470,000,000	4,166,890	416,688,951	533,110	53,311,049
Interest Income	-	-	130,661	13,066,053		
Total GoK Counterpart	4,700,000	470,000,000	4,297,550	429,755,004	533,110	53,311,049
Total Funding Summary	13,700,000	1,370,000,000	11,716,619	1,171,661,853	2,114,042	211,404,201

1.8 Summary of Overall Project Performance:

During the year under review, the project received Kshs. 100,057,327 and incurred a total expenditure of Kshs. 221,377,899. Some of the expenditures were funded from accumulated surplus B/F.

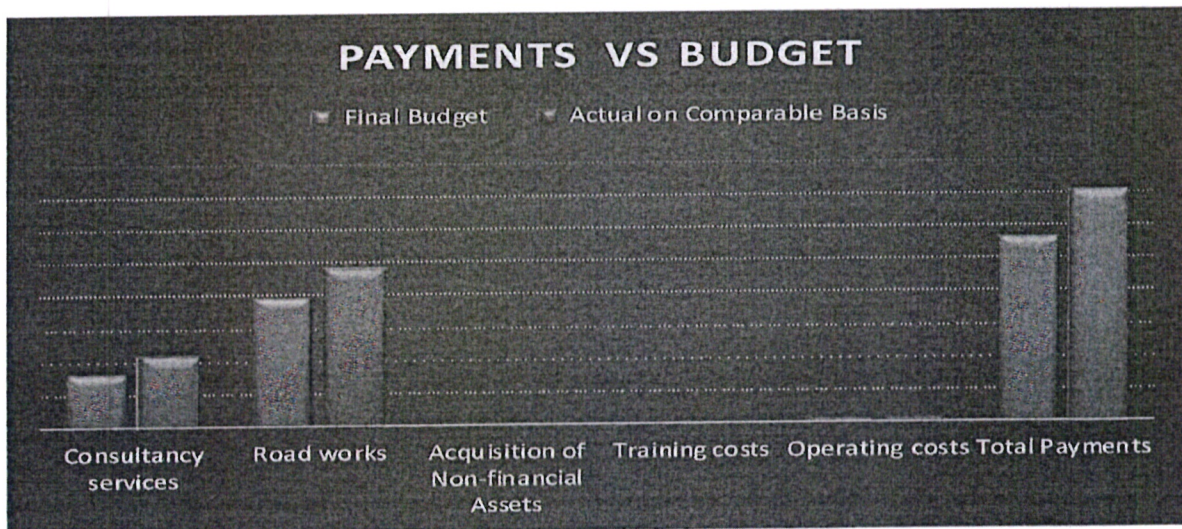
Funding Receipts

The project received Kshs. 100,057,327 against a final budget of Kshs. 112,282,411. This represented a receipt of 81.83%. The funds receipt is as shown in the bar graph below:



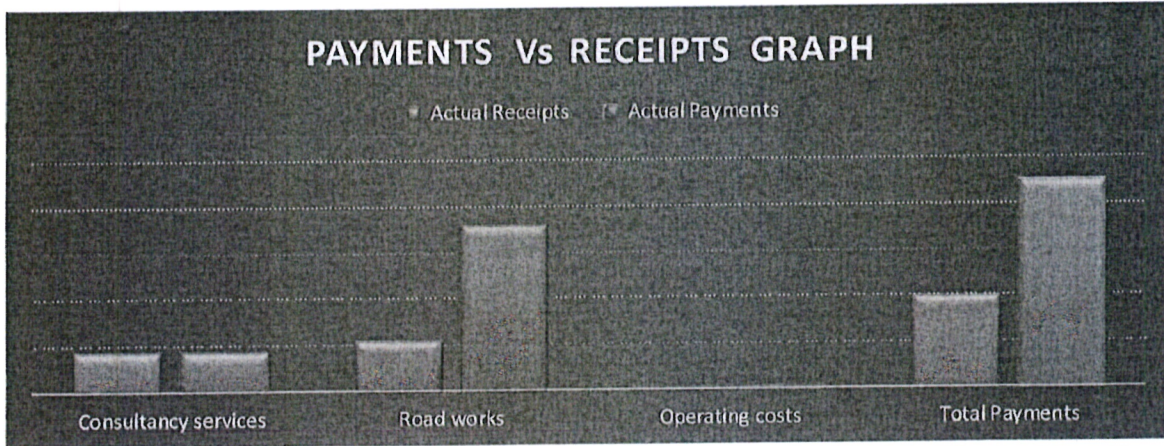
Payments Utilisation

The project paid Kshs. 141,575,526 against a final budget of Kshs. 112,282,411. This represented utilisation of 126%. Some of the expenditures were funded from accumulated surplus b/f. The payments utilisation is as shown in the bar graph below:



Receipts Utilisation

The project paid Kshs. 224,004,727 against actual receipts of Kshs. 100,057,327. This represented a receipts utilisation of 223.88%. Some of the expenditures were funded from accumulated surplus b/f. The receipts utilisation is as shown in the bar graph below:



a. Implementation Status

i. Batch 1 Contracts

The first Batch of twelve works contracts (Batch 1) were procured in late 2014.

Commencement orders were sanctioned in March, 2015 after getting No Objection from the Development Partner-KfW. All the roads under Batch 1 have been completed.

Table 1: Projects undertaken under Batch 1 of the programme

County	Road Name	Road Length	Amount (Kshs)
Kakamega	Mumias- Imanga	7.4	16,121,715.50
	Imanga – Musanda	7.6	16,998,667.00
	Malava-Kimang’eti	6	12,439,251.00
	Kimang’eti-Ikoli	7.4	15,257,500.00
Bungoma	Mateka-Lunao	9.4	16,600,805.27
	Kaptama-Chesito	4.6	11,399,537.60
	Chesito-Kaboiywo	6.2	19,028,465.50
	Border-Namwela	6.7	17,550,457.00
	Makhonge-Chwele	5.3	13,753,131.15
	Dorofu-Mechimeru	8.4	16,776,307.20
Vihiga	Viyalo-Mbale	7.3	19,581,056.00
	Majengo- Hamisi	8.4	18,767,774.00
Total		84.7	194,274,668.07

ii. Batch 2 Contracts

Implementation of 15 Number Batch 2 works contracts targeting to improve to gravel standard a further 83.5km of rural roads in the Counties of Bungoma, Vihiga, Siaya, Busia and Kakamega was concluded in 2018.

The list of projects implemented under Batch 2 is as depicted in table 2 below;

Table 2: Projects undertaken under Batch 2 of the programme

County	Road Name	Road Length	Contract Sum (Kshs)
Kakamega	Lumakanda- Mwamba	7.6	17,879,092.00
	Musoli- Shiamusinjiri	7.5	16,686,073.36
	Harambec-Jnc.UG93734	4.5	10,504,538.57
Siaya	Busia Bdr – Urembo Disp.	4.9	8,712,757.68
	Urembo Disp- Ganga Sch	7.4	11,879,996.39
	Ganga Sch - Boro	6.2	11,168,100.00
	Sidundo- Nyadorera	3.2	6,544,924.28
	Uranga- Jn UG61947	6.5	15,600,000.00
	Rabar- Jn UG61947	8.0	13,125,318.80
	Segere - Ndere	4.7	8,641,608.00
	Rabar- Jn C90 Nzoia	5.8	13,282,573.04
	Jn C29 – Jn E1165	3.4	8,519,880.00
Bungoma	Jn A1 Mfupi- Jn UG91353	5.1	11,602,393.66
Vihiga	Luanda - Wemilabi	5.5	12,240,248.00
Busia	Mukhobola- Siaya Bdr	3.2	12,800,000.00
Total		83.5	179,187,503.78

iii. Batch 3 Road works

Implementation of a further Twelve (12) number Batch 3 Lot 1 & 2 road works Contracts targeting to improve 72.5 Km to gravel standards in the Counties of Bungoma, Kakamega and Vihiga is complete.

b. Challenges Encountered

Delays in conclusion of procurement processes for Batch 3 Contracts coupled with Budgetary and disbursement challenges was the main hindrance to timely delivery of the works Contracts.

1.9 Summary of Project Compliance:

The Program has ensured that all the activities carried out are within the laws of the Republic of Kenya and that all regulations and procedures have been followed. In cases of inconsistency between the GOK Regulations and those of the donors, the latter have been applied.

The project has therefore fully complied with both the financing agreement and other statutory requirements.

STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Accounting officer, Director of Corporate Services Kenya Rural Roads Authority and the Project Coordinator 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, 2020. 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.

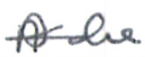
The Accounting officer, Director of Corporate Services Kenya Rural Roads Authority and the Project Coordinator for Improvement of Rural Roads and Market Infrastructure in Western Kenya project accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The Accounting officer, Director of Corporate Services Kenya Rural Roads Authority and the Project Coordinator for Improvement of Rural Roads and Market Infrastructure in Western Kenya 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, 2020, and of the Project's financial position as at that date. The Accounting officer, Director of Corporate Services Kenya Rural Roads Authority and the Project Coordinator for Improvement of Rural Roads and Market Infrastructure in Western Kenya 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.

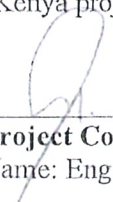
The Accounting officer, Director of Corporate Services Kenya Rural Roads Authority and the Project Coordinator for Improvement of Rural Roads and Market Infrastructure in Western Kenya project confirm that the Project has complied fully with applicable Government Regulations and the terms of external 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

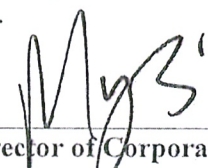
The Project financial statements were approved by the Accounting officer, Director of Corporate Services Kenya Rural Roads Authority and the Project Coordinator for Improvement of Rural Roads and Market Infrastructure in Western Kenya project and signed by them.



Ag. Director General
Name: Eng. Philemon K. Kandie



Project Coordinator
Name: Eng. Argwings Oyoti



Director of Corporate Services
Name: CPA Dan Manyasi
ICPAK Member Number: 6407

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON IMPROVEMENT OF RURAL ROADS AND MARKET INFRASTRUCTURE IN WESTERN KENYA PROJECT CREDIT NO. BMZ 2007-65 123 (KFW) FOR THE YEAR ENDED 30 JUNE, 2020 – KENYA RURAL ROADS AUTHORITY

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Improvement of Rural Roads and Market Infrastructure in Western Kenya Project set out on pages 1 to 13, which comprise the statement of financial assets and liabilities as at 30 June, 2020, and the statement of receipts and payments, statement of cash flow and the statement of comparative budget and actual amounts for the year then ended, special account statement and a summary of significant accounting policies and other explanatory information in accordance with provisions of Article 229 of the Constitution and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the 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 Improvement of Rural Roads and Market Infrastructure in Western Kenya Project as at 30 June, 2020, 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 amended Financing Agreement for Credit No. BMZ 2007-65 123 (KFW) signed on 14 December, 2009 between Kreditanstalt Fur Wiederaufbau (KFW) and the Republic of Kenya, and the Public Finance Management Act, 2012.

In addition, the special account statement presents fairly, the special account transactions and the closing balances have been reconciled with the books of account.

Basis for Qualified Opinion

1. Inaccuracies in Financial Statements

The statement of receipts and payments reflects cumulative receipts from loans from external development partners of Kshs.887,755,032 and as also disclosed under Note 3 to the financial statements. However, this amount differs from the amount disclosed under the report on funding summary cumulative amount received of Kshs.741,906,848 under paragraph 1.7 resulting to an unexplained variance of Kshs.145,848,184. Similarly, the statement reflects counterpart funding from the

Government of Kenya of Kshs.542,315,413 which differs from the cumulative amount received under the report on funding summary cumulative amount of Kshs.416,688,951 under paragraph 1.7 resulting to an unexplained variance of Kshs.125,626,462.

Consequently, the accuracy and completeness of the reported cumulative receipts from loans from external development partners and counterpart funding from the Government of Kenya of Kshs.887,755,032 and Kshs.542,315,413 respectively for the year ended 30 June, 2020 could not be confirmed.

2. Accounting for Refund to Donor

Note 11 to the financial statements discloses refund of EUR 720,000 equivalent to Kshs.82,492,200 to the donor KfW pursuant to Clause 8 of Annex 6 of the separate agreement of attachment B (Annex 3). However, the refund has not been properly accounted for through the statement of receipts and payments. Instead, the refund has been deducted from fund balances brought forward in the statement of financial assets and liabilities and lumped together with purchase of goods and services in the statement of cashflows. Disclosure Note 5 to the financial statements on road works expenditure includes the refunded amount of Kshs.82,492,200 which misstates the balances to the extent. Further, disclosure Note 5 to the financial statements on other operating costs does not indicate the total amount.

Consequently, the accuracy and completeness of the donor refund of EUR 720,000 equivalent to Kshs.82,492,200 as at 30 June, 2020 could not be confirmed.

3. Loss of Funding due to Low Absorption

During the year under review, the Project through a letter dated 5 March, 2019 referenced No:22340/200765123 refunded EUR 720,000(Kshs.Kshs.82,492,200) due to non-absorption of funds. Further, the project incurred avoidable foreign exchange losses in processing the refund of Kshs.2,775,024 due to fluctuations in the exchange rates.

4. Training of Contractors on Labour-Based Contracts

The Project paid the Kenya Institute of Highways and Building Technology - Kisii Campus Kshs.166,534,650 in the financial year 2018/2019 for training of local contractors on labour-based maintenance of roads. Thirty-three (33) contractors from three counties of Bungoma, Kakamega and Vihiga were subsequently trained. However, it was not possible to identify how trainings were carried out as there are no Project files maintained in the regional offices on the training and no contracts have been subsequently awarded to the trained contractors in the year under review.

In the circumstance, it was not possible to ascertain the lawfulness and effectiveness in the use of public funds amounting to Kshs.166,534,650 for training contractors on labour-based contracts.

5. Retention Monies

The Project owes contractors an amount of Kshs.14,603,693 by way of retention monies to guard for shoddy workmanship during the defect liability period. However,

the liability has not been reported in the statement of assets and liabilities as prescribed by the International Public Sector Accounting Standards Board (IPSAB).

Consequently, the accuracy and completeness of the retention monies balance of Kshs.14,603,693 and the financial statements as at 30 June, 2020 could not be confirmed.

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

Key Audit Matters

Key audit matters are those matters that, in my professional 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

Budget Control and Performance

The statement of comparative budget and actual amounts for the year ended 30 June, 2020 reflects actual receipts of Kshs.91,882,132 against final receipts budget of Kshs.112,282,411 resulting in a shortfall of Kshs.20,400,279 or 18% of the approved budget. Further, actual expenditure for the year amounted to Kshs.141,575,526 against the final expenditure budget of Kshs.112,282,411 resulting to over expenditure of Kshs.29,293,115 or 21% of the approved budget. Management attributed the over expenditure to funding of activities through the accumulated funds.

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

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Kreditanstalt Fur Wiederaufbau (KfW), 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 control, risk management and overall governance.

In preparing the financial statements, 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 Program or to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Project's financial reporting process, reviewing the effectiveness of how the Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall 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 review of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

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

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

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

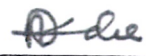
05 January, 2021

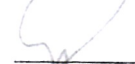
*Improvement of Rural Roads and Market Infrastructure in Western Kenya
Reports and Financial Statements
For the financial year ended June 30, 2020*


STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED 30TH JUNE 2020

	Note	FY 2019/2020		FY 2018/2019		Cumulative to Date
		Receipts and payments controlled by the entity	Receipts and payments Made by third parties	Receipts and payments controlled by the entity	Receipts and payments Made by third parties	
		Kshs		Kshs		
RECEIPTS						
Receipts from Government of Kenya	2	47,637,062	-	80,000,000	-	542,315,413
Proceeds from Domestic and Foreign Grants		-	-	-	-	-
Loan from external Development partners	3	-	43,273,636		53,496,175	887,755,032
Interest Income	4	971,433		5,931,754		13,066,053
Total Receipts		48,608,495	43,273,636	85,931,754	53,496,175	1,443,136,499
PAYMENTS						
Road Works Expenditure	5	96,234,370		257,290,325		695,071,463
Consultancy	6	-	43,273,636	-	53,496,175	435,552,698
Acquisition of Non-financial Assets		-		-		
Training Costs		-		-		56,975,610
Other operating costs	7	2,067,519		4,071,973		30,304,601
Total Payments		98,301,889	43,273,636	261,362,298	53,496,175	1,217,904,373
Surplus/(Deficit)		(49,693,394)	-	(175,430,544)	-	225,232,126

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


Ag. Director General
 Name: Eng. Philemon K. Kandie


Project Coordinator
 Name: Eng. Argwings Oyoti


Director of Corporate Services
 Name: CPA Dan Manyasi
 ICPAK Member Number: 6407

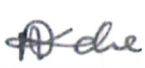
(IPSAS 1.3.24 requires an entity to separately disclose third party payments separately on the statement of receipts and payments. These are payments made by development partners directly on behalf of the entity. In recognising these transactions, the receipts must be equal to the payments made and therefore there is no surplus or deficit.)


*Improvement of Rural Roads and Market Infrastructure in Western Kenya
Reports and Financial Statements
For the financial year ended June 30, 2020*


STATEMENT OF FINANCIAL ASSETS AND LIABILITIES AS AT 30TH JUNE 2020

	Note	2019/20	2018/19
		Kshs	Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	9	101,139,924	233,325,518
Total Cash Equivalents		101,139,924	233,325,518
REPRESENTED BY:			
Fund balance brought forward	10	233,325,518	408,268,198
Amount reclaimed by KFW	11	(82,492,200)	
Surplus/Deficit for the year		(49,693,394)	(174,942,680)
Net Financial Position		101,139,924	233,325,518

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


Ag. Director General
 Name: Eng. Philemon K. Kandie


Project Coordinator
 Name: Eng. Argwings Oyoti

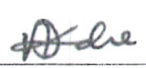

Director of Corporate Services
 Name: CPA Dan Manyasi
 ICPAK Member Number: 6407

*Improvement of Rural Roads and Market Infrastructure in Western Kenya
Reports and Financial Statements
For the financial year ended June 30, 2020*

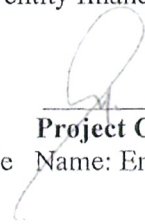
STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2020

		2019/2020	2018/2019
	Note	Kshs	Kshs
Receipts for operating activities			
Transfer from Government entities	2	47,637,062	80,000,000
Payments for operating expenses			
Purchase of goods and services		(224,067,726)	(314,370,608)
Net Cash flow used in operating activities		(176,430,664)	(234,370,608)
Cash flow from borrowing activities			
Proceeds from foreign borrowings	3	43,273,636	53,496,175
Net Cash flow from borrowing activities		43,273,636	53,496,175
Cash flow from Investing activities			
Interest Income	4	971,433	5,931,754
Net Cash flow from investing activities		971,433	5,931,754
Net increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		233,325,519	408,268,198
Cash and cash equivalents at the end of the year		101,139,924	233,325,519

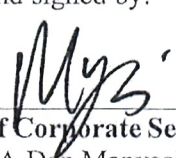
The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved and signed by:


Ag. Director General

Name: Eng. Philemon K. Kandie


Project Coordinator

Name: Eng. Argwings Oyoti


Director of Corporate Services

Name: CPA Dan Manyasi
ICPAK Member Number: 6407


*Improvement of Rural Roads and Market Infrastructure in Western Kenya
Reports and Financial Statements
For the financial year ended June 30, 2020*

STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

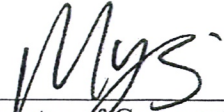
Financial Year Ended 30th June 2020

Consolidated	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Budget Utilisation Variance	% of Utilisation
	A	B	C=a+b	D	E=c-d	F=d/c%
Receipts/Payment Item						
RECEIPTS						
Receipts from Government of Kenya	80,000,000	-	80,000,000	47,637,062	32,362,938	60%
Loan from External Development Partners	250,000,000	(217,717,589)	32,282,411	43,273,636	(10,991,225)	134%
Interest Income	-	-	-	971,433	(971,433)	0%
Total receipts	330,000,000	(217,717,589)	112,282,411	91,882,132	20,400,279	
PAYMENTS						
Consultancy services	50,000,000	(17,717,589)	32,282,411	43,273,636	(10,991,225)	134%
Road works	275,000,000	(197,200,000)	77,800,000	96,234,370	(18,434,370)	124%
Acquisition of Non-financial Assets	-	-	-	-	-	0%
Training costs	-	-	-	-	-	0%
Operating costs	5,000,000	(2,800,000)	2,200,000	2,067,519	132,481	94%
Total Payments	330,000,000	(217,717,589)	112,282,411	141,575,526	(29,293,115)	

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


 Ag. Director General
 Name: Eng. Philemon K. Kandie


 Project Coordinator
 Name: Eng. Argwings Oyoti


 Director of Corporate Services
 Name: CPA Dan Manyasi
 ICPAK Member Number: 6407

NOTES TO THE FINANCIAL STATEMENTS

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

1. Basis of Preparation

a) Statement of compliance and basis of preparation

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

The financial statements comply with and conform to the form of presentation prescribed by the PSASB.

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

b) Reporting entity

The financial statements are for the Project Improvement of Rural Roads and Market Infrastructure in Western Kenya under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012 .

c) Reporting currency

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

Significant Accounting Policies

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.

• 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.

- **External Assistance**

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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

- **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 recognised in the financial statements the time associated cash is received.

b) Recognition of payments

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

- **Compensation of employees**

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

- **Use of goods and services**

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

- **Interest on borrowing**

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

• **Repayment of borrowing (principal amount)**

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

• **Acquisition of fixed assets**

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

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

c) 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.

d) 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 authorized 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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Accounts receivable

For the purposes of these financial statements, imprests and advances to authorized 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.

f) 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.

g) 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 recognized 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.

h) Third party payments

Included in the receipts and payments, are payments made on the project's behalf 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. 43,273,636** being loan disbursements were received in form of direct payments from third parties.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) 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 recognized in the statements of receipts and payments.

j) 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.

k) 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, 2018.

l) 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.

*Improvement of Rural Roads and Market Infrastructure in Western Kenya
Reports and Financial Statements
For the financial year ended June 30, 2020*

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. Government of Kenya Counterpart Funding		
<i>Government of Kenya Counterpart Funding</i>	2019/2020	2018/2019
	Kshs	Kshs
Exchequer Budget Funds	40,000,000	80,000,000
10% RMLF Counterpart Note 8	7,637,062	
Total GOK Counter Part Funding	47,637,062	80,000,000
3. Loans From External Development Partners		
Direct Payments	43,273,636	53,496,175
Funds Received	-	
Total Donor Funds	43,273,636	53,496,175
4. Interest Income		
	2019/2020	2018/2019
	Kshs	Kshs
Head office	971,433	5,931,754
5. Roadworks expenditure		
	2019/2020	2018/2019
	Kshs	Kshs
Bungoma	12,808,589	29,655,109
Kakamega	65,480,386	40,956,400
Vihiga	12,173,181	10,138,856
Busia	-	-
Siaya	4,835,759	6,593,443
Head office	83,428,655	169,946,518
6. Consultancy Services		
	2019/2020	2018/2019
	Kshs	Kshs
Aquaclean Services Limited	-	-
Grontmji A/S-GoK Payment	-	-
National Environment Management Authority	-	-
<i>Total Paid by KeRRA</i>	-	-
Grontmji A/S-Direct Payment	43,273,636	53,496,175

*Improvement of Rural Roads and Market Infrastructure in Western Kenya
Reports and Financial Statements
For the financial year ended June 30, 2020*

7. Other Operating Costs	2019/2020	2018/2019	
	Kshs	Kshs	
Tender Evaluation Costs	-	178,555	
Travelling and subsistence expenses	1,396,100	1,538,465	
Advertisement expenses	569,531	327,120	
Bank Charges	38,888	42,247	
Other Operating Overheads	63,000	1,497,721	
8. 10% RMLF Counterpart Funds	2019/2020	2018/2019	2019/2020
	Kshs	Kshs	Kshs
	Regions 10% RMLF Counterpart	Regions 10% RMLF Counterpart	Contract Retention Transferred to Hqs
Head office	-	-	-
Bungoma	7,637,062	-	329,185
Kakamega	-	-	4,410,588.10
Vihiga	-	-	548,342.00
	7,637,062	-	5,288,115
9. Cash and Bank Balances	2019/2020	2018/2019	
Bank Balances	Kshs	Kshs	
Kenya Commercial Bank -A/c No. 1114343528	-	-	
Kenya Commercial Bank -A/c No. 1179736249	39,209,350	54,607,363	
NIC Bank A/c No. 1001255416	4,387,601	31,428,720	
NIC Bank Fixed Deposit 1 (Funds from Main A/c)	-	60,335,342	
NIC Bank Fixed Deposit 2 (Funds From Retention A/c)	10,881,018	10,178,151	
NIC Bank A/c No. 1001965006-Retention	13,335,359	7,484,239	
Bungoma Co-operative A/c No. 011415365435	214,220	5,718,783	
Kakamega Co-operative A/c No. 01141545929700	192,006	16,925,231	
Kakamega 10% RMLF Counterpart A/c 1113921692	29,360,610	42,113,640	
Vihiga Co-operative A/c No. 1141472733300	1,334,655	4,312,299	
Busia GoK Counterpart A/c No. 1119722349	212,308	212,308	
Siaya GoK Counterpart A/c No. 1119721962	2,012,798	9,443	



*Improvement of Rural Roads and Market Infrastructure in Western Kenya
Reports and Financial Statements
For the financial year ended June 30, 2020*

10. Fund Balance Brought Forward	2019/2020	2018/2019
	Kshs	Kshs
Accumulated Surplus B/f	233,325,518	408,268,198

11. Funds reclaimed and refunded to KFW


An adjustment of Kshs.82, 492,200.00 has been made to the fund balance to reflect an equivalent of EUR 720,000.00 recalled by KFW through their letter dated reference No: 22340/200765123 to the Principle Secretary National Treasury. The recall was made in compliance with Clause 8 of Annex 6 of the separate Agreement of Attachment B (Annex 3). The amount was refunded on 27th June 2019 through the KFW NIC Bank Account No. 1001255416.

*Improvement of Rural Roads and Market Infrastructure in Western Kenya
Reports and Financial Statements
For the financial year ended June 30, 2020*

PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	All the Audit issues/observations for FY 2018/2019 were resolved				



Ag. Director General



Project Coordinator

*Improvement of Rural Roads and Market Infrastructure in Western Kenya
Reports and Financial Statements
For the financial year ended June 30, 2020*

**ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS
Financial Year Ended 30th June 2020**

	Final Budget	Actual on comparable basis	Utilisation Variance	% of Utilisation	Comments on variance
	Kshs	Kshs	Kshs		
	c=a+b	d	e=c-d	f=d/c%	
RECEIPTS					
Receipts from Government of Kenya	80,000,000	47,637,062	32,362,938	60%	The enhanced 2nd Supplementary budget of 13/05/2020 increased our ceiling from 50M to 80M. The project could not absorb this enhanced budget within the one and a half month period to the close of the Financial Year
Loan from External Development Partners	32,282,411	43,273,636	(10,991,225)	134%	Due to reduction of 2nd Supplementary budget of 13th May, 2020 after expenditure had been incurred.
Interest Income	-	971,433	(971,433)	0%	Could not be reliably estimated since it depends on the bank balances hence zero budget
Total receipts	112,282,411	91,882,132	20,400,279		
PAYMENTS					
Consultancy services	32,282,411	43,273,636	(10,991,225)	134%	Due to reduction of 2nd Supplementary budget of 13th May, 2020 after expenditure had been incurred.
Road works	77,800,000	96,234,370	(18,434,370)	124%	Funded from Accumulated Surplus B/F
Acquisition of Non-financial Assets	-	-	-	0%	N/A
Training costs	-	-	-	0%	N/A
Operating costs	2,200,000	2,067,519	132,481	94%	N/A
Total Payments	112,282,411	141,575,526	(29,293,115)		

Explain all variance below 90% and above 100%

*Improvement of Rural Roads and Market Infrastructure in Western Kenya
Reports and Financial Statements
For the financial year ended June 30, 2020*

ANNEX 2A - ANALYSIS OF PENDING BILLS

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To Date	Outstanding Balance	Outstanding Balance	Comments
				2020	2019	
	a	b	c	d=a-c		
Construction of buildings						None
None				-		
				-		
Sub-Total			-	-		
Construction of civil works						None
None				-		
				-		
Sub-Total			-	-		
Supply of goods						None
None				-		
				-		
Sub-Total			-	-		
Supply of services						None
None				-		
				-		
Sub-Total			-	-		
Grand Total			-	-		

*Improvement of Rural Roads and Market Infrastructure in Western Kenya
Reports and Financial Statements
For the financial year ended June 30, 2020*

ANNEX 2B - ANALYSIS OF PENDING STAFF BILLS

Name of Staff	Job Group	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2020	Outstanding Balance 2019	Comments
		a	b	c	d=a-c		
Permanent Employees - Management							None
1. None							
2.							
3.							
Sub-Total							
Permanent Employees - Others							None
4. None							
5.							
6.							
Sub-Total							
Temporary employees							None
7. None							
8.							
9.							
Sub-Total							
Others (specify)							None
10. None							
11.							
12.							
Sub-Total							
Grand Total							

*Improvement of Rural Roads and Market Infrastructure in Western Kenya
Reports and Financial Statements
For the financial year ended June 30, 2020*

ANNEX 2C - ANALYSIS OF OTHER PENDING PAYABLES

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2020	Outstanding Balance 2019	Comments
		a	b	c	d=a-c		
Amounts due to National Govt Entities							
1.	None						None
2.							
3.							
Sub-Total							
Amounts due to County Govt Entities							
4.	None						None
5.							
6.							
Sub-Total							
Amounts due to Third Parties							
7.	None						None
8.							
9.							
Sub-Total							
Others (specify)							
10.	None						None
11.							
12.							
Sub-Total							
Grand Total							

*Improvement of Rural Roads and Market Infrastructure in Western Kenya
Reports and Financial Statements
For the financial year ended June 30, 2020*

ANNEX 3 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Opening Cost (KShs) 2019/20 (a)	*Purchases/Additions in the Year (KShs) 2019/20 (b)	**Disposals in the Year (KShs) 2019/20 (c)	Closing Cost (KShs) 2019/20 (d)= (a)+ (b)-(c)
Land	None	None	None	None
Buildings and structures	None	None	None	None
Transport equipment	41,600,000	None	None	41,600,000
Office equipment, furniture and fittings	None	None	None	None
ICT Equipment, Software and Other ICT Assets	None	None	None	None
Other Machinery and Equipment	None	None	None	None
Heritage and cultural assets	None	None	None	None
Intangible assets	None	None	None	None
Total	41,600,000			41,600,000.00

Notes

* Purchases/Additions in the year reconciled to the amount in Statement of Receipts and Payments

** The disposal amount to be disclosed in this register is the cost that the asset was acquired at and not the price at which it has been sold.

*Improvement of Rural Roads and Market Infrastructure in Western Kenya
Reports and Financial Statements
For the financial year ended June 30, 2020*

APPENDICES

i. Bank Reconciliations

