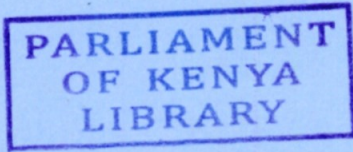


REPUBLIC OF KENYA



REPORT



OF

THE AUDITOR-GENERAL

ON

**IMPROVEMENT OF RURAL ROADS AND
MARKET INFRASTRUCTURE IN WESTERN
KENYA KFW CREDIT NO.200765123**

**FOR THE YEAR ENDED
30 JUNE, 2025**

KENYA RURAL ROADS AUTHORITY

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 24 FEB 2026

DAY.

Tuesday

TABLED

BY:

Deputy Leader Majority Party

Hon. Owen Baya, MP

PRESENT AT
TABLE:

Mr. Benson Inzohy



**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, 2025**

**Transitional IPSAS Financial Statements/Prepared in accordance with the Accrual Basis of Accounting
Method under the International Public Sector Accounting Standards (IPSAS)**

***Improvement of Rural Roads and Market Infrastructure in Western Kenya
Annual Report and Financial Statements for the financial year ended June 30, 2025***

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Acronyms and Definition of Terms

CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
NT	National Treasury
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
Comparative FY	Financial year preceding the current financial year.
KFW	German Development Bank

Project Information and Overall Performance

2.1 Name and registered office

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

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

Tel: 020-7807600/01-05

Mobil: 0711-851103

Director General: dg@kerra.go.ke

Website: www.kerra.go.ke

Project information and overall performance (continued)

2.2 Project Information

Project Start Date:	The project start date is 1st August 2012
Project End Date:	The project end date is 31st December 2022
Project Coordinator:	The project Coordinator is Eng. Joseph Macharia
Project Development Partner:	The project development partner are the Government of Kenya(GOK), which will contribute 50% and German Development Bank through their lending arm KFW which will contribute 50%.

2.3 Project Overview

Line Ministry or State departments/ County Department	The project is under supervision of Kenya Rural Roads Authority, which falls under the State department for Roads.
Project number	2007 65 123
Strategic goals of the project	The strategic goals of the project is Rehabilitation of rural roads to maintainable gravel standards using labour based technology and improvement of markets in Bungoma, Vihiga, Kakamega, Busia and Siaya Counties.
Summary of Project Strategies for achievement of strategic goals	<p>The project management aimed to achieve the strategic goals through improvement of a continuous 281kms of rural road network in the counties of Bungoma, Vihiga, Kakamega, Busia and Siaya to maintainable gravel standards.</p> <p>The market component was a Grant which was to be implemented under the Ministry of Agriculture, Fisheries and Livestock Development while the Rural Roads Component is being implemented by KeRRA.</p> <p>Implementation of the Programme was completed by June, 2020 with the following achievements under the programme components.</p> <p>Road Works</p> <p>A total of 281km was achieved with 230 km implemented under normal contracts while 50 km implemented under Trial Contracts.</p>

	<p>Training A total of 203 persons were trained under the Programme as shown in the table below;</p> <table border="1" data-bbox="655 432 1422 728"> <thead> <tr> <th>S/No</th> <th>Cadre</th> <th>No Trained</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Road Improvement Contractors (Trial Contractors)</td> <td>99</td> </tr> <tr> <td>2</td> <td>Routine Maintenance Contractors</td> <td>54</td> </tr> <tr> <td>3</td> <td>KeRRA Staff</td> <td>40</td> </tr> <tr> <td>4</td> <td>Private Sector Supervisors</td> <td>10</td> </tr> <tr> <td></td> <td>Total</td> <td>203</td> </tr> </tbody> </table> <p>Endowments for Regional Managers</p> <p>Vehicles Eight (8) new Double cabin Pick up Vehicles were bought under the programme and shared among Kakamega, Bungoma, Vihiga and Busia Regions.</p> <p>ICT and Office Furniture The programme procured assorted items of Office Furniture and ICT Equipment which were also shared among four regional offices (Bungoma, Kakamega, Vihiga and Busia)</p> <p>Environmental and Social Impact assessment Studies(ESIAs): ESIA for all roadworks components was conducted and NEMA issued respective Licenses as per the Batches.</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.</p>	S/No	Cadre	No Trained	1	Road Improvement Contractors (Trial Contractors)	99	2	Routine Maintenance Contractors	54	3	KeRRA Staff	40	4	Private Sector Supervisors	10		Total	203
S/No	Cadre	No Trained																	
1	Road Improvement Contractors (Trial Contractors)	99																	
2	Routine Maintenance Contractors	54																	
3	KeRRA Staff	40																	
4	Private Sector Supervisors	10																	
	Total	203																	
Other important background information of the project	The project management consultant conducted a Socio-Economic Baseline Study in August 2014. An Impact study was later conducted in 2020 after the end of implementation of the roadworks.																		

***Improvement of Rural Roads and Market Infrastructure in Western Kenya
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Areas that the project was formed to intervene	The project was formed to intervene in the following area: (i) Improvement of accessibility to markets (ii) Infrastructure development
Project duration	10 Years

2.4 Project Information and Overall Performance (Continued)

Special Deposit Account

Central Bank of Kenya- EURO Account Number 1000214295

Haile Selassie Avenue,
P.O. Box 60000-00200,
Nairobi Kenya

(i) Local Special Project Accounts (Disposition Fund Accounts)

NCBA Bank Ltd

NIC House Branch

P.O Box 445990-00100

Nairobi Kenya

KfW Retention Account Number 1001965006

KCB Bank LTD

Kencom House, Moi Avenue Branch,

P.O. Box 48400-00100

Nairobi Kenya

GoK Counterpart Account Number 1179736249

2.5 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

2.6 Roles and Responsibilities

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:

Names	Title Designation	Key Qualification	Responsibilities
Eng. Jackson K. Magondu dq@kerra.go.ke +254 0777851103, 0207807600	Ag. Director General	<i>BSc., MIEK, P.Eng, M(IBL), A(CLArb-UK)</i>	Accounting Officer
Eng. Jackson K. Magondu jackson.magondu@kerra.go.ke +254 0777851103, 02078076002	Director Planning, Design & Environmental Interests	<i>BSc., MIEK, P.Eng, M(IBL), A(CLArb-UK)</i>	Supervisor/Engineer
Eng. Joseph G.Macharia joseph.macharia@kerra.go.ke +254 0724 989291, 0207807602	Desk officer/ Project Engineer	Bsc Hons, P.Eng	Coordination of the activities of the program
CPA Jane K. Murage dcs@kerra.go.ke jane.murage@kerra.go.ke +254 0777851103, 0207807601	Project Accountant	BBA(Acc), CPA (K), MBA(Acc)	Accountant, support the project team regarding payments and reports.

1.1 Funding summary

The original planned duration of the Project was seven (7) years from 2012 to 2019. A 3-year extension was granted, extending the project execution period to December, 2022. The project has an approved budget of Euros 13,700,000 equivalent to Kshs. 1,370,000,000 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 th June 2025)		Undrawn balance to date	
	Development Partner currency	Kshs	Development Partner currency	Kshs	Development Partner currency	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A') - (B')
(i) Grant						
German Development Bank	7,500,000	750,000,000	8,452,683	845,268,295	- 952,683	- 95,268,295
Total	7,500,000	750,000,000	8,452,683	845,268,295	- 952,683	- 95,268,295
(iii) Counterpart funds						
Government of Kenya	4,700,000	470,000,000	7,123,154	712,315,413	(2,423,154)	(242,315,413)
Miscellaneous Receipts			389,423	17,394,945	(170,055)	(17,005,522)
Total	12,200,000	1,220,000,000	15,965,260	1,574,978,653	- 3,545,892	- 354,589,230

Project information and overall performance (continued)

B. Application of Funds

Application of funds	Amount received to date – (30 th June 2025)		Cumulative amount paid to date – (30 th June 2025)		Unutilised balance to date (30th June 2025)	
	Development Partner currency	Kshs	Development Partner currency	Kshs	Development Partner currency	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Loan						
KFW	8,452,683	845,268,295	8,452,683	845,268,295		
Total	8,452,683	845,268,295	8,452,683	845,268,295		-
(ii) Counterpart funds						
Government of Kenya	7,123,154	712,315,413	5,580,172	558,017,196	1,542,982	154,298,217
Miscellaneous Receipts	173,949	17,394,945			173,949	17,394,945
Total	15,749,786	1,574,978,653	14,032,855	1,403,285,491	1,716,931	171,693,162

Project information and overall performance (continued)

2.8 Summary of Overall Project Performance:

- The project absorbed 83% of the budget received in the financial year.
- The physical progress of the project based on outputs, outcomes and impacts since project commencement is as below:

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

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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 (km)	Contract Sum (Kshs)
Kakamega	Lumakanda- Mwamba	7.6	17,879,092.00
	Musoli- hiamusinjiri	7.5	16,686,073.36
	Harambee-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 G61947	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.

iv) The project absorption rate over the years

FY 2014/15	FY 2015/16	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
77%	51%	59%	210%	126%	52%	24%	1%	41%	57%

v) The implementation challenges faced in the execution of the project were:

- Delayed disbursements by the National Treasury
- Delays in processing tax exemptions by The National Treasury Economic Planning and the Kenya Revenue Authority.

2.9 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.

3. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETRMINED OBJECTIVES

Introduction

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:

- a) Improvement of a continuous 281kms of rural road network in the counties of Bungoma, Vihiga, Kakamega, Busia and Siaya to maintainable gravel standards.
- b) Improvement of the capacity of local contractors by providing training on labour-based technology and contract management.

Progress on attainment of Strategic development objectives

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-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:

Project	Objective	Outcome	Indicator	Performance
Public Works, Roads & Transport	Rehabilitation of rural roads to maintainable gravel standards using Labour Based Technology and improvement of markets in Bungoma, Vihiga, Kakamega, Busia and Siaya counties.	Increased efficient transportation of people, goods and services	Number of Kms of roads upgraded to maintainable gravel standards.	The project has managed to upgrade a total of 281Kms of roads in the counties of Kakamega, Vihiga, Bungoma, Busia and Siaya to gravel standards.

4 ENVIROMENTAL AND SUSTAINABILITY REPORTING

The Improvement of Rural Roads and market Infrastructure in Western Kenya Project had no provision for Corporate Social Responsibility activities.

5 STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Director General Kenya Rural Roads Authority and the Project Coordinator for Improvement of Rural Roads and Market Infrastructure in Western Kenya 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 (period) ended on June 30, 2025.

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 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 Director General 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 ended June 30, 2023, and of the Project's financial position as at that date. The Director General Kenya Rural Roads Authority and the Project Coordinator for Improvement of Rural Roads and Market Infrastructure in Western Kenya project further confirm the completeness

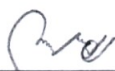
***Improvement of Rural Roads and Market Infrastructure in Western Kenya
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of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

The Director General 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 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 Director General Kenya Rural Roads Authority and the Project Coordinator for Improvement of Rural Roads and Market Infrastructure in Western Kenya project on 18th August 2025 and signed by them.



Principal Accountant
CPA William Abungu
ICPAK Member Number: 4479



Project Coordinator
Eng. Joseph Macharia



Ag. Director General
Eng J.K. Magondu

REPUBLIC OF KENYA

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



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 KFW CREDIT NO.200765123 FOR THE YEAR ENDED 30 JUNE, 2025 – KENYA RURAL ROADS AUTHORITY

PREAMBLE

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

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

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

The three parts of the report 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

Opinion

I have audited the accompanying transitional IPSAS financial statements of Improvement of Rural Roads and Market Infrastructure in Western Kenya set out on pages 1 to 15,

Report of the Auditor-General on Improvement of Rural Roads and Market Infrastructure in Western Kenya Credit No. 200765123 for the year ended 30 June, 2025 – Kenya Rural Roads Authority

which comprise of the statement of financial position as at 30 June, 2025, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the transitional IPSAS financial statements present fairly, in all material respects, the financial position of Improvement of Rural Roads and Market Infrastructure in Western Kenya as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) including the transitional provisions permitted under IPSAS 33 and comply with the Financing Agreement No. 200765123 between the Republic of Kenya and German Development Bank (KfW) dated 14 December, 2009 and the Public Finance Management Act, 2012; and The National Treasury and Economic Planning Circular No.3 of 14 April, 2025.

Basis for Opinion

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

Emphasis of Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects total revenue and total payments on actual on comparable basis of Kshs.70,168,816 and Kshs.40,618,927 respectively resulting to revenue under-utilization of Kshs.40,618,927 or 42% of revenue. The under-utilization affected the planned activities of Project and may have affected the service delivery to the public.

2. Long Outstanding Retentions and Deposits Refund

The statement of financial performance reflects third party deposits balance of Kshs.2,322,758. Review of the retention payments documents revealed that the contractors' retentions payments had been delayed for over three (3) years and there were no outstanding contractual obligations with the contractor. This could lead to litigation and penalties on unremitted retentions.

3. Project Closure Report

Paragraph 2.7 on Funding Summary indicates that the Project was for a duration of seven (7) years from 1 August, 2012 to 2019 and a three (3) year extension was granted extending the Project period to December, 2022. The Project had an approved Development Partner Commitment budget of EURO.7,500,000 equivalent to Kshs.750,000,000 and Government of Kenya counterpart funds of Kshs.470,000,000 totaling Kshs.1,220,000,000. However, the total Donor Commitment received amounted to Kshs.845,268,295 and GoK Counterpart and miscellaneous receipts of Kshs.712,315,413 and Kshs.17,394,945 respectively totalling Kshs.1,574,978,653 resulting to over-funding of Kshs.354,978,653.

Further, Paragraph 2.8 on summary of overall Project performance indicates that the Project have been undertaken for both batch 1 and batch 2. However, the Project closure report was not provided for audit. Management did not provide an explanation for the failure to close the project.

My opinion is not modified in respect of these matters.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the prior years' audit reports, several issues were raised under the Report on Financial Statements, Emphasis of Matter and Report on Lawfulness and Effectiveness in Use of Public Resources. Review of the status during audit of the Project in 2024/2025 revealed that the following four (4) issues remained unresolved:

No.	Financial Year	Audit Issue
1.	2023/2024	Inaccuracy in the Financial Statements
2.	2023/2024	Unsupported Overfunding of Counterpart Funds
3.	2023/2024	Budgetary Control and Performance
4.	2023/2024	Long Outstanding Retentions and Deposits Refund

Other Information

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

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

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.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

As required by the Financing Agreement No. 200765123 between the Republic of Kenya and German Development Bank (KfW) dated 14 December, 2009, 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. 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.

Basis for Conclusion

The Financing Agreement requires that I report on the legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate opinion as to the Project's compliance with laws and regulations. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of the Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

24 November, 2025

**Improvement of Rural Roads and Market Infrastructure in Western Kenya
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7 Statement of Financial Performance for the Year Ended 30th June 2025.

	Notes	2024/25 Kshs
Revenue		
Revenue Transfers	6	70,000,000
Miscellaneous Revenue	7	168,816
Total revenue		70,168,816
Expenses		
Use of goods and services	8	26,975
Contractors Retention and Payables	9	40,591,952
Total expenses		40,618,927
Surplus/ (deficit)		29,549,889

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



.....
Principal Accountant
CPA William Abungu
ICPAK Member No:4479



.....
Project Coordinator
Eng Joseph Macharia




.....
Ag. Director General
Eng J. K. Magondu

*Improvement of Rural Roads and Market Infrastructure in Western Kenya
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8 Statement of Financial Position as at 30th June 2025

	Note	2024/25 Kshs	1 st July 2024 Kshs
Assets			
Current Assets			
Cash and Cash equivalents	10	171,693,162	142,143,272
Total Current Assets		171,693,162	142,143,272
Non-Current Assets			
Property, Plant and Equipment	11	1,436,736,315	1,436,736,315
Total Non- Current Assets		1,436,736,315	1,436,736,315
Total Assets (a)		1,608,429,477	1,578,879,587
Liabilities			
Current Liabilities			
Third Party Deposits	12	2,322,758	3,413,088
Supervsion Consultancy			31,120,457
Total Liabilities (b)		2,322,758	34,533,545
Net Assets (a-b)		1,606,106,719	1,544,346,042
Represented By:			
Accumulated Surplus		1,606,106,719	1,544,346,042
Total Net Assets		1,606,106,719	1,544,346,042

The financial statements were approved on 18th August 2025 and signed by:


.....
Principal Accountant
CPA William Abungu
ICPAK Member No: 4479


.....
Project Coordinator
Eng Joseph Macharia


.....
Ag. Director General
Eng J. K. Magondu

**Improvement of Rural Roads and Market Infrastructure in Western Kenya
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9 Statement of Changes in Net Assets

Description	Accumulated Surplus Kshs
As at 30th June 2024 (Cash Basis)	138,730,184
Adjustments:	
Asset Recognition	1,436,736,315
Disclosure	(31,120,457.00)
As at 1st July 2024	1,544,346,042
Liabilities Recognition	32,210,788
Surplus/(Deficit) for the year	29,549,889
As at 30th June 2025	1,606,106,719

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

The financial statements were approved on 18th August 2025 and signed by:


.....

Principal Accountant
CPA William Abungu
ICPAK Member No: 4479


.....

Project Coordinator
Eng Joseph Macharia

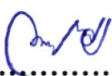

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Ag. Director General
Eng J. K. Magondu

**Improvement of Rural Roads and Market Infrastructure in Western Kenya
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10 Statement of Cashflow for the year ended 30th June 2025

Description	Note	2024/25 Kshs
Cashflow from operating activities		
Receipts		
Revenue Transfers	6	70,000,000
Miscellaneous Revenue	7	168,816
Total receipts		70,168,816
Payments		
Use of goods and services	8	26,975
Contractors Retention and Payables	9	40,591,952
Total payments		40,618,927
Net cash flow from operating activities		29,549,889
Cash flow from financing activities		
<i>Proceeds from foreign borrowings</i>		
Net cash flow from financing activities		-
Net increase/Decrease in cash and cash equivalents		29,549,889
Cash and cash equivalent at 1st July 2024	10	142,143,272
Cash and cash equivalent at end June 2025	10	171,693,161


.....
Principal Accountant
CPA William Abungu
ICPAK Member No: 4479


.....
Project Coordinator
Eng Joseph Macharia


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Ag. Director General
Eng. J. K. Magundu

*Improvement of Rural Roads and Market Infrastructure in Western Kenya
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11 Statement of Comparison of Budget and Actual Amounts for the Year ended 30th June 2025

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs	
Receipts						
Revenue Transfers	674,509,522	(603,476,433)	71,033,089	70,000,000	1,033,089	99%
Miscellaneous Revenue				168,816		
Total Revenue	674,509,522	(603,476,433)	71,033,089	70,168,816	1,033,089	
Payments						
Use of goods and services	30,000	(30,000)	30,000	26,975	3,025	90%
Certified Works	674,479,522	(603,446,433)	70,973,089	40,591,952	30,381,137	57%
Total Payments	674,509,522	(603,476,433)	71,003,089	40,618,927	30,384,162	57%
Surplus				29,549,889		

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Budget Reconciliation

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	29,549,889
1	Decrease in third party deposits	
2	Opening cash and cash equivalent	142,143,272
	Closing Cash and Cash Equivalent as per the statement of Cash flows	171,693,161

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12 Notes to the Financial Statements

1. General Information

Kenya Rural Roads Authority entity is established by and derives its authority and accountability from Kenya Roads Act 2007. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to manage, develop, rehabilitate and maintain rural road network in the country.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared in accordance with the Public Finance Management Act, 2012 and with the International Public Sector Accounting Standards (IPSAS).

These financial statements were authorized for issue by the accounting officer on 18th August 2025

3. Adoption of New and Revised Standards

i) *New and amended standards and interpretations in issue effective in the year ended 30 June 2025.*

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

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Standard	Effective date and impact:
IPSAS 45- Property Plant and Equipment	<p><i>Applicable 1st January 2025</i></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p>
IPSAS 46 Measurement	<p><i>Applicable 1st January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>

ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025

Standard	Effective date and impact:
IPSAS 47- Revenue	<p><i>Applicable 1st January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial</p>

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Standard	Effective date and impact:
	statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.
IPSAS 48- Transfer Expenses	<i>Applicable 1st January 2026</i> The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.
IPSAS 49- Retirement Benefit Plans	<i>Applicable 1st January 2026</i> The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<i>Applicable 1st January 2027</i> The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires: <ul style="list-style-type: none"> i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.

iii) Early adoption of standards

The Entity adopted the new and amended standards in the financial year 2024/2025

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that have been acquired using such funds.

ii) Revenue from exchange transactions

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

b) Budget information

The original budget for FY 2024/2025 was approved by the Council or Board on xxx. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals to conclude the final budget. Accordingly, the entity recorded additional appropriations of 2025 on the FY 2024/2025 budget following the Council/ Board's approval. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of

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comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on page 5 under section *II* of these financial statements.

c) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition or construction of the item of property appropriately according to the acronyms you use in your financial statements plant and equipment. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus, or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

d) Related parties

The *Entity* regards a related party as a person or an entity with the ability to exert control individually or jointly or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the Principal and senior managers.

e) 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.

f) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2025.

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6. Revenue Transfers

Description	2024/25 KShs
Unconditional Transfers	
GoK Counter Part funding	70,000,000
Transfers from Development partners	
Total Unconditional Transfers	70,000,000
Total Transfers for the Year	70,000,000

a) Details to Revenue Transfers

Name of The Entity Transferring	Amount recognized to Statement of Financial performance Kshs	Amount moved to Capital fund Kshs	Total transfers (Current FY) Kshs
GOK Funding	845,268,295	775,268,295	70,000,000
KFW	1,181,980,957	1,181,980,957	-
Subtotal	2,027,249,252	1,957,249,252	70,000,000
Total	2,027,249,252	1,957,249,252	70,000,000

7. Miscellaneous revenue

Description	FY 2024/25 Kshs
Interest Income	88,307
Bank Transfer	80,509
Total	168,816

8. Use of Goods and Services

Description	FY 2024/25 Kshs
Bank charges	26,975
Total	26,975

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Notes to the financial statements(Continued)

9. Contractors Retention

Description	FY 2024/25 Kshs
Retention & Consultancy Payables	40,591,952
Total	40,591,952

10. Cash and Cash Equivalents

Description	2024/25 Kshs	1st July Kshs
Cash in Bank	171,693,162	142,143,272
Total Cash and Cash Equivalents	171,693,162	142,143,272

10 (b)Project Bank Accounts

Details	2024/25 Kshs	2024/25 Kshs
Local Currency Accounts		
NCBA Bank(A/c No 1001255416)		81,804
NCBA Bank(A/c No 1001965006)	2,322,758	7,340,256
FDR Kerra GOK Ac no 1179736249		100,000,000
KCB Bank Counterpart Ac No 1179736249	169,370,403	34,721,211
Total local currency balances	171,693,162	142,143,271
Total bank account balances	171,693,162	142,143,271

11 Property, Plant and Equipment

Cost	Other Assets (Roads) Kshs	Total Kshs
Depreciation rate		
As At 1 July 2024 (opening balances)	1,436,736,315	1,436,736,315
Additions	-	-
As at 30th June 2025	1,436,736,315	1,436,736,315
Net Book Values		
As at 1 st July 2024	1,436,736,315	1,436,736,315
As at 30th June 2025	1,436,736,315	1,436,736,315

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Notes to the financial statements(Continued)

12 Third-Party Deposits

Description	2024/25 Kshs	1 st July 2024 Kshs	
Contractor's Retention	2,322,758	3,413,088	
Total deposits	2,322,758	3,413,088	
Ageing analysis: (Refundable deposits)	2024/25	Comparative 2023/24	% of the Total
Under one year			
1-2 years			
2-3 years			
Over 3 years	2,322,758	3,413,088	100%
Total	2,322,758	3,413,088	

13 Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as of 30th June 2025 are not included in the Statement of Financial Assets since the line items are yet to be drawn into the Exchequer Account as a voted provision.

14 Related Party Disclosures

Nature of related party relationships

Entities and other parties related to the *Entity* include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Government of Kenya

The Government of Kenya is the principal shareholder of the *Entity*, holding 100% of the *Entity's* equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the *Entity*, both domestic and external.

Other related parties include:

- i) The Parent Ministry.
- ii) County Governments
- iii) Other SCs and SAGAs
- iv) Key management.
- v) Board of Directors.

***Improvement of Rural Roads and Market Infrastructure in Western Kenya
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15 Events after the Reporting Period

There were no material adjusting and non-adjusting events after the reporting period.

16 Ultimate And Holding Entity

The Entity is a State Corporation/ or a Semi-Autonomous Government Agency under the Ministry of Roads and Transport. Its ultimate parent is the Government of Kenya.

17 Currency

The financial statements are presented in Kenya Shillings (Kshs) rounded to the nearest Kshs.

*Improvement of Rural Roads and Market Infrastructure in Western Kenya
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13. Annexes				
Annex 1: Prior Year Auditor-General's Recommendations				
Reference No. on the external audit Report	Issue/Observation from Auditor	Management comments	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Basis for Qualified Opinion	<p>1 Unsupported Consultancy Services</p> <p>The statement of receipts and payments reflects consultancy amount of Kshs 35,005,463. Review of records provided indicates that the amount was paid to service providers. However, claims for reimbursable travel costs were not supported by air tickets, boarding passes or online receipts. In addition, hours worked by consultants were not supported by timesheets and work logs detailing the hours worked by the consultants were either incomplete or entirely missing, making it impossible to confirm the validity of the billed hours. In the circumstances, the accuracy, completeness and validity of consultancy amount of Kshs. 35,005,463 could not be confirmed.</p>	The supporting documents will be forwarded to the auditor during this year's audit	Not Resolved	Audit for 2024/25

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	<p>2 Variance between Financial Statements and Notes to the Financial Statement</p> <p>The statement of financial assets reflects accounts payable balance of Kshs. 3,413,088 being cumulative retention as disclosed in Note 8 to the financial statements. However Note 8 to the financial assets discloses a balance of 4,248,349 resulting to an explained and an unreconciled variance of Kshs 835,261. In the circumstances, the accuracy and completeness of accounts payable balance of 3,413,088 could not be confirmed.</p>	<p>The figure of Kshs 4,248,349 represents the retentions that had been paid back to the contractors while Kshs 3,413,088 refers to the amount that was still pending for the contractors</p>	<p>Resolved</p>	
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*Improvement of Rural Roads and Market Infrastructure in Western Kenya
Annual Report and Financial Statements for the financial year ended June 30, 2025*

<p>Emphasis of Matter</p>	<p>1 Budgetary Control Performance The statement of comparison of budgeted receipts of Kshs 180,000,000 against actual amounts reflects budgeted receipts of Kshs 180,000,000 against actual income of Kshs 85,248,805 resulting to an under-collection of Kshs 94,751,195 or 53% of the budget. The statement further reflects budgeted expenditure of Kshs 180,000,000 against actual expenditure of Kshs 35,095,385 resulting to an under-expenditure of Kshs 49,9110,078 or 41% of the budget. The under-funding and under-expenditure may have affected the planned activities and impacted negatively on service delivery to the public.</p>	<p>The authority will endeavor to ensure the funds are absorbed on a timely basis</p>	<p>Resolved</p>	
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*Improvement of Rural Roads and Market Infrastructure in Western Kenya
Annual Report and Financial Statements for the financial year ended June 30, 2025*


	<p>2 Long standing pending accounts payable The statement of financial assets as disclosed in Note 1 on other important disclosures to the financial statements reflects pending accounts payable totaling to Kshs 31,120,457 which have been outstanding for more than one year. Management did not explain reasons for non-settlement of the bills and therefore the project is at the risk of incurring significant interest costs and penalties with the continued delay in payment. Further, failure to settle bills during the year to which they relate distorts the financial statements and adversely affects the budgetary provisions for the subsequent year as they form the first charge.</p>	<p>The pending bills were due to the consultant having issues with National Treasury, therefore no payments could be done till the issues were resolved. The payments have now been made.</p>	<p>Resolved</p>	
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*Improvement of Rural Roads and Market Infrastructure in Western Kenya
Annual Report and Financial Statements for the financial year ended June 30, 2025*

	<p>3 Long Outstanding Retentions and Deposits Refund</p> <p>Note 8 to the financial statements indicated that KeRRA paid retention monies totaling to Kshs 4,248,348 to various contractors over one year after the end of defects liability period as detailed below. However, retention monies for contractors totaling Kshs 3,413,088 have continued to be held by management since 2018 without explanation.</p>	<p>Management will put in place internal policies and ensure the refunds are done on a timely manner.</p>	<p>Resolved</p>	
<p>Other Matter</p>	<p>Unresolved Prior Year Matters</p> <p>In the audit report of the previous year, several issues were raised under the report on financial statements and report on lawfulness and effectiveness in use of public resources. However management has not provided an explanation on how the issues were addressed.</p>	<p>All prior year matters were resolved</p>	<p>Resolved</p>	

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<p>Basis for Conclusion</p>	<p>Unexplained over financing of the project The statement of receipts and payments and other Project's information indicate that as at 30 June 2024, the project had received total funding of Kshs 1,467,856,772 against total funding of Kshs 1,370,000,000 provided in the financing agreement leading to over-financing by Kshs 97,856,772. There was no evidence or explanation provided by the management on this anomaly. In the circumstances, management was in breach of the financing agreement and the Public Sector Accounting Standards Board financial reporting template</p>	<p>There were several addendums raised in the course of the project life span which affected the total funding. These addendums will be provided in FY 2024/25 audit</p>	<p>Resolved</p>	
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.....
Project Coordinator
Eng Joseph Macharia


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Ag. Director General
Eng J.K. Magondu

*Improvement of Rural roads and Market Infrastructure in Western Kenya
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Annex 2: Reconciliation of inter-entity transfers

Project Name:			
Break down of transfers from the State Department			
a. Government Counterpart funding			
		Amount (Kshs)	he amounts relate
	15/05/2025	70,000,000	FY 24/25
		70,000,000	
B. Direct payments			
		Amount (Kshs)	he amounts relate
			FY 24/25
		-	
C. Others			
		Amount (Kshs)	he amounts relate
			FY 24/25
		-	
		70,000,000	

Annex 3: Fixed Asset Register

Asset class	Historical Cost b/f (Kshs) Previous Year	Additions during the year (Kshs)	Disposals during the year (Kshs)	Transfers in/(out) during the year	Historical Cost c/f (Kshs) Current Year
Infrastructure Assets- Roads, Rails	1,436,736,315				1,436,736,315
Total	1,436,736,315		-		1,436,736,315

Annex 4: Other Support Documents

i. Bank Reconciliations statement as at 30th June 2025