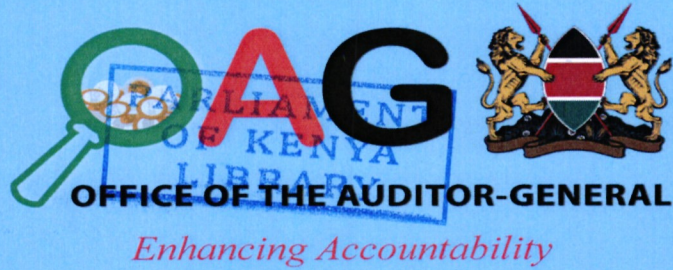


REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

**ROADS 2000 PHASE TWO PROJECT (AFD
CREDIT NO. CKE 101201B, CREDIT NO. CKE
104601J AND CREDIT NO. CKE 109401 M)**

**FOR THE YEAR ENDED
30 JUNE, 2022**

KENYA RURAL ROADS AUTHORITY

THE NATIONAL ASSEMBLY
PROCEEDINGS

DATE: 13 APR 2023 THURSDAY

TABLED BY: THE LEADER OF THE MAJORITY PARTY (Hon. Kimani Ichung'ish)

CLERK-AT-THE-TABLE: Joyce Lemerelle





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

Implementing Entity Kenya Rural Roads Authority

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



ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2022

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

*Roads 2000 Phase Two-Central Kenya Rural Roads Improvement and Maintenance Project
Annual Report and Financial Statements For the financial year ended June 30, 2022*

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1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name

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

Objective

The key objective of the project is to improve 700 Kms of rural roads in Muranga, Kiambu, Nyeri, Kirinyaga, Nyandarua and Laikipia to gravel standards and 165Km of low volume seal roads in the 6 regions

Address

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

The address of its registered office is:

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

The project also has offices/branches as follows:

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

Contacts: The following are the project contacts
Telephone: (254) (20) 2710464/0724735568/0733619197
E-mail: kerra@kerra.go.ke/dgkerra@kerra.go.ke
Website: www.kerra.go.ke

PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.2 Project Information

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

1.3 Project Overview

Line Ministry/State Department of the project	The project is under the implementation of Kenya Rural Roads Authority which falls under the State department of Infrastructure of the Ministry of Transport, Infrastructure, Housing and Urban Development.
Project number	CKE101201B/ CKE104601J/CKE 1094
Strategic goals of the project	The strategic goal of the project is to improve 110 Kms of rural roads in Kiambu, Nyeri, Kirinyaga and Laikipia to gravel standards and 76.4 Km of low volume seal roads in the 4 regions
Achievement of strategic goals	15 out of the 15 Batch 3 Gravel Contracts covering 110 Km have been completed. All Low Volume Seal Batch 3 contracts are completed in Kiambu, Kirinyaga and Nyeri Regions except 1 Contract in Nyeri expected to be Completed by End of September 2021. Overall, the training program has delivered 34,831 trainee days or approximately 104% of the original training program.

*Roads 2000 Phase Two-Central Kenya Rural Roads Improvement and Maintenance Project
Annual Report and Financial Statements For the financial year ended June 30, 2022*

<p>Other important background information of the project</p>	<p>The project agreement was signed on the 5th July 2010 and the additional Credit Financing Agreement was signed in April 2016. The original implementation period was 48 months with a completion date of 30th June 2016. An application to extend the completion date by 30 months to December, 2019 was approved by the Development Partner.</p> <p>An extension for the usage of funds has been granted up to April 2021.</p> <p>Due to Covid Related complications, the Technical Completion date was amended to 31st December 2021 and the Deadline for use of funds extended to 30th June 2022.</p>
<p>Current situation that the project was formed to intervene</p>	<p>The project was formed to intervene in the following areas:</p> <ul style="list-style-type: none"> (i) Infrastructure development (ii) Training contractors on Labour Based Routine Maintenance (iii) Improvement of accessibility to markets
<p>Project duration</p>	<p>The phase I of the project started in June 2007 and ran up to September 2011. Phase II started in July 2010 and is expected to run up to December 2021.</p>

PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.4 Bankers

The following are the bankers for the current year:

- (i) Special Deposit Account

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

- (ii) Local Special Project Accounts

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

KeRRA AFD Account Number 1000014814
AFD Retention Account Number 1001964972

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

GoK Counterpart Account Number 1179736125

Co-operative Bank of Kenya
Co-operative House, Haile Selassie Avenue
P.O Box 48231-00100
Nairobi, Kenya.

AfD Kiambu- Account Number 01141370650000
AfD Murang'a- Account Number 01141055408500
AfD Nyeri- Account Number 01141379349200
AfD Kirinyaga- Account Number 01141272894800
AfD Laikipia- Account Number 01141365417500
AfD Nyandarua- Account Number 01141126188400

*Roads 2000 Phase Two-Central Kenya Rural Roads Improvement and Maintenance Project
Annual Report and Financial Statements For the financial year ended June 30, 2022*

1.5 Auditors

The project is audited by the:

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

1.6 Roles and Responsibilities

The key people working on the project are:

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

PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.7 Funding summary

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

Below is the funding summary:

A. Source of Funds

Source of funds	Donor Commitment-	Amount received to date – (30 th June, 2019)	Amount received to date – (30 th June, 2022)	Undrawn balance to date	
	Donor currency (EUROS)	Donor currency (EUROS)	Donor currency (EUROS)	Donor currency (EUROS)	KShs
	(A)	(B)	(B)	(A)-(B)	(A)-(B)
Grant					
AfD Grant	8,100,000	7,856,441	785,644,098	243,559	24,355,902
Loan Summary					
AfD Loan	65,900,000	53,859,488	5,385,948,812	12,040,512	1,204,051,188
Counter Part funds					
Government of Kenya	22,400,000	23,601,524	2,360,152,358	- 1,201,524	- 120,152,358
Miscellaneous Receipts	-	840,385	84,038,488	-	- 84,038,488
Total	96,400,000	86,157,838	8,615,783,756	10,242,162	1,024,216,244
Exch rate=Kshs 100/Euro					

PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

B. Application of Funds

Application of funds	Amount received to date – (30 th June 2022)		Cumulative Amount paid to date – (30 th June 2022)	Unutilised balance to date (30th June 2022)	
	Donor currency(Euro) (A)	Kshs (A')		Donor currency(Euro) (A)-(B)	Kshs (A')-(B')
(i) Grant					
AFD	7,856,441	785,644,098	785,644,098	-	
(ii) Loan Summary					
AFD Loan	53,859,488	5,385,948,812	5,178,466,073	2,074,827	207,482,739
i(ii) Counterpart funds					
Government of Kenya	23,601,524	2,360,152,358	2,455,095,159	949,428	94,942,801
Miscellaneous Receipts	840,385	84,038,488	-	840,385	84,038,488
Total	86,157,838	8,615,783,756	8,419,205,330	1,965,784	196,578,426

PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.1 Summary of Overall Project Performance:

i) Budget performance against actual amounts:

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

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

15 out of the 15 Batch 3 Gravel Contracts covering 110 Km have been completed.

All Low Volume Seal Batch 3 contracts are completed in Kiambu, Kirinyaga and Nyeri Regions except 1 Contract in Nyeri expected to be Completed by End of September 2021.

The training program has delivered 34,831 trainee days or approximately 104% of the original training program.

iii) The absorption rate for the project has been

Year	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Absorption Rate	95%	79%	64%	58%	71%	144%	54%

Challenges encountered

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

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

1.2 Summary of Project Compliance:

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

2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETRMINED OBJECTIVES

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

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

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

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	The strategic goal of the project is to improve 110 Kms of rural roads in Kiambu, Nyeri, Kirinyaga and Laikipia to gravel standards and 76.4 Km of low volume seal roads in the 4 regions	Increased efficient transportation of people, goods and services. Improved accessibility to markets. Training contractors on Labour Based Routine Maintenance	Kms of roads improved to low volume seal standard. Number of trainee days achieved	15 out of the 15 Batch 3 Gravel Contracts covering 110 Km have been completed. All Low Volume Seal Batch 3 contracts are completed in Kiambu, Kirinyaga and Nyeri Regions except 1 Contract in Nyeri expected to be Completed by End of September 2021. The training program has delivered 34,831 trainee days or approximately 104% of the original training program.

3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

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

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

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

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

Society is the mainstay of any organization, they are the producers of raw materials, suppliers, employees, policy-makers and eventual consumers of the organization products. In recognizing the important contribution of the wider society to achievement of our goals, the Authority undertakes community engagements by sponsoring and participating in marathon events, eg. The Mater Heart Run and Chemususu Dam marathon.

In compliance with the Presidential directive of attaining at least 10% forest cover, the Authority participated in the National Tree Planting Exercise undertaken in Ngong', Kajiado County. Further, in an effort to contribute to the growth of knowledge in the Engineering field, the Authority was one of the sponsors of the Engineering Students Association Annual Conference.

4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The **Director General** Kenya Rural Roads Authority and the **Project Coordinator** for **Roads 2000 Phase Two-Central Kenya Rural Roads Improvement and Maintenance Project** are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year ended on June 30, 2021.

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 (v) Making accounting estimates that are reasonable in the circumstances.

The **Director General** Kenya Rural Roads Authority and the **Project Coordinator** for **Roads 2000 Phase Two-Central Kenya Rural Roads Improvement and Maintenance Project** accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The **Director General** Kenya Rural Roads Authority and the **Project Coordinator** for **Roads 2000 Phase Two-Central Kenya Rural Roads Improvement and Maintenance Project** are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year/period ended June 30, 2021, and of the Project's financial position as at that date. The **Director General** Kenya Rural Roads Authority and the **Project Coordinator** for **Roads 2000 Phase Two-Central Kenya Rural Roads Improvement and Maintenance Project** further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

The **Director General** Kenya Rural Roads Authority and the **Project Coordinator** for **Roads 2000 Phase Two-Central Kenya Rural Roads Improvement and Maintenance Project** confirm that the Project has

complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project financial statements

The Project Financial Statements were approved by the **Director General** Kenya Rural Roads Authority and the **Project Coordinator** for **Roads 2000 Phase Two- Central Kenya Rural Roads Improvement and Maintenance Project** on 27th September, 2022 and signed by them.


Director of Corporate Services

CPA Dan Manyasi
ICPAK Member Number: 6407


Project Coordinator

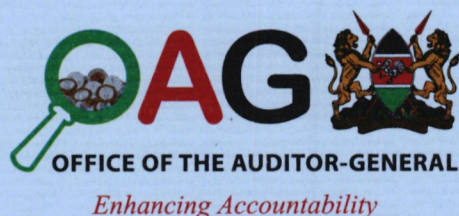
Eng. Samuel Mwangi


Director General

Eng Philemon Kandie MBS

REPUBLIC OF KENYA

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E-mail: 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 ROADS 2000 PHASE TWO PROJECT (AFD CREDIT NO. CKE 101201B, CREDIT NO. CKE 104601J AND CREDIT NO. CKE 109401 M) FOR THE YEAR ENDED 30 JUNE, 2022 - KENYA RURAL ROADS AUTHORITY

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Roads 2000 Phase Two-Central Kenya Rural Roads Improvement and Maintenance Project set out on pages 1 to 23, which comprise of the statement of financial assets as at 30 June, 2022, and the statement of receipts and payments, statement of cash flows and the statement of

Report of the Auditor-General on Roads 2000 Phase Two Project (AFD Credit No. CKE 101201B, Credit No. CKE 104601J and Credit No. CKE 109401 M) for the year ended 30 June, 2022 - Kenya Rural Roads Authority

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

In my opinion except for the effects of matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Roads 2000 Phase Two Project as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Financing Agreements Credit No. CKE 101201B, No. CKE 104601J and No. CKE 109401M dated 23 May, 2006, 5 July, 2010 and 4 April, 2016 respectively between Agence Francaise De Development (AFD) and the Republic of Kenya and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Un-supported Accounts Payable-Retention

The statement of financial assets reflects accounts payable balance of Kshs.61,085,161. However, Note 10 to the financial statements reflects accounts payable (retention/contractors owed) balance of Kshs.61,272,662 which differs with the balance of Kshs.61,085,161 by an unexplained variance of Kshs.187,501. Further, the movement from the brought forward accounts payable balance of Kshs.96,981,429 to the carried forward amount of Kshs.61,272,662 has not been supported or reconciled. In addition, the current retentions have not been matched with the bills payments amounting to Kshs.136,651,094 as reflected at Note 6 to the financial statements.

In the circumstances, the existence and accuracy of the accounts payable balance of Kshs.61,085,161 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Roads 2000 Phase Two 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 our professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.421,000,000 and Kshs.15,780,653 respectively resulting in an under-funding of Kshs.405,219,347 or 96% of the budget. Similarly, the Project expended Kshs.190,855,743 against an approved budget of Kshs.421,000,000 resulting to an under-expenditure of Kshs.230,144,257 or 55% of the budget.

The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

2. Unresolved Prior Year Audit Matters

In the audit report of the previous year, several issues were raised. However, although the Management has indicated that all the prior year issues were resolved, no evidence has been provided to support this assertion.

In the circumstances, the matters remain un-resolved.

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 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 Agence Francaise De Development (AFD), I report based on my audit, that:

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

Responsibilities of Management and those Charged with Governance

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

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

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 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 Project's 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 communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

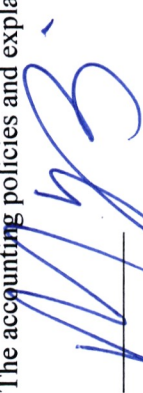
Nairobi

07 December, 2022


6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2022.

Note	FY 2021/22		FY 2020/21		Cumulative to Date
	Receipts and payments controlled by the entity Kshs	Receipts and Payments made by third parties Kshs	Receipts and payments controlled by the entity Kshs	Payments made by third parties Kshs	
RECEIPTS					
Receipts from Government of Kenya	10,000,000	-	378,000,000	-	2,360,152,358
Proceeds from Domestic and Foreign Grants	-	-	-	-	785,644,098
Loan from External Development Partners	-	-	386,010,344	48,169,482	5,385,948,812
Miscellaneous Receipts	5,780,653	-	4,886,842	-	84,038,488
TOTAL REVENUES	15,780,653	-	768,897,186	48,169,482	8,615,783,756
PAYMENTS					
Compensation of Employees	1,071,755	-	2,747,806	-	8,491,458
Purchase of goods and services	53,132,894	-	36,156,809	48,169,482	1,221,504,615
Roadworks expenditure	136,651,094	-	737,847,481	-	7,189,209,257
TOTAL PAYMENTS	190,855,743	-	776,752,096	48,169,482	8,419,205,330
SURPLUS/DEFICIT	-	175,075,090	-	7,854,910	196,578,426

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


Director of Corporate Services

CPA Dan Manyasi
 ICPAK Member Number: 6407


Project Coordinator

Eng. Samuel Mwangi



Director General
 Eng Philemon Kandie MBS

7. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2022

	Note	FY 2021/2022	FY 2020/2021
			Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	7	196,578,426	397,362,284
Cash Balances			-
Cash Equivalents (Short term deposits)	7	-	10,000,000
Total Cash and Cash equivalents		196,578,426	407,362,284
Accounts Receivable	9	-	187,500
TOTAL FINANCIAL ASSETS		196,578,426	407,549,784
FINANCIAL LIABILITIES			
Accounts Payable	10	61,085,161	96,981,429
NET ASSETS		135,493,264	310,568,354
REPRESENTED BY			
Fund balance b/fwd	8	310,568,354	318,423,263
Surplus / (deficit) for the year	-	175,075,090	7,854,910
Prior Year Adjustment			-
NET FINANCIAL POSITION		135,493,264	310,568,354

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on **27th September, 2022** and signed by:



Director of Corporate Services

CPA Dan Manyasi
ICPAK Member Number: 6407



Project Coordinator

Eng. Samuel Mwangi



Director General

Eng Philemon Kandie MBS


*Roads 2000 Phase Two-Central Kenya Rural Roads Improvement and Maintenance Project
Annual Report and Financial Statements For the financial year ended June 30, 2022*


8. STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts for operating income			
Receipts from Government of Kenya	1	10,000,000	378,000,000
Miscellaneous Receipts	3	5,780,653	4,886,842
		15,780,653	382,886,842
Payments for operating expenses			
Compensation of Employees	4	(1,071,755)	(2,747,806)
Purchase of goods and services	5	(53,132,894)	(84,326,291)
Social Security Benefits		-	-
Transfers to Other Government Entities		-	-
Other Grants and Other Payments		-	-
Adjustments during the year			
Increase/(Decrease) in Accounts Payable:	10	(35,896,268)	(6,138,406)
Increase/(Decrease) in Accounts Payable:	10		
Decrease/(Increase) in Accounts Receivable	9	187,500	(187,500)
Net cashflow from operating activities		- 74,132,764	289,486,840
CASHFLOW FROM INVESTING ACTIVITIES			
Roadworks Expenditure	6	(136,651,094)	(737,847,481)
Net cash flows from Investing Activities		(136,651,094)	(737,847,481)
CASHFLOW FROM BORROWING ACTIVITIES			
Loan from External Development Partners	2		434,179,826
Net cash flow from financing activities		-	434,179,826
NET INCREASE IN CASH AND CASH EQUIVALENT		(210,783,858)	(14,180,816)
Cash and cash equivalent at BEGINNING of the year		407,362,284	421,543,098
Cash and cash equivalent at END of the year		196,578,426	407,362,284

The Accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on **27th September, 2022** and signed by:


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


Project Coordinator
 Eng. Samuel Mwangi


Director General
 Eng Philemon Kandie MBS


9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Consolidated	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Utilisation Variance e=c-d	% of Utilisation f=d/c %
Receipts/Payments Item						
Receipts						
Receipts from Government of Kenya	21,000,000	-	21,000,000	10,000,000	11,000,000	48%
Proceeds from Domestic and Foreign Grants		-	-		-	0%
Loan from External Development Partners	400,000,000	-	400,000,000	-	400,000,000	0%
Miscellaneous receipts	-	-	-	5,780,653	5,780,653	0%
Total Receipts	421,000,000	-	421,000,000	15,780,653	405,219,347	4%
						0%
Payments						0%
Compensation of Employees	4,000,000	-	4,000,000	1,071,755	2,928,245	27%
Purchase of goods and services	20,000,000	-	20,000,000	53,132,894	33,132,894	266%
Roadworks expenditure	397,000,000	-	397,000,000	136,651,094	260,348,906	34%
Total Payments	421,000,000	-	421,000,000	190,855,743	230,144,257	45%

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


Director Corporate Service


Project Coordinator


Director General

CPA Dan Manyasi

Eng. Samuel Mwangi

Eng Philemon Kandie MBS

ICPAK Member Number: 6407

10. SIGNIFICANT ACCOUNTING POLICIES

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

10.1 Basis of Preparation

10.2 Statement of compliance and basis of preparation

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

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

10.3 Reporting entity

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

10.3.1 Reporting currency

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

10.4 Significant Accounting Policies

a) Recognition of receipts

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

i) Transfers from the Exchequer

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

ii) External Assistance

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

iii) Other receipts

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

b) Donations and grants

Grants and donations shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary. In case of grant/donation in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice.

Significant Accounting Policies (Continued)

c) Proceeds from borrowing

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

d) Undrawn external assistance

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

e) Recognition of payments

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

i) Compensation of employees

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

ii) Use of goods and services

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

Significant Accounting Policies (Continued)

iii) Interest on borrowing

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

iv) Repayment of borrowing (principal amount)

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

v) Acquisition of fixed assets

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

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

f) In-kind donations

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

Significant Accounting Policies (Continued)

g) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank

account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

Restriction on cash

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

h) Accounts receivable

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

Significant Accounting Policies (Continued)

i)Contingent Liabilities

A contingent liability is:

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

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

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

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

j) Contingent Assets

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

Significant Accounting Policies (Continued)

k) Pending bills

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

l) Budget

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

A high-level assessment of the Project's actual performance against the comparable budget for the financial year/period under review has been included in an annex to these financial statements.

m) Third party payments

Included in the receipts and payments, are payments made on its behalf by to third parties in form of loans and grants. These payments do not constitute cash receipts and payments and are disclosed in the payment to third parties column in the statement of receipts and payments.

Significant Accounting Policies (Continued)

n) Exchange rate differences

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

o) Comparative figures

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

p) Subsequent events

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended June 30, 2021.

q) Errors

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

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11. NOTES TO THE FINANCIAL STATEMENTS

1. RECEIPTS FROM GOVERNMENT OF KENYA

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

	2021/22	2020/21	Cumulative to Date
		KShs	KShs
Counterpart funding through State Department for Infrastructure			
Counterpart funds Quarter 1	25,000,000.00	288,000,000.00	313,000,000
Counterpart funds Quarter 2	25,000,000.00	50,000,000.00	75,000,000
Counterpart funds Quarter 3 /Refund GOK	- 40,000,000.00	40,000,000.00	323,500,000
Counterpart funds Quarter 4		0	1,648,652,358
			-
Other transfers from government entities			
State Department for Environment			-
State Department for Natural Resources			-
	10,000,000.00	378,000,000.00	<u>2,360,152,358</u>

2. LOAN FROM EXTERNAL DEVELOPMENT PARTNERS

During the 12 months to 30th June 2021 we received funding from development partners in form of loans negotiated by the National Treasury donors as detailed in the table below:

Name of Donor	Loans received in cash 2021/22	Loans received as direct payment* 2021/22	Loans received in cash 2020/21	Loans received as direct payment* 2020/21	Total amount in KShs
	2021/22	KShs	KShs	2020/21	2020/21
Loans Received from Multilateral Donors (AFD)					
AFD	-	-	386,010,344.00	48,169,482	434,179,826
Total	-	-	386,010,344.00	48,169,482	434,179,826

3. MISCELLANEOUS RECEIPTS

	2021/22			2020/2021		Cumulative to- date (from inception)
	Receipts controlled by the entity in Cash	Receipts controlled by third parties	Total Receipts	Total Receipts		
	KShs	KShs	KShs	KShs	KShs	KShs
Interest Income	5,780,653.09	-	-	-	-	84,038,488.19
Total	5,780,653.09	-	-	-	-	84,038,488.19

4. COMPENSATION OF EMPLOYEES

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	2021/2022		2020/21	2019/2020	
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	Cumulative to-date
	KShs	KShs	KShs	KShs	KShs
Basic salaries of permanent employees	-	-	-	-	-
Basic wages of temporary employees	1,071,755	-	2,747,806		7,578,105
Compulsory national social security schemes	-	-	-		44,856
Compulsory national health insurance schemes	-	-	-		16,550
Other personnel payments	-	-	-	-	-
Total	1,071,755	-	2,747,806	-	7,639,511

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5. PURCHASE OF GOODS AND SERVICES

Description	2021/22		2020/21	
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Cumulative to- date
	KShs	KShs	KShs	KShs
Utilities, supplies and Communication, supplies and	-	-	-	-
Domestic travel and subsistence	606,200	-	1,030,360	4,238,485
Foreign travel and subsistence	-	-	-	-
Printing, advertising and information supplies	-	-	-	-
Rentals of produced assets	-	-	-	-
Training payments	6,584,400	-	-	103,913,620
Hospitality supplies and services	-	-	-	2,026,222
Insurance costs	-	-	-	-
Specialized materials and Other operating payments	-	-	-	-
Other Operating expenditure	937,896	-	463,123	98,035,937
Routine maintenance- other	-	-	-	844,309
Consultancy services: -	45,004,398	-	82,832,808	1,009,665,023
Total	53,132,894	-	84,326,291	1,218,723,596

6. ROADWORKS EXPENDITURE

	2021/22			2020/21		Insurance costs
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	Cumulative to- date	
	KShs	KShs	KShs	KShs	KShs	KShs
Roadworks Expenditure	136,651,094	-	136,651,094	737,847,481	7,147,766,456	737,847,481
Purchase of specialised plant, equipment and machinery	-	-	-	-	-	-
Total	136,651,094	-	136,651,094	737,847,481	7,147,766,456	737,847,481

*Roads 2000 Phase Two-Central Kenya Rural Roads Improvement and Maintenance Project
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7. CASH AND CASH EQUIVALENTS

	2021/22	2020/21
	KShs	KShs
Bank accounts (Note 8.13A)	196,578,426	397,362,284
Cash in hand (Note 8. 13B)	-	
Cash equivalents (short-term deposits) (Note 8.13C)	-	10,000,000
Total	<u>196,578,426</u>	<u>407,362,284</u>

The project has Ten(10) number of project accounts spread within the project implementation area and One number of foreign currency designated accounts managed by the National Treasury as listed below:

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. A. Bank Accounts

Project Bank Accounts

	2021/22	2020/21
	KShs	KShs
Foreign Currency Accounts		
Central Bank of Kenya [A/c NO: 1000567278]	-	-
Total Foreign Currency balances	<u>-</u>	<u>-</u>
Local Currency Accounts		
NCBA Bank [A/c No 1000014814]	91,016,559	157,041,356
NCBA Bank Retention Ac No. 1001964972	74,379,898	99,929,839
KCB Bank Counterpart Ac. No. 1179736125	3,669,150	30,500,014
Cooperative Bank Kiambu Ac. No. 01141370650000	19,374,458	21,632,508
Cooperative Bank Murang'a Ac No. 01141055408500	3,195,956	3,211,915
Cooperative Bank Nyeri Ac No. 01141379349200	- 2,013	34,390,644
Cooperative Bank Nyandarua Ac. No. 01141126188400	3,004	1,017,770
Cooperative Bank Kirinyaga Ac No. 01141272894800	281,190	49,143,762
Cooperative Bank Nanyuki Ac No. 01132365417500	4,660,223	494,475
	<u>196,578,426</u>	<u>397,362,284</u>
Short -Term Deposits	-	-
KCB Bank Counterpart Ac. No. 1179736125	-	10,000,000
Total local currency balances	<u>196,578,426</u>	<u>407,362,284</u>
Total bank account balances	<u>196,578,426</u>	<u>407,362,284</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as at 30th June 2022 are not included in the Statement of Financial Assets since they are below the line items and are yet to be drawn into the Exchequer Account as a voted provision.

Below is the Special Deposit Account (SDA) movement schedule which shows the flow of funds that were voted in the year. These funds have been reported as loans/grants received in the year under the Statement of Receipts and Payments.

Special Deposit Accounts Movement Schedule

Description	2021/22	2020/21
	KShs	KShs
Opening Balance	-	386,010,344.00
Total Amount deposited In the Account	-	
Total Amount Withdrawn(as per Statement of Receipts and Payments)	-	386,010,344.00

7 B Cash In Hand

	2021/22	2020/21
	KShs	KShs
Location 1	-	-
Location 2	-	-
Location 3	-	-
Other locations	-	-
Total cash balances	<u>0</u>	<u>0</u>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

7 C Cash equivalents (short-term deposits)

	2021/22	2020/21
	KShs	KShs
KCB Bank Counterpart A/C No. 1179736125	-	-
Total	-	-

8. FUND BALANCE BROUGHT FORWARD

	2021/22	2020/21
	KShs	KShs
Bank accounts	196,578,425.69	397,362,283.67
Cash in hand	-	-
Cash equivalents (short-term deposits)	-	10,000,000.00
Outstanding imprests and adv	-	-
Total	196,578,425.69	407,362,283.67

9. ACCOUNTS RECEIVABLES

<i>Description</i>	2021-2022	2020-2021
		Kshs
Government Imprests	-	187,500.00
Salary advances	-	-
Total	-	187,500.00

10. ACCOUNTS PAYABLE

<i>Description</i>	2021/22	2020-2021
		Kshs
Retention/Contractors Owed	61,272,661.60	96,981,429
Total	61,272,661.60	96,981,429

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11. PENDING ACCOUNTS PAYABLE (See Annex 3A)

Description	2021/22	2020-2021
		Kshs
Retention/Contractors Owed	61,272,661.60	96,981,429
Total	61,272,661.60	96,981,429

12. EXTERNAL ASSISTANCE

External assistance received as grants	0	0
External assistance received in kind- as payment by third parties	-	48,169,482
Total	-	48,169,482

a) External assistance relating loans and grants

Description	FY 2021/2022	FY 2020/2021
	Kshs	Kshs
External assistance received as loans	-	48,169,482
External assistance received as grants	-	-
Total	-	48,169,482

b) Undrawn external assistance

Description	Purpose for which the undrawn external assistance may be used	FY 2021/2022	FY 2020/2021
		Kshs	Kshs
Undrawn external assistance - loans		-	-
Undrawn external assistance - grants		-	-
Total		0	0

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c) classes of providers of external assistance

	FY 2021/22	FY 2020/21
Description	Kshs	Kshs
Multilateral donors	-	48,169,482
Bilateral donors	-	-
International assistance organization	-	-
Total	-	48,169,482

d) Purpose and use of external assistance

Payments Made by Third Parties	FY 2021/22	FY 2020/21
	Kshs	Kshs
Supervision Consultancy Services	-	48,169,482
TOTAL	-	48,169,482

f. External Assistance paid by Third Parties on behalf of the Entity by Source

This relates to external assistance paid directly by third parties to settle obligations on behalf of the entity

PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITORS RECOMMENDATION

The following is the summary of issues raised by the external auditor and management comments that were provided to the auditors. 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	Issues / Observations from the Auditor	Management comments	Status (Resolved / Not resolved)	Timeframe
Pending Accounts Payables	As previously reported , Note 12 to the financial statements reflects pending bills of ksh 30,273,407 as at 30 June 2021. Management has not provided explanations for non-payment of bills . the project is at risk of incurring significant interest costs and penalties with continued delay I making payments.	The Payments related to invoices from Kisii Training centre which were not fully supported. The pending bills have since been paid and the issue resolved.	Resolved	
Variation of contracts	Examination of payments record and other documents relating to road projects revealed that the Kiambu Regional office implemented works with a total contract sum of ksh 273,413,609. The Regional	• The appraised amount was ksh 86,095,530 and the variation approved and documents .	Resolved	

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	<p>office however made total payments of ksh 359,509,139 for the road works resulting in a variation of ksh 86,095,530 . No evidence was availed to show that the variations were approved. Further , Nyathuna-Rironi Road Project BQ provided for stone pitching of drainage for 500 meters as a cost of ksh 1,500,000 . It was however noted that stone pithing for 5,628.9 meters was done at a cost of ksh 16,886,700. No explanation was given for the huge variations of the cost of stone pitching.</p> <p>Further ,the taking over certificate for Nyathuna-Rironi road indicate that the length of the road was 4.1 km while the contract agreement had a length of 5.4Km . The Difference of 1.3 Km had not been explained as at the time of audit. In addition , Physical verification of kiringari-Nyathuna road conducted on 8th November 2021 revealed that the road had started developing potholes on various sections while the project is under defect liability period. Similarly, Kanung-Banana road had no road markings and no traffic signs were provided for in the bill of quantities. Under the circumstances , it has not been possible to ascertain whether value for money was realized for the projects implemented during the year under review.</p>	<ul style="list-style-type: none"> • Some Pitching quantities were appraised and approved from 500M³ to 5,500M³ • Change in length form 5.4Km to 4.1 Km was appraised and approved. 		
Un-surrendered Retention Money for Nyeri Region	<p>Examination of payment record and other documents revealed that reterntion money amounting to ksh 17, 656,316 was deducted from six(6) contractors during the financial year 2020/2021 . The money wa however not deposited in the retention account no 1737850097-1001964972 held in NCBA bank</p>	<p>Amount retained was deposited in the Co-operative bank account No 0141379349200</p>	Resolved	

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Project Coordinator



Director General

Date

Date

12. ANNEXES

ANNEX I - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

	Final Budget c=a+b	Actual on Comparable Basis d	Utilisation Variance e=c-d	% of Utilisation f=d/c %	Comments on Variance
Receipts					
Receipts from Government of Kenya	21,000,000	10,000,000	11,000,000	48%	The budget balance of 288 Million for FY 2019/20 was received first quarter of the FY 2020/21.
Proceeds from Domestic and Foreign Grants	-	-	-	0%	and there were carry overs
Loan from External Development Partners	400,000,000	-	400,000,000	0%	Loan funds received were 96% of the budgeted amount
Miscellaneous receipts	-	5,780,653	5,780,653	0%	The Miscellaneous receipt relates to
Total Receipts	421,000,000	5,780,653	394,219,347	1%	interest earned which could not be
				0%	
Payments				0%	
Compensation of employees	4,000,000	1,071,755	2,928,245	27%	Most of the works are complete.
Purchase of goods and services	20,000,000	53,132,894	33,132,894	266%	Part of the utilization was funded from carryover funds from the previous financial year.
Roadworks expenditure	397,000,000	136,651,094	260,348,906	34%	Part of the utilization was funded from carryover funds from the previous financial year.
Total Payments	421,000,000	190,855,743	230,144,257	45%	

ANNEX 2: INTER-ENTITY TRANSFERS

PROJECT NAME:				
Break down of Transfers from the State Department of Infrastructure				
a. Government Counterpart Funding				
	Bank Statement Date	Amount (K Shs)	Indicate the FY to which the amounts relate	
	05/10/2020	50,000,000.00	FY 2020/21	
	13/01/2021	40,000,000.00	FY 2020/21	
	09/02/2021	25,000,000.00	FY 2021/22	
	03/01/2022	25,000,000.00	FY 2021/22	
	Total	140,000,000.00		
b. Direct Payments				
		Amount (K Shs)	Indicate the FY to which the amounts relate	
	Total	-		
	TOTAL(a+b+c)	140,000,000.00		

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ANNEX 3A - ANALYSIS OF PENDING BILLS

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid During The year	Outstanding Balance End of FY 2021/22	Amount Paid To-Date	Comments
Kimende-Kagwe-Ruiru river-Githunguri-Buldel	68,483,424.30	AFD/KBU/LVS/5/2016/17	1,377,997	3,000,000.00	65,483,424	Payments in progress after submission of documents
Nariana Enter. -Gichiengo-Kijabe Hosp Lot 2 LVSR	89,027,846.53	AFD/KBU/LVS/2-27-14/15-01	-	2,684,187.50	86,343,659	Payments in progress after submission of documents
F.M & Sons Const. Co. Ltd-Wamwqangi Ruburi	233,400,942.57	AFD/KBU/LVS/9/2016/17	8,742,772	4,552,521.13	228,848,421	Payments in progress after submission of documents
Nariana Enter. - Maintenance Nyagige	167,748,041.50	AFD/KBU/LVS/1/2016/17	-	6,478,311.42	161,269,730	Payments in progress after submission of documents
Elikar Enter. Ltd- Kirangari-Nyathuna	141,607,486.00	AFD/KBU/LVS/2-27-18/19-7	1,500,000	8,905,363.81	132,702,122	Payments in progress after submission of documents
Bende Contractors-E11520 Kanunga -Banana Rd	78,254,673.50	AFD/KBU/LVS/6/2016/17	7,895,898	2,926,067.66	75,328,606	Payments in progress after submission of documents
Kerugoya Old -Kangaia/1-Gridiron Holdings Ltd	148,303,979.00	AFD/KRG/LVS/1/2016/17	-	7,746,200.00	140,557,779.00	Payments in progress after submission of documents
Kerugoya Old -Kangaia/2-Webcon Technical Services Ltd	108,774,840.00	AFD/KRG/LVS/2/2016/17	19,819,119	697,782.13	108,077,057.87	Payments in progress after submission of documents
Kirinyaga-Muchagara-Mikimani Construction Co Ltd	132,749,855.60	AFD/KRG/LVS/3/2016/17	25,562,622.62	3,199,100.00	129,550,755.60	Payments in progress after submission of documents
Mwiyogo -Endrasha/1- Jebess Contractors Ltd	175,488,705		31,790,455.00	36,372,530	139,116,175.02	Payments in progress after submission of documents
Mwiyogo -Endrasha/1- Jebess Contractors Ltd	175,488,705		33,446,860.00	7,957,670	167,531,035.49	Payments in progress after submission of documents
Mwiyogo -Endrasha/2- Sonic Construction Ltd	179,055,303		-	4,633,000	174,422,303.00	Payments in progress after submission of documents
Mackenzie-Muruka-JCTB23Kamurugu -Nyabib Merchant	30,476,817	KeRRA/011/39/51/2019-2020	0	1,015,885	29,460,932.14	Payments in progress after submission of documents
Max & Partner	33,635,786.20		0	33,635,786.20		Claim Funds will be availed
				123,804,404.20	1,638,692,001	

APPENDICES

i. Bank Reconciliations statement as at 30th June 2022