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**REPORT**

DATE: 18 FEB 2021

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BY:

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P. Mungu

PARLIAMENT  
OF KENYA  
LIBRARY

**THE AUDITOR-GENERAL**

**ON**

**CENTRAL KENYA RURAL ROADS  
IMPROVEMENT AND MAINTENANCE  
PROJECT (AFD CREDIT NO. CKE 101201B,  
CREDIT NO. CKE 1046 01 J AND  
CREDIT NO. CKE 1094 01 M)**

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

**KENYA RURAL ROADS AUTHORITY**





**Project Name: 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**



**AGENCE FRANÇAISE  
DE DÉVELOPPEMENT**

**AGENCE FRANÇAISE DE DÉVELOPPEMENT (AFD)**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2020**

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

*Central Kenya Rural Roads Improvement and Maintenance Project  
Reports and Financial Statements  
For the financial year ended June 30, 2020*

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a) **PROJECT INFORMATION AND OVERALL PERFORMANCE**

**1.1 Name and registered office**

**Name:** The project's official name is 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](mailto:kerra@kerra.go.ke)/[dgkerra@kerra.go.ke](mailto:dgkerra@kerra.go.ke)

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

**1.2 Project Information**

**Phase I**

Project Start Date:	The project Phase I start date is <b>June 2007</b>
Project End Date:	The project Phase I end date is <b>September 2011</b>
<b>Phase II</b>	
Project Start Date:	The project Phase II start date is <b>5<sup>th</sup> July 2010</b>
Project End Date:	The project Phase II end date is <b>December 2019</b>
Project Manager:	The Project Manager is <b>Eng. J.K. Kago</b>
Project Sponsor:	The project sponsors are Government of Kenya (GOK) and Agence Francaise De Development (AFD)

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**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	<p>64 out of the 65 Batch 2 Gravel Contracts covering 413 Km have been completed and one contracts have been terminated due to non-performance.</p> <p>All Low Volume Seal Batch 1 contract are completed in Muranga and Nyandarua Regions. The 15 number Batch 2 Low Volume Seal contracts and 5 bridge contracts commenced end of March 2015 and are all complete.</p> <p>The procurement of the 2 number Batch 3 Design Supervision consultants was concluded during the year.</p> <p>Overall the training program has delivered 29,779 trainee days or approximately 89% of the original training program.</p>
Other important background information of the project	<p>The project agreement was signed on the 5<sup>th</sup> July 2010 and the additional Credit Financing Agreement was signed in Aril 2016. The original implementation period was 48 months with a completion date of 30<sup>th</sup> June 2016. An application to extend the completion date by 30 months to December, 2019 was approved by the Development Partner.</p> <p>An extension for the usage of funds has been granted up to April 2021.</p>
Current situation that the project was formed to intervene	<p>The project was formed to intervene in the following areas:</p> <ul style="list-style-type: none"> <li>(i) Improvement of accessibility to markets</li> <li>(ii) Infrastructure development</li> <li>(iii) Training contractors on Labour Based Routine Maintenance</li> </ul>
Project duration	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 2019.

#### **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

## **1.5 Auditors**

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

## **1.6 Project Governance**

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

### **1. The Parent Ministry**

The parent ministry ensures that the Project's budget is captured in its development projects and disburses the government counterpart funding. The ministry reviews and tracks the Project's annual work plan and budget against the set targets and makes the approvals. The parent ministry also oversees the execution of the project coordinating team.

### **2. Agence Francaise De Developpment**

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

### **3. The Project Management Consultant**

The Programme has Egis Bceom International as the Project Management Consultant. They were procured to assist KeRRA to implement the Programme by offering Technical Support Services as provided for in the Loan and Financing Agreement.

### **4. The Auditor**

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

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

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## 5. Project Coordinating Team (PCT)

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

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

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

### 1.7 Funding summary

The Project is for duration of Twelve (12) years from 2007 to 2019 with an approved budget of Euros 96,400,000 equivalent to Kshs 9,640,000,000 as highlighted in the table below:

#### Source of funding summary

Source of funds	Donor Commitment-		Amount received to date – (30 <sup>th</sup> June, 2020)		Undrawn balance to date (30 <sup>th</sup> June, 2019)	
	Donor currency (EUROS)	KShs	Donor currency (EUROS)	KShs	Donor currency (EUROS)	KShs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
<b>GRANT SUMMARY</b>						
AfD Grant	8,100,000	810,000,000	7,400,776	740,077,580	699,224	69,922,420
<b>Total Grants</b>	<b>8,100,000</b>	<b>810,000,000</b>	<b>7,400,776</b>	<b>740,077,580</b>	<b>699,224</b>	<b>69,922,420</b>
<b>LOAN SUMMARY</b>						
AfD Loan	74,000,000	7,400,000,000	45,637,323	4,563,732,317	28,362,677	2,836,267,683
<b>Total Loans</b>	<b>74,000,000</b>	<b>7,400,000,000</b>	<b>45,637,323</b>	<b>4,563,732,317</b>	<b>28,362,677</b>	<b>2,836,267,683</b>
<b>Counter Part funds</b>						
Counter Part funds Government of Kenya	22,400,000	2,240,000,000	19,721,524	1,972,152,358	2,678,476	267,847,642
<b>Total Funding Summary</b>	<b>104,500,000</b>	<b>10,450,000,000</b>	<b>72,759,623</b>	<b>7,275,962,255</b>	<b>31,740,377</b>	<b>3,174,037,745</b>

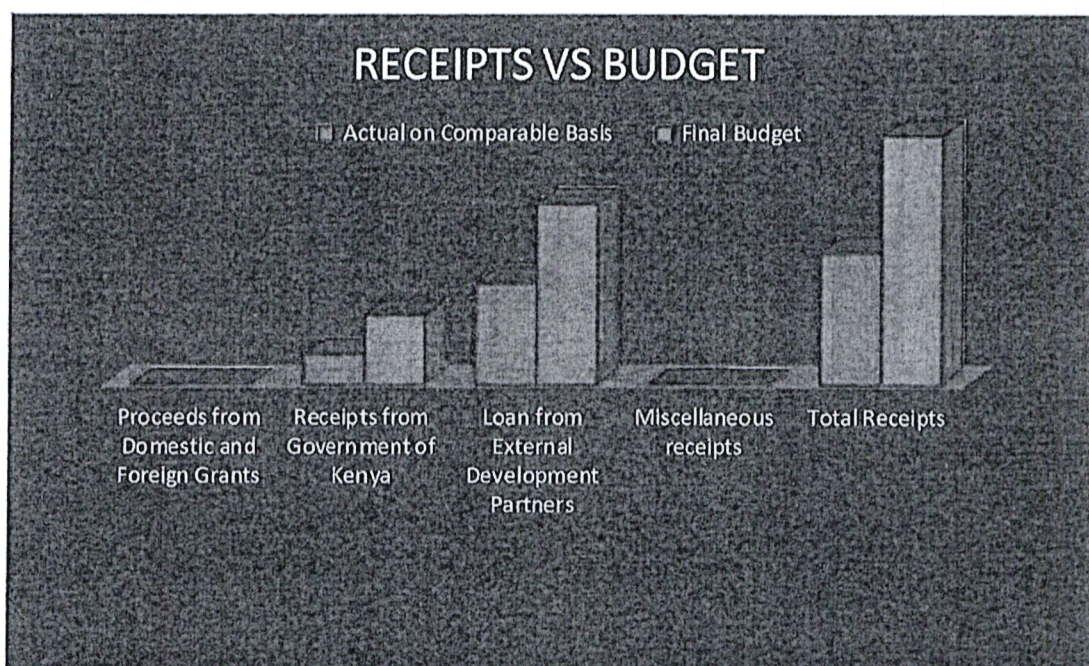
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**1.8 Summary of Overall Project Performance:**

During the year under review, the project received Kshs. 968,337,243 and incurred a cumulative expenditure of Kshs. 1,393,696,799.

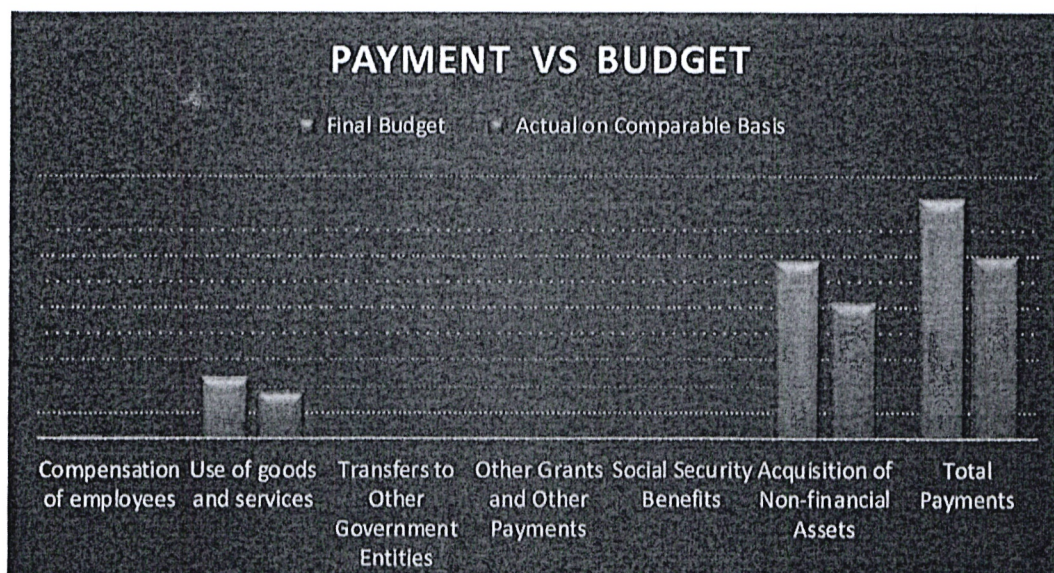
**1.9 Funding Receipts**

The Project received Kshs. 968,337,243 against a final budget of Kshs 1,829,193,109. This represented a receipt of 52.94%. The funding receipt is as shown in the bar graph below:



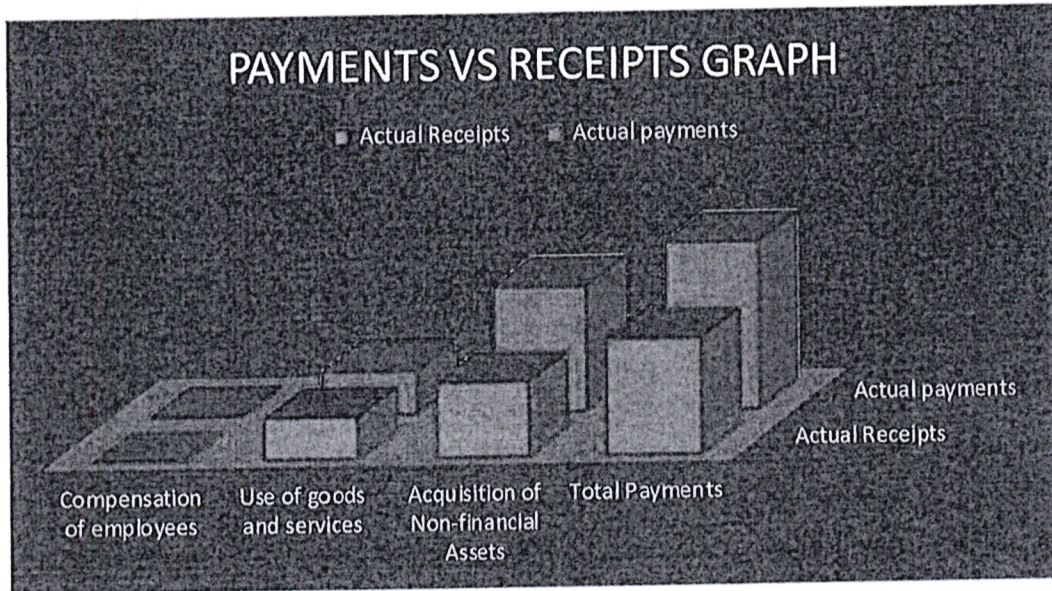
**1.10 Payments Utilisation**

The Project paid KShs. 1,393,696,799 against a final budget of KShs 1,829,193,109. This represented utilisation of 76.19%. The utilisation is as shown in the bar graph below:



### 1.11 Receipts Utilisation

The Project paid KShs. 1,393,696,799 against actual receipts of Kshs. 968,337,243. This represented a receipts utilization of 143.93%. Part of the utilization was from the accumulated fund balance of Kshs. 846,902,653 carried forward from the previous financial year. The utilization is as shown in the bar graph below:



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**a. Implementation Status**

Out of the 65 Batch 2 Gravel Contracts covering 413 Km, 64 have been completed. The remaining one was terminated due to non-performance.

All Low Volume Seal Batch 1 contracts are completed in Muranga and Nyandarua Regions. The 15 number Batch 2 Low Volume Seal contracts and 5 bridge contracts commenced end of March 2015 and are now complete. The procurement of the 3 Batch 3 consultants was concluded during the year.

The 8 Performance based maintenance contracts awarded in the last quarter of financial year 18/19 covering 52.7 Kilometres with a total cost of Kshs 39.1 million funded through the 22% and 10% fuel levy are complete.

**b. Training**

Overall, the training program has delivered 29,779 trainee days or approximately 89% of the original training program. Implementation of the final Year 3 Training Program is now complete.

**c. Civil Works – Improvement Contracts:**

The appraised 145.6 Kms Batch 1 contracts were finally completed in December 2013. During this year, a total of 402 Kms of Batch 2 Gravel contracts were completed against the planned target of 413Kms. A total of 49.3 Kms of Low Volume Seal were completed out of the planned target of 50.1 Kms. This is equivalent to 97.45% of the originally planned 463.1 Kms. Overall the civil works are complete.

Of the Batch 3 contracts, 110Kms Gravel contracts and 76.1Kms Low Volume Sealed Roads commenced in October 2018 and are at various stages of completion. Overall, these projects are about 75% complete.

**Challenges Encountered**

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

	<b>Challenges</b>	<b>Recommendation/Way Forward</b>
1.	Inadequate Budget Provision	The Ministry to enhance budgetary allocation in Consultation with the National Treasury
2.	Lengthy Disbursement Process	Fast Track disbursement

**1.11 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. In cases of inconsistency between the GOK Regulations and those of the donors, the latter have been applied.

**b) STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES**

The Accounting officer, Director of Corporate Services Kenya Rural Roads Authority and the Project Coordinator are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting officer, Director of Corporate Services Kenya Rural Roads Authority and the Project Coordinator for 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 Accounting officer, Director of Corporate Services Kenya Rural Roads Authority and the Project Coordinator for 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, 2020, and of the Project's financial position as at that date. The Accounting officer, Director of Corporate Services Kenya Rural Roads Authority and the Project Coordinator for 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 Accounting officer, Director of Corporate Services Kenya Rural Roads Authority and the Project Coordinator for 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 Accounting officer, Director of Corporate Services Kenya Rural Roads Authority and the Project Coordinator for Central Kenya Rural Roads Improvement and Maintenance Project and signed by them.



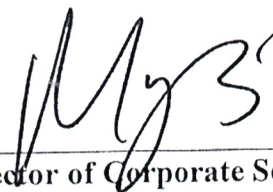
**Ag. Director General**

Name: Eng. Philemon K. Kandie



**Project Coordinator**

Name: Eng. J.K. Kago



**Director of Corporate Services**

Name: CPA Dan Manyasi  
ICPAK Member Number: 6407

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**REPORT OF THE INDEPENDENT AUDITOR ON THE CENTRAL KENYA  
RURAL ROADS IMPROVEMENT AND MAINTENANCE PROJECT**

# REPUBLIC OF KENYA

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



OFFICE OF THE AUDITOR GENERAL

*Enhancing Accountability*

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

## **REPORT OF THE AUDITOR-GENERAL ON CENTRAL KENYA RURAL ROADS IMPROVEMENT AND MAINTENANCE PROJECT (AFD CREDIT NO. CKE 101201B, CREDIT NO. CKE 1046 01 J AND CREDIT NO. CKE 1094 01 M) FOR THE YEAR ENDED 30 JUNE, 2020 – KENYA RURAL ROADS AUTHORITY**

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Central Kenya Rural Roads Improvement and Maintenance Project set out on pages 1 to 25, which comprise the statement of financial assets as at 30 June, 2020, and the statement of receipts and payments, statement of cash flows and the statement of comparative budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with provisions of Article 229 of the Constitution and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the 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 Central Kenya Rural Roads Improvement and Maintenance Project as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Financing Agreements Credit No. CKE 1012 01 B, No. CKE 1046 01 J and No. CKE 1094 01 M 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.

In addition, the special account statement, present fairly, the special account transactions and the closing balance has been reconciled with the books of account.

#### **Basis for Qualified Opinion**

##### **Inaccuracies in the Financial Statements**

The statement of cash flows reflects a balance of Kshs.858,259,368 under comparative cash and cash equivalents at end of the year, which differs with the audited financial statements figure of Kshs.846,902,653 resulting to an unreconciled variance of Kshs.11,356,715 that has not been explained. Further, the statement of comparative budget and actual amounts reflects total receipts utilization variance of Kshs.572,467,024. However, recasting resulted in a balance of Kshs.860,855,866 resulting to misstatement by Kshs.288,388,842 that has not been corrected.

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*Report of the Auditor-General on Central Kenya Rural Roads Improvement and Maintenance Project (AFD Credit No. CKE 101201B, Credit No. CKE1046 01 J and Credit No. CKE1094 01 M) for the year ended 30 June, 2020 – Kenya Rural Roads Authority*

In addition, and as disclosed in Note 8.5 to the financial statements, the statement of receipt and payments reflects a loan from external development partners- receipts and payments controlled by the entity of Kshs.398,476,591. However, the special accounts statement reflects an amount of Kshs.402,756,447 resulting to an unreconciled difference of Kshs.4,279,856.

In the circumstance, the accuracy and completeness of the financial statement as prepared and presented could not be ascertained.

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

### **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**

#### **Pending Accounts Payable**

Notes 9.1 to the financial statements reflects pending bills of Kshs.41,473,682 as at 30 June, 2020. Management has not provided explanations for non-payment of the bills. The Project is at risk of incurring significant interest costs and penalties with the continued delay in making payments.

## **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 control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Project's ability to continue to sustain 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 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 financial reporting process, reviewing the effectiveness of how the Project monitors compliance with

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

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

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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


- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide

a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
**Nancy Gathungu**  
**AUDITOR-GENERAL**

**Nairobi**


**04 January, 2021**

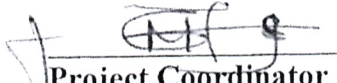
*Central Kenya Rural Roads Improvement and Maintenance Project  
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For the financial year ended June 30, 2020*

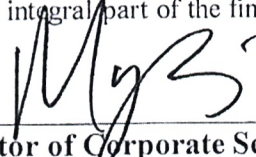
**d) STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED 30<sup>TH</sup>  
JUNE 2020**

	Note	FY 2019/20		FY 2018/19		Cumulative to Date
		Receipts and payments controlled by the entity	Receipts and Payments made by third parties	Receipts and payments controlled by the entity	Payments made by third parties	
		Kshs	Kshs	Kshs	Kshs	Kshs
<b>RECEIPTS</b>						
Receipts from Government of Kenya	8.3	220,000,000		200,000,000	-	1,972,152,358
Proceeds from Domestic and Foreign Grants	8.4	-	-		11,356,715	740,077,380
Loan from External Development Partners	8.5	398,476,591	346,265,493	539,441,289	-	4,563,732,317
Miscellaneous Receipts	8.6	3,595,159	-	7,367,672	-	73,370,993
<b>TOTAL REVENUES</b>		<b>622,071,749</b>	<b>346,265,493</b>	<b>746,808,961</b>	<b>11,356,715</b>	<b>7,349,333,047</b>
<b>PAYMENTS</b>						
Compensation of Employees	8.7	3,819,950	-	-	-	3,819,950
Purchase of goods and services	8.8	5,800,296	346,265,493	23,015,224	11,356,715	1,118,264,411
Social Security Benefits	8.9	-	-	-	-	-
Acquisition of Non-financial Assets	8.10	1,037,811,060	-	501,926,394	-	5,715,565,652
Transfers to Other Government Entities	8.11	-	-	-	-	-
Other grants and transfers and payments	8.12	-	-	-	-	-
<b>TOTAL PAYMENTS</b>		<b>1,047,431,306</b>	<b>346,265,493</b>	<b>524,941,618</b>	<b>11,356,715</b>	<b>6,837,650,012</b>
<b>SURPLUS/DEFICIT</b>		<b>(425,359,557)</b>	<b>-</b>	<b>221,867,343</b>	<b>-</b>	<b>511,683,035</b>

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

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

  
Project Coordinator  
Name: Eng. J.K. Kago

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

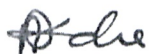
(IPSAS 1.3.24 requires an entity to separately disclose third party payments separately on the Statement of Receipts and Payments. These are payments made by development partners directly on behalf of the Project. In recognizing these transactions, the receipts must be equal to the payments made. Therefore there neither is a surplus nor deficit recorded.)

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e) STATEMENT OF FINANCIAL ASSETS AS AT 30<sup>TH</sup> JUNE 2020

	Note	FY 2019/20	FY 2018/19
		Kshs	Kshs
Bank Balances	8.13 a	421,543,095	846,902,653
Cash Balances	8.13 b	-	-
Cash Equivalents (Short term deposits)	8.13 c	-	-
<b>Total Cash and Cash equivalents</b>		<b>421,543,095</b>	<b>846,902,653</b>
Outstanding Imprests & Advances	8.14	-	-
<b>TOTAL FINANCIAL ASSETS</b>		<b>421,543,095</b>	<b>846,902,653</b>
Fund balance b/fwd	8.15	846,902,653	588,035,310
Surplus / (deficit) for the year		(425,359,557)	221,867,343
Prior Year Adjustment	8.16	-	37,000,000
<b>NET FINANCIAL POSITION</b>		<b>421,543,096</b>	<b>846,902,653</b>

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



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



**Project Coordinator**  
Name: Eng. J.K. Kago



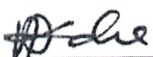
**Director of Corporate Services**  
Name: CPA Dan Manyasi  
ICPAK Member Number: 6407


*Central Kenya Rural Roads Improvement and Maintenance Project  
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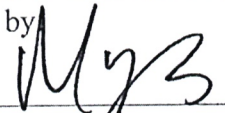
**f) STATEMENT OF CASHFLOW FOR THE PERIOD 30<sup>TH</sup> JUNE 2020**

	Note	2019-2020	2018- 2019
		Kshs	Kshs
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts for operating income</b>			
Receipts from Government of Kenya	8.3	220,000,000	200,000,000
Proceeds from Domestic and Foreign Grants	8.4	-	11,356,715
Miscellaneous Receipts	8.6	3,595,159	7,367,672
		<b>223,595,159</b>	<b>218,724,387</b>
<b>Payments for operating expenses</b>			
Compensation of Employees	-	3,819,950	-
Use of goods and services	8.8	(5,800,296)	(23,015,224)
Social Security Benefits		-	-
Transfers to Other Government Entitiess		-	-
Other Grants and Other Payments		-	-
		<b>(9,620,246)</b>	<b>(23,015,224)</b>
<b>Adjusted for:</b>			
Change in receivables		-	-
Adjustments during the year	8.16	-	37,000,000
<b>Net cashflow from operating activities</b>		<b>213,974,912</b>	<b>232,709,163</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of Non-financial Assets	8.10	(1,037,811,060)	(501,926,394)
<b>Net cash flows from Investing Activities</b>		<b>(1,037,811,060)</b>	<b>(501,926,394)</b>
<b>CASHFLOW FROM BORROWING ACTIVITIES</b>			
Loan from External Development Partners	8.5	398,476,591	539,441,289
<b>Net cash flow from financing activities</b>		<b>398,476,591</b>	<b>539,441,289</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>		<b>(425,359,557)</b>	<b>270,224,058</b>
<b>Cash and cash equivalent at BEGINNING of the year</b>		<b>858,259,368</b>	<b>588,035,310</b>
<b>Cash and cash equivalent at END of the year</b>		<b>432,899,811</b>	<b>858,259,368</b>

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

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

  
 Project Coordinator  
 Name: Eng. J.K. Kago

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

*Central Kenya Rural Roads Improvement and Maintenance Project  
Reports and Financial Statements  
For the financial year ended June 30, 2020*

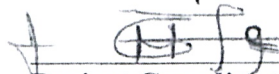
**g) STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS**

Consolidated	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Utilisation Variance	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %
<b>Receipts/Payments Item</b>						
<b>Receipts</b>						
Receipts from Government of Kenya	220,000,000	288,388,842	508,388,842	220,000,000	288,388,842	43%
Proceeds from Domestic and Foreign Grants		-	-	-	-	0%
Loan from External Development Partners	500,000,000	820,804,267	1,320,804,267	744,742,084	576,062,183	56%
Miscellaneous receipts	-	-	-	3,595,159	3,595,159	0%
<b>Total Receipts</b>	<b>720,000,000</b>	<b>1,109,193,109</b>	<b>1,829,193,109</b>	<b>968,337,243</b>	<b>572,467,024</b>	<b>53%</b>
<b>Payments</b>						
Compensation of employees	4,000,000	-	4,000,000	3,819,950	180,050	95%
Use of goods and services	46,000,000	422,327,676	468,327,676	352,065,790	116,261,886	75%
Social Security Benefits			-	-	-	0%
Acquisition of Non-financial Assets	670,000,000	686,865,433	1,356,865,433	1,037,811,060	319,054,374	76%
Transfers to Other Government Entities	-	-	-	-	-	0%
Other Grants and Other Payments	-	-	-	-	-	0%
<b>Total Payments</b>	<b>720,000,000</b>	<b>1,109,193,109</b>	<b>1,829,193,109</b>	<b>1,393,696,799</b>	<b>435,496,310</b>	<b>76%</b>

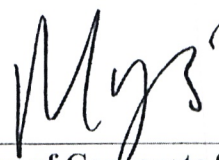
Note: The significant budget utilization/performance differences in the last column are explained in **Annex 1** to these financial statements.



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



**Project Coordinator**  
Name: Eng. J.K. Kago



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

h) **NOTES TO THE FINANCIAL STATEMENTS**

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

**8.1. Basis of Preparation**

**8.1.1. 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.

**8.1.2. Reporting entity**

The financial statements are for the Project 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.

**8.1.3. 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.

**8.2. Significant Accounting Policies**

**a) Recognition of receipts**

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

- **Transfers from the Exchequer**  
Transfer from Exchequer is recognized in the books of accounts when cash is received. Cash is considered as received when payment instruction is issued to the bank and notified to the receiving entity.
- **External Assistance**  
External assistance is received through grants and loans from multilateral and bilateral development partners.

## 8. NOTES TO THE FINANCIAL STATEMENTS (continued)

### 8.2 Significant Accounting Policies (Continued)

#### a) Recognition of receipts

##### Donations and grants

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

##### Proceeds from borrowing

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

##### Undrawn external assistance

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

#### • Other receipts

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

#### b) Recognition of payments

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

#### • Compensation of employees

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

#### • Use of goods and services

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

#### • Interest on borrowing

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

## 8. NOTES TO THE FINANCIAL STATEMENTS (continued)

### 8.2 Significant Accounting Policies (Continued)

#### b) Recognition of payments (continued)

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

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

- **Acquisition of fixed assets**

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

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

#### c) In-kind donations

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

#### d) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

#### Restriction on cash

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

## **8. NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **8.2 Significant Accounting Policies (Continued)**

#### **e) 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.

#### **f) Pending bills**

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

#### **g) Budget**

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

#### **h) Third party payments**

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

During the year KShs. 346,265,493 was received in form of direct payments from third parties.

## **8. NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **8.2 Significant Accounting Policies (Continued)**

#### **i) Exchange rate differences**

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

#### **j) Comparative figures**

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

#### **k) Subsequent events**

There were no subsequent events during year/period ending 30<sup>th</sup> June 2019 with a significant impact on the financial statements for the year ended June 30, 2020.

#### **l) Errors**

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

8. NOTES TO THE FINANCIAL STATEMENTS (continued)

8.3. Receipts from Government of Kenya

Receipts from the government are either counterpart funding or other transfers. Counterpart funding represents the Government's share of contribution towards the implementation of the Project. These amounts are disbursed by the Parent Ministry in line with the budget.

Other transfers from government entities represent support received by the Project from other government entities including the State Departments and Projects listed above for the implementation of its activities.

	2019/20	2018/19	Cumulative to Date	Cumulative Prior Year
	KShs	KShs	KShs	KShs
<i>Counterpart funding through State Department for Infrastructure</i>				
Counterpart funds Quarter 1			-	-
Counterpart funds Quarter 2			-	-
Counterpart funds Quarter 3	220,000,000		323,500,000	103,500,000
Counterpart funds Quarter 4		200,000,000	1,648,652,358	1,648,652,358
			-	-
<i>Other transfers from government entities</i>				
State Department for Environment			-	-
State Department for Natural Resources			-	-
			-	-
			-	-
Appropriations-in-Aid			-	-
			-	-
	<u>220,000,000</u>	<u>200,000,000</u>	<u>1,972,152,358</u>	<u>1,752,152,358</u>

*Central Kenya Rural Roads Improvement and Maintenance Project  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Proceeds from Domestic and Foreign Grants**

These are grants received from development partners directly through the Exchequer and through ministries and departments. During the 12 months to 30 June 2020 we received grants as detailed in the table below:

Name of Donor	Date received	Amount received in donor currency	Grants received in cash	Grants received as direct payments*	Grants received in kind	Total
			KShs	KShs	KShs	KShs
<b>Grants Received from Bilateral Donors (Foreign Governments)</b>						FY 2019/2020
Agence Francaise De Developpement (AFD)					-	
<b>Grants Received from Multilateral Donors (International Organisations)</b>						
<b>Grants Received from Local Individuals and Organisations</b>						
<b>Total</b>				0	-	0

The direct payment grants represent payments for goods and services done directly by the donor on behalf of the Project. The Project ensured that adequate support documents are available for proper accounting and record keeping.

8. NOTES TO THE FINANCIAL STATEMENTS (continued)

8.5. Loan from External Development Partners

These comprise of receipts received from borrowing from bilateral, multilateral and commercial lending institutions. During the 12 months to 30 June 2019, we did not receive funding from development partners in form of loans negotiated by the National Treasury as detailed in the table below:

Name of Donor	Date received	Amount in loan currency	Loans received in cash	Loans received as direct payment*	Total amount in KShs	
					FY 2019/20	FY 2018/19
					KShs	KShs
Loans Received from Bilateral Donors (Foreign Governments)						
Agence Francaise De Developpement (AFD)	13/03/2020	20.03.2020	398,476,591	346,265,493	744,742,083.96	450,000,000
Agence Francaise De Developpement (AFD)		-	-	-	-	89,441,289
Loans Received from Multilateral Donors (International Organisations)						
					-	
<b>Total</b>			-	398,476,591	346,265,493	744,742,084

*Central Kenya Rural Roads Improvement and Maintenance Project Reports and Financial Statements*  
*For the financial year ended June 30, 2020*

8. NOTES TO THE FINANCIAL STATEMENTS (continued)

8.6. Miscellaneous Receipts

These comprise of other receipts including interest fines, penalties and other fees and charges.

	Receipts controlled by the entity in Cash	Receipts controlled by third parties	TOTAL RECEIPTS		Cumulative to- date
			FY 2019/20	FY 2018/19	
			KShs	KShs	
Property income					
Sales of goods and services					
Administrative fees and charges					
Voluntary transfers other than grants					
Other receipts not classified elsewhere	3,595,159		3,595,159	7,367,672	73,370.993
	<b>3,595,159</b>		<b>3,595,159</b>	<b>7,367,672</b>	<b>73,370,993</b>

Note: Even though a miscellaneous receipt is issued once the unspent imprest is received by the Project, this unspent imprest has not been accounted for as part of miscellaneous receipts. Imprest is obtained from receipts from GoK, proceeds from grants or loans, which have already been accounted as receipts. Therefore, the unspent imprest has been captured as part of cash and bank balances.

8. NOTES TO THE FINANCIAL STATEMENTS (continued)

8.7. Compensation of Employees

These comprise of the remuneration payable to employees in return for the work done. In addition to wages and salaries, compensation of employees includes social contributions made by general government unit on behalf of its employees.

	FY 2019/20		FY 2019/20	FY 2018/19	
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	
Basic salaries of permanent employees					
Basic wages of temporary employees	3,758,544		3,758,544		
Personal allowances paid as part of salary					
Personal allowances paid as reimbursements					
Pension and other social security contributions					
Compulsory national social security schemes	44,856		44,856		
Compulsory national health insurance schemes	16,550		16,550		
Social benefit schemes outside government					
Other personnel payments					
<b>Total</b>	<b>3,819,950</b>		<b>3,819,950</b>		

NOTES TO THE FINANCIAL STATEMENTS (continued)

3.8. Purchase of Goods and Services

These comprise the total value of goods and services consumed by the Project.

	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		Cumulative to- date	Cumulative Prior Year
			FY 2019/20	FY 2018/19		
	KShs	KShs	KShs	KShs	KShs	KShs
Utilities, supplies and services			-		-	
Communication, supplies and services			-		-	
Domestic travel and subsistence	1,425,425		1,425,425	1,176,500	2,601,925	1,176,500
Foreign travel and subsistence			-		-	
Printing, advertising and information supplies & services			-		-	
Rentals of produced assets			-		-	
Training expenses	-		-	21,656,100	134,329,220	134,329,220
Hospitality supplies and services	1,940,722		1,940,722	85,500	2,026,222	85,500
Insurance costs			-		-	
Specialised materials and services	-		-		-	
Office and general supplies and services			-		-	
Other operating expenses	1,589,840		1,589,840	97,124	96,634,917	95,045,077
Routine maintenance – vehicles and other transport equipment	844,309		844,309		844,309	
Consultancy services: – Technical and professional services	-	346,265,493	346,265,493		881,827,817	535,562,324
<b>Total</b>	<b>5,800,296</b>	<b>346,265,493</b>	<b>352,065,790</b>	<b>23,015,224</b>	<b>1,118,264,411</b>	<b>766,198,621</b>

Other operating expenses include sundry payments made by the Project, including bank charges, payments made in relation to monitoring and management of the implementation of the Project routing office maintenance and office supplies.

8. NOTES TO THE FINANCIAL STATEMENTS (continued)

8.9. Social Security Benefits

These are payments made towards settlement of pensions and to provide for needs arising from events such as sickness, housing and family circumstances.

	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		Cumulative to- date
			FY 2019/20	FY 2018/19	
	KShs	KShs	KShs	KShs	KShs
Government pension and retirement benefits			-		
Social security benefits in cash and in kind			-		
Employer social benefits in cash and in kind			-		
<b>Total</b>			0	0	0

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**8. NOTES TO THE FINANCIAL STATEMENTS (continued)**

**8.10. Acquisition of Non-Financial Assets**

These represent the payments made to acquire property, plant and equipment and other assets in the year. These are expensed in the year of purchase as per the accounting policy. A fixed assets register has been attached as an appendix to these financial statements, incorporating these assets purchased in the year.

	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	
			FY 2019/20	FY 2018/19
			KShs	KShs
Purchase of buildings			-	
Construction of buildings			-	
Refurbishment of buildings			-	
Construction of roads	1,034,769,964		1,034,769,964	501,926,394
Construction of civil works			-	
Overhaul & refurbishment of construction and civil works			-	
Purchase of vehicles & other transport equipment			-	
Overhaul of vehicles & other transport equipment			-	
Purchase of household furniture & institutional equipment			-	
Purchase of office furniture & general equipment			-	
Purchase of specialised plant, equipment and machinery	3,041,096		3,041,096	
Rehabilitation & renovation of plant, equipment & machinery			-	
Purchase of certified seeds, breeding stock and live animals			-	
Research, studies, project preparation, design & supervision			-	
Rehabilitation of civil works			-	
Acquisition of strategic stocks			-	
Acquisition of land			-	
Acquisition of other intangible assets			-	
<b>Total</b>	<b>1,037,811,060</b>	<b>-</b>	<b>1,037,811,060</b>	<b>501,926,394</b>

Construction of roads represents amount used in rehabilitating of roads and other road works expenditures.

**8. NOTES TO THE FINANCIAL STATEMENTS (continued)**

**8.11. Transfers to other Government Entities**

These comprise non-compulsory disbursement to MDAs, Projects and to the County Government in line with the County Revenue Allocation Act. During the year ended 30<sup>th</sup> June 2020, we transferred funds to reporting government entities as shown below:

	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		Cumulative to-date
			FY 2019/20	FY 2018/19	
			KShs	KShs	
Transfers to National Government entities					
Transfers to County Government					
<b>TOTAL</b>					

The Project Coordinating Team has confirmed that the beneficiary institutions have received the funds and have recorded these as inter-entity receipts. These duly signed confirmations have been attached as an Appendix to the financial statements.

## 8. NOTES TO THE FINANCIAL STATEMENTS (continued)

### 8.12. Other Grants and Transfers and Payments

Included in other transfers and payments are disbursements to other non-reporting entities. These are considered as payments at the point of transfer.

	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		Cumulative to-date
			FY 2019/20	FY 2018/20	
	KShs	KShs	KShs	KShs	KShs
Grants for scholarships					
Transfers to lower levels of government e.g schools					
Miscellaneous payments					
<b>Total</b>					

### 8.13. Balances Carried Forward

These comprise of cash book bank and cash balances and short term deposits as at 30<sup>th</sup> June 2020 and comparatives for financial year to 30<sup>th</sup> June 2019 represented by bank balances.

	FY 2019/20	FY 2018/19
	KShs	Kshs
Bank accounts (Note 8.13A)	421,543,095	846,902,653
Cash in hand (Note 8.13B)		
Cash equivalents (short-term deposits) (Note 8.13C)		
Outstanding imprests and advances (Note 8.14)		
<b>Total</b>	<b>421,543,095</b>	<b>846,902,653</b>

The project has 11 project accounts spread within the project implementation area and 1 foreign currency designated accounts managed by the National Treasury as listed below:

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8. NOTES TO THE FINANCIAL STATEMENTS (continued)

8.13. A) Bank Accounts

i) Project Bank Accounts

<b>Local Currency Accounts</b>		
NIC Bank [A/c No 1000014814]	44,724,387	43,191,830
NIC Bank Retention Ac No. 1001964972	111,784,560	62,573,048
KCB GoK Development Ac. No. 1114343528	-	-
KCB Bank Counterpart Ac. No. 1179736125	204,648,557	203,215,858
Cooperative Bank Kiambu Ac. No. 01141370650000	23,752,969	206,315,684
Cooperative Bank Murang'a Ac No. 01141055408500	31,244,808	30,665,592
Cooperative Bank Nyeri Ac No. 01141379349200	3,164,589	116,897,956
Cooperative Bank Nyandarua Ac. No. 01141126188400	1,024,970	539,863
KCB Bank Nyandarua Ac No. 1119722144	-	486,557
Cooperative Bank Kirinyaga Ac No. 01141272894800	645,908	98,802,824
Cooperative Bank Laikipia Ac No. 1119722128	552,346	84,213,442
<b>Total local currency balances</b>	<b>421,543,095</b>	<b>846,902,654</b>
<b>Total bank account balances</b>	<b>421,543,095</b>	<b>846,902,654</b>

ii) Special Deposit Account

The balances in the Project's Special Deposit Account as at 30TH JUNE 2020 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. The Special Deposit Account (SDA) movement schedule which shows the flow of funds that were voted in the year is presented below. These funds have been reported as loans/grants received in the year under the Statement of Receipts and Payments.



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**8.15. Fund Balance Brought Forward**

	FY 2019/20	FY 2018/19
	KShs	KShs
Bank accounts (Note 11A)	421,543,095	846,902,653
Cash in hand (Note 11B)	-	-
Cash equivalents (short-term deposits) (Note 11C)	-	-
Outstanding imprests and advances (Note 11D)	-	-
<b>Total</b>	<b>421,543,095</b>	<b>846,902,653</b>

**8. NOTES TO THE FINANCIAL STATEMENTS (continued)**

**8.16. Prior Year Adjustments**

There was no prior year adjustments for the FY 2018/2019 with a significant impact on the financial statements for the year ended June 30, 2020.

PRIOR YEAR ADJUSTMENT	FY 2019/20	FY 2018/19
	KShs	KShs
Bank accounts		37,000,000
Cash in hand	-	-
Cash equivalents (short-term deposits)	-	-
Receivables - Outstanding Imprest	-	-
<b>Total</b>	<b>-</b>	<b>37,000,000</b>

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**j) OTHER IMPORTANT DISCLOSURES**

**9.1 PENDING ACCOUNTS PAYABLE (See Annex 2A)**

These schedules of pending bills are provided for disclosure purposes since the financial statements are prepared on cash basis. These comprise of unpaid bills that the Project had incurred as a result of contracted goods and services as at the end of the FY 2019/20 as shown below. These pending bills are further analyzed in the Annexes to the financial statements.

	<b>FY 2019/20</b>	<b>FY 2018/19</b>
	<b>Kshs</b>	<b>Kshs</b>
Construction of buildings		
Construction of civil works		
Supply of goods		
Supply of services	<b>41,473,681.96</b>	

**9.2 PENDING STAFF PAYABLES (See Annex 2B)**

	<b>FY 2019/20</b>	<b>FY 2018/19</b>
	<b>Kshs</b>	<b>Kshs</b>
Permanent employees - management		
Permanent employees - Others		
Temporary employees		
Other staff member XYZ		
	<b>-</b>	<b>-</b>

**9.3 OTHER PENDING PAYABLES (See Annex 2C)**

	<b>FY 2019/20</b>	<b>FY 2018/19</b>
	<b>Kshs</b>	<b>Kshs</b>
Amounts due to National Government entities		<b>-</b>
Amounts due to County Government entities		<b>-</b>
Amounts due to third parties		<b>-</b>
Other supplier XYZ		<b>-</b>
	<b>-</b>	<b>--</b>

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**k) PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

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


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

**Guidance Notes:**

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.



Ag. Director General



Project Coordinator

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**ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS**

Explain all variance below 90% and above 100%.

	Final Budget	Actual on Comparable Basis	Utilisation Variance	% of Utilisation	Comments on Variance
	c=a+b	d	e=c-d	f=d/c %	
<b>Receipts</b>					
Receipts from Government of Kenya	508,388,842	220,000,000	288,388,842	43%	The budget balance of 288 Million was received at the beginning of the FY 2020/21
Proceeds from Domestic and Foreign Grants	-	-	-	0%	
Loan from External Development Partners	1,320,804,267	744,742,084	576,062,183	56%	We made a drawdown upto the 75% limit given by AfD. The remaining 25%, which is subject to audit, will be drawn down after presentation of the KRB audit report.
Miscellaneous receipts	-	3,595,159	- 3,595,159	0%	The Miscellaneous receipt relates to interest earned which could not be reliably estimated at the point of budgeting since it relies on bank account balances
<b>Total Receipts</b>	<b>1,829,193,109</b>	<b>748,337,243</b>	<b>572,467,024</b>		
<b>Payments</b>					
Compensation of employees	4,000,000	3,819,950	180,050	95%	
Use of goods and services	468,327,676	352,065,790	116,261,886	75%	Some of the Consultants had not complied with Treasury Circular No.22/TS/GP/30 on payment of withholding income tax.
Social Security Benefits	-	-	-		
Acquisition of Non-financial Assets	1,356,865,433	1,037,811,060	319,054,374	76%	There were no outstanding certificates / debts to be paid due to poor performance and slow progress by contractors.
Transfers to Other Government Entities	-	-	-		
Other Grants and Other Payments	-	-	-		
<b>Total Payments</b>	<b>1,829,193,109</b>	<b>1,393,696,799</b>	<b>435,496,310</b>		

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ANNEX 2 - ANALYSIS OF PENDING BILLS ANNEX 2A – ANALYSIS OF PENDING BILLS

Supplier of Goods or Services	Original Amount	Amount paid to date	Outstanding Balance 2019	Outstanding Balance 2018	Comments
	A	C	d=a-c		
<b>Construction of buildings</b>					
<b>Sub-Total</b>					
<b>Construction of civil works</b>					
	Benaiah MG Services Ltd	23,499,221	4,199,994		
	Riftrollers Construction Ltd	16,283,360	16,931,007		
	Yamu Engineering Services	16,825,053	784,482		
	Rware Technical Services	11,282,389	4,000,001		
	Priska Engineering	34,994,373	7,999,998		
	Gratimo Holdings Ltd	20,348,239	14,156,708		
	Kevki(K) Ltd	27,253,555	4,989,556		
<b>Sub-Total</b>			<b>53,061,746</b>		
<b>Supply of goods</b>					

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<b>Sub-Total</b>					
<b>Supply of services</b>					
	7,289,166.67	0	7,289,166.67	-	Cas Consultants Ltd-Fee Note 1-Design
	8,209,400.00	0	8,209,400.00	-	Cas Consultants Ltd-Fee Note 17
	5,512,532.00	0	5,512,532.00	-	Egis/Norken/Cape consult-Fee Note 10 KShs
	76,695.00	0	76,695.00	-	Egis/Norken/Cape consult-Fee Note 10 Euro
	5,216,159.55	0	5,216,159.55	-	Egis/Norken/Cape consult-Fee Note 11 KShs
	1,113,264.74	0	1,113,264.74	-	Egis/Norken/Cape consult-Fee Note 11 Euro
	6,157,300.00	0	6,157,300.00	-	Multiscope Consulting Engineers Ltd-Fee Note 14
	5,855,500.00	0	5,855,500.00	-	Multiscope Consulting Engineers Ltd-Fee Note 15
	2,043,664.00	0	2,043,664.00	-	Natconsult Consulting Engineers-Fee Note 3
<b>Sub-Total</b>					
<b>Grand Total</b>	<b><u>41,473,681.96</u></b>		<b><u>41,473,681.96</u></b>		

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**ANNEX 2B - ANALYSIS OF PENDING STAFF BILLS**

Name of Staff	Job Group	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2019	Outstanding Balance 2018	Comments
		a	b	C	d=a-c		
Permanent Employees - Management							
Sub-Total							
Permanent Employees - Others							
Sub-Total							
Temporary employees							
Sub-Total							
Others (specify)							
Sub-Total							
Grand Total							

ANNEX 2C - ANALYSIS OF OTHER PENDING PAYABLES

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid to date	Outstanding Balance 2019	Outstanding Balance 2018	Comments
		A	B	C	d=a-c		
Amounts due to National Govt Entities							
Sub-Total							
Amounts due to County Govt Entities							
Sub-Total							
Amounts due to Third Parties							

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Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid to date	Outstanding Balance 2020	Outstanding Balance 2019	Comments
		A	B	C	d=a-c		
Sub-Total							
Others							
Sub-Total							
Grand Total							

**ANNEX 3 – SUMMARY OF FIXED ASSET REGISTER**

This summary of fixed assets is provided for disclosure purposes since the financial statements are prepared on cash basis. The fixed assets summary is extracted from the asset registers maintained by the Project.

Asset class	Opening Cost	*Purchases/Additions in the Year	**Disposals in the Year	Closing Cost
	(KShs)	(KShs)	(KShs)	(KShs)
	2019/20	2019/20	2019/20	2019/20
	(a)	(b)	(c)	(d)= (a)+ (b)-(c)
Land				
Buildings and structures				
Transport equipment				
Office equipment, furniture and fittings				
ICT Equipment, Software and Other ICT Assets				
Other Machinery and Equipment				
Heritage and cultural assets				
Intangible assets				
<b>Total</b>				

Notes

\* Purchases/Additions in the year have been reconciled to the amount recorded in the Statement of Receipts and Payments

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

**APPENDICES**

- i. Listing of inter-entity receipts and payments in the year.
- ii. Certified inter-entity confirmations and reconciliations for both the Transfers to and from Other Government Entities
- iii. Bank Reconciliations (these should be accompanied by the board of survey and bank balance certificate for each account)

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Appendix I

Inter-entity Transfers Listing:

- a) Receipts from other government entities as per Note 8.3

<u>State Department for Infrastructure</u>		
	<b>Date of Disbursement</b>	<b>Nature of Transfer Development (KShs)</b>
Quarter 3	20.03.2020	398,476,591
	15.05.2020	110,000,000
	24.06.2020	110,000,000
<b>Total</b>		<u>618,476,591</u>

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b) Transfers to other government entities as per Note 8.11

<u>Project</u>		
	Date of Disbursement	Nature of Transfer Development (KShs)
Quarter 1		
Quarter 2		
Quarter 3		
Quarter 4		
<b>Total</b>		
<u>County</u>		
Quarter 2		
<b>Total</b>		

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## State Department of Infrastructure

The State Department of infrastructure wishes to confirm the amounts disbursed to you as at 30 June 2020 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate them in column E in the table below. Then please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by Project as at 30 June 2020							
Reference Number	Date Disbursed	Amounts Disbursed by State Department of Infrastructure as at 30 June 2020				Amount Received by Project as at 30 June 2020 (KShs) (E)	Difference (KShs) (F)=(D-E)
		Recurrent (KShs) (A)	Development (KShs) (B)	Inter – Ministerial (KShs) (C)	Total (KShs) (D)=(A+B+C)		
	20.03.2020		398,476,591		398,476,591	398,476,591	-
	15.05.2020		110,000,000		110,000,000	110,000,000	-
	24.06.2020		110,000,000		110,000,000	110,000,000	-
<b>Total</b>			<b>618,476,591</b>		<b>618,476,591</b>	<b>618,476,591</b>	-

I confirm that the amounts shown above are correct as of the date indicated.