

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR ENDED
30 JUNE, 2023**

KENYA RURAL ROADS AUTHORITY

THE NATIONAL ASSEMBLY
PAPERS LAYD
DATE: 07 DEC 2023
TABLED BY: Hon Owen Bayo, MP
Deputy majority leader
Mr. Shubaka





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

Implementing Entity: Kenya Rural Roads Authority

PROJECT GRANT/CREDIT NUMBER: 2007 65 123

KFW

GERMAN DEVELOPMENT BANK (KFW)

**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2023**

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



*Improvement of Rural Roads and Market Infrastructure in Western Kenya
Annual Report and Financial Statements For the financial year ended June 30, 2023*

*Improvement of Rural Roads and Market Infrastructure in Western Kenya
Annual Report and Financial Statements For the financial year ended June 30, 2023*

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1. ACRONYMS AND GLOSSARY OF TERMS

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

2. PROJECT INFORMATION AND OVERALL PERFORMANCE

2.1 Name and registered office

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

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

Address: The project headquarters offices are Nairobi, Nairobi County, Kenya.

The address of its registered office is:

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

The project also has offices/branches as follows:

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

Contacts: The following are the project contacts

Tel: 020-7807600/01-05

Mobil: 0711-851103

Director General: dg@kerra.go.ke

Website: www.kerra.go.ke

2.2 Project Information

Project Start Date:	The project start date is 1st August 2012
Project End Date:	The project end date is 31st December, 2022
Project Manager:	The project manager is Eng. Joseph Macharia
Project Accountant:	The Project Accountant is CPA. Pauline N. Kahwai
Project Sponsor:	The project sponsors are Government of Kenya (GOK), which will contribute 50% and German Development Bank through their Lending arm KFW which will contribute 50%

2.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of Kenya Rural Roads Authority, which falls under the State department for Roads.
Project number	2007 65 123
Strategic goals of the project	The strategic goal of the project is Rehabilitation of rural roads to maintainable gravel standards using Labour Based Technology and improvement of markets in Bungoma, Vihiga, Kakamega, Busia and Siaya counties.
Achievement of strategic goals	<p>The project management aimed to achieve the strategic goals through improvement of a continuous 281kms of rural road network in the counties of Bungoma, Vihiga, Kakamega, Busia and Siaya to maintainable gravel standards.</p> <p>The market component was a Grant which was to be implemented under the ministry of Agriculture, Fisheries and Livestock Development while the Rural Roads Component is being implemented by KeRRA</p> <p>Implementation of the Programme was completed by June, 2020 with the following achievements under the programme components.</p> <p>Road Works A total of 281km was achieved with 230km implemented under normal Contracts while 50km implemented under Trial Contracts.</p> <p>Training A total of 203 persons were trained under the Programme as shown in the table below;</p>

	S/No	Cadre	No Trained
	1	Road Improvement Contractors (Trial Contractors)	99
	2	Routine Maintenance Contractors	54
	3	KeRRA Staff	40
	4	Private Sector Supervisors	10
		Total	203
Other important background information of the project	<p>Endowments for Regional Managers'</p> <p>Vehicles Eight (8) new Double cabin Pick up Vehicles were bought under the Programme and shared among Kakamega, Bungoma, Vihiga and Busia Regions.</p> <p>ICT and Office Furniture The Programme procured assorted items of Office Furniture and ICT Equipment which were also shared among four Regional offices (Bungoma, Kakamega, Vihiga and Busia)</p> <p>Environmental and Social Impact Assessment Studies (ESIAs): ESIA for all the roadworks components was conducted and NEMA issued respective Licences as per the Batches.</p> <p>Workshops and Studies Four (4) stakeholder workshops were held on diverse dates since the programme started in the year 2012 within the focal area for the Programme. The purpose of these workshops was for prioritization of roads to be improved and other forms of sensitization.</p> <p>Socio-economic Baseline Study/Impact Study Report The project management consultant conducted a Socio-Economic Baseline Study in August, 2014. An Impact Study was later conducted in 2020 after the end of implementation of the roadworks.</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"> • Improvement of accessibility to markets • Infrastructure development 		

2.4 Bankers

The following are the bankers for the current year:

(i) Special Deposit Account

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

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

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

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

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

2.5 Auditors

The project is audited by:

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

2.6 Roles and Responsibilities

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

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

Names	Title Designation	Key Qualification	Responsibilities
Eng. 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 & Environmental Interests	<i>P.Eng., MA (Planning), BSc., MIEK</i>	Supervisor/Engineer
Eng. Joseph G.Macharia joseph.macharia@kerra.go.ke +254 0724 989291, 0207807602	Desk officer/ Project Engineer	Bsc Hons, P.Eng	Coordination of the activities of the program
CPA Pauline N. Kahwai dcs@kerra.go.ke pauline.kahwai@kerra.go.ke +254 0777851103, 0207807601	Project Accountant	MSc (Fin) B. Com, CPA (K), ICPAK	Accountant, support the project team regarding payments and reports.

2.7 Funding summary

The original planned duration of the Project was seven (7) years from 2012 to 2019. A 3-year extension was granted, extending the project execution period to December, 2022. The project has an approved budget of Euros 13,700,000 equivalent to Kshs. 1,370,000,000 as highlighted in the table below:

Below is the funding summary:

A. Source of Funds

Source of Funds	Donor Commitment		Amount Received as at 30 th June 2023		Undrawn Balance as at 30 th June 2023	
	Euros (A)	Kshs (A'')	Euros (B)	Kshs (B')	Euros (A)-(B)	Kshs (A')-(B')
LOAN SUMMARY						
(ii) Loan						
German Development Bank	7,500,000	750,000,000	8,102,628	810,262,832	(602,628)	(60,262,832)
Total Loans	7,500,000	750,000,000	8,102,628	810,262,832	(602,628)	(60,262,832)
(iii) Counterpart Funds						
Government of Kenya	4,700,000	470,000,000	5,923,154	592,315,413	(1,223,154)	(122,315,413)
Interest Income	-	-	389,423	15,035,185	(146,458)	(14,645,762)
Total GoK Counterpart	4,700,000	470,000,000	6,312,577	607,350,598	(1,369,612)	(136,961,175)
(iv)						
KHBIT Refund			102,257,90	10,225,790	(102,258)	(10,225,790)
Total Funding Summary	13,700,000	1,370,000,000	14,415,206	1,427,839,220	(1,972,240)	(197,224,007)

The varied figures have been caused by:

- i) Exchange rate
- ii) Interest earned

B. Application of Funds

Application of funds	Amount received to date – (30 th June 2023)		Cumulative Amount paid to date – (30 th June 2023)	Unutilised balance to date (30th June 2023)
	(Euros)	Kshs		
(i) Loan				
KfW	8,102,628	810,262,832	810,262,832	-
Total	8,102,628	810,262,832	810,262,832	-
(ii) Counterpart funds				
Government of Kenya	6,073,506	607,350,598	473,320,800	1,340,298
KHBIT Refund		10,225,790	10,225,790	-
Total	14,176,134	1,427,839,220	1,283,583,632	1,340,298
Exch. Rate =				
Kshs. 100/Euro				134,029,799

2.8 Summary of Overall Project Performance:

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

i) Batch 1 Contracts

The first Batch of twelve works contracts (Batch 1) were procured in late 2014. Commencement orders were sanctioned in March, 2015 after getting No Objection from the Development Partner-KFW. All the roads under Batch 1 have been completed.

Table 1: Projects undertaken under Batch 1 of the programme

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

i) Batch 2 Contracts

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

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

Table 2: Projects undertaken under Batch 2 of the programme

County	Road Name	Road Length (km)	Contract Sum (Kshs)
Kakamega	Lumakanda- Mwamba	7.6	17,879,092.00
	Musoli- hiamusinjiri	7.5	16,686,073.36
	Harambee-Inc.UG93734	4.5	10,504,538.57
Siaya	Busia Bdr – Urembo Disp.	4.9	8,712,757.68
	Urembo Disp- Ganga Sch	7.4	11,879,996.39
	Ganga Sch – Boro	6.2	11,168,100.00
	Sidundo- Nyadorera	3.2	6,544,924.28
	Uranga- Jn G61947	6.5	15,600,000.00
	Rabar- Jn UG61947	8.0	13,125,318.80
	Segere – Ndere	4.7	8,641,608.00
	Rabar- Jn C90 Nzoia	5.8	13,282,573.04
	Jn C29 – Jn E1165	3.4	8,519,880.00
Bungoma	Jn A1 Mfupi- Jn UG91353	5.1	11,602,393.66
Vihiga	Luanda – Wemilabi	5.5	12,240,248.00
Busia	Mukhobola- Siaya Bdr	3.2	12,800,000.00
Total		83.5	179,187,503.78

iii) Batch 3 Road works

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

iv) The project absorption rate over the years

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

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

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

2.9 Summary of Project Compliance:

The Program has ensured that all the activities carried out are within the laws of the Republic of Kenya and that all regulations and procedures have been followed. In cases of inconsistency between the GOK Regulations and those of the donors, the latter have been applied. The project has therefore fully complied with both the financing agreement and other statutory requirements.

3. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETRMINED OBJECTIVES

Introduction

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

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

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

Progress on attainment of Strategic development objectives

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

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

4. ENVIROMENTAL AND SUSTAINABILITY REPORTING

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

5. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Director General Kenya Rural Roads Authority and the Project Coordinator for Improvement of Rural Roads and Market Infrastructure in Western Kenya project are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year (period) ended on June 30, 2023.

This responsibility includes

- (i) Maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period.
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the project.
- (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud.
- (iv) Safeguarding the assets of the project;
- (v) Selecting and applying appropriate accounting policies.
- (vi) Making accounting estimates that are reasonable in the circumstances.

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

The Director General Kenya Rural Roads Authority and the Project Coordinator for Improvement of Rural Roads and Market Infrastructure in Western Kenya project are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the Financial year ended June 30, 2023, and of the Project's financial position as at that date. The Director General Kenya Rural Roads Authority and the Project Coordinator for Improvement of Rural Roads and Market Infrastructure in Western Kenya project further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

The Director General Kenya Rural Roads Authority and the Project Coordinator for Improvement of Rural Roads and Market Infrastructure in Western Kenya project confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

*Improvement of Rural Roads and Market Infrastructure in Western Kenya
Annual Report and Financial Statements For the financial year ended June 30, 2023*

Approval of the Project financial statements

The Director General Kenya Rural Roads Authority and the Project Coordinator for Improvement of Rural Roads and Market Infrastructure in Western Kenya project on 27th September, 2023 and signed by them.



Deputy Director (F&A)

CPA Matilda Wakere -Ita

ICPAK Member Number: 5469



Project Coordinator

Eng. Joseph Macharia

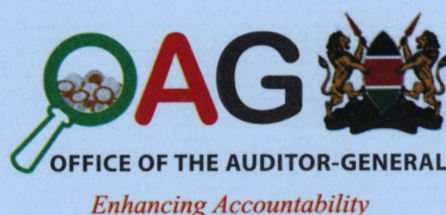


Director General

Eng Philemon Kandie, MBS

REPUBLIC OF KENYA

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Anniversary Towers
Monrovia Street
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON IMPROVEMENT OF RURAL ROADS AND MARKET INFRASTRUCTURE IN WESTERN KENYA PROJECT CREDIT NO.BMZ 2007-65 123 (KFW) FOR THE YEAR ENDED 30 JUNE, 2023 - 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 the 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 Improvement of Rural Roads and Market Infrastructure in Western Kenya Project - Kenya Rural Roads Authority set

Report of the Auditor-General on Improvement of Rural Roads and Market Infrastructure in Western Kenya Project Credit No.BMZ 2007-65 123 (KFW) for the year ended 30 June, 2023 - Kenya Rural Roads Authority

out on pages 1 to 19, which comprise the statement of financial assets as at 30 June, 2023, and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

In my opinion, except for the effects 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 Improvement of Rural Roads and Market Infrastructure In Western Kenya Project as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the amended Financing Agreement for Credit No.BMZ 2007-65 123 (KFW) signed on 14 December, 2009 between Kreditanstalt Fur Wiederaufbau (KFW) and the Republic of Kenya, and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Inaccuracy in the Statement of Comparison of Budget and Actual Amounts

The statement of receipts and payments reflects total payments of Kshs.4,062,426, while the statement of comparison of budget and actual amounts reflects Kshs.324,924, resulting to unexplained and unreconciled variance of Kshs.3,737,502.

In the circumstances, the accuracy and completeness of the statement of comparison of budget and actual amounts could not be confirmed.

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

Key Audit Matters

Key audit matters are those matters that, in my professional 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 budgeted receipts of Kshs.284,774,210 against actual income of Kshs.10,615,213 resulting to an under-collection of Kshs.274,158,997 or 96% of the budget. The statement further reflects final

budgeted expenditure of Kshs.144,675,076 against actual expenditure of Kshs.324,924 resulting to an under-expenditure of Kshs.144,359,152 or 99% of the budget. Further, the statement reflects a receipts budget of Kshs.284,774,210 and a payments budget of Kshs.144,675,076 resulting to a variance of Kshs.140,099,143. The use of unbalanced budget is contrary to Regulation 33(c) of the Public Finance Management (National Government) Regulations, 2015 which states that budget shall be balanced.

The under-funding and under-expenditure may have affected the planned activities and impacted negatively on service delivery to the public.

2. Long Outstanding Pending Accounts Payable

Note 1 on Other Important Disclosures to the financial statements reflects pending accounts payable totalling to Kshs.66,288,310 which have been outstanding for more than one (1) year. Management did not explain reasons for non-settlement of the bills and therefore the project is at the risk of incurring significant interest costs and penalties with the continued delay in payment. Further, failure to settle bills during the year to which they relate distorts the financial statements and adversely affects the budgetary provisions for the subsequent year as they form a first charge.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Unexplained Over Financing of the Project

The statement of receipts and payments and other project's information indicate that as at 30 June, 2023, the Project had received total funding of Kshs.1,427,839,220 against total funding of Kshs.1,220,000,000 provided in the financing agreement leading to over-financing by Kshs.207,839,220. There was no evidence or explanation provided by the Management on this anomaly. Further, Annex 3 to the financing agreement indicates that consultancy services should be Kshs.210,000,000 which is at variance with the statement of receipts and payments cumulative balance of Kshs.435,552,698 by Kshs.225,552,698. The variance has not been satisfactorily explained.

In the circumstances, the Management was in breach of the financing agreement.

2. Lapse of the Loan Financing Agreement Period

The original planned duration of the Project was seven (7) years from 2012 to 2019. A 3-year extension was granted in 2019, extending the project execution period to

December, 2022. The project has not been closed and no proof of further project extension was provided.

In the circumstances, the Management is in breach of the financing agreement.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Kreditanstalt Fur Wiederaufbau (KFW), I report based on my audit, that:

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

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material

misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

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

Auditor-General's Responsibilities for the Audit

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 controls in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in

accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal controls 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 controls 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 controls 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 controls.
- 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 controls 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.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

09 November, 2023



7. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2023.

Note	FY 2022/2023	Receipts and payments Made by third parties Kshs	FY 2021/2022		Cumulative to Date Kshs
	Receipts and payments controlled by the entity Kshs		Receipts and payments controlled by the entity Kshs	Receipts and payments Made by third parties Kshs	
RECEIPTS					
Receipts from Government of Kenya	-	-	25,000,000	-	592,315,413
Proceeds from Domestic and Foreign Grants	-	-	-	-	-
Refunds from KIHBIT	10,225,790	-	-	-	10,225,790
Loan from external Development partners	-	-	-	5,000,000	810,262,832
Interest Income	389,423	-	994,927	-	15,035,185
Total Receipts	10,615,213	-	25,994,927	5,000,000	1,427,839,220
PAYMENTS					
Road Works Expenditure	101,878	-	101,878	-	712,485,896
Consultancy	-	-	-	-	435,552,698
Acquisition of Non-financial Assets	-	-	-	-	51,638,469
Training Costs	3,923,000	-	-	-	60,898,610
Other operating costs	37,548	-	2,419,880	-	33,386,549
Total Payments	4,062,426	-	2,521,758	-	1,293,962,223
Surplus/(Deficit)	6,552,787	-	23,473,169	5,000,000	133,876,997

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

Mwa
Deputy Director (F & A)

CPA Matilda Wakere Ita
ICPAK Member Number:5469

Joseph Macharia
Project Coordinator

Eng. Joseph Macharia

Philemon K. Kandie
Director General


Eng. Philemon K. Kandie, MBS





8. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2023

Description	Note	2022/23	2021/22
		Kshs	Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	6	133,876,998	131,730,153.54
Total Cash Equivalents		133,876,998	131,730,153.54
Accounts Receivables	7		-
TOTAL FINANCIAL ASSETS		133,876,998	131,730,153.54
FINANCIAL LIABILITIES			
Accounts Payable	8	7,661,437	12,067,380.00
NET ASSETS		126,215,561	119,662,773.54
REPRESENTED BY:			
Fund balance brought forward	9	119,662,774.0	91,189,605.11
Amount reclaimed by KfW		-	
Surplus/Deficit for the year		6,552,787	28,473,168.91
Net Financial Position		126,215,561	119,662,774.02

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, 2023** and signed by:


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


Project Coordinator
 Eng. Joseph Macharia


Director General
 Eng. Philemon Kandie, MBS

9. STATEMENT CASHFLOW FOR THE YEAR ENDED 30TH JUNE 2023

Description	Note	2022/2023	2021/2022
		Kshs	Kshs
Cashflow from operating activities			
Receipts from Government of Kenya	1	-	25,000,000
Loans	4	-	5,000,000
Refund From KIHBIT		10,225,790	
Total Receipts		10,225,790	30,000,000
Payments for operating expenses		(3,737,500)	
Roadworks expenditure	4	(101,878)	(101,878)
Other Operating Costs	5	(223,048)	(2,419,880)
Payments from operating activities		(4,062,426)	(2,521,758)
Adjustments During the year		-	-
Prior year adjustments(Refund to development partner)	9	-	-
Decrease/(Increase) in Accounts payable	8	(4,405,943)	(10,351,689)
Increase/(Decrease) in Receivable	7	-	302,400
Net Cash flow used in operating activities		1,757,421	17,428,953
Cash flow from borrowing activities			
Proceeds from foreign borrowings	2		-
Net Cash flow from borrowing activities		-	
Cash flow from Investing activities			
Acquisition of Non-financial Assets	4	-	-
Interest Income	3	389,423	994,927
Net Cash flow from investing activities		389,423	994,927
Net increase in cash and cash equivalents		2,146,844	18,423,880
Cash and cash equivalents at the beginning of the year		131,730,154	113,306,274
Cash and cash equivalents at the end of the year		133,876,998	131,730,154

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, 2023** and signed by:


Deputy Director (F & A)

CPA Matilda Wakere-Ita

ICPAK Member Number: 5469


Project Coordinator

Eng. Joseph Macharia


Director General

Eng. Philemon K. Kandie, MBS

10. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE, 2023

Consolidated Receipts/Payment Item	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Budget Utilisation Variance	% of Utilisation
	A	B	C=a+b	D	E=c-d	F=d/c%
RECEIPTS						
Receipts from Government of Kenya	250,000,000	250,000,000	-	-	-	0%
Refund from KIHBIT to be returned to the Donor Partner	295,000,000	10,225,790	284,774,210	10,225,790	274,548,420	4%
Interest Income	-	-	-	389,423	(389,423)	0%
Total receipts	545,000,000	260,225,790	284,774,210	10,615,213	274,158,997	4%
PAYMENTS						
Consultancy services	400,000,000	400,000,000	-	-	-	0%
Road works	100,000,000	101,878	99,898,122	101,878	99,796,244	0%
Acquisition of Non-financial Assets	-	-	-	-	-	0%
Operating costs	45,000,000	223,046	44,776,954	223,046	44,553,908	0%
Total Payments	545,000,000	400,324,924	144,675,076	324,924	144,350,152	1%

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



Deputy Director (F & A)

CPA Matilda Wakere -Ita

ICPAK Member Number: 5469



Project Coordinator

Eng. Joseph Macharia



Director General

Eng. Philemon Kandie, MBS

11. SIGNIFICANT ACCOUNTING POLICIES

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

11.1 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 imprest 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.

11.2 Reporting entity

The financial statements are for The improvement of Rural Roads and Market Infrastructure in Western Kenya under the State Department of Ministry Of Transport Infrastructure Housing and Urban Development as required by Section 81 of the PFM Act, 2012 .

11.3 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.

11.4 Recognition of receipts

The improvement of Rural Roads and Market Infrastructure in Western Kenya recognises all receipts from the various sources when the event occurs, and the related cash has actually been received.

i) 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.

ii) External Assistance

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

Significant Accounting Policies (Continued)

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 at the time associated cash is received.

iv) 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.

v) Proceeds from borrowing

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

vi) 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.

11.5 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 to employees

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

Significant Accounting Policies (Continued)

ii) Use of goods and services

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

iii) Interest on borrowing

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

11.6 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)

11.7 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.

11.8 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.

11.9 Imprests and Advances

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.

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:

Significant Accounting Policies (Continued)

- 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.

Annex 5 of this financial statement is a register of the contingent liabilities in the year.

Kenya Rural Roads Authority 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 Kenya Rural Roads Authority 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.

11.10 Contingent Liabilities

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' 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.

Significant Accounting Policies (Continued)

11.11 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*.

11.12 Contingent Asset

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 10,225,790 being loan disbursements were received in form of direct payments from third parties.

11.13 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 past dates of the transactions as per the agreement terms and condition. 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.

Significant Accounting Policies (Continued)

11.14 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.

11.15 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, 2023.

11.16 Prior period adjustments

Prior period adjustments relate to errors and other adjustments noted arising from previous year(s). Explanations and details of these prior period adjustments are presented.

12. NOTES TO THE FINANCIAL STATEMENTS

1. RECEIPTS FROM GOVERNMENT OF KENYA

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

	2022/23	2021/22	
Description	KShs	KShs	Cumulative to-date (from inception)
<i>Counterpart funding through Ministry of Transport and Infrastructure</i>			
Counterpart funds Quarter 1	-	12,500,000.00	
Counterpart funds Quarter 2	-	-	
Counterpart funds Quarter 3	-	12,500,000.00	
Counterpart funds Quarter 4	-	-	592,315,413
Total (See Annex 2)	-	25,000,000	592,315,413

2. A LOAN FROM EXTERNAL DEVELOPMENT PARTNERS

Name of Donor	Amount in loan currency	Loans received in cash	Loans received as direct payment*	Cumulative to- date (from inception)
		KShs	KShs	KShs
Loans Received from Multilateral Donors (International Organisations)				
KIHBIT	-	10,225,790	-	10,225,790
Total	-	10,225,790	-	10,225,790

For the year ended 30 June 2023 the Authority received a refund of Ksh.10,225,000 Kisii Highway Bridges Institute of Technology (KIHBT)

2. b LOAN FROM EXTERNAL DEVELOPMENT PARTNERS					
Name of Donor	Amount in loan currency	Loans received in cash	Loans received as direct payment*	Total Payments 2021/22	Cumulative to-date (from inception)
		KShs	KShs	KShs	KShs
Loans Received from Bilateral Donors (Foreign Governments)					
Loans Received from Multilateral Donors (International Organisations)				5,000,000	810,262,832
Total	-	-	-	5,000,000	810,262,832

3. MISCELLANEOUS RECEIPTS

Description	2022/23		2021/22		Cumulative to-date (from inception)
	Receipts controlled by the entity in Cash	Receipts controlled by third parties	Receipts controlled by the entity in Cash	Receipts controlled by third parties	
	KShs	KShs	KShs	KShs	KShs
Interest	389,423	-	994,927	-	15,035,185
Total	389,423	-	994,927	-	15,035,185

4. ACQUISITION OF NON-FINANCIAL ASSETS

Description	2022/23	2022/23	2021/22	2022/23
	Receipts Payments made by the Entity in	Receipts Payments made by third parties	Receipts Payments made by the Entity in Cash	Cumulative to-date
	KShs	KShs	KShs	KShs
Construction of roads	101,878	-	101,878	712,485,896
Design & supervision consultancy	-	-	-	435,552,698
Purchase of office furniture & general equipment	-	-	-	51,638,469
Total	101,878	-	101,878	1,199,677,063

5. OTHER OPERATING COSTS

<i>Description</i>	2022/2023	2021-2022	Cumulative to-date
	Kshs	Kshs	Kshs
Training Costs	3,923,000	-	60,898,610
Other Operating Costs(Bank Charges,Meetings & Subsistence allowance.	37,546	2,419,880	33,386,549
Total	3,960,546	2,419,880	94,285,159

6. CASH AND CASH EQUIVALENTS

<i>Description</i>	2022/23	2021/22
	KShs	KShs
Bank accounts	133,876,998	131,730,154
Cash in hand	-	-
Total	133,876,998	131,730,154

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The project has 9 number of project accounts spread within the project implementation area and 1 number of foreign currency designated accounts managed by the National Treasury as listed below:

6(A). Bank Accounts

Project Bank Accounts

Description	87 21/23	2021/22
	KShs	KShs
<u>Local Currency Accounts</u>		
KeRRA GoK Counterpart Account Number 1179736249	84,729,394	25,780,015
FDR KeRRA GoK Counterpart Account Number 1179736249	0	57,000,000
KeRRA KfW Account Number 1001255416	8,351,932	13,651.55
NCBA KfW Retention Account Number 1001965006	11,435,062	1,841,894
NCBA KfW Retention Account Number 1001965006		12,084,350
Cooperative Bungoma- KfW Account Number 01141536543500		195,078
Co-operative KfW Kakamega- Account Number 01141545929700		245,161
Kakamega 10% RMLF Counterpart A/C 1113921692	29,360,610	29,360,610
Cooperative Vihiga- KfW Account Number 01141472733300		2,831,352
Cooperative Busia GoK Counterpart A/c No. 1119722349		212,308
Cooperative Siaya GoK Counterpart A/c No. 1119721962		2,165,734.50
<u>Local Currency Accounts</u>		
Total local currency balances		
Total bank account balances	133,876,998	131,730,153.54

(C). Cash equivalents (short-term deposits)

Description	2022/23	2021/22
	Kshs	Kshs
Kenya Commercial Banks(A/C No. 1179736249	-	57,000,000
NCBA Retention Number 1001965006	-	12,084,350
Total	-	69,084,350

7. ACCOUNTS PAYABLE

Description	2022-2023	2021-2022
	Kshs	Kshs
Cumulative Retention	7,661,437	12,067,380
Total	7,661,437	12,067,380

8. FUND BALANCE BROUGHT FORWARD

Description	2022/23	2021/22
	KShs	KShs
Bank accounts	131,730,154	93,306,274
Cash equivalents (short-term deposits)		20,000,000
Adjustment for accumulated retention and receivables	(12,067,380)	(22,116,669)
Total	119,662,774	91,189,605

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OTHER IMPORTANT DISCLOSURES

1. PENDING ACCOUNTS PAYABLE (See Annex 3c)

	Balance b/f FY 2022/23	Balance b/f FY 2021/22
Description	Kshs	Kshs
Construction of roads	-	-
Supervision consultancy	66,288,310	66,288,310
Supply of services	-	-
Total	66,288,310	66,288,310.4

PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS

*Improvement of Rural Roads and Market Infrastructure in Western Kenya
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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/Observation from Auditor	Management comments	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	All the Audit issues/ observations for FY 2021/2022 were resolved	N/A	N/A	N/A

Ache

Director General, MBS

27/09/2023

Date

J. Mwangi

Project Coordinator

27/09/2023

Date

13. ANNEXES

ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

	Final Budget Kshs c=a+b	Actual on comparable basis Kshs d	Utilisation Variance Kshs e=c-d	% of Utilisation	Comments on variance
RECEIPTS					
Receipts from Government of Kenya	-	-	-	0%	Roadworks are complete. Consultant did not comply with the payment of withholding income tax therefore fee notes could not be forwarded to KfW for payment.
Refund from KIHBIT to be returned to the I	-	10,225,790	(10,225,790)	0%	
Interest Income		389,423	(389,423)	0%	Could not be reliably estimated since it depends on the bank balances hence zero budget
Total receipts	-	10,615,213	(10,615,213)		
PAYMENTS					
Consultancy services	-	-	-	0%	Non-compliance by the consultant with National Treasury Circular on payment of withholding Tax for direct payments
Road works	99,898,122	-	99,898,122	0%	Roadworks are complete.
Acquisition of Non-financial Assets	-	-	-	0%	Procurement was based on open competitive bidding therefore we the budget was based on a prudent estimate.
Training costs	-	-	-	0%	N/A
Operating costs	44,776,954	223,046	44,553,908	0%	Operating costs vary as per the project activity levels. Since the project is technically complete, it did not have many activities during the financial year.
Total Payments	144,675,076	223,046	144,452,030	0%	

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ANNEX 2: RECONCILIATION OF INTER-ENTITY TRANSFERS

PROJECT NAME:	Improvement of Rural Roads and Market Infrastructure in Western Kenya		
Break down of Transfers from the State Department of Infrastructure	Improvement of Rural Roads and Market Infrastructure		
Government Counterpart Funding	Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
Direct Payments			
	Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
		0	
	Total	0	
	TOTAL(a+b+c)	0	
Government Counterpart Funding			
	Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
Transfers from KIHBT	31/8/2022	7,000,000	FY 2022/23
Transfers from KIHBT	17/11/2022	3,225,790	FY 2022/23
		0	
	Total	10,225,790	
Direct Payments			
	Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
		0	
		0	
		0	
	Total	0	
	TOTAL(a+b+c)	10,225,790	
Transfers from GOK counterpart to KFW OPS		7,612,894.00	

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ANNEX 3(c) - ANALYSIS OF PENDING BILLS

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To Date	Outstanding Balance		Comments
				2022	2021	
	a	b	c	d=a-c		
Supervision Consultancy Services	kshs			kshs	kshs	
Grontmij A/S Fee Note 26	12,907,491			12,907,491	12,907,491	Consultant's non-compliance with National Treasury Guidelines on withholding Income tax
Grontmij A/S Fee Note 27	14,096,047		-	14,096,047	14,096,047	Consultant's non-compliance with National Treasury Guidelines on withholding Income tax
Grontmij A/S Fee Note 28	13,611,863		-	13,611,863	13,611,863	Consultant's non-compliance with National Treasury Guidelines on withholding Income tax
Grontmij A/S Fee Note 29	13,400,583		-	13,400,583	13,400,583	Consultant's non-compliance with National Treasury Guidelines on withholding Income tax
Grontmij A/S Fee Note 30	12,272,326		-	12,272,326	12,272,326	Consultant's non-compliance with National Treasury Guidelines on withholding Income tax
Sub-Total	66,288,310		-	66,288,310	66,288,310	
Grand Total	66,288,310		-	66,288,310	66,288,310	

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ANNEX 4 – SUMMARY OF FIXED ASSETS REGISTER

Asset Class	Balance B/F 2021/22	Opening Cost (K.shs) 2021/22	Donations in form of assets (K.shs) 2021/22	Purchases/Additio ns in the year (K.shs) 2021/22	Disposals in the year (K.shs) 2021/22	Transfers K.shs 2021/22 2021/22	Closing Cost(K.shs) 2021/22
		(a)	(b)	©	(d)	(d)	©=(a)+(b)+©- (d)+(-)d
Transport equipment	41,600,000						41,600,000
Office equipment, furniture & fittings	3,833,972	-	-	-	-	-	3,833,972
ICT equipment	6,204,500	-	-	-	-	-	6,204,500
Total	51,638,472	-	-	-	-	-	51,638,472

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APPENDICES

- i. Bank Reconciliations statement as at 30th June 2023

