

REPUBLIC OF KENYA



Enhancing Accountability



THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 28 NOV 2024	DAY: Thur
TABLED BY:	Hon. Naomi Wago, MP Deputy Chief Whip - Maj. Party
CLERK-AT THE-TABLE:	Vivian Wambui

REPORT

OF

THE AUDITOR-GENERAL

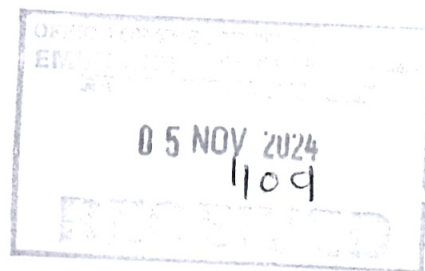
ON

**UPGRADING OF "GILGIL MACHINERY"
ROAD PROJECT**

**FOR THE YEAR ENDED
30 JUNE, 2024**

KENYA RURAL ROADS AUTHORITY

*Upgrading of Gilgil-Machinery Road Project
Annual Reports and Financial Statements For the financial year ended 30 June, 2024*



Upgrading of “Gilgil Machinery” Road Project

Kenya Rural Roads Authority

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED

30 JUNE, 2024



Arab Bank for Economic Development in Africa
Together for Africa

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

Upgrading of Gilgil-Machinery Road Project
Annual Reports and Financial Statements For the financial year ended 30 June, 2024

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1. ACRONYMS AND GLOSSARY OF TERMS

CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
NT	National Treasury
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
Comparative FY	Financial year preceding the current financial year.
BADEA	Arab Bank for Economic Development in Africa

2. PROJECT INFORMATION AND OVERALL PERFORMANCE

2.1 Name and registered office

Name

The project's official name is Upgrading of the "Gilgil-Machinery" Road Project.

Objective

The overall objective of the project is to contribute to economic and social development of Kenya, develop the public transport sector, develop, expand and integrate the road network with the capital Nairobi and link administrative towns and villages.

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

Contacts: The following are the project contacts

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

E-mail: dg@kerra.go.ke

Website: www.kerra.go.ke

2.2 Project Information

Project's Loan Signature Date:	The loan signature date was 25th May, 2016
Loan Effective Date:	The Loan was declared effective on 11th May, 2017
Original Project Loan End Date:	The original project end date is 30th June, 2019
Revised Project Loan End Date:	Loan Extension Agreement (D L.A./000783) was issued, extending the Loan Closing Date to 31st December, 2024.
Project Coordinator:	The Project Coordinator is Eng. Kennedy O. Nyakuti
Project Accountant:	The Project Accountant is CPA. Jane K. Murage
Project Sponsor:	<p>The Project Sponsors are Government of Kenya (GOK) (contributing 33.15%) and Arab Bank for Economic Development in Africa (BADEA) (contributing 66.85% of the Roadworks Cost).</p> <ul style="list-style-type: none"> • BADEA contribution USD 11.0Million • GOK Contribution USD 4.0 Million <p>TOTAL Funding USD 15.0Million</p>

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 of Infrastructure of the Ministry of Roads and Transport.
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Strategic goals of the project	The project aims at improving 23 Kilometers of Gilgil - Machinery Road (D390) to bitumen standards.
Achievement of strategic goals	An overall achieved weighted progress for permanent works is 97% against a projected revised program of 100%.
Other important background information of the project	<p>The loan agreement required that the Implementing agency form a project implementation unit. This condition was fulfilled with the appointment of a Project Coordinator and an Accountant.</p> <p>The project is managed by a Project Implementation Unit (PIU) composed of a Civil Engineer and an Accountant as specified in Article III Section 3.03 of the Financing Agreement. Currently, Eng. K.O. Nyakuti and CPA Jane K. Murage were appointed as the Project Coordinator and Project Accountant respectively.</p> <p>The project road length is approximately 23km long and traverses Nakuru and Nyandarua Counties with 5km being in Nakuru County and 18km being in Nyandarua County. The project road starts in Gilgil Town, on road C77 (Gilgil – Nyahururu), to the Njabini –Ol Kalou (C69) which was constructed with funding from BADEA.</p> <p>The project road is currently to gravel standard and traverse through generally a rolling/hilly terrain.</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"> (i) Linking of administrative towns and villages (ii) Expand and integrate the road network with the capital Nairobi. (iii) Contribute to economic and social development of the area. (iv) Develop public sector transport.

Project duration	The project civil works construction started on 4 th May, 2019 and is expected to run until 31st December, 2024 with a 12-month Maintenance Period.
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2.4 Bankers

The following are the bankers for the current year:

KCB Bank LTD

Kencom House, Moi Avenue Branch,
P.O. Box 48400-00100,
Nairobi Kenya.
KeRRA BADEA Funds Account-1259504255

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

The role and the positions of the officers managing the project are as follows:

Name and Contact Details	Title designation	Key qualification	Responsibilities
Eng. Philemon K. Kandie(MBS) +254 (20) 2710464 dg@kerra.go.ke	Director General	Bsc. Hons., MIEK, P. Eng, MSc.	Accounting Officer
Eng. J. K. Magondu +254 (20) 2710464 jackson.magondu@kerra.go.ke	Director Development	<i>BSc., MIEK, P.Eng, M(IBL), A(CLArb-UK)</i>	Engineer
Eng. Kennedy O. Nyakuti +254 (20) 2710464 kennedy.nyakuti@kerra.go.ke	Project Coordinator	<i>BSc MIEK, P.Eng, PMP</i>	Coordination of the activities of the project.
CPA Jane K. Murage +254 (20) 2710464 jane.murage@kerra.go.ke	Project Accountant	<i>BBA(Acc),ICPAK, CPA(K),MBA(Acc)</i>	Assisting in Coordination of the activities of the project.

2.7 Funding Summary

The Project duration is eight (8) years from 2017 to 2024 with an approved budget of USD 15,000,000 as highlighted in the table below:

Below is the funding summary:

A. Source of Funds

Source of Funds	Development Partner Commitment		Amount Received as at 30 th June 2024		Undrawn Balance as at 30 th June 2024	
	USD	Kshs	USD	Kshs	USD	Kshs
	(A)	(A'')	(B)	(B')	(A)-(B)	(A')-(B')
GRANT SUMMARY						
(i) Loan-Arab Bank for Economic Development in Africa (BADEA)	11,000,000	1,112,980,000	10,348,640	1,047,075,395	651,360	65,904,605
Total Grants	11,000,000	1,112,980,000	10,348,640	1,047,075,395	651,360	65,904,605
LOAN SUMMARY						
COUNTERPART FUNDS SUMMARY						
(ii) Counterpart Funds						
Government of Kenya	4,000,000	404,720,000	2,297,885	232,500,000	1,702,115	172,220,000
Total GoK Counterpart	4,000,000	404,720,000	2,297,885	232,500,000	1,702,115	172,220,000
Total Funding Summary	15,000,000	1,517,700,000	12,646,525	1,279,575,395	2,353,475	238,124,605

1usd=101.18

B. Application of Funds

		<i>Kshs</i>	Cumulative Amount paid to date – (30 th June 2024	(30 th June 2024 <i>Donor currency</i>	
	<i>Donor currency</i>			<i>Donor currency</i>	<i>Kshs</i>
	(A)	(A')	(B')	(A)-(B)	(A')-(B')
(i) Loan	USD	Kshs			
Loan-Arab Bank for Economic Development in Africa (BADEA)	10,348,640	1,047,075,395	1,047,075,395	-	-
(ii) Counterpart funds					
Government of Kenya	2,243,852	232,500,000	227,032,926	54,671	5,467,074
Total	12,592,492	1,279,575,395	1,274,108,321	54,671	5,467,074

2.8 Summary of Overall Project Performance:

During the financial year, the project absorbed 97% of its approved budget.

The absorption rate for each year since the commencement of the project is as follows:

Year	2019/20	2020/21	2021/22	2022/23	2023/24
Absorption	55%	62%	58%	76%	97%

The project has faced the following implementation challenges:

- Delay in relocation of utility services.
- Challenges of obtaining approval of exemption from taxes of materials to be utilized in execution of the project from the National treasury.
- Climate changes causing heavy rains thus delay in bridge construction.
- Delay in disbursement of exchequer funding

2.9 Summary of Project Compliance:

The Project has ensured that all the activities comply with the laws of the Republic of Kenya and that all regulations and procedures have been followed. The project has therefore fully complied with both the financing agreement and other statutory requirements.

3. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETERMINED 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:

- i) Link administrative towns and villages.
- ii) Expand and integrate the road network with the capital Nairobi.
- iii) Contribute to economic and social development of the area.
- iv) Develop public sector transport.

4. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

KeRRA has an environmental Policy that governs project implementation to ensure adherence to environmental and social safeguards. The policy is aimed at environmental and social stewardship.

1. Sustainability strategy and profile

To ensure sustainable development of the project and its continued safe use, the project held several community outreach programmes to get user buy in at the commencement of the project. Participation of the community during construction phase has also been carried out. Other community activities include HIV/AIDS, substance abuse guiding and counselling. The integration environmental and social concerns in the implementation strategy of the project will enhance environmental practices amongst all stakeholders. This will ultimately enhance sustainable development of the project. The proposed project will enhance the social-economic well-being of the local community as well as the whole country.

2. Environmental performance

KeRRA's Environmental Policy is built on commitments made in its Mission Statement and Values on Environmental and Social Stewardship. The core values are seven (7). The Authority has committed to update the Environment policy in consultation with stakeholders and staff. The project has strived adhere to all environmental and other statutory requirements as far as the environment is concerned. This include and not limit to:

- i) Obtaining project environmental licence
- ii) Rehabilitating exhausted material sites and carrying out environmental audits before closing them
- iii) Managing waste in the prescribed manner as stated in the licence
- iv) Clearing only the required corridor for construction purposes in order to protect adjacent biodiversity
- v) Grassing of side slopes to minimise erosion
- vi) Installation of scour checks to mitigate against erosion and siltation of streams and rivers
- vii) Embarked on a safety awareness campaign to mitigate against wrong use of the road post construction

3. Employee welfare

The project employs both technical and non-technical staff from the project local area. It's only the technical staff where the expertise is not found in the community that the project employs externally. The employees are engaged through competitive public recruitment at the local county administrative centres. The employees are remunerated as guided by the most current gazetted wages in the Collative Bargaining Agreement.

The project has offered several internships and attachments to students who have completed their courses and those continuing with their studies respectively. The Authority has a Human Resource Manual which guides compliance with all labour laws and international treaties.

4. Market place practices-

a) Responsible Supply chain and supplier relations-

The project consultant and contractor were procured through open tender making the procurement competitive. The organisation has sustained payments of all obligations arising out of the two contracts. However, payments have faced some challenges due to lengthy disbursement and insufficient exchequer releases

b) Responsible ethical practices

The internal audit department has been organising trainings through Ethics and anticorruption commission (EACC) for the staff to create awareness among staff and stakeholders.

c) Regulatory impact assessment

The project is adhering to all statutory and regulatory requirements. This is through complying with all statutes and regulations and filing the required documents. Further, all grievances raised are addressed as promptly as possible.

5. Community Engagements

The project does not have a direct CSR component. However, the community benefits through outreach programme for HIV/AIDS and Road Safety from well researched experts.

5. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Director General 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 (period) ended on June 30, 2024.

This responsibility includes:

- i. Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the project.
- ii. 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.
- iii. Safeguarding the assets of the project.
- iv. Selecting and applying appropriate accounting policies.
- v. Making accounting estimates that are reasonable in the circumstances.

The Director General Kenya Rural Roads Authority and the Project Coordinator 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 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, 2024, and of the Project's financial position as at that date. They 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 confirm that the Project has complied fully with the applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project financial statements

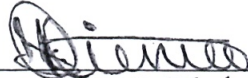
The Project and Financial Statement were approved and Signed on 26th September, 2024 by;



Deputy Director (F& A)

CPA Matilda Wakere Ita

ICPAK Member Number: 5469



Project Coordinator

Eng. Kennedy Nyakuti



Director General

Eng. Philemon Kandie MBS

REPUBLIC OF KENYA

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



Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON UPGRADING OF “GILGIL MACHINERY” ROAD PROJECT FOR THE YEAR ENDED 30 JUNE, 2024 - 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.

A Qualified Opinion is issued when the Auditor-General concludes that, except for specific issues, the financial statements present a true and fair view in accordance with the applicable financial reporting framework. The Qualified Opinion indicates that the financial statements are to a large extent in agreement with the books of accounts and the underlying records, except for a few cases where material misstatements or omissions were noted in the books of accounts and the financial statements. The issues though material, are not widespread or persistent.

The Qualified Opinion on the Report on the Financial Statements should be read together with the Report on the Lawfulness and Effectiveness in the Use of Public Resources, and the Report on the Effectiveness of Internal Controls, Risk Management and Governance.

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

Report of the Auditor-General on Upgrading of “Gilgil Machinery” Road Project for the year ended 30 June, 2024 - Kenya Rural Roads Authority

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Upgrading of "Gilgil Machinery" Road Project set out on pages 1 to 25, which comprise of the statement of financial assets as at 30 June, 2024, 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. I have obtained all the information and explanations, which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the 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 Upgrading of "Gilgil Machinery" Road Project as at 30 June, 2024 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 the Public Finance Management Act, 2012 and comply with the Financing Agreement dated 25 May, 2016 between the Arab Bank for Economic Development in Africa (BADEA) and the Government of the Republic of Kenya.

Basis for Qualified Opinion

Irregular Charge of Interest on Delayed Payments

Annex 3 to the financial statements reflects pending bills balance of Kshs.384,025,443 for the period ended 30 June, 2024 which includes Kshs.38,714,887 in respect of interest payable on delayed payment of interim certificates.

Had the Management paid the contractor promptly as stated in the contract agreement, Kshs.38,714,887 payable as interest on delayed payment of interim payment certificates would have been avoided. The liability created for not paying the certified work on time would have saved some funds for other projects. The Management did not provide explanation on failure to make payments to the contractor on interim payment certificates when they became due.

In the circumstances, the interest payable of Kshs.38,714,887 would be an irregular charge to public funds.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Upgrading of "Gilgil Machinery" Road 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.

Emphasis of Matter

1. Delay in the Disbursement of Government Counterpart Funding

As previously reported, the statement of receipts and payments, reflects a loan amount from development partner of Kshs.33,413,143 and Kshs.70,000,000 for counterpart funding from the Government of the Republic of Kenya. The total cumulative counterpart funding from the Government of Kenya was Kshs.232,500,000 representing 58% of the total counterpart financing projection of Kshs.400,000,000. With the expected closing date of the Project set at January 2025, it is doubtful that the counterpart financing balance of Kshs.167,500,000 or 42% will be disbursed to the Project activities before project closure date.

In the circumstances, the Government of the Republic of Kenya was in contravention to Section 3.05(a) and (b) of the Financing Agreement.

2. Failure to Settle Pending Bills

Annex 3 to the financial statements reflects pending bills balance of Kshs.384,025,442.91 that were not settled in the year under review but were carried forward to 2024/2025 financial year. The Management did not explain why the interim payment certificates were not settled when they were due. Consequently, the Project risks incurring significant interest costs and penalties with continued delay in payment.

Failure to settle bills during the year in which they relate distorts the financial statements and adversely affects the budgetary provisions for the subsequent year as they form a first charge as stipulated by Regulation 42(1)(a) of the Public Finance Management (National Government) Regulations, 2015.

My opinion is not modified in respect of these matters.

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

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised. However, Management has not indicated how each of the issues raised in the previous year Auditor-General's report, was resolved, including the information required under the prescribed reporting format.

Other Information

The Management is responsible for the other information set out on page iii to xvii which comprise of project information and overall performance, statement of performance against project's predetermined objectives, environmental and sustainability reporting

and statement of project's Management responsibilities. The Other Information does not include the financial statements and my audit report thereon.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

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

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. Delayed Completion of the Road Project

As reported previously, review of Project documents revealed that the Management entered into a contract with the Contractor for upgrading to bitumen standard of Gilgil - Machinery Road at a contract sum of Kshs.1,476,491,036 on 06 February, 2019 for a period of twenty four (24) months ending on 04 May, 2021. However, due to the delays in implementation of the Project, the employer awarded a fourteen (14) months extension of time to the Contractor with the revised date of completion being 12 July, 2022. The Contractor applied for further extension of time with the revised date of completion being 30 July, 2024 as a result of delays due to default in payments of interim certificates. Further, review of monthly project progress monthly progress report (MPR) No 61 of June, 2024 revealed that the contractor suspended works from 8 August, 2023 to 12 March, 2024 citing delayed payments as the reason for suspension. Consequently, a new Project completion date of 9 January, 2025 had been proposed. However, request by the contract and approval thereof for the revised date of completion was not provided for audit.

As at the time of audit, the completion of the Project had been delayed by about sixty five (65) months from the initial projected end date of 4 May, 2021.

In the circumstances, value for money realized from the Project could not be confirmed.

2. Presentation of the Financial Statements

Management has not reported, under the statement of performance against project's predetermined objectives, the outcomes, indicators and performance of the project during the year under review. In addition, Management has not reported the metrics met, objectives yet to be met, challenges and opportunities of the project in implementing its agreement, as required by the Public Sector Accounting Standards Board (PSASB) financial reporting template.

In the circumstances, the financial statements have not been prepared in compliance with the PSASB financial reporting template and IPSAS.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and 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.

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 control, risk management and overall governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

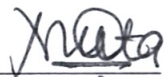
Nairobi

13 November, 2024

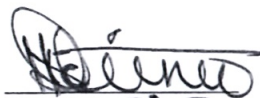
7. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2024

Description	Note	FY 2023/2024			FY2022/2023			
		Receipts and payments controlled by the entity	TOTAL	Receipts and payments Made by third parties	TOTAL	Receipts and payments controlled by the entity	Receipts and payments Made by third parties	Cumulative to Date
						Kshs	Kshs	Kshs
RECEIPTS								
Receipts from Government of Kenya	1	70,000,000	70,000,000			25,000,000		232,500,000
Loan from Development Partner	2			33,413,143	33,413,143		436,429,128	1,136,159,968
Total Receipts		70,000,000	70,000,000	33,413,143	33,413,143	25,000,000	436,429,128	1,368,659,968
PAYMENTS								
Consultancy	3						26,153,806	94,791,861
Road Works Expenditure	3	67,265,840	67,265,840	33,413,143	33,413,143	24,682,041	410,275,322	1,268,359,001
Other operating costs	4	11,347	11,347			9,198		42,032
Total Payments		67,277,188	67,277,188	33,413,143	33,413,143	24,691,239		1,363,192,894
Surplus/Deficit		2,722,812	2,722,812	-	-	308,761		5,467,073

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



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



Project Coordinator
Eng. Kennedy Nyakuti




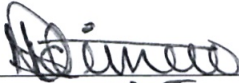
Director General
Eng. Philemon K. Kandie MBS

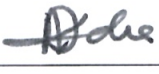
8. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2024

	Note	2023/2024	2022/2023
		Kshs	Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	5a	12,623,051	16,798,597
Total Cash and Cash Equivalents		12,623,051	16,798,597
FINANCIAL LIABILITIES			
Deposits & Retention Monies	6	7,155,978	14,054,337
NET ASSETS		5,467,073	2,744,260
REPRESENTED BY			
Fund balance brought forward	7	2,744,260	2,435,499
Surplus/(Deficit) for the year		2,722,812	308,761
Net Financial Position		5,467,073	2,744,260

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 26th September, 2024 and signed by:


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

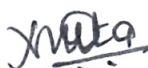

Project Coordinator
 Eng. Kennedy Nyakuti


Director General
 Eng. Philemon Kandie MBS

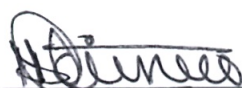
9. STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2024

	Note	2023/24	2022/2023
		Kshs	Kshs
Cash flow from operating activities			
Receipts from Government of Kenya	1	70,000,000	25,000,000
Loan from development partner	2	33,413,143	436,429,128
Total Receipts		103,413,143	461,429,128
Payments for operating activities			
Road Works Expenditure(Acquisition of non-financial assets), Consultancy & bank Charges	3 & 4	(100,690,331)	(461,120,367)
Total Payments		(100,690,331)	(461,120,367)
Adjustments during the year			
Increase/(decrease) in accounts payable:	6a	7,155,978	14,054,337
Net Cash flow from operating activities		9,878,791	308,761
Cash flow from borrowing activities			
Proceeds from foreign borrowings		(33,413,143)	(436,429,128)
Net Cash flow from borrowing activities			
Net increase in cash and cash equivalents		9,878,791	308,761
Cash and cash equivalents at the beginning of the year	5b	2,744,261	13,984,600
Prior Year Adjustments	6b	(2,505,236)	(11,549,100)
Cash and cash equivalents at the end of the year	5a	12,623,051	2,744,261

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 26th September, 2024 and signed by:



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



Project Coordinator
Eng. Kennedy Nyakuti



Director General
Eng. Philemon Kandie MBS

10. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

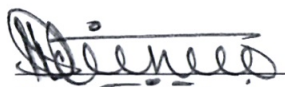
Financial Year Ended 30th June 2024

Consolidated	Original Budget	Adjustments	Final Budget	Actual Received	Actual on comparable basis	Budget Utilisation Variance	% of Utilisation
	A	B	C=a+b		D	E=c-d	F=d/c%
Receipts/Payment Item							
RECEIPTS							
Receipts from Government of Kenya	100,000,000	(30,000,000)	70,000,000	70,000,000	70,000,000	-	100%
Loan from development partner	505,000,000	(405,000,000)	100,000,000	33,413,143	33,413,143	-	100%
Total receipts	605,000,000	(435,000,000)	170,000,000	103,413,143	103,413,143	-	100%
PAYMENTS							0%
Consultancy services			-			-	0%
Road works	605,000,000	(405,000,000)	170,000,000	103,413,143	100,678,983	2,734,160	97%
Total Payments	605,000,000	(405,000,000)	170,000,000	103,413,143	100,678,983	2,734,160	97%

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 No: 5469



Project Coordinator
Eng. Kennedy Nyakuti



Director General
Eng. Philemon K. Kandie MBS

11. SIGNIFICANT ACCOUNTING POLICIES

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

a) Statement of compliance and basis of preparation

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

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

b) Reporting entity

The financial statements are for The Gilgil- Machinery BADEA under the State Department of Ministry Of Transport Infrastructure Housing and Urban Development . The financial statements are for the reporting entity Gilgil-Machinery BADEA as required by Section 81 of the PFM Act, 2012 .

c) Reporting currency

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

d) 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.

e) Recognition of payments

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

i) Compensation 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.

f) In-kind donations

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

Significant Accounting Policies (Continued)

g) Cash and cash equivalents

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

h) 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.

i) 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.

j) Contingent Liabilities

A contingent liability is:

- a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b) A present obligation that arises from past events but is not recognised because:

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.

k) Contingent Assets

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.

l) 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' 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)

m) 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*.

n) 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.

o) 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)

p) 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.

q) 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, 2024.

r) 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:

Description	2023-24	2022-23	Cumulative to
		KShs	KShs
Counterpart funding through Ministry of Transport and Infrastructure			
Quarter 1		25,000,000.00	
Quarter 2			
Quarter 3	70,000,000.00		
Quarter 4			
Total (See Annex 2)			
Total	70,000,000.00	25,000,000.00	232,500,000.00

2. LOAN FROM EXTERNAL DEVELOPMENT PARTNERS

During the year Ended to 30th June, 2024 we received funding from development partners in form of loans negotiated by the National Treasury donors as detailed in the table below:

Name of Development Partner	Loans received as direct payment 2023/24	Total amount in Kshs
	KShs	2023/24
Loans Received from Development Partner (BADEA)		
BADEA	33,413,143.00	33,413,143.00
Total	33,413,143.00	33,413,143.00

3. ROADWORKS EXPENDITURE

ROADWORK EXPENDITURE	2023/24 Payments made by the Entity	2023/24 Payments made by third parties	2022/23 Payments made by the Entity	2022/23 Payments made by third parties	Bal b/f from previous years	Cummulative
Roads	67,265,840	33,413,143	24,682,041	410,275,323	391,966,008	927,602,355
Consultancy	-	-	-	26,153,806	93,319,235	119,473,041
	67,265,840	33,413,143	24,682,041	436,429,128	485,285,243	1,047,075,395

4. OTHER OPERATING COSTS

Other Operating Costs	FY 2023/2024	FY 2022/2023
	kshs	kshs
Bank charges	11,347	9,198
Total	11,347	9,198

5 (a) CASH AND CASH EQUIVALENTS

The project has one (1) number of project account spread within the project implementation area and does not have any foreign currency designated accounts managed by the National Treasury.

Description	2023/24	2022/23
	KShs	KShs
Bank accounts	5,467,073	2,744,260
Total	5,467,073	2,744,260

5 (b) BANK ACCOUNTS

Project Bank Accounts

	2023/24	2022/23
	KShs	KShs
<u>Local Currency Accounts</u>		
Kenya Commercial Bank [A/c No.1259504255]	5,467,073	2,744,260
Kenya Commercial Bank [A/C No1119722543]	7,155,978	14,054,337
Total bank account balances	12,623,051	16,798,597

6 (a) DEPOSITS AND RETENTION MONIES

Description	2023/24	2022/23
	KShs	KShs
Kenya Commercial Bank [A/C No1259504255]	5,467,073	2,744,260
Kenya Commercial Bank [A/C No1119722543]	7,155,978	14,054,337
Total	12,623,051	16,798,597

6 (b) CHANGES IN ACCOUNT PAYABLES- RETENTION

Description	2023/24	2022/23
	KShs	KShs
Retentions AS At 1st July	14,054,337	11,549,100
Closing Accounts Payable As At 30th June, 2024	7,155,978	2,505,236
Change in Payables	(6,898,359)	(9,043,864)

7. FUND BALANCE B/FORWARD

	2023-2024	2022-2023
		KShs
Bank accounts	2,744,260	2,435,499
Total	2,744,260	2,435,499

OTHER IMPORTANT DISCLOSURES

1. PENDING ACCOUNTS PAYABLE (See Annex 3A)

	Balance b/f FY 2022/2023	Additions for the period	Paid during the year	Bal c/f 2023/2024
Description	Kshs	Kshs	Kshs	Kshs
Construction of roads(Local Component)	317,673,816	133,617,467	67,265,840	384,025,443
Total	317,673,816	133,617,467	67,265,840.00	384,025,443

2. EXTERNAL ASSISTANCE

(i) External assistance relating loans and grants

	FY 2023/2024	FY 2022/2023
Description		Kshs
External assistance received as loans	33,413,143	436,429,128
Total	33,413,143	436,429,128

(ii) Classes of providers of external assistance

	FY 2023/2024	FY 2022/2023
Description	Kshs	Kshs
Development Partner	33,413,143	436,429,128
Total	33,413,143	436,429,128

(iii) Purpose and use of external assistance

Payments Made by Third Parties	FY 2023/2024	FY 2022/2023
		Kshs
Construction of roads	33,413,143	436,429,128

(iv) External Assistance paid by Third Parties on behalf of the Entity by Source

Description	FY 2023/2024	FY 2022/2023
	Kshs	Kshs
National Government	67,265,840	24,682,041
Development partner	33,413,143	436,429,128
Total	100,678,983	461,111,169

PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR’S RECOMMENDATIONS

The audit for the year F/Y 2022/2023 was qualified based on the following issues.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: Resolved / Not Resolved	Timeframe:
Basis for qualification	<p>Irregular charge of interest on delayed payments. The statement of receipts and payments reflect roadworks expenditure controlled by the entity totalling and as disclosed in Note 3 to the financial statements. However, the review of special interim certificate no 11 revealed that Kshs 1,414,163 was paid to a contractor for a period up to December 2021 as interest on late payment. In accordance with the provision of the contract, interest on delayed payments is payable on local component by Government of Republic of Kenya. Had the management paid the</p>	<p>Interest charge on delayed payment is provided for in the contract agreement and arose as a result of lack of adequate budgetary provision. Management has requested for full allocation as the project is coming to an end.</p>	<p>Not Resolved</p>	<p>30.06.2025</p>

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>Resolved / Not Resolved</i>	Timeframe:
	contractor as stated in the contract agreement the loss of Kshs 1,414,163 could have been avoided. No explanation was provided for failure to adhere to the contract agreement.			
Key audit matters	Delay in the disbursement of Government Counterpart Funding. The statement of receipts and payments reflects a loan amount from development partner of Kshs 436,429,128 and Kshs 25,000,000 as counterpart funding from the government of the republic of	Management has requested for full allocation as the project is coming to an end.	Not Resolved	30.06.2025

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>Resolved / Not Resolved</i>	Timeframe:
	<p>Kenya. The total cumulative counterpart funding from the government of Kenya was Kshs 162,500,000 which represents 41% of the total counterpart financing projection of Kshs 400,000,000. With the expected closing date of the project set at 30 July 2024, it is doubtful that the counterpart financing balance of Kshs 237,500,000 or 59% will be disbursed to the project activities before closure date.</p>			

*Upgrading of Gilgil-Machinery Road Project
Annual Reports and Financial Statements For the financial year ended 30 June, 2024*

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>Resolved / Not Resolved</i>	Timeframe:
	This may affect the operations resulting to delayed implementation and the likelihood of pending bills.			
	Delayed completion of the road project. Review of project documents revealed that the management entered into a contract with the contractor for upgrading to bitumen standard of Gilgil-Machinery Rd at a contract sum of Kshs 1,476,491,036 on 6 February 2019 for a period of 24 months	The delay in completion of the project arose as a result of lack of adequate budgetary provision. Management has requested for full allocation as the project is coming to an end.	Not Resolved	30.6.2025

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>Resolved / Not Resolved</i>	Timeframe:
	<p>ending on 04 May 2021. However due to the delays in implementation of the project, the employer awarded a 14 months extension of time to the contractor with the revised completion being 12 July 2022. Further, the contractor applied for further extension of time with the revised date of completion being 30 July 2024 as a result of delays due to default in payments of interim certificates. Physical verification carried</p>			

*Upgrading of Gilgil-Machinery Road Project
Annual Reports and Financial Statements For the financial year ended 30 June, 2024*

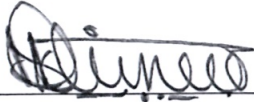
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: Resolved / Not Resolved	Timeframe:
	<p>out in November 2023 revealed that the contractor was not on site and had suspended the works due to delay of payments by the government component. In the circumstances, value for money realized from the project could not be confirmed.</p>			
	<p>Failure to settle pending bills. Annex 3 to the financial statements reflects pending bills balance of Kshs 336,474,268 that were not settled in</p>	<p>The failure to settle pending bills is as a result of lack of adequate budgetary provision.</p>	<p>Not Resolved</p>	<p>30.06.2025</p>

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>Resolved / Not Resolved</i>	Timeframe:
	<p>the year under review but were carried forward to 2023/2024 financial year. This was contrary to Section 42(1)(a) of the public finance management regulations, 2015 which states that debt service payments shall be a first charge on the Consolidated Fund and the accounting officer shall ensure this is done to the extent possible that the government does not default on debt obligations. In the</p>	<p>Management has requested for full allocation as the project is coming to an end.</p>		

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>Resolved / Not Resolved</i>	Timeframe:
	circumstances, the management was in breach of the law.			
	Lack of itemised budget. The budget presented for audit review lacked details and itemization per component which hinders the assessment of financial performance and resource allocation within the authority. This was contrary to International Public Sector Accounting Standards(IPSAS) 24 which provides guidance on how	The provision in the exchequer budget is only for one line item as provided.	Resolved	N/A

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>Resolved / Not Resolved</i>	Timeframe:
	<p>budgetary information should be presented and disclosed, including the itemization of budgetary amounts. In the circumstances, the management did not comply with provisions of Public Sector Accounting standards in the presentation and preparation of the budget.</p>			

Deputy Director (F&A)
 CPA Matilda Wakere Ita
 ICPAK Member No: 5469



Project Coordinator
 Eng. Kennedy Nyakuti

Director General
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ANNEXES

ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

	Final Budget	Actual Received	Actual on comparable basis	Utilisation Variance	% of Utilisation	Comments on variance
	Kshs	Kshs	Kshs	Kshs		
	a		b	c=a-b	d=b/a%	
RECEIPTS						
Receipts from Government of Kenya	70,000,000	70,000,000	70,000,000	-	100%	
Loan from development partner	100,000,000	33,413,143	33,413,143	-	100%	
Total receipts	170,000,000	103,413,143	103,413,143	-	100%	
PAYMENTS					0%	
Consultancy services	-		-	-	0%	
Road works	170,000,000	103,413,143	100,678,983	2,734,160	97%	
Total Payments	170,000,000	103,413,143	100,678,983	2,734,160	97%	

ANNEX 2: RECONCILIATION OF INTER-ENTITY TRANSFERS

	PROJECT NAME:			
Break down of Transfers from the State Department of Infrastructure				
a. Government Counterpart Funding				
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	
		17/01/2024	28,000,000	
		08/02/2024	42,000,000	
		Total	70,000,000	
b. Direct Payments				
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	
		Supervision Consultancy Services		
		Roadworks	33,413,143	
c. Others				
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	
			11,347	
		Total	33,424,490	
		TOTAL (a+b+c)	103,424,490	

*Upgrading of "Gilgil-Machinery" Road Project
Annual Reports and Financial Statements For the financial year ended June 30, 2024*

ANNEX 3 - ANALYSIS OF PENDING BILLS

Supplier of Goods or Services	Outstanding Balance 2023/24 - Gross	Date Received	1-30 days	30-60 days	60-90 days	over 90 days
Certificate No.	GOK Component					
6	1,886,612	5-Nov-21				1,886,612
7	1,470,632	22-Dec-21				1,470,632
8	2,761,044	18-Mar-22				2,761,044
9	50,059,907	23-May-22				50,059,907
10	47,379,116	29-Jul-22				47,379,116
12	55,981,219	3-Nov-22				55,981,219
13	27,782,597	11-Jan-23				27,782,597
14	33,037,475	14-Mar-23				33,037,475
16	30,049,374	5-Nov-23				30,049,374
17	19,937,997	17-Aug-23				19,937,997
18	8,374,331	25-Oct-23				8,374,331
19	10,402,558	1-Mar-24				10,402,558
20	21,422,086	22-Apr-24			21,422,086	
Total Construction Expenses	310,544,949		-	-		
Consultancy						
Wanjohi Mutonyi Consult	73,480,494	14-Feb-24				73,480,494
Total Consultancy Fees	73,480,494					
Grand Total	384,025,443		-		21,422,086	362,603,356

APPENDICES

- i) Bank Reconciliations statement as at 30th June 2024