
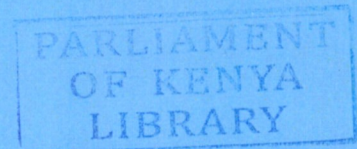


REPORT

 THE NATIONAL ASSEMBLY OF PAPERS L.A.I.D	
DATE:	09 FEB 2022
	DAY: Wed
TABLED BY:	LDM
CLERK-AT-THE-TABLE:	S. Kalawa



THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR ENDED
30 JUNE, 2021**

KENYA RURAL ROADS AUTHORITY



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

Implementing Entity Kenya Rural Roads Authority

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



ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2021

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

*Roads 2000 Phase Two-Central Kenya Rural Roads Improvement and Maintenance Project
Reports and Financial Statements
For the financial year ended June 30, 2021*

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1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name

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

Objective

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

Address

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

The address of its registered office is:

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

The project also has offices/branches as follows:

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

Contacts: The following are the project contacts

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

E-mail: kerra@kerra.go.ke/dgkerra@kerra.go.ke

Website: www.kerra.go.ke

PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.2 Project Information

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

1.3 Project Overview

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

Roads 2000 Phase Two-Central Kenya Rural Roads Improvement and Maintenance Project
Reports and Financial Statements
For the financial year ended June 30, 2021

	days or approximately 104% of the original training program.
Other important background information of the project	<p>The project agreement was signed on the 5th July 2010 and the additional Credit Financing Agreement was signed in April 2016. The original implementation period was 48 months with a completion date of 30th June 2016. An application to extend the completion date by 30 months to December, 2019 was approved by the Development Partner.</p> <p>An extension for the usage of funds has been granted up to April 2021.</p> <p>Due to Covid Related complications, the Technical Completion date was amended to 31st December 2021 and the Deadline for use of funds extended to 30th June 2022.</p>
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) Infrastructure development (ii) Training contractors on Labour Based Routine Maintenance (iii) Improvement of accessibility to markets
Project duration	The phase I of the project started in June 2007 and ran up to September 2011. Phase II started in July 2010 and is expected to run up to December 2021.

PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.4 Bankers

The following are the bankers for the current year:

(i) Special Deposit Account

Central Bank of Kenya- EURO Account

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

(ii) Local Special Project Accounts

NCBA Bank Ltd

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

KeRRA AFD Account Number 1000014814
AFD Retention Account Number 1001964972

Kenya Commercial Bank

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

GoK Counterpart Account Number 1179736125

Co-operative Bank of Kenya

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

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

1.5 Auditors

The project is audited by the:

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

Roles and Responsibilities

The key people working on the project are:

Name and Contact Details	Title designation	Key qualification	Responsibilities
Eng. Philemon K.Kandie +254 (20) 2710464 dgkerra@kerra.go.ke	Ag. Director General	P. Eng, Bsc. Hons., MIEK, MSc.	Accounting Officer
Eng. E. Ariga +254 (20) 2710464	Director Planning, Design & Environment	P.Eng., MA (Planning), BSc., MIEK	Supervisor
Eng. H. O. Akwiri +254 (20) 2710464	Senior Engineer (PDE)	P. Eng. Bsc. MIEK	Coordination of the activities of the program

1.6 Funding summary

The Project was originally planned for duration of Twelve (12) years from 2007 to 2019. However, it has been subsequently extended to December 2021. The approved budget is Euros 96,400,000 equivalent to Kshs 9,640,000,000 as highlighted in the table below:

PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

Below is the funding summary:

A. Source of Funds

Source of funds	Donor Commitment-		Amount received to date – (30 th June, 2021)		Undrawn balance to date (30 th June, 2021)	
	Donor currency (EUROS) (A)	KShs (A')	Donor currency (EUROS) (B)	KShs (B')	Donor currency (EUROS) (A)-(B)	KShs (A')-(B')
Grant						
AfD Grant	8,100,000	810,000,000	7,856,441	785,644,098	243,559	24,355,902
Loan Summary						
AfD Loan	65,900,000	6,590,000,000	53,859,488	5,385,948,812	12,040,512	1,204,051,188
Counter Part funds						
Government of Kenya	22,400,000	2,240,000,000	23,501,524	2,350,152,358	-1,101,524	-110,152,358
Miscellaneous Receipts	0	0	782,578	78,257,835	782,578	78,257,835
Total	96,400,000	9,640,000,000	86,000,031	8,600,003,103	10,399,969	1,039,996,897

PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

B. Application of Funds

Application of funds	Amount received to date – (30 th June 2021)		Cumulative Amount paid to date – (30 th June 2021)	Unutilised balance to date (30th June 2021)	
	Donor currency(Euro) (A)	Kshs (A')		Donor currency(Euro) (A)-(B)	Kshs (A')-(B')
(i) Grant					
AFD	7,856,441	785,644,098	785,644,098	0	0
(i) Loan					
AFD	53,859,488	5,385,948,812	5,178,466,073	2,074,827	207,482,739
(ii) Counterpart funds					
Government of Kenya	23,501,524	2,350,152,358	2,228,530,647	1,216,217	121,621,711
Miscellaneous Receipts	782,578	78,257,835	-	782,578.35	78,257,835
Total	86,000,031	8,600,003,103	8,192,640,818	3,291,044	407,362,285

PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.7 Summary of Overall Project Performance:

i) Budget performance against actual amounts:

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

ii) Physical progress based on outputs, outcomes and impacts since project commencement, 15 out of the 15 Batch 3 Gravel Contracts covering 110 Km have been completed.

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

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

iii) The absorption rate for the project has been

Year	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Absorption Rate	95%	79%	64%	58%	71%	144%	153%

Challenges encountered

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

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

1.8 Summary of Project Compliance:

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

2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETRMINED OBJECTIVES

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

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

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

Progress on attainment of Strategic development objectives

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

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

3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

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

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

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

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

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

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

3. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

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

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

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

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

**Roads 2000 Phase Two-Central Kenya Rural Roads Improvement and Maintenance Project
Reports and Financial Statements
For the financial year ended June 30, 2021**

The **Director General** Kenya Rural Roads Authority and the **Project Coordinator** for **Roads 2000 Phase Two-Central Kenya Rural Roads Improvement and Maintenance Project** confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project financial statements

The Project Financial Statements were approved by the **Director General** Kenya Rural Roads Authority and the **Project Coordinator** for **Roads 2000 Phase Two- Central Kenya Rural Roads Improvement and Maintenance Project** on **29th September, 2021** and signed by them.



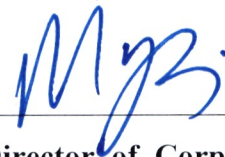
Ag. Director General

Eng. Philemon K. Kandie



Project Coordinator

Eng. Hillary Akwiri



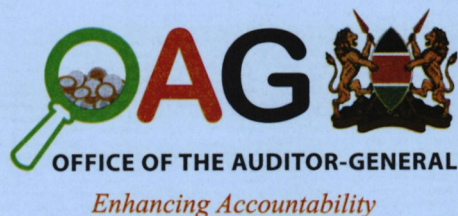
Director of Corporate Services

CPA Dan Manyasi

ICPAK Member Number: 6407

REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON ROADS 2000 PHASE TWO PROJECT (AFD CREDIT NO. CKE 101201B, CREDIT NO. CKE 104601J AND CREDIT NO. CKE 109401 M) FOR THE YEAR ENDED 30 JUNE, 2021 - 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, gazetted notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Roads 2000 Phase Two-Central Kenya Rural Roads Improvement and Maintenance Project set out on pages 1 to 24,

Report of the Auditor-General on Roads 2000 Phase Two Project (AFD Credit No. CKE 101201B, Credit No. CKE 104601J and Credit No. CKE 109401 M) for the year ended 30 June, 2021 - Kenya Rural Roads Authority

which comprise the statement of financial assets as at 30 June, 2021, and the statement of receipts and payments, statement of cash flows and statement of comparative budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Roads 2000 Phase Two Project as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Financing Agreements Credit No. CKE 101201B, No. CKE 104601J and No. CKE 109401M dated 23 May, 2006, 5 July, 2010 and 4 April, 2016 respectively between Agence Francaise De Development (AFD) and the Republic of Kenya and the Public Finance Management Act, 2012.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Roads 2000 Phase Two Project Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

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

Other Matter

Pending Accounts Payable

As previously reported, Note 12 to the financial statements reflects pending bills of Kshs.30,273,407 as at 30 June, 2021. Management has not provided explanations for non-payment of the bills. The Project is at risk of incurring significant interest costs and penalties with the continued delay in making payments.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, 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. Variation of Contracts

Examination of payment records and other documents relating to road projects revealed that the Kiambu Regional Office implemented works with a total contractual sum of Kshs.273,413,609. The Regional Office however made total payments of Kshs.359,509,139 for the road works resulting to a variation of Kshs.86,095,530. No evidence was availed to show that the variations were approved. Further, the Nyathuna - Rironi Road project BQ provided for stone pitching of drainage for 500 meters at a cost of Kshs.1,500,000. It was however noted that stone pitching for 5,628.90 meters was done at a cost of Kshs.16,886,700. No explanation was given for the huge variations of the cost of stone pitching.

Further, the taking over certificate for Nyathuna - Rironi road indicated that the length of the road was 4.1km while the contract agreement had a length of 5.4 km. The difference of 1.3 km had not been explained as at the time of the audit. In addition, physical verification of Kirangari – Nyathuna road conducted on 8 November, 2021 revealed that the road had started developing potholes on various sections while the project is under defect liability period. Similarly, Kanunga – Banana road had no road markings and no traffic signs were provided for in the bill of quantities.

Under the circumstances, it has not been possible to ascertain whether value for money was realized for the projects implemented during the year under review.

2. Un-surrendered Retention Money for Nyeri Region

Examination of payment records and other documents revealed that retention money amounting to Kshs.17,656,316 was deducted from six (6) contractors during the financial year 2020/2021. The money was however, not deposited in the retention account number 1737850097 – 1001964972 held at NCBA Bank.

Although Management have explained that the money was deposited in the operational account at Co-operative bank, no bank statements were provided to support this.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Project's ability 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 financial reporting process, reviewing the effectiveness of how the Project monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes

and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

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

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

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

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

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and 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

20 December, 2021

5. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2021.

	Note	FY 2020/21		FY 2019/20	
		Receipts and payments controlled by the entity	Receipts and Payments made by third parties	Receipts and payments controlled by the entity	Pay by t
		Kshs	Kshs	Kshs	
RECEIPTS					
Receipts from Government of Kenya	1	378,000,000		220,000,000	
Proceeds from Domestic and Foreign Grants		-	-		
Loan from External Development Partners	2	386,010,344	48,169,482	398,476,591	
Miscellaneous Receipts	3	4,886,842	-	3,595,159	
TOTAL REVENUES		768,897,186	48,169,482	622,071,750	
PAYMENTS					
Compensation of Employees	4	2,747,806	-	3,819,950	
Purchase of goods and services	5	36,156,809	48,169,482	5,800,296	
Roadworks expenditure	6	737,847,481	-	1,037,811,060	
TOTAL PAYMENTS		776,752,096	48,169,482	1,047,431,306	
SURPLUS/DEFICIT		(7,854,910)	-	(425,359,556)	

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



Ag. Director General

Eng. Philemon K. Kandie



Project Coordinator

Eng. Hillary Akwiri

(IPSAS 1.3.24 requires an entity to separately disclose third party payments separately on the statement of receipts and payments and development partners directly on behalf of the entity. In recognising these transactions, the receipts must be equal to the payments or deficit.)

*Roads 2000 Phase Two-Central Kenya Rural Roads Improvement and Maintenance Project
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For the financial year ended June 30, 2021*

6. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2021

	Note	FY 2020/21	FY 2019/20
		Kshs	Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	7	397,362,284	421,543,095
Cash Balances		-	-
Cash Equivalents (Short term deposits)	7	10,000,000	-
Total Cash and Cash equivalents		407,362,284	421,543,095
Accounts Receivable	9	187,500	-
TOTAL FINANCIAL ASSETS		407,549,784	421,543,095
FINANCIAL LIABILITIES			
Accounts Payable	10	96,981,429	103,119,835
NET ASSETS		310,568,354	318,423,260
REPRESENTED BY			
Fund balance b/fwd	8	318,423,263	743,782,819
Surplus / (deficit) for the year		(7,854,910)	(425,359,556)
Prior Year Adjustment		-	-
NET FINANCIAL POSITION		310,568,354	318,423,263

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on **29th September, 2021** and signed by:



Ag. Director General

Eng. Philemon K. Kandie



Project Coordinator

Eng. Hillary Akwiri



Director Corporate Services

CPA Dan Manyasi

ICPAK Member No. 6407

*Roads 2000 Phase Two-Central Kenya Rural Roads Improvement and Maintenance Project
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7. STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2021

	Note	2020-2021	2019-2020
		Kshs	Kshs
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts for operating income			
Receipts from Government of Kenya	1	378,000,000	220,000,000
Miscellaneous Receipts	3	4,886,842	3,595,159
		382,886,842	223,595,159
Payments for operating expenses			
Compensation of Employees	4	(2,747,806)	3,819,950
Purchase of goods and services	5	(84,326,291)	(5,800,296)
Social Security Benefits		-	-
Transfers to Other Government Entities		-	-
Other Grants and Other Payments		-	-
		(87,074,097)	(9,620,246)
Adjustments during the year			
Increase/(Decrease) in Accounts Payable:	10	(6,138,406)	-
Decrease/(Increase) in Accounts Receivable	9	(187,500)	-
Net cashflow from operating activities		289,486,840	213,974,913
CASHFLOW FROM INVESTING ACTIVITIES			
Roadworks Expenditure	6	(737,847,481)	(1,037,811,060)
Net cash flows from Investing Activities		(737,847,481)	(1,037,811,060)
CASHFLOW FROM BORROWING ACTIVITIES			
Loan from External Development Partners	2	434,179,826	398,476,591
Net cash flow from financing activities		434,179,826	398,476,591
NET INCREASE IN CASH AND CASH EQUIVALENT		(14,180,816)	(425,359,556)
Cash and cash equivalent at BEGINNING of the year		421,543,098	846,902,654
Cash and cash equivalent at END of the year		407,362,284	421,543,098

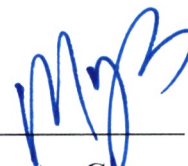
The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on **29th September, 2021** and signed by:



Ag. Director General
Eng. Philemon K. Kandie



Project Coordinator
Eng. Hillary Akwiri



Director Corporate services
CPA Dan Manyasi
ICPAK Member No: 6407

8. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Consolidated	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Utilisation Variance e=c-d	% of Utilisation f=d/c %
Receipts/Payments Item						
Receipts						
Receipts from Government of Kenya	100,000,000	-	100,000,000	378,000,000	278,000,000	378%
Proceeds from Domestic and Foreign Grants		-	-	-	-	0%
Loan from External Development Partners	450,000,000	-	450,000,000	434,179,826	15,820,174	96%
Miscellaneous receipts	-	-	-	4,886,842	4,886,842	0%
Total Receipts	550,000,000	-	550,000,000	817,066,668	267,066,668	149%
Payments						
Compensation of Employees	4,000,000	-	4,000,000	2,747,806	1,252,194	69%
Purchase of goods and services	46,000,000	-	46,000,000	84,326,291	38,326,291	183%
Roadworks expenditure	500,000,000	-	500,000,000	737,847,481	237,847,481	148%
Total Payments	550,000,000	-	550,000,000	827,669,384	277,669,384	150%

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



Ag. Director General

Eng. Philemon K. Kandie



Project Coordinator

Eng. Hillary Akwiri



Director Corporate Services

CPA Dan Manyasi

ICPAK Member No:6407

9. SIGNIFICANT ACCOUNTING POLICIES

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

10.1 Basis of Preparation

10.2 Statement of compliance and basis of preparation

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

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

10.3 Reporting entity

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

10.3.1 Reporting currency

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

10.4 Significant Accounting Policies

a) Recognition of receipts

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

i) Transfers from the Exchequer

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

ii) External Assistance

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

iii) Other receipts

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

b) Donations and grants

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

Significant Accounting Policies (Continued)

c) Proceeds from borrowing

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

d) Undrawn external assistance

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

e) Recognition of payments

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

i) Compensation of employees

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

ii) Use of goods and services

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

Significant Accounting Policies (Continued)

iii) Interest on borrowing

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

iv) Repayment of borrowing (principal amount)

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

v) Acquisition of fixed assets

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

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

f) In-kind donations

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

Significant Accounting Policies (Continued)

g) Cash and cash equivalents

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

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

Restriction on cash

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

h) Accounts receivable

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

Significant Accounting Policies (Continued)

i)Contingent Liabilities

A contingent liability is:

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

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

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

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

j) Contingent Assets

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

Significant Accounting Policies (Continued)

k) Pending bills

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

l) Budget

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

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

m) Third party payments

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

Significant Accounting Policies (Continued)

n) Exchange rate differences

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

o) Comparative figures

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

p) Subsequent events

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

q) Errors

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

*Roads 2000 Phase Two-Central Kenya Rural Roads Improvement and Maintenance Project
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10. NOTES TO THE FINANCIAL STATEMENTS

1. RECEIPTS FROM GOVERNMENT OF KENYA

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

	2020/21	2019/20	
	KShs	KShs	Cumulative to-date (from inception)
<i>Counterpart funding through Ministry of Transport and Infrastructure</i>			
Counterpart funds	378,000,000.00	220,000,000.00	2,350,152,358.00
Total	378,000,000.00	220,000,000.00	2,350,152,358.00

2. LOAN FROM EXTERNAL DEVELOPMENT PARTNERS

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

Name of Donor	Amount in loan currency	Loans received in	Loans received as	Total amount in KShs	
		cash	direct payment*	2020/21	2019/20
		KShs	KShs		
<i>Loans Received from Multilateral Donors (AFD)</i>					
AFD		386,010,344.00	61,201,831	447,212,175	44,316,541
Total	-	386,010,344.00	61,201,831	447,212,175	44,316,541

3. MISCELLANEOUS RECEIPTS

	2020/21			2019/2020	Cumulative to- date (from inception)
	Receipts controlled by the entity in Cash	Receipts controlled by third parties	Total Receipts	Total Receipts	
	KShs	KShs	KShs	KShs	KShs
Interest Income	4,886,842.46	-	-	3,595,158.64	78,257,835.10
Total	4,886,842.46	-	-	3,595,158.64	78,257,835.10

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. COMPENSATION OF EMPLOYEES

	2020/2021			2019/2020	Cumulative to- date
	Payments made by the Entity	Payments made by third parties	Total Payments	Total Payments	
	KShs	KShs	KShs	KShs	KShs
Basic salaries of permanent employees	-	-	-	-	-
Basic wages of temporary employees	2,747,806.00	-	2,747,806.00	3,758,544.00	6,506,350.00
Compulsory national social security schemes	-	-	-	44,856.00	44,856.00
Compulsory national health insurance schemes	-	-	-	16,550.00	16,550.00
Other personnel payments	-	-	-	-	-
Total	2,747,806.00	-	2,747,806.00	3,819,950.00	6,567,756.00

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. PURCHASE OF GOODS AND SERVICES

	2020/2021			2019/2020	Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	KShs	KShs	KShs	KShs	
Domestic travel and subsistence	1,030,360.00	-	1,030,360.00	1,425,425.00	3,632,285.00
Hospitality supplies and services	-	-	-	1,940,722.00	2,026,222.00
Other Operating expenditure	463,123.35	-	463,123.35	1,589,840.36	97,098,040.71
Routine maintenance- other assets	-	-	-	844,309.00	844,309.00
Consultancy services: – Technical and professional services	34,663,325.88	48,169,481.96	82,832,807.84	346,265,493.00	964,660,624.84
Total	36,156,809.23	48,169,481.96	84,326,291.19	352,065,789.36	1,165,590,701.55

6. ROADWORKS EXPENDITURE

	2020/21			2019/20	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	KShs	KShs	KShs	KShs	
Roadworks Expenditure	737,847,481	-	737,847,481	44,316,541	7,011,115,362
Purchase of specialised plant, equipment and machinery	-	-	-	3,041,096	3,041,096
Total	737,847,481	-	737,847,481	47,357,637	7,014,156,458

7. CASH AND CASH EQUIVALENTS

	2020/21	2019/20
	KShs	KShs
Bank accounts (Note 8.13A)	397,362,284	421,543,095
Cash in hand (Note 8. 13B)	-	-
Cash equivalents (short-term deposits) (Note 8.13C)	10,000,000	-
Total	407,362,284	421,543,095

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. A. Bank Accounts

Project Bank Accounts

	2020/21	2019/20
	KShs	KShs
Foreign Currency Accounts		
Central Bank of Kenya [A/c NO: 1000567278]	-	-
Total Foreign Currency balances	<u>0</u>	<u>0</u>
Local Currency Accounts		
NIC Bank [A/c No 1000014814]	157,041,355.75	44,724,387.42
NIC Bank Retention Ac No. 1001964972	99,929,838.93	111,784,560.35
KCB Bank Counterpart Ac. No. 1179736125	30,500,014.10	204,648,557.00
Cooperative Bank Kiambu Ac. No. 01141370650000	21,632,508.35	23,752,969.04
Cooperative Bank Murang'a Ac No. 01141055408500	3,211,915.00	31,244,808.06
Cooperative Bank Nyeri Ac No. 01141379349200	34,390,644.11	3,164,589.31
Cooperative Bank Nyandarua Ac. No. 01141126188400	1,017,770.11	1,024,970.11
Cooperative Bank Kirinyaga Ac No. 01141272894800	49,143,762.20	645,907.90
Cooperative Bank Nanyuki Ac No. 01132365417500	494,475.12	552,346.04
	<u>397,362,283.67</u>	<u>421,543,095.23</u>
Short -Term Deposits	-	-
KCB Bank Counterpart Ac. No. 1179736125	10,000,000.00	-
Total local currency balances	<u>407,362,284</u>	<u>421,543,095.23</u>
Total bank account balances	<u>407,362,284</u>	<u>421,543,095.23</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as at 30th June 2021 are not included in the Statement of Financial Assets since they are below the line items and are yet to be drawn into the Exchequer Account as a voted provision.

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

Special Deposit Accounts Movement Schedule

	2020/21	2019/20
	KShs	KShs
Opening balance	0	0
Total amount deposited in the account	386,010,344	398,476,591
Total amount withdrawn (as per Statement of Receipts & Payments)	386,010,344	398,476,591

7 B Cash In Hand

	2020/21	2019/20
	KShs	KShs
Location 1	-	-
Location 2	-	-
Location 3	-	-
Other locations	-	-
Total cash balances	<u>0</u>	<u>0</u>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

7 C Cash equivalents (short-term deposits)

	2020/21	2019/20
	KShs	KShs
KCB Bank Counterpart Ac. No. 1179736125	10,000,000.00	-
	-	-
Total	10,000,000.00	0

8. FUND BALANCE BROUGHT FORWARD

	2020/21	2019/20
	KShs	KShs
Bank accounts	318,423,263	743,782,819
Cash in hand	-	-
Cash equivalents (short-term deposits)	-	-
Outstanding imprests and advances	-	-
Total	318,423,263	743,782,819

9. ACCOUNTS RECEIVABLES

Description	2020-2021	2019-2020
	Kshs	Kshs
Government Imprests	187,500.00	-
Salary advances	-	-
Total	187,500.00	0

10. ACCOUNTS PAYABLE

Description	2020-2021	2019-2020
	Kshs	Kshs
Retention	96,981,429	103,119,834.87
Total	96,981,429	103,119,834.87

*Roads 2000 Phase Two-Central Kenya Rural Roads Improvement and Maintenance Project
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11. PRIOR YEAR ADJUSTMENT

	Balance b/f FY 2019/2020 as per	Adjustments	Adjusted Balance b/f FY 2019/2020
Description of the error	Kshs	Kshs	Kshs
Acquisition of Non-Financial assets	5,715,565,652.00	560,743,325.00	6,276,308,977.00
Statements of receipts and payments - Proceeds from domestic and foreign Grants	740,077,380.00	45,566,718.00	785,644,098.00
Statement of receipts and payments- Purchase of goods and services	1,118,264,411.00	37,000,000.00	1,081,264,411.00
Statements of receipts and payments - Loan from external Development Partners	4,563,732,317.00	388,036,669.00	4,951,768,986.00

The Prior-Year adjustments relate to errors in the previous years' cumulative balances. Some amounts had been omitted from the cumulative balances thus misstating the accounts. The cumulative balances for the financial year 2020/21 have been adjusted to correct these amounts. Our cumulative balances for the FY 2020/21 thus contain some revised balances.

11. OTHER IMPORTANT DISCLOSURES

12. PENDING ACCOUNTS PAYABLE (See Annex 3A)

	Balance b/f FY 2019/2020	Additions for the period	Paid during the year	Balance c/f FY 2020/2021
Description	Kshs	Kshs	Kshs	Kshs
Supply of services	41,473,681.96	30,273,407	(41,473,681.96)	30,273,407
Total	41,473,681.96	30,273,407	(41,473,681.96)	30,273,407

13. EXTERNAL ASSISTANCE

	FY 2020/2021	FY 2019/2020
Description	Kshs	Kshs
External assistance received as grants	0	0
External assistance received in kind- as payment by third parties	48,169,482	346,265,493
Total	48,169,482	346,265,493

a) External assistance relating loans and grants

	FY 2020/2021	FY 2019/2020
Description	Kshs	Kshs
External assistance received as loans	48,169,482	346,265,493
External assistance received as grants	-	-
Total	48,169,482	346,265,493

b) Undrawn external assistance

	Purpose for which the undrawn external assistance may be used	FY 2020/2021	FY 2019/2020
Description		Kshs	Kshs
Undrawn external assistance - loans		-	-
Undrawn external assistance - grants		-	-
Total		0	0

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c) classes of providers of external assistance

	FY 2020/2021	FY 2019/2020
Description	Kshs	Kshs
Multilateral donors	48,169,482	346,265,493
Bilateral donors	-	-
International assistance organization	-	-
Total	48,169,482	346,265,493

d) Purpose and use of external assistance

Payments Made by Third Parties	FY 2020/2021	FY 2019/2020
	Kshs	Kshs
Supervision Consultancy Services	48,169,482	346,265,493
TOTAL	48,169,482	346,265,493

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

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

	FY 2020/2021	FY 2019/2020
Description	Kshs	Kshs
National government	-	-
Multilateral donors	48,169,482	346,265,493
Bilateral donors	-	-
Total	48,169,482	346,265,493

12. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR’S RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>Inaccuracies in the Financial Statements</p> <p>The statement of cash flow reflects a balance of Ksh 858,259,368 under comparative cash and cash equivalents at the end of the year, which differs with the audited financial statements figure of Ksh 846,902,653 resulting to unreconciled variance of Ksh 572,467,024. However, recasting resulted in a balance of Ksh 860,855,866 resulting to misstatement by Kshs 288,388,842 that has not been corrected.</p> <p>In addition, and as disclosed in Note 8.5 to the financial statements, the statement of receipt and payment reflects a loan from external development partners-receipts and payments controlled by the entity of Kshs 402,756,447 resulting to an unreconciled</p>	<p>A reconciliation was performed to correct the Kshs. 11,356,715 variance between the cumulative cash and cash equivalent opening balance and the closing balance for the FY 18-19.</p> <p>The amount received in the project bank account was Kshs. 398,476,591, as evidenced by our bank statements, and cashbook reconciliation. This is the same amount that was remitted by the Ministry of Transport and Infrastructure. The authority could not account for an amount of Ksh. 402,756,447 that doesn't match the cash it received.</p>	<p>Opening balances for FY 20-21 audit have been adjusted to the correct opening balance of Kshs. 846,902,653.</p>	<p>Resolved</p>

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>difference of Kshs. 4,279,856.</p> <p>In the circumstance, the accuracy and completeness of the financial statement as prepared and presented could not be ascertained.</p>			
	<p>Pending Accounts Payable</p> <p>Notes 9.1 to the financial statements reflects pending bills of Ksh. 41,473,682 as at 30 June 2020. Management has not provided explanations for non- payment of the bills. The project is at risk of incurring significant interest costs and penalties with the continued delay in making payments</p>	<p>These pending bills had not been paid due to budgetary constraints in the financial year 2019-20.</p>	<p>All pending bills carried forward from the FY 2019/20 have been paid.</p>	<p>Resolved</p>

Guidance Notes:

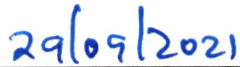
- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;

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(iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.



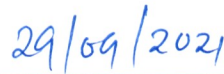
Ag. Director General



Date



Project Coordinator



Date

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13. ANNEXES

ANNEX1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

	Final Budget c=a+b	Actual on Comparable Basis d	Utilisation Variance e=c-d	% of Utilisation f=d/c %	Comments on Variance
Receipts					
Receipts from Government of Kenya	100,000,000	378,000,000 -	278,000,000	378%	The budget balance of 288 Million for FY 2019/20 was received first quarter of the FY 2020/21
Proceeds from Domestic and Foreign Grants	-	-	-	0%	
Loan from External Development Partners	450,000,000	434,179,826	15,820,174	96%	Loan funds received were 96% of the budgeted amount
Miscellaneous receipts	-	4,886,842 -	4,886,842	0%	The Miscellaneous receipt relates to interest earned which could not be reliably estimated at
Total Receipts	550,000,000	439,066,668	10,933,332		
Payments					
Compensation of employees	4,000,000	2,747,806	1,252,194	69%	Most of the works are complete.
Purchase of goods and services	46,000,000	84,326,291 -	38,326,291	183%	Part of the utilization was funded from carryover funds from the previous financial year.
Roadworks expenditure	500,000,000	737,847,481 -	237,847,481	148%	Part of the utilization was funded from carryover funds from the previous financial year.
Total Payments	550,000,000	824,921,578 -	274,921,578		

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ANNEX 2: 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>	<u>Indicate the FY to which the amounts relate</u>
	13/07/2020	288,000,000.00	FY 2019/20
	05/10/2020	50,000,000.00	FY 2020/21
	13/01/2021	40,000,000.00	FY 2020/21
	Total	378,000,000.00	
b.	Direct Payments		
		<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		61,201,831.28	FY 2020/21 & Pending Bills for FY 19/20
	Total	61,201,831.28	
	TOTAL(a+b+c)	439,201,831.28	

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ANNEX 3A - ANALYSIS OF PENDING BILLS

Supplier of Goods or Services	Original Amount	Amount Paid During The year	Outstanding Balance End of FY 2020/21	Amount Paid To-Date	Outstanding Balance	Comments
Kisii Training Centre	9,900,000	-	9,900,000	-	9,900,000	Could not be paid due to lack of proper supporting documentation from the vendor.
Multiscope Consulting Fee Note No. 20	4,934,200		4,934,200	4,934,200	-	Payment delayed due to some missing supporting documentation and budgetary constraints. However, all these have been solved out and the invoice has paid.
Buldel Enterprises Ltd. Certificate No. 7	4,450,522		4,450,522		4,450,522	The delay in payment was occasioned by some works that the contractor was required to rectify. This has however been addressed and payment is in progress
Egis/ Norken FEE NOTE NO. 12- KSHS PORTION	2,872,692		2,872,692	2,872,692	-	Payment delayed to the Contractors reluctance in complying with withholding income tax requirement. The contractor has since complied and payment made.
Egis/Norken FEE NOTE NO. 13- KSHS	3,669,082		3,669,082	3,669,082	-	Payment delayed to the Contractors reluctance in complying with withholding income tax requirement. The contractor has since complied and payment made.
Egis/Norken FEE NOTE NO. 14	2,989,078		2,989,078	2,989,078	-	Payment delayed to the Contractors reluctance in complying with withholding income tax requirement. The contractor has since complied and payment made.
CAS Consult FEE NOTE NO. 2	1,457,833		1,457,833	1,457,833	-	Payment delayed to the Contractors reluctance in complying with withholding income tax requirement. The contractor has since complied and payment made.
Sub-Total	30,273,407	-	30,273,407	4,934,200	14,350,522	
Grand Total	30,273,407	-	30,273,407	4,934,200	14,350,522	

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APPENDICES

- i. Bank Reconciliations statement as at 30th June 2021



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