

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 12 APR 2023	DAY: WEDNESDAY
TABLED OF	DEPUTY MAJORITY LEADER
CLEAN AT THE TABLE	

THE AUDITOR-GENERAL

ON

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

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

KENYA RURAL ROADS AUTHORITY



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

Implementing Entity: Kenya Rural Roads Authority

PROJECT GRANT/CREDIT NUMBER: 2007 65 123

KFW

GERMAN DEVELOPMENT BANK (KFW)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2022

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

*Improvement of Rural Roads and Market Infrastructure in Western Kenya
Annual Report and Financial Statements For the financial year ended June 30, 2022*

*Improvement of Rural Roads and Market Infrastructure in Western Kenya
Annual Report and Financial Statements For the financial year ended June 30, 2022*

TABLE CONTENTS

TABLE CONTENTS	iii
1. PROJECT INFORMATION AND OVERALL PERFORMANCE	iv
2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETRMINED OBJECTIVES	xv
3. ENVIROMENTAL AND SUSTAINABILITY REPORTING.....	xvi
4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES	xvii
5. REPORT OF THE INDEPENDENT AUDITOR ON FOR IMPROVEMENT OF RURAL ROADS AND MARKET INFRASTRUCTURE IN WESTERN KENYA PROJECT.....	xix
6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2022.....	1
7. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2022.....	2
8. STATEMENT CASHFLOW AS AT 30TH JUNE 2022.....	3
9. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 th June,2022	4
10. SIGNIFICANT ACCOUNTING POLICIES	5
11. NOTES TO THE FINANCIAL STATEMENTS.....	12
12. OTHER IMPORTANT DISCLOSURES	17
13. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS	18
14. ANNEXES	20

1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

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

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

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

The address of its registered office is:

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

The project also has offices/branches as follows:

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

Contacts: The following are the project contacts

Tel: 020-7807600/01-05

Mobil: 0711-851103

Director General: dg@kerra.go.ke

Website: www.kerra.go.ke

*Improvement of Rural Roads and Market Infrastructure in Western Kenya
Annual Report and Financial Statements For the financial year ended June 30, 2022*

1.2 Project Information

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

1.3 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 Transport, Infrastructure, Housing, Public Works and Urban Development.
Project number	2007 65 123
Strategic goals of the project	The strategic goal of the project is Rehabilitation of rural roads to maintainable gravel standards using Labour Based Technology and improvement of markets in Bungoma, Vihiga, Kakamega, Busia and Siaya counties.

Achievement of strategic goals	<p>The project management aimed to achieve the strategic goals through improvement of a continuous 281kms of rural road network in the counties of Bungoma, Vihiga, Kakamega, Busia and Siaya to maintainable gravel standards.</p> <p>The market component was a Grant which was to be implemented under the ministry of Agriculture, Fisheries and Livestock Development while the Rural Roads Component is being implemented by KeRRA</p> <p>Implementation of the Programme was completed by June, 2020 with the following achievements under the programme components.</p> <p>Road Works</p> <p>A total of 281km was achieved with 230km implemented under normal Contracts while 50km implemented under Trial Contracts.</p> <p>Training</p> <p>A total of 203 persons were trained under the Programme as shown in the table below;</p> <table><tr><th>S/No</th><th>Cadre</th><th>No Trained</th></tr><tr><td>1</td><td>Road Improvement Contractors (Trial Contractors)</td><td>99</td></tr><tr><td>2</td><td>Routine Maintenance Contractors</td><td>54</td></tr><tr><td>3</td><td>KeRRA Staff</td><td>40</td></tr><tr><td>4</td><td>Private Sector Supervisors</td><td>10</td></tr><tr><td></td><td>Total</td><td>203</td></tr></table> <p>Endowments for Regional Managers'</p> <p>Vehicles</p> <p>Eight (8) new Double cabin Pick up Vehicles were bought under the Programme and shared among Kakamega, Bungoma, Vihiga and Busia Regions.</p>	S/No	Cadre	No Trained	1	Road Improvement Contractors (Trial Contractors)	99	2	Routine Maintenance Contractors	54	3	KeRRA Staff	40	4	Private Sector Supervisors	10		Total	203
S/No	Cadre	No Trained																	
1	Road Improvement Contractors (Trial Contractors)	99																	
2	Routine Maintenance Contractors	54																	
3	KeRRA Staff	40																	
4	Private Sector Supervisors	10																	
	Total	203																	

*Improvement of Rural Roads and Market Infrastructure in Western Kenya
Annual Report and Financial Statements For the financial year ended June 30, 2022*

Other important background information of the project	<p>ICT and Office Furniture</p> <p>The Programme procured assorted items of Office Furniture and ICT Equipment which were also shared among four Regional offices (Bungoma, Kakamega, Vihiga and Busia)</p> <p>Environmental and Social Impact Assessment Studies (ESIAs):</p> <p>ESIA for all the roadworks components was conducted and NEMA issued respective Licences as per the Batches.</p> <p>Workshops and Studies</p> <p>Four (4) stakeholder workshops were held on diverse dates since the programme started in the year 2012 within the focal area for the Programme. The purpose of these workshops was for prioritization of roads to be improved and other forms of sensitization.</p> <p>Socio-economic Baseline Study/Impact Study Report</p> <p>The project management consultant conducted a Socio-Economic Baseline Study in August, 2014. An Impact Study was later conducted in 2020 after the end of implementation of the roadworks.</p>
Current situation that the project was formed to intervene	<p>The project was formed to intervene in the following areas:</p> <ul style="list-style-type: none"> • Improvement of accessibility to markets • Infrastructure development
Project duration	<p>The project started on 1st August 2012 and was expected to run until 30th May 2019. The PEA (Project Executing Agency-KeRRA) through the Authorised Party (The National Treasury), requested KFW to extend the disbursement period to end of February, 2020. The disbursement was later extended to 31st December, 2020 and further extension granted up to 31st December 2022.</p>

1.4 Bankers

The following are the bankers for the current year:

(i) Special Deposit Account

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

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

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

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

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

*Improvement of Rural Roads and Market Infrastructure in Western Kenya
Annual Report and Financial Statements For the financial year ended June 30, 2022*

1.5 Auditors

The project is audited by:

The Auditor General

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

1.6 Roles and Responsibilities

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

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

Names	Title Designation	Key Qualification	Responsibilities
Eng. Philemon K. Kandie dg@kerra.go.ke philemon.kandie@kerra.go.ke +254 0777851103, 0207807600	Director General	BSc Hons, P. Eng., MIEK, MSc. MBS.	Accounting Officer
Eng. Enoch K. Ariga dpde@kerra.go.ke Enock.ariga@kerra.go.ke +254 0777851103, 0207807602	Director Planning, Design & Environmental Interests	<i>P.Eng., MA (Planning), BSc., MIEK</i>	Supervisor/Engineer
Eng. Argwings. Oyoti dpde@kerra.go.ke argwings.oyoti@kerra.go.ke +254 0777851103, 0207807602	Project Engineer	<i>BSc MIEK</i>	Coordination of the activities of the program
CPA Pauline N. Kahwai dcs@kerra.go.ke pauline.kahwai@kerra.go.ke +254 0777851103, 0207807601	Project Accountant	MSc (Fin) B. Com, CPA (K), ICPAK	Accountant, support the project team regarding payments and reports.

1.7 Funding summary

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

A. Source of Funds

Source of Funds	Donor Commitment		Amount Received as at 30 th June 2022		Undrawn Balance as at 30 th June 2022	
	Euros (A)	Kshs (A'')	Euros (B)	Kshs (B')	Euros (A)-(B)	Kshs (A')-(B')
LOAN SUMMARY						
(ii) Loan						-
German Development Bank	7,500,000	750,000,000	8,052,628	805,262,832	(552,628)	(55,262,832)
Refund from KIHBIT	-	-	50,000	5,000,000	(50,000)	(5,000,000)
Total Loans	7,500,000	750,000,000	8,102,628	810,262,832	(602,628)	(60,262,832)
(iii) Counterpart Funds						
Government of Kenya	4,700,000	470,000,000	5,923,154	592,315,413	(1,223,154)	(122,315,413)
Interest Income	-	-	146,458	14,645,762	(146,458)	(14,645,762)
Total GoK Counterpart	4,700,000	470,000,000	6,069,612	606,961,175	(1,369,612)	(136,961,175)
Total Funding Summary	13,700,000	1,370,000,000	14,172,240	1,417,224,007	(1,972,240)	(197,224,007)

B. Application of Funds

Application of funds	Amount received to date – (30 th June 2022)		Cumulative Amount paid to date – (30 th June 2022)	Unutilised balance to date (30th June 2022)	
	(Euros)	Kshs			
	(A)	(A')	(B')	(A)-(B)	(A')-(B')
(i) Loan					
KfW	8,102,628	810,262,832	810,262,832	-	-
Total	8,102,628	810,262,832	810,262,832	-	-
(ii) Counterpart funds					
Government of Kenya	6,069,612	606,961,175	475,231,020	1,317,302	131,730,155
Total	14,172,240	1,417,224,007	1,285,493,852	1,317,302	131,730,155

1.8 Summary of Overall Project Performance:

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

i) Batch 1 Contracts

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

Table 1: Projects undertaken under Batch 1 of the programme

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

ii) Batch 2 Contracts

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

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

Table 2: Projects undertaken under Batch 2 of the programme

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

iii) **Batch 3 Road works**

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

iv) The project absorption rate over the years

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

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

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

1.9 Summary of Project Compliance:

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

2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETRMINED OBJECTIVES

Introduction

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

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

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

Progress on attainment of Strategic development objectives

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

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

3. ENVIROMENTAL AND SUSTAINABILITY REPORTING

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

4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Director General Kenya Rural Roads Authority and the Project Coordinator for Improvement of Rural Roads and Market Infrastructure in Western Kenya project are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year (period) ended on June 30, 2022.

This responsibility includes

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

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

The Director General Kenya Rural Roads Authority and the Project Coordinator for Improvement of Rural Roads and Market Infrastructure in Western Kenya project are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the Financial year ended June 30, 2022, and of the Project's financial position as at that date. The Director General Kenya Rural Roads Authority and the Project Coordinator for Improvement of Rural Roads and Market Infrastructure in Western Kenya project further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

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

*Improvement of Rural Roads and Market Infrastructure in Western Kenya
Annual Report and Financial Statements For the financial year ended June 30, 2022*

Approval of the Project financial statements

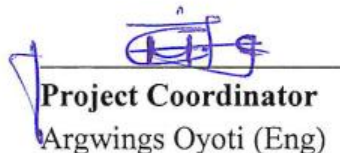
The Director General Kenya Rural Roads Authority and the Project Coordinator for Improvement of Rural Roads and Market Infrastructure in Western Kenya project on 27th September, 2022 and signed by them.



Director of Corporate Services

CPA Dan Manyasi

ICPAK Member Number: 6407



Project Coordinator

Argwings Oyoti (Eng)



Director General

Eng Philemon Kandie MBS

REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON IMPROVEMENT OF RURAL ROADS AND MARKET INFRASTRUCTURE IN WESTERN KENYA PROJECT CREDIT NO.BMZ 2007-65 123 (KFW) FOR THE YEAR ENDED 30 JUNE, 2022 - KENYA RURAL ROADS AUTHORITY

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Improvement of Rural Roads and Market Infrastructure in Western Kenya Project Credit No. BMZ 2007-65 123 (KFW)

Report of the Auditor-General on Improvement of Rural Roads and Market Infrastructure in Western Kenya Project Credit No. BMZ 2007-65 123 (KFW) for the year ended 30 June, 2022 - Kenya Rural Roads Authority

Kenya Rural Roads Authority set out on pages 1 to 25, which comprise the statement of financial assets and liabilities as at 30 June, 2022, and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Improvement of Rural Roads and Market Infrastructure In Western Kenya Project Credit No.BMZ 2007-65 123 (KFW) as at 30 June, 2022 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the amended Financing Agreement for Credit No. BMZ 2007-65 123 (KFW) signed on 14 December, 2009 between Kreditanstalt Fur Wiederaufbau (KFW) and the Republic of Kenya, and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Cash and Cash Equivalents

The statement of financial assets and as disclosed in Note 6 to the financial statements reflects bank balance of Kshs.131,780,809 as at 30 June, 2022, comprising of balances for nine (9) bank accounts and two (2) short term deposit accounts. However, fixed deposit certificate and bank balance certificate of Kshs.57,000,000 as at 30 June, 2022 were not provided for audit review.

In the circumstance, the accuracy and completeness of bank balance of Kshs.131,780,809 reflected in the statement of financial assets could not be confirmed.

2. Unsupported Accounts Payable

The statement of financial assets reflects accounts payable balance of Kshs.13,043,977 being a decrease of Kshs.9,375,092 from Kshs.22,419,069 as at 30 June, 2022. However, there were no ledgers to support the decreased amount of Kshs.9,375,092.

In the circumstances, the accuracy and completeness of accounts payable balance of Kshs.13,043,977 as at 30 June, 2022 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Improvement of Rural Roads and Market Infrastructure in Western Kenya Project Credit No.BMZ 2007-65 123 (KFW) Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. In my opinion, adequate accounting records have been kept by the Project, so far as appears from the examination of those records; and

- iii. The Project's financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal 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 continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Project or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities,

financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit 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 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


05 December, 2022


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

	Note	FY 2021/2022		FY 2020/2021		Cumulative to Date
		Receipts and payments controlled by the entity	Receipts and payments Made by third parties	Receipts and payments controlled by the entity	Receipts and payments Made by third parties	
		Kshs		Kshs		Kshs
RECEIPTS						
Receipts from Government of Kenya	1	25,000,000	-	25,000,000	-	592,315,413
Proceeds from Domestic and Foreign Grants		-	-	-	-	-
Loan from external		-	-	-	-	-
Development partners	2		5,000,000			
Interest Income	3	994,927	-	584,782	-	810,262,832
Other Income	3		-			14,645,762
Total Receipts		25,994,927	5,000,000	25,584,782	-	1,417,224,007
PAYMENTS						
Road Works Expenditure	4	101,878		2,599,143		707,978,075
Consultancy		-	-	-	-	435,552,698
Acquisition of Non-financial Assets	4		-	10,038,469		51,638,469
Training Costs		-	-	-		56,975,610
Other operating costs	5	2,419,880	-	624,518		33,348,999
Total Payments		2,521,758	-	13,262,130	-	1,285,493,852
Surplus/(Deficit)		23,473,168	5,000,000	12,322,652	-	131,730,155

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


Director Corporate Services
 CPA Dan Manyasi
 ICPAK Member Number: 6407


Project Coordinator
 Argwings Oyoti (Eng)


Director General
 Eng. Philemon K. Kandie MBS

*Improvement of Rural Roads and Market Infrastructure in Western Kenya
Annual Report and Financial Statements For the financial year ended June 30, 2022*


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

Description	Note	2021/22 Kshs	2020/21 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	6	131,730,153.54	113,306,274
Total Cash Equivalents		131,730,153.54	113,306,274
Accounts Receivables	7	-	302,400
TOTAL FINANCIAL ASSETS		131,730,153.54	113,608,674
FINANCIAL LIABILITIES			
Accounts Payable	8	12,067,380.00	22,419,069
NET ASSETS		119,662,773.54	91,189,605
REPRESENTED BY:			
Fund balance brought forward	9	91,189,605.11	78,866,953
Amount reclaimed by KfW			
Surplus/Deficit for the year		28,473,168.41	12,322,652
Net Financial Position		119,662,773.52	91,189,605

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


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


Project Coordinator
 Argwings Oyoti (Eng)


Director General
 Eng Philemon Kandie MBS

*Improvement of Rural Roads and Market Infrastructure in Western Kenya
Annual Report and Financial Statements For the financial year ended June 30, 2022*

8. STATEMENT CASHFLOW AS AT 30TH JUNE 2022

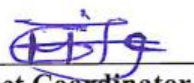
Description	Note	2021/2022	2020/2021
		Kshs	Kshs
Cashflow from operating activities			
Receipts from Government of Kenya	1	25,000,000	25,000,000
Loans	4	5,000,000	
Total Receipts		30,000,000	25,000,000
Payments for operating expenses			
Roadworks expenditure	4	(101,878)	(2,599,143)
Other Operating Costs	5	(2,419,880)	(624,518)
Payments from operating activities		(2,521,758)	(3,223,661)
Adjustments During the year			
Prior year adjustments(Refund to development partner)	9	-	-
Decrease/(Increase) in Accounts payable	8	(10,351,689)	146,098
Increase/(Decrease) in Receivable	7	302,400	(302,400)
Net Cash flow used in operating activities		17,428,953	21,620,037
Cash flow from borrowing activities			
Proceeds from foreign borrowings	2	-	-
Net Cash flow from borrowing activities		-	-
Cash flow from Investing activities			
Acquisition of Non-financial Assets	4	-	(10,038,469)
Interest Income	3	994,927	584,782
Net Cash flow from investing activities		994,927	(9,453,687)
Net increase in cash and cash equivalents		18,423,879	12,166,350
Cash and cash equivalents at the beginning of the year		113,306,274	101,139,924
Cash and cash equivalents at the end of the year		131,730,154	113,306,274

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



Director Corporate Service

CPA Dan Manyasi

ICPAK Member Number: 6407


Project Coordinator

Argwings Oyoti(Eng)


Director General

Eng. Philemon K. Kandie MBS

9. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30th June, 2022

Consolidated	Original Budget A	Adjustments B	Final Budget C=a+b	Actual on comparable basis D	Budget Utilisation Variance E=c-d	% of Utilisation F=d/c%
Receipts/Payment Item						
RECEIPTS						
Receipts from Government of Kenya	25,000,000	-	25,000,000	25,000,000	-	100%
Refund from KIHBIT to be returned to the Donor Partner	200,000,000		200,000,000	5,000,000	195,000,000	3%
Interest Income	-	-	-	994,927	(994,927)	0%
Total receipts	225,000,000	-	225,000,000	30,994,927	194,005,074	103%
PAYMENTS						
Consultancy services	15,000,000	-	15,000,000	-	15,000,000	0%
Road works	150,000,000	-	150,000,000	101,878	149,898,122	0%
Acquisition of Non-financial Assets	50,000,000	-	50,000,000	-	50,000,000	0%
Operating costs	10,000,000	-	10,000,000	2,419,880	7,580,120	24%
Total Payments	225,000,000	-	225,000,000	2,521,758	222,478,242	24%

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


Director Corporate Services
CPA Dan Manyasi
ICPAK Member Number: 6407


Project Coordinator
Argwings Oyoti(Eng)


Director General
Eng. Philemon Kandie, MBS

10. SIGNIFICANT ACCOUNTING POLICIES

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

10.1 Statement of compliance and basis of preparation

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

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

10.2 Reporting entity

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

10.3 Reporting currency

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

10.4 Recognition of receipts

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

i) Transfers from the Exchequer

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

ii) External Assistance

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

Significant Accounting Policies (Continued)

iii) Other receipts

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

iv) Donations and grants

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

v) Proceeds from borrowing

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

vi) Undrawn external assistance

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

10.5 Recognition of payments

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

i) Compensation to employees

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

Significant Accounting Policies (Continued)

ii) Use of goods and services

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

iii) Interest on borrowing

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

iv) Repayment of borrowing (principal amount)

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

v) Acquisition of fixed assets

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

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

10.6 In-kind donations

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

Significant Accounting Policies (Continued)

10.7 Cash and cash equivalents

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

10.8 Restriction on cash

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

10.9 Imprests and Advances

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

A contingent liability is:

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

Significant Accounting Policies (Continued)

- i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
- ii) The amount of the obligation cannot be measured with sufficient reliability.

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

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

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

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

10.10 Contingent Liabilities

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

Significant Accounting Policies (Continued)

10.11 Budget

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

10.12 Contingent Asset

Included in the receipts and payments, are payments made on its behalf by to third parties in form of loans and grants. These payments do not constitute cash receipts and payments. and are disclosed in the payment to third parties' column in the statement of receipts and payments. During the year, Kshs 5,000,000 being loan disbursements were received in form of direct payments from third parties.

10.13 Exchange rate differences

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

Significant Accounting Policies (Continued)

10.14 Comparative figures

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

10.15 Subsequent events

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended June 30, 2022.

10.16 Prior period adjustments

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

11. NOTES TO THE FINANCIAL STATEMENTS

1. RECEIPTS FROM GOVERNMENT OF KENYA

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

	2021/22	2020/21		
Descripti	KShs	KShs	Cumulative to-date (from inception)	
<i>Counterpart funding through Ministry of Transport</i>				
Counterpart fu	12,500,000.00			
Counterpart fu	-	25,000,000	592,315,413	
Counterpart fu	12,500,000.00	-		
Counterpart fu	-	-		
Total (See An	25,000,000	25,000,000	592,315,413	

2. LOAN FROM EXTERNAL DEVELOPMENT PARTNERS

For the year ended 30 June 2022 the Authority received a refund of Ksh. 5,000,000.00 (Five Million only) from Kisii Highway Bridges Institute of Technology (KIHBT)

3. MISCELLANEOUS RECEIPTS

	2021/22		2020/21		
	Receipts controlled by the entity in Cash	Receipts controlled by third parties	Total Receipts	Total Receipts	Cumulative to-date (from inception)
	KShs	KShs	KShs	KShs	KShs
Interest	994,927	-	584,782	584,782	14,645,762
Total	994,927	-	584,782	584,782	14,645,762

*Improvement of Rural Roads and Market Infrastructure in Western Kenya
Annual Report and Financial Statements For the financial year ended June 30, 2022*

4. ACQUISITION OF NON-FINANCIAL ASSETS

	2021/22	2020/21		2021/22	
Description	Receipts Payments made by the Entity in Cash	Receipts Payments made by third parties	Total Payments	Total Payments	Cumulative to-date
	KShs	KShs	KShs	KShs	KShs
Construction of roads	101,878		101,878	2,599,143	697,772,484
Purchase of office furniture & general	-		-	10,038,469	10,038,469
Design & supervision consultancy	-	-	-	-	435,552,698
Total	101,878	-	101,878	12,637,613	1,143,363,651

5. OTHER OPERATING COSTS

Description	2021/2022	2020-2021
	Kshs	Kshs
Meetings & traffic Census Facilitation costs	432,000	519,718
Travelling and subsistence allowance	1,925,000	70,000
Bank charges	62,880	34,800
Total	2,419,880	624,518

6. CASH AND CASH EQUIVALENTS

	2021/22	2020/21
Description	KShs	KShs
Bank accounts	131,730,154	113,306,274
Cash in hand	-	-
Total	131,730,154	113,306,274

*Improvement of Rural Roads and Market Infrastructure in Western Kenya
Annual Report and Financial Statements For the financial year ended June 30, 2022*

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

6(A). Bank Accounts

Project Bank Accounts

Description	2021/22	2020/21	2019/20
		KShs	KShs
Local Currency Accounts			
KeRRA GoK Counterpart Account Number 1179736249	25,780,015	35,042,217	39,209,350
KeRRA GoK Counterpart Account Number 1179736249	57,000,000	20,000,000	-
KeRRA KFW Account Number 1001255416	13,652	13,507	4,387,601
NCBA KFW Retention Account Number 1001965006	1,841,894	14,051,853	13,335,359
NCBA KFW Retention Account Number 1001965006	12,084,350	11,199,016	10,881,018
Cooperative Bungoma- KfW Account Number 01141536543500	195,078	210,620	214,220
Co-operative KfW Kakamega- Account Number 01141545929700	245,161	264,360	192,006
Kakamega 10% RMLF Counterpart A/C 1113921692	29,360,610	29,360,610	29,360,610
Cooperative Vihiga- KfW Account Number 01141472733300	2,831,352	1,322,535	1,334,655
Cooperative Busia GoK Counterpart A/c No. 1119722349	212,308	212,308	212,308
Cooperative Siaya GoK Counterpart A/c No. 1119721962	2,165,735	1,629,250	2,012,798
Local Currency Accounts			
Total local currency balances		113,306,274	101,139,924
Total bank account balances	131,730,154	113,306,274	101,139,924

Special Deposit Accounts

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

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

Special Deposit Accounts Movement Schedule

	2021/22	2020/21
	KShs	KShs
(i) A/C Name [A/c No1000214295]		
Opening balance	-	-
Total amount deposited in the account	-	-
Total amount withdrawn (as per Statement of Receipts & Payments)	-	-
Closing balance	<u>0</u>	<u>0</u>

6(B). Cash in Hand

	2021/22	2020/21
	KSHS	KSHS
	0	0
Cash	0	0
Total Cash Balances	0	0

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

Description	2021/22	2020/21
	Kshs	Kshs
Kenya Commercial Banks(A/C No. 1179736249	57,000,000	20,000,000
NCBA Retention Number 1001965006	12,084,350	11,199,016
Total	69,084,350	31,199,016

*Improvement of Rural Roads and Market Infrastructure in Western Kenya
Annual Report and Financial Statements For the financial year ended June 30, 2022*

7. ACCOUNTS RECEIVABLES

Description	2021-2022	2020-2021
	Kshs	Kshs
Government	-	302,400
Salary	-	-
Total	-	302,400

8. ACCOUNTS PAYABLE

Description	2021-2022	2021-2022	2019-2020
		Kshs	Kshs
Cumulative Retention	12,067,380	22,419,069	22,272,971
Total	12,067,379	22,419,069	22,272,971

9. FUND BALANCE BROUGHT FORWARD

Description	2021/22	2020/21
	KShs	KShs
Bank accounts	93,306,274	90,258,906
Cash equivalents (short-term deposits)	20,000,000	10,881,018
Adjustment for accumulated retention and receivables	(22,116,669)	(22,272,971)
Total	91,189,605	78,866,953

*Improvement of Rural Roads and Market Infrastructure in Western Kenya
Annual Report and Financial Statements For the financial year ended June 30, 2022*

12. OTHER IMPORTANT DISCLOSURES

1. PENDING ACCOUNTS PAYABLE (See Annex 3c)

	Balance b/f FY 2021/22	Balance b/f FY 2020/2021	Additions for the period	Paid during the year	Balance c/f FY 2020/2021
Description	Kshs	Kshs	Kshs	Kshs	Kshs
Construction of roads	-	-	-	-	-
Supervision consultancy	66,288,310	66,288,310	-	-	66,288,310
Supply of services	-	-	-	-	-
Total	66,288,310.40	66,288,310	-	-	66,288,310

2. EXTERNAL ASSISTANCE

There was no external assistance in the Annual Financial Year ended 30th June, 2022.

2(a). Classes of providers of external assistance

	FY 2020/2021	
Description	Kshs	
Multilateral donors	-	
Total	0	

2(b). 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 2021/2022	FY 2020/2021
Description	Kshs	Kshs
External assistance received as grants	0	0
External assistance received as loans	-	-
External assistance received in kind- as payment by third parties	-	-
Total	-	-

13. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS

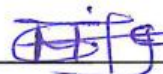
The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments.	Status: (Resolved / Not Resolved)
Budget Control and performance	The statement of comparative budget and actual amounts for the year ended 30 th June,2021 reflects actual receipts of Kshs. 25,584,782 against the budget amount of Kshs. 300,000,000 resulting to a shortfall in receipts of Kshs.274,415,218 or 91% of the approved budget. Further, actual amounted to Kshs.13,262,130 against the final expenditure budget for the year amounted to Kshs.300,000,000 resulting to an under expenditure of Kshs.286,737,870 or 96% of the approved budget. The under expenditure of Kshs.286,737,870 is an indication that some planned programs were not undertaken during the year which could impact negatively on the attainment of the overall Project's goals and objectives.	Delays in granting of tax exemptions, delayed the commencement of the project. This has caused the project to run behind schedule. However, adequate measures have been put in place to extend the financing period and ensure that the project is fully planned for and financed within the new project timeline.	Resolved.

*Improvement of Rural Roads and Market Infrastructure in Western Kenya
Annual Report and Financial Statements For the financial year ended June 30, 2022*



Director General, MBS



Project Coordinator

Date

Date

14. ANNEXES

ANNEX1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

	Final Budget Kshs c=a+b	Actual on comparable basis Kshs d	Utilisation Variance Kshs e=c-d	% of Utilisation f=d/c%	Comments on variance
RECEIPTS					
Receipts from Government of Kenya	25,000,000	25,000,000	-	100%	
Refund from KIHBIT to be returned to the Don	200,000,000	5,000,000	195,000,000	3%	Roadworks are complete. Consultant did not comply with the payment of withholding income tax therefore fee notes could not be forwarded to KfW for payment.
Interest Income		994,927	(994,927)	0%	Could not be reliably estimated since it depends on the bank balances hence zero budget
Total receipts	225,000,000	30,994,927	194,005,074	14%	
PAYMENTS					
Consultancy services	15,000,000	-	15,000,000	0%	Non-compliance by the consultant with National Treasury Circular on payment of withholding Tax for direct payments
Road works	150,000,000	101,878	149,898,122	0%	Roadworks are complete.
Acquisition of Non-financial Assets	50,000,000	-	50,000,000	0%	Procurement was based on open competitive bidding therefore we the budget was based on a prudent estimate.
Training costs	-	-	-	0%	N/A
Operating costs	10,000,000	2,419,880	7,580,120	24%	Operating costs vary as per the project activity levels. Since the project is technically complete, it did not have many activities during the financial year.
Total Payments	225,000,000	2,521,758	222,478,242		

*Improvement of Rural Roads and Market Infrastructure in Western Kenya
Annual Report and Financial Statements For the financial year ended June 30, 2022*

ANNEX 2: RECONCILIATION OF INTER-ENTITY TRANSFERS

PROJECT NAME:		Improvement of Rural Roads and Market Infrastructure in Western Kenya			
Break down of Transfers from the State Department of Infrastructure					
a. Government Counterpart Funding					
	Bank Statement Date	Amount (K Shs)			Indicate the FY to which the amounts relate
	2/9/2021	12,500,000		FY 2021/22	
	1/3/2022	12,500,000		FY 2021/22	
	Total	25,000,000			
b. Direct Payments					
	Bank Statement Date	Amount (K Shs)			Indicate the FY to which the amounts relate
		0		FY 2021/22	
	Total	0		FY 2021/22	
	TOTAL(a+b+c)	25,000,000			

ANNEX 3(c) - ANALYSIS OF PENDING BILLS

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

*Improvement of Rural Roads and Market Infrastructure in Western Kenya
Reports and Financial Statements
For the financial year ended June 30, 2022*

ANNEX 4 – SUMMARY OF FIXED ASSETS REGISTER

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

***Improvement of Rural Roads and Market Infrastructure in Western Kenya
Reports and Financial Statements
For the financial year ended June 30, 2022***

APPENDICES

- i. Bank Reconciliations statement as at 30th June 2022

*Improvement of Rural Roads and Market Infrastructure in Western Kenya
Reports and Financial Statements
For the financial year ended June 30, 2022*

ANNEX 4 – SUMMARY OF FIXED ASSETS REGISTER

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

