


REPUBLIC OF KENYA



*Enhancing Accountability*

## REPORT

OF

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 23 MAR 2023	DAY: THURSDAY
TABLED BY:	MAJORITY LEADER
CLERK AT THE TABLE:	

THE AUDITOR-GENERAL

ON

UPGRADING OF “GILGIL MACHINERY”  
ROAD PROJECT

FOR THE YEAR ENDED  
30 JUNE, 2022

KENYA RURAL ROADS AUTHORITY







**Project Name: Upgrading of “Gilgil Machinery” Road Project**

**Implementing Entity: Kenya Rural Roads Authority**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2022**



**Arab Bank for Economic Development in Africa**

Together for Africa

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

*Upgrading of Gilgil-Machinery Road Project  
Annual Reports and Financial Statements For the financial year ended June 30, 2022*



*Upgrading of “Gilgil-Machinery” Road Project*  
*Annual Reports and Financial Statements For the financial year ended June 30, 2022*

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## **1. PROJECT INFORMATION AND OVERALL PERFORMANCE**

### **1.1 Name and registered office**

#### **Name**

The project’s official name is Upgrading of the “Gilgil-Machinery” Road Project.

#### **Objective**

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

#### **Address**

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

The address of its registered office is:

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

**Contacts:** The following are the project contacts

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

E-mail: [kerra@kerra.go.ke](mailto:kerra@kerra.go.ke)/[dgkerra@kerra.go.ke](mailto:dgkerra@kerra.go.ke)

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

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## 1.2 Project Information

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

## 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 and Urban Development.
Strategic goals of the project	The project aims at improving 23 Kilometers of Gilgil - Machinery Road (D390) to bitumen standards.
Achievement of strategic goals	An overall achieved weighted progress for permanent works is 58% against a projected revised Programme of 57%.



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Other important background information of the project	<p>The loan agreement required that the Implementing agency form a project implementation unit. This condition was fulfilled with the appointment of a Project Coordinator and an Accountant.</p> <p>The project is managed by a Project Implementation Unit (PIU) composed of a Civil Engineer and an Accountant as specified in Article III Section 3.03 of the Financing Agreement. Currently, Eng. K.O. Nyakuti and CPA Pauline N. Kahwai were appointed as the Project Coordinator and Project Accountant respectively.</p> <p>The project road length is approximately 23km long and traverses Nakuru and Nyandarua Counties with 5km being in Nakuru County and 18km being in Nyandarua County. The project road starts in Gilgil Town, on road C77 (Gilgil – Nyahururu), to the Njabini –Ol Kalou (C69) which was constructed with funding from BADEA. The project road is currently to gravel standard and traverse through generally a rolling/hilly terrain.</p>
Current situation that the project was formed to intervene	<p>The project was formed to intervene in the following areas:</p> <ul style="list-style-type: none"> <li>(i) Linking of administrative towns and villages</li> <li>(ii) Infrastructure development</li> </ul>
Project duration	<p>The project civil works construction started on 4<sup>th</sup> May, 2019 and is expected to run until <b>30<sup>th</sup> July, 2024</b> with a 12-month Maintenance Period.</p>



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#### 1.4 Bankers

The following are the bankers for the current year:

**KCB Bank LTD**

Kencom House, Moi Avenue Branch,

P.O. Box 48400-00100,

Nairobi Kenya.

KeRRA BADEA Funds Account-1259504255

#### 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

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

Name and Contact Details	Title designation	Key qualification	Responsibilities
Eng. Philemon K. Kandie(MBS) +254 (20) 2710464 <a href="mailto:dgkerra@kerra.go.ke">dgkerra@kerra.go.ke</a>	Director General	Bsc. Hons., MIEK, P. Eng, MSc.	Accounting Officer
Eng. J. K. Magondu +254 (20) 2710464 <a href="mailto:jackson.magondu@kerra.go.ke">jackson.magondu@kerra.go.ke</a>	Director Development	BSc., MIEK, P.Eng, M(IBL), A(CLArb-UK)	Engineer
Eng. Kennedy O. Nyakuti +254 (20) 2710464 <a href="mailto:kennedy.nyakuti@kerra.go.ke">kennedy.nyakuti@kerra.go.ke</a>	Project Coordinator	BSc MIEK, P.Eng	Coordination of the activities of the project.
CPA Pauline N. Kahwai +254 (20) 2710464 <a href="mailto:pauline.kahwai@kerra.go.ke">pauline.kahwai@kerra.go.ke</a>	Project Accountant	B.Com,ICPAK, CPA(K)Msc(Fin)	Assisting in Coordination of the activities of the project.

## 1.7 Funding Summary

The Project duration is eight (8) years from 2016 to 2024 with an approved budget of USD 15,000,000 as highlighted in the table below:

Below is the funding summary:

### A. Source of Funds

Source of Funds	Donor Commitment		Amount Received as at 30 <sup>th</sup> June 2022		Undrawn Balance as at 30 <sup>th</sup> June 2022	
	USD (A)	Kshs (A'')	USD (B)	Kshs (B')	USD (A)-(B)	Kshs (A')-(B')
GRANT SUMMARY						
Loan-Arab Bank for Economic Development in Africa (BADEA)	11,000,000	1,100,000,000	6,663,177	666,317,696	4,336,823	433,682,304
Total Grants	11,000,000	1,100,000,000	6,663,177	666,317,696	4,336,823	433,682,304
LOAN SUMMARY						
COUNTERPART FUNDS SUMMARY						
(iii) Counterpart Funds						
Government of Kenya	4,000,000	400,000,000	1,375,000	137,500,000	2,625,000	262,500,000
Total GoK Counterpart	4,000,000	400,000,000	1,375,000	137,500,000	2,625,000	262,500,000
Total Funding Summary	15,000,000	1,500,000,000	8,038,177	803,817,696	6,961,823	696,182,304

1USD=Ksh.100

**B. Application of Funds**

	Donor currency (A)	Kshs (A')	Cumulative Amount paid to date – (30 <sup>th</sup> June 2022) (B')	(30 <sup>th</sup> June 2022)	
				Donor currency (A)-(B)	Kshs (A')-(B')
(i) Loan	USD	Kshs			
Loan-Arab Bank for Economic Development in Africa (BADEA)	6,663,177	666,317,696	666,317,696	-	-
(ii) Counterpart funds					
Government of Kenya	1,375,000	137,500,000	123,515,400	139,846	13,984,600
Total	8,038,177	803,817,696	789,833,096	139,846	13,984,600



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**1.8 Summary of Overall Project Performance:**

During the financial year, the project absorbed 58% of its approved budget.

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

Year	2019/20	2020/21	2021/22
Absorption	55%	62%	58%

The project has faced the following implementation challenges:

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

**1.9 Summary of Project Compliance:**

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

## **2. STATEMENT OF PERFORMANCE AGAINST PROJECT’S PREDETERMINED OBJECTIVES**

### **Introduction**

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

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

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

### **3. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

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

#### **1. Sustainability strategy and profile**

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

#### **2. Environmental performance**

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

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



### **3. Employee welfare**

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

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

### **4. Market place practices-**

#### **a) Responsible Supply chain and supplier relations-**

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

#### **b) Responsible ethical practices**

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

#### **c) Regulatory impact assessment**

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

### **5. Community Engagements**

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

#### **4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES**

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

This responsibility includes:

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

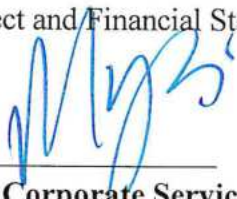
The Director General Kenya Rural Roads Authority and the Project Coordinator accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting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

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

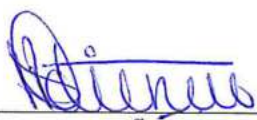
The Director General Kenya Rural Roads Authority and the Project Coordinator confirm that the Project has complied fully with the applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year under audit were used for the eligible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

#### **Approval of the Project financial statements**

The Project and Financial Statement were approved and Signed on 27<sup>th</sup> September, 2022 by;



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



**Project Coordinator**  
Eng. Kennedy Nyakuti



**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 UPGRADING OF “GILGIL MACHINERY” ROAD PROJECT FOR THE YEAR ENDED 30 JUNE, 2022 - KENYA RURAL ROADS AUTHORITY**

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### **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 control, 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 Upgrading of “Gilgil Machinery” Road Project set out on pages 1 to 18, which comprise of the statement of financial



assets as at 30 June, 2022, and the statement of receipts and payments, statement of cash flow and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Upgrading of "Gilgil Machinery" Project 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 Financing Agreement dated 25 May, 2016 between the Arab Bank for Economic Development in Africa (BADEA) and the Republic of Kenya and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **Unsupported Bank Balance**

The statement of financial assets reflects a bank balance of Kshs.13,984,599 as at 30 June, 2022. Included in this balance is Kshs.11,549,100 being retention monies held at a local commercial bank. However, the bank reconciliation statement for June, 2022 provided for audit review includes a balance of Kshs.2,516,634,138 described as due to other projects. Although Management explained that the Project does not maintain its own retention account and that the bank account used for retention monies is a commingled account with deposits from other projects, the support for Kshs.2,516,634,138 was not provided for audit review.

In the circumstances, the accuracy and completeness of the bank balance of Kshs.13,984,599 could not be confirmed.

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

### **Key Audit Matters**

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



## **Other Matter**

### **1. Delay in the Disbursement of the Government Counterpart Funding**

The statement of receipts and payments reflects a loan amount from the Arab Bank for Economic Development in Africa (BADEA) of Kshs.414,210,668 and Kshs.50,000,000 as counterpart funding from the Government of Kenya. The total cumulative counterpart funding from the Government of Kenya as at 30 June, 2022 stood at Kshs.137,500,000. This represents 34% of the total counterpart financing projection of Kshs.400,000,000. With the expected closing date of the project set at 30 July, 2024, it is doubtful that the counterpart financing balance of Kshs.262,500,000 or 66% will be disbursed to the project activities before closure date.

Failure to finance the project activities as planned may affect the operations of the Project resulting to delayed implementation and the likelihood of pending bills.

### **2. Budgetary Control and Performance**

The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.800,000,000 and Kshs.464,210,668 respectively resulting to an under-funding of Kshs.335,789,332 or 42% of the budgeted receipts. Similarly, the Project spent Kshs.463,400,144 against an approved budget of Kshs.800,000,000 resulting to an under-expenditure of Kshs.336,599,856 or 42% of the budget.

The underfunding and underperformance affected the planned activities of the Project and may have impacted negatively on service delivery to the public.

### **3. Pending Bills**

Note 12.1 and Annex 3 to the financial statements reflects pending bills totalling to Kshs.145,613,575 as at 30 June, 2022 which comprise of withholding tax due of Kshs.5,899,717 and balances due for various payment certificates of Kshs.139,713,858. Management has indicated that the non-payment of the pending bills is due to inadequate budgetary provision in the year under review.

Failure to settle bills during the year in which they relate adversely affects the provisions of the subsequent year to which they have to be the first charge.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

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

## **Basis of Conclusion**

### **1. Delayed Completion of the Road Project**

The contract for upgrading to bitumen standard of Gilgil-Machinery Road, contract No. RWC369 was awarded on 6 February, 2019 and the contract agreement signed on 3 April, 2019 at a contract sum of Kshs.1,476,491,036 and for a contract period of 24 months. Further, the notice of commencement of the works was dated 4 April, 2019 setting the date of commencement to 4 May, 2019 and an initial date of completion of 4 May, 2021. The project road length is approximately twenty-three (23) kilometers and traverses Nakuru County (5Km) and Nyandarua County (18km) and was to start at Gilgil Town, Langalanga Junction Road D390(C488)/C77(A4) (Gilgil-Nyahururu) and end at Machinery Junction Road D390(C493)/C69(B20) (Njabini-Ol Kalou). However, due to delays in implementation of the contract, the employer awarded a 14-month extension of time to the contractor, with the revised date of completion set at 12 July, 2022.

An audit inspection exercise carried out in the month of July, 2022 revealed that the road works were still in progress and the estimated overall achieved average physical progress for permanent works was at 72% against a projected revised programme of 71% of the expected output. Review of the monthly progress report (MPR No. 39) for August, 2022 indicates that the contractor had applied for a further extension of time as a result of delay in payments of certified works, which is under evaluation.

The delayed implementation of the project works will affect service delivery to the users of the road in Nakuru and Nyandarua Counties.

### **2. Consultancy Services offered without a Valid Contract**

The Project Management entered into a contract agreement vide contract KeRRA/BADEA/001/16, with a Consultant on 18 January, 2018 for the design review and construction supervision of the Gilgil-Machinery Road project for a contract period of thirty-one (31) months (design review – three (3) months and construction supervision – twenty-eight (28) months) at a contract sum of US Dollars 1,244,550 exclusive of VAT.

Review of the contract agreement revealed that the contract period for the consultancy had expired on 18 August, 2020 and the contract had not been renewed or extended. Although Management explained that approval for the extension of the consultancy contract was in progress, the approval had not been obtained as at 30 June, 2022 yet consultancies were still ongoing.

This is contrary to Section 139 (2) (a) of the Public Procurement and Asset Disposal Act, 2015. Further, Part III of the contract agreement for the consultancy services for design review and construction supervision with the consultant on special conditions of contract, paragraph 13.1 and 14.1 provides for the commencement of services and expiry of the contract.

In the circumstances, Management was in breach of the law.



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 governance were not effective.

### **Basis of Conclusion**

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

### **Responsibilities of Management and those Charged with Governance**

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

In preparing the financial statements, Management is responsible for assessing the Project's ability to continue to sustain its 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 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 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**

**09 December, 2022**





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

Description	Note	FY 2021/2022			FY 2020/2021			Cumulative to Date from inception
		Receipts and payments controlled by the entity	Receipts and payments Made by third parties	Cumulative Receipts and payments FY 2021/22	Receipts and payments controlled by the entity	Receipts and payments Made by third parties	Cumulative Receipts and payments FY 2020/21	
		Kshs			Kshs	Kshs	Total -Kshs	Kshs
<b>RECEIPTS</b>								
Receipts from Government of Kenya	1	50,000,000	-	50,000,001	-	-	-	137,500,000
Loan from Development Partner	2	-	414,210,668	414,210,670	-	199,994,359	199,994,359	666,317,696
<b>Total Receipts</b>		<b>50,000,000</b>	<b>414,210,668</b>	<b>464,210,671</b>	<b>-</b>	<b>199,994,359</b>	<b>199,994,359</b>	<b>803,817,696</b>
<b>PAYMENTS</b>								
Consultancy	3		51,274,906	51,274,909	-	35,720,826	35,720,826	94,791,861
Road Works Expenditure	3	49,182,384	362,935,762	412,118,149	63,884,665	164,273,533	228,158,198	706,568,849
Other operating costs	4	7,092	-	7,096	8,290		8,290	21,487
<b>Total Payments</b>		<b>49,189,476</b>	<b>414,210,668</b>	<b>463,400,154</b>	<b>63,892,955</b>	<b>199,994,359</b>	<b>263,887,314</b>	<b>801,382,197</b>
<b>Surplus/Deficit</b>		<b>810,524</b>	<b>(0)</b>	<b>810,524</b>	<b>(63,892,955)</b>	<b>-</b>	<b>(63,892,955)</b>	<b>2,435,500</b>

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**  
Eng. Kennedy Nyakuti



**Director General**  
Eng. Philemon K. Kandie MBS





*Upgrading of Gilgil-Machinery Road Project  
Annual Reports and Financial Statements For the financial year ended June 30, 2022*

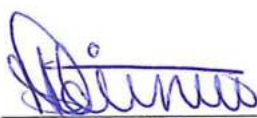
**7. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2022**

		2021/2022	2020/2021
	Note	Kshs	Kshs
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances	5	13,984,599	1,624,975
<b>Total Cash and Cash Equivalents</b>		<b>13,984,599</b>	<b>1,624,975</b>
<b>FINANCIAL LIABILITIES</b>			
Deposits & Retention Monies	6	11,549,100	-
<b>NET ASSETS</b>		<b>2,435,499</b>	<b>1,624,975</b>
<b>REPRESENTED BY</b>			
Fund balance brought forward	7	1,624,975	65,517,930
Surplus/(Deficit) for the year		810,524	(63,892,955)
<b>Net Financial Position</b>		<b>2,435,499</b>	<b>1,624,975</b>

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



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



**Project Coordinator**  
Eng. Kennedy Nyakuti



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*Upgrading of "Gilgil-Machinery" Road Project  
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**8. STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2022**

	Note	2021/2022	2020/2021
		Kshs	Kshs
<b>Cash flow from operating activities</b>			
Receipts from Government of Kenya	1	50,000,000	-
Loan from development partner	2	414,210,668	199,994,360
<b>Total Receipts</b>		<b>464,210,668</b>	<b>199,994,360</b>
<b>Payments for operating activities</b>			
Road Works Expenditure(Acquisition of non-financial assets), Consultancy& bank Charges	3	(463,400,144)	(263,887,314)
<b>Total Payments</b>		<b>(463,400,144)</b>	
<b>Adjustments during the year</b>			
Increase/(decrease) in accounts payable:	6	11,549,100	
<b>Net Cash flow from operating activities</b>		<b>12,359,624</b>	<b>(63,892,954)</b>
<b>Cash flow from borrowing activities</b>			
Proceeds from foreign borrowings		-	-
<b>Net Cash flow from borrowing activities</b>		<b>-</b>	<b>-</b>
Net increase in cash and cash equivalents		12,359,624	(63,892,954)
Cash and cash equivalents at the beginning of the year	5	1,624,976	65,517,930
Cash and cash equivalents at the end of the year	5	13,984,600	1,624,976

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 **27<sup>th</sup> September, 2022** and signed by:



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



**Project Coordinator**  
Eng. Kennedy Nyakuti



**Director General**  
Eng. Philemon Kandie MBS

9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Financial 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	50,000,000	50,000,000	100,000,000	50,000,000	50,000,000	50%	
Loan from development partner	700,000,000	-	700,000,000	414,210,668	285,789,332	59%	
Total receipts	750,000,000	50,000,000	800,000,000	464,210,668	335,789,332	58%	
PAYMENTS						0%	
Consultancy services	100,000,000	-	100,000,000	51,274,906	48,725,094	51%	
Road works	650,000,000	50,000,000	700,000,000	412,125,238	287,874,762	59%	
Total Payments	750,000,000	50,000,000	800,000,000	463,400,144	336,599,856	58%	

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 Masyasi  
ICPAK Member No: 6407



**Project Coordinator**  
Eng. Kennedy Nyakuti



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

### **10.3 Reporting currency**

The financial statements are presented in Kenya Shillings (Ksh), 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.

**10.10 Contingent liability**

- 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.

**10.11 Contingent Assets**

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

**10.12 Pending bills**

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

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

### **10.13 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*.

### **10.14 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.

### **10.15 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)**

**10.16 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.

**10.17 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.

**10.18 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.

*Upgrading of "Gilgil-Machinery" Road Project  
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## 11. NOTES TO THE FINANCIAL STATEMENTS

### 1. RECEIPTS FROM GOVERNMENT OF KENYA

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

Description	2021/22	2020/21	Cumulative to date (From Inception)
	KShs	KShs	KShs
<b>Counterpart funding through Ministry of Transport and Infrastructure</b>			
Quarter 1	25,000,000.00	-	137,500,000.00
Quarter 2	-		
Quarter 3	25,000,000.00	-	-
Quarter 4	-		
Total (See Annex 2)			
<b>Total</b>	<b>50,000,000.00</b>	<b>-</b>	<b>137,500,000.00</b>

### 2. LOAN FROM EXTERNAL DEVELOPMENT PARTNERS

During the year Ended to 30<sup>th</sup> June, 2022 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 as revenue	Loans received as direct payment	Total Amount in Kshs	
	KShs	KShs	KShs	2021/22	2020/21
Loans Received from Multilateral Donors (BADEA)					
BADEA	-	-	414,210,668	414,210,668	199,994,359
<b>Total</b>	<b>-</b>	<b>-</b>	<b>414,210,668</b>	<b>414,210,668</b>	<b>199,994,359</b>

### 3. ROADWORKS EXPENDITURE

ROADWORK EXPENDITURE	Payments made	2021/22 Payments made by third parties	2020/21 Payments made by third parties	2020/21 Payments made by third parties	Cummulative
Construction of Roads	#####	362,935,762	63,884,664	164,273,533	706,568,849
Consultancy	-	51,274,906	35,720,826		94,791,861
	#####	414,210,668	99,605,491	164,273,533	801,360,710

*Upgrading of "Gilgil-Machinery" Road Project*  
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**4. OTHER OPERATING COSTS**

	FY 2021/2022	FY 2020/2021
	kshs	kshs
Other Operating Costs		
Bank charges	7,092	8,290

**5 (a) CASH AND CASH EQUIVALENTS**

Description	2021/22	2020/21
	KShs	KShs
Kenya Commercial Bank [A/C No1259504255]	2,435,499	1,624,975
Kenya Commercial Bank [A/C No1119722543]	11,549,100	-
Others ( <i>Specify</i> )	-	-
<b>Total</b>	<b>13,984,599</b>	<b><u>1,624,975</u></b>

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

**5 (b) Bank Accounts**

**Project Bank Accounts**

	2021/22	2020/21
	KShs	KShs
<b><u>Local Currency Accounts</u></b>		
Kenya Commercial Bank [A/c No.1259504255]	2,435,499	1,624,975
Kenya Commercial Bank [A/C No1119722543]	11,549,100	-
<b>Total bank account balances</b>	<b>13,984,599</b>	<b>1,624,975</b>



*Upgrading of "Gilgil-Machinery" Road Project*  
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**5. DEPOSITS AND RETENTION MONIES**

Description	2021/22	2020/21
	KShs	KShs
Kenya Commercial Bank [A/C No1259504255]	2,435,499	1,624,975
Kenya Commercial Bank [A/C No1119722543]	11,549,100	-
Others ( <i>Specify</i> )	-	-
<b>Total</b>	<b>13,984,599</b>	<b><u>1,624,975</u></b>

**6. FUND BALANCE B/FORWARD**

	2021/22	2020/21
	KShs	KShs
Bank accounts	1,624,975	65,517,930
<b>Total</b>	<b>1,624,975</b>	<b>65,517,930</b>

*Upgrading of "Gilgil-Machinery" Road Project*  
*Annual Reports and Financial Statements For the financial year ended June 30, 2022*

**12. OTHER IMPORTANT DISCLOSURES**

**1. PENDING ACCOUNTS PAYABLE (See Annex 3A)**

	e b/f 21	Additions for the period	Advance Payment	Paid during the year	Bal C/F 2021/2022
Description	Kshs	Kshs	Kshs	Kshs	Kshs
Construction of roads( Local Component)	# # # #	190,139,965	10,496,390	50,014,862	145,613,575
<b>Total</b>	# u	190,139,965	10,496,390	50,014,862	145,613,575

**2. EXTERNAL ASSISTANCE**

**(i) External assistance relating loans and grants**

	FY 2021/2022	FY 2020/2021
Description	Kshs	Kshs
External assistance received as loans	414,210,668	199,994,359
External assistance received as grants	-	-
<b>Total</b>	<b>414,210,668</b>	<b>199,994,359</b>

**(ii) Classes of providers of external assistance**

	FY 2021/2022	FY 2020/2021
Description	Kshs	Kshs
Multilateral donors	414,210,668	199,994,359
<b>Total</b>	<b>414,210,668</b>	<b>199,994,359</b>

**(iii) Purpose and use of external assistance**

Payments Made by Third Parties	FY 2021/2022	FY 2020/2021
	Kshs	Kshs
Construction of roads	414,210,668	199,994,359
<b>TOTAL</b>	<b>414,210,668</b>	<b>199,994,359</b>

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

	FY 2021/2022	FY 2020/2021
Description	Kshs	Kshs
National government	49,182,384	-
Multilateral donors	414,210,668	199,994,359
<b>Total</b>	<b>463,393,052</b>	<b>199,994,359</b>

*Upgrading of "Gilgil-Machinery" Road Project  
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**13. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS**

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe : (Put a date when you expect the issue to be resolved)</b>
Low absorption of Project funds	Sections 1.7 of the annual report under Project information and overall performance, indicates that the Project is to be implemented within a duration of six (6) years from 2016 to 2022, with a total expected funding of Kshs.1,500,000,000 equivalent to US\$15,000,000. However, only Kshs.339,607,028 or 22.6% of the expected funding had been drawn as at 30 June, 2021, leaving a balance of Kshs.1,160,392,972 or 77.4% undrawn despite a time lapse of 83%. 219 Clearly, the project is behind schedule and the envisaged strategic goals may not be achieved within	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	



*Upgrading of "Gilgil-Machinery" Road Project  
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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)
	the expected timelines.			
Budgetary control & performance	<p>The statement of comparative budget and actual amounts reflects an approved receipt budget of Kshs.420,000,000 during the year against actual receipts amounting to Kshs.199,994,359 resulting to a shortfall in receipts of Kshs.220,005,641.</p> <p>Similarly, budgeted expenditure amounted to Kshs.420,000,000 against actual expenditure of Kshs.263,879,023 resulting in an overall under expenditure of Kshs.156,120,977, an indication that some planned activities were not undertaken during the year. Consequently, the Project's goals and objectives during the year under review may</p>	<p>The shortfall in actual receipts against the budget was brought about by a shortfall in the GoK-Counterpart funding. Due to inadequate funding, the project was unable to fully absorb its planned GoK-Counterpart budget. However, works still continued leading to the accumulation of pending bills totaling Kshs. 15,984,862.02.</p> <p>The Covid-19 pandemic slowed down roadworks for the project. This was especially due to the travel restrictions and restrictions on gatherings imposed in</p>	Resolved	

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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)
	not have been achieved.	<p>the early days of the pandemic. As a result, the project budget was not fully expended.</p> <p>Also, the heavy rains experienced in the region during the period greatly slowed down the progress of works.</p>		



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



**Project Coordinator**  
Eng. Kennedy Nyakuti



**Director General**  
Eng. Philemon Kandie MBS

14. ANNEXES

ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Financial Year Ended 30th June 2022

	Final Budget Kshs a	Actual on comparable basis Kshs b	Utilisation Variance Kshs c=a-b	% of Utilisation d=b/a%	Comments on variance
<b>RECEIPTS</b>					
Receipts from Government of Kenya	100,000,000	50,000,000	50,000,000	50%	Due to funding constraints, we did not receive any GoK allocation in the financial year.
Loan from development partner	700,000,000	414,210,668	285,789,332	59%	During the financial year, most of the expenditure was on the initial milestones, which progress relatively slow and have relatively low absorption.
<b>Total receipts</b>	<b>800,000,000</b>	<b>464,210,668</b>	<b>335,789,332</b>	<b>58%</b>	
<b>PAYMENTS</b>					
Consultancy services	100,000,000	51,274,906	48,725,094	0%	N/A
Road works	700,000,000	412,125,238	287,874,762	59%	Expenditure for the year is more than the total receipts due to carryover funds.
<b>Total Payments</b>	<b>800,000,000</b>	<b>463,400,144</b>	<b>336,599,856</b>	<b>58%</b>	
<b>Deficit/ Surplus</b>	<b>-</b>	<b>810,524</b>	<b>(810,524)</b>	<b>-</b>	



ANNEX 2: RECONCILIATION OF INTER-ENTITY TRANSFERS

PROJECT NAME:				
Break down of Transfers from the State Department of Infrastructure				
a. Government Counterpart Funding				
	Bank Statement Date		Amount (KShs)	Indicate the FY to which the amounts relate
	09/02/2021		25,000,000	
	03/01/2022		25,000,000	
	Total		50,000,000	
b. Direct Payments				
	Bank Statement Date		Amount (KShs)	Indicate the FY to which the amounts relate
			51,274,906	2021/2022
Supervision Consultancy Services			362,935,762	2021/2022
Roadworks				

ANNEX 3 - ANALYSIS OF PENDING BILLS

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid to date	Advance Payment	Outstanding Balance 2021/22 -Gross
	a	b	c	e	d=a-c-e
Sub-Total					G.O.K Component
Construction of roads					
Certificate No.	GOK Component				
Withholding Tax Due Cert 2-6	5,899,717				5,899,717
4b Balance B/F	15,984,862	21/5/2021	15,984,862		-
5	43,112,359	27/8/2021	34,030,000	646,938	8,435,421
6	28,088,498	5/11/2021	-	1,886,611	26,201,887
7	21,895,254	22/12/2021	-	1,470,632	20,424,622
8	38,762,306	16/3/2022	-	2,761,044	36,001,262
9	52,381,831	23/5/2022	-	3,731,165	48,650,666
Grand Total	206,124,827.35		50,014,862.02	10,496,390.00	145,613,575.33

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**APPENDICES**

- i) Bank Reconciliations statement as at 30<sup>th</sup> June 2022



