

REPUBLIC OF KENYA



**REPORT**

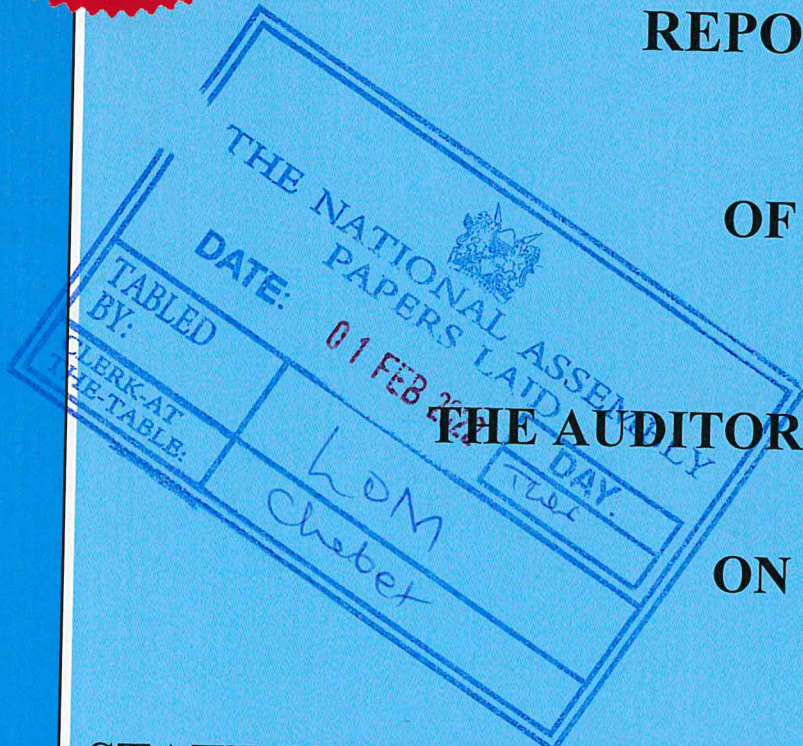
**OF**

**THE AUDITOR-GENERAL**

**ON**

**STATE DEPARTMENT FOR INFRASTRUCTURE**

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









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**STATE DEPARTMENT FOR INFRASTRUCTURE**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2021**

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

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**Annual Report and Financial Statements**  
**For the year ended 30, June 2021**

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**KEY ENTITY INFORMATION AND MANAGEMENT**

**(a) Background information**

The State Department for Infrastructure was formed on May 2013 through executive order No.2 At cabinet level; the Cabinet Secretary for Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works, who is responsible for the general policy and strategic direction of the State Department for Infrastructure, represents the State Department for Infrastructure.

**(b) Key Management**

The State Department for Infrastructure day-to-day management is under the following key organs:

- Central Administrative Services;
- Technical Services;
- Materials Testing and Research;
- Mechanical and Transport Services
- Training Services; and
- Fiduciary Management

The State Department implements its programs through its implementing agencies of Kenya National Highways Authority (KENHA), Kenya Rural Roads Authority (KERRA), Kenya Urban Roads Authority (KURA), Kenya Roads Board (KRB), and Engineers Board of Kenya (EBK). The public finances all these Road agencies.

**(c) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2020 and who had direct fiduciary responsibility were:

<b>No.</b>	<b>Designation</b>	<b>Name</b>
1.	Accounting Officer	Prof. Arch. Paul M. Maringa, (PhD), CBS
2.	Infrastructure Secretary	Eng. Francis Gitau
3.	Secretary Administration	Bernard J. Leparmarai
4.	Direction Administration	Abednego Etyang'

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**(d) Fiduciary Oversight Arrangements**

**- Audit and finance committee activities**

The State Department of Infrastructure Budget for 2020/2021 was scrutinized and adopted for approval by the Departmental Committee of Transport, Housing and Public works. The Budget Appropriation Committee of the National Assembly further interrogated the allocations to Road Projects covered under the Development Budget. The Special Funds Committee interrogated the State Department on the Equalization Fund allocated to the State Department.

**- Parliamentary committee activities**

Within the Financial Year 2019/2020, the State Department appeared before the Public Accounts Committee and finished discussions of the Auditor General's report for 2016/2017 and 2017/2018.

**- Development partner oversight activities**

The World Bank is the major Development Partner that finances Development Budget road works. The World Bank is a member of the Project Oversight Committee (POC) that is hosted by the State Department that periodically met to review the implementation of road projects over the financial year. Other Development Partners held meetings with the State Department of the required budgetary provisions over the 2019/2020 budget cycle.

**- Other oversight activities**

Over the Financial Year, the National Development Implementation Technical Committee (NDITC) received regular updates on implementation progress for road works in relation to development and maintenance of roads.

**(e) Entity Headquarters**

P.O. Box 30260-00100  
Works Building  
Ngong Road  
Nairobi, Kenya

**(f) Entity Contacts**

Telephone: (254) (020)2723232  
E-mail : [ps@infrastructure.go.ke](mailto:ps@infrastructure.go.ke)  
Website: [www.transport.go.ke](http://www.transport.go.ke)

**(g) Entity Bankers**

Central Bank of Kenya  
Haile Selassie Avenue



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P.O. Box 60000  
City Square 00200  
Nairobi, Kenya

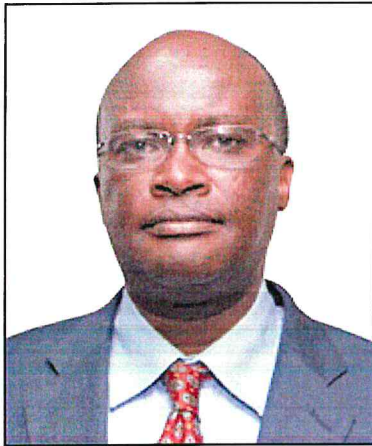
**(h) Independent Auditors**

Auditor General  
Kenya National Audit Office  
Anniversary Towers, University Way  
P.O. Box 30084  
GOP 00100  
Nairobi, Kenya

**(i) Principal Legal Adviser**

The Attorney General  
State Law Office  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya

**1. FORWARD BY THE CABINET SECRETARY**



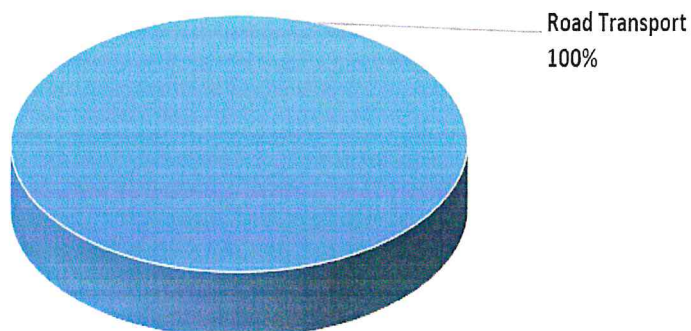
**BUDGET ALLOCATION**

The State Department for Infrastructure had a total Budget Allocation of **Ksh 200,530,786,903** in Financial Year 2020/21 comprising of Development Budget of **Ksh 133,372,106,457** and Recurrent Budget of **Ksh 67,158,680,446**.

The State Department Implemented One Programme Road Transport and Five sub programmes for the Financial Year 2020/21. The Programme Budget VS Expenditure is as detailed below;

Programmes	Approved Budget Allocation	Actual Expenditure	Variance
	Kshs Million	Ksh Million	Kshs
<b>Road Transport</b>	200,530,786,903	187,302,685,978	13,228,100,925

**BUDGET ALLOCATION BY PROGRAMMES**





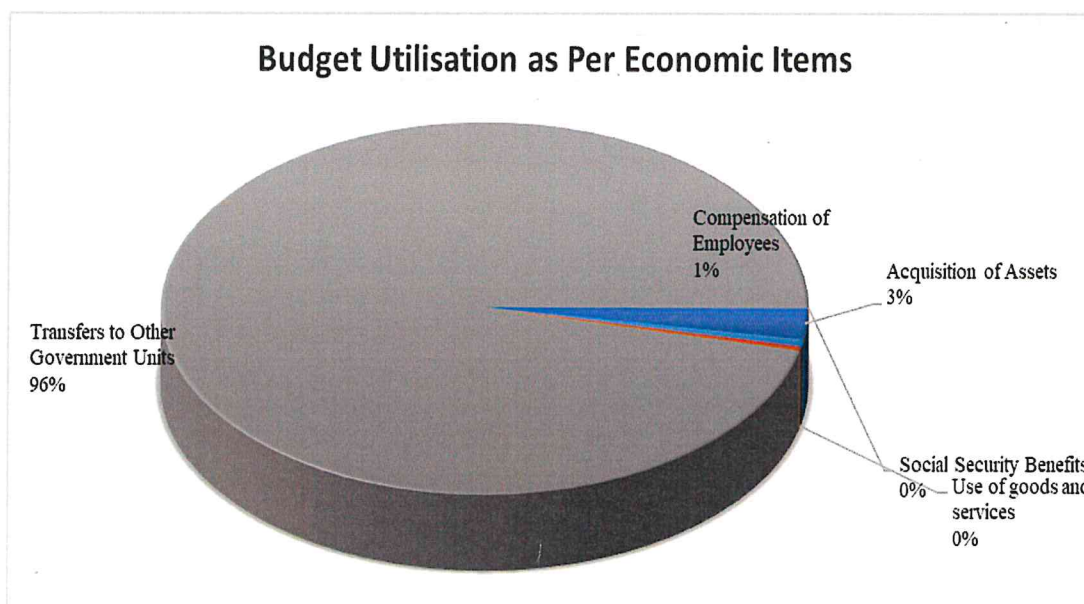
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**COMMENTARY BY THE CABINET SECRETARY (CONTINUED)**

**Budget Performance Based on economic Classification**

Economic Classification	Approved Budget Allocation	Actual Expenditure	Variance
	Ksh Million	Ksh Million	Ksh Million
Compensation of Employees	1,153,955,958	1,114,933,785	39,022,173
Use of Goods and Services	1,532,593,359	710,178,414	822,414,945
Grants and other Transfers	184,621,188,548	180,396,891,388	4,224,297,160
Acquisition of Non-Financial Assets	13,222,446,665	5,080,600,547	8,141,846,118
Social Security Benefits	602,373	81,844	520,529
<b>TOTAL</b>	<b>200,530,786,903</b>	<b>187,302,685,978</b>	<b>13,228,100,925</b>

	Actual Payments
Compensation of Employees	1,114,933,785
Use of goods and services	710,178,414
Transfers to Other Government Units	180,396,891,388
Social Security Benefits	81,844
Acquisition of Assets	5,080,600,547
<b>Total Payments</b>	<b>187,302,685,978</b>



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**COMMENTARY BY THE CABINET SECRETARY (CONTINUED)**

**Budget Performance Based on Sub programmes**

<b>Sub – Programmes</b>	<b>Approved Budget</b>	<b>Actual Expenditure</b>	<b>Variance</b>
	<b>Ksh Million</b>	<b>Ksh Million</b>	<b>Ksh Million</b>
Construction of Roads and Bridges	91,649,972,128	81,054,378,972	10,595,593,156
Rehabilitation of Roads and Bridges	44,327,295,662	43,484,062,995	843,232,667
Maintenance of Roads and Bridges	59,646,520,758	59,654,494,556	(7,973,798)
Design of Roads and Bridges	750,000,000	513,730,112	236,269,888
General Administration, Planning and Support services	4,156,998,355	2,596,019,343	1,560,979,012
<b>TOTAL</b>	<b>200,530,786,903</b>	<b>187,302,685,978</b>	<b>13,228,100,925</b>

**Key Achievements for the State Department of Infrastructure**

During the 2020/2021 Financial Year, the State Department had an overall 79% achievement against its set physical targets as detailed below:-

<b>Output</b>	<b>Target (Km)</b>	<b>Achievement (Km)</b>	<b>% Achievement</b>
Construction of Roads	2,132	1,581	74%
Rehabilitation of Roads	75	39	52%
Periodic Maintenance of Roads	574	494	86%
Routine Maintenance of Roads	36,079	36,749	102%
			<b>79%</b>

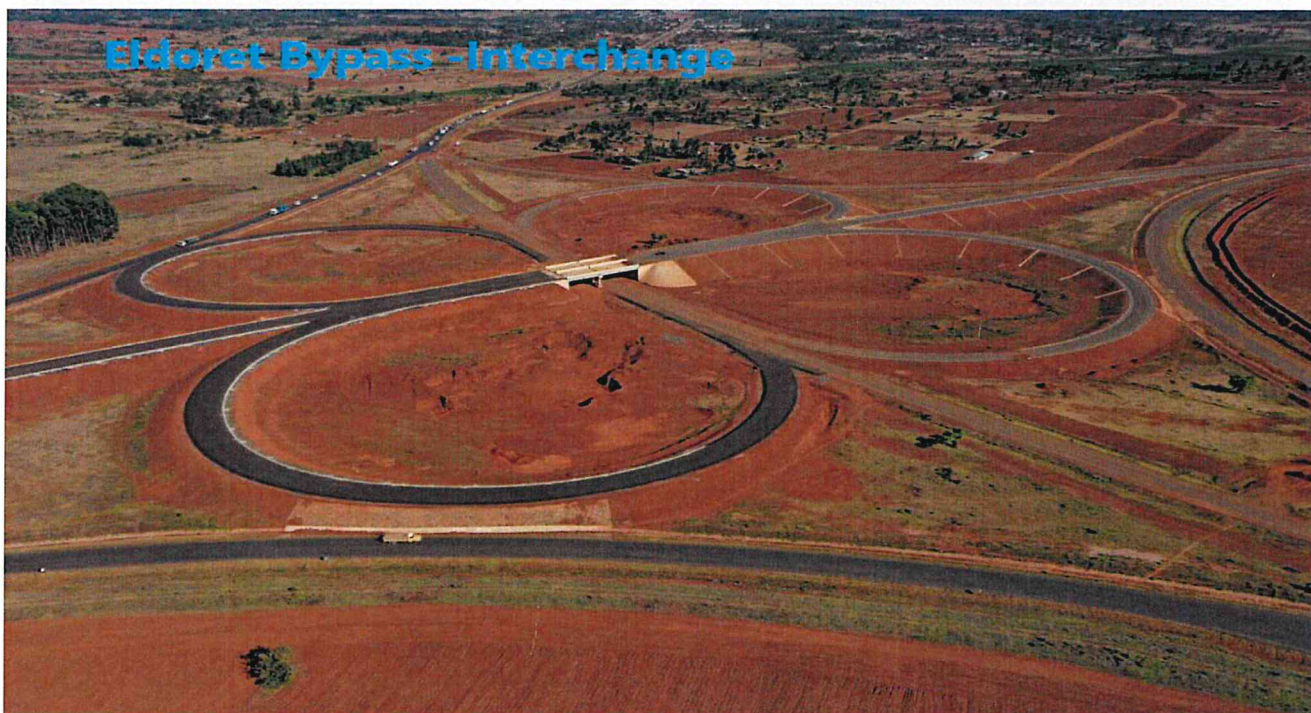


**COMMENTARY BY THE CABINET SECRETARY (CONTINUED)**

Some of the Projects are implemented in the Financial Year 2020/21 are;



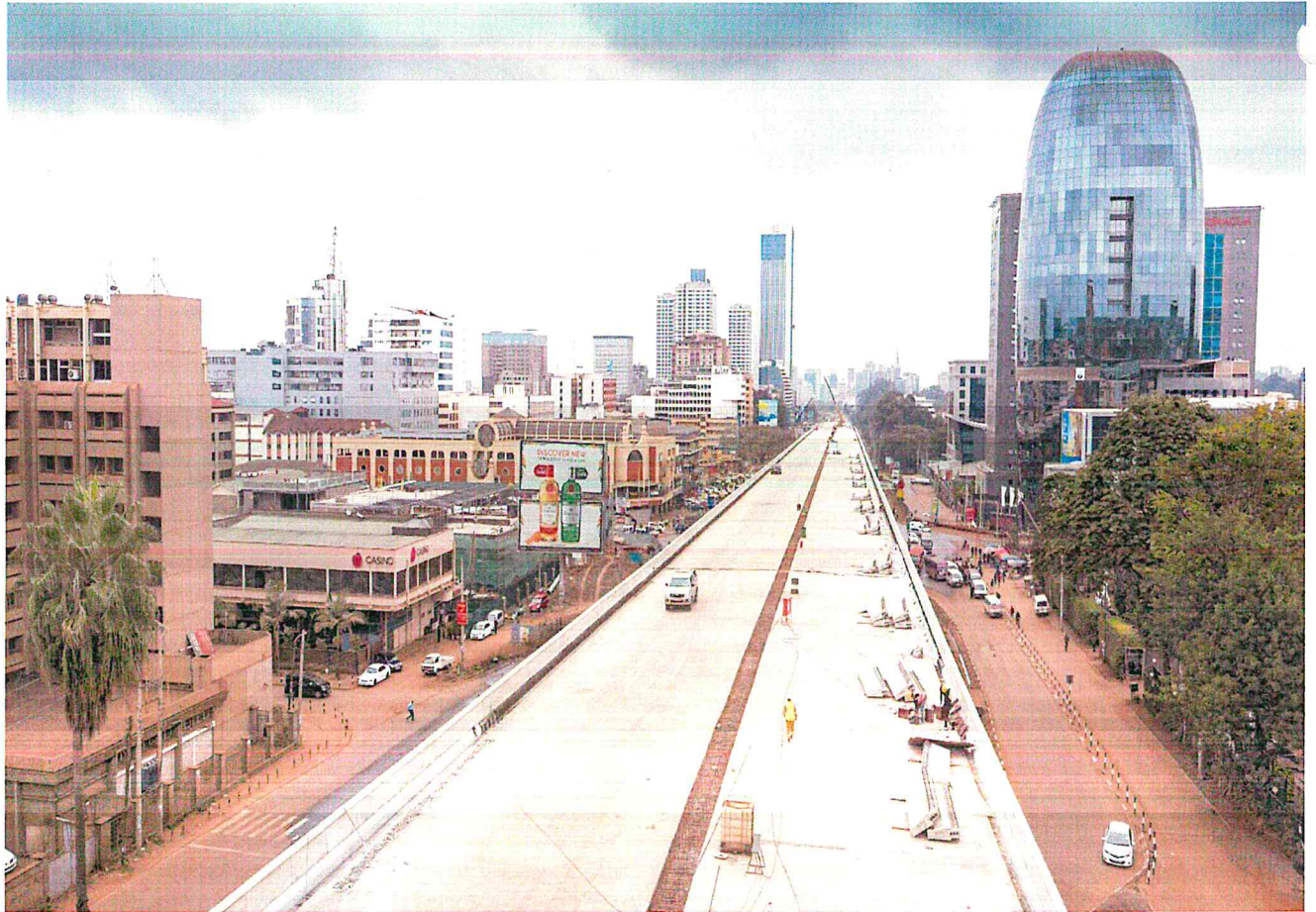
Likoni Floating Bridge



Eldoret Town Bpass



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Ongoing Nairobi Expressway



Construction of Kajiado Town Roads Phase I



**COMMENTARY BY THE CABINET SECRETARY (CONTINUED)**

**Emerging Issues**

- i. Covid -19 pandemic that has delayed performance on projects;
- ii. Need for Non-Motorised Transport Systems;
- iii. Need for climate resilient infrastructure

**Key Risk Management Strategies**

- i. Risk Reduction by Adopting Performance Based Contracts(PBC) for Maintenance to avoid uncertainty on the Fuel Levy;

**Implementation Challenges and Recommendation**

<b>No</b>	<b>Challenge</b>	<b>Recommendation and Way forward</b>	<b>Action by the department to overcome the challenge</b>
1	Slow relocation of utilities	Involvement of stakeholders from the initial stages of project planning	Multi Agency Approach to project Implementation with frequent meeting with key Stakeholders.
2	Inadequate funding of counterparts projects	Provide the required counterparts funds for projects funded by development partners	Engaged the National Treasury and Energy ,Infrastructure &ICT sector to secure adequate Counter Financing
3	Inadequate funds from the Exchequer	Establishment of financing institutions that will fund service providers needs	Ventured into other funding mechanism such as PPPs
4	Expensive valuation of land along the transport corridors	Development of an efficient system for land ownership and administration through the land policy	Involvement of the National Land Commission to guide on implementation of the underlying laws on land

James W. Macharia, EGH  
**CABINET SECRETARY**



## **2. STATEMENT OF PERFORMANCE AGAINST 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 State Department Strategic Plan 2018-2022 are:

- i. To formulate and/or review and co-ordinate implementation of requisite policies, legal, regulatory and institutional framework;
- ii. To enhance compliance to national policies on Gender, Disability, HIV/AIDS, ADA and access to Government Procurement Opportunity;
- iii. To expand, modernize and maintain integrated, efficient and sustainable transport systems;
- iv. To improve quality of service, safety and security of transport systems, built environment and urban development;
- v. To promote environmental sustainability;
- vi. To enhance research and innovation in transport systems and the built environment;
- vii. To enhance capacity and capabilities in human capital, institutions and technology
- viii. To mobilize financial resource

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**Progress on attainment of Strategic 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:

Program	Objective	Outcome	Indicator	Performance in FY 2020/2021
Road Transport	Expand, modernize and maintain integrated, efficient and sustainable transport systems	Motorable and passable roads completed	KMs of motorable and passable roads completed	<ul style="list-style-type: none"> <li>• 1,581 km upgraded to bitumen standards</li> <li>• 39 km rehabilitated</li> <li>• 494 km periodically maintained</li> <li>• 36,749 km routinely maintained</li> </ul>
	Enhance compliance to national policies on Gender, Disability, HIV/AIDS, ADA and access to Government Procurement Opportunity	Staff trained/sensitized	Number of staff trained/sensitized	i. 200No. Staff sensitized on National Values. ii. 40% (600no.) of staff sensitized on universal health and HIV & AIDs. iii. 16no.ISO champions trained. iv. Domesticated Gender, Disability, HIV/AIDS, ADA policies
				•
	Increase access to decent, safe and sustainable urban development	Increased mobility and accessibility in urban areas	Kms of walkways (Non-Motorised Traffic) constructed	150 km walk ways constructed
	Promote environmental sustainability;	Environmental and Social Impact Assessment carried out on projects	% ESIA reports produced	100% ESIA reports produced on new projects
	Improve quality of service, safety and security of transport systems, built environment and urban	Improved quality of service, safety and security of transport systems	% safety and security systems in place	i. Citizen Service Charter in both English and Swahili mounted and displayed prominently at the point of entry;

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	development			<p>ii. Re-installation Local Area Network (LAN)</p> <p>to facilitate office connectivity undertaken;</p> <p>iii. All lifts made serviceable under the Service Level Agreement;</p> <p>iv. COVID-19 intervention measures (mass testing, fumigation of offices and motor vehicles and awareness creation) carried out.</p>
	Enhance research and innovation in transport systems and the built environment;	Research and innovations undertaken	Number of research and innovations undertaken	<p>The following were achieved:</p> <p>i. Preliminary Report completed on improvement of design methods and construction specifications on rehabilitation of Isebania – Kisii – Ahero and Kianjai – Mikinduri Road Projects</p> <p>ii. Draft Report completed on Verification trials on Hydraulic Road Binders (HRB) – Bamburi HRB, Svanna HRB, Fly Ash</p> <p>iii. Construction and monitoring of Kianjai - Mikinduri Road (D484) trial section;</p> <p>iv. Design guidelines for improvement of rural roads using Do-Nou Technology;</p> <p>v. Performance monitoring of Low Volume Seal Roads</p>



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				vi. Signs and road marking condition surveys on Namanga - Athi River Nairobi -Nakuru-Eldoret-Malaba
				vii. Performance monitoring of Waiyaki Way – Red Hill Road and Meru ern Bypass
				viii. Geo technical investigations along Mai Mahiu – Narok road.
	Enhance capacity and capabilities in human capital, institutions and technology;	Develop capacity for construction in support of the sector development.	Number Trained	i. 618 No. local road contractors trained;
				ii. Trained 974 No. plant operators;
				iii. Trained 2,157 No. technicians and artisans;
				iv. Trained 1,641 No. on elementary driving, refresher and defensive and First Aid.

### 3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

#### **Sustainability strategy and profile -**

One of the main objectives of social sustainability in projects development is to protect the communities impacted by the project in both urban and rural areas, national and regional. The need to consider these determinations for projects have reduced negative impacts of project development on any cultural heritage.

One approach involved is community participation in estimating the impacts of road project on where they live, work, play, and engages in cultural activities. Such involvement creates a sense of ownership of the project and enforce the feel of respect for the communities.

To achieve these responsibilities, alternative route for transportation/traffic were provided for community during road construction. The routes allowed and supported continued growth of the community during construction phase. The vigour during implementation focused on the capacity to live and continue to develop for both the workforce and communities during the project phases. This included providing the work force with a healthy and safe work environment, maintained risk assessment plans and sensitisations to strive for safety first.

In addition, the state department introduced safe and integrated roadways such as the ongoing construction of NMTs in various urban cities and municipalities. In order to support sustain the local industries, it prioritized local procurement of materials, equipment, machinery, services and other products or services for the construction.

#### **Market place practices-**

The State Department made invitation to tenders public through the print media and the Ministry website to promote equal access to information by the interested parties. The Evaluation criteria on the tender documents was clear, fair and objective in line with the PPAD Act. This promoted fair competition to all the suppliers in the tendering process. The state Department notified the suppliers of the tender outcome pursuant to section 87(3) of PPDA act.

#### **Community Engagements-**

Although infrastructure projects have created value to the communities around the ongoing projects, communication between decision makers and communities proved effective in measuring the value created from public opinions. Acceptance from communities allowed different project entities (designers, contractor, and project management firms) determine what resources for use or not during the planning and construction phases.

During the projects planning/development and maintenance phases the state department held consultative meeting with the County Government and the community amongst other stakeholders to guide in modalities of project implementation.

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In order to strengthen the relationship with the communities. Road construction in various regions had provision for in-built social responsibility such as drilling of bore holes for communities, construction of police posts and construction of schools and houses for communities located in the project implementation zones.

**Employee welfare**

There have also been efforts in localization of human resources where non-skilled and partially skilled labour was generated from the local community taking into consideration youth and women and the 2/3 gender rule on employment (under the roads 2000 programme). This is aimed at upholding the ideas of respect, communication, and projects ownership. The department has domesticated the policy on safety and complied with Occupational Safety and Health Act of 2007, (OSHA).

**Environmental performance / Protecting Local Ecology**

The department has been adhering to the idea of environmental protection of love, respect, conformity and strictly abides by the local laws and regulations on environment protection. It integrated the idea of environment protection into all links of project planning, management and construction as part of the effort to realize green environment-friendly construction.

In the FY 2019/20 the department carried out a tree planting of 4,000 seedlings in protection of the environment at Ngong' Hills Forest.

Further, feasibility/design studies were carried out for Low Volume Sealed Roads under implementation while NEMA Certificates were sought to allow raw material extraction (in case of quarries) and consumption and land use change, including clearing of existing flora (where required), energy use and associated emissions of greenhouse gases, aesthetic degradation, water use and waste water generation, increased transport needs.

**Fulfilling Social Responsibility**

Adhering to the idea of “full cooperation, active service, reciprocating society”, the department has been actively engaged in social public welfare and charity activities, and providing timely aids to counties and people when disasters occurs

**Supporting Culture & Education**

There has been educational development support from the donor countries where Kenyan students have been assisted to study in countries like China, which is undertaking various projects in Kenya. In addition, there were established road and bridge scholarships with key universities as well as professional training during project construction for local employee training and technology transfers in case of East Africa Regional Transport, Trade and Development Facilitation Project (EARTTDFP) under World Bank.



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**4. STATEMENT OF MANAGEMENT RESPONSIBILITIES**

Section 81 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer for a National Government Entity shall prepare financial statements in respect of that entity. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed the Public Sector Accounting Standards Board of Kenya from time to time.

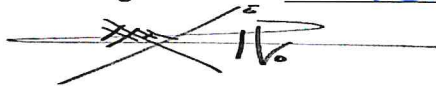
The Accounting Officer in charge of the State Department for Infrastructure is responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2021. This responsibility includes: (i) maintaining adequate financial management arrangements 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 entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting Officer in charge of the State Department for Infrastructure accepts responsibility for the entity'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 (IPSAS). The Accounting Officer is of the opinion that the State Department for Infrastructure financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2021, and of the entity's financial position as at that date. The Accounting Officer charge of the State Department for Infrastructure further confirms the completeness of the accounting records maintained for the State Department for Infrastructure, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of the State Department for Infrastructure confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the entity's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further, the Accounting Officer confirms that the entity's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

**Approval of the financial statements**

The State Department for Infrastructure financial statements were approved and signed by the Accounting Officer on 21 Dec 2021.



Principal Secretary  
Prof. Arch. Paul M. Maringa, (PhD), CBS

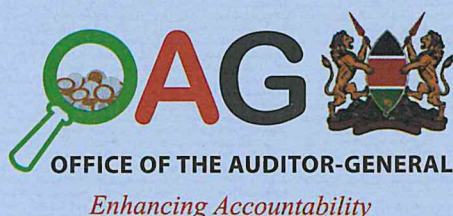


Deputy Accountant General  
Mwangashi Sophie Wakio  
ICPAK Member Number: 11341



# REPUBLIC OF KENYA

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NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON STATE DEPARTMENT FOR INFRASTRUCTURE FOR THE YEAR ENDED 30 JUNE, 2021**

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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 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Opinion**

I have audited the accompanying financial statements of State Department for Infrastructure set out on pages 1 to 31, which comprise the statement of assets and

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*Report of the Auditor-General on State Department for infrastructure for the year ended 30 June, 2021*



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

In my opinion, the financial statements present fairly, in all material respects, the financial position of the State Department for Infrastructure as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012.

### **Basis for Opinion**

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

### **Other Matter**

#### **1. Budgetary Control and Performance**

During the year under review, actual receipts for the State Department amounted to Kshs.187,394,597,013 against an approved receipts budget amount of Kshs.200,530,786,903 resulting to a shortfall in receipts of Kshs.13,136,189,890. In addition, the State Department under-spent its overall budget amount by Kshs.13,228,100,925 which mainly occurred under the components related to use of goods and services at Kshs.822,414,945, social security benefits at Kshs.520,529 and acquisition of assets at Kshs.8,141,846,118.

The State Department's goals and objectives for the year may not have been achieved as some planned programs were not undertaken which impacted negatively on service delivery to the citizens.

#### **2. Loss of a Motor Vehicle**

As previously reported, the summary of fixed assets register at Annex 1 reflects other machinery and equipment balance of Kshs.175,384,079 as at 30 June, 2021. Included in the balance is an amount of Kshs.6,538,892 being the value of one motor vehicle belonging to the Kenya Institute of Highways and Building Technology (KIHBT) that was reported stolen on 3 July, 2020. Although the case was reported at Makadara



Directorate of Criminal Investigations Office and the matter is said to be under investigation, the vehicle had not been recovered at the time of audit.

In the circumstances, the accuracy of the balance of Kshs.175,384,079 reflected under other machinery and equipment could not be confirmed.

### **3. Lack of Fixed Assets Register**

Annex 1 on summary of fixed assets register reflects total assets valued at Kshs.24,091,984,653 as at 30 June, 2021. Management however did not provide a fixed assets register as at 30 June, 2021 to support the figure listed in the financial statements.

In the circumstances, the accuracy of fixed assets balance of Kshs.24,091,984,653 as at 30 June, 2021 could not be confirmed.

### **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, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of the report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **Human Resource Management-Lack of Annual Recruitment Plan and Over Establishment in Some Cadres**

During the year under review, the State Department recruited twenty-nine (29) new staff. However, no annual recruitment plan was provided for audit to justify the need for recruitment. In addition, the newly recruited staff had not been included in the Integrated Payroll and Personnel Database (IPPD) system by the time of audit in November, 2021. Further, the State Department exceeded the approved staff establishment in various cadres by 129 staff.

No justifiable explanation was provided for this anomaly.

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 for Conclusion**

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

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal 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 State Department'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 State Department 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 State Department's financial reporting process, reviewing the effectiveness of how the State Department 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 State Department'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 State Department'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 State Department 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 State Department 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

24 December, 2021

**6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

	Note	2020- 2021 Kshs	2019-2020 Kshs
<b>RECEIPTS</b>			
Tax Receipts	1	18,691,000,000	550,000,000
Proceeds from Domestic and Foreign Grants	2	567,206,929	1,517,156,655
Transfers from National Treasury	3	66,178,018,243	120,223,325,164
Transfers from Other Government Entities	4	70,852,365,917	73,127,311,683
Proceeds from Foreign Borrowings	5	30,277,005,369	31,414,787,545
Other Revenues	6	829,000,555	983,634,952
<b>TOTAL REVENUES</b>		<b>187,394,597,012</b>	<b>227,816,216,000</b>
<b>PAYMENTS</b>			
Compensation of Employees	7	1,114,933,785	1,164,147,519
Use of goods and services	8	710,178,414	1,190,016,231
Transfers to Other Government Units	9	180,396,891,388	217,885,538,410
Social Security Benefits	10	81,844	1,706,712
Acquisition of Assets	11	5,080,600,547	7,534,713,491
<b>TOTAL PAYMENTS</b>		<b>187,302,685,978</b>	<b>227,776,122,363</b>
<b>SURPLUS</b>		<b>91,911,035</b>	<b>40,093,637</b>

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 21<sup>st</sup> Dec 2021 and signed by:



Principal Secretary  
Prof. Arch. Paul M. Maringa, (PhD), CBS



Deputy Accountant General  
Mwangashi Sophie Wakio  
ICPAK Member Number: 11341





**STATE DEPARTMENT FOR INFRASTRUCTURE**  
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**7. STATEMENT OF ASSETS AND LIABILITIES AS AT 30<sup>TH</sup> JUNE 2021**

	Note	2020- 2021	2019-2020
		Kshs	Kshs
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances	12A	294,920,542	260,719,095
Cash Balances		-	-
<b>Total Cash And Cash Equivalents</b>		<b>294,920,542</b>	<b>260,719,095</b>
Accounts Receivables - Outstanding Imprest and Clearance Accounts	13	6,120,094	26,955,854
<b>TOTAL FINANCIAL ASSETS</b>		<b>301,040,636</b>	<b>287,674,949</b>
<b>LESS: FINANCIAL LIABILITIES</b>			
Accounts Payables - Deposits	14	208,979,604	196,082,536
<b>NET FINANCIAL ASSETS</b>		<b>92,061,033</b>	<b>91,592,413</b>
<b>REPRESENTED BY</b>			
Fund balance b/fwd	15	91,592,413	454,568,425
Prior year adjustments	16	(91,442,415)	(403,069,649)
Surplus/Defict for the year		91,911,035	40,093,637
<b>NET FINANCIAL POSSITION</b>		<b>92,061,033</b>	<b>91,592,413</b>

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 21<sup>st</sup> Dec. 2021 and signed by:



Principal Secretary  
 Prof. Arch. Paul M. Maringa, (PhD), CBS



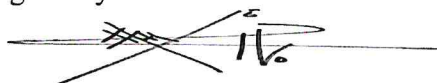
Deputy Accountant General  
 Mwangashi Sophie Wakio  
 ICPAK Member Number: 11341

STATE DEPARTMENT FOR INFRASTRUCTURE  
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8. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021

	Note	2020- 2021	2019-2020
		Kshs	Kshs
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts for operating income</b>			
Tax Receipts	1	18,691,000,000	550,000,000
Proceeds from Domestic and Foreign Grants	2	567,206,929	1,517,156,655
Transfers from National Treasury	3	66,178,018,243	120,223,325,164
Transfers from Other Government Entities	4	70,852,365,917	73,127,311,683
Other Revenues	6	829,000,555	983,634,952
		<b>157,117,591,644</b>	<b>196,401,428,454</b>
<b>Payments for operating expenses</b>			
Compensation of Employees	7	1,114,933,785	1,164,147,519
Use of goods and services	8	710,178,414	1,190,016,231
Transfers to Other Government Units	9	180,396,891,388	217,885,538,410
Social Security Benefits	10	81,844	1,706,712
		<b>182,222,085,430</b>	<b>220,241,408,872</b>
<b>Adjusted for:</b>			
Prior Year Adjustments	16	(91,442,415)	(403,069,649)
Decrease/(Increase) in Accounts receivable: (outstanding imprest)	17	20,835,760	26,176,539
Increase/(Decrease) in Accounts Payable: (deposits and retention)	18	12,897,068	4,460,623
		<b>(25,162,203,374)</b>	<b>(24,212,412,905)</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of Assets	11	(5,080,600,547)	(7,534,713,491)
<b>Net cash flows from Investing Activities</b>		<b>(5,080,600,547)</b>	<b>(7,534,713,491)</b>
<b>CASHFLOW FROM BORROWING ACTIVITIES</b>			
Proceeds from Foreign Borrowings	5	30,277,005,369	31,414,787,545
<b>Net cash flow from financing activities</b>		<b>30,277,005,369</b>	<b>31,414,787,545</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>		<b>34,201,448</b>	<b>(332,338,851)</b>
<b>Cash and cash equivalent at BEGINNING of the year</b>		<b>260,719,095</b>	<b>593,057,945</b>
<b>Cash and cash equivalent at END of the year</b>		<b>294,920,542</b>	<b>260,719,094</b>

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 21<sup>st</sup> Dec. 2021 and signed by:



Principal Secretary  
Prof. Arch. Paul M. Maringa, (PhD), CBS



Deputy Accountant General  
Mwangashi Sophie Wakio  
ICPAK Member Number: 11341



**9. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED**

Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation Difference to Final Budget
	a	b	c=a+b	d	e=c-d	f=d/c %
<b>RECEIPTS</b>						
Tax Receipts	550,000,000	18,141,000,000	18,691,000,000	18,691,000,000.00	0.00	100.00%
Proceeds from Domestic and Foreign Grants	2,449,900,000	(650,000,000)	1,799,900,000	567,206,928.95	1,232,693,071.05	31.51%
Exchequer releases	71,339,777,956	(3,342,300,000)	67,997,477,956	66,178,018,242.75	1,819,459,713.25	97.32%
Transfers from Other Government Entities	78,479,520,758	0	78,479,520,758	70,852,365,918.00	7,627,154,840.00	90.28%
Proceeds from Foreign Borrowings	33,267,430,462	(921,542,273)	32,345,888,189	30,277,005,368.60	2,068,882,820.40	93.60%
Other Receipts	1,462,000,000	(245,000,000)	1,217,000,000	829,000,555.00	387,999,445.00	68.12%
<b>Total Receipts</b>	<b>187,548,629,176</b>	<b>12,982,157,727</b>	<b>200,530,786,903</b>	<b>187,394,597,013.30</b>	<b>13,136,189,889.70</b>	<b>93.45%</b>
<b>Payments</b>						
Compensation of Employees	1,205,555,958	(51,600,000)	1,153,955,958	1,114,933,785.00	39,022,173.00	96.62%
Use of goods and services	1,827,193,359	(294,600,000)	1,532,593,359	710,178,414.00	822,414,945.00	46.34%
Transfers to Other Government Units	171,267,430,821	13,353,757,727	184,621,188,548	180,396,891,387.55	4,224,297,160.45	97.71%
Social Security Benefits	5,002,373	(4,400,000)	602,373	81,843.70	520,529.30	13.59%
Acquisition of Assets	13,243,446,665	(21,000,000)	13,222,446,665	5,080,600,547.40	8,141,846,117.60	38.42%
Other payments						
<b>Grand Total</b>	<b>187,548,629,176</b>	<b>12,982,157,727</b>	<b>200,530,786,903</b>	<b>187,302,685,977.65</b>	<b>13,228,100,925.35</b>	<b>93.40%</b>
<b>Surplus/Deficit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>91,911,035.65</b>	<b>(91,911,036)</b>	

**Notes:-**

- i. Utilization of Proceeds from Domestic and Foreign Grants amounted to 32% of the Budget. The underutilization was because of delayed take off of budgeted foreign funded projects.
- ii. Other Receipts had a utilization 68% budget. Under receipt was occasioned by COVID-19, which restricted optimal hire of Mechanical, and Transport Equipment and due to reduced number of trainees because of social distancing requirements.
- iii. Use of Goods and services had a utilization of 46%. The underutilization was occasioned by COVID-19 containment measures, which led to restricted movement and cancellation of training programs.
- iv. Social Benefits had a utilization of 14%. The underutilization was due to non-payment of planned gratuity.



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v. Acquisition of Assets had a utilization of 59%. The underutilization was a result on non-receipt of all the budgeted exchequer

The entity financial statements were approved on 21<sup>st</sup> Dec. 2021 and signed by:



Principal Secretary  
Prof. Arch. Paul M. Maringa, (PhD), CBS



Deputy Accountant General  
Mwangashi Sophie Wakio  
ICPAK Member Number: 11341

**STATE DEPARTMENT FOR INFRASTRUCTURE**  
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**10. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT**

Revenue/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilisation Difference e=d-c	% of Utilisation Difference to Final Budget f=d/c %
<b>RECEIPTS</b>						
Tax Receipts	550,000,000	0	550,000,000	550,000,000	0	100.00%
Exchequer releases	1,389,759,688	(51,600,000)	1,338,159,688	1,291,623,503	46,536,185	96.52%
Transfers from Other Government Entities	64,053,520,758	0	64,053,520,758	64,053,520,758	0	100.00%
Other Receipts	1,462,000,000	(245,000,000)	1,217,000,000	829,000,555	387,999,445	68.12%
<b>Total Receipts</b>	<b>67,455,280,446</b>	<b>(296,600,000)</b>	<b>67,158,680,446</b>	<b>66,724,144,816</b>	<b>434,535,630</b>	<b>99.35%</b>
<b>PAYMENTS</b>						
Compensation of Employees	1,205,555,958	(51,600,000)	1,153,955,958	1,114,933,785	39,022,173	96.62%
Use of goods and services	141,839,838	5,400,000	147,239,838	89,406,744	57,833,094	60.72%
Transfers to Other Government Units	66,090,520,758	(250,000,000)	65,840,520,758	65,419,914,498	420,606,260	99.36%
Social Security Benefits	5,002,373	(4,400,000)	602,373	81,844	520,529	13.59%
Acquisition of Assets	12,361,519	4,000,000	16,361,519	10,019,073	6,342,446	61.24%
<b>Grand Total</b>	<b>67,455,280,446</b>	<b>(296,600,000)</b>	<b>67,158,680,446</b>	<b>66,634,355,944</b>	<b>524,324,503</b>	<b>99.22%</b>
Surplus/Deficit	-	-	-	<b>89,788,873</b>	<b>(89,788,873)</b>	

**Notes:-**

- i. Other Receipts had a utilization 68% budget. Under receipt was occasioned by COVID-19 which restricted optimal hire of Mechanical and Transport Equipment and also due to reduced number of trainees because of social distancing requirements.
- ii. Use of Goods and services had a utilization of 61%. The underutilization was occasioned by COVID-19 containment measures, which led to restricted movement and cancellation of training programs.
- iii. Social Benefits had a utilization of 14%. The underutilization was due to non-payment of planned gratuity.
- iv. Under Expenditure due to COVID-19 pandemic restrictions which drastically reduced engagements such as Research and Feasibility activities.

**STATE DEPARTMENT FOR INFRASTRUCTURE**  
**Annual Report and Financial Statements**  
**For the year ended 30, June 2021**

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The entity financial statements were approved on 21 Dec 2021 and signed by:



Principal Secretary  
Prof. Arch. Paul M. Maringa, (PhD), CBS



Deputy Accountant General  
Mwangashi Sophie Wakio  
ICPAK Member Number: 11341



**STATE DEPARTMENT FOR INFRASTRUCTURE**  
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**11. SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT**

Revenue/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilisation Difference e=c-d	% of Utilisation f=d/c %
<b>RECEIPTS</b>						
Tax Receipts		18,141,000,000	18,141,000,000	18,141,000,000	0	100.00%
Proceeds from Domestic and Foreign Grants	2,449,900,000	(650,000,000)	1,799,900,000	567,206,929	1,232,693,071	31.51%
Exchequer releases	69,950,018,268	(3,290,700,000)	66,659,318,268	64,886,394,739	1,772,923,529	97.34%
Transfers from Other Government Entities	14,426,000,000	0	14,426,000,000	6,798,845,160	7,627,154,840	47.13%
Proceeds from Foreign Borrowings	33,267,430,462	(921,542,273)	32,345,888,189	30,277,005,369	2,068,882,820	93.60%
<b>Total Receipts</b>	<b>120,093,348,730</b>	<b>13,278,757,727</b>	<b>133,372,106,457</b>	<b>120,670,452,197</b>	<b>12,701,654,260</b>	<b>90.48%</b>
<b>Payments</b>						
Use of goods and services	1,685,353,521	(300,000,000)	1,385,353,521	620,771,670	764,581,851	44.81%
Transfers to Other Government Units	105,176,910,063	13,603,757,727	118,780,667,790	114,976,976,890	3,803,690,900	96.80%
Acquisition of Assets	13,231,085,146	(25,000,000)	13,206,085,146	5,070,581,474	8,135,503,672	38.40%
<b>Grand Total</b>	<b>120,093,348,730</b>	<b>13,278,757,727</b>	<b>133,372,106,457</b>	<b>120,668,330,034</b>	<b>12,703,776,423</b>	<b>90.47%</b>
<b>Surplus/Deficit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,122,163</b>	<b>(2,122,163)</b>	

**Notes:-**

- i. Utilization of Proceeds from Domestic and Foreign Grants amounted to 32% of the Budget. The underutilization was because of delayed take off of budgeted foreign funded projects.
- ii. Utilization of transfers from other Government Entities amounted to 47% of the budget. The underutilization was because of non-capture of a direct transmission of Roads Annuity Funds to the Annuity Fund Bank Account from Kenya Roads Board.
- iii. Use of Goods and Services had a utilization level of 45%. The underutilization was because of reduced expenditure on budgeted Development Partner AIA on projects whose credit was exhausted.

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iv. Acquisition of Assets amounted to 38% of the budget. The underutilization was because of non-capture of a direct transmission of Roads Annuity Funds to the Annuity Fund Bank Account from Kenya Roads Board.

The entity financial statements were approved on 21 Dec 2021 and signed by:



Principal Secretary  
Prof. Arch. Paul M. Maringa, (PhD), CBS



Deputy Accountant General  
Mwangashi Sophie Wakio  
ICPAK Member Number: 11341

STATE DEPARTMENT FOR INFRASTRUCTURE  
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12. BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES

Program	Sub Program	Description	Approved Budget	Actual Payments	Variance
0		Default - Non Programmatic	0	-	-
	0	Default - Non Programmatic	0	-	-
201000000		General Administration, Planning and Support Services	0	-	-
	201020000	Human Resources and Support Services	0	-	-
	201030000	Financial Management Services	0	-	-
	201040000	Information Communications Services	0	-	-
202000000		Road Transport	200,530,786,903.00	187,302,685,978.00	13,228,100,925.00
	202010000	Construction of Roads and Bridges	91,649,972,128.00	81,054,378,972.00	10,595,593,156.00
	202020000	Rehabilitation of Roads	44,327,295,662.00	43,484,062,995.00	843,232,667.00
	202030000	Maintenance of Roads	59,646,520,758.00	59,654,494,556.00	-7,973,798.00
	202040000	Design of Roads and Bridges	750,000,000.00	513,730,112.00	236,269,888.00
	202060000		4,156,998,355.00	2,596,019,343.00	1,560,979,012.00
		<b>Grand Total</b>	<b>200,530,786,903.00</b>	<b>187,302,685,978.00</b>	<b>13,228,100,925.00</b>



### **13. SIGNIFICANT ACCOUNTING POLICIES**

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

#### **1. Statement of Compliance and Basis of Preparation**

The financial statements have been prepared in accordance with Cash-basis International Public Sector Accounting Standards (IPSAS) as prescribed by the Public Sector Accounting Standards Board (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.

#### **2. Reporting Entity**

The financial statements are for the State Department for Infrastructure. The financial statements encompass the reporting entity as specified under section 81 of the PFM Act 2012 and also comprise of the following development projects implemented by the entity:

#### **3. Reporting Currency**

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

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**4. Significant Accounting Policies**

The accounting policies set out in this section have been consistently applied by the Entity for all the years presented.

**a) Recognition of Receipts**

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

**i) Tax Receipts**

Tax receipts are recognized in the books of accounts when cash is received. Cash is considered as received when notification of tax remittance is received. (Check if this policy is applicable to entity)

**ii) Transfers from the Exchequer**

Transfers from the exchequer are 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.

**iii) External Assistance**

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

Grants and loans 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/loan 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. A similar recognition criteria is applied for loans received in the form of a direct payment.

During the year ended 30<sup>th</sup> June 2021, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**iv) 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 recognised in the financial statements the time associated cash is received.

**b) Recognition of payments**

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

**i) Compensation of Employees**

Salaries and wages, allowances, statutory contribution for employees are recognized in the period when the compensation is paid.

**ii) Use of Goods and Services**

Goods and services are recognized as payments in the period when the goods/services are paid for. Such expenses, if not paid during the period where goods/services are consumed, 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 are 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.

**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.



**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 financial statements.

**5. In-kind contributions**

In-kind contributions are donations that are made to the Entity 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 Entity 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.

**6. Third Party Payments**

Included in the receipts and payments, are payments made on its behalf 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 in the statement of receipts and payments as proceeds from foreign borrowings.

**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.

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**a) 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 party deposits. As at 30th June 2021, this amounted to Kshs 208,979,604 compared to Kshs 196,082,536 in prior period as indicated on note 14. There were no other restrictions on cash during the year.

**8. Accounts Receivable**

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year are 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.

**9. Accounts Payable**

For the purposes of these financial statements, deposits and retentions held on behalf of third parties have been recognized on an accrual basis (as accounts payables). This is in recognition of the government practice of retaining a portion of contracted services and works pending fulfilment of obligations by the contractor and to hold deposits on behalf of third parties. This is an enhancement to the cash accounting policy adopted by National Government Ministries and Agencies. Other liabilities including pending bills are disclosed in the financial statements.

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**10. Pending Bills**

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

**11. Budget**

The budget is developed on a comparable accounting basis (cash basis except for imprest and deposits, which are accounted for on an accrual basis), the same accounts classification basis, and for the same period as the financial statements. The original budget was approved by Parliament on June 2020 for the period 1<sup>st</sup> July 2020 to 30<sup>th</sup> June 2021 as required by Law and there were two supplementary adjustments to the original budget during the year.

A comparison of the actual performance against the comparable budget for the financial year under review has been included in the financial statements.

Government 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.

**12. Comparative Figures**

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

**13. Subsequent Events**

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



**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**14. Errors**

Material prior period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by: i. restating the comparative amounts for prior period(s) presented in which the error occurred; or ii. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented. During the year, errors that have been corrected are disclosed under note 26 explaining the nature and amounts.

**15. Related Party Transactions**

Related party relationships are a normal feature of commerce. Specific information concerning related party transactions is included in the disclosure notes.

**16. Contingent Liabilities**

Section 148 (9) of the PFM Act regulations 2015 requires the Accounting officer of a National Government entity to report on the payments made, or losses incurred, by the National Government entity to meet contingent liabilities as a result of loans during the financial year.

A contingent liability is:

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

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities. Letters of comfort/ support, insurance, Public Private Partnerships, The State Department for Infrastructure 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. Note 11 and Annex 1 of this financial statement is a register of the contingent liabilities in the year.

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**14. NOTES TO THE FINANCIAL STATEMENTS**

**1 Tax Receipts**

		<b>2020-2021</b>	<b>2019-2020</b>
		<b>Kshs</b>	<b>Kshs</b>
	Taxes on Goods and Services	18,691,000,000	550,000,000
	<b>Total</b>	<b>18,691,000,000</b>	<b>550,000,000</b>

(The significant change in receipts was occasioned by receipt of Petroleum Development Levy funds – PDLF of Kshs. 18,141,000,000.00, which was used to fund ongoing road projects and outstanding bills.)

**2 Proceeds from Domestic and Foreign Grants**

	<b>Name of Donor</b>	<b>Date received</b>	<b>Indicate whether it was a direct payment</b>	<b>Amount in foreign currency</b>	<b>2020-2021</b>	<b>2019-2020</b>
					<b>Kshs</b>	<b>Kshs</b>
	<b>Grants Received from Multilateral Donors (International Organisations)</b>					
	Various	2020-21	Direct Payments		567,206,929	1,517,156,655
	<b>Total</b>				<b>567,206,929</b>	<b>1,517,156,655</b>

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3 Exchequer Releases

Description	2020-2021	2019-2020
	Kshs	Kshs
Total Exchequer Releases for quarter 1	14,319,912,598	23,271,123,451
Total Exchequer Releases for quarter 2	4,643,637,736	1,186,824,018
Total Exchequer Releases for quarter 3	2,150,602,380	27,281,598,301
Total Exchequer Releases for quarter 4	45,063,865,529	68,483,779,394
<b>Total</b>	<b>66,178,018,243</b>	<b>120,223,325,164</b>

The budgeted Exchequer was Kshs. 67,997,477,956. The Exchequer receipt of Kshs. 66,178,018,243 represented a 97% up take

4 Transfers from other Government Entities

Description	2020-2021	2019-2020
	Kshs	Kshs
Transfers from Central government entities	70,852,365,917	73,127,311,683
<b>TOTAL</b>	<b>70,852,365,917</b>	<b>73,127,311,683</b>

The above transfers were received from the following self-reporting entities in the year.

4a) Transfers from other Government Entities

Description	Recurrent	Development	Total	2019/20
	Kshs	Kshs	Kshs	Kshs
<b>Transfers from Central government entities</b>				
Kenya Roads Board	64,053,520,758	6,798,845,159	70,852,365,917	73,127,311,683
<b>TOTAL</b>	<b>64,053,520,758</b>	<b>6,798,845,159</b>	<b>70,852,365,917</b>	<b>73,127,311,683</b>

We have confirmed the above amounts with the disbursing entities and attached these confirmations as an Appendix to these financial statements.



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**5 Proceeds from Foreign Borrowings**

	<b>2020-2021</b>	<b>2019-2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Foreign Borrowing – Draw-downs Through Exchequer	12,848,083	-
Foreign Borrowing - Direct Payments	30,264,157,285	31,414,787,545
<b>Total</b>	<b>30,277,005,369</b>	<b>31,414,787,545</b>

The borrowings are made from various Development partners such African Development Bank, International Development Agency among others. This is to facilitate Construction road Projects.)

**6 Other Receipts**

<b>Description</b>	<b>2020-2021</b>	<b>2019-2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Receipts from Administrative Fees and Charges - Collected as AIA	315,169,143	334,815,871
Paid to Exchequer	513,831,412	648,819,081
<b>Total</b>	<b>829,000,555</b>	<b>983,634,952</b>

**7 Compensation of Employees**

	<b>2020-2021</b>	<b>2019-2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Basic salaries of permanent employees	775,099,481	783,105,134
Basic wages of temporary employees	35,013,127	25,788,003
Personal allowances paid as part of salary	304,821,117	355,254,382
<b>Total</b>	<b>1,114,933,785</b>	<b>1,164,147,519</b>

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8 Use of Goods and Services

	2020-2021	2019-2020
	Kshs	Kshs
Utilities, supplies and services	12,687,843	32,038,195
Communication, supplies and services	1,323,091	3,065,825
Domestic travel and subsistence	4,293,718	14,800,699
Foreign travel and subsistence	280,200	1,101,444
Printing, advertising and information supplies & services	52,991	1,415,275
Training expenses	618,437,070	957,369,852
Hospitality supplies and services	3,081,504	8,303,562
Insurance costs	322,000	4,376,630
Specialized materials and services	30,450,594	17,597,642
Office and general supplies and services	8,549,917	9,391,049
Fuel Oil and Lubricants	1,312,696	5,778,118
Other operating expenses	15,774,169	72,806,669
Routine maintenance – vehicles and other transport equipment	3,952,922	6,713,101
Routine maintenance – other assets	9,659,699	55,258,171
<b>Total</b>	<b>710,178,414</b>	<b>1,190,016,232</b>

9 Grants and Transfers to other Government Entities

Description	2020-2021	2019-2020
	Kshs	Kshs
<b>Transfers to National Government entities</b>		
Current grants to government agencies and other level of government	65,419,914,498	59,199,545,541
Capital grants to government agencies and other level of government	114,976,976,890	158,685,992,869
<b>TOTAL</b>	<b>180,396,891,388</b>	<b>217,885,538,410</b>

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**9a): Transfers to self – reporting entities in the year**

The above transfers were made to the following self-reporting entities in the year:

<b>Description</b>	<b>Recurrent</b>	<b>Development</b>	<b>Total</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>Transfers to SAGAs and SCs</b>				
Kenya Roads Board(Transfer to Counties)	6,700,390,064		6,700,390,064	5,119,792,613
KIBHT	215,663,628		215,663,628	41,260,976
Mechanical and Transport Fund	513,730,112		513,730,112	
Kenya Wildlife	871,051,487	-	871,051,487	984,145,834
Engineers Board of Kenya	87,000,000	86,400,000	173,400,000	145,000,000
Kenya Urban Roads Authority	7,601,138,790	8,299,049,752	15,900,188,542	21,785,308,488
Kenya Rural Roads Authority	22,974,880,923	38,045,256,126	61,020,137,049	82,324,179,008
Kenya National Highway Authority	26,456,059,494	38,043,213,199	64,499,272,693	74,268,333,816
AIA Direct Capture	0	30,503,057,813	30,503,057,813	33,217,517,675
<b>TOTAL</b>	<b>65,419,914,498</b>	<b>114,976,976,890</b>	<b>180,396,891,388</b>	<b>217,885,538,410</b>

We have confirmed these amounts with the recipient entities and attached these confirmations as an Appendix to this financial statement.



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10 Social Security Benefits

Explanation	2020-2021	2019-2020
	Kshs	Kshs
Government pension and retirement benefits	81,844	1,706,712
<b>Total</b>	<b>81,844</b>	<b>1,706,712</b>

Note:-

The significant difference was occasioned by non-payment of budgeted gratuity to various officers during the year.

11 Acquisition of Assets

<u>Non -Financial Assets</u>	2020-2021	2019-2020
	Kshs	Kshs
Construction of Buildings	63,914,804	50,190,427
Refurbishment of Buildings	23,652,649	32,733,182
Construction of Roads	4,698,845,140	7,059,227,553
Construction and Civil Works	136,219,904	148,838,627
Purchase of Vehicles and Other Transport Equipment	12,482,724	15,000,000
Purchase of Office Furniture and General Equipment	133,800	150,000
Purchase of Specialized Plant, Equipment and Machinery	34,938,833	67,341,192
Rehabilitation and Renovation of Plant, Machinery and Equip.	7,196,482	3,196,310
Research, Studies, Project Preparation, Design & Supervision	103,216,211	158,036,200
<b>Total</b>	<b>5,080,600,547</b>	<b>7,534,713,491</b>

Note:-

The significant difference in Construction of Roads item was occasioned by Direct Transfer of Some Roads Annuity Funds to the Annuity Fund Bank Account.

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**12A: Bank Accounts**

Name of Bank, Account No. & currency	Amount in bank account currency	Indicate whether recurrent, Development , deposit e.t.c	Account Number	2020-2021	2019-2020
				Kshs	Kshs
Central Bank of Kenya	Kshs	Development	1000209844	5,474,618	15,150,065
Central Bank of Kenya	Kshs	Recurrent	1000209925	80,466,320	49,486,494
Central Bank of Kenya	Kshs	Deposit	1000212535	208,979,604	196,082,536
<b>Total</b>				<b>294,920,542</b>	<b>260,719,095</b>

**13: Accounts Receivable**

<i>Description</i>	2020-2021	2019-2020
	Kshs	Kshs
Government Imprests		1,075,828
Salary advances	249,884	149,998
District suspense	5,870,210	25,730,028
<b>Total</b>	<b>6,120,094</b>	<b>26,955,854</b>

**14. Accounts Payable**

<i>Description</i>	2020-2021	2019-2020
	Kshs	Kshs
Deposits	208,979,604	196,082,536
<b>Total</b>	<b>208,979,604</b>	<b>196,082,536</b>

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15. Fund Balance Brought Forward

Description	2020-2021	2019-2020
	Kshs	Kshs
Bank accounts	260,719,095	593,057,945
Accounts Receivables	26,955,854	53,132,393
Accounts Payables	(196,082,536)	(191,621,913)
<b>Total</b>	<b>91,592,413</b>	<b>454,568,425</b>

16. Prior Year Adjustments

	Balance b/f FY 2019/2020 as per audited financial statements	Adjustments during the year relating to prior periods	Adjusted ** Balance b/f FY 2019/2020
Description of the error	Kshs	Kshs	Kshs
Bank account Balances	260,719,095	(64,636,559)	196,082,536
Receivables	26,955,854	(26,805,856)	149,998
Accounts Payables	(196,082,536)	-	(196,082,536)
	<b>91,592,413</b>	<b>91,442,415</b>	<b>149,998</b>



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**17.(Increase)/ Decrease in Receivable**

	<b>2020-2021</b>	<b>2019-2020</b>
	<b>KShs</b>	<b>KShs</b>
Receivables as at 1 <sup>st</sup> July 2020 (a)	26,955,854	53,152,393
Receivables as at 30 <sup>th</sup> June 2021 (b)	6,120,094	26,955,854
Increase)/ Decrease in Receivables (c=(b-a))	<b>20,835,760</b>	<b>26,176,539</b>

(Receivable as at 1<sup>st</sup> July for FY 2020/21 is the same as receivable as at 30<sup>th</sup> June for FY 2019/20)

**18. Increase/ (Decrease) in Accounts Payable**

	<b>2020-2021</b>	<b>2019-2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Payables as at 1 <sup>st</sup> July 2020	196,082,536	191,621,913
Payables as at 30 <sup>th</sup> June 2021	208,979,604	196,082,536
Increase/ (Decrease) in payables	<b>12,897,068</b>	<b>4,460,623</b>

**19. Related Party Disclosures**

Related party disclosure is encouraged under non-mandatory section of the Cash Basis IPSAS.

The following comprise of related parties to the State Department for Infrastructure

- i) Key management personnel that include the Cabinet Secretaries and Accounting Officers
- ii) Other Ministries Departments and Agencies and Development Projects;
- iii) County Governments; and
- iv) State Corporations and Semi-Autonomous Government Agencies.

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**Related party transactions:**

	<b>2020-2021</b>	<b>2019-2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Key Management Compensation	41,575,776	-
	<b>41,575,776</b>	<b>-</b>
<b><u>Transfers to related parties</u></b>		
Transfers to SCs and SAGAs	180,103,378,413	217,885,538,410
<b>Total Transfers to related parties</b>	<b>180,103,378,413</b>	<b>217,885,538,410</b>
<b><u>Purchase of Goods and Services</u></b>		
<b><u>Transfers from related parties</u></b>		
Transfers from the Exchequer	66,178,018,243	120,223,325,164
Transfers from other MDAs	70,852,365,917	73,127,311,683
<b>Total Transfers from related parties</b>	<b>137,030,384,160</b>	<b>193,350,636,847</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**20. Other Important Disclosures**

**20.1: Pending Accounts Payable**

The State Department did not have pending bills as of the end of the Financial Year 2020/2021.

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**20.2 External Assistance**

	<b>FY 2020/2021</b>	<b>FY 2019/2020</b>
<b>Description</b>	<b>Kshs</b>	<b>Kshs</b>
External assistance received as loans and grants	96,806,751	282,312,817
External assistance received in kind- as payment by third parties	134,732,860	221,733,639
<b>Total</b>	<b>231,539,611</b>	<b>504,046,456</b>

**a) External assistance relating loans and grants**

	<b>FY 2020/2021</b>	<b>FY 2019/2020</b>
<b>Description</b>	<b>Kshs</b>	<b>Kshs</b>
External assistance received as loans	96,806,751	282,312,817
<b>Total</b>	<b>96,806,751</b>	<b>282,312,817</b>

**b) Undrawn external assistance**

	<b>Purpose for which the undrawn external assistance may be used</b>	<b>FY 2020/2021</b>	<b>FY 2019/2020</b>
<b>Description</b>		<b>Kshs</b>	<b>Kshs</b>
Undrawn external assistance - loans		5,258,766,854	1,729,100,209
<b>Total</b>		<b>5,258,766,854</b>	<b>1,729,100,209</b>

**c).Classes of providers of external assistance**

	<b>FY 2020/2021</b>	<b>FY 2019/2020</b>
<b>Description</b>	<b>Kshs</b>	<b>Kshs</b>
International assistance organization	5,258,766,854	1,729,100,209
<b>Total</b>	<b>5,258,766,854</b>	<b>1,729,100,209</b>



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**21. PROGRESS ON FOLLOW UP OF PRIOR YEARS AUDITOR'S RECOMMENDATIONS**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

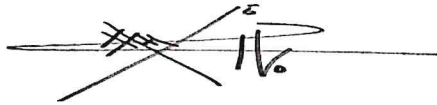
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status	Timeframe
243.1	<b>Variances between the Financial Statements and the Trial Balance</b> A comparison between the financial statements and the supporting trial balance revealed total positive variances of Kshs.120,591,704,974 and negative variances totaling Kshs.224,059,394,058 which were not explained or reconciled as shown hereunder: The accuracy and correctness of the Department's financial statements for the year ended 30 June 2017 could, therefore, not be confirmed.	The supporting documents to the financial statements have been availed to the Auditors	Matter Resolved	
243.2	In addition, the suspense clearance account balance of Kshs.1,215,183,092 has not been investigated and it is not clear the effects the figure may have on the financial statements.	The clearance account figure of Kshs 1,104,260,165 has been cleared as reflected in the revised financial statement which has since been submitted to the Auditor General	Matter Resolved	
243.3	<b>Difference between the Financial Statements and IFMIS Generated Report</b>	The auto reconciliations have been updated and financial statements revised to reflect the true financial position	Matter Resolved	
244	Statement of Financial Assets and	All accounting	Matter	

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244.1	<p>Liabilities  The statement of financial assets and liabilities reflects a net financial assets balance of Kshs. 3,077,200,813.  A review of the statement and the supporting schedules for the balances therein revealed the following discrepancies: -</p> <p>Accounts Receivables and Suspense Account  The statement of financial assets and liabilities shows receivables balance of Kshs. 1,216,853,632 as at 30th June, 2017. Included in the balance is district suspense of Kshs. 110,922,927 and amount of Kshs. 1,104,260,165 described as clearance accounts which were not supported. In addition, management has not carried out any investigations on the cause of the suspense and clearance accounts. In the circumstances, the correctness and the accuracy of receivables balance of Kshs. 1,216,853,632 as at 30th June, 2017 could therefore not be confirmed.</p>	<p>records have been updated and reconciled. Subsequently the financial statements have been revised and submitted to Auditor General</p> <p>All accounting records have been updated and reconciled. Subsequently the financial statements have been revised and submitted to Auditor General</p>	Resolved	
244.2	<p><b>Accounts Payables - Deposits and Retention</b>  The statement of financial assets and liabilities further shows accounts payables balance of Kshs. 214,648,553 which is disclosed in Note No. 13 as deposits. The schedule in support of this balance was not availed for audit. Consequently, the validity and accuracy of the accounts payable balance of Kshs. 214,648,553 could not be confirmed.</p>		Matter Resolved	

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245	<p><b>Pending Accounts Payable</b>          Note No.17.1 to the Financial Statements reflects pending accounts payable for the year of Kshs. 2,501,700. This amount differs with the supporting schedule availed for audit verification which had a balance of Kshs. 5,013,942. The resultant difference of Kshs. 2,365,592 was not explained or reconciled. Further, had the pending accounts payable been paid, the surplus reported in the statement of receipts and payments of Kshs. 1,895,385,813 would have been reduced by the same amount.</p>	<p>All the accounting records have been updated and reconciled and supportive documents availed to the Auditor General</p>	<p>Matter Resolved</p>	
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Principal Secretary  
 Prof. Arch. Paul M. Maringa, (PhD), CBS



Deputy Accountant General  
 Mwangashi Sophie Wakio  
 ICPAK Member Number: 11341



ANNEXES

ANNEX 1 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost b/f (Kshs) 2019/2020	Additions during the year (Kshs)	Disposals during the year (Kshs)	Transfers in/(out) during the year	Historical Cost c/f (Kshs) 2020/21
Buildings and structures	18,888,721,671	5,025,848,708	-	-	23,914,570,379
Office equipment, furniture and fittings	1,896,395	133,800	-	-	2,030,195
Other Machinery and Equipment	120,766,040	54,618,039	-	-	175,384,079
<b>Total</b>	<b>19,011,384,107</b>	<b>5,080,600,547</b>	<b>-</b>	<b>-</b>	<b>24,091,984,653</b>

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**ANNEX 2 – LIST OF PROJECTS IMPLEMENTED BY THE STATE DEPARTMENT FOR INFRASTRUCTURE**

Ref	Project Name	Principal activity of the project	Accounting Officer	Project consolidated in these financial statements(yes/no)
1	Eastern Africa Regional Transport, Trade and Development Facilitation Project (EARTTDFP)	The key objective of the project is to strengthen institutional capacities in all implementing entities and complementary institutions involved within the project.	Principal Secretary, State Department for Infrastructure	No
	Horn of Africa Gateway Development Project (HoAGDP)	The key objective of the project is to strengthen institutional capacities in all implementing entities and complementary institutions involved within the project.	Principal Secretary, State Department for Infrastructure	No
2	East Africa Skills For Transformation and Regional Integration Project (EASTRIP)	The key objective of the project is to increase the access and improve the quality of TVET programs in selected regional flagship TVET institutes to support regional integration in East Africa.	Principal Secretary, State Department for Infrastructure	No

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**ANNEX 3 – LIST OF SCs, SAGAs AND PUBLIC FUNDS UNDER THE STATE DEPARTMENT FOR INFRASTRUCTURE**

Ref	SC, SAGA or Public Fund's name	Principal activity of entity	Accounting Officer	Amount transferred during the year	Inter- entity reconciliations done?(yes/no)
1	Kenya National Highways Authority	Construction & maintenance of highways	Eng. Peter M. Mundinia	64,499,272,693	Yes
2	Kenya Urban Roads Authority	Construction and maintenance of urban roads	Eng. Silas Kinoti	15,900,188,542	Yes
3	Kenya Rural Roads Authority	Construction and maintenance of rural roads	Eng. Philemon Kandie	61,020,137,049	Yes
4	Engineers Board of Kenya	Regulating standards in the engineering profession and building capacity for individual engineers and engineering firms	Eng. Nicholas M. Musuni	173,400,000	Yes
5	Kenya Wildlife Services	Conserves and Manages Kenya's wildlife for the Kenyan people and the world	Brig. (Rtd) John M. Waweru	871,051,487	Yes



#### **ANNEX 4- REPORTS GENERATED FROM IFMIS**

The following financial Reports Generated from IFMIS should be generated and attached as appendices to these financial statements.

- i. GOK IFMIS Comparison Trial Balance
- ii. FO30 (Bank reconciliations) for all bank accounts
- iii. GOK IFMIS Receipts and Payments Statement
- iv. GOK IFMIS Statement of Financial Position
- v. GOK IFMIS Statement of Cash Flows
- vi. GOK IFMIS Notes to the Financial Statements
- vii. GOK IFMIS Statement of Budget Execution
- viii. GOK IFMIS Statement of Deposits
- ix. GOK IFMIS Budget Execution by Programme and Economic Classification
- x. GOK IFMIS Budget Execution by Heads and Programmes
- xi. GOK IFMIS Budget Execution by Programmes and Sub-programmes