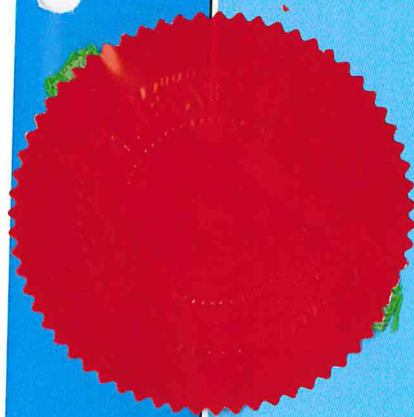
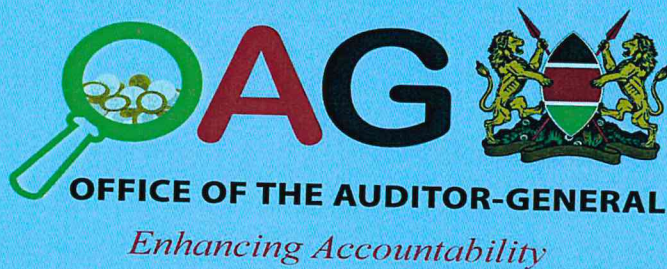



REPUBLIC OF KENYA



**REPORT**

 <b>THE NATIONAL ASSEMBLY PAPERS LAID</b>	
<b>DATE:</b> 02 FEB 2022	<b>DAY:</b> Wed
<b>TABLED BY:</b>	Majority Whip
<b>CLERK-AT THE-TABLE:</b>	Finlay M

**OF**

**THE AUDITOR-GENERAL**

**ON**

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

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

**KENYA RURAL ROADS AUTHORITY**



OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30084 - 00100, NAIROBI  
**REGISTRY**  
- 6 DEC 2021  
**RECEIVED**



**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, 2021**



**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  
Reports and Financial Statements  
For the financial year ended June 30, 2021*

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**1. PROJECT INFORMATION AND OVERALL PERFORMANCE**

**1.1 Name and registered office**

**Name**

The project's official name is 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)

**PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)**

**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, 2022.</b>
Project Coordinator:	The Project Coordinator is <b>Eng. Kennedy O. Nyakuti</b>
Project Accountant	The Project Accountant is <b>CPA. Kelvin Muchiri Maina</b>
Project Sponsor:	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).

**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	The Mobilization of Plant and Equipment has been done. The contractor has begun clearing the site and constructing diversions.

*Upgrading of “Gilgil-Machinery” Road Project  
Reports and Financial Statements  
for the financial year ended June 30, 2021*

<p>Other important background information of the project</p>	<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. The loan was declared effective.</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 Kelvin Muchiri Maina 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. The road is in fair to bad condition.</p>
<p>Current situation that the project was formed to intervene</p>	<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>
<p>Project duration</p>	<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> June, 2022</b> with a 12-month Maintenance Period.</p>

**PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)**

**1.4 Bankers**

The following are the bankers for the current year:

**Kenya Commercial Bank**

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**

List the different people who will be working on the project. This list would include the project manager and all the key stakeholders who will be involved with the project. Also, record their role, their positions:

<b>Name and Contact Details</b>	<b>Title designation</b>	<b>Key qualification</b>	<b>Responsibilities</b>
Eng. Philemon K. Kandie +254 (20) 2710464 <a href="mailto:dgkerra@kerra.go.ke">dgkerra@kerra.go.ke</a>	Ag. 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	<i>BSc., MIEK, P.Eng, M(IBL), A(CLArb- UK)</i>	Engineer
Eng. Kennedy O. Nyakuti +254 (20) 2710464 <a href="mailto:kennedy.nyakuti@kerra.go.ke">kennedy.nyakuti@kerra.go.ke</a>	Project Coordinator	<i>BSc MIEK, P.Eng</i>	Coordination of the activities of the project.
CPA Kelvin Muchiri Maina +254 (20) 2710464 <a href="mailto:kelvin.maina@kerra.go.ke">kelvin.maina@kerra.go.ke</a>	Project Accountant	<i>B. Econ., CPA (K)</i>	Assisting in Coordination of the activities of the project.



**1.7 Funding summary**

The Project is for duration of six (6) years from 2016 to 2022 with an approved budget of USD 15,000,000 as highlighted in the table below:

**PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)**

Below is the funding summary:

**A. Source of Funds**

Source of Funds	Donor Commitment		Amount Received as at 30 <sup>th</sup> June 2021		Undrawn Balance as at 30 <sup>th</sup> June 2021	
	USD (A)	Kshs (A'')	USD (B)	Kshs (B')	USD (A)-(B)	Kshs (A')-(B')
<b>GRANT SUMMARY</b>						
Loan-Arab Bank for Economic Development in Africa (BADEA)	11,000,000	1,100,000,000	2,521,070	252,107,028	8,478,930	847,892,972
<b>Total Grants</b>	<b>11,000,000</b>	<b>1,100,000,000</b>	<b>2,521,070</b>	<b>252,107,028</b>	<b>8,478,930</b>	<b>847,892,972</b>
<b>LOAN SUMMARY</b>						
<b>COUNTERPART FUNDS SUMMARY</b>						
(iii) Counterpart Funds						
Government of Kenya	4,000,000	400,000,000	875,000	87,500,000	3,125,000	312,500,000
<b>Total GoK Counterpart</b>	<b>4,000,000</b>	<b>400,000,000</b>	<b>875,000</b>	<b>87,500,000</b>	<b>3,125,000</b>	<b>312,500,000</b>
<b>Total Funding Summary</b>	<b>15,000,000</b>	<b>1,500,000,000</b>	<b>3,396,070</b>	<b>339,607,028</b>	<b>11,603,930</b>	<b>1,160,392,972</b>

**PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)**

**B. Application of Funds**

		(30th June 2021)	
		Donor currency	Donor currency
		(A)	(A)-(B)
		Kshs	Kshs
		(A')	(A')-(B')
		(B')	(A')-(B')
(i)	Loan		
	Loan-Arab Bank for Economic Development in Africa (BADEA)	2,521,070.28	-
		252,107,027.61	252,107,027.61
(ii)	Counterpart funds		
	Government of Kenya	875,000.00	16,249.76
		85,875,024.07	1,624,975.93
	<b>Total</b>	<b>3,396,070.28</b>	<b>16,249.76</b>
		<b>339,607,027.61</b>	<b>1,624,975.93</b>

**PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)**

**1.8 Summary of Overall Project Performance:**

- i) During the financial year, the project absorbed 62% of its approved budget.
- ii) The absorption rate for each year since the commencement of the project:

<b>Year</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
<b>Absorption</b>	60%	55%	62%

- iii) 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.

**1.9 Summary of Project Compliance:**

The Program has ensured that all the activities carried out are within the laws of the Republic of Kenya and that all regulations and procedures have been followed.

The project has therefore fully complied with both the financing agreement and other statutory requirements.

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

### **Introduction**

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

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

- a) Link administrative towns and villages.
- b) Expand and integrate the road network with the capital Nairobi.
- c) Contribute to economic and social development of the area.

### 3. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Director General Kenya Rural Roads Authority and the **Project Coordinator** for **Upgrading of “Gilgil - Machinery” project** are responsible for the preparation and presentation of the Project’s financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year (period) ended on June 30, 2021.

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

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

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

The Director General Kenya Rural Roads Authority and the **Project Coordinator** for **Upgrading of “Gilgil - Machinery” project** confirm that the Project has complied fully with applicable Government

*Upgrading of “Gilgil-Machinery” Road Project  
Reports and Financial Statements  
For the financial year ended June 30, 2021*

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Regulations and the terms of external financing covenants, and that Project funds received during the financial year/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

**Approval of the Project financial statements**

The Director General Kenya Rural Roads Authority and the **Project Coordinator** for **Upgrading of “Gilgil - Machinery” project on 29<sup>th</sup> September, 2021** and signed by them.



**Ag. Director General**

Eng. Philemon K. Kandie



**Project Coordinator**

Eng. Kennedy O. Nyakuti



**Director of Corporate Services**

CPA Dan Manyasi

ICPAK Member Number: **6407**

# REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke



*Enhancing Accountability*

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

## **REPORT OF THE AUDITOR-GENERAL ON UPGRADING OF “GILGIL MACHINERY” ROAD PROJECT FOR THE YEAR ENDED 30 JUNE, 2021- 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, gazetted notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal 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 Upgrading of “Gilgil Machinery” Road Project set out on pages 1 to 18, which comprise the statement of financial assets as at 30 June, 2021, and the statement of receipts and payments, statement of cash flows and statement of comparative budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Upgrading of “Gilgil Machinery” Project as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with Financing Agreement dated 25 May, 2016 between the Arab Bank for Economic Development in Africa (BADEA) and the Republic of Kenya.

### Basis Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of 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 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 Matters

#### 1. 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%.

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*Report of the Auditor-General on Upgrading of “Gilgil Machinery” Road Project for the year ended 30 June, 2021 – Kenya Rural Roads Authority*



Clearly, the project is behind schedule and the envisaged strategic goals may not be achieved within the expected timelines.

## **2. Budget Control and Performance**

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. 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 programmed activities were not undertaken during the year.

Consequently, the Project's goals and objectives during the year under review may not have been achieved.

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

### **Conclusion**

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

### **Basis of Conclusion**

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

## **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

### **Conclusion**

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

In preparing the financial statements, Management is responsible for assessing the Project's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Project or to cease operations.

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

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

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

### **Auditor-General's Responsibilities for the Audit**

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the

related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

29 November, 2021

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

	Note	FY 2020/2021		FY 2019/2020		Cumulative to Date
		Receipts and payments controlled by the entity	Receipts and payments Made by third parties	Receipts and payments controlled by the entity	Receipts and payments Made by third parties	
		Kshs	Kshs	Kshs	Kshs	Kshs
<b>RECEIPTS</b>						
Receipts from Government of Kenya	1	-	-	-	-	87,500,000
Loan from Development Partner	2	-	199,994,359	-	44,316,541	252,107,028
<b>Total Receipts</b>		-	<b>199,994,359</b>	-	<b>44,316,541</b>	<b>339,607,028</b>
<b>PAYMENTS</b>						
Consultancy	3		35,720,826	-	-	43,516,954
Road Works Expenditure	3	63,884,665	164,273,533	-	44,316,541	294,450,703
Other operating costs	4	8,290		6,105		14,395
<b>Total Payments</b>		<b>63,892,955</b>	<b>199,994,359</b>	<b>6,105</b>	<b>44,316,541</b>	<b>337,982,053</b>
<b>Surplus/Deficit</b>		<b>(63,892,955)</b>	<b>-</b>	<b>(6,105)</b>	<b>-</b>	<b>1,624,975</b>

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



Ag. Director General

Eng. Philemon K. Kandie



Project Coordinator

Eng. Kennedy O. Nyakuti



Director Corporate Services

CPA Dan Manyasi

ICPAK Member Number: 6407

IPSAS 1.3.24 requires an entity to separately disclose third party payments separately on the statement of receipts and payments. These are payments made by development partners directly on behalf of the entity. In recognising these transactions, the receipts must be equal to the payments made and therefore there is no surplus



*Upgrading of Gilgil-Machinery Road Project  
Reports and Financial Statements  
for the financial year ended June 30, 2021*

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

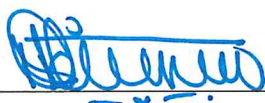
	Note	2020/2021	2019/2020
		Kshs	Kshs
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances	5.A	1,624,975	65,517,930
<b>Total Cash and Cash Equivalents</b>		<b>1,624,975</b>	<b>65,517,930</b>
<b>REPRESENTED BY</b>			
Fund balance brought forward	6	65,517,930	65,524,035
Surplus/(Deficit) for the year		(63,892,955)	(6,105)
<b>Net Financial Position</b>		<b>1,624,975</b>	<b>65,517,930</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 **29<sup>th</sup> September, 2021** and signed by:



**Ag. Director General**

Eng. Philemon K. Kandie



**Project Coordinator**

Eng. Kennedy O. Nyakuti



**Director Corporate Services**

CPA Dan Manyasi

ICPAK Member No. 6407

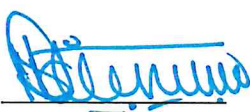
7. STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2021

	Note	2020/2021	2019/2020
		Kshs	Kshs
<b>Cash flow from operating activities</b>			
Receipts from Government of Kenya	1	-	-
Loan from development partner	2	199,994,360	44,316,541
<b>Payments for operating activities</b>			
Road Works Expenditure(Acquisition of non-financial assets)	3	(263,887,314)	(44,322,646)
<b>Net Cash flow from operating activities</b>		<b>(63,892,954)</b>	<b>(6,105)</b>
<b>Cash flow from borrowing activities</b>			
Proceeds from foreign borrowings		-	-
<b>Net Cash flow from borrowing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase in cash and cash equivalents</b>		<b>(63,892,954)</b>	<b>(6,105)</b>
Cash and cash equivalents at the beginning of the year	5	65,517,930	65,524,035
Cash and cash equivalents at the end of the year	5	<b>1,624,975</b>	<b>65,517,930</b>

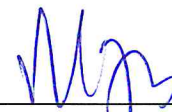
The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on **29<sup>th</sup> September, 2021** and signed by:



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



**Project Coordinator**  
 Eng. Kennedy O. Nyakuti



**Director Corporate services**  
 CPA Dan Manyasi  
 ICPAK Member No:6407



*Reports and Financial Statements  
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**8. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS**

Consolidated Receipts/Payment Item	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%
<b>RECEIPTS</b>						
Receipts from Government of Kenya	70,000,000	-	70,000,000	-	70,000,000	0%
Loan from development partner	350,000,000	-	350,000,000	199,994,359	150,005,641	57%
<b>Total receipts</b>	<b>420,000,000</b>	<b>-</b>	<b>420,000,000</b>	<b>199,994,359</b>	<b>220,005,641</b>	
<b>PAYMENTS</b>						
Consultancy services	120,000,000	-	120,000,000	35,720,826	84,279,174	30%
Road works	300,000,000	-	300,000,000	228,158,197	71,841,803	76%
<b>Total Payments</b>	<b>420,000,000</b>	<b>-</b>	<b>420,000,000</b>	<b>263,879,023</b>	<b>156,120,977</b>	<b>63%</b>

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



**Ag. Director General**

Eng. Philemon K. Kandie



**Project Coordinator**

Eng. Kennedy O. Nyakuti



**Director Corporate Services**

CPA Dan Manyasi

ICPAK Member No: 6407

## **9. SIGNIFICANT ACCOUNTING POLICIES**

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

### **10.1 Basis of Preparation**

### **10.2 Statement of compliance and basis of preparation**

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

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

### **10.3 Reporting entity**

The financial statements are for the Project **Upgrading of “Gilgil - Machinery”** under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012 .

#### **10.3.1 Reporting currency**

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

#### **10.4 Significant Accounting Policies**

##### **a) Recognition of receipts**

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

##### **i) Transfers from the Exchequer**

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

##### **ii) External Assistance**

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

##### **iii) Other receipts**

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

##### **b) Donations and grants**

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

**Significant Accounting Policies (Continued)**

**c) Proceeds from borrowing**

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

**d) Undrawn external assistance**

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

**e) Recognition of payments**

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

**i) Compensation of employees**

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

**ii) Use of goods and services**

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

**Significant Accounting Policies (Continued)**

**iii) Interest on borrowing**

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

**iv) Repayment of borrowing (principal amount)**

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

**v) Acquisition of fixed assets**

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

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

**f) In-kind donations**

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

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

#### **g) Cash and cash equivalents**

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

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

#### **Restriction on cash**

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

#### **h) Accounts receivable**

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

**Significant Accounting Policies (Continued)**

**i)Contingent Liabilities**

A contingent liability is:

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

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

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

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

**j) Contingent Assets**

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

**Significant Accounting Policies (Continued)**

**k) Pending bills**

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

**l) Budget**

The budget is developed on a comparable accounting basis (cash basis), the same accounts classification basis (except for accounts receivable - outstanding 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.

**m) Third party payments**

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



**Significant Accounting Policies (Continued)**

**n) Exchange rate differences**

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

**o) Comparative figures**

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

**p) Subsequent events**

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

**q) Errors**

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

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**10. NOTES TO THE FINANCIAL STATEMENTS**

**1. RECEIPTS FROM GOVERNMENT OF KENYA**

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

	2020/21	2019/20	
	KShs	KShs	Cumulative to-date (from inception)
<i>Counterpart funding through Ministry of Transport and Infrastructure</i>			
Counterpart funds Quarter 1	-	-	87,500,000
<b>Total (See Annex 2)</b>	<b>0</b>	<b>0</b>	<b>87,500,000</b>
<b>Total</b>	<b>0</b>	<b>0</b>	<b>87,500,000</b>

**2. LOAN FROM EXTERNAL DEVELOPMENT PARTNERS**

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

Name of Donor	Amount in loan currency	Loans received as revenue	Loans received as direct payment*	Total amount in KShs	
				2020/21	2019/20
<b>Loans Received from Multilateral Donors (BADEA)</b>					
BADEA	-	-	199,994,359	199,994,359	44,316,541
<b>Total</b>	<b>-</b>	<b>-</b>	<b>199,994,359</b>	<b>199,994,359</b>	<b>44,316,541</b>

**3. ROADWORKS EXPENDITURE**

	2020/21			2019/20	Cumulative to-date
	Payments made by the Entity	Payments made by third parties	Total Payments	Total Payments	
	KShs	KShs	KShs	KShs	KShs
Construction of roads	63,884,665	164,273,533	228,158,198	44,316,541	294,450,703

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

**1. OTHER OPERATING COSTS**

Other Operating Costs	2020/2021	2019/2020
Bank charges	8,290.00	6,105.00
<b>Total</b>	<b>8,290.00</b>	<b>6,105.00</b>

**2. CASH AND CASH EQUIVALENTS**

	2020/21	2019/20
	KShs	KShs
Bank accounts (Note 8.13A)	1,624,975	65,517,930
<b>Total</b>	<b>1,624,975</b>	<b>65,517,930</b>

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

**5. A Bank Accounts**

**Project Bank Accounts**

	2020/21	2019/20
	KShs	KShs
<b><u>Local Currency Accounts</u></b>		
Kenya Commercial Bank [A/c No.1259504255]	1,624,975	65,517,930
<b>Total local currency balances</b>	<b>1,624,975</b>	<b>65,517,930</b>
<b>Total bank account balances</b>	<b>1,624,975</b>	<b>65,517,930</b>

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

**3. FUND BALANCE BROUGHT FORWARD**

	2019/20	2018/19
	KShs	KShs
Bank accounts	65,517,930	-
<b>Total</b>	<b>65,517,930</b>	<b>-</b>

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

**1. OTHER IMPORTANT DISCLOSURES**

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

	Balance b/f FY 2019/2020	Additions for the period	Paid during the year	Balance c/f FY 2020/2021
Description	Kshs	Kshs	Kshs	Kshs
Construction of roads	-	15,984,862	-	15,984,862
<b>Total</b>	<b>0</b>	<b>15,984,862</b>	<b>-</b>	<b>15,984,862</b>

**2. EXTERNAL ASSISTANCE**

	FY 2020/2021	FY 2019/2020
Description	Kshs	Kshs
External assistance received as grants	0	0
External assistance received in kind-as payment by third parties	199,994,359	44,316,541
<b>Total</b>	<b>199,994,359</b>	<b>44,316,541</b>

*a). External assistance relating loans and grants*

	FY 2020/2021	FY 2019/2020
Description	Kshs	Kshs
External assistance received as loans	199,994,359	44,316,541
External assistance received as grants	-	-
<b>Total</b>	<b>199,994,359</b>	<b>44,316,541</b>

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**OTHER IMPORTANT DISCLOSURES (Continued)**

*b) Classes of providers of external assistance*

	FY 2020/2021	FY 2019/2020
Description	Kshs	Kshs
Multilateral donors	199,994,359	44,316,541
<b>Total</b>	<b>199,994,359</b>	<b>44,316,541</b>

*c) Purpose and use of external assistance*

Payments Made by Third Parties	FY 2020/2021	FY 2019/2020
	Kshs	Kshs
Construction of roads	199,994,359	44,316,541
<b>TOTAL</b>	<b>199,994,359</b>	<b>44,316,541</b>

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

	FY 2020/2021	FY 2019/2020
Description	Kshs	Kshs
National government	-	-
Multilateral donors	199,994,359	44,316,541
<b>Total</b>	<b>199,994,359</b>	<b>44,316,541</b>

**3. RETENTION**

Description	2020-2021	2019-2020
	Kshs	Kshs
Retention	22,974,967.98	-
<b>Total</b>	<b>22,974,967.98</b>	<b>-</b>

As at the end of the financial year 2020/2021, the project had retention funds amounting to Kshs. 22,974,967.98. Of this amount, the GoK Portion of Kshs. 6,547,614.04 is held in the KCB HoF Retention Fund Account No. 1119722543; the Donor Portion of Kshs. 16,427,353.27, is held by the Development Partner,BADEA.

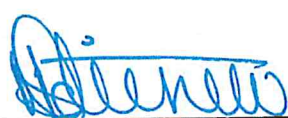
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**12. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS**

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	All the Audit issues/observations for FY 2019/2020 were resolved	N/A	N/A	N/A

  
\_\_\_\_\_  
Ag. Director General

  
\_\_\_\_\_  
Project Coordinator

29/09/2021  
Date

29/09/2021  
Date

Upgrading of "Gilgil-Machimery" Road Project  
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13. ANNEXES

ANNEX1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

	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	-	-	-	0%	Due to funding constraints, we did not receive any GoK allocation in the financial year.
Loan from development partner	350,000,000	199,994,359	150,005,641	57%	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>350,000,000</b>	<b>199,994,359</b>	<b>150,005,641</b>		
<b>PAYMENTS</b>					
Consultancy services	50,000,000	35,720,826	14,279,174	71%	N/A
Road works	300,000,000	228,158,197	71,841,803	76%	Expenditure for the year is more than the total receipts due to carryover funds.
<b>Total Payments</b>	<b>350,000,000</b>	<b>263,879,023</b>	<b>86,120,977</b>		



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ANNEX 2: RECONCILIATION OF INTER-ENTITY TRANSFERS

PROJECT NAME:	
Break down of Transfers from the State Department of Infrastructure	
<b>a. Government Counterpart Funding</b>	
	Bank Statement Date
	Amount (KShs)
	0
	0
	0
	<b>Total</b>
	<b>0</b>
<b>b. Direct Payments</b>	
	Bank Statement Date
	Amount (KShs)
Supervision Consultancy Services	35,720,826.4
Roadworks	164,273,533
	<b>Total</b>
	<b>199,994,359.4</b>
<b>c. Others</b>	
	Bank Statement Date
	Amount (KShs)
	0
	0
	<b>Total</b>
	<b>0</b>
	<b>TOTAL (a+b+c)</b>
	<b>199,994,359.4</b>

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**ANNEX 3A - ANALYSIS OF PENDING BILLS**

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2020/21	Outstanding Balance 2019/20	Comments
	a	b	c	d=a-c		
<b>Sub-Total</b>						
<b>Construction of roads</b>						
SS Mehta and Sons	22,884,862.02		6,900,000.00	15,984,862.02	0	Insufficient Funds
	4					
<b>Grand Total</b>	22,884,862.02		6,900,000.00	15,984,862.02		

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**APPENDICES**

- i. Bank Reconciliations statement as at 30<sup>th</sup> June 2021

