

REPUBLIC OF KENYA




OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability



REPORT

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 07 FEB 2022	OF DATE: Wed
TABLED BY:	THE AUDITOR-GENERAL
CLERK-AT THE-TABLE: Finlay M.	

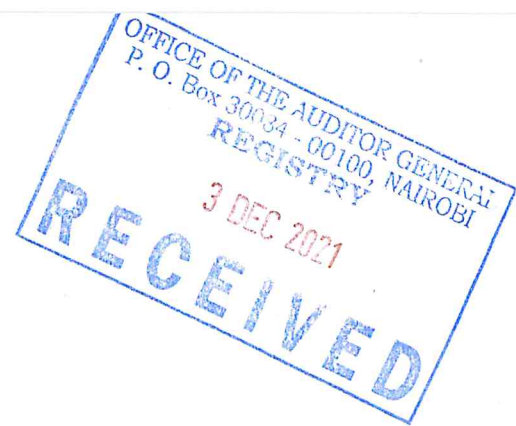
ON

**KENOL-SAGANA-MARUA HIGHWAY
IMPROVEMENT PROJECT (P-KE-DBO-037)
CREDIT NOs.5050200000901 AND 20020004504**

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

KENYA NATIONAL HIGHWAYS AUTHORITY





MINISTRY OF TRANSPORT, INFRASTRUCTURE, HOUSING, URBAN
DEVELOPMENT AND PUBLIC WORKS



Kenya National Highways Authority

Quality Highways, Better Connections

Project Name – KENOL - SAGANA - MARUA HIGHWAY IMPROVEMENT
PROJECT

Implementing Entity – KENYA NATIONAL HIGHWAYS AUTHORITY -
(KeNHA)

PROJECT GRANT: –ADB LOAN ID P-KE-DB0-O37
PROJECT NOs. 505020000901 & 20020004504.

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2021

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

KENOL - SAGANA - MARUA HIGHWAY IMPROVEMENT PROJECT
Reports and Financial Statements
For the financial year ended June 30, 2021

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KENOL - SAGANA - MARUA HIGHWAY IMPROVEMENT PROJECT

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For the financial year ended June 30, 2021

1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Project Name	Kenol - Sagana - Marua Highway Improvement Project
Project Objectives	<ul style="list-style-type: none">a) To enhance movement of goods/ services (trade) and people between the counties in Central, Eastern Kenya and the capital city, Nairobi and also links with Ethiopiab) Contribute to the social and economic development efforts by providing more efficient and effective transport system.
Project Registered Office and Physical Location:	The project headquarters offices are at Barabara Plaza, Jomo Kenyatta International Airport, Nairobi, Off Mazao Road (Opposite KCAA Headquarters)
Project Address	P.O. Box 49712-00100 Nairobi
Contacts:	Telephone: 020-8013842; Email dg@kenha.co.ke; Website www.kenha.co.ke

1.2 Project Information

Project Start Date:	9 th January, 2020
Project End Date:	31 st December, 2023
Project Manager:	Eng. D.A Muchilwa - Director, Development Eng. D. Cherono - Project Engineer.
Project Sponsor:	African Development Bank (AfDB)/ Africa Growing Together Fund (AGTF) Government of Kenya

KENOL - SAGANA - MARUA HIGHWAY IMPROVEMENT PROJECT

Reports and Financial Statements

For the financial year ended June 30, 2021

1.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works.																						
Project number	N/A																						
Strategic goals of the Project	<p>The project management aims to achieve the goals through the following means:-</p> <ul style="list-style-type: none"> (i) To support the transport infrastructure sector to attain sustainable, safe roads network that facilitates economic growth and the improvement in living standards. (ii) To promote trade and regional integration. (iii) To improve road transport services by reducing travel time and vehicle operating cost 																						
Other important background information of the project	<p>PROJECT COMPONENTS AND COSTS - LOAN</p> <table border="1"> <thead> <tr> <th></th> <th>Foreign Exchange Cost</th> <th>Total Cost</th> </tr> <tr> <th></th> <th>Euro</th> <th>Euro</th> </tr> </thead> <tbody> <tr> <td>A. Civil Works</td> <td></td> <td></td> </tr> <tr> <td>ADB</td> <td>178,020,000</td> <td>178,020,000</td> </tr> <tr> <td>AGTF</td> <td>31,150,000</td> <td>31,150,000</td> </tr> <tr> <td>Government of Kenya</td> <td>48,510,000</td> <td>48,510,000</td> </tr> <tr> <td>TOTAL</td> <td>257,680,000</td> <td>257,680,000</td> </tr> </tbody> </table> <p>The total cost of the Project is EUR 257.68 million. The Project is co-financed by the Bank Group (69%), Africa Growing Together Fund (12 %) and Government of Kenya (19%). The overall implementation period is 5 years (2020 – 2025).</p> <p>PROJECT BACKGROUND: -</p> <p>The project road is part of the Kenyan section of Trans-Africa Highway, TAH4 (Cairo to Cape), through Nairobi on to Moyale. The project road also links the Capital City Nairobi to some of the major commercially and agriculturally rich Mt Kenya region as well as to Ethiopia through the Moyale border. The Project consists of the dualling of 84 km of the Kenol – Sagana – Marua road with grade separated junctions, road safety interventions and social complementary initiatives. The project also includes soft components such as training of unemployed youth; institutional capacity building; monitoring and evaluation; sensitization and awareness; tree planting, among others.</p>			Foreign Exchange Cost	Total Cost		Euro	Euro	A. Civil Works			ADB	178,020,000	178,020,000	AGTF	31,150,000	31,150,000	Government of Kenya	48,510,000	48,510,000	TOTAL	257,680,000	257,680,000
	Foreign Exchange Cost	Total Cost																					
	Euro	Euro																					
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KENOL - SAGANA - MARUA HIGHWAY IMPROVEMENT PROJECT

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	LOCATION AND EXTENT OF WORKS The proposed new dual carriageway is a Class A International Trunk Road, approximately 84 kms long. The project area in Central and upper Eastern region of Kenya covers five counties of Muranga, Machakos, Embu, Kirinyaga and Nyeri.
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1.4 Bankers Co-operative Bank of Kenya Ltd
Upper Hill Branch, Nairobi
Account Number:
01141160979900

1.5 Auditors Auditor General
Office Of the Auditor - General
P.O. Box 30084 – 00100 GPO
Nairobi

1.6 Roles and Responsibilities

Name	Designation
Eng D.A. Muchilwa	Director, Development
Eng.D. Cherono	PIU Team Leader/Manager
Mr. W. Nyatwanga	D. Director, (Environmental & Social)
Ms N. Odingo	CS/DD, Legal Services –Administration Staff (Legal)
Mr. R. Kilel	AD – Supply Chain Services -Administration Staff (Procurement)
Mr. Isaac Kamotho	AD – Finance & Accounts - Administration Staff (Finance)
Ms M. Mwangi	AD – Human Resource-Administration Staff (Human Resources)
Ms R. Oloo	AD – Environment/RAP Team (Sociologist)

KENOL - SAGANA - MARUA HIGHWAY IMPROVEMENT PROJECT

Reports and Financial Statements

For the financial year ended June 30, 2021

1.7 Funding summary

The project is for duration of five years with an approved budget of EURO 257,680,000 equivalent to Kshs. 29,463,131,200 as highlighted in the table below:

A. Source of Funds

Source of funds	Donor Commitments		Amount received to date (30.06.2021)		Undrawn balance to date (30.06.2021)	
	EURO	Kshs	EURO	Kshs	EURO	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A') - (B')
(i) Loan						
AfDB	178,020,000	20,354,806,800	14,635,084	1,673,375,486	163,384,916	18,681,431,314
AGTF	31,150,000	3,561,691,000	2,140,405	244,733,922	29,009,595	3,316,957,078
(ii) Counterpart Funds						
Counterpart Funds	48,510,000	5,546,633,400	-	1,764,416,267	-	3,782,217,133
Total	257,680,000	29,463,131,200	16,775,489	3,682,525,675	192,394,511	25,780,605,525

NOTE: Contract exchange rate- Kshs. 114.34

B. Application of Funds

Application of funds	Amount received to date- (30th June 2021)		Cumulative Amount paid to date-(30th June 2021)		Unutilised balance to date (30.06.2021)	
	Donor currency	Kshs	Donor currency	Kshs	Donor currency	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A') - (B')
	EURO	Kshs	EURO	Kshs	EURO	Kshs
i) Loan						
AfDB	14,635,084	1,673,375,486	14,635,084	1,673,375,486	-	-
AGTF	2,140,405	244,733,922	2,140,405	244,733,922	-	-
(ii) Counterpart Funds						
Government of Kenya	-	1,764,416,267	-	1,764,416,267	-	-
Total	16,775,489	3,682,525,675	16,775,489	3,682,525,675	-	-



KENOL - SAGANA - MARUA HIGHWAY IMPROVEMENT PROJECT

Reports and Financial Statements

For the financial year ended June 30, 2021

1.8 Summary of Overall Project Performance:

Budget performance against actual amounts for current year: -

	2020/2021		
	Actual	Budget	%
Counterpart Funds - Gok	1,736,443,300	4,950,000,000	35%
Loan from External Development Partners	1,918,109,408	2,520,000,000	76%
Total	3,654,552,708	7,470,000,000	49%

The physical progress as at 30th June, 2021 is 11.4%.

Comment on value-for-money achievements.

- The authority (KeNHA) has put in place adequate checks & balances on appointment of the works consultant supervision who oversees the project implementation on daily basis on consultation and subsequent approvals from the employer and the bank.
- In addition to works supervision, the consultant undertakes design review before commencement of roads construction works to reduce uncertainties.
- Regular auditing of the project by Internal Auditors, External Auditors and Quality Assurance Departments.
- Monthly site meetings that involve the employer, the consultant and the contractor.

1.9 Summary of Project compliance: -

Significant cases of non-compliance with applicable laws and regulations, and essential external financing agreements/covenants involve delayed payments that attract interest.

KENOL - SAGANA - MARUA HIGHWAY IMPROVEMENT PROJECT

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2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETERMINED OBJECTIVES

Introduction

Section 81 (2) (1) 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 are to:

- a) Improve road transport services along the corridor by reducing travel time and vehicle operating costs.
- b) Mitigating traffic congestion and associated emissions.
- c) Improving road safety along the road.

Progress on attainment of Strategic development objectives

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

Objective	Outcome	Indicator	Performance
Improve road transport services along the corridor by reducing travel time and vehicle operating costs:	Increased efficiency in transportation within the counties in Central, Eastern, Nairobi city and linkage with Ethiopia.	Reduction in travel time and vehicle operating costs	The project is on and the progress is at 11.4%.
Mitigating traffic congestion and associated emissions:	Reduced traffic congestion and associated emissions.	Better traffic movements and less emission.	The project is on and the progress is at 11.4%.
Improving road safety along the road.	Better road safety and reduction in accidents	Reduction in the number of accidents.	The project is on and the progress is at 11.4%.

3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

3.1. Sustainability strategy and profile

Sustainable Development Goals (SDGs) 2015-2030 provides a plan of action for the people and prosperity. Five out of the seventeen goals are pertinent to management of projects being undertaken by the Authority. These are being addressed through the following initiatives:

- a) *Good health and well-being (SDG 3)*: The Authority strives to undertake Road Safety Audits to identify accident black spots, implement intervention measures and provide road safety education to reduce accidents:
- b) *Gender Equality (SDG 5)*: The Authority encourages mainstreaming of gender equality in project and programmes by incorporating compliance to one third gender rule in procurement and recruitment:
- c) *Industry, innovation and infrastructure (SDG 9)*: The Authority develops quality, reliable, sustainable and resilient infrastructure including regional and trans-border infrastructure to support economic development and human wellbeing with a focus on affordable and equitable access for all:
- d) *Sustainable cities and communities (SDG 11)*: The Authority endeavours to extend the paved road network to hitherto underserved areas in the region to improve nationwide access to high speed and all – weather connectivity; and
- e) *Climate action (SDG 13)*: The Authority endeavours to combat negative impacts of road development through environmental mitigation, climate change measures and compliance with National Environment Management Authority (NEMA) requirements in all development projects

3.2. Environmental performance

The Authority is working towards ensuring environmental sustainability in projects by undertaking tree planting exercises, implementation of road beautification programs, enforce reinstatement of quarries and borrow pits after construction works, undertakes regular Environmental Impact Assessment (EIA) Audits, carries out M&E on Environment and Social Management Plan (ESMPs) as well as Environmental Social Impact Assessment (ESIA) on projects.

3.3. Employee welfare

In all its staff appointments, the Authority takes deliberate actions to embrace Equal Employment Opportunity policies, gender mainstreaming, addresses concerns around Persons Living with Disabilities (PWDs) and takes affirmative action in line with prevailing Government Policy guidelines. The Authority prioritizes training to develop technical capacity of staff in the fields of Value Engineering, Project Financing, Project, Contract Management, Performance Based Maintenance and Safety.

3.4. Market place practices

The Authority strives to ensure responsible competition practices through undertaking annual governance audits in projects, monitoring the implementation of policies and further promotes ethical conduct in projects. The Authority equally sensitizes staff on corruption and integrity.

The Authority undertakes to be actively involved in the negotiations during budget sector hearings in order to increase budgetary allocations for projects thus honouring contracts by paying its liabilities on time.

3.5. Community Engagements

During the implementation of the Project, the Authority is committed to remaining a responsible corporate citizen by being accountable for its actions through engaging in Public Participation. The Project's goal in terms of community engagement is to ensure that the projects foster long-term relationships with stakeholders and communities around the project. The aim is not just to build roads that foster development but to ensure collaboration with the local communities to achieve sustainable development. The project staff is also encouraged to give back to society by participating in the Authority's corporate social responsibility projects.

The Contractor has been involved in various CSR activities geared towards providing the local residents through construction of water kiosks along the project road, improvement of access roads and enhancing learning and playing environment in schools along the project road. To enhance social safeguards in projects, the Authority undertakes Resettlement Action Plan (RAP) studies and implements its recommendations, carries out Social Impact Assessments (SIA), undertakes gender mainstreaming and conduct stakeholders' forum to sensitize the public in several cross-cutting issues

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For the financial year ended June 30, 2021

The Project is still in procurement stage but community engagements to be implemented include training of unemployed youth, institutional capacity building, monitoring and evaluation, sensitization and awareness and tree planting.

KENOL - SAGANA - MARUA HIGHWAY IMPROVEMENT PROJECT

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For the financial year ended June 30, 2021

4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Director General, KeNHA and the Project Management for Kenol – Sagana - Marua Highway Improvement Project are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the project for and as at the end of the financial year ended on June 30, 2021. This responsibility includes (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Director General, KeNHA and the Project Management for Kenol – Sagana - Marua Highway Improvement 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 the International Public Sector Accounting Standards.

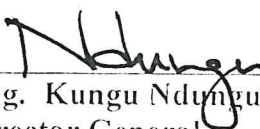
The Director General, KeNHA and Project Management for Kenol – Sagana - Marua Highway Improvement Project are of the opinion that the Project financial statements give a true and fair view of the state of the Project's transactions during the financial year ended June, 30, 2021 and the Project's financial position as at that date.


The Director General, KeNHA and the Project Implementation Team Leader for Kenol – Sagana - Marua Highway Improvement Project further confirm that 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 on the adequacy of the systems of internal financial control.


The Director General, KeNHA and the Project Implementation Team Leader for Kenol – Sagana - Marua Highway Improvement Project confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year under audit are used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project financial statements

The project financial statements were approved by the Director General, KeNHA and Project Management for Kenol – Sagana – Marua Highway Improvement Project on.....17. AUG 2021.....2021 and signed by them.

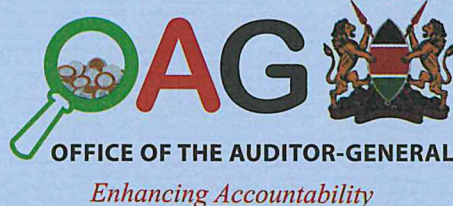

Eng. Kungu Ndungu
Director General


Eng. David A. Muchilwa
Director, Development


CPA Chanje Kera
Deputy Director (F&A)
ICPAK Member No: 8279

REPUBLIC OF KENYA

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Monrovia Street
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENOL-SAGANA-MARUA HIGHWAY IMPROVEMENT PROJECT (P-KE-DBO-037) CREDIT NOS.5050200000901 AND 20020004504 FOR THE YEAR ENDED 30 JUNE, 2021 – KENYA NATIONAL HIGHWAYS AUTHORITY

PREAMBLE

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

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

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

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution 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 Kenol-Sagana-Marua Highway Improvement Project (P-KE-DBO-037) set out on pages 1 to 16, which comprise the statement of financial assets and liabilities as at 30 June, 2021, and the statement of receipts and payments, statement of cash flows and statement of comparative budget and actual amounts and the special account statement 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 Kenol-Sagana-Marua Highway Improvement project (P-KE-DBO-037) as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Financing Agreements Credit No.5050200000901 and No.20020004504 dated 9 January, 2020 between Republic of Kenya and the African Development Bank.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kenol-Sagana-Marua Highway Improvement project (P-KE-DBO-037) Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

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

Other Matter

1. Pending bills

Note 12.1 to the financial statements reflects pending bills amounting to Kshs.42,161,578 as at 30 June, 2021. Although the Management has committed to liaise with the line Ministry and the National Treasury for adequate budgetary allocation and timely exchequer releases for prompt payments in the subsequent financial year, the Project is at risk of incurring significant interest costs and penalties with the continued delay in making payments.

2. Lack of Project Budget

During the year under review, the Project had an approved budget of Kshs.3,654,552,708. However, Management did not provide an itemized budget showing the detailed budget items for which the expenditure was intended. Consequently, it was not possible to conduct budget performance analysis on budgeted and actual amounts.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by African Development Fund (ADF), except for the effects of the matter described under Other Matter section of my report, I report based on my audit, that:

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;

- ii. In my opinion, adequate accounting records have been kept by the Project, so far as appears from the examination of those records; and
- iii. The Project's financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

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

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

07 December, 2021

KENOL - SAGANA - MARUA HIGHWAY IMPROVEMENT PROJECT


Reports and Financial Statements

For the financial year ended June 30, 2021

6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED 30TH JUNE 2021

	Note	2020/21		2019/20		Total	Payments made by third parties	Receipts and payments controlled by the entity	Total	Cumulative to date
		Kshs.	Kshs.	Kshs.	Kshs.					
RECEIPTS										
Transfer from Government entities	11.1	1,736,443,300	-	1,736,443,300	27,972,967	1,764,416,267	-	27,972,967	1,764,416,267	
Loan from external Development Partners	11.2	-	1,918,109,408	1,918,109,408	-	1,918,109,408	-	-	1,918,109,408	
TOTAL RECEIPTS		1,736,443,300	1,918,109,408	3,654,552,708	27,972,967	3,682,525,675				
PAYMENTS										
Purchase of Goods & Services	11.3	260,771,033	20,930,594	281,701,627	8,615,683	290,317,310	-	8,615,683	290,317,310	
Acquisition of non-financial assets	11.4	1,475,672,267	1,897,178,814	3,372,851,081	19,357,284	3,392,208,365	-	19,357,284	3,392,208,365	
TOTAL PAYMENTS		1,736,443,300	1,918,109,408	3,654,552,708	27,972,967	3,682,525,675				
SURPLUS/DEFICIT		-	-	-	-	-				

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


 Eng. Kungu Ndirangu
 Director General

17 AUG 2021

Date



Eng. David A. Muchilwa
 Director, Development

17 AUG 2021

Date



CPA Chanje Kera
 Deputy Director (F&A)
 ICPAK Member No: 8279

17 AUG 2021

Date



KENOL - SAGANA - MARUA HIGHWAY IMPROVEMENT PROJECT

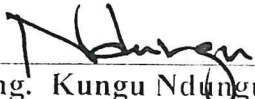
Reports and Financial Statements


For the financial year ended June 30, 2021


7. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES AS AT 30TH JUNE 2021

	Note	2020/21	2019/20
		Kshs	Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances		-	-
TOTAL FINANCIAL ASSETS		-	-
FINANCIAL LIABILITIES			
Payables-Retentions	11.5	-	-
NET ASSETS		-	-
REPRESENTED BY:			
Cash and cash equivalents b/fwd		-	-
Surplus/Deficit for the year		-	-
NET FINANCIAL POSITION		-	-

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 17 AUG 2021 2021 and signed by:


Eng. Kungu Ndungu
Director General


Eng. David A. Muchilwa
Director, Development


CPA Chanje Kera
Deputy Director (F&A)
ICPAK Member No: 8279

KENOL - SAGANA - MARUA HIGHWAY IMPROVEMENT PROJECT

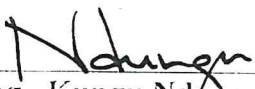
Reports and Financial Statements


For the financial year ended June 30, 2021


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

	Notes	2020/21	2019/20
		Kshs.	Kshs.
RECEIPTS			
Receipts for operating income			
Transfers from Government entities	11.1	1,736,443,300	27,972,967
Net Receipts for operating income		1,736,443,300	27,972,967
Payment for operating expenses			
Purchase of Goods and Services	11.3	(281,701,627)	(8,615,683)
Net Payments for operating expenses		(281,701,627)	(8,615,683)
Net cash flow from operating activities		1,454,741,673	19,357,284
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of road assets	11.4	(3,372,851,081)	(19,357,284)
Net cash flows from Investing Activities		(3,372,851,081)	(19,357,284)
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Foreign Borrowings		1,918,109,408	-
Net cash flow from financing activities		1,918,109,408	-
NET INCREASE IN CASH AND CASH EQUIVALENT		-	-
Cash and cash equivalent at Beginning of the year		-	-
Cash and cash equivalent at End of the year		-	-

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 17 AUG 2021 2021 and signed by:


Eng. Kungu Ndungu
Director General


Eng. David A. Muchilwa
Director, Development

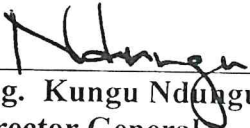

CPA Chanje Kera
Deputy Director (F&A)
ICPAK Member No: 8279

KENOL - SAGANA - MARUA HIGHWAY IMPROVEMENT PROJECT
Reports and Financial Statements
 For the financial year ended June 30, 2021

9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

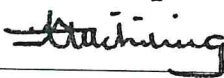
Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Variance	% Var
	a	b	c=a+b	d	e=c-d	f=d/c %
Receipts						
Transfers from Government entities	-	4,950,000,000	4,950,000,000	1,736,443,300	3,213,556,700	35%
Proceeds from foreign borrowings	4,000,000,000	(1,480,000,000)	2,520,000,000	1,918,109,408	601,890,592	76%
Total Receipts	4,000,000,000	3,470,000,000	7,470,000,000	3,654,552,708	3,815,447,292	49%
Payments						
Purchase of goods and services	4,000,000,000	3,470,000,000	7,470,000,000	281,701,627	3,815,447,292	49%
Acquisition of non-financial assets				3,372,851,081		
Total Payments	4,000,000,000	3,470,000,000	7,470,000,000	3,654,552,708	3,815,447,292	49%

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


 Eng. Kungu Ndungu
 Director General


17 AUG 2021

Date


 Eng. David A. Muchilwa
 Director, Development

17 AUG 2021

Date


 CPA Chanje Kera
 Deputy Director (F&A)
 ICPAK Member No: 8279

17 AUG 2021

Date

KENOL - SAGANA - MARUA HIGHWAY IMPROVEMENT PROJECT

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For the financial year ended June 30, 2021

10. 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 Kenol - Sagana - Marua Highway Improvement Project under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012.

10.3.1. Reporting currency

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

10.4. Significant Accounting Policies

a) Recognition of receipts

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

- **Transfers from the Exchequer**

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

- **External Assistance**

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **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) 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.

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.

- **Compensation of employees**

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

- **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.

- **Interest on borrowing**

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **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.

- **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.

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.

KENOL - SAGANA - MARUA HIGHWAY IMPROVEMENT PROJECT

Reports and Financial Statements

For the financial year ended June 30, 2021

SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 A/E holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

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.

KENOL - SAGANA - MARUA HIGHWAY IMPROVEMENT PROJECT

Reports and Financial Statements

For the financial year ended June 30, 2021

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.

During the year **KSh 1,918,109,408** being loan disbursements were received in form of direct payments from third parties.

KENOL - SAGANA - MARUA HIGHWAY IMPROVEMENT PROJECT

Reports and Financial Statements

For the financial year ended June 30, 2021

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.

KENOL - SAGANA - MARUA HIGHWAY IMPROVEMENT PROJECT
Reports and Financial Statements
For the financial year ended June 30, 2021

11. NOTES TO THE FINANCIAL STATEMENT

11.1. RECEIPTS FROM GOVERNMENT OF KENYA

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

	2020/21	2019/20	Cumulative to-date
	Kshs	Kshs	Kshs
Counterpart funds Quarter 1	4,802,800	869,400	5,672,200
Counterpart funds Quarter 2	7,401,693	4,203,900	11,605,593
Counterpart funds Quarter 3	64,467,162	3,204,734	67,671,896
Counterpart funds Quarter 4	1,659,771,645	19,694,933	1,679,466,578
TOTAL	1,736,443,300	27,972,967	1,764,416,267

11.2. LOAN FROM EXTERNAL DEVELOPMENT PARTNERS

During the 12 months to 30 June 2021, we received loans from donor(s) as detailed in the table below;

Name of Donor	Date Received	Loans Received as Direct payments	Total amounts in Kshs.	
			FY 2020/21	FY 2019/20
		Kshs	Kshs	Kshs
African Development Bank (AfDB)	2020/21	1,673,375,486	1,673,375,486	-
Africa Growing Together Fund (AGTF)		244,733,922	244,733,922	-
Total		1,918,109,408	1,918,109,408	-

KENOL - SAGANA - MARUA HIGHWAY IMPROVEMENT PROJECT
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 For the financial year ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENT(Continued)

11.3. PURCHASE OF GOODS AND SERVICES

	FY 2020/21			FY 2019/20	Cumulative
	Receipts and payments controlled by the entity	Payments made by third parties	Total Payments	Total Payments	
	Kshs	Kshs	Kshs	Kshs	
Domestic travel and subsistence	34,245,985	-	34,245,985	6,074,146	40,320,131
Advertising and services	1,367,350	-	1,367,350	2,131,025	3,498,375
Hospitality Services	1,379,386	-	1,379,386	410,512	1,789,898
Utilities	223,778,312	-	223,778,312	-	223,778,312
Training	-	20,930,594	20,930,594	-	20,930,594
Total	260,771,033	20,930,594	281,701,627	8,615,683	290,317,310

11.4. ACQUISITION OF NON-FINANCIAL ASSETS

	FY 2020/21			FY 2019/20	Cumulative
	Receipts and payments controlled by the entity	Payments made by third parties	Total Payments	Total Payments	
	Kshs	Kshs	Kshs	Kshs	
Construction of roads	243,795,165	1,772,463,164	2,016,258,329	-	2,016,258,329
Consultancy Services	-	124,715,650	124,715,650	19,357,284	144,072,934
Acquisition of land	1,231,877,102	-	1,231,877,102	-	1,231,877,102
Total	1,475,672,267	1,897,178,814	3,372,851,081	19,357,284	3,392,208,365

KENOL - SAGANA - MARUA HIGHWAY IMPROVEMENT PROJECT
Reports and Financial Statements
For the financial year ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENT(Continued)

11.5. ACCOUNTS PAYABLES- RETENTIONS

Description	FY 2020/21	FY 2019/20
	Kshs	Kshs
Retention controlled by the entity	-	-
Total	-	-

11.6. CHANGES IN ACCOUNTS PAYABLE –RETENTIONS CONTROLLED BY THE ENTITY

As at 30th June 2021, there were no Retentions being held under the project. (30th June 2020- NIL)

KENOL - SAGANA - MARUA HIGHWAY IMPROVEMENT PROJECT
Reports and Financial Statements
For the financial year ended June 30, 2021

12. OTHER IMPORTANT DISCLOSURES

12.1. PENDING ACCOUNTS PAYABLE (See Annex 3A)

	Balance b/f FY 2020/2021	Additions for the period	Paid during the year	Balance c/f FY 2020/2021
Description	Kshs	Kshs	Kshs	Kshs
Construction of Roads	-	2,058,419,907	2,016,258,329	42,161,578
Acquisition of Land	-	1,231,877,102	1,231,877,102	-
Supply of Services	-	406,417,277	406,417,277	-
Total	-	3,696,714,286	3,654,552,708	42,161,578

12.2. ACCOUNTS PAYABLES- RETENTIONS (See Annex 5)

Description	FY 2020/21	FY 2019/20
	Kshs	Kshs
Retention controlled by the Third parties	49,834,635	-
Total	49,834,635	-

12.3. CHANGES IN ACCOUNT PAYABLE -RETENTIONS CONTROLLED BY THIRD PARTIES

Description	FY 2020/21	FY 2019/20
Deposit and Retentions as at 1 st July 2020	-	-
Closing accounts payables as at 30 th June 2021	49,834,635	-
Change in payables	49,834,635	-

12.4. EXTERNAL ASSISTANCE

a) External assistance relating to loans and grants

Description	FY 2020/2021	FY 2019/2020
	Kshs	Kshs
External assistance received as loans	1,918,109,408	-
Total	1,918,109,408	-

KENOL - SAGANA - MARUA HIGHWAY IMPROVEMENT PROJECT

Reports and Financial Statements

For the financial year ended June 30, 2021

OTHER IMPORTANT DISCLOSURES (Continued)

b) Undrawn external assistance

	Purpose for which the undrawn external assistance may be used	FY 2020/2021	FY 2019/2020
Description		Kshs	Kshs
Undrawn external assistance - loans	Road works & consultancy services	21,998,388,392	23,916,497,800
Total		21,998,388,392	23,916,497,800

c) Classes of providers of external assistance

	FY 2020/2021	FY 2019/2020
Description	Kshs	Kshs
Multilateral donors	1,918,109,408	-
Total	1,918,109,408	-

External assistance for road rehabilitation works, studies, design & supervision consultancy services.

d) Non-monetary external assistance

	FY 2020/2021	FY 2019/2020
Description	Kshs	Kshs
Goods	-	-
Services	-	-
Total	-	-

e) Purpose and use of external assistance

	FY 2020/2021	FY 2019/2020
Description	Kshs	Kshs
Acquisition of Assets	1,918,109,408	-
Total	1,918,109,408	-

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

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

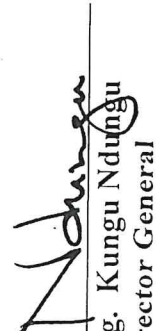
	FY 2020/2021	FY 2019/2020
Description	Kshs	Kshs
Multilateral donors	1,918,109,408	-
Total	1,918,109,408	-

KENOL - SAGANA - MARUA HIGHWAY IMPROVEMENT PROJECT
Reports and Financial Statements
 For the financial year ended June 30, 2021

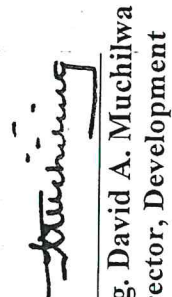
13. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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	Focal person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	The statement comparative budget and actual amounts reflects total receipts of Kshs.27,972,967 against estimated receipts of 590,000,000 resulting into shortfall of receipts of Kshs. 562,027,033 or 95%. Similarly, the statement reflects actual expenditure of Kshs. 590,000,000 resulting into an under expenditure of Kshs. 562,027,033 or 95%. Management has attributed the under expenditure to prolonged procurement processes.	The under expenditure was due to prolonged procurement process. This has since improved from 5% in FY 2019/2020 to 49% in the current financial year due to the fact that the works have started and the project is in progress.	Eng.D. Cherono	Continuous	Continuous


 Eng. Kungu Ndungu
 Director General

17 AUG 2021
 Date


 Eng. David A. Muchilwa
 Director, Development

17 AUG 2021
 Date

KENOL - SAGANA - MARUA HIGHWAY IMPROVEMENT PROJECT
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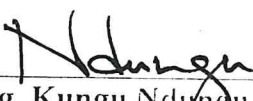
ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

	Final Budget	Actual on Comparable Basis	Budget Utilisation Variance	% of Utilisation Variance to Final Budget	Comments on Variance
	a	b	c=a-b	d=b/a %	
RECEIPTS DURING THE YEAR/PERIOD					
Government of Kenya	4,950,000,000	1,736,443,300	3,213,556,700	35%	i. Delayed land acquisition process for Lot 2.
External financing	2,520,000,000	1,918,109,408	601,890,592	76%	ii. Long processes for reallocation of utilities i.e power lines, sewerage system
Total receipts	7,470,000,000	3,654,552,708	3,815,447,292	49%	
PAYMENTS DURING THE YEAR/PERIOD					
Purchase of goods and services		281,701,627			i. Delayed land acquisition process for Lot 2.
Acquisition of non-financial assets	7,470,000,000	3,372,851,081	3,815,447,292	49%	ii. Long processes for reallocation of utilities i.e power lines, sewerage system
Total Payments	7,470,000,000	3,654,552,708	3,815,447,292	49%	


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ANNEX 2: RECONCILIATION OF INTER -ENTITY TRANSFERS

	PROJECT NAME:	KENOL - SAGANA - MARUA HIGHWAY IMPROVEMENT PROJECT		
Break down of Transfers from the State Department of Infrastructure				
a.	Government Counterpart Funding			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>FY to which the amounts relate</u>
	Quarter 1	31-Aug-20	4,802,800	FY 2020/21
	Quarter 2	23-Nov-20	7,401,693	FY 2020/21
	Quarter 3	19-Feb-21	64,467,162	FY 2020/21
	Quarter 4	26-Apr-21	1,659,771,645	FY 2020/21
	Total		1,736,443,300	


 Eng. Kungu Ndungu
 Director General

17 AUG 2021


 CPA Chanje Kera
 Deputy Director (F&A)
 ICPAK No.8279

17 AUG 2021

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ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Opening Cost (KShs) 2020/21 (a)	Purchases/Additions in the Year (KShs) 2020/21 (b)	Disposals in the Year (KShs) 2020/21 (c)	Closing Cost (KShs) 2020/21 (d)= (a)+ (b)-(c)
Construction of Roads	-	2,016,258,329		2,016,258,329
Consultancy Services	19,357,284	124,715,650		144,072,934
Land	-	1,231,877,102	-	1,231,877,102
Total	19,357,284	3,372,851,081	-	3,392,208,365

ANNEX 5 – SUMMARY OF RETENTION CONTROLLED BY THIRD PARTIES

DATE	NAME OF CONTRACTOR	CERTIFICATE NO.	AMOUNT
24/06/2021	JIANGXI TRANSPORTATION ENGINEERING GROUP LTD	IPC 2 Euro	8,371,276
24/06/2021	JIANGXI TRANSPORTATION ENGINEERING GROUP LTD	IPC 2 Euro	2,514,648
24/06/2021	JIANGXI TRANSPORTATION ENGINEERING GROUP LTD	IPC 2 Kshs	4,665,396
08/06/2021	JIANGXI TRANSPORTATION ENGINEERING GROUP LTD	IPC 3 Euro	8,020,973
08/06/2021	JIANGXI TRANSPORTATION ENGINEERING GROUP LTD	IPC 3 Euro	2,409,421
08/06/2021	JIANGXI TRANSPORTATION ENGINEERING GROUP LTD	IPC 3 Kshs	4,470,169
28/06/2021	CHINA WU YI CO LTD	IPC 1 Euro	10,888,537
28/06/2021	CHINA WU YI CO LTD	IPC 1 Euro	3,270,809
28/06/2021	CHINA WU YI CO LTD	IPC 1 Kshs	5,223,406
Total			49,834,635

