

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

REPORT

OF

THE AUDITOR-GENERAL

ON

**CENTRAL KENYA RURAL ROADS
IMPROVEMENT AND MAINTENANCE**

PROJECT CREDIT

NO.CKE 101201B AND 104601J

FOR THE YEAR ENDED

30 JUNE 2014

KENYA RURAL ROADS AUTHORITY



KENYA RURAL ROADS AUTHORITY

CENTRAL KENYA RURAL ROADS IMPROVEMENT AND MAINTENANCE PROJECT

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2014

**CREDIT NO. CKE 101201B AND 1046 01 J
AGENCE FRANÇAISE DE DÉVELOPPEMENT (AFD)**

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

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Project information and Overall performance

1. Project Overview

Project Name	: Centra Kenya Rural roads improvement and maintenance project
Project Objective/strategic goals	: To improve 1000 Kms rural roads in Muranga, Kiambu, Nyeri Kirinyaga, and Laikipia to gravel standards and 100Km of low volume seal roads in the 6 regions
Donor/Agency	: Agence Française De Développement (AFD)
Credit Number	: CKE101201B/104601J
Line Ministry	Ministry of Transport and Infrastructure

Phase I, Batch 3 roads

Contract sum	: Kshs 2.2 Billion
Commencement date	: June 2007
Completion date	: September 2011

R2000 Phase II

Contract sum	: Kshs 5.54 Billion
Commencement date	: July 2010
Completion date	: September 2015

2. Roles and responsibilities

Eng. Mwangi Maingi, MBS, OGW	: Director General and Accounting officer	
Eng. Joseph Kago	: Project Coordinator	
Mr. Eric Goss	: Team Leader – BCEOM/NORKEN/CAPE J.V	

3. Summary of performance

Phase I	: 6.7Km Low Volume Seal; 900 Km of gravel
Phase II	: 25Km Low Volume seal; 185Km Gravel

4. Summary of project compliance

No non compliance noted

5. Funding summary

Phase I, Batch 3 roads :Kshs 2.2 Billion
R2000 Phase II :Kshs 5.54 Billion

Project Component Costs

Civil Works-Donor :Kshs 3.19 Billion
Civil Works-GoK,KRB :Kshs 1.54 Billion
Technical Assistance :Kshs 0.32 Billion
Capacity Building and Audits : Ksh 0.49Billion

	Euros '000	Kshs '000	Euros '000	Kshs '000	Euros '000	Kshs '000
(i) Grant						
Agence Française De Développement (AFD)	9,000	810,000	5	425,304	8,995	384,696
(ii) Loan						
Agence Française De Développement (AFD)	40,000	3,600,000	17	1,488,660	39,983	2,111,340
(iii) Counterpart Funds						
Government of Kenya	17,111	1,540,000	6,826	614,341	10,285	925,659
Total	66,111	5,950,000	6,847	2,528,305	59,264	3,421,695

6. Independent auditor

The Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 49384-00100
Nairobi, GPO

7. Implementing Agency

Kenya Rural Roads Authority
Blue Shield Towers 6th Floor,
Hospital Hill Road, Upper Hill,
PO Box 48151 - 00100
Nairobi GPO

8. Principal bankers

NIC Bank Limited
NIC Bank House
Nairobi

Cooperative Bank Limited
Nyahururu, Nanyuki, Muranga, Kirinyaga and Kiambu Branches

Statement of Project Management Responsibilities

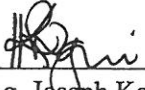
The Accounting officer, Kenya Rural Roads Authority, and the Project Coordinator, are responsible for preparing the project's financial statements, which give a true and fair view of the transactions during the period and the state of affairs of the project as at the end of the accounting period. This responsibility includes: maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the project; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements and ensuring that they are free from material misstatements, whether due to fraud or error; safeguarding the assets of the project; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

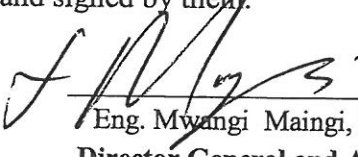
The accounting officer and the project coordinator accept the responsibility for the project's financial statements, which have been prepared on Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS).

The Accounting Officer and Project Coordinator are of the opinion that the financial statements give a true and fair view of the state of the project financial position as at 30th June 2014. The Accounting Officer and the Project coordinator further confirm the completeness of the accounting records maintained for the project which have been relied upon in the preparation of the Financial Statements as well as on the adequacy of the internal control systems.

The accounting Officer and the Project Coordinator confirm that the project has complied fully with the terms and conditions of the Financing agreements, and that the project funds received during the period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

The Project financial statements were approved by the Accounting officer and Project Coordinator on _____ 2014 and signed by them:


for Eng. Joseph Kago
Project Coordinator


Eng. Mwangi Maingi, MBS,OGW
Director General and Accounting Officer



KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON CENTRAL KENYA RURAL ROADS IMPROVEMENT AND MAINTENANCE PROJECT CREDIT NO. CKE 101201B AND 104601J FOR THE YEAR ENDED 30 JUNE 2014 - KENYA RURAL ROADS AUTHORITY

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Central Kenya Rural Roads Improvement and Maintenance Project set out on pages 7 to 19, which comprise the statement of receipts and payments for the year ended 30 June 2014, the statement of financial assets and liabilities, the statement of cash flows, the statement of comparison of budget and actual amount, together with a summary of significant accounting policies and other explanatory information in accordance with provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003 and Credit Facility Agreement No. CKE 101201B dated 23 May 2006 and CKE 104601J dated 5 July 2010 between Agence Francaise De Development (AFD) and the Government of Kenya (GOK). 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.

Management's Responsibility for the Financial Statements

The Director General and Project Coordinator are responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards and for such 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.


Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

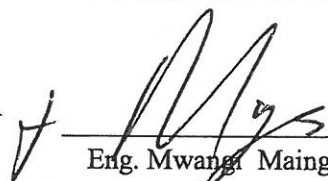
Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Statement of receipts and payments

	Note	2014 Kshs	2013 Kshs	Cumulative to June 2014 Kshs
RECEIPTS				
Government Counterpart Funds	2	391,475,221	136,713,906	614,341,337
Direct Donor Payments	3	171,694,042	153,932,985	425,303,945
Interest Income	4	2,070,794	6,005,774	38,449,716
Loans		-	-	577,316,045
Grants and assets donated		-	-	45,566,718
Other Donor Funds- Batch II Roads	5	308,838,820	-	801,197,658
Other Donor Funds- Batch III Roads		-	-	110,146,001
Total receipts		874,078,877	296,652,664	2,612,321,420
PAYMENTS				
Non Current Assets		-	-	58,816,931
Road works	6	509,825,778	470,980,457	1,901,783,306
Consultancy	7	179,700,574	188,800,790	213,682,774
Training costs	8	29,908,517	39,573,081	54,376,300
Other operating costs	9	4,172,216	14,230,098	66,599,833
Total Payments		723,607,085	713,584,426	2,295,259,144
Surplus/Deficit for the year		150,471,792	(416,931,762)	317,062,276


Eng. Joseph Kago
Project Coordinator

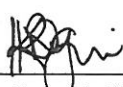

Eng. Mwangi Maingi, MBS,OGW
Director General and Accounting Officer

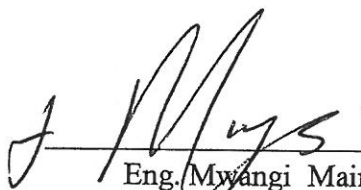
Statement of Financial Assets and Liabilities

As at 30th June 2014

	Note	2014 Kshs	2013 Kshs
FINANCIAL ASSETS			
Cash and Cash equivalents			
Bank Balances	10	317,062,276	166,590,484
Total receipts		317,062,276	166,590,484
REPRESENTED BY			
Surplus for the year		150,471,792	(416,931,762)
Accumulated surplus b/f		166,590,484	583,522,246
Total Payments		317,062,276	166,590,484
Net Financial Position		317,062,276	166,590,484

The Accounting policies and the explanatory notes to these financial statements form an interregal part of these financial statements. The Financial statements were approved on _____ 2014 and signed by:

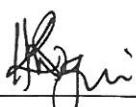

 Eng. Joseph Kago
 Project Coordinator

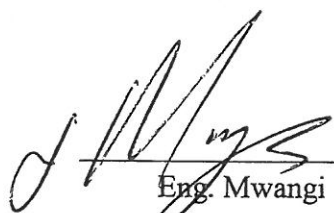

 Eng. Myangi Maingi, MBS, OGW
 Director General and Accounting Officer

Statement of cash flow
For the year ended 30th June 2014

	Note	2014 Kshs	2013 Kshs
Cash flow from operating activities			
Transfer from National Government		391,475,221	136,713,906
Payments for operating expenses			
Purchase of goods and services		(723,607,085)	(713,584,426)
Net Cash flow used in operating activities		(332,131,864)	(576,870,520)
Cash flow from borrowing activities			
Proceeds from foreign borrowings		480,532,862	153,932,985
Net Cash flow from borrowing activities		480,532,862	153,932,985
Cash flow from Investing activities			
Interest Income		2,070,794	6,005,774
Net Cash flow from investing activities		2,070,794	6,005,774
Net increase in cash and cash equivalents		150,471,792	(416,931,762)
Cash and cash equivalents at the beginning of the year		166,590,484	583,522,246
Cash and cash equivalents at the end of the year		317,062,276	166,590,484

The Accounting policies and the explanatory notes to these financial statements form an interregal part of these financial statements. The Financial statements were approved on _____ 2014 and signed by:



for Eng. Joseph Kago
Project Coordinator


Eng. Mwangi Maingi, MBS,OGW
Director General and Accounting Officer


Statement of Comparison of budget and actual amount

	Budget Kshs	Final Budget Kshs	Actual on comparable basis Kshs	Variance Kshs	% of Variance
RECEIPTS					
Government Counterpart Funds	400,000,000	400,000,000	391,475,221	8,524,779	2%
Donor Direct Payments	1,080,000,000	1,080,000,000	171,694,042	908,305,958	84%
Other Donor Funds	-	-	308,838,820	(308,838,820)	-
Interest Income	-	-	2,070,794	(2,070,794)	-
Total receipts	1,480,000,000	1,480,000,000	874,078,877	605,921,123	41%
PAYMENTS					
Road works	1,050,000,000	1,050,000,000	509,825,778	540,174,222	51%
Consultancy services	400,000,000	400,000,000	179,700,574	220,299,426	55%
Training Other operating costs	30,000,000	30,000,000	34,080,733	(4,080,733)	-14%
Total Payments	1,480,000,000	1,480,000,000	723,607,085	756,392,915	51%

The significant budget utilization /performance differences in the last column are explained in Annex 1


 Eng. Joseph Kago
 Project Coordinator

Date _____


 Eng. Mwangi Maingi, MBS, OGW
 Director General and Accounting Officer

Date _____

1 Notes to the financial statements

1.1 Statement of compliance and basis of preparation

The Financial Statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) issued by International Public Sector Accounting Standards Board (IPSASB), the Government Financial Management Act, 2004 and the financing agreement.

1.2 Basis of Preparation

The financial statements have been prepared on cash basis under the historical cost convention, unless otherwise stated. The Financial Statements are presented in Kenya Shillings which is the functional and reporting currency of the Authority.

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.3 Presentation of Financial Statements

The financial statements comprise of statement of Income and expenditure, statement of statement of comparison of budget and actual amount and the notes to the financial statements.

1.4 Budget Information

International Public Sector Reporting Standards allow for non-disclosure where;

- (a) An entity is not required to disclose its budget information publicly and
- (b) The entity has elected not to present its approved budget publicly.

Therefore the Authority has elected to present the statement of Comparison of Budget and Actual amounts as part of the financial statements.

1.5 Translation of foreign currencies

On initial recognition, all transactions are recorded in the functional currency, which is Kenya Shillings. Transactions in foreign currencies during the year are converted into the functional currency using the exchange rate prevailing at the transaction date.

Monetary assets and liabilities denominated in foreign currencies are reported at the statement of financial position reporting date by applying the exchange rate prevailing as at that date. The resulting foreign exchange gains and losses from the settlement of such transactions and from year-end translation are recognised on a net basis through the statement of receipts and payments in the year in which they arise.

1.6 Income

Income comprises all proceeds from the Donors and Central Government and Donors as per the financing agreement.

The Authority recognizes income for the project when received from the donors or the Central Government.

Interest income is recognised on receipt basis.

1.7 Cash and Cash Equivalents

Cash and cash equivalents comprise of cash and cash balances held at the bank.

1.8 Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation of the Financial Statements as required by International Public Sector Accounting Standards and any amendment whenever necessary in the current year

1.9 Currency

The financial statements are presented in Kenya Shillings.

2 GoK Counterpart Funding

	Note	2014 Kshs	2013 Kshs
Quarter 1		23,347,243	39,331,902
Quarter 2		205,428,434	69,583,017
Quarter 3		7,200,000	9,818,734
Quarter 4		155,499,544	17,980,252
Total GOK Counterpart funding		391,475,221	136,713,906

Details of the counterpart funding is as summarised below

(i) Funds Disbursed to regions

Kiambu	87,580,765	1,583,017
Muranga	116,558,809	56,831,943
Nyeri	78,327,782	8,000,000
Nyandarua	16,249,043	20,967,043
Kirinyaga	55,699,067	-
Laikipia	27,796,667	-
Total Disbursement to regions	382,212,133	87,382,003

(ii) Payments for services

Consultancy services	8,006,532	13,133,046
Other operating expenses	1,256,556	36,198,857
Total Payments	9,263,088	49,331,902

3 Donor Grants

Donor grants relate to direct payments for goods and services done directly by the donor on behalf of the project.

	Note	2014 Kshs	2013 Kshs
Cas Consultants	Annex 2	42,982,200	47,842,600
Egis Bceom	Annex 2	64,563,356	39,894,874
Max and partners	Annex 2	59,525,786	62,158,285
Wanjohi Consulting Engineers	Annex 2	4,622,700	4,037,225
Total Direct Donor Payments		171,694,042	153,932,985

4 Interest Income

Head office	425,208	4,808,680
Muranga	798,277	350,646
Nyandarua	847,309	846,448
Total cash at bank	2,070,794	6,005,774

5 Other donor funds

Funds Received	308,838,820	-
Total other donor funds	308,838,820	-

6 Road works expenditure

Kiambu	97,142,885	161,547,096
Muranga	155,589,580	107,206,199
Nyeri	80,765,174	99,366,240
Nyandarua	106,523,744	25,273,720
Kirinyaga	42,920,348	42,619,580
Laikipia	26,884,048	34,967,623
Head office	-	-
Total Road works expenditure	509,825,778	470,980,457

7 Consultancy Services

	2014 Kshs	2013 Kshs
Cas Consultants	42,982,200	47,842,600
Egis Bceom	64,563,356	39,894,874
Max and partners	59,525,786	62,158,285
Wanjohi Consulting Engineers	4,622,700	7,170,270
National Environmental Authority	3,419,918	-
Management Support Consultant	4,586,614	31,734,760
Total consultancy costs	179,700,574	188,800,790

8 Training Costs

Kisii Training Centre	24,875,000	38,007,081
Kenya Institute of Management	5,033,517	1,566,000
Total Training costs	29,908,517	39,573,081

9 Other operating costs

	2014 Kshs	2013 Kshs
Bank charges	92,027	6,000
Other administrative overheads	4,080,189	14,224,098
Total operating costs	4,172,216	14,230,098

Details of other operating costs are indicated below

Other operating Costs

Region	Bank Charges	Other Admin costs	Total
HO	8,700	1,256,556	1,265,256
Kiambu	18,625	1,258,232	1,276,857
Muranga	15,667	-	15,667
Nyeri	18,360	899,869	918,229
Nyandarua	8,870	179,851	188,721
Kirinyaga	12,405	380,600	393,005
Laikipia	9,400	105,080	114,480
	92,027	4,080,189	4,172,216

10 Cash and Bank balances

	Note	2014 Kshs	2013 Kshs
Head office		63,417,429	58,761,609
Kiambu		18,711,864	29,550,841
Muranga		94,258,376	654,954
Nyeri		65,862,886	31,078,583
Nyandarua		42,323,154	31,531,918
Kirinyaga		23,455,778	6,777,929
Laikipia		9,032,789	8,234,650
Total cash at bank		317,062,276	166,590,484

Local Currency Balances

Bank	Account	Branch		
NIC Bank	1000014814	Upper Hill	3,724,029	58,761,609
Kenya Commercial Bank	1114343528	Moi Ave	59,693,400	-
Cooperative Bank	01141370650000	Kiambu	7,711,864	29,550,841
Kenya Commercial Bank	1119722047	Kiambu	11,000,000	-
Cooperative Bank	4155408500	Muranga	43,104,913	654,954
Kenya Commercial Bank	1119722195	Muranga	51,153,462	-
Cooperative Bank	01141379349200	Nyeri	20,970,372	31,078,583
Kenya Commercial Bank	1119722160	Nyeri	44,892,514	-
Cooperative Bank	01141126188400	Nyandarua	37,541,154	31,531,918
Kenya Commercial Bank	1119722144	Nyandarua	4,782,000	-
Cooperative Bank	01141272894800	Kirinyaga	577,098	6,777,929
Kenya Commercial Bank	1119722063	Kirinyaga	22,878,680	-
Cooperative Bank		Laikipia	9,032,789	8,234,650
			317,062,276	166,590,484

12 Annex1: Variance Explanations Comparative Budget And Actual Amounts

	Budget Kshs	Adjustments Kshs		Final Budget Kshs	Actual on comparable basis Kshs	Variance Kshs	% of V
RECEIPTS							
Government Counterpart Funds	400,000,000	-		400,000,000	391,475,221	8,524,779	2
Donor Direct Payments	1,080,000,000	-		1,080,000,000	171,694,042	908,305,958	8
Other Donor Funds	-	-		-	308,838,820	(308,838,820)	
Interest Income	-	-		-	2,070,794	(2,070,794)	
Total receipts	1,480,000,000	-	-	1,480,000,000	874,078,877	605,921,123	41
PAYMENTS							
Road works	1,050,000,000	-		1,050,000,000	509,825,778	540,174,222	5
Consultancy services	400,000,000	-		400,000,000	179,700,574	220,299,426	5
Training Other operating costs	30,000,000	-		30,000,000	34,080,733	(4,080,733)	-1
Total Payments	1,480,000,000	-	-	1,480,000,000	723,607,085	756,392,915	51

13 Annex2: Analysis of Direct donor Payments

Date	Amount Euros	Amount Kshs	Total amount
08-Jul-2013		9,961,763	9,961,763
22-Aug-2013		3,900,200	3,900,200
22-Aug-2013		4,229,000	4,229,000
22-Aug-2013		4,793,607	4,793,607
22-Aug-2013		4,831,107	4,831,107
22-Aug-2013		4,831,107	4,831,107
07-Oct-2013		3,923,000	3,923,000
07-Oct-2013		12,025,824	12,025,824
07-Oct-2013		4,831,107	4,831,107
07-Oct-2013		1,500,050	1,500,050
09-Oct-2013		3,923,000	3,923,000
28-Oct-2013		13,152,047	13,152,047
16-Dec-2013		3,923,000	3,923,000
16-Dec-2013		5,071,107	5,071,107
07-Feb-2014		3,649,000	3,649,000
07-Feb-2014		13,629,325	13,629,325
07-Feb-2014		5,071,107	5,071,107
07-Feb-2014		5,071,107	5,071,107
20-May-2014		15,794,396	15,794,396
20-May-2014		5,071,107	5,071,107
28-May-2014		3,923,000	3,923,000
12-Jun-2014		3,878,000	3,878,000
12-Jun-2014		3,878,000	3,878,000
12-Jun-2014		3,878,000	3,878,000
12-Jun-2014		4,961,107	4,961,107
12-Jun-2014		4,961,107	4,961,107
12-Jun-2014		4,961,107	4,961,107
12-Jun-2014		5,071,107	5,071,107
12-Jun-2014		1,458,250	1,458,250
12-Jun-2014		1,664,400	1,664,400
17-Jun-2014		3,878,000	3,878,000
Total		171,694,042	171,694,042