

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

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REPORT

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TABLED
BY:

Hon Naomi Waga, MP
Deputy Majority Whip
A. Shubuto

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THE AUDITOR-GENERAL

ON

**REGIONAL MOMBASA PORT ACCESS
ROAD PROJECT (LOAN NO. (KFW): 27459,
GRANT NO. (KFW): 202061919) AND
CREDIT NO. (KFW): 84010**

**FOR THE YEAR ENDED
30 JUNE, 2023**

KENYA NATIONAL HIGHWAYS AUTHORITY



THE AUDITOR GENERAL
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REGISTRY

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MINISTRY OF ROADS AND TRANSPORT



PROJECT NAME: REGIONAL MOMBASA PORT ACCESS ROAD PROJECT

IMPLEMENTING ENTITY: KENYA NATIONAL HIGHWAYS AUTHORITY

PROJECT LOAN NUMBER (KfW): 27459
PROJECT GRANT NUMBER (KfW): 202061919
PROJECT CREDIT NUMBER (EIB): 84010

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2023

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

*Regional Mombasa Port Access Road Project
Annual Report and Financial Statements for the financial year ended June 30, 2023*

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1. Acronyms and Glossary of Terms

CPA	Certified Public Accountant
DRC	Democratic Republic of Congo
EIA	Environmental Impact Assessment
EIB	European Investment Bank
EIK	Environment Institute of Kenya
ESIA	Environmental Social Impact Assessment
ESMP	Environment & Social Management Plan
FY	Financial Year
GK	Government of Kenya
HIV	Human Immunodeficiency Virus
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
ICB	International Competitive Bidding
KeNHA	Kenya National Highways Authority
KfW	Kreditanstalt fur Wiederaufbau
KISM	Kenya Institute of Supplies and Management
LSK	Law Society of Kenya
Kshs.	Kenya Shillings
MDAs	Ministries Departments & Agencies
M&E	Monitoring & Evaluation
NEMA	National Environment Management Authority
PAPs	Project Affected Persons
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
PWDs	Persons Living with Disabilities
RAP	Resettlement Action Plan
SIA	Social Impact Assessments
SDG	Sustainable Development Goals
SMART	Specific, Measurable, Achievable, Realistic & Time Bound

2. Project Information and Overall Performance

2.1 Name and registered office

Regional Mombasa Port Access Road Project

Objective:

The road forms part of the National Highway A109 between Mombasa and Nairobi. It is also an important link in the Northern Corridor in East Africa, which provides crucial access between the port in Mombasa and Nairobi, Uganda, Rwanda, Burundi and the Democratic Republic of Congo (DRC). Furthermore, the road serves Southern Sudan since its independence and may play an increasingly important role for the country's economic development in the future.

The specific objective of the Project is to improve transport of import and export goods and passengers' traffic along the Northern Corridor. The Project will also contribute towards restoring the road network and improving economic and social welfare of people living in urban, peri-urban and rural areas along the project road.

Address: Barabara Plaza
Jomo Kenyatta International Airport (JKIA) off Mazao Road
Nairobi Kenya

Contacts: Director General
Kenya National Highways Authority
Po Box 49712-00100
Nairobi
Telephone: (254) 020 495000
E-mail: dg@Kenha.co.ke
Website: www.kenha.co.ke

2.2 Project Information

Project Start Date:	August, 2017
Project End Date:	December, 2025
Project Engineer	Eng. Cleophas N. Makau
Project Sponsor:	European Investment Bank (EIB) Kreditanstalt für Wiederaufbau (KfW) Government of Kenya

Project information and overall performance (Continued)

2.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of State Department for Roads
Project number	KfW-27459; KfW-202061919; EIB-84010
Strategic goals of the project	The strategic goals of the project are as follows: (i) Improve trade and regional integration and contribute to the Government of Kenya's social and economic development. (ii) Enhance social economic development of the people along the project road.
Achievement of strategic goals	Implementation of the project in timely, efficient and effective manner.
Other important background information of the project	This project forms part of the western section of the Mombasa-Mariakani project Lot 2, from west of Kwa Jomvu Interchange (km 11+350) to Mariakani Weighbridge (km 41+640). It mainly includes widening from single 2-way roadway to 4 lanes, realignment of an existing 4 lane section of the road, interchanges, village through-roads, and weighbridge equipment for the 2 weighbridge facilities
Project duration	The project is for duration of 60 months.

2.4 Bankers
Co-operative Bank of Kenya
Upper Hill Branch
Po Box
Nairobi.

NCBA Bank
NIC House, Masaba Road
P.O Box 44599-00100,
Nairobi

2.5 Independent Auditor

Auditor General
Office of the Auditor General
Anniversary Towers
Po Box 30084-0100,
Nairobi.

Project information and overall performance (Continued)

2.6 Roles and Responsibilities

List of the people who are working on the project.

Names	Title designation	Key qualification	Responsibilities
Eng. Henry Gakuru	Director-Development	Registered Engineer	Project Implementing Team Leader
Eng. Cleophas Makau	Deputy Director-Special Projects	Registered Engineer	Project Engineer
Mr. Walter Nyatwang'a	Deputy Director Environment & Social Interests	NEMA Lead Expert, Member-EIK	Project Environment & Social Safeguards Specialist
Ms. Norah Odingo	Deputy Director-Legal Services	Advocate of High Court of Kenya	Project Legal Specialist
Mr. Chanje Kera	Deputy Director-Finance & Accounts	Certified Public Accountant of Kenya	Project Financial Specialist
Ms. Levina Wanyonyi	Deputy Director-Supply Chain Management	Member-KISM	Project Procurement Specialist

2.7 Funding summary

The Project is for duration of 41 months from August, 2017 to December, 2020 (Extended end Date of 31st December 2025) with an approved budget of EURO 155,000,000 equivalent to Kshs. 18,112,866,000 as highlighted in the table below:

A. Source of Funds

Source of funds	Donor Commitment-		Amount received to date – (30.06.2023)		Undrawn balance to date (30.06.2023)	
	<i>EURO</i>	<i>Kshs</i>	<i>EURO</i>	<i>Kshs</i>	<i>EURO</i>	<i>Kshs</i>
	<i>(A)</i>	<i>(A')</i>	<i>(B)</i>	<i>(B')</i>	<i>(A)-(B)</i>	<i>(A')-(B')</i>
(i) Grant						
KfW	20,000,000	2,337,144,000	1,499,366	175,211,674	18,500,634	2,161,932,326
(ii) Loan						
KfW	50,000,000	5,842,860,000	8,847,253	1,033,865,160	41,152,747	4,808,994,840
European Investment Bank (EIB)	50,000,000	5,842,860,000	16,654,772	1,946,230,043	33,345,228	3,896,629,957
(ii) Counterpart funds						
Government of Kenya	35,000,000	4,090,002,000	3,783,454	442,123,866	31,216,546	3,647,878,134
Total	155,000,000	18,112,866,000	30,784,845	3,597,430,743	124,215,155	14,515,435,257

*Regional Mombasa Port Access Road Project
Annual Report and Financial Statements for the financial year ended June 30, 2023*

Project information and overall performance (Continued)

B. Application of Funds

Application of funds	Amount received to date - (30.06.2023)		Cumulative Amount paid to date - (30.06.2023)		Unutilised balance to date - (30.06.2023)	
	<i>Euro</i>	<i>Kshs</i>	<i>Euro</i>	<i>Kshs</i>	<i>Euro</i>	<i>Kshs</i>
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant						
Frankfurt Am Main (KfW)	1,499,366	175,211,674	1,499,366	175,211,674	-	-
(i) Loan						
Frankfurt Am Main (KfW)	8,847,253	1,033,865,160	8,847,253	1,033,865,160	-	-
European Investment Bank (EIB)	16,654,772	1,946,230,043	10,766,753	1,258,172,563	5,888,020	688,057,480
(ii) Counterpart funds						
Government of Kenya (GK)	3,783,454	442,123,866	3,783,387	442,115,956	68	7,910
Total	30,784,845	3,597,430,743	24,896,784	2,909,368,493	5,888,087	688,065,390

2.8 Summary of Overall Project Performance:

(i) Budget performance against actual amounts for current year and for cumulative to-date: -

Financial Year	Budget	Actual	Percentage (%)
FY 2022/23	3,207,500,000	2,429,166,501	76%
FY 2021/22	530,598,751	16,148,099	3%
FY 2020/21	216,457,727	9,707,050	4%
FY 2019/20	256,210,800	228,440,868	89%
FY 2018/19	268,558,744	224,865,340	84%
FY 2017/18	5,000,000	1,040,635	21%
Total	4,484,326,022	2,909,368,493	65%

(ii) Physical progress based on outputs, outcome and impacts since project commencement: -

The was no physical progress as at 30th June, 2023 however the contractor had commenced mobilization and design review is at 90%

Project information and overall performance (Continued)

(iii) Absorption rate for each year since the commencement of the project.

Budget	FY 2022/2023			Cumulative		
	Budget	Actual	%	Budget	Actual	%
	Kshs	Kshs		Kshs	Kshs	
Counterpart Funds - GoK	57,500,000	41,733,737	73%	457,269,544	442,115,956	97%
Grant (KfW)	100,000,000	95,391,901	95%	250,000,000	175,211,674	70%
Loan (KfW)	1,050,000,000	1,033,865,160	98%	1,777,056,478	1,033,865,160	58%
Loan (EIB)	2,000,000,000	1,258,175,703	63%	2,000,000,000	1,258,175,703	63%
Total	3,207,500,000	2,429,166,501	76%	4,484,326,022	2,909,368,493	65%

(iv) Comment on value for money achievements.

- The project procurement process is conducted through International Competitive Bidding (ICB) which results in excellent value for money.

Project information and overall performance (Continued)

- The authority (KeNHA) had put in place adequate checks and balances on appointment of the works supervision consultant 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 undertook 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.
- Project site review meetings by the Development Partners through supervision missions
- Monthly site meetings that involve the employer, the consultant and the contractor.

2.9 Summary of Project Compliance:

There are no significant cases of non-compliance with applicable laws and regulations, and essential external financing agreements/covenants, which has been reported.

3. Statement of Performance Against Project's Predetermined Objectives

Introduction

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

The key development objectives of the project are:

- a) To improve vehicle operating costs and improvement of road safety
- b) To reduce greenhouse gas emissions and improvement of drainage facilities for strengthening the resilience against rain storms with increased intensities.

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
To improve vehicle operating costs and improvement of road safety	Reduced congestion in Mombasa town. Reduced travel time between Mombasa and Malaba	Increased volume of Import Export trade handled at the port of Mombasa.	Procurement of works contractor ongoing
To reduce greenhouse gas emissions and improvement of drainage facilities for strengthening the resilience against rain storms with increased intensities.	Improved air quality along the project road hence improved health among communities along the project road.	Reduced CO ₂ concentration along the project road as a result of reduced traffic congestion	Procurement of works contractor & construction supervision consultant ongoing.

4. Environmental and Sustainability Reporting

Regional Mombasa Port Access Road Project exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy. Below is a brief highlight of our activities that drive towards sustainability.

1. Sustainability strategy and profile

Sustainable Development Goals (SDGs) 2015-2030 provides a plan of action for the people and their 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

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. 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

Environmental and Sustainability Reporting (Continued)

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.

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.

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.

Currently there is no CSR activity being undertaken along the project road. However, the Authority is planning to be involved in various CSR activities geared towards providing the local residents with improved 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.

5. Statement of Project Management Responsibilities

The Director General, KeNHA and the Project Implementation Team Leader for Regional Mombasa Port Access Road 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, 2023. 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.

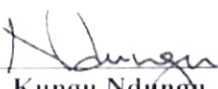
The Director General, KeNHA and the Project Implementation Team Leader for Regional Mombasa Port Access Road Project accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The Director General, KeNHA and the Project Implementation Team Leader for Regional Mombasa Port Access Road 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 ended June 30, 2023, and of the Project's financial position as at that date. The Director General, KeNHA and the Project Implementation Team Leader for Regional Mombasa Port Access Road 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.

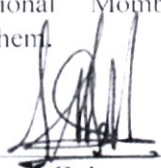
The Director General, KeNHA and the Project Implementation Team Leader for Regional Mombasa Port Access Road Project confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year under audit were 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 the Project Implementation Team Leader for Regional Mombasa Port Access Road Project on 25 SEP 2023 and signed by them.



Eng. Kungu Ndungu
Director General



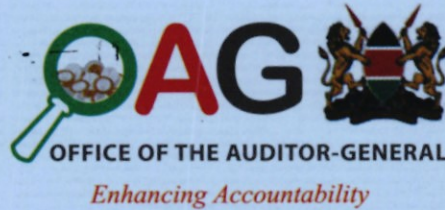
Eng. Henry Gakuru
Director-Development



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

REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON REGIONAL MOMBASA PORT ACCESS ROAD PROJECT (LOAN NO. (KFW): 27459, GRANT NO. (KFW): 202061919) AND CREDIT NO. (KFW): 84010 FOR THE YEAR ENDED 30 JUNE, 2023 - 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, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the 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, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Regional Mombasa Port Access Road Project (Loan No.27459, Credit No.84010 and Grant No.202061919) set out on pages 1 to 19, which comprise of the statement of financial assets as at 30 June, 2023,

Report of the Auditor-General on Regional Mombasa Port Access Road Project (Loan No.27459, Credit No.84010 and Grant No.202061919) for the year ended 30 June, 2023 - Kenya National Highways Authority

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

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Regional Mombasa Port Access Road Project (Loan No.27459, Credit No.84010 and Grant No.202061919) as at 30 June, 2023, 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 Loan and Grant Financing Agreements between the KfW Frankfurt am Main ("KfW"), European Investment Bank and the Republic of Kenya dated 30 March, 2017, 31 March, 2017 and 28 August, 2017 respectively and the Public Finance Management Act, 2012.

In addition, the special account statement does not present fairly, the special account transactions and the ending balance has not been reconciled with the books of account.

Basis for Qualified Opinion

Unsupported Receipts

The statement of receipts and payments reflects receipts of Kshs.95,391,901 relating to grants from external development partners as disclosed in Note 2 to the financial statements. This amount relates to a direct payment by the Development Partner-KfW to two (2) Consultants procured by the Project. Included in the amount of Kshs.95,391,901 is Kshs.7,627,258 whose supporting documents such as statement of disbursement, notification or acknowledgment of receipt were not provided for audit review.

In the circumstances, the accuracy and completeness of the grants from external development partners amount of Kshs.7,627,258 could not be confirmed.

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

Emphasis of Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final expenditure budget and actual on comparable basis of Kshs.3,207,500,000 and Kshs.2,429,166,501 respectively resulting to an under-expenditure of Kshs.778,333,499 or 24% of the budget. The underperformance affected the planned activities of the Project and may have impacted negatively on service delivery to the public.

2. Pending Bills

Note 1 of other important disclosures and Annex 4 to the financial statements reflects pending accounts payable balance of Kshs.978,541,404 which comprises of amounts of Kshs.31,015,955 and Kshs.947,525,449 in respect of construction and civil works and land compensation respectively.

In the circumstance, the delay in settling bills risks the Project incurring significant unquantified interest costs and penalties as well as litigation and will adversely affect the provisions of the subsequent year to which they have to be the first charge.

3. Project Special Account Reconciliation

Part B (Account reconciliation statement) of the Statement of Special (Designated) Account for the Project indicates an amount of EUR 13,158,000 equivalent to Kshs.2,012,930,577 under the Loan Credit No. 2014-0546 as amounts withdrawn and not claimed as at 30 June, 2023. This amount represents cumulative funds transferred to the local project bank account whose expenditure returns had not been submitted by the close of the financial year. However, Management did not include a disclosure Note to the financial statements or a reconciliation thereof in respect of the amount of EUR 13,158,000. The presentation and disclosure of important information about the special account reconciliation as well as the eligibility of the resultant expenditure could not be confirmed.

My opinion is not modified on the effect of these matters.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, two issues were raised under the Report on Financial Statements and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not provided evidence of how the issues were resolved.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Non-Compliance with Contract Agreements – Payment of Taxes

The statement of receipts and payments reflects an expenditure acquisition of non-financial assets of Kshs.2,421,671,271, which includes an amount of Kshs.96,633,548 spent on research studies, project preparation, design and supervision in respect of payments to Consultants of the Project.

Review of the payment vouchers on consultancies related to the construction of Kwa Jomvu – Mariakani Lot 2 road section, revealed that two (2) consultants were paid the full amount on the invoices totalling to Kshs.87,764,644 without any evidence that they paid taxes to the relevant Authorities as provided in the contract agreement.

In the circumstances, Management was in breach of the law and the contract agreements.

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 overall 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 KfW Frankfurt am Main (“KfW”), 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 controls, risk management and overall governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and review of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall 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 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 Management.
- Conclude on the appropriateness of 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 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 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

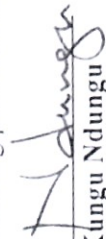
28 November, 2023

*Regional Mombasa Port Access Road Project
Annual Report and Financial Statements for the financial year ended June 30, 2023*


7. Statement of Receipts and Payments for the year ended 30th June 2023

Note	FY 2022/23		FY 2021/22		Cumulative to date Kshs
	Receipts & Payments Controlled by the Entity KSh	Payments Made by Third Parties KSh	Receipts & Payments Controlled by the Entity KSh	Payments Made by Third Parties KSh	
Receipts					
Transfer from Government entities	41,741,647	-	16,148,099	-	442,123,866
Grants from External Development Partners	-	95,391,901	-	-	175,211,674
Loans from External Development Partners	1,946,230,043	1,033,865,160	-	-	2,980,095,203
Total Receipts	1,987,971,690	1,129,257,061	16,148,099	-	3,597,430,743
Payments					
Purchase of goods and services	7,492,090	-	16,148,099	-	39,756,898
Acquisition of non-financial assets	1,292,414,210	1,129,257,061	-	-	2,869,608,455
Miscellaneous Payments	3,140	-	-	-	3,140
Total Payments Surplus/(Deficit)	1,299,909,440	1,129,257,061	16,148,099	-	2,909,368,493
	688,062,250	-	-	-	688,062,250

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


Eng. Kungu Ndungu
Director General


Eng. Henry Gakuru
Director-Development

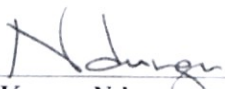

CPA Chanje Kera
Deputy Director (F&A)
ICPAK Member No. 8279

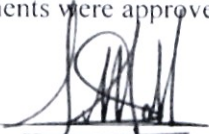
*Regional Mombasa Port Access Road Project
Annual Report and Financial Statements for the financial year ended June 30, 2023*

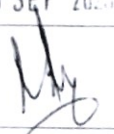
8. Statement of Financial Assets as at 30th June 2023

Description	Note	2022/23 Kshs	2021/22 Kshs
Financial Assets			
Cash and Cash Equivalents			
Bank Balances	7A	688,062,250	-
Total Cash & Cash equivalents		688,062,250	-
Total Financial Assets		688,062,250	-
Financial Liabilities			
Payables-Retentions	8	-	-
Net Assets		688,062,250	-
Represented By:			
Fund balance b/f		-	-
Prior year adjustments		-	-
Surplus/(Deficit) for the year		688,062,250	-
Net Financial Position		688,062,250	-

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 26 SEP 2023 and signed by:


Eng. Kungu Ndungu
Director General

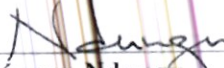

Eng. Henry Gakuru
Director-Development



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

9. Statement of Cashflow for the year ended 30th June 2023

Description		FY 2022/2023	FY 2021/2022
Receipts for operating income		Kshs	Kshs
Transfer from Government entities	1	41,741,647	16,148,099
Proceeds from domestic and foreign grants	2	95,391,901	-
Payments for operating expenses			
Compensation of employees		-	-
Purchase of goods and services	4	(7,492,090)	(16,148,099)
Miscellaneous Payments	6	(3,140)	-
Net cash flow from operating activities		129,638,318	-
Cashflow from investing activities			
Acquisition of Assets	5	(2,421,671,271)	-
Net cash flows from Investing Activities		(2,421,671,271)	-
Cashflow from financing activities			
Proceeds from Foreign Borrowings	3	2,980,095,203	-
Net cash flow from financing activities		2,980,095,203	-
Net increase in cash and cash equivalents		688,062,250	-
Cash and cash equivalent at beginning of the year		-	-
Cash and cash equivalent at end of the year		688,062,250	-

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 26 SEP 2023 and signed by:


Eng. Kungu Ndungu
Director General

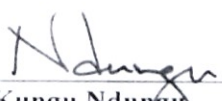

Eng. Henry Gakuru
Director-Development


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


10. Statement of Comparison of Budget and Actual amounts for the year ended 30th June 2023

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
Receipts						
Transfer from Government entities	30,000,000	27,500,000	57,500,000	41,741,647	15,758,353	73%
Proceeds from Grants-KfW	1,500,000,000	(1,400,000,000)	100,000,000	95,391,901	4,608,099	95%
Proceeds from Loans-KfW	2,150,000,000	(1,100,000,000)	1,050,000,000	1,033,865,160	16,134,840	98%
Proceeds from Loans-EIB	1,500,000,000	500,000,000	2,000,000,000	1,946,230,043	53,769,957	97%
Total Receipts	5,180,000,000	(1,972,500,000)	3,207,500,000	3,117,228,751	90,271,249	97%
Payments						
Purchase of goods and services				7,492,090		
Miscellaneous Payments	5,180,000,000	(1,972,500,000)	3,207,500,000	3,140	778,333,499	76%
Acquisition of non-financial assets				2,421,671,271		
Total Payments	5,180,000,000	(1,972,500,000)	3,207,500,000	2,429,166,501	778,333,499	76%
Surplus or Deficit	-	-	-	688,062,250	(688,062,250)	-

Note: The significant budget utilisation/performance differences in the last column are explained in **Annex 2** to these financial statements.


Eng. Kungu Ndungu
Director General


Eng. Henry Gakuru
Director-Development


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

11. Significant Accounting Policies

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

(a) 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.

(b) Reporting entity

The financial statements are for Regional Mombasa Port Access Road Project under Kenya National Highways Authority. The financial statements are for the reporting entity's Regional Mombasa Port Access Road Project as required by Section 81 of the PFM Act, 2012.

(c) Reporting currency

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

(d) Recognition of receipts

Regional Mombasa Port Access Road 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 to 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 at the time associated cash is received.

Significant Accounting Policies (Continued)

iv) Donations and grants

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

v) Proceeds from borrowing

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

vi) Undrawn external assistance

These are loans and grants at reporting date as specified in a binding agreement and relate to funding for the Project currently under development where conditions have been satisfied or their on-going 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 were incurred and paid for.

• **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.

Significant Accounting Policies (Continued)

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

(h) 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

(i) Imprests and Advances

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

(j) 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.

Significant Accounting Policies (Continued)

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

(k) Contingent Assets

Regional Mombasa Port Access Road Project 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 Regional Mombasa Port Access Road Project 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.

(l) 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.

(m) 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.

Significant Accounting Policies (Continued)

(n) 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.

(o) 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.

(p) Comparative figures

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

(q) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2023.

(r) Prior period adjustments

Prior period adjustments relate to errors and other adjustments noted arising from previous year(s). There were no prior year adjustments on the financial statements for the year ended June 30, 2023

12. Notes to the Financial Statements

1. Transfers from Government entities

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

Description	FY 2022/23	FY 2021/22	Cumulative
	Kshs	Kshs	to-date
Counterpart funding through Ministry of Roads			
Counterpart funds Quarter 1	7,500,000	5,354,250	14,385,226
Counterpart funds Quarter 2	-	7,004,809	14,474,342
Counterpart funds Quarter 3	-	2,120,335	375,053,511
Counterpart funds Quarter 4	-	1,668,705	3,969,140
Total	7,500,000	16,148,099	407,882,219
Other transfers from government entities			
Annuity Fund	33,000,000	-	33,000,000
Appropriation-in-Aid	1,241,647	-	1,241,647
Total (See Annex 3)	41,741,647	16,148,099	442,123,866

2. Proceeds from Domestic and Foreign Grants

During the financial period to 30 June 2023, we received grants from donors as detailed in the table below:

Name of Donor	Amount received in donor currency	Grants received in cash	Grants received as direct payment	Total amount in Kshs		Cumulative to date
				FY 2022/23	FY 2021/22	
				Kshs	Kshs	
	EURO	Kshs	Kshs	Kshs	Kshs	Kshs
Grants Received from Multilateral Donors						
Frankfurt Am Main ("KfW")	816,312	-	95,391,901	95,391,901	-	175,211,674
Total	816,312		95,391,901	95,391,901	-	175,211,674

*Regional Mombasa Port Access Road Project
Annual Report and Financial Statements for the financial year ended June 30, 2023*

3. Loan from External Development Partners

During the financial period to 30 June 2023, we received funding from development partners in form of loans negotiated by the National Treasury as detailed in the table below:

Name of Donor	Amount in loan currency	Loans received in actual amount	Loans received as direct payment	Total amount in Kshs	Total amount in Kshs	Cumulative to date
				FY 2022/23	FY 2021/22	
	EURO	Kshs	Kshs	Kshs	Kshs	Kshs
Loans Received from Multilateral Donors						
EIB	16,654,772	1,946,230,043	-	1,946,230,043	-	1,946,230,043
KfW	8,847,253	-	1,033,865,160	1,033,865,160	-	1,033,865,160
Total	25,502,025	1,946,230,043	1,033,865,160	2,980,095,203	-	2,980,095,203

4. Purchase of Goods and Services

Description	FY 2022/23			FY 2021/22	Cumulative to Date
	Payments Made by the Entity in Cash	Payments Made by Third Parties	Total Payments		
	KSh	KSh	KSh	KSh	KSh
Domestic Travel & Subsistence	7,492,090	-	7,492,090	15,609,099	37,852,709
Hospitality Supplies	-	-	-	539,000	927,606
Printing, Adverts & Information Supplies	-	-	-	-	976,583
Utility Supplies & Services	-	-	-	-	-
Total	7,492,090	-	7,492,090	16,148,099	39,756,898

Notes to the Financial Statements (Continued)

5. Acquisition of Non-Financial Assets

Description	FY 2022/23			FY 2021/22	Cumulative to-date
	Payments Made by the Entity in Cash	Payments Made by Third Parties	Total Payments		
	KSh	KSh	KSh	Kshs	Kshs
Research, studies, project preparation, design & supervision	1,241,647	95,391,901	96,633,548	-	189,224,543
Construction of Roads	1,258,172,563	1,033,865,160	2,292,037,723	-	2,292,037,723
Acquisition of land	33,000,000	-	33,000,000	-	388,346,189
Total	1,292,414,210	1,129,257,061	2,421,671,271	-	2,869,608,455

6. Miscellaneous Payments

Description	FY 2022/23			FY 2021/22	Cumulative to-date
	Payments Made by the Entity in Cash	Payments Made by Third Parties	Total Payments		
	Kshs	Kshs	Kshs	Kshs	Kshs
Bank Charges	3,140	-	3,140	-	3,140
Total	3,140	-	3,140	-	3,140

7. Cash & Cash Equivalents

Description	FY 2022/23	FY 2021/22
	Kshs	Kshs
Bank accounts (Note 7A)	688,062,250	-
Total	688,062,250	-

7A Bank Accounts

Description	FY 2022/23	FY 2021/22
	Kshs	Kshs
Local Currency Accounts		
NCBA Bank [A/c No. 1625990045]	688,054,340	-
Co-operative Bank of Kenya [A/c No. 01141160979900]	7,910	-
National Bank of Kenya [A/c No. 0100132733200]	-	-
Total bank account balances	688,062,250	-

Regional Mombasa Port Access Road Project

Annual Report and Financial Statements for the financial year ended June 30, 2023

Notes to the Financial Statements (Continued)

Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as at 30th June 2023 are not included in the Statement of Financial Assets since they are below the line items and are yet to be drawn into the Exchequer Account as a voted provision.

Below is the Special Deposit Account (SDA) movement schedule which shows the flow of funds that were voted in the year. These funds have been reported as loans/grants received in the year under the Statement of Receipts and Payments.

Special Deposit Accounts Movement Schedule

Description	FY 2022/23	FY 2021/22
	KShs	KShs
Regional Mombasa Port Access Road Project		
Opening balance	-	-
Total amount deposited in the account	2,400,665,292	-
Total amount withdrawn (as per Statement of Receipts & Payments)	1,946,230,043	-
Closing balance (as per SDA bank account reconciliation attached)	454,435,249	-

Exchange Rate = Kshs 147.9123/EUR

The Special Deposit Account reconciliation statement has been attached as Appendix 6 in support of the closing balance.

8. Retention Monies

There were no retention monies in Financial Year 2022/2023. (Financial Year 2021/2022, Nil)

Other Important Disclosures

1. Pending Accounts Payable (See Annex 4)

Description	Balance b/f FY 2022/2023	Additions for the year	Paid during the year	Balance c/f FY 2022/23
	Kshs	Kshs	Kshs	Kshs
Construction of civil works	-	2,323,053,678	2,292,037,723	31,015,955
Lands Compensation	82,589,339	897,936,110	33,000,000	947,525,449
Supply of services	-	104,125,638	104,125,638	-
Total	82,589,339	3,325,115,426	2,429,163,361	978,541,404

2. External Assistance

a) External assistance relating to loans and grants

Description	FY 2022/2023	FY 2021/2022
	Kshs	Kshs
External assistance received as loans	2,980,095,203	-
External assistance received as grants	95,391,901	-
Total	3,075,487,104	-

b) Undrawn external assistance

Description	Purpose for which the undrawn external assistance may be used	FY 2022/2023	FY 2021/2022
		Kshs	Kshs
Undrawn external assistance - loans	Road works & consultancy services	8,705,624,797	11,685,720,000
Undrawn external assistance - grants	Consultancy services, Goods & Services	2,161,932,326	2,257,324,227
Total		10,867,557,123	13,943,044,227

c) Classes of providers of external assistance

Description	FY 2022/2023	FY 2021/2022
	Kshs	Kshs
Multilateral donors	3,075,487,104	-
Total	3,075,487,104	-

External assistance for roads upgrading, design & supervision consultancy services.

Other Important Disclosures (Continued)

d) Purpose and use of external assistance

	FY 2022/2023	FY 2021/2022
Description	Kshs	Kshs
Acquisition of Assets	3,075,487,104	-
Total	3,075,487,104	-

e) 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 2022/2023	FY 2021/2022
Description	Kshs	Kshs
Multilateral donors	1,033,865,160	-
Total	1,033,865,160	-

*Regional Mombasa Port Access Road Project
Annual Report and Financial Statements for the financial year ended June 30, 2023*

13. Annexes

Annex 1: Prior Year Auditor-General's Recommendations

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status	Timeframe
1	<p>Basis for Qualified Opinion</p> <p>Unsupported Budget Amounts The statement of comparative budget and actual amounts reflects Kshs 17,000,000 and Kshs 603,870,000 as the budget for purchase of goods and services and acquisition of non-financial assets respectively. However, these two amounts are not in agreement with the approved project budget under the budget line items of purchase of goods and services and acquisition of non-financial assets.</p>	<p>By nature and practice, appropriation by The National Assembly to the project is on a specific line by line individual project. This is the form in which the project budgets are uploaded onto IFMIS and availed for expenditure. A line by line individual project budget was availed during the audit. However, for purposes of presentation in the financial statements, the requirement is not to present them per project as in IFMIS but by the nature of expenditure as per the template provided by the Public Sector Accounting Standards Board (PSASB)</p>	Resolved	Resolved
2	<p>Inappropriate Expenditure The statement of receipt and payments reflects purchase of goods and services amount of Kshs. 16,148,099, as disclosed in Note 4 to the financial statement which includes Kshs. 15,609,099 in respect to domestic travel and subsistence. Included under domestic travel and subsistence expenditure of Kshs 15,609,099</p>	<p>These were project operating expenses relating to project publicity, community engagement and oversight activities by the Cabinet Secretary.</p>	Resolved	Resolved

**Regional Mombasa Port Access Road Project
Annual Report and Financial Statements for the financial year ended June 30, 2023**

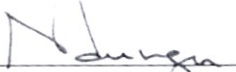
	<p>are payments in respect to per diems for tracer studies and shooting of documentary Kshs 700,696 collection and issue of awards Kshs. 7,236,609, shortlisting of applicants for vocational training Kshs 361,200, cabinet secretary visit to Mombasa Kshs 386,400 and AfDB Mission Kshs 229,585. It was not demonstrated how these expenditures relate to the project and why the amounts were charged yet the road construction had not started.</p>			
1	<p>Other Matter Delay in Project Implementation</p> <p>As previously reported, Note 1.7 to the annual report and financial statements on funding reflects the Project implementation period as 41 months commencing August, 2017 to December 2020. The total Project commitment from Development Partners and counterpart funding from the Government of Kenya amount to Kshs 18,112,866,000. However, as at 30 June, 2022 an amount of Kshs 480,201,992 (2.7%) had been drawn leaving a balance of Kshs 17,632,664,008 as undrawn balance.</p>	<p>Delay in Project implementation has been due to prolonged procurement process for the works contractor due to stringent requirements by the financier. The Authority finalized the procurement process and civil works contract signed and the contractor is currently mobilizing for works to commence.</p> <p>The Authority shall endeavor to closely monitor the Project through site meetings in an effort to enable speedy delivery of the project. Further, the Authority through the Parent Ministry initiated the process of extension of the credit agreement which was granted up to 31st December 2025</p>	Continuous	Continuous
2	<p>Pending Bills</p> <p>Note 12.1 to the financial statements reflects pending accounts payable in respect to land compensation totaling Kshs 82,589,339 as at</p>	<p>This arise due to inadequate GK budgetary provisions and delays in exchequer releases.</p>	Not resolved	Continuous

*Regional Mombasa Port Access Road Project
Annual Report and Financial Statements for the financial year ended June 30, 2023*

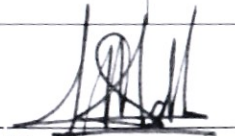
	<p>30 June, 2022 out of which bills totaling to Kshs 15,028,891 were carried forward from the previous financial year. The Project therefore runs the risk of incurring significant unquantified interest costs and penalties with the continued delay in settling invoiced bills.</p>	<p>In FY 2022/23 the Authority managed to secure GK allocation of Kshs 41,741,647 for the project subject to the current year ceilings which has been utilized in settling pending bills.</p> <p>The Authority will endeavor to allocate adequate budget, subject to provided ceilings in subsequent Financial Years to further reduce the pending bills.</p>		
3	<p>Budgetary Control and Performance</p> <p>The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs. 620,870,000 and Kshs. 16,148,099 respectively resulting to underfunding of Kshs. 604,721,901 or 97 % of the budget. Similarly, the project spent Kshs. 16,148,099 against approved budget of Kshs. 604,721,901 resulting to a under expenditure of Kshs. 604,721,901 or 97% of the budget.</p>	<p>The Authority had anticipated commencement of the project in FY 2021/22 which did not materialize due to the long procurement process. This resulted to the low absorption</p>	Continuous	Continuous
1	<p><u>Basis for Conclusion</u></p> <p>Non- Maintenance of Project Cashbook</p> <p>The Authority does not maintain a project cashbook which increases the risk of comingling of funds. It is therefore not clear how funds earmarked for specific projects are accounted for in the absence of a project cashbook.</p>	<p>Through the Authority's accounting system Sage Pastel evolution, one cashbook for GK development funds is maintained that provides amongst other details:</p> <ul style="list-style-type: none"> • The Project codes • The Project description and • The vendor to whom an amount relates to 	Resolved	Operationalized 2023

*Regional Mombasa Port Access Road Project
Annual Report and Financial Statements for the financial year ended June 30, 2023*

		From this single cashbook therefore, transactions for a particular project can be filtered through the Project Code and Project Description. Further, the Authority maintains one cashbook in line with the National Treasury's circular on rationalization of bank accounts by MDAs.	
--	--	---	--


Eng. Kungu Ndungu
Director General

20 SEP 2023
Date


Eng. Henry Gakuru ✓
Director-Development

20 SEP 2023
Date

Regional Mombasa Port Access Road Project

Annual Report and Financial Statements for the financial year ended June 30, 2023

Annex 2: Variance Explanations - Comparative Budget and Actual Amounts for FY 2021-2023


	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance
	a	b	c=a-b	d=b/a %	
Receipts					
Government of Kenya	57,500,000	41,741,647	15,758,353	73%	Full Exchequer not received
External financing	3,150,000,000	3,075,487,104	74,512,896	98%	
Total Receipts	3,207,500,000	3,117,228,751	90,271,249	97%	
Payments					
Purchase of goods and services	3,207,500,000	7,492,090	778,336,639	76%	Full Exchequer not received
Miscellaneous Payments		3,140			
Acquisition of non-financial assets		2,421,671,271			
Total Payments	3,207,500,000	2,429,166,501	778,336,639	76%	

*Regional Mombasa Port Access Road Project
Annual Report and Financial Statements for the financial year ended June 30, 2023*

Annex 3: Reconciliation of Inter-Entity Transfers

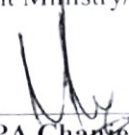
Project Name:		Regional Mombasa Port Access Road Project		
Break down of Transfers from the State Department of Roads				
a.	Government Counterpart Funding			
		<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>	<u>FY to which the amounts relate</u>
		30-Sep-22	7,500,000	FY 2022/23
	Total		7,500,000	
b.	Others			
			<u>Amount (Kshs)</u>	<u>FY to which the amounts relate</u>
	Annuity Fund	25-May-23	33,000,000.00	
			33,000,000.00	
	Total		40,500,000.00	

The above amounts have been communicated to and reconciled with the parent Ministry/ state department.


Eng. Kungu Ndungu
Director General

Date

26 SEP 2023


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

Date

26 SEP 2023

*Regional Mombasa Port Access Road Project
Annual Report and Financial Statements for the financial year ended June 30, 2023*

Annex 4: Analysis of Pending Bills

Supplier of Goods/Services	Date Contracted	Original Amount	Amount Paid To-Date	Outstanding Balance	Outstanding Balance	Comments
				2023	2022	
		a	b	c=a-c		
Sub-Total						
Consultancy Services						
		-	-	-	-	
Sub-total		-	-	-	-	
Civil Works						
The Third Engineering Bureau	01.05.2023	1,033,865,159	1,002,849,204	31,015,955	-	Advance
Sub-total		1,033,865,159	1,002,849,204	31,015,955	-	
Land Compensation		1,335,871,638	388,346,189	947,525,449	82,589,339	
Grand-Total		2,369,736,797	1,391,195,393	978,541,404	82,589,339	

*Regional Mombasa Port Access Road Project
Annual Report and Financial Statements for the financial year ended June 30, 2023*

Annex 5: Summary of Fixed Assets Register

Asset class	Opening Cost	Purchases/Additions in the Year	Disposals in the Year	Closing Cost
	(Kshs)	(KSh)	(Kshs)	(Kshs)
	2022/23	2022/23	2022/23	2023
	(a)	(b)	(c)	(d)= (a)+ (b)-(c)
Construction of Roads	447,937,184	2,421,671,271	-	2,869,608,455
Total	447,937,184	2,421,671,271	-	2,869,608,455

Annex 6: Other Support Documents

- i. Bank Reconciliations statement as at 30th June 2023
- ii. Special Deposit Account reconciliation statement



KENYA NATIONAL HIGHWAYS AUTHORITY

BANK RECONCILIATION STATEMENT AS AT 30TH JUNE 2023

ACCOUNT NO: 1005981577

ACCOUNT NAME: KENYA NATIONAL HIGHWAYS AUTHORITY-EIB

BANK & BRANCH: NCBA BANK-EIB

STATION: KenHA HEADQUARTERS

as at June 30, 2023

	Sh.	Sh.
Balance as per Bank Statement		688,054,340.25
Less		
1 Payments in Cashbook not yet recorded in Bank Statement (Unpresent Chqs)		
2 Receipt in the Bank statement Not in the Cashbook.		688,054,340.25
Add		
3 Payment in Bank Statement not yet recorded in cashbook		
4 Bank Charges		
5 Receipts in Cashbook not in bank statement		
Balance as per the reconciliation		688,054,340.25
Balance as per Cashbook		688,054,340.21

Deficit / Surplus (0.0)

Prepared By:

Signature

Senior Accountant
Designation

05/07/2023

Date

Checked By

Signature

Assistant Director - F&A
Designation

5/7/23

Date

Authorized By

Signature

Deputy Director - Finance & Accounts
Designation

6/7/23

Date

ACCOUNT NO: 1005981577

NOTE: JUNE 2023 RECONCILIATION

1. PAYMENT IN CASHBOOK NOT YET RECORDED IN THE BANK STATEMENT (UNPRESENTED CHEQUES)

Date	Cheque No.	Payee	Amount
------	------------	-------	--------

2. RECEIPTS IN BANK STATEMENT NOT YET RECORDED IN CASHBOOK

3. PAYMENT IN BANK STATEMENT BUT NOT YET RECORDED IN CASHBOOK

Date	Cheque No.	Payee	Amount
------	------------	-------	--------

4. RECEIPT IN THE CASHBOOK NOT YET RECORDED IN BANK STATEMENT



SK-EIB

7 July 2023
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Pse prepare
the Bank Releas
wz

KENYA NATIONAL HIGHWAYS AUTHORITY
BLUE SHIELD TWRS HOSPITAL HILU
Nairobi
00100
Kenya

Statement Period: 01062023 to 30062023
Customer Name: KENHA - MOMBASA - MARIAKANI
-KFW
Customer Number: 162599
Account Number: 1625990045 1005981577
Account Type: WORK PAY AS YOU GO CURRENT
Currency: Kenyan Shilling

Date	Transaction Details	Value Date	Debit	Credit	Balance
20062023	Inward Telex Payment	20062023		1,946,230,043.40	1,946,230,043.40
	KENYA NATIONAL HIGHWAYS AUTHORITY KENYA FT23171QRPDL				
21062023	Outward Telegraphic Trn Pymnt FT23172NPZT9	21062023	382,530,108.90		1,563,699,934.50
	THE THIRD ENGINEERING BUREAU OF KSHS PORTION OF ADVANCE PAYMENT				
21062023	Outward Telegraphic Trn Pymnt FT23172HK6LB	21062023	285,600,000.00		1,278,099,934.50
	THE THIRD ENGINEERING BUREAU USD PORTION OF ADVANCE PAYMENT OF				
21062023	KE Excise Duty	21062023	440.00		1,278,099,494.50
	CA.1625990045.0000001				
21062023	Chq Book Stamp Duty	21062023	500.00		1,278,098,994.50
	CA.1625990045.0000001				
21062023	Cheque Book Charges	21062023	2,200.00		1,278,096,794.50
	CA.1625990045.0000001				
22062023	Outward Telegraphic Trn Pymnt FT231732MR00	22062023	285,600,000.00		992,496,794.50
	THE THIRD ENGINEERING BUREAU TRANSFER				
23062023	Outward Telegraphic Trn Pymnt FT23174JY7YR	23062023	304,447,454.25		688,054,340.25
	THE THIRD ENGINEERING BUREAU KSH PORTION OF ADVANCE PAYMENT				



7 July 2023
0:0:24

STATEMENT OF ADVANCE PA
YMENT

Payments In	1,946,230,043.40
Payments Out	1,258,175,703.15
Available Balance	688,054,340.25
Closing Balance	688,054,340.25

General Ledger Cashbook

Kenya National Highways Authority

Period From : June 2023

Period To : June 2023

Cashbook

Page 1 of 1

<u>Date</u>	<u>Reference</u>	<u>Batch Ref</u>	<u>Description</u>	<u>Account Name</u>	<u>Reconciled</u>	<u>Debit</u>	<u>Credit</u>
Account: 1140000/1140168/600/00/300232/EIB/LREV							0.00
20/06/2023	PV 82276 CHQ. (JBR14688	Revenue Funds Kwa Jomvu-M		Y	1,946,230,043.40	
20/06/2023	PV 77984 Kshs	JBR14689	Kwa Jomvu Mariakani EIB -AC		Y		382,530,108.90
20/06/2023	PV 77983 usd	JBR14689	Kwa Jomvu Mariakani EIB -AC		Y		875,642,454.29
30/06/2023	Bank Statement	JBR14698	Bank Charges June,2023-NCE		Y		3,140.00
Closing Balance							<u>688,054,340.21</u>



7

**REGIONAL MOMBASA PORT ACCESS ROAD
STATEMENT OF SPECIAL (DESIGNATED) ACCOUNT RECONCILIATION
FOR THE YEAR ENDED 30TH JUNE 2023
PART B: ACCOUNT RECONCILIATION STATEMENT**

EIB LOAN No.2014-0546

Bank Account No.1000372028 Held with Central Bank of Kenya

	NOTES	AMOUNT EUR	AMOUNT EUR
1	Amount advanced by EIB		16,230,329.82
	Less		
2	Total amount justified to EIB		-
3	Outstanding amount advanced to Designated Account		16,230,329.82
	Represented by:		
4	Ending Designated Account Balance at 30.06.2023		3,072,329.82
5	Amount claimed but not credited at 30.06.2023		-
6	Amount withdrawn and not claimed as at 30.06.2023		13,158,000.00
7	Service charges (if not included in 5 & 6 above)		-
	Less		
8	Interest earning (if included in Designated Account)		-
9	Total advance to Designated Account year ended 30.06.2023		16,230,329.82

Discrepancy between total appearing on lines 3 and 9

-

Notes:

- 1 Explain the discrepancy between totals appearing on lines 3 and 9 above (e.g amount due to be refund ineligible expenditures paid from the Special/Designated Account)
- 2 Indicate if amount appearing on line 6 is eligible for financing by EIB and provide reasons for not claiming the expenditures



**AUTHORIZED REPRESENTATIVE
RESOURCES MOBILIZATION DEPARTMENT
THE NATIONAL TREASURY**

DATE: 24-08-2023

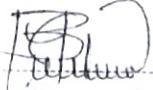
SPECIAL ACCOUNT STATEMENT

For period ending	30th JUNE, 2023
Account No.	1000372028
Depository Bank	CENTRAL BANK OF KENYA
Address	CBK
Related Loan	REGIONAL MOMBASA PORT ACCESS ROAD
Credit Agreement	
Currency	EUR

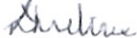
Part A - Account Activity

Beginning balance of 1st July, 2022 as per C. B. K. Ledger Account	0.00
Add:	
Total Amount deposited by World Bank	16,230,329.82
Total Interest earnings if deposited in account	
Total amount refunded to cover ineligible expenditure	
Deduct:	
Total amount withdrawn	13,158,000.00
Total service charges if not included above in amount withdrawn	
Ending balance on 30th June, 2023	3,072,329.82

AUTHORISED REPRESENTATIVE
CENTRAL BANK OF KENYA

SIGNATURE: 
DATE: 21.07.2023

AUTHORISED REPRESENTATIVE
EXTERNAL RESOURCES
DEPARTMENT-TREASURY

SIGNATURE: 
DATE: 24-08-2023

NOTE: The ending balance as per Central Bank of Kenya Ledger Account and the off-shore Special Account as at 30th June, 2023 have been reconciled and a copy of the supporting Reconciliation Statement is attached.

Run Date: 19/07/2023 Run Time: 13:20:03

STATEMENT OF ACCOUNT PAGE NO. 11

CENTRAL BANK OF KENYA

BANKI KICUKUNYA

PO BOX 60000-0200

NAIROBI

STATEMENT PERIOD: From 91/07/2022 To 30/06/2023

ACCOUNT NUMBER: 1000372028

ACCOUNT TITLE: REGIONAL MOMBASA PORT ACCESS ROAD

NO. DATE REFERENCE NO. DETAILS

NO. VALUE DATE REFERENCE NO. DETAILS DEBIT CREDIT

1 14/04/2023 FT231040KVVY6 FUNDING 0.00 16,230,329.82

2 02/06/2023 FT2315391466 PA129946 -13,158,000.00 0.00

Balance 3072329.82

16230329.82

CLOSING BALANCE: 3072329.82

END OF ACCOUNT STATEMENT

Favourites TAM.E.STMT.OF.ACCT.EPRM

Account equals 1000372028

Statement From equals 20220701

Statement To equals 20230630

TAM.E.STMT.OF.ACCT.EPRM

More Options

Clear Selection

Find

