


REPORT

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|  THE NATIONAL ASSEMBLY PAPERS LAID | |
| DATE: 03 FEB 2022 | DAY: <u>THUR</u> |
| TABLED BY: <u>WOT</u> | THE AUDITOR-GENERAL |
| CLERK-AT THE-TABLE: <u>Leah Wanjiru</u> | |

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ON

**MOMBASA-NAIROBI-ADDIS ABABA
ROAD CORRIDOR PROJECT PHASE II
(MARSABIT-TURBI ROAD)
ID NO. P-Z1-DBO-027**

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

KENYA NATIONAL HIGHWAYS AUTHORITY



**MINISTRY OF TRANSPORT, INFRASTRUCTURE, HOUSING, URBAN
DEVELOPMENT & PUBLIC WORKS**



Kenya National Highways Authority

Quality Highways, Better Connections

**MOMBASA – NAIROBI – ADDIS ABABA ROAD CORRIDOR PROJECT
PHASE II MARSABIT - TURBI**

KENYA NATIONAL HIGHWAYS AUTHORITY

LOAN No: 2100150020744

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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

| CONTENTS | PAGE |
|---|-------------|
| 1. PROJECT INFORMATION AND OVERALL PERFORMANCE | ii |
| 2. STATEMENT OF PERFORMANCE AGAINST PROJECT’S PREDETRMINED OBJECTIVES | vii |
| 3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING | viii |
| 4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES | x |
| 5. REPORT OF THE INDEPENDENT AUDITORS ON THE MOMBASA - NAIROBI - ADDIS ABABA ROAD CORRIDOR PROJECT PHASE II (MARSABIT - TURBI) | xi |
| 6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED 30TH JUNE 2021 | 1 |
| 7. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES AS AT 30TH JUNE 2021 | 2 |
| 8. STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2021 | 3 |
| 9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS | 4 |
| 10. NOTES TO THE FINANCIAL STATEMENTS | 5 |
| 11. OTHER IMPORTANT DISCLOSURES | 14 |
| 12. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS | 15 |
| 13. ANNEXES | 16 |

1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name: Mombasa – Nairobi – Addis Ababa Road Corridor Project Phase II (Marsabit – Turbi),

Objective: The Mombasa-Nairobi-Addis Ababa Road Corridor Project aims at promoting trade and regional integration between Ethiopia and Kenya by improving transport communications between the two countries.

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

Contacts: Director General
Kenya National Highways Authority
P.O. Box 49712-00100
Nairobi

Telephone: +254-20-495000

E-mail: dg@kenha.co.ke

Website: www.kenha.co.ke

1.2 Project Information

| | |
|---------------------|--------------------------------|
| Project Start Date: | 11 th December 2011 |
| Project End Date: | 30 th November 2017 |
| Project Manager: | Eng. D. S. Cherono |
| Project Sponsor: | African Development Fund |

1.3 Project Overview

| | |
|---|---|
| Line Ministry/State Department of the project | Ministry of Transport, Infrastructure, Housing, Urban Development, & Public Works |
| Project number | P – ZI – DBO - 027 |

| | |
|--|---|
| Strategic goals of the project | The expected outcomes of the project include reduced transport and shipping costs between Kenya and Ethiopia; reduced transit time for import and export goods; and increased volume of Ethiopian transit goods using the port of Mombasa. The development of the corridor will expand market sizes beyond national boundaries and foster a conducive and enabling environment for the private sector and for attracting foreign direct investments. In addition to enhancing trade and strengthening regional integration, the project will contribute to poverty reduction in both countries by increasing access to markets and social services for the surrounding areas, and communities, and by empowering women and other disadvantaged groups through adequate roadside socio-economic infrastructure and services. |
| Achievement of strategic goals | The project involves the construction to bitumen standard of 438 km road sections including 245 km Merille River-Marsabit-Turbi road section in Kenya and 193 km Ageremariam-Yabelo-Mega road section in Ethiopia. |
| Current situation that the project was formed to intervene | Ethiopia and Kenya share more than 1000 km of common border, and have a combined population of more than 100 million people. Yet, there is currently not a single all-weather road connecting the two countries. The main road connecting Addis Ababa to Nairobi has more than 700 km of missing links. The poor condition of the road represents a major constraint to trade between the two countries. The development of the Mombasa Nairobi- Addis Ababa transport corridor is warranted by the anticipated great trade potential between Kenya and Ethiopia and to a lesser extent between the Horn and East Africa countries to include Uganda, Tanzania, Eritrea, and Djibouti. The corridor will also serve as the most cost effective transit route to Mombasa Port for import/export goods to/from southern Ethiopia. |
| Project duration | The project started on 11 th December 2011 and is expected to run until 30 th June 2018 |

1.4 Bankers

NCBA Bank Limited
NIC House Branch
P.O. Box 44599
Nairobi

1.5 Auditors

Auditor General
Office of the Auditor General
P.O. Box 30084 - 00100 GPO
Nairobi

Reports and Financial Statements

For the financial year ended June 30, 2021

1.6 Roles and Responsibilities

| Names | Title designation | Key qualification | Responsibilities |
|-------------------|--|-------------------|---|
| Eng. D.A Muchilwa | Director Development | Qualified | Project Oversight |
| Eng. D. S. Cheron | Project Manager | Qualified | Project Manager |
| Mr. W. M. Barongo | Deputy Director Environment | Qualified | Project Environmental Specialist |
| Mr. R. Kilel | Assistant Director Supply Chain Management | Qualified | Project Procurement Specialist |
| Ms. R. Aloo | Senior Sociologist | Qualified | Project Sociologist |
| Mr. I. W. Kamotho | Assistant Director Finance & Accounts | Qualified | Project Financial Management Specialist |

1.7 Funding summary

The Project is for duration of 7 years from 2011 to 2018 with an approved budget of UA 125,000,000 equivalent to US\$ 165,324,525 equivalent to Kshs 17,830,250,000 as highlighted in the table below:

Below is the funding summary:

A. Source of funds

| Source of funds | Donor Commitment- | | Amount received to date – (30.06.2021) | | Undrawn balance to date (30.06.202) | |
|-------------------------------|--------------------|-----------------------|---|-----------------------|--|-----------|
| | UA | Kshs | UA | Kshs | UA | Kshs |
| | (A) | (A') | (B) | (B') | (A)-(B) | (A')-(B') |
| (i) Loan | | | | | | |
| African Development Bank | 125,000,000 | 17,985,375,000 | 94,060,091 | 13,533,648,013 | - | - |
| (ii) Counterpart funds | | | | | | |
| Government of Kenya | - | 650,162,579 | - | 650,162,579 | - | - |
| Total | 125,000,000 | 18,635,537,579 | 94,060,091 | 14,183,810,592 | - | - |

Reports and Financial Statements

For the financial year ended June 30, 2021

B. Application of funds

| Application of funds | Amount received to date – (30 th June 2021) | | Cumulative Amount paid to date – (30 th June 2021) | Unutilised balance to date (30 th June 2021) | |
|-----------------------------------|---|-----------------------|--|---|-------------------|
| | Donor currency (A) | Kshs (A') | | Donor currency (A)-(B) | Kshs (A')-(B') |
| (i) Loan | | | | | |
| African Development Bank | 94,060,091 | 13,533,648,013 | 13,533,648,013 | - | - |
| (ii) Counterpart funds | | | | | |
| Government of Kenya | - | 650,162,579 | 633,803,098 | - | 16,359,481 |
| Total | 94,060,091 | 14,183,810,592 | 14,167,451,111 | - | 16,359,481 |

*No unutilised balance from the Development Partner since the Financing agreement has lapsed.

1.8 Summary of Overall Project Performance:

Budget performance against actual amounts for current year and for cumulative to-date,

| Receipts/Payments Item | Final Budget c | Actual on Comparable Basis d | Variance e=c-d | % of Variance f=d/c % |
|--------------------------------------|-------------------|---------------------------------------|-------------------|-----------------------------|
| Receipts | | | | |
| Transfer from Government entities | 8,263,996 | 5,735,716 | 2,528,280 | 69% |
| Miscellaneous receipts | - | 129,750 | (129,750) | - |
| Total Receipts | 8,263,996 | 5,865,466 | 2,398,530 | 71% |

Mombasa – Nairobi – Addis Ababa Road Corridor Project Phase II (Marsabit – Turbi)

Reports and Financial Statements

For the financial year ended June 30, 2021

| | | | | |
|-------------------------------------|------------------|------------------|------------------|------------|
| Payments | | | | |
| Acquisition of non-financial assets | 8,263,996 | 5,735,716 | 2,528,280 | 69% |
| Total Payments | 8,263,996 | 5,735,716 | 2,528,280 | 69% |

*This project is completed and handed over to the Government, any payments hereto are for settlement of pending bills.

1.9 Summary of Project Compliance:

There are were no instances of non-compliance with applicable laws and regulations and essential external financing agreements/covenants

2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETRMINED OBJECTIVES

The key development objectives of the project are to:

- (i) Improve road transport services along the Nairobi-Thika corridor and enhance urban mobility within the metropolitan area by reducing traffic congestion.
- (ii) Contribute to the development of a sustainable urban public transit system for the Nairobi Metropolitan Area
- (iii) Promote private sector participation in the management, operation, and financing of road infrastructure in Kenya

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:

| Project | Objective | Outcome | Indicator | Performance |
|-------------------|--|---|--|--|
| Marsabit - Turbi. | To improve transport communications between Kenya and Ethiopia for the benefit of both countries and the region. | <p>Transport and logistics costs are reduced; transit and travel times are reduced</p> <p>Port of Mombasa becomes cost-effective alternative for Ethiopia's import/export shipping</p> <p>Technical and Operational Capacity of Kenya Road Agencies is strengthened</p> <p>Improved economic and social welfare of towns along the corridor</p> | <p>Transport and shipping costs</p> <p>Transit time for imports and exports</p> <p>Volume of transit goods to/from Ethiopia using the port of Mombasa</p> <p>Performance of Roads Agencies</p> <p>Average household income</p> | <p>Average travel time from Mombasa to Addis has been reduced</p> <p>Increased volume of transit goods to/from Ethiopia</p> <p>The corridor is already under Performance based maintenance contracts.</p> <p>Increased average household income across the corridor.</p> |

3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

1. Sustainability strategy and profile

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

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

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 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.

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

4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

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

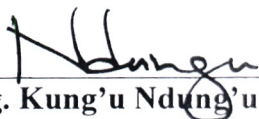
The Director General of Kenya National Highways Authority and the Project Management for Mombasa - Nairobi - Addis Ababa Road Corridor Project Phase II (Marsabit - Turbi) accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The Director General of Kenya National Highways Authority and the Project Management for Mombasa - Nairobi - Addis Ababa Road Corridor Project Phase II (Marsabit - Turbi) 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, 2021, and of the Project's financial position as at that date. The Director General of Kenya National Highways Authority and the Project Management for Mombasa - Nairobi - Addis Ababa Road Corridor Project Phase II (Marsabit - Turbi) 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.

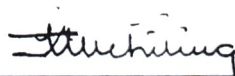
The Director General of Kenya National Highways Authority and the Project Management for Mombasa - Nairobi - Addis Ababa Road Corridor Project Phase II (Marsabit - Turbi) confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project financial statements

The Project financial statements were approved by the Director General of Kenya National Highways Authority and the Project Management for Mombasa - Nairobi - Addis Ababa Road Corridor Project Phase II (Marsabit - Turbi) on 17 AUG 2021 and signed by them.



Eng. Kung'u Ndung'u
Director General



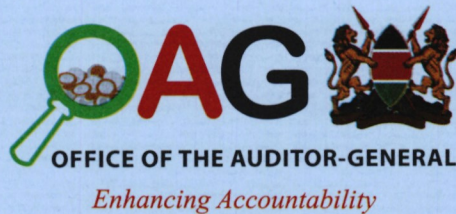
Eng. David A. Muchilwa
Director Development



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

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON MOMBASA-NAIROBI-ADDIS ABABA ROAD CORRIDOR PROJECT PHASE II (MARSABIT-TURBI ROAD) ID NO. P-Z1-DB0-027 FOR THE YEAR ENDED 30 JUNE, 2021 - KENYA NATIONAL HIGHWAYS AUTHORITY

PREAMBLE

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

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

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

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Mombasa-Nairobi-Addis Ababa Road Corridor Project Phase II (Marsabit-Turbi Road) set out on pages 1 to 15, which comprise the statement of financial assets and liabilities as at 30 June, 2021, and the statement of receipts and payments, statement of cash flows, statement of comparative budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect 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 Mombasa-Nairobi-Addis Ababa Road Corridor Project Phase II (Marsabit-Turbi Road) as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Loan Agreement No.2100150020744 dated 11 December, 2009 between the African Development Fund (ADF) and the Republic of Kenya and the Public Finance Management Act, 2012.

In addition, the special account statement presents fairly the special account transactions and the closing balance has been reconciled with the books of account.

Basis for Qualified Opinion

Cash and Cash Equivalents

The statement of financial assets and liabilities reflects a bank balance of Kshs.3,090,827 as at 30 June, 2021. As disclosed at Note 10.9A to the financial statements, the balance was held at NIC Bank Account No.1000015004. However, Management did not provide bank reconciliation statement and the cashbook to support the balance.

In the circumstances, it was not possible to confirm that cash and cash equivalents balance of Kshs.3,090,827 as at 30 June, 2021 was fairly stated.

Basis for Conclusion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Mombasa-Nairobi-Addis Ababa Road Corridor Project Phase II (Marsabit-Turbi Road) 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.

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

Pending Bills

As disclosed under Note 11 and Annex 3A, the financial statements disclose pending bills balances of Kshs.62,165,683 against a bank balance of Kshs.3,090,827 as at 30 June, 2021. Management has not explained how these bills will be cleared since the Project has closed and may not attract further funding from the Development partner or the Kenya Government.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis of Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis of Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by African Development Fund (ADF), I report based on my audit, that:

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. In my opinion, adequate accounting records have been kept by the Project, so far as appears from the examination of those records; and
- iii. The Project's financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions

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

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

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

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


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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease to continue to sustain its services.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

21 December, 2021

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

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

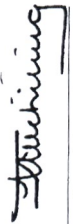
| | Note | 2020/21 | | | 2019/20 | | | Cumulative to-date KShs |
|---|------|--|--|------------------------|--|--|------------------------|----------------------------|
| | | Receipts and payments controlled by the entity KShs | Payments made by third parties KShs | Total Payments KShs | Receipts and payments controlled by the entity KShs | Payments made by third parties KShs | Total Payments KShs | |
| RECEIPTS | | | | | | | | |
| Transfer from Government entities | 10.3 | 5,735,716 | - | 5,735,716 | 9,065,133 | - | 9,065,133 | 650,162,579 |
| Loan from external development partners | 10.4 | - | - | - | - | - | - | 13,533,648,013 |
| Miscellaneous receipts | 10.5 | 129,750 | - | 129,750 | 123,325 | - | 123,325 | 2,139,829 |
| TOTAL RECEIPTS | | 5,865,466 | - | 5,865,466 | 9,188,458 | - | 9,188,458 | 14,185,950,421 |
| PAYMENTS | | | | | | | | |
| Purchase of goods and services | 10.6 | - | - | - | - | - | - | 111,245,991 |
| Acquisition of non-financial assets | 10.7 | 5,735,716 | - | 5,735,716 | 21,114,676 | - | 21,114,676 | 14,056,205,120 |
| Miscellaneous payments | 10.8 | - | - | - | - | - | - | 15,408,483 |
| TOTAL PAYMENTS | | 5,735,716 | - | 5,735,716 | 21,114,676 | - | 21,114,676 | 14,182,859,594 |
| SURPLUS/ DEFICIT | | 129,750 | - | 129,750 | (11,926,218) | - | (11,926,218) | 3,090,827 |

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


Eng. Kung'u Ndung'u
Director General


17 AUG 2021

Date:


Eng. David A. Muchilwa
Director Development

17 AUG 2021

Date:


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

17 AUG 2021

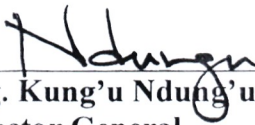
Date:

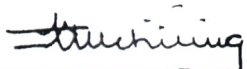
Reports and Financial Statements
For the financial year ended June 30, 2021

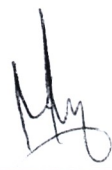
7. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES AS AT 30TH JUNE 2021

| | Note | 2021 Kshs | 2020 Kshs (Restated) |
|----------------------------------|-------|------------------|----------------------------|
| FINANCIAL ASSETS | | | |
| Cash and Cash Equivalents | | | |
| Bank Balances | 10.9A | 3,090,827 | 2,961,077 |
| TOTAL FINANCIAL ASSETS | | 3,090,827 | 2,961,077 |
| FINANCIAL LIABILITIES | | | |
| NET ASSETS | | 3,090,827 | 2,961,077 |
| REPRESENTED BY: | | | |
| Fund balance b/fwd | | 2,961,077 | 14,887,295 |
| Prior year adjustment | | - | - |
| Surplus/Deficit for the year | | 129,750 | (11,926,218) |
| NET FINANCIAL POSITION | | 3,090,827 | 2,961,077 |

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


Eng. Kung'u Ndung'u
Director General


Eng. David A. Muchilwa
Director Development

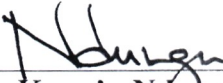

CPA Chanje Kera
Deputy Director (F&A)
ICPAK Member No. 8279

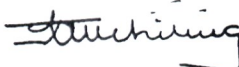
Reports and Financial Statements
For the financial year ended June 30, 2021


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

| | NOTES | 2021 Kshs | 2020 Kshs |
|--|-------|--------------------|---------------------|
| Receipts for operating income | | | |
| Transfer from Government entities | 10.3 | 5,735,716 | 9,065,133 |
| Miscellaneous receipts | 10.5 | 129,750 | 123,325 |
| Payments for operating expenses | | | |
| Purchase of goods and services | | - | - |
| Miscellaneous payments | | - | - |
| Net cash flow from operating activities | | 5,865,466 | 9,188,458 |
| CASHFLOW FROM INVESTING ACTIVITIES | | | |
| Acquisition of Assets | 10.7 | (5,735,716) | (21,114,676) |
| Net cash flows from Investing Activities | | (5,735,716) | (21,114,676) |
| CASHFLOW FROM BORROWING ACTIVITIES | | | |
| Proceeds from Foreign Borrowings | | - | - |
| Net cash flow from financing activities | | - | - |
| NET INCREASE IN CASH AND CASH EQUIVALENT | | 129,750 | (11,926,218) |
| Cash and cash equivalent at BEGINNING of the year | | 2,961,077 | 14,887,295 |
| Cash and cash equivalent at END of the year | | 3,090,827 | 2,961,077 |

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


Eng. Kung'u Ndung'u
Director General


Eng. David A. Muchilwa
Director Development

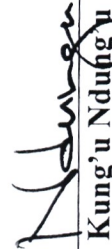

CPA Chanje Kera
Deputy Director (F&A)
ICPAK Member No. 8279

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

9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS


| Receipts/Payments Item | Original Budget | Adjustments | Final Budget | Actual on Comparable Basis | Budget Utilization Difference | % of Utilization |
|-------------------------------------|-------------------|--------------------|------------------|----------------------------|-------------------------------|------------------|
| | a | b | c=a+b | d | e=c-d | f=d/c % |
| Receipts | | | | | | |
| Transfer from Government entities | 10,000,000 | (1,736,004) | 8,263,996 | 5,735,716 | 2,528,280 | 69% |
| Miscellaneous receipts | - | - | - | 129,750 | (129,750) | - |
| Total Receipts | 10,000,000 | (1,736,004) | 8,263,996 | 5,865,466 | 2,398,530 | 71% |
| Payments | | | | | | |
| Acquisition of non-financial assets | 10,000,000 | (1,736,004) | 8,263,996 | 5,735,716 | 2,528,280 | 69% |
| Total Payments | 10,000,000 | (1,736,004) | 8,263,996 | 5,735,716 | 2,528,280 | 69% |

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


Eng. Kung'u Nduung'u
Director General


17 AUG 2021

Date


Eng. David A. Muchilwa
Director Development

17 AUG 2021

Date


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

17 AUG 2021

Date

10. NOTES TO THE FINANCIAL STATEMENTS

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

10.1 Basis of Preparation

10.1.1 Statement of compliance and basis of preparation

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

The financial statements comply with and conform to the form of presentation prescribed by the PSASB.

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

10.1.2 Reporting entity

The financial statements are for the Mombasa – Nairobi – Addis Ababa Road Corridor Project Phase II (Marsabit – Turbi) under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012 .

10.1.3 Reporting currency

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

10.2 Significant Accounting Policies

a) Recognition of receipts

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

- **Transfers from the Exchequer**

Transfer from Exchequer is 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.

- **External Assistance**

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

Reports and Financial Statements

For the financial year ended June 30, 2021

SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Proceeds from borrowing

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

Undrawn external assistance

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

• **Other receipts**

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

b) Recognition of payments

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

• **Compensation of employees**

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

• **Use of goods and services**

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

• **Interest on borrowing**

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

• **Acquisition of fixed assets**

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

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

c) 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.

d) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

Restriction on cash

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Accounts receivable

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

f) 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.

g) 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.

h) Third party payments

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

During the year **No** disbursements were received in form of direct payments from third parties.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) 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.

j) Comparative figures

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

k) Subsequent events

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

l) Errors

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

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

10.3 RECEIPTS FROM GOVERNMENT OF KENYA

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

| | 2020/21 Kshs | 2019/20 Kshs | Cumulative to-date |
|---|------------------|------------------|-----------------------|
| <i>Counterpart funding through Ministry of Transport & Infrastructure</i> | | | |
| Counterpart funds Quarter 1 | 2,500,000 | - | 321,317,252 |
| Counterpart funds Quarter 2 | 2,500,000 | - | 53,124,663 |
| Counterpart funds Quarter 3 | - | 2,068,440 | 75,723,475 |
| Counterpart funds Quarter 4 | 735,716 | 6,996,693 | 199,997,189 |
| | <u>5,735,716</u> | <u>9,065,133</u> | <u>650,162,579</u> |

10.4 LOAN FROM EXTERNAL DEVELOPMENT PARTNERS

This Financing agreement has lapsed hence no financing from Development Partners in form of loans negotiated by the National Treasury donors is expected. However cumulatively Kshs 13,533,648,013 has been received.

10.5 MISCELLANEOUS RECEIPTS

| | FY 2020/21 Kshs | FY 2019/20 Kshs | Cumulative Kshs |
|-----------------|--------------------|--------------------|--------------------|
| Interest income | 129,750 | 123,325 | 2,139,829 |
| | <u>129,750</u> | <u>123,325</u> | <u>2,139,829</u> |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10.6 PURCHASE OF GOODS AND SERVICES

| | FY 2020/21 | | | FY 2019/20 | Cumulative |
|---|-------------------------------------|--------------------------------|----------------|----------------|-------------|
| | Payments made by the Entity in cash | Payments made by third parties | Total Payments | Total Payments | |
| | Kshs | Kshs | Kshs | Kshs | |
| Domestic travel and subsistence | - | - | - | - | 32,784,727 |
| Foreign travel and subsistence | - | - | - | - | 20,812,586 |
| Printing, advertising and – information supplies & services | - | - | - | - | 4,424,028 |
| Training expenses | - | - | - | - | 34,509,406 |
| Hospitality supplies and services | - | - | - | - | 18,715,244 |
| | - | - | - | - | 111,245,991 |
| | ===== | ===== | ===== | ===== | ===== |

10.7 ACQUISITION OF NON-FINANCIAL ASSETS

| | FY 2020/21 | | | FY 2019/20 | Cumulative to-date |
|--|-------------------------------------|--------------------------------|----------------|----------------|--------------------|
| | Payments made by the Entity in cash | Payments made by third parties | Total Payments | Total Payments | |
| | Kshs | Kshs | Kshs | Kshs | |
| Construction of road | 5,735,716 | - | 5,735,716 | 17,928,484 | 12,980,607,818 |
| Construction of civil works | - | - | - | - | 80,716,570 |
| Research, studies, project preparation, design & supervision | - | - | - | 3,008,640 | 829,448,461 |
| Acquisition of land | - | - | - | - | 44,892,135 |
| Purchase of Equipment & Machinery | - | - | - | 177,552 | 65,323,403 |
| Intangibles | - | - | - | - | 55,216,733 |
| | 5,735,716 | - | 5,735,716 | 21,114,676 | 14,056,205,120 |
| | ===== | ===== | ===== | ===== | ===== |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10.8 MISCELLANEOUS PAYMENTS

| | | | FY 2020/21 | FY 2019/20 | Cumulative |
|-----------------|---|--------------------------------------|-------------------|------------|-------------------|
| | Payments made by the Entity in cash | Payments made by third parties | Total Payments | Kshs | Kshs |
| | Kshs | | | Kshs | Kshs |
| Finance charges | - | - | - | - | 401,288 |
| Refund to AfDB* | - | - | - | - | 15,007,195 |
| | | | | | |
| | - | - | - | - | 15,408,483 |
| | ===== | ===== | ===== | ===== | ===== |

* Amounts relate to refund to Development Partner of unspent cash balances held by the project

10.9 CASH AND CASH EQUIVALENTS C/FWD

| | 2020/21 | 2019/20 |
|----------------------------|------------------|------------------|
| | Kshs | Kshs |
| Bank accounts (Note 10.9A) | 3,090,827 | 2,961,077 |
| | <u>3,090,827</u> | <u>2,961,077</u> |
| | ===== | ===== |

10.9A Bank Accounts

| | 2020/21 | 2019/20 |
|--|------------------|------------------|
| | Kshs | Kshs |
| Bank Accounts | | |
| <u>Local Currency Accounts</u> | | |
| NIC Bank Ltd [A/c No. 1000015004] | 3,090,827 | 2,961,077 |
| National Bank of Kenya – Retention A/c | - | - |
| Total local currency balances | <u>3,090,827</u> | <u>2,961,077</u> |
| Total bank account balances | <u>3,090,827</u> | <u>2,961,077</u> |
| | ===== | ===== |

Reports and Financial Statements

For the financial year ended June 30, 2021

Special Deposit Accounts

The balances in the Project's Special Deposit Account as at 30th June 2021 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 received in the year under the Statement of Receipts and Payments.

Special Deposit Accounts Movement Schedule

| | 2020/21 | 2019/20 |
|---|------------------|------------------|
| | KShs | KShs |
| MOMBASA-NAIROBI-ADDIS ABABA ROAD PROJECT – ADF LOAN NO. 2100150020744 – ACCOUNT NO 1000023058 NIC BANK | | |
| Opening balance | 67 | 67 |
| Total amount deposited in the account | - | - |
| Total amount withdrawn (as per Statement of Receipts & Payments) | - | - |
| | | |
| Closing balance (as per SDA bank account reconciliation attached) | <u>67</u> | <u>67</u> |

The Special Deposit Account reconciliation statement has been attached as *Appendix I* support these closing balances.

10.10 ACCOUNTS PAYABLES

The project was not holding any amounts in relation to retention payables (2019/20 – Nil)

11. OTHER IMPORTANT DISCLOSURES

1. PENDING ACCOUNTS PAYABLES (ANNEX 3A)


| | Balance b/f FY 2020/2021 | Additions for the period | Paid during the year | Balance c/f FY 2020/2021 |
|-----------------------------|-------------------------------------|-------------------------------------|---------------------------------|---|
| Description | Kshs | Kshs | Kshs | Kshs |
| Construction of civil works | 67,901,399 | - | 5,735,716 | 62,165,683 |
| Consultancy services | - | - | - | - |
| Supply of equipment | - | - | - | - |
| Total | 67,901,399 | - | 5,735,716 | 62,165,683 |

Mombasa – Nairobi – Addis Ababa Road Corridor Project Phase II (Marsabit – Turbi)

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


12. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

| Reference No. on the external audit Report | | | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|--|--|---|
| | The financial statements discloses pending bills balance of Kshs 67,901,399 against a bank balance of Kshs 2,961,077. Management has not explained how these bills will be cleared since the project has already closed and may not attract any further funding from Development Partner or the GoK. | We agree with this observation; however it is critical to note that it is the Authority that contracts service providers to the project and therefore bound by the provisions of the contract. In the event that the credit is exhausted, it is the Government that remains with the residual responsibility of ensuring the project is delivered to the public. As such budgetary provisions are made to avail exchequer to ensure that the project is delivered as envisioned. | On-going |
| | | DD(F&A) | Continuous |


Eng. Kung'u Ndung'u
 Director General

17 AUG 2021

Date


Eng. David A. Muchilwa
 Director Development

17 AUG 2021

Date

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

13. ANNEXES

ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

| Receipts/Payments Item | Final Budget c | Actual on Comparable Basis d | Budget Utilization Difference e=c-d | % of Utilization f=d/c % |
|-------------------------------------|-------------------|---------------------------------------|--|--------------------------------|
| Receipts | | | | |
| Transfer from Government entities | 8,263,996 | 5,735,716 | 2,528,280 | 69% |
| Miscellaneous receipts | - | 129,750 | (129,750) | - |
| Total Receipts | 8,263,996 | 5,865,466 | 2,398,530 | 71% |
| Payments | | | | |
| Acquisition of non-financial assets | 8,263,996 | 5,735,716 | 2,528,280 | 69% |
| Total Payments | 8,263,996 | 5,735,716 | 2,528,280 | 69% |


This under-utilisation of the budget is due to the fact that the project is completed, and any allocations are to cater for final pending bills.

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

ANNEX 2: RECONCILIATION OF INTER-ENTITY TRANSFERS


| a. | Government Counterpart Funding | Bank Statement Date | Amount (KShs) | Indicate the FY to which the amounts relate |
|----|--------------------------------|---------------------|------------------|---|
| | | | | FY 2020/21 |
| | Qtr 1 | 31.08.2020 | 2,500,000 | FY 2020/21 |
| | Qtr 2 | 23.09.2020 | 2,500,000 | FY 2020/21 |
| | Qtr 4 | 23.04.2021 | 735,716 | FY 2020/21 |
| | | Total | 5,735,716 | |

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


Eng. Kung'u Ndung'u
Director General

17 AUG 2021

Date


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

17 AUG 2021

Date

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

ANNEX 3A - ANALYSIS OF PENDING BILLS

| Supplier of Goods or Services | Original Amount | Date Contracted | Amount Paid To-Date | Outstanding Balance | | Comments IPC No |
|-------------------------------|--------------------|-----------------|---------------------|---------------------|-------------------|-----------------|
| | | | | 2021 | 2020 | |
| | a | b | c | d=a-c | | |
| Construction of civil works | | | | | | |
| JIANGXI ZHONGMEI ENG.CO.LTD | 4,497,967 | 16-Oct-12 | 134,938 | 4,363,029 | 4,363,029 | 8 |
| JIANGXI ZHONGMEI ENG.CO.LTD | 13,087,873 | 01-Nov-14 | 392,636 | 12,695,237 | 12,695,237 | 29 |
| JIANGXI ZHONGMEI ENG.CO.LTD | 18,775,310 | 03-Oct-13 | 563,260 | 18,212,050 | 18,212,050 | 17 |
| JIANGXI ZHONGMEI ENG.CO.LTD | 26,895,367 | 18-May-15 | - | 26,895,367 | 26,895,367 | 38 |
| JIANGXI ZHONGMEI ENG.CO.LTD | 433,482,211 | 19-Oct-17 | 433,482,211 | - | 5,735,716 | 47 |
| | 496,738,728 | | 434,573,045 | 62,165,683 | 67,901,399 | |
| Consultancy Services | | | | | | |
| | - | | - | - | - | |
| Grand Total | 496,738,728 | | 434,573,045 | 62,165,683 | 67,901,399 | |

ANNEX 3 – SUMMARY OF FIXED ASSET REGISTER

| Asset class | Opening Cost (KShs) 2020/21 | Purchases/Additions in the Year (KShs) | Disposals in the Year (KShs) | Closing Cost (KShs) 2020/21 |
|-------------------------------|-----------------------------------|--|------------------------------------|-----------------------------------|
| | (a) | (b) | (c) | (d)= (a)+ (b)-(c) |
| Road Assets | 13,804,320,563 | 5,735,716 | - | 13,810,056,279 |
| Land | 44,892,135 | - | - | 44,892,135 |
| Buildings and structures | 80,716,570 | - | - | 80,716,570 |
| Other Machinery and Equipment | 65,323,403 | - | - | 65,323,403 |
| Intangible assets | 55,216,733 | - | - | 55,216,733 |
| Total | 14,050,469,404 | 5,735,716 | - | 14,056,205,120 |