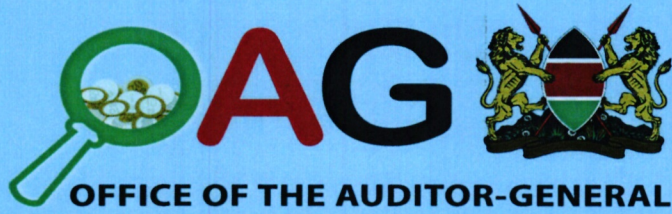


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*Enhancing Accountability*



**REPORT**

THE NATIONAL ASSEMBLY  
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| TABLED BY:          | C.O.M         |
| CLERK-AT THE-TABLE: | Susan Maritim |

**THE AUDITOR-GENERAL**

**ON**

**MOMBASA PORT AREA ROAD  
DEVELOPMENT PROJECT  
(LOAN AGREEMENTS NOS.KE-P29  
AND KE-P32)**

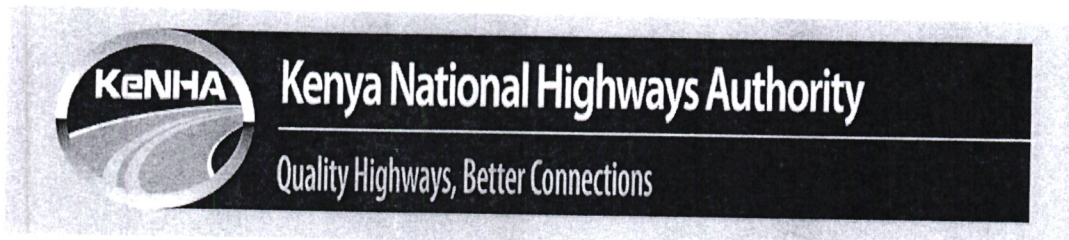
**FOR THE YEAR ENDED  
30 JUNE, 2020**

**KENYA NATIONAL HIGHWAYS  
AUTHORITY**





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



**PROJECT NAME: MOMBASA PORT AREA ROAD DEVELOPMENT PROJECT**

**IMPLEMENTING ENTITY: KENYA NATIONAL HIGHWAYS AUTHORITY**

**PROJECT LOAN NUMBER: KE – P29 & KE – P32**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2020**

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

**MOMBASA PORT AREA ROAD DEVELOPMENT PROJECT**  
**JICA LOAN NO.KE – P29 & KE – P32**

**Reports and Financial Statements**  
**For the financial year ended June 30, 2020**

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**MOMBASA PORT AREA ROAD DEVELOPMENT PROJECT**  
**JICA LOAN NO.KE – P29 & KE – P32**

*Reports and Financial Statements*  
*For the financial year ended June 30, 2020*

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**1. PROJECT INFORMATION AND OVERALL PERFORMANCE**

**1.1 Name and registered office**

**Name:** Mombasa Port Area Road Development Project

**Objective:**

Mombasa is the main seaport on Kenya's Indian Ocean Coast and serves Kenya, Uganda, South Sudan, Eastern Democratic Republic of Congo, Rwanda, Burundi and Northern Tanzania hence it was necessary for the development of the project due to the following:-

Economic development in the area served by Mombasa Port has generated rapid increase in the demand for port services. In this regard, there was a major initiative to construct a new Kipevu Container Terminal with development cooperation from JICA. However, the road access to the Kipevu area currently has insufficient capacity and the government has decided to prioritize construction of a new high capacity road link to connect the New Kipevu Container Terminal to the National Highway network. This new road will link the new terminal to the National Highway network.

Mombasa is an island and currently does not have tarmac cross over road between the island and the mainland to the south hence vehicle movement between Mombasa and South Coast pass through the use of ferry services or alternatively a lengthy gravel road. The construction of the road will be part of the proposed Mombasa Port Area Road Development Project.

The project is split into the following three (3) packages:-

Package 1 – From Miritini Jct. to Mwache Jct. and Kipevu Link Road (9.5 Kms) – 4 lanes

Package 2 – From Mwache Jct. to Mteza 9 including Mteza Bridge (8.4 Kms) – 2 lanes. Mwache Bridge (900m). Mteza Bridge (1,450m). Pile – Slab type viaduct (1,300m)

Package 3 – From Mteza (Excluding Mteza Bridge) to Kibundani Jct. (7.8 Kms) – 2 lanes

**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

**MOMBASA PORT AREA ROAD DEVELOPMENT PROJECT**  
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**1.2 Project Information**

|                     |   |
|---------------------|---|
| Project Start Date: | 2 <sup>nd</sup> June, 2012                    |
| Project End Date:   | 2 <sup>nd</sup> June, 2022                    |
| Project Coordinator | Eng. David A. Muchilwa                        |
| Project Manager     | Eng. Samuel O. Ogege                          |
| Project Sponsor:    | Japan International Cooperation Agency (JICA) |

**1.3 Project Overview**

| Line Ministry/State Department of the project         | The project is under the supervision of the Ministry of Transport, Infrastructure, Housing, Urban Development & Public Works   |                       |               |  |                      |  |  |           |                       |            |  |   |              |              |                |  |  |  |  |    |        |        |                      |     |       |       |             |   |       |       |              |  |               |               |
|---|--|-----------------------|---------------|--|----------------------|--|--|-----------|-----------------------|------------|--|---|--------------|--------------|----------------|--|--|--|--|----|--------|--------|----------------------|-----|-------|-------|-------------|---|-------|-------|--------------|--|---------------|---------------|
| Project number  | KE-P9 & KE-P32   |                       |               |  |                      |  |  |           |                       |            |  |   |              |              |                |  |  |  |  |    |        |        |                      |     |       |       |             |   |       |       |              |  |               |               |
| Strategic goals of the project                        | <p>The project management aims to achieve the goals through the following means:</p> <ul style="list-style-type: none"> <li>(i) Increase efficiency of road transport along the Coast Region and neighbouring countries to facilitate trade and regional integration</li> <li>(ii) Promote private sector participation in the management, financing and maintenance of road assets</li> <li>(iii) Reduce transit time and costs incurred in cross-border movement.</li> </ul>   |                       |               |  |                      |  |  |           |                       |            |  |   |              |              |                |  |  |  |  |    |        |        |                      |     |       |       |             |   |       |       |              |  |               |               |
| Achievement of strategic goals                        | Implementation of the project in timely, efficient and effective manner.   |                       |               |  |                      |  |  |           |                       |            |  |   |              |              |                |  |  |  |  |    |        |        |                      |     |       |       |             |   |       |       |              |  |               |               |
| Other important background information of the project | <p><b>PROJECT COMPONENTS AND COSTS</b><br/> The following components of the project are being implemented by KeNHA</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="2"></th> <th colspan="3" style="text-align: center;">Million Japanese Yen</th> </tr> <tr> <th style="text-align: center;">Base Rate</th> <th style="text-align: center;">Foreign Exchange Cost</th> <th style="text-align: center;">Total Cost</th> </tr> <tr> <th></th> <th style="text-align: center;">%</th> <th style="text-align: center;">JPY '000,000</th> <th style="text-align: center;">JPY '000,000</th> </tr> </thead> <tbody> <tr> <td>A. Civil Works</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Mombasa Port Area Road Development Project</td> <td style="text-align: center;">80</td> <td style="text-align: right;">21,678</td> <td style="text-align: right;">21,678</td> </tr> <tr> <td>Consultancy Services</td> <td style="text-align: center;">100</td> <td style="text-align: right;">3,845</td> <td style="text-align: right;">3,845</td> </tr> <tr> <td>Contingency</td> <td style="text-align: center;">-</td> <td style="text-align: right;">2,168</td> <td style="text-align: right;">2,168</td> </tr> <tr> <td><b>Total</b></td> <td></td> <td style="text-align: right;"><b>27,691</b></td> <td style="text-align: right;"><b>27,691</b></td> </tr> </tbody> </table> |                       |               |  | Million Japanese Yen |  |  | Base Rate | Foreign Exchange Cost | Total Cost |  | % | JPY '000,000 | JPY '000,000 | A. Civil Works |  |  |  | Mombasa Port Area Road Development Project | 80 | 21,678 | 21,678 | Consultancy Services | 100 | 3,845 | 3,845 | Contingency | - | 2,168 | 2,168 | <b>Total</b> |  | <b>27,691</b> | <b>27,691</b> |
|   | Million Japanese Yen   |                       |               |  |                      |  |  |           |                       |            |  |   |              |              |                |  |  |  |  |    |        |        |                      |     |       |       |             |   |       |       |              |  |               |               |
|   | Base Rate  | Foreign Exchange Cost | Total Cost    |  |                      |  |  |           |                       |            |  |   |              |              |                |  |  |  |  |    |        |        |                      |     |       |       |             |   |       |       |              |  |               |               |
|   | %  | JPY '000,000          | JPY '000,000  |  |                      |  |  |           |                       |            |  |   |              |              |                |  |  |  |  |    |        |        |                      |     |       |       |             |   |       |       |              |  |               |               |
| A. Civil Works  |  |                       |               |  |                      |  |  |           |                       |            |  |   |              |              |                |  |  |  |  |    |        |        |                      |     |       |       |             |   |       |       |              |  |               |               |
| Mombasa Port Area Road Development Project            | 80   | 21,678                | 21,678        |  |                      |  |  |           |                       |            |  |   |              |              |                |  |  |  |  |    |        |        |                      |     |       |       |             |   |       |       |              |  |               |               |
| Consultancy Services                                  | 100  | 3,845                 | 3,845         |  |                      |  |  |           |                       |            |  |   |              |              |                |  |  |  |  |    |        |        |                      |     |       |       |             |   |       |       |              |  |               |               |
| Contingency   | -  | 2,168                 | 2,168         |  |                      |  |  |           |                       |            |  |   |              |              |                |  |  |  |  |    |        |        |                      |     |       |       |             |   |       |       |              |  |               |               |
| <b>Total</b>  |  | <b>27,691</b>         | <b>27,691</b> |  |                      |  |  |           |                       |            |  |   |              |              |                |  |  |  |  |    |        |        |                      |     |       |       |             |   |       |       |              |  |               |               |

**MOMBASA PORT AREA ROAD DEVELOPMENT PROJECT**  
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**1.4 Bankers**                    Co-operative Bank of Kenya  
    Upper Hill Branch  
    Po Box  
    Nairobi, Kenya  
    Account No.01141160979900

**1.5 Auditors**                   Auditor General  
    Office of the Auditor General  
    Po Box 30084-0100  
    Nairobi, Kenya

**1.6 Roles and Responsibilities**

List of the people who are working on the project.

| <b>Names</b>            | <b>Title Designation</b>                      | <b>Key Qualification</b> | <b>Responsibilities</b>               |
|-------------------------|---|--------------------------|---------------------------------------|
| Eng. David A. Muchilwa  | Director-Development                          | Qualified                | Senior Technical Advisor to the PIU   |
| Eng. Samuel O. Ogege    | Deputy Director-Special Projects              | Qualified                | PIU Team Leader / Manager             |
| Mr. Isaac Kamotho       | Assistant Director-Finance & Accounts         | Qualified                | Project Financial Specialist          |
| Mr. Richard Kilel       | Assistant Director-Supply Chain Managemnet    | Qualified                | Project Procurement Specialist        |
| Ms. Norah Odingo        | Deputy Director-Legal Services                | Qualified                | Project Legal Specialist              |
| Mr. Walter B. Nyatwanga | Deputy Director-Environment & Social Interest | Qualified                | Project Safeguards Specialist         |
| Ms. Rose Oloo           | Assistant Director-Social Interests           | Qualified                | Project Social Development Specialist |

**MOMBASA PORT AREA ROAD DEVELOPMENT PROJECT**  
**JICA LOAN NO.KE – P29 & KE – P32**  
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**For the financial year ended June 30, 2020**

**1.7 Funding summary**

The Project is for duration of Ten Years from 2<sup>nd</sup> June, 2012 to 2<sup>nd</sup> June, 2022 with an approved budget of JPY 40,157,000,000 equivalent to Kshs. 32,034,483,767 as highlighted in the table below:

| Source of funds                               | Donor Commitment-     |                       | Amount received to date – (30.06.2020) |                       | Undrawn balance to date (30.06.2020) |                       |
|---|-----------------------|-----------------------|--|-----------------------|--------------------------------------|-----------------------|
|   | Donor currency(JPY)   | Kshs                  | Donor currency(JPY)                    | Kshs                  | Donor currency                       | Kshs                  |
|   | (A)                   | (A')                  | (B)                                    | (B')                  | (A)-(B)                              | (A')-(B')             |
| <b>(i) Loan</b>                               |                       |                       |  |                       |                                      |                       |
| Japan International Corporation Agency (JICA) | 40,157,000,000        | 32,034,483,767        | 15,701,841,210                         | 12,525,845,490        | 24,455,158,790                       | 19,508,638,277        |
| <b>(ii) Counterpart funds</b>                 |                       |                       |  |                       |                                      |                       |
| Government of Kenya                           | -                     | 6,402,773,121         | -                                      | 6,402,773,121         | -                                    | -                     |
| <b>Total</b>                                  | <b>40,157,000,000</b> | <b>38,437,256,888</b> | <b>15,701,841,210</b>                  | <b>18,928,618,611</b> | <b>24,455,158,790</b>                | <b>19,508,638,277</b> |

**1.8 Summary of Overall Project Performance:**

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

| Budget                                | FY 2019/2020         |                      |            |
|---------------------------------------|----------------------|----------------------|------------|
|                                       | Actual               | Budget               | Percentage |
| <b>Counterpart Funds - GoK</b>        | 994,997,963          | 1,450,180,189        | 69%        |
| <b>Loan from Development Partners</b> |                      |                      |            |
| Direct Payments                       | 2,713,215,144        | 2,601,013,322        | 104%       |
| Revenue                               | -                    | 50,000,000           | -          |
| <b>TOTAL</b>                          | <b>3,708,213,107</b> | <b>4,101,193,511</b> | <b>90%</b> |

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

**Package 1**

The physical progress as at 30<sup>th</sup> June, 2020 is 100% against percentage of time elapsed of 100%

**Package 2**

The actual physical progress as at 30<sup>th</sup> June, 2020 is 4% against percentage of time elapsed of 8%

*MOMBASA PORT AREA ROAD DEVELOPMENT PROJECT  
JICA LOAN NO.KE – P29 & KE – P32  
Reports and Financial Statements  
For the financial year ended June 30, 2020*

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**Package 3**

The actual physical progress as at 30<sup>th</sup> June, 2020 is 39% against planned progress of 60%. The percentage of time elapsed is 66.67%.

**(c) Comment on value for money achievements.**

- The project procurement process is conducted through International Competitive Bidding (ICB) which results in excellent value for money.
- The authority (KeNHA) has put in place adequate checks & balances on appointment of the works consultant supervision who oversees the project implementation on daily basis on consultation and subsequent approvals from the employer and the bank.
- In addition to works supervision, the consultant undertakes design review before commencement of roads construction works to reduce uncertainties.
- Regular auditing of the project by Internal Auditors, External Auditors and Quality Assurance Departments.
- Project site review meetings by the Development Partners through supervision missions
- Monthly site meetings that involve the employer, the consultant and the contractor.

**1.9 Summary of Project Compliance:**

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

## 2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETERMINED OBJECTIVES

### Introduction

The key development objectives of the project are to:

- a) Increase efficiency of road transport along the Coast Region and neighbouring countries to facilitate trade and regional integration
- b) To ease movement of people and goods between Mombasa Island and the South Coast.
- c) Reduce transit time and costs incurred in cross-border movement.

### 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  |
|--|--|--|--|
| Increase efficiency of road transport along the Coast Region and neighbouring countries to facilitate trade and regional integration | Linked road from the New Kipevu Container Terminal to the National Highway network | Increased discharge of containers from the Port of Mombasa                         | The road is 100% complete. In the financial year 2019/20 the Project was under defects notification period.  |
| To ease movement of people and goods between Mombasa Island and the South Coast.   | Linked road from Mombasa Island to the South Coast                                 | Increased movement of people and goods between Mombasa Island and the South Coast. | In the Financial Year 2019/20, construction of Mwache Bridge - cast in place piles completed at Mwache abutment A. 24no, 1200mm diameter piles have been cast for this abutment. The piles are being trimmed in readiness to construct the pile cap. |

**MOMBASA PORT AREA ROAD DEVELOPMENT PROJECT**  
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| <b>Objective</b>   | <b>Outcome</b>   | <b>Indicator</b>  | <b>Performance</b>  |
|--|--|---|---|
| Reduce transit time and costs incurred in cross-border movement. | Increased business turnover among transport business operators | Reduced traffic congestion at the coastal town of Mombasa | In the Financial Year 2019/20<br>Preparation work for Tsunza Viaduct is in progress and the steel piles for piers have been imported.<br><br>Mteza Bridge - 24 cast in place bored piles for abutment B on the Kibundani side. 18No. piles are in place |

### **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 will develop 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 will extend the paved road network to hitherto underserved areas in the coastal region to improve nationwide access to high speed and all – weather connectivity; and
- e) *Climate action (SDG 13)*: The Authority will 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, undertake regular Environmental Impact Assessment (EIA) Audits, carry out M&E on Environment and Social Management Plan (ESMPs) as well as conduct Environmental Social Impact Assessment (ESIA) in projects.

To enhance social safeguards in projects, the Authority undertake Resettlement Action Plan (RAP) studies and implement recommendations, carry out Social Impact Assessment (SIA) in projects, undertake gender mainstreaming in projects and conduct stakeholders' forum to sensitize the public in cross cutting issues.

### **3. Employee welfare**

In all its staff appointments, the Authority takes deliberate actions to embrace Equal Employment Opportunity policy, gender mainstreaming, address disability and take affirmative action in line with prevailing Government Policy guidelines. The Authority prioritize training to develop technical capacity of staff in the fields of Value Engineering, Project Financing, Project and 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 to promote ethical conduct in projects, the Authority sensitize staff about 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 in time.

The Authority has automated finance procedures, continue to create awareness on PFM Act, treasury circulars and regulations in order to enhance financial management in projects.

### **5. Community Engagements**

During the implementation of the Project, the Project is committed to remaining a responsible corporate citizen by being accountable for its actions and maintaining high standards of social and environmental record. 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 were also encouraged to give back

*MOMBASA PORT AREA ROAD DEVELOPMENT PROJECT*  
*JICA LOAN NO.KE – P29 & KE – P32*  
*Reports and Financial Statements*  
*For the financial year ended June 30, 2020*

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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.

#### **4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES**

The Director General, KeNHA and the Project Implementation Team Leader for Mombasa Port Area Road Development 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 2020. 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.

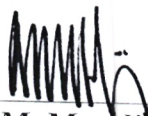
The Director General, KeNHA and the Project Implementation Team Leader for Mombasa Port Area Road Development Project accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance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

The Director General, KeNHA and the Project Implementation Team Leader for Mombasa Port Area Road Development 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 2020, and of the Project's financial position as at that date. The Director General, KeNHA and the Project Implementation Team Leader for Mombasa Port Area Road Development 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.

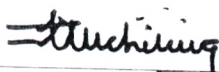
The Director General, KeNHA and the Project Implementation Team Leader for Mombasa Port Area Road Development Project confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial 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 Mombasa Port Area Road Development Project on 23 AUG 2020 2020 and signed by them.



Eng. Peter M. Mundinia  
Director General



Eng. David A. Muchilwa  
Director-Development



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

# REPUBLIC OF KENYA

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



*Enhancing Accountability*

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

## **REPORT OF THE AUDITOR-GENERAL ON MOMBASA PORT AREA ROAD DEVELOPMENT PROJECT (LOAN AGREEMENTS NOS.KE-P29 AND KE-P32) FOR THE YEAR ENDED 30 JUNE, 2020 – KENYA NATIONAL HIGHWAYS AUTHORITY**

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### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Opinion**

I have audited the accompanying financial statements of Mombasa Port Area Road Development Project set out on pages 1 to 15, which comprise of the statement of financial assets and liabilities as at 30 June, 2020, statement of receipts and payments, statement of cash flows and the statement of comparative budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Mombasa Port Area Road Development Project as at 30 June, 2020 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 agreements Nos. KE-P29 and KE-P32 dated 2 June, 2012 and 4 July, 2017 respectively between Japan International Cooperation Agency (JICA) and the Government of Kenya (GOK) and the Public Finance Management Act, 2012.

#### **Basis for Opinion**

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

#### **Key Audit Matters**

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

## **Other Matter**

### **1. Pending Bills**

As previously reported, Note 11.1 to the financial statements reflects pending accounts payable of Kshs.6,889,049,579 as at 30 June, 2020. Although Management has committed to liaising with the line Ministry and The National Treasury for adequate budgetary allocation and timely Exchequer releases for prompt payments in the subsequent financial year, the Project is at risk of incurring significant interest costs and penalties with the continued delay in making payments.

Failure to settle bills during the year to which they relate distorts the financial statements and adversely affects the budgetary provisions for the subsequent year as they form a first charge.

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

The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.4,101,193,511 and Kshs.3,708,213,107 respectively resulting to an under-funding of Kshs.392,980,404 or 10% of the budget. Similarly, the Project expended Kshs.3,477,519,313 against an approved budget of Kshs.4,101,193,511 resulting to an under-expenditure of Kshs.623,674,198 or 15% of the budget.

The under-funding and under-performance affected the planned activities and may have impacted negatively on service delivery to the public.

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

### **Conclusion**

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

### **Basis for Conclusion**

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

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

### **Conclusion**

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

to believe that internal controls, risk management and 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 Japan International Cooperation Agency (JICA) and Loan Agreement Numbers KE-P29 and KE-P32 and the Republic of Kenya, except for the matter under Other Matter section of my report, I report based on my audit that: -

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

### **Responsibilities of Management and Board of Directors**

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 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.

The Board of Directors is responsible for overseeing the 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 overall 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 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 scepticism 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.

  
**Nancy Gathungu**  
**AUDITOR-GENERAL**

**Nairobi**

**30 December, 2020**

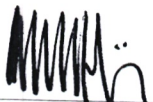
**MOMBASA PORT AREA ROAD DEVELOPMENT PROJECT**  
**JICA LOAN NO.KE – P29 & KE – P32**

*Reports and Financial Statements*  
*For the financial year ended June 30, 2020*

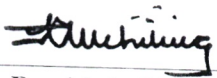
**6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED 30TH JUNE 2020**

|   | Note | FY 2019/20                                   |                                | FY 2018/19                                   |                                | Cumulative to Date    |
|---|------|--|--------------------------------|--|--------------------------------|-----------------------|
|   |      | Receipts & Payments Controlled by the Entity | Payments Made by Third Parties | Receipts & Payments Controlled by the Entity | Payments Made by Third Parties |                       |
|   |      | KSh  | KSh                            | KSh(Restated)                                | KSh(Restated)                  |                       |
| <b>RECEIPTS</b>                         |      |  |                                |  |                                |                       |
| Transfer from Government entities       | 10.3 | 994,997,963                                  | -                              | 1,804,666,240                                | -                              | 6,402,773,121         |
| Loan from external development partners | 10.4 | -  | 2,713,215,144                  | 32,230,585                                   | 1,686,930,596                  | 12,525,845,490        |
| <b>TOTAL RECEIPTS</b>                   |      | <b>994,997,963</b>                           | <b>2,713,215,144</b>           | <b>1,836,896,825</b>                         | <b>1,686,930,596</b>           | <b>18,928,618,611</b> |
| <b>PAYMENTS</b>                         |      |  |                                |  |                                |                       |
| Purchase of goods and services          | 10.5 | 14,236,324                                   | -                              | 6,624,101                                    | -                              | 42,978,598            |
| Acquisition of non-financial assets     | 10.6 | 750,067,845                                  | 2,713,215,144                  | 1,837,175,944                                | 1,686,930,596                  | 18,408,902,254        |
| <b>TOTAL PAYMENTS</b>                   |      | <b>764,304,169</b>                           | <b>2,713,215,144</b>           | <b>1,843,800,045</b>                         | <b>1,686,930,596</b>           | <b>18,451,880,852</b> |
| <b>SURPLUS/DEFICIT FOR THE YEAR</b>     |      | <b>230,693,794</b>                           | <b>-</b>                       | <b>(6,903,220)</b>                           | <b>-</b>                       | <b>476,737,759</b>    |


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

  
 Eng. Peter M. Mundinia  
 Director General

23 AUG 2020  
 Date

  
 Eng. David A. Muchilwa  
 Director-Development

23 AUG 2020  
 Date

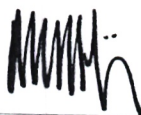
  
 CPA Chanje Kera  
 Deputy Director (F&A)  
 ICPAK Member No. 8279  
 23 AUG 2020  
 Date

**MOMBASA PORT AREA ROAD DEVELOPMENT PROJECT**  
**JICA LOAN NO.KE – P29 & KE – P32**  
**Reports and Financial Statements**  
**For the financial year ended June 30, 2020**

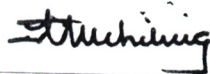
**7. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES AS AT 30TH JUNE 2020**

|                                  | Note  | FY 2019/20         | FY 2018/19         |
|----------------------------------|-------|--------------------|--------------------|
|                                  |       | Kshs               | Kshs(Restated)     |
| <b>FINANCIAL ASSETS</b>          |       |                    |                    |
| <b>Cash and Cash Equivalents</b> |       |                    |                    |
| Bank Balances                    | 10.7A | 476,737,759        | 246,043,965        |
| <b>TOTAL FINANCIAL ASSETS</b>    |       | <b>476,737,759</b> | <b>246,043,965</b> |
| <b>REPRESENTED BY:</b>           |       |                    |                    |
| Cash and cash equivalents b/fwd  |       | 246,043,965        | 252,947,185        |
| Surplus/Deficit for the year     |       | 230,693,794        | (6,903,220)        |
| <b>NET FINANCIAL POSITION</b>    |       | <b>476,737,759</b> | <b>246,043,965</b> |

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 25 AUG 2020 2020 and signed by:



Eng. Peter M. Mundinia  
 Director General



Eng. David A. Muchilwa  
 Director-Development



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

**MOMBASA PORT AREA ROAD DEVELOPMENT PROJECT**  
**JICA LOAN NO.KE – P29 & KE – P32**  
**Reports and Financial Statements**  
**For the financial year ended June 30, 2020**

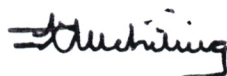
**8. STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2020**

|  | Note | FY 2019/2020           | FY 2018/2019           |
|--|------|------------------------|------------------------|
| <b>Receipts for operating income</b>                     |      | <b>Kshs</b>            | <b>Kshs(Restated)</b>  |
| Transfer from Government entities                        | 10.3 | 994,997,963            | 1,804,666,240          |
| <b>Payments for operating expenses</b>                   |      |                        |                        |
| Purchase of goods and services                           | 10.5 | (14,236,324)           | (6,624,101)            |
| <b>Net cash flow from operating activities</b>           |      | <b>980,761,639</b>     | <b>1,798,042,139</b>   |
| <b>CASHFLOW FROM INVESTING ACTIVITIES</b>                |      |                        |                        |
| Acquisition of Non-financial Assets                      | 10.6 | (3,463,282,989)        | (3,524,106,540)        |
| <b>Net cash flows from Investing Activities</b>          |      | <b>(3,463,282,989)</b> | <b>(3,524,106,540)</b> |
| <b>CASHFLOW FROM BORROWING ACTIVITIES</b>                |      |                        |                        |
| Proceeds from Foreign Borrowings                         | 10.4 | 2,713,215,144          | 1,719,161,181          |
| <b>Net cash flow from financing activities</b>           |      | <b>2,713,215,144</b>   | <b>1,719,161,181</b>   |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>          |      | <b>230,693,794</b>     | <b>(6,903,220)</b>     |
| <b>Cash and cash equivalent at BEGINNING of the year</b> |      | <b>246,043,965</b>     | <b>252,947,185</b>     |
| <b>Cash and cash equivalent at END of the year</b>       |      | <b>476,737,759</b>     | <b>246,043,965</b>     |

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 25 AUG 2020 2020 and signed by:



Eng. Peter M. Mundinia  
 Director General



Eng. David A. Muchilwa  
 Director-Development



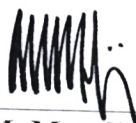
CPA Chanje Kera  
 Deputy Director (F&A)  
 ICPAK Member No. 8279

**MOMBASA PORT AREA ROAD DEVELOPMENT PROJECT**  
**JICA LOAN NO.KE – P29 & KE – P32**  
**Reports and Financial Statements**  
**For the financial year ended June 30, 2020**

**9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS**

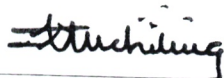
| Receipts/Payments Item                    | Original Budget      | Adjustments            | Final Budget         | Actual on Comparable Basis | Variance             | % of Var   |
|---|----------------------|------------------------|----------------------|----------------------------|----------------------|------------|
|   | a                    | b                      | c=a+b                | d                          | e=c-d                | f=d/c %    |
| <b>Receipts</b>                           |                      |                        |                      |                            |                      |            |
| Transfer from Government entities         | 1,153,455,908        | 296,724,281            | 1,450,180,189        | 994,997,963                | 455,182,226          | 69%        |
| Proceeds from foreign borrowings- Revenue | 200,000,000          | (150,000,000)          | 50,000,000           | -                          | 50,000,000           | -          |
| Proceeds from Loans-Direct Payments       | 3,800,000,000        | (1,198,986,678)        | 2,601,013,322        | 2,713,215,144              | (112,201,822)        | 104%       |
| <b>Total Receipts</b>                     | <b>5,153,455,908</b> | <b>(1,052,262,397)</b> | <b>4,101,193,511</b> | <b>3,708,213,107</b>       | <b>(392,980,404)</b> | <b>90%</b> |
| <b>Payments</b>                           |                      |                        |                      |                            |                      |            |
| Purchase of goods and services            |                      |                        |                      | 14,236,324                 |                      |            |
| Acquisition of non-financial assets       | 5,138,955,908        | (1,052,262,397)        | 4,101,193,511        | 3,463,282,989              | 623,674,198          | 85         |
| <b>Total Payments</b>                     | <b>5,153,455,908</b> | <b>(1,052,262,397)</b> | <b>4,101,193,511</b> | <b>3,477,519,313</b>       | <b>623,674,198</b>   | <b>85%</b> |

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



Eng. Peter M. Mundinia  
 Director General

25 AUG 2020  
 Date



Eng. David A. Muchilwa  
 Director-Development

25 AUG 2020  
 Date



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

25 AUG 2020  
 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 Public Sector Accounting Standards Board (PSASB)

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 Port Area Road Development Project 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 (KSh), 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 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.

##### **• External Assistance**

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

**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 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

• **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 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.

**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 **KSh 2,713,215,144** being loan 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 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 end with a significant impact on the financial statements for the year ended June 30, 2020.

**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.

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**10.3. RECEIPTS FROM GOVERNMENT OF KENYA**

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

|  | <b>FY 2019/20</b>  | <b>FY 2018/19</b>    | <b>Cumulative to-date</b> |
|--|--------------------|----------------------|---------------------------|
|  | <b>Kshs</b>        | <b>Kshs</b>          |                           |
| Counterpart funding through Ministry of Transport and Infrastructure |                    |                      |                           |
| Counterpart funds Quarter 1  | 4,070,900          | 263,352,812          | 1,570,172,253             |
| Counterpart funds Quarter 2  | 467,983,700        | 285,243,707          | 971,004,014               |
| Counterpart funds Quarter 3  | 110,135,769        | 644,760,746          | 872,292,763               |
| Counterpart funds Quarter 4  | 412,807,594        | 611,308,975          | 2,989,304,091             |
| <b>Total</b>   | <b>994,997,963</b> | <b>1,804,666,240</b> | <b>6,402,773,121</b>      |

**10.4. LOAN FROM EXTERNAL DEVELOPMENT PARTNER**

During the 12 months to 30 June 2020 we received funding from development partners in form of loans negotiated by the National Treasury donors as detailed in the table below

| <b>Name of Donor</b>   | <b>Loans received in cash</b> | <b>Loans received as direct payment</b> | <b>Total amount in Kshs</b> |                       |
|--|-------------------------------|---|-----------------------------|-----------------------|
|  | <b>Kshs</b>                   | <b>Kshs</b>                             | <b>2019/20</b>              | <b>2018/19</b>        |
|  |                               |   | <b>Kshs</b>                 | <b>Kshs(Restated)</b> |
| <b>Loans Received from Multilateral Donors (International Organizations)</b> |                               |   |                             |                       |
| Japan International Cooperation Agency (JICA)                                | -                             | 2,713,215,144                           | 2,713,215,144               | 1,719,161,181         |
| <b>Total</b>   | <b>-</b>                      | <b>2,713,215,144</b>                    | <b>2,713,215,144</b>        | <b>1,719,161,181</b>  |

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**10.5. PURCHASE OF GOODS AND SERVICES**

| Item                                     | FY 2019/20                          |                                |                   | FY 2018/19       | 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            | 9,874,548                           | -                              | 9,874,548         | 2,242,886        | 32,710,167         |
| Hospitality Supplies                     | 2,838,107                           |                                | 2,838,107         | 126,000          | 3,044,009          |
| Printing, Adverts & Information Supplies | 1,523,669                           | -                              | 1,523,669         | 4,255,215        | 7,224,422          |
| <b>Total</b>                             | <b>14,236,324</b>                   | <b>-</b>                       | <b>14,236,324</b> | <b>6,624,101</b> | <b>42,978,598</b>  |

**10.6. ACQUISITION OF NON-FINANCIAL ASSETS**

|  | FY 2019/20                          |                                |                      | FY 2018/19           | Cumulative to-date    |
|--|-------------------------------------|--------------------------------|----------------------|----------------------|-----------------------|
|  | Payments Made by the Entity in Cash | Payments Made by Third Parties | Total Payments       |                      |                       |
|  | KSh                                 | KSh                            | KSh                  | KSh(Restated)        | KSh                   |
| Research, studies, project preparation, design & supervision | -                                   | 202,236,503                    | 202,236,503          | 306,767,129          | 2,276,909,273         |
| Construction of Roads  | 499,147,445                         | 2,510,978,641                  | 3,010,126,086        | 2,921,331,713        | 14,171,887,498        |
| Acquisition of Land  | 250,920,400                         | -                              | 250,920,400          | 296,007,698          | 1,960,105,483         |
| <b>Total</b>   | <b>750,067,845</b>                  | <b>2,713,215,144</b>           | <b>3,463,282,989</b> | <b>3,524,106,540</b> | <b>18,408,902,254</b> |

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**10.7. CASH AND CASH EQUIVALENTS CARRIED FORWARD**

|                            | FY 2019/20         | FY 2018/19         |
|----------------------------|--------------------|--------------------|
|                            | KShs               | KShs(Restated)     |
| Bank accounts (Note 10.7A) | 476,737,759        | 246,043,965        |
| <b>Total</b>               | <b>476,737,759</b> | <b>246,043,965</b> |

**10.7A Bank Accounts**

|  | FY 2019/20         | FY 2018/19         |
|--|--------------------|--------------------|
|  | KShs               | KShs(Restated)     |
| <b>Local Currency Accounts</b>                               |                    |                    |
| National Bank of Kenya Ltd Retention [A/c No. 0100132733200] | 476,737,759        | 246,043,965        |
| <b>Total local currency balances</b>                         | 476,737,759        | 246,043,965        |
| <b>Total bank account balances</b>                           | <b>476,737,759</b> | <b>246,043,965</b> |

**10.8. PRIOR YEAR ADJUSTMENT**

| Description                             | Balance b/f FY 2018/2019 as per Financial statements<br>Kshs | Adjustments<br>Kshs | Adjusted Balance b/f FY 2018/2019<br>Kshs |
|---|--|---------------------|---|
| Loan from external Development Partners | 1,515,252,700  | 203,908,481         | 1,719,161,181                             |
| Acquisition of non-financial assets     | 3,313,294,839  | 210,811,701         | 3,524,106,540                             |
| Bank account Balances (NBK Retention)   | -  | 246,043,965         | 246,043,965                               |
|   | <b>4,828,547,539</b>   | <b>660,764,147</b>  | <b>5,489,311,686</b>                      |

*\*This prior year adjustment has been necessitated by PSASB introduction of the Note on Retention in the financial statements in FY 2019/20. Retention amounts had previously been expensed and have now been introduced in the Statement of Financial Assets.*

**10.9. CHANGES IN ACCOUNTS PAYABLE – RETENTIONS CONTROLLED BY THE ENTITY**

| Description                              | FY 2019/20         | FY 2018/19         |
|--|--------------------|--------------------|
|  | Kshs               | Kshs               |
| Retentions as at 1st July 2020 (A)       | 246,043,965        | 252,947,185        |
| Retentions held during the year (B)      | 230,693,794        | 83,978,353         |
| Retentions paid during the Year (C)      | -                  | 90,881,573         |
| Net changes in accounts payable D= A+B-C | <b>476,737,759</b> | <b>246,043,965</b> |

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**10.10. CHANGES IN ACCOUNTS PAYABLE – RETENTIONS CONTROLLED BY  
THIRD PARTIES**

| <b>Description</b>                       | <b>FY 2019/20</b> | <b>FY 2018/19</b> |
|--|-------------------|-------------------|
| Retention as at 1st July 2019 (A)        | 29,263,043        | 233,171,524       |
| Retentions held during the year (B)      | 8,731,869         | 159,617,810       |
| Retentions paid during the year (C)      | -                 | 363,526,291       |
| Net changes in accounts payables D=A+B-C | <b>37,994,912</b> | <b>29,263,043</b> |

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**11. OTHER IMPORTANT DISCLOSURES**

**11.1. PENDING ACCOUNTS PAYABLE (See Annex 2A)**

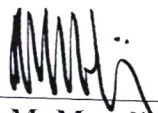
| <b>Description</b>          | <b>Balance b/f<br/>FY 2018/2019</b> | <b>Additions for<br/>the period</b> | <b>Paid during the<br/>year</b> | <b>Balance c/f FY<br/>2019/20</b> |
|-----------------------------|-------------------------------------|-------------------------------------|---------------------------------|-----------------------------------|
|                             | <b>Kshs</b>                         | <b>Kshs</b>                         | <b>Kshs</b>                     | <b>Kshs</b>                       |
| Construction of civil works | 781,758,000                         | 5,237,572,774                       | 3,010,126,086                   | 3,009,204,688                     |
| Land Compensation           | 3,980,650,535                       | 1,840,899                           | 250,920,400                     | 3,731,571,034                     |
| Supply of services          | 8,584,236                           | 341,926,124                         | 202,236,503                     | 148,273,857                       |
| <b>Total</b>                | <b>4,770,992,771</b>                | <b>5,581,339,797</b>                | <b>3,463,282,989</b>            | <b>6,889,049,579</b>              |

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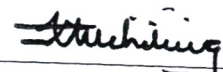
12. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

| Reference No. on the external audit Report | Issue / Observations from Auditor  | Management comments  | Focal Point person to resolve the issue (Name and designation) | Status:(Res olved/Not Resolved) | Timeframe :(Date when the issue is expected to be resolved) |
|--|--|--|--|---------------------------------|---|
| KeNHA/MBS Port Area/2018/2019(27)          | Note 9.1 to the financial statements reflects pending accounts payable of Kshs. 4,770,992,771 as at 30 June, 2019. Although management has committed to liaising with the line ministry and the National Treasury for adequate budgetary allocation, timely exchequer releases for prompt payments in the subsequent financial year, the Project is at risk of incurring significant interest costs and penalties with the continued delay in making payments. | The Authority managed to liaise with the National Treasury through the line ministry and was able to secure funds thus settled 634M out of the 781M contractor pending bills as at the end of 2018/19 Financial Year | Eng. Samuel Ogege – Project Manager                            | Continuous                      | Continuous  |

  
Eng. Peter M. Mundinia  
Director General

23 AUG 2020  
Date

  
Eng. David A. Muchilwa  
Director-Development

23 AUG 2020  
Date

ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

|  | Final Budget         | Actual on Comparable Basis | Budget Utilisation Variance | % of Utilisation Variance to Final Budget | Comments on Variance  |
|--|----------------------|----------------------------|-----------------------------|---|---|
|  | a                    | b                          | c=a-b                       | d=b/a %                                   |   |
| <b>RECEIPTS DURING THE YEAR/PERIOD</b> |                      |                            |                             |   |   |
| Government of Kenya                    | 1,450,180,189        | 994,997,963                | 455,182,226                 | 69%                                       | Prolonged land compensation processes in order to secure construction corridor      |
| External Financing-Direct Payments     | 2,601,013,322        | 2,713,215,144              | (112,201,822)               | 104%                                      | Budget reduction after expenditure  |
| External Financing-Revenue             | 50,000,000           | -                          | 50,000,000                  | 0%  | Delayed release of revenue funds to facilitate payment of consultant pending bills. |
| <b>TOTAL RECIPTS</b>                   | <b>4,101,193,511</b> | <b>3,708,213,107</b>       | <b>392,980,404</b>          | <b>90%</b>                                |   |
| <b>PAYMENTS DURING THE YEAR/PERIOD</b> |                      |                            |                             |   |   |
| Purchase of goods and services         | 4,101,193,511        | 14,236,324                 | 623,674,198                 | 85%                                       | Prolonged land compensation processes in order to secure construction corridor      |
| Acquisition of non-financial assets    |                      | 3,477,519,313              |                             |   |   |
| <b>TOTAL PAYMENTS</b>                  | <b>4,101,193,511</b> | <b>3,477,519,313</b>       | <b>623,674,198</b>          | <b>85%</b>                                |   |

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ANNEX 2 - ANALYSIS OF PENDING BILLS

| Supplier of Goods or Services | Original Amount | Date Contracted | Amount Paid To-Date | Outstanding Balance | Outstanding Balance | Comments       |
|-------------------------------|-----------------|-----------------|---------------------|---------------------|---------------------|----------------|
|                               |                 |                 |                     | 2020                | 2019                |                |
|                               | a               | b               | c                   | d=a-c               |                     |                |
| <b>Supply of Services</b>     |                 |                 |                     |                     |                     |                |
| Katahira & Engineers          | 28,666,962      | 19-May-17       | 28,596,479          | 70,483              | 70,483              | Fee Note No.52 |
| Katahira & Engineers          | 28,188,636      | 20-Jun-17       | 27,358,062          | 830,575             | 830,575             | Fee Note No.53 |
| Katahira & Engineers          | 24,610,735      | 17-Jul-17       | 23,678,402          | 932,333             | 932,333.10          | Fee Note No.54 |
| Katahira & Engineers          | 22,344,268      | 28-Aug-17       | 21,572,829          | 771,439             | 771,438.80          | Fee Note No.55 |
| Katahira & Engineers          | 19,210,195      | 09-Oct-17       | 18,636,343          | 573,852             | 573,851.58          | Fee Note No.56 |
| Katahira & Engineers          | 21,055,837      | 01-Nov-17       | 20,491,673          | 564,164             | 564,163.86          | Fee Note No.57 |
| Katahira & Engineers          | 20,180,160      | 29-Nov-17       | 19,512,810          | 667,350             | 667,349.89          | Fee Note No.58 |
| Katahira & Engineers          | 19,857,621      | 18-Dec-17       | 19,350,693          | 506,928             | 506,927.74          | Fee Note No.59 |
| Katahira & Engineers          | 14,497,230      | 02-Feb-18       | 13,925,177          | 572,053             | 572,053.09          | Fee Note No.60 |
| Katahira & Engineers          | 14,779,996      | 20-Feb-18       | 14,015,527          | 764,469             | 764,469.15          | Fee Note No.61 |
| Katahira & Engineers          | 18,938,951      | 21-Mar-18       | 18,277,804          | 661,147             | 661,147.28          | Fee Note No.62 |
| Katahira & Engineers          | 18,313,774      | 23-Apr-18       | 17,641,560          | 672,214             | 672,213.83          | Fee Note No.63 |

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| Supplier of Goods or Services | Original Amount    | Date Contracted | Amount Paid To-Date | Outstanding Balance | Outstanding Balance | Comments       |
|-------------------------------|--------------------|-----------------|---------------------|---------------------|---------------------|----------------|
|                               |                    |                 |                     | 2020                | 2019                |                |
|                               | a                  | b               | c                   | d=a-c               |                     |                |
| Katahira & Engineers          | 19,842,880         | 06-Jun-18       | 19,301,454          | 541,426             | 541,426.06          | Fee Note No.64 |
| Katahira & Engineers          | 20,882,505         | 01-Aug-18       | 20,426,701          | 455,804             | 455,804.00          | Fee Note No.65 |
| Katahira & Engineers          | 21,768,513         | 05-Jan-14       | 19,293,292          | 2,475,221           | -                   | Fee Note No.15 |
| Katahira & Engineers          | 32,288,868         | 01-Apr-20       | -                   | 32,288,868          | -                   | Fee Note No.83 |
| Katahira & Engineers          | 19,866,020         | 02-Mar-20       | -                   | 19,866,020          | -                   | Fee Note No.84 |
| Katahira & Engineers          | 24,868,371         | 01-Apr-20       | -                   | 24,868,371          | -                   | Fee Note No.85 |
| Katahira & Engineers          | 30,800,332         | 22-Apr-20       | -                   | 30,800,332          | -                   | Fee Note No.86 |
| Katahira & Engineers          | 29,390,809         | 17-Jun-20       | -                   | 29,390,809          | -                   | Fee Note No.87 |
| <b>Sub-Total Services</b>     | <b>450,352,664</b> |                 | <b>302,078,807</b>  | <b>148,273,857</b>  | <b>8,584,236</b>    |                |
| <b>Civil Works</b>            |                    |                 |                     |                     |                     |                |
| CCECC&CR11                    | 552,374,243        | 26-Apr-16       | 552,374,243         | -                   | 13,679,914          | IPC No. 4      |
| CCECC&CR11                    | 445,495,921        | 07-Aug-17       | 445,495,921         | -                   | 41,977,560          | IPC No. 13     |
| CCECC&CR11                    | 463,022,077        | 08-Sep-17       | 463,022,077         | -                   | 47,168,813          | IPC No. 14     |
| CCECC&CR11                    | 299,559,957        | 17-Oct-17       | 299,559,957         | -                   | 25,824,134          | IPC No. 15     |

PROJECT PROJECT

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|-------------------------------|-----------------------|-----------------|----------------------|----------------------|----------------------|------------|
|                               |                       |                 |                      | 2020                 | 2019                 |            |
|                               | a                     | b               | c                    | d=a-c                |                      |            |
| CCECC&CR11                    | 407,043,859           | 13-Dec-17       | 407,043,859          | -                    | 34,827,280           | IPC No. 16 |
| CCECC&CR11                    | 551,510,821           | 01-Feb-18       | 551,510,821          | -                    | 47,413,178           | IPC No. 17 |
| CCECC&CR11                    | 374,450,615           | 02-Feb-18       | 374,450,615          | -                    | 27,840,107           | IPC No. 18 |
| CCECC&CR11                    | 601,381,074           | 06.09.2018      | 590,160,154          | 11,220,920           | 141,322,081          | IPC No. 21 |
| CCECC&CR11                    | 444,261,693           | 01.10.2018      | 307,920,889          | 136,340,804          | 234,810,534          | IPC No. 22 |
| CCECC&CR11                    | 537,770,841           | 01-Jun-19       | 537,770,841          | -                    | 166,894,399          | IPC No. 24 |
| FUJITA CORP.                  | 4,847,319,909         | 01-Dec-19       | 2,423,659,955        | 2,423,659,954        | -                    | Advance    |
| CCECC                         | 267,959,636           | 02-Apr-20       | 73,775,104           | 194,184,532          | -                    | IPC No. 3  |
| CCECC                         | 373,276,552           | 30-Jun-20       | 129,478,074          | 243,798,478          | -                    | IPC No. 4  |
| <b>Sub-Total Civil Works</b>  | <b>10,165,427,198</b> |                 | <b>7,156,222,510</b> | <b>3,009,204,688</b> | <b>781,758,000</b>   |            |
| <b>Land Compensation</b>      |                       |                 |                      |                      |                      |            |
|                               | <b>5,691,676,517</b>  | 02-Jun-12       | 1,960,105,483        | 3,731,571,034        | 3,980,650,535        |            |
| <b>Grand Total</b>            | <b>16,307,456,379</b> |                 | <b>9,418,406,800</b> | <b>6,889,049,579</b> | <b>4,770,992,771</b> |            |

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**ANNEX 3 – SUMMARY OF FIXED ASSET REGISTER**

| Asset class              | Opening Cost          | Purchases/Additions<br>in the Year | Disposals<br>in the<br>Year | Closing Cost          |
|--------------------------|-----------------------|------------------------------------|-----------------------------|-----------------------|
|                          | (KSh)                 | (KSh)                              | (KSh)                       | (KSh)                 |
|                          | 2019/20               | 2019/20                            | 2019/20                     | 2020                  |
|                          | (a)                   | (b)                                | (c)                         | (d)= (a)+ (b)-<br>(c) |
| Land                     | 1,709,185,083         | 250,920,400                        | -                           | 1,960,105,483         |
| Construction of<br>Roads | 13,236,434,182        | 3,212,362,589                      | -                           | 16,448,796,771        |
| <b>Total</b>             | <b>14,945,619,265</b> | <b>3,463,282,989</b>               | -                           | <b>18,408,902,254</b> |