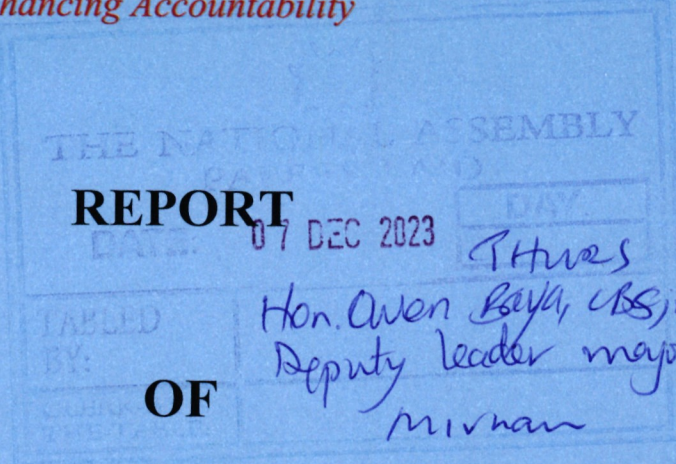


REPUBLIC OF KENYA



Enhancing Accountability



REPORT

OF

THE AUDITOR-GENERAL

ON

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

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

KENYA NATIONAL HIGHWAYS AUTHORITY



MINISTRY OF ROADS AND TRANSPORT



Kenya National Highways Authority

Quality Highways, Better Connections

PROJECT NAME: MOMBASA PORT AREA ROAD DEVELOPMENT

IMPLEMENTING ENTITY: KENYA NATIONAL HIGHWAYS AUTHORITY

PROJECT LOAN NUMBER: KE – P29 & KE – P32

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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

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1. Acronyms and Glossary of Terms

| | |
|-------|--|
| CBK | Central Bank of Kenya |
| CPA | Certified Public Accountant |
| EIA | Environmental Impact Assessment |
| EIK | Environmental Institute of Kenya |
| FY | Financial Year |
| GK | Government of Kenya |
| ICPAK | Institute of Certified Public Accountants of Kenya |
| IPSAS | International Public Sector Accounting Standards |
| JICA | Japan International Cooperation Agency |
| JKIA | Jomo Kenyatta International Airport |
| JPY | Japanese Yen |
| KeNHA | Kenya National Highways Authority |
| KISM | Kenya Institute of Supplies and Management |
| Kshs. | Kenya Shillings |
| LSK | Law Society of Kenya |
| MoRT | Ministry of Roads and Transport |
| NEMA | National Environment Management Authority |
| TNT | National Treasury |
| PAPs | Project Affected Persons |
| PFM | Public Finance Management. |
| PSASB | Public Sector Accounting Standards Board |
| RAP | Resettlement Action Plan |
| SDG | Sustainable Development Goals |
| SIA | Social Impact Assessment |

2. Project Information and Overall Performance

2.1 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 Junction to Mwache Junction and Kipevu Link Road (9.5 Kms) – 4 lanes

Package 2 – From Mwache Junction 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

Project Information and Overall Performance (Continued)

2.2 Project Information

| | |
|---------------------|---|
| Project Start Date: | 2 nd June, 2012 |
| Project End Date: | 12 th March 2024 |
| Project Coordinator | Eng. Henry Gakuru |
| Project Manager | Eng. Samuel O. Ogege |
| Project Sponsor: | Japan International Cooperation Agency (JICA) Government of Kenya (GK) |

2.3 Project Overview

| Line Ministry/State Department of the project | The project is under the supervision of State Department for Roads | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|-----------------------|---------------|--|----------------------|--|--|-----------|-----------------------|------------|---|--------------|--------------|----------------|--|--|--|--|----|--------|--------|----------------------|-----|-------|-------|-------------|---|-------|-------|--------------|--|---------------|---------------|
| 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"> (i) Increase efficiency of road transport along the Coast Region and neighbouring countries to facilitate trade and regional integration (ii) Promote private sector participation in the management, financing and maintenance of road assets (iii) Reduce transit time and costs incurred in cross-border movement. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Achievement of strategic goals | Implementation of the project in timely, efficient and effective manner. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Other important background information of the project | <p>PROJECT COMPONENTS AND COSTS 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="3"></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 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: center;">21,678</td> <td style="text-align: center;">21,678</td> </tr> <tr> <td>Consultancy Services</td> <td style="text-align: center;">100</td> <td style="text-align: center;">3,845</td> <td style="text-align: center;">3,845</td> </tr> <tr> <td>Contingency</td> <td style="text-align: center;">-</td> <td style="text-align: center;">2,168</td> <td style="text-align: center;">2,168</td> </tr> <tr> <td>Total</td> <td></td> <td style="text-align: center;">27,691</td> <td style="text-align: center;">27,691</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 | Total | | 27,691 | 27,691 |
| | 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 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total | | 27,691 | 27,691 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

**Mombasa Port Area Road Development Project JICA Loan No.KE – P29 & KE – P32
Annual Report and Financial Statements for the financial year ended June 30, 2023**

| | |
|--|--|
| Areas that the project was formed to intervene | The project was formed to intervene in the following problems/gaps: (i) To ease movement from Mombasa island to the mainland (ii) To improve cargo take-off from the port of Mombasa |
| Project duration | The project started on 2 nd June 2012 and is expected to be completed in March 2024 |

2.4 Bankers

Co-operative Bank of Kenya
Upper Hill Branch
P.O Box
Nairobi, Kenya

National Bank of Kenya
Hill Branch
P.O Box
Nairobi

2.5 Independent Auditor

The project is audited by the Office of the Auditor-General

2.6 Roles and Responsibilities

List of the people who are working on the project.

| Names | Title Designation | Key Qualification | Responsibilities |
|-------------------------|---|--------------------------------------|-------------------------------------|
| Eng. Henry Gakuru | Director-Development | Registered Engineer | Senior Technical Advisor to the PIU |
| Eng. Samuel O. Ogege | Deputy Director-Special Projects | Registered Engineer | PIU Team Leader / Manager |
| Mr. Chanje Kera | Deputy Director-Finance & Accounts | Certified Public Accountant of Kenya | Project Financial Specialist |
| Mr. Richard Kilel | Assistant Director-Supply Chain Management | Advocate of the High Court of Kenya | Project Procurement Specialist |
| Ms. Norah Odingo | Deputy Director-Legal Services | Member-LSK | Project Legal Specialist |
| Mr. Walter B. Nyatwanga | Deputy Director-Environment & Social Interest | NEMA Lead Expert, Member-EIK | Project Safeguards Specialist |

Project Information and Overall Performance (Continued)

2.7 Funding summary

The Project was for duration of 10 Years from 2nd June, 2012 to 2nd June, 2022 (Revised time of completion is March 2024) with an approved budget of JPY 40,157,000,000 equivalent to Kshs. 32,034,483,767 as highlighted in the table below:

A. Source of Funds

| Source of funds | Donor Commitment- | | Amount received to date – (30.06.2023) | | Undrawn balance to date (30.06.2023) | |
|---|-----------------------|-----------------------|---|-----------------------|---|----------------------|
| | <i>JPY</i> | <i>Kshs</i> | <i>JPY</i> | <i>Kshs</i> | <i>JPY</i> | <i>Kshs</i> |
| | (A) | (A') | (B) | (B') | (A)-(B) | (A')-(B') |
| (i) Loan | | | | | | |
| Japan International Corporation Agency (JICA) | 40,157,000,000 | 32,034,483,767 | 37,954,891,857 | 30,277,793,836 | 2,202,108,143 | 1,756,689,931 |
| (ii) Counterpart funds | | | | | | |
| Government of Kenya | | 7,054,660,471 | | 7,054,660,471 | - | - |
| Total | 40,157,000,000 | 39,089,144,238 | 37,954,891,857 | 37,332,454,307 | 2,202,108,143 | 1,756,689,931 |

B. Application of Funds

| Application of funds | Amount received to date - (30.06.2023) | | Cumulative Amount paid to date - (30.06.2023) | | Unutilised balance to date - (30.06.2023) | |
|-------------------------------|---|-----------------------|--|-----------------------|---|--------------------|
| | <i>JPY</i> | <i>Kshs</i> | <i>JPY</i> | <i>Kshs</i> | <i>JPY</i> | <i>Kshs</i> |
| | (A) | (A') | (B) | (B') | (A)-(B) | (A')-(B') |
| (i) Loan | | | | | | |
| JICA | 37,954,891,857 | 30,277,793,836 | 37,954,891,857 | 30,277,793,836 | - | - |
| (ii) Counterpart funds | | | | | | |
| GK | - | 7,054,660,471 | - | 6,917,089,286 | - | 137,571,185 |
| Total | 37,954,891,857 | 37,332,454,307 | 37,954,891,857 | 37,194,883,122 | - | 137,571,185 |

Project Information and Overall Performance (Continued)

2.8 Summary of Overall Project Performance:

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

| Budget | FY 2022/2023 | | | Cumulative | | |
|---------------------------------------|----------------------|----------------------|------------|-----------------------|-----------------------|------------|
| | Budget | Actual | % | Budget | Actual | % |
| | Kshs | Kshs | | Kshs | Kshs | |
| Counterpart Funds - GoK | 187,377,856 | 171,388,215 | 91% | 7,854,360,490 | 6,917,089,286 | 88% |
| Loan from Development Partners | | | | | | |
| Direct Payments | 3,800,000,000 | 3,344,850,681 | 88% | 33,488,053,322 | 30,165,185,794 | 90% |
| Revenue | - | - | - | 120,000,000 | 112,608,042 | 94% |
| TOTAL | 3,987,377,856 | 3,516,238,896 | 88% | 41,462,413,812 | 37,194,883,122 | 90% |

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

Package 1

The physical progress as at 30th June, 2023 is 100% against percentage of time elapsed of 100%

Package 2

The actual physical progress as at 30th June, 2023 is 83.6% against percentage of time elapsed of 82.5%

Package 3

The actual physical progress as at 30th June, 2023 is 98% against percentage of time elapsed of 140%

Project Information and Overall Performance (Continued)

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

| Financial Year | Budget | Actual | Percentage (%) |
|-----------------------|-----------------------|-----------------------|-----------------------|
| | Kshs | Kshs | |
| FY 2022/23 | 3,987,377,856 | 3,516,238,896 | 88% |
| FY 2021/22 | 9,736,000,000 | 7,193,666,583 | 74% |
| FY 2020/21 | 7,625,000,000 | 7,639,699,784 | 100% |
| FY 2019/20 | 4,101,193,511 | 3,708,213,107 | 90% |
| FY 2018/19 | 3,314,100,000 | 3,243,437,356 | 98% |
| FY 2017/18 | 3,018,272,713 | 2,941,669,488 | 97% |
| FY 2016/17 | 4,019,469,732 | 3,603,885,591 | 90% |
| FY 2015/16 | 2,243,000,000 | 2,166,200,421 | 97% |
| FY 2014/15 | 3,418,000,000 | 3,181,871,896 | 93% |
| Total | 41,462,413,812 | 37,194,883,122 | 90% |

(iv) Comment on value for money achievements.

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

2.9 Summary of Project Compliance:

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

3. Statement of Performance Against Project’s Predetermined Objectives

Introduction

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) 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 | Package 1 of the road is 100% complete. |
| To ease movement of people and goods between Mombasa and the South Coast. | Linked road from Mombasa to the South Coast | Increased movement of people and goods between Mombasa Island and the South Coast. | Kibundani bridge is substantially complete and taken over. |
| 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 | Earthworks is 95% complete for Lot 2 |

4. Environmental and Sustainability Reporting

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

1. Sustainability strategy and profile

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

- a) *Good health and well-being (SDG 3)*: The Authority strives to undertake Road Safety Audits to identify accident black spots, implement intervention measures and provide road safety education to reduce accidents;
- b) *Gender Equality (SDG 5)*: The Authority encourages mainstreaming of gender equality in project and programmes by incorporating compliance to one third gender rule in procurement and recruitment;
- c) *Industry, innovation and infrastructure (SDG 9)*: The Authority 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

Environmental and Sustainability Reporting (Continued)

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 and Sustainability Reporting (Continued)

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

Environmental and Sustainability Reporting (Continued)

communities to achieve sustainable development. The project staff were 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.

5. 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 2023. This responsibility includes: (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

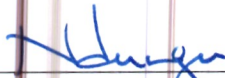
The Director General, KeNHA and the Project Implementation Team Leader for Mombasa Port Area Road Development Project accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance 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 2023, 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 SEP 2023 and signed by them.



Eng. Kungu Ndungu
Director General



Eng. Henry Gakuru
Ag. Director-Development



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

5. Statement of Project Management Responsibilities

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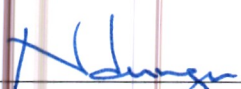
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The Director General, KeNHA and the Project Implementation Team Leader for Mombasa Port Area Road Development Project confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, 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 20 SEP 2023 and signed by them.



Eng. Kungu Ndungu
Director General



Eng. Henry Gakuru
Ag. 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 PORT AREA ROAD DEVELOPMENT PROJECT LOAN NO. KE – P29 & KE P32 FOR THE YEAR ENDED 30 JUNE, 2023 - KENYA NATIONAL HIGHWAYS AUTHORITY

PREAMBLE

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

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

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

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

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

Report of the Auditor-General on Mombasa Port Area Road Development Project Loan No. KE – P29 & KE P32 for the year ended 30 June, 2023 - Kenya National Highways Authority

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Mombasa Port Area Road Development Project set out on pages 1 to 23, which comprise of the statement of financial assets as at 30 June, 2023, and the statement of receipts and payments, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, the financial position of Mombasa Port Area Road Development Project as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Cash Basis) and comply with the Financing Agreements No.KE-P29 and No.KE-P32 dated 2 June, 2012 and 4 July, 2017 respectively between Japan International Cooperation Agency (JICA) and the Government of the Republic of Kenya and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Unsupported Expenditure on Acquisition of Non-Financial Assets

The statement of receipts and payments reflects Kshs.3,512,203,410 in respect of acquisition of non-financial assets expenditure. Included in this amount is Kshs.95,000,000 relating to land compensation for which the supporting schedule, valuation reports, beneficiary (projects affected persons) lists, and title deed were not provided for audit review.

In the circumstances, the accuracy and propriety of the expenditure totalling to Kshs.95,000,000 could not be confirmed.

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

Emphasis of Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual receipts on comparable basis of Kshs.3,987,377,856 and Kshs.3,532,228,537

respectively resulting in an underfunding of Kshs.455,149,319 or 11% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis of Kshs.3,987,377,856 and Kshs.3,516,238,896 respectively, resulting in an under expenditure of Kshs.471,138,960 or 12% of the budget.

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

2. Pending Bills

Annex 4 to the financial statements discloses that the project had a pending bills amount of Kshs.6,863,882,873 as at 30 June, 2023. Management did not explain why the bills were not settled during the year when it occurred neither did they indicate when payments will be made. Further, the pending bills balance of Kshs.6,863,882,873 includes an amount of Kshs.813,216,495 in respect of accrued interest charged due delayed payments of pending bills for the project packages 1, 2 and 3. The project risks incurring significant interest costs and penalties due to continued delay in payment.

Failure to settle bills during the year in which they relate, adversely affects the budgetary provisions for the subsequent year as they form a first charge.

My Opinion is not modified due to the effects of the above matters.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Issues

In the audit report of the previous year, several issues were raised under Basis for Qualified Opinion and in the Report on Lawfulness and Effectiveness in Use of Public Resources sections. Although the project Management indicated that the issues were resolved, no evidence was provided to support this position. These issues therefore remained unresolved contrary to the provisions of Section 149(2)(I) of the Public Finance Management Act, 2012 which require the Accounting Officers designated to try to resolve any issues resulting from an audit that remain outstanding.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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 Financier and Financing Agreement 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 controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and 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

24 November, 2023

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**Mombasa Port Area Road Development Project JICA Loan No.KE – P29 & KE – P32
Annual Report and Financial Statements for the financial year ended June 30, 2023**

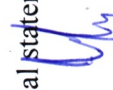
7. Statement of Receipts and Payments for the Year ended 30th June 2023

| Note | FY 2022/23 | | | FY 2021/22 | | | Cumulative to Date |
|---|--|--------------------------------|----------------------|--|--------------------------------|----------------------|-----------------------|
| | Receipts & Payments Controlled by the Entity | Payments Made by Third Parties | Total | Receipts & Payments Controlled by the Entity | Payments Made by Third Parties | Total | |
| | Kshs | Kshs | Kshs | Ksh | Kshs | Kshs | |
| Receipts | | | | | | | |
| 1 | 187,377,856 | - | 187,377,856 | 158,571,686 | - | 158,571,686 | 7,054,660,471 |
| 2 | - | 3,344,850,681 | 3,344,850,681 | - | 7,035,094,897 | 7,035,094,897 | 30,277,793,836 |
| Total Receipts | 187,377,856 | 3,344,850,681 | 3,532,228,537 | 158,571,686 | 7,035,094,897 | 7,193,666,583 | 37,332,454,307 |
| Payments | | | | | | | |
| 3 | 4,035,486 | - | 4,035,486 | 12,692,977 | - | 12,692,977 | 73,585,478 |
| 4 | 167,352,729 | 3,344,850,681 | 3,512,203,410 | 106,988,379 | 7,035,094,897 | 7,142,083,176 | 37,121,297,644 |
| Total Payments Surplus/(Deficit) | 171,388,215 | 3,344,850,681 | 3,516,238,896 | 119,681,356 | 7,035,094,897 | 7,154,776,153 | 37,194,883,122 |
| | 15,989,641 | - | 15,989,641 | 38,890,330 | - | 38,890,430 | 137,571,185 |

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


Eng. Kungu Ndungu
Director General

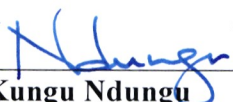

Eng. Henry Gakuru
Ag. Director-Development


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

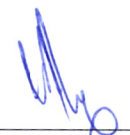
8. Statement of Financial Assets as at 30th June 2023

| Description | Note | FY 2022/23 | FY 2021/22 |
|--|------|--------------------|--------------------|
| | | Kshs | Kshs |
| Financial Assets | | | |
| Cash and Cash Equivalents | | | |
| Bank Balances | 5A | 137,571,185 | 121,581,544 |
| Cash Balances | | - | - |
| Cash Equivalents (short-term deposits) | | - | - |
| Total Cash and Cash Equivalents | | 137,571,185 | 121,581,544 |
| Accounts Receivables | | - | - |
| Total Financial Assets | | 137,571,185 | 121,581,544 |
| Financial Liabilities | | | |
| Deposits and Retentions | 6 | 129,228,816 | 121,581,544 |
| Net Assets | | 8,342,369 | (0) |
| Represented By | | | |
| Fund balance b/fwd | 7 | - | - |
| Prior year adjustments | | - | - |
| Surplus/(Deficit) for the year | | 15,989,641 | 38,890,330 |
| Decrease/(Increase) in Retentions | 8 | (7,647,272) | (38,890,330) |
| Net Financial Position | | 8,342,369 | - |

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 SEP 2023 and signed by:


Eng. Kungu Ndungu
Director General

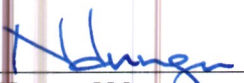

Eng. Henry Gakuru
Ag. Director-Development


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


9. Statement of Cashflow for the Year Ended 30th June 2023

| Description | Note | FY 2022/2023 | FY 2021/2022 |
|--|------|------------------------|------------------------|
| Cashflow from operating activities | | Kshs | Kshs |
| Receipts | | | |
| Transfer from Government entities | 1 | 187,377,856 | 158,571,686 |
| Total receipts | | 187,377,856 | 158,571,686 |
| Payments | | | |
| Purchase of goods and services | 3 | (4,035,486) | (12,692,977) |
| Total payments | | (4,035,486) | (12,692,977) |
| Net cash flow from operating activities | | 183,342,370 | 145,878,709 |
| Cashflow from investing activities | | | |
| Acquisition of Non-financial Assets | 4 | (3,512,203,410) | (7,142,083,276) |
| Net cash flows from investing activities | | (3,512,203,410) | (7,142,083,276) |
| Cashflow from financing activities | | | |
| Proceeds from Foreign Borrowings | 2 | 3,344,850,681 | 7,035,094,897 |
| Net cash flow from financing activities | | 3,344,850,681 | 7,035,094,897 |
| Net increase in cash and cash equivalents | | 15,989,641 | 38,890,330 |
| Cash and cash equivalent at BEGINNING of the year | | 121,581,544 | 82,691,214 |
| Cash and cash equivalent at END of the year | | 137,571,185 | 121,581,544 |

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 SEP 2023 and signed by:


Eng. Kungu Ndungu
Director General

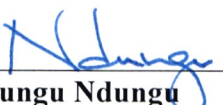

Eng. Henry Gakuru
Ag. Director-Development

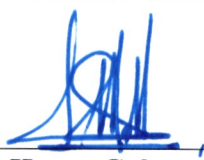

CPA Chanje Kera
Deputy Director (F&A)
ICPAK Member No. 8279

10. Statement of Comparison of Budget and Actual Amounts for the Year Ended 30th June 2023

| Receipts/Payments Item | Original Budget | Adjustments | Final Budget | Actual on Comparable Basis | Budget Utilization Difference | % of Utilization |
|-------------------------------------|----------------------|------------------------|----------------------|----------------------------|-------------------------------|------------------|
| | a | b | c=a+b | d | e=c-d | f=d/c % |
| Receipts | | | | | | |
| Transfer from Government entities | 300,000,000 | (112,622,144) | 187,377,856 | 187,377,856 | - | 100% |
| Proceeds from Loans-Direct Payments | 5,500,000,000 | (1,700,000,000) | 3,800,000,000 | 3,344,850,681 | 455,149,319 | 88% |
| Total Receipts | 5,800,000,000 | (1,812,622,144) | 3,987,377,856 | 3,532,228,537 | 455,149,319 | 89% |
| Payments | | | | | | |
| Purchase of goods and services | | | | 4,035,486 | | |
| Acquisition of non-financial assets | 5,800,000,000 | (1,812,622,144) | 3,987,377,856 | 3,512,203,410 | 471,138,960 | 88% |
| Total Payments | 5,800,000,000 | (1,812,622,144) | 3,987,377,856 | 3,516,238,896 | 471,138,960 | 88% |
| Surplus/Deficit | - | - | - | 15,989,641 | (15,989,641) | - |

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


Eng. Kungu Ndungu
Director General


Eng. Henry Gakuru
Ag. Director-Development


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

11. Significant Accounting Policies

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

(a) Statement of compliance and basis of preparation

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

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

(b) Reporting entity

The financial statements are for Mombasa Port Area Road Development Project under the State Department of Roads. The financial statements are for the reporting entity's Mombasa Port Area Road Development Project as required by Section 81 of the PFM Act, 2012.

(c) 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.

(d) Recognition of receipts

Mombasa Port Area Road Development Project recognises all receipts from the various sources when the event occurs and the related cash has actually been received by the Government.

i) Transfers from the Exchequer

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

ii) External Assistance

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

Significant Accounting Policies (Continued)

iii) Other receipts

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

iv) Donations and grants

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

v) Proceeds from borrowing

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

vi) Undrawn external assistance

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

(e) Recognition of payments

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

• **Compensation of employees**

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

• **Use of goods and services**

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

• **Interest on borrowing**

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

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 the Authority and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the consolidated financial statements.

(f) In-kind donations

In-kind contributions are donations that are made to the Project in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Project includes such value in the statement of receipts and payments both as receipts and as payments in equal and opposite amounts; otherwise, the contribution is not recorded.

(g) Cash and cash equivalents

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

(h) Restriction on cash

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

(i) Imprests and Advances

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year are

Significant Accounting Policies (Continued)

treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

(j) Contingent Liabilities

A contingent liability is:

- a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b) A present obligation that arises from past events but is not recognised because:
 - i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
 - ii) The amount of the obligation cannot be measured with sufficient reliability.

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities. Letters of comfort/ support, insurance, Public Private Partnerships.

The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Section 89 (2) (i) of the PFM Act requires the National Government to report on the payments made, or losses incurred, by the county government to meet contingent liabilities as a result of loans during the financial year, including payments made in respect of loan write-offs or waiver of interest on loans

(k) Contingent Assets

Mombasa Port Area Road Development Project does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Mombasa Port Area Road Development Project in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

(l) Pending bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the Project at the end of the year. When the

Significant Accounting Policies (Continued)

pending bills are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

(m) Budget

The budget is developed on a comparable accounting basis (cash basis), the same accounts classification basis (except for accounts receivable - outstanding imprest and clearance accounts and accounts payable - deposits, which are accounted for on an accrual basis), and for the same period as

the financial statements. The Project's budget was approved as required by Law and National Treasury Regulations, as well as by the participating development partners, as detailed in the Government of

Kenya Budget Printed Estimates for the year. The Development Projects are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognised as inter-entity transfers and are eliminated upon consolidation.

A high-level assessment of the Project's actual performance against the comparable budget for the financial year/period under review has been included in an annex to these financial statements.

(n) Third party payments

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

(o) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the Project operates, Kenya Shillings. Transactions in foreign currencies during the year/period are converted into the functional currency using the exchange rates prevailing at the dates of the transactions. Any foreign exchange gains and losses resulting from the settlement of such

transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of receipts and payments.

(p) Comparative figures

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

Significant Accounting Policies (Continued)

(q) Subsequent events

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

(r) Prior period adjustments

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

12. Notes to the Financial Statements

1. Transfers from Government entities

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

| Description | FY 2022/23 | FY 2021/22 | Cumulative |
|---|--------------------|--------------------|----------------------|
| | Kshs | Kshs | to-date |
| Counterpart funding through MoRT | | | |
| Counterpart funds Quarter 1 | 42,500,000 | 34,069,975 | 1,736,767,471 |
| Counterpart funds Quarter 2 | - | 50,677,359 | 1,224,148,406 |
| Counterpart funds Quarter 3 | - | 5,251,452 | 890,881,866 |
| Counterpart funds Quarter 4 | 42,658,471 | 68,572,900 | 3,100,643,343 |
| Total (See Annex 3) | 85,158,471 | 158,571,686 | 6,952,441,086 |
| <i>Other transfers from government entities</i> | | | |
| Annuity | 102,219,385 | - | 102,219,385 |
| Total | 187,377,856 | 158,571,686 | 7,054,660,471 |

2. Loan from External Development Partners

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

| Name of Donor | Amount in loan currency | Loans received in actual amount | Loans received as direct payment | Total amount | | Cumulative to Date |
|--|-------------------------|---------------------------------|----------------------------------|----------------------|----------------------|-----------------------|
| | | | | 2022/23 | 2021/22 | |
| | JPY | Kshs | Kshs | Kshs | Kshs | Kshs |
| Loans Received from Multilateral Donors | | | | | | |
| JICA | 4,192,955,622 | - | 3,344,850,681 | 3,344,850,681 | 7,035,094,897 | 30,277,793,836 |
| Total | 4,192,955,622 | - | 3,344,850,681 | 3,344,850,681 | 7,035,094,897 | 30,277,793,836 |

Notes to the Financial Statements (Continued)

3. Purchase of Goods and Services

| Description | FY 2022/23 | | | FY 2021/22 | Cumulative to Date |
|--|-------------------------------------|--------------------------------|------------------|-------------------|--------------------|
| | Payments Made by the Entity in Cash | Payments Made by Third Parties | Total Payments | Total Payments | |
| | Kshs | Kshs | Kshs | Kshs | Kshs |
| Domestic Travel & Subsistence | 4,035,486 | - | 4,035,486 | 7,562,702 | 56,712,491 |
| Foreign Travel & Subsistence | - | - | - | 5,130,275 | 5,130,275 |
| Hospitality Supplies | - | - | - | - | 3,824,209 |
| Printing, Adverts & Information Supplies | - | - | - | - | 7,429,467 |
| Utilities, supplies & services | - | - | - | - | 489,036 |
| Total | 4,035,486 | - | 4,035,486 | 12,692,977 | 73,585,478 |

4. Acquisition of Non-Financial Assets

| Description | FY 2022/23 | | | FY 2021/22 | Cumulative to-date |
|--|-------------------------------------|--------------------------------|----------------------|----------------------|-----------------------|
| | Payments Made by the Entity in Cash | Payments Made by Third Parties | Total Payments | | |
| | Kshs | Kshs | Kshs | Kshs | Kshs |
| Research, studies, project preparation, design & supervision | - | 371,417,515 | 371,417,515 | 352,668,715 | 3,506,443,196 |
| Construction of Roads | 72,352,729 | 2,973,433,166 | 3,045,785,895 | 6,756,914,561 | 31,452,248,965 |
| Acquisition of Land | 95,000,000 | - | 95,000,000 | 32,500,000 | 2,162,605,483 |
| Total | 167,352,729 | 3,344,850,681 | 3,512,203,410 | 7,142,083,276 | 37,121,297,644 |

Notes to the Financial Statements (Continued)

5. Cash and Cash Equivalents Carried Forward

| | FY 2022/23 | FY 2021/22 |
|-------------------------|--------------------|--------------------|
| | KShs | KShs |
| Bank accounts (Note 5A) | 137,571,185 | 121,581,544 |
| Total | 137,571,185 | 121,581,544 |

5A Bank Accounts

| Description | FY 2022/23 | FY 2021/22 |
|--|--------------------|--------------------|
| | Kshs | Kshs |
| Local Currency Accounts | | |
| National Bank of Kenya Ltd Retention [A/c No. 0100132733200] | 129,228,816 | 121,581,544 |
| Co-operative Bank of Kenya Exchequer [A/c No. 01141160979900] | 8,342,369 | - |
| Total bank account balances | 137,571,185 | 121,581,544 |

6. Deposits and Retention Monies

| Description | FY 2022/23 | FY 2021/22 |
|--------------|--------------------|--------------------|
| | Kshs | Kshs |
| Retentions | 129,228,816 | 121,581,544 |
| Total | 129,228,816 | 121,581,544 |

| Ageing analysis: | FY 2022/23 | % of the Total | FY 2021/22 | % of the total |
|------------------|--------------------|----------------|--------------------|----------------|
| Under one year | 7,647,272 | 6% | 38,890,330 | 32% |
| 1-2 years | 38,890,330 | 30% | 76,094,962 | 63% |
| 2-3 years | 76,094,962 | 59% | 6,596,252 | 5% |
| Over 3 years | 6,596,252 | 5% | - | 0% |
| Total | 129,228,816 | 100% | 121,581,544 | 100% |

7. Fund Balance Brought Forward

| Description | FY 2022/23 | FY 2021/22 |
|---------------|------------------|---------------|
| | Kshs | Kshs |
| Bank accounts | 137,571,185 | 121,581,544 |
| Retention | (129,228,816) | (121,581,544) |
| Total | 8,342,369 | - |

8. Changes in Accounts Deposits and Retention

| Description | FY 2022/23 | FY 2021/22 |
|--|-------------------|-------------------|
| | Kshs | Kshs |
| Retentions as at 1st July | 121,581,544 | 82,691,214 |
| Closing accounts payables – retentions as at 30 th June | 129,228,816 | 121,581,544 |
| Changes in accounts payables - retentions | 7,647,272 | 38,890,330 |

Other Important Disclosures

1. Pending Accounts Payable (See Annex 4)

| Description | Balance b/f FY 2021/2022 | Additions for the year | Paid during the year | Balance c/f FY 2022/23 |
|-----------------------------|-----------------------------|---------------------------|-------------------------|---------------------------|
| | Kshs | Kshs | Kshs | Kshs |
| Construction of civil works | 2,572,398,138 | 3,780,699,941 | 3,045,785,895 | 3,307,312,184 |
| Land Compensation | 3,640,011,232 | 500,000 | 95,000,000 | 3,545,511,232 |
| Supply of services | 11,059,457 | 375,453,001 | 375,453,001 | 11,059,457 |
| Total | 6,223,468,827 | 4,156,652,942 | 3,516,238,896 | 6,863,882,873 |

2. Accounts Payables - Retentions Controlled by Third Parties

| Description | FY 2022/23 | FY 2021/22 |
|--|--------------------|--------------------|
| | Kshs | Kshs |
| Retentions controlled by third parties | 101,884,254 | 101,884,254 |
| Total | 101,884,254 | 101,884,254 |

3. Changes in Accounts Payable – Retentions Controlled by Third Parties

| Description | FY 2022/23 | FY 2021/22 |
|--|-------------|-------------|
| | Kshs | Kshs |
| Retentions as at 1st July | 101,884,254 | 101,884,254 |
| Closing accounts payables – retentions as at 30 th June | 101,884,254 | 101,884,254 |
| Changes in accounts payables - retentions | - | - |

4. External Assistance

a) External assistance relating to loans and grants

| Description | FY 2022/23 | FY 2021/22 |
|---------------------------------------|----------------------|----------------------|
| | Kshs | Kshs |
| External assistance received as loans | 3,344,850,681 | 7,035,094,897 |
| Total | 3,344,850,681 | 7,035,094,897 |

b) Undrawn external assistance

| Description | Purpose for which the undrawn external assistance may be used | FY 2022/23 | FY 2021/22 |
|-----------------------------|---|----------------------|----------------------|
| | | Kshs | Kshs |
| Undrawn external assistance | Construction of roads & consultancy services | 1,756,689,931 | 5,101,540,612 |
| Total | | 1,756,689,931 | 5,101,540,612 |

Other Important Disclosures (Continued)

Other Important Disclosures (Continued)

c) Classes of providers of external assistance

| | FY 2022/23 | FY 2021/22 |
|---------------------|----------------------|----------------------|
| Description | Kshs | Kshs |
| Multilateral donors | 3,344,850,681 | 7,035,094,897 |
| Total | 3,344,850,681 | 7,035,094,897 |

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

d) Purpose and use of external assistance

| | FY 2022/23 | FY 2021/22 |
|-----------------------|----------------------|----------------------|
| Description | Kshs | Kshs |
| Acquisition of Assets | 3,344,850,681 | 7,035,094,897 |
| Total | 3,344,850,681 | 7,035,094,897 |

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

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

| | FY 2022/23 | FY 2021/22 |
|---------------------|----------------------|----------------------|
| Description | Kshs | Kshs |
| Multilateral donors | 3,344,850,681 | 7,035,094,897 |
| Total | 3,344,850,681 | 7,035,094,897 |

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13. Annexes

Annex 1: Prior Year Auditor-General's Recommendations

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status | Timeframe |
|--|---|---|----------|-----------|
| 1 | <p>Basis for Qualified Opinion</p> <p>Inaccuracy in the Financial Statements</p> <p>The statement of receipts and payments reflects surplus for the year of Kshs. 38,890,330. However, the statement of financial assets reflects a nil fund balance as the surplus has not been recognized as part of the fund balance.</p> | <p>The amount reflected as surplus in the statement of receipts and payments represent retention amount withheld from the project contractors in FY 2021/22 hence a financial liability to the Authority. This amount has been added to Payables – Deposits and Retentions from prior year of Kshs 82,691,214 hence Kshs 121,581,544 as reflected in the Statement of Financial Assets as at 30 June 2022 thereby complying to the revised template issued by Public Sector Accounting Standards Board (PSASB).</p> | Resolved | Resolved |
| 2 | <p>Transfer from Government Entities-Lack of Project Bank Account and Cashbook</p> <p>The statement of receipts and payments reflects transfer from Government entities through the parent Ministry of Kshs.158,571,686 which was partly paid out in the year under review. The receipts could however not be confirmed since the Authority did not maintain separate bank account and cashbook for the project.</p> | <p>We wish to respond that the Authority maintains a single exchequer bank account where all funds received from the Exchequer are channelled which is in line with the National Treasury circular on rationalization of bank accounts being operated by entities. From the single exchequer bank the authority maintains a cash book that provides amongst other details:</p> | Resolved | Resolved |

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| | | | | |
|-----------------|--|--|----------|----------|
| | | <ul style="list-style-type: none"> • The Project codes • The Project description and • The vendor to whom an amount relates to. <p>From the cashbook therefore, transactions for a particular project can be filtered through the Project Code and Project Description.</p> <p>Further, MPARD Project uses the Direct Payment method whereby the Development Partner disburse funds directly to the contractor/consultant and therefore does not require opening of a Project Bank Account.</p> <p>Total receipts from the parent ministry are equally confirmed at the end of each financial year as per the exchequer confirmation which was availed during the audit exercise.</p> | | |
| <p>3</p> | <p>Unsupported Expenditure on Purchase of Goods and Services</p> <p>The statement of receipts and payments reflects purchase of goods and services expenditure of Kshs. 12,692,977. As disclosed in Note 3 to the financial statements, the expenditure is mainly in respect to travel and subsistence allowance. However, the expenditure was not supported by a detailed and approved project work plan</p> | <p>MPARD project is a multi-year project and its workplan derives from the procurement plan. A copy of the approved procurement plan was availed to the auditors during the audit exercise.</p> <p>The subsistence allowances as correctly observed were meant for Non-KeNHA officers from the Office of the President who were developing an audio-visual production intended for use during the Madaraka Day Celebrations on 1st June 2022.</p> | Resolved | Resolved |

**Mombasa Port Area Road Development Project JICA Loan No.KE – P29 & KE – P32
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| | | | | |
|----------|--|--|------------|------------|
| | to confirm whether the activities undertaken were part of the work plan for the year. In addition, the expenditure includes an amount of Kshs. 2,343,000 that was paid to persons not employed by the Authority and was not supported by documentation to evidence receipt of the money by the recipients. | | | |
| 4 | <p>Unsupported Expenditure on Acquisition of Non-Financial Assets</p> <p>The statement of receipts and payments reflects acquisition of non-financial assets expenditure of Kshs. 7,142,083,276. This expenditure includes expenditure on construction of roads totaling to Kshs. 74,488,379 for which the supporting schedule provided did not have details of the payee and the reason for payment.</p> | <p>The breakdown indicating the payee and reasons for payment of Kshs 74,488,379 was provided to the Audit team and submitted with responses for the Draft Audit Report.</p> | Resolved | Resolved |
| 5 | <p>Nugatory expenditure</p> <p>Annex 3 to the financial statement reflects a pending balance of Kshs. 6,223,468,827 which includes Kshs. 866,447,567 relating to interest charged, which arose from delayed payments.</p> <p>The payment of interest as a result of delayed payments leads to loss of Government funds which could have been avoided.</p> | <p>We agree with the observation that the project has accumulated interest due to delayed payment. Interest on delayed payment arises due to inadequate GK budgetary provisions coupled with late disbursements of exchequer funds to the Authority to facilitate prompt contractual payments.</p> <p>In FY 2022/23 the Authority had managed to secure GK budgetary allocation of Kshs 187,377,856 for the project subject to the current year ceilings which has been utilized in reducing</p> | Continuous | Continuous |

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| | | | | |
|---|--|---|----------|----------|
| | <p>Unsupported Bank Balance</p> <p>Note 5A to the financial statements reflects cash and cash equivalents balance of Kshs. 121,581,544 as at 30 June, 2022. However, since no separate cashbook is maintained for the project, the supporting reconciliation statement provided for audit reflected a cashbook balance of Kshs. 183,962,682 as at 30 June, 2022 which made it difficult to isolate the correct balance for the Project.</p> | <p>the pending bills.</p> <p>The Authority will endeavour to allocate adequate budget, subject to provided ceilings in subsequent Financial Years to further reduce the pending bills.</p> <p>We wish to note that although the Authority maintains one bank account for retention funds, the Authority maintains an accounting system which provides a retention ledger which provides the following details amongst others:</p> <ul style="list-style-type: none"> • The date when an amount was either retained or paid out, • The amounts retained or released, • The vendor to whom the amount relates to, and • The project to which the amount relates to <p>The authority is therefore able to segregate the retention funds held for each project which ensures accuracy of the balances reported in the project financial statements.</p> | Resolved | Resolved |
| 6 | | | | |

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| | | | | |
|---|---|---|----------|----------|
| 7 | <p>Unsupported Payables – Deposits and Retention Balances</p> <p>The statement of financial assets reflects retentions balance of Kshs. 121,581,544 as at 30 June,2022. However, no supporting schedule indicating details of the contractors owed and the respective amounts retained has been provided to support the balance of Kshs.121,581,544.</p> | <p>A supporting schedule of the retention amount of Kshs 121,581,544 was provided to the auditors and is available for further verification.</p> | Resolved | Resolved |
| 1 | <p><u>Other Matter</u> Delay in project Completion</p> <p>Review of progress reports for the contract's package 2 and 3 revealed that as at 30June, 2022, package 2 was at 56% completion against 57%- time lapse. Similarly, package 3 was at 93% completion against 138%-time lapse. The delay in completion was attributed to delays in land compensation with Kshs. 3,640,011,232 out of Kshs. 6,223,468,827 as captured at Annex 3 on pending bills still outstanding.</p> | <p>We wish to note that construction of package 2 is on course with expected completion in December 2023 whereas the construction of package 3 was substantially completed in March,2022. At the time of Audit, Extension of Time was under review and thus the observation of time lapsed as 138%. Extension of Time was awarded and the only outstanding works in package 3 was Kibundani Interchange which delayed due to land compensation challenge which has been addressed and taken over as at 30th June 2023.</p> <p>We would wish to clarify that the undrawn balance of Kshs 5,101,540,612 as at 30 June 2022 represent donor commitment balance whereas Kshs. 6,223,468,827 is fully payable by the GK. However, the Authority is currently in discussion with the development partner to assist in settling part of the GK pending bills from the development partners undrawn balance to minimise payment of</p> | | |

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| | | | | |
|----------|---|---|-------------------|-------------------|
| | <p>.</p> | <p>interest on delayed payments arising out of these pending bills. The Authority will endeavor to allocate adequate budget, subject to provided ceilings in subsequent Financial Years in order to ensure that all the pending bills are settled as well as projects completion.</p> | | |
| <p>2</p> | <p>Budgetary Control and Performance The statement of comparison of budget and actual amounts reflects final receipts budget and actual receipts on comparable basis of Kshs. 9,736,000,000 and Kshs. 7,193,666,583 respectively resulting in an underfunding of Kshs. 2,542,333,417 or 26% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis of Kshs. 9,736,000,000 and Kshs. 7,154,776,253 respectively, resulting in an under expenditure of Kshs. 2,581,223,747 or 27% of the budget.</p> | <p>We note that there was low absorption which was as a result of slow progress of works in package 2 due to shortage of supply of materials (Bitumen & fuel)</p> | <p>Continuous</p> | <p>Continuous</p> |


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| | | | | |
|---|---|--|----------|----------|
| 3 | <p>Lack of project Detailed Budget The statement of comparison of budget and actual amounts reflects a final expenditure budget of Kshs. 9,736,000,000. However, Management did not provide an itemized budget showing the detailed budget items for which the expenditure was intended.</p> | <p>As clarified during the audit exercise, by nature and practice appropriation by The National Assembly to the project is on a specific line by line individual project. This is the form in which the project budgets are uploaded onto IFMIS and availed for expenditure. A line by line individual project budget was availed during the audit as correctly indicated. However, for purposes of presentation in the financial statements, the requirement is not to present them per project as in IFMIS but by the nature of expenditure as per the template provided by the Public Sector Accounting Standards Board (PSASB)</p> | Resolved | Resolved |
|---|---|--|----------|----------|


Eng. Kungu Ndungu
Director General

26 SEP 2023

Date


Eng. Henry Gakuru
Ag. Director-Development

26 SEP 2023

Date

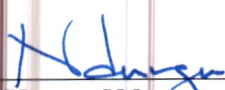
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Annex 2: Variance Explanations - Comparative Budget and Actual Amounts for FY 2022-2023

| | Final Budget a | Actual on Comparable Basis b | Budget Utilisation Difference c=a-b | % of Utilization d=b/a % | Comments on Variance |
|---|----------------------|------------------------------------|---|--------------------------------|---|
| Receipts | | | | | |
| Government of Kenya | 187,377,856 | 187,377,856 | - | 100% | |
| External Financing- Direct Payments | 3,800,000,000 | 3,344,850,681 | 455,149,319 | 88% | Shortage of supply of materials (Bitumen & fuel) hence slow progress of works |
| Total Receipts | 3,987,377,856 | 3,532,228,537 | 455,149,319 | 89% | |
| Payments | | | | | |
| Purchase of goods and services | 3,987,377,856 | 4,035,486 | 471,138,960 | 88% | Shortage of supply of materials (Bitumen & fuel) hence slow progress of works |
| Acquisition of non- financial assets | | 3,512,203,410 | | | |
| Total Payments | 3,987,377,856 | 3,516,238,896 | 471,138,960 | 88% | |


Annex 3: Reconciliation of Inter-Entity Transfers

| | | | | |
|---|---------------------------------------|---|----------------------|---|
| Project Name: | | Mombasa Port Area Road Development Project (MPARD) | | |
| Break down of Transfers from the State Department of Roads | | | | |
| a. | Government Counterpart Funding | | | |
| | | <u>Bank Statement Date</u> | <u>Amount (Kshs)</u> | <u>FY to which the amounts relate</u> |
| | | 30-Sep-22 | 42,500,000 | FY 2022/23 |
| | | 27-Jun-23 | 42,658,471 | FY 2022/23 |
| | Total | | 85,158,471 | |
| b. | Others | | | |
| | | | <u>Amount (Kshs)</u> | <u>FY to which the amounts relate</u> |
| | | 25-May-23 | 102,219,385 | FY 2022/23 |
| | Total | | 102,219,385 | |
| | Grand Total | | 187,377,856 | |


 Eng. Kungu Ndungu
 Director General

26 SEP 2023

Date


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

26 SEP 2023

Date

**Mombasa Port Area Road Development Project JICA Loan No.KE – P29 & KE – P32
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Annex 4: Analysis of Pending Bills

| Supplier of Goods or Services | Date Invoiced | Original Amount | Amount Paid To-Date | Outstanding Balance | | Comments |
|-------------------------------|---------------|-----------------|---------------------|---------------------|------------|----------|
| | | | | 2023 | 2022 | |
| | b | a | c | d=a-c | | |
| Supply of Services | | | | | | |
| Katahira & Engineers | 19-May-17 | 28,666,962 | 28,596,479 | 70,483 | 70,483 | FN 52 |
| Katahira & Engineers | 20-Jun-17 | 28,188,636 | 27,358,062 | 830,575 | 830,575 | FN 53 |
| Katahira & Engineers | 17-Jul-17 | 24,610,735 | 23,678,402 | 932,333 | 932,333.10 | FN 54 |
| Katahira & Engineers | 28-Aug-17 | 22,344,268 | 21,572,829 | 771,439 | 771,438.80 | FN 55 |
| Katahira & Engineers | 09-Oct-17 | 19,210,195 | 18,636,343 | 573,852 | 573,851.58 | FN 56 |
| Katahira & Engineers | 01-Nov-17 | 21,055,837 | 20,491,673 | 564,164 | 564,163.86 | FN 57 |
| Katahira & Engineers | 29-Nov-17 | 20,180,160 | 19,512,810 | 667,350 | 667,349.89 | FN 58 |
| Katahira & Engineers | 18-Dec-17 | 19,857,621 | 19,350,693 | 506,928 | 506,927.74 | FN 59 |
| Katahira & Engineers | 02-Feb-18 | 14,497,230 | 13,925,177 | 572,053 | 572,053.09 | FN 60 |
| Katahira & Engineers | 20-Feb-18 | 14,779,996 | 14,015,527 | 764,469 | 764,469.15 | FN 61 |
| Katahira & Engineers | 21-Mar-18 | 18,938,951 | 18,277,804 | 661,147 | 661,147.28 | FN 62 |
| Katahira & Engineers | 23-Apr-18 | 18,313,774 | 17,641,560 | 672,214 | 672,213.83 | FN 63 |
| Katahira & Engineers | 06-Jun-18 | 19,842,880 | 19,301,454 | 541,426 | 541,426.06 | FN 64 |

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| Supplier of Goods or Services | Date Invoiced | Original Amount | Amount Paid To-Date | Outstanding Balance | | Comments |
|-------------------------------|---------------|--------------------|---------------------|---------------------|-------------------|----------|
| | | | | 2023 | 2022 | |
| | a | b | c | d=a-c | | |
| Katahira & Engineers | 01-Aug-18 | 20,882,505 | 20,426,701 | 455,804 | 455,804.00 | FN 65 |
| Katahira & Engineers | 05-Jan-14 | 21,768,513 | 19,293,292 | 2,475,221 | 2,475,221 | FN 15 |
| Sub-Total Services | | 313,138,264 | 302,078,807 | 11,059,457 | 11,059,457 | |
| Civil Works | | | | | | |
| CCECC&CR11 | 06.09.2018 | 601,381,074 | 590,160,154 | 11,220,920 | 11,220,920 | IPC 21 |
| CCECC&CR11 | 01.10.2018 | 444,261,693 | 307,920,889 | 136,340,804 | 136,340,804 | IPC 22 |
| CCECC&CR11 | 01-Mar-21 | 86,057,367 | 83,210,419 | 2,846,948 | 2,846,948 | FPC |
| FUJITA CORP. | 19-Aug-20 | 1,637,997,599 | 1,633,580,068 | 4,417,531 | 4,417,531 | IPC 2 |
| FUJITA CORP. | 30-Mar-21 | 570,268,482 | 479,171,262 | 91,097,220 | 91,097,220 | IPC 3 |
| FUJITA CORP. | 27-Apr-21 | 1,120,076,632 | 995,220,365 | 124,856,267 | 124,856,267 | IPC 4 |
| FUJITA CORP. | 23-Jun-21 | 790,862,087 | 711,775,878 | 79,086,209 | 79,086,209 | IPC 5 |
| FUJITA CORP. | 11-Aug-21 | 542,836,830 | 488,553,147 | 54,283,683 | 54,283,683 | IPC 6 |
| FUJITA CORP. | 19-Oct-21 | 1,071,421,190 | 964,279,071 | 107,142,119 | 107,142,119 | IPC 7 |
| FUJITA CORP. | 01-Dec-21 | 591,229,552 | 510,807,420 | 80,422,132 | 80,422,132 | IPC 8 |
| FUJITA CORP. | 09-Feb-22 | 557,417,000 | 453,856,850 | 103,560,150 | 103,560,150 | IPC 9 |
| FUJITA CORP. | 16-Feb-22 | | | | | IPC 10 |

**Mombasa Port Area Road Development Project JICA Loan No.KE – P29 & KE – P32
Annual Report and Financial Statements for the financial year ended June 30, 2023**

| Supplier of Goods or Services | Date Invoiced | Original Amount | Amount Paid To-Date | Outstanding Balance | | Comments |
|-------------------------------|---------------|-----------------|---------------------|---------------------|-------------|----------|
| | | | | 2023 | 2022 | |
| | b | a | c | d=a-c | | |
| | | 603,348,223 | 495,427,727 | 107,920,497 | 107,920,497 | |
| FUJITA CORP. | 23-Mar-22 | 601,284,000 | 487,198,493 | 114,085,507 | 114,085,507 | IPC 11 |
| FUJITA CORP. | 13-Apr-22 | 596,061,362 | 490,736,183 | 105,325,179 | 105,325,179 | IPC 12 |
| FUJITA CORP. | 30-May-22 | 595,836,807 | 487,396,208 | 108,440,599 | 108,440,599 | IPC 13 |
| FUJITA CORP. | 16-Jun-22 | 732,540,567 | 600,196,663 | 132,343,903 | 132,343,903 | IPC 14 |
| FUJITA CORP. | 03-Oct-22 | 931,940,679 | 838,746,611 | 93,194,068 | - | IPC 15 |
| FUJITA CORP. | 07-Feb-23 | 1,031,388,461 | 825,110,769 | 206,277,692 | - | IPC 16 |
| FUJITA CORP. | 17-Mar-23 | 810,915,893 | 648,732,714 | 162,183,179 | - | IPC 17 |
| FUJITA CORP. | 17-Mar-23 | 972,357,987 | 777,886,389 | 194,471,598 | - | IPC 18 |
| FUJITA CORP. | 13-Jun-23 | 790,713,408 | 632,570,726 | 158,142,682 | - | IPC 19 |
| FUJITA CORP. | 14-Jun-23 | 796,618,077 | 637,294,462 | 159,323,615 | - | IPC 20 |
| CCECC | 02-Dec-20 | 350,554,543 | 347,186,527 | 3,368,016 | 70,515,516 | IPC 5 |
| CCECC | 25-Feb-21 | 314,324,254 | 241,702,771 | 72,621,483 | 110,901,791 | IPC 6 |
| CCECC | 06-Jun-21 | 407,896,000 | 295,363,377 | 112,532,623 | 145,350,776 | IPC 7 |
| CCECC | 26-Jul-21 | 545,930,539 | 393,057,476 | 152,873,063 | 208,707,034 | IPC 8 |
| CCECC | 03-Nov-21 | | | | | IPC 9 |

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| Supplier of Goods or Services | Date Invoiced | Original Amount | Amount Paid To-Date | Outstanding Balance | | Comments |
|-------------------------------|---------------|-----------------------|-----------------------|----------------------|----------------------|----------|
| | | | | 2023 | 2022 | |
| | b | a | c | d=a-c | | |
| | | 556,698,761 | 386,810,191 | 169,888,570 | 208,654,357 | |
| CCECC | 27-Jan-22 | 743,566,781 | 516,906,938 | 226,659,843 | 295,088,232 | IPC 10 |
| CCECC | 23-May-22 | 213,541,387 | 152,193,026 | 61,348,361 | 78,258,697 | IPC 11 |
| CCECC | 16-Jun-22 | 264,037,208 | 194,068,286 | 69,968,922 | 91,532,065 | IPC 12 |
| CCECC | 03-Oct-22 | 101,068,800 | - | 101,068,800 | - | IPC 14 |
| Sub-Total Civil Works | | 19,974,433,243 | 16,667,121,059 | 3,307,312,184 | 2,572,398,138 | |
| Land Compensation | | | | | | |
| | 02-Jun-12 | 5,708,116,715 | 2,162,605,483 | 3,545,511,232 | 3,640,011,232 | |
| Grand Total | | 25,995,688,222 | 19,131,805,349 | 6,863,882,873 | 6,223,468,827 | |

Annex 5: Summary of Fixed Asset Register

| Asset class | Opening Cost | Purchases/Additions in the Year | Disposals in the Year | Closing Cost |
|-----------------------|-----------------------|------------------------------------|-----------------------------|-----------------------|
| | (Ksh) | (Ksh) | (Ksh) | (Ksh) |
| | 2022/23 | 2022/23 | 2022/23 | 2023 |
| | (a) | (b) | (c) | (d)= (a)+ (b)-(c) |
| Land | 2,067,605,483 | 95,000,000 | - | 2,162,605,483 |
| Construction of Roads | 31,541,488,751 | 3,417,203,410 | - | 34,958,692,161 |
| Total | 33,609,094,234 | 3,512,203,410 | - | 37,121,297,644 |