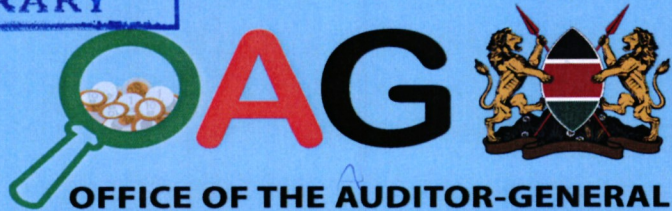



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*Enhancing Accountability*

 THE NATIONAL ASSEMBLY PAPERS T A I D	
DATE: 14 MAR 2023	DAY: TUESDAY
TABLED BY:	DEPUTY LEADER OF THE MAJORITY PARTY
CLERK-AT-THE-TABLE:	IMZOPU MWALU

**REPORT**

**OF**

**THE AUDITOR-GENERAL**

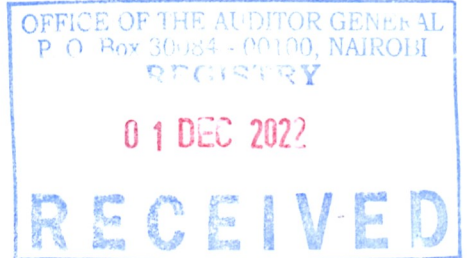
**ON**

**MOMBASA GATE BRIDGE CONSTRUCTION  
PROJECT (I) LOAN AGREEMENT NO.KE-P34**

**FOR THE YEAR ENDED  
30 JUNE, 2022**

**KENYA NATIONAL HIGHWAYS  
AUTHORITY**





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



**Kenya National Highways Authority**

Quality Highways, Better Connections

**PROJECT NAME: MOMBASA GATE BRIDGE CONSTRUCTION PROJECT (I)**

**IMPLEMENTING ENTITY: KENYA NATIONAL HIGHWAYS AUTHORITY**

**PROJECT GRANT/CREDIT NUMBER: KE-P34**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2022**

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**1. Project Information and Overall Performance**

**1.1 Name and registered office**

**Name**

The project's official name is Mombasa Gate Bridge Construction Project (I)

**Objective**

The key objective of the project is to mitigate traffic congestion and facilitate efficient transportation and logistics, by constructing a bridge linking Mombasa Island and South Mainland (Likoni Area) and related roads improvement, thereby contributing to stimulation of regional economic activities including the proposed special economic zone and economic development in Kenya and Neighbouring Countries.

**Address**

**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)**

**1.2 Project Information**

<b>Project Start Date:</b>	The project start date is 5 <sup>th</sup> December 2019
<b>Project End Date:</b>	The project end date is 30 <sup>th</sup> June, 2027
<b>Project Manager:</b>	The project manager is Eng. Samuel O. Ogege
<b>Project Sponsor:</b>	The project sponsor is: Japanese International Corporation Agency (JICA)

**1.3 Project Overview**

Line Ministry/State Department of the project	The project is under the supervision of the Ministry of Transport and Infrastructure, Housing, Urban Development & Public Works
Project number	KE-P34
Strategic goals of the project	To relief traffic congestion and improve traffic smoothness by constructing a bridge between Mombasa island and Likoni and upgrading regional roads, leading to revitalize regional economic activity and contribute economic
Other important background information of the project	The project will enhance regional integration, trade, tourism, blue economy and socio-economic development in the coastal Region.
Current situation that the project was formed to intervene	The project was formed to intervene in the following areas: (i) To reduce cost and time of travel between Mombasa Island and Likoni area
Project duration	The project started on 5 <sup>th</sup> December 2019 and is expected to be completed by June 2027

**Project Information and Overall Performance (Continued)**

**1.4 Bankers**

The following are the bankers for the current year:

- (i) Co-operative Bank of Kenya  
 Upper Hill Branch  
 P.O Box  
 Nairobi  
 Account No: 01141160979900

**1.5 Auditors**

Auditor General  
 Office of the Auditor General  
 P.O Box 30084-0100  
 Nairobi

**1.6 Roles and Responsibilities**

List the different people who will be working on the project. This list would include the project manager and all the key stakeholders who will be involved with the project. Also, record their role, their positions, and their contact information.

<b>Names</b>	<b>Title designation</b>	<b>Key qualification</b>	<b>Responsibilities</b>
Eng. Charles O. Obuon	Director-Developmenet	Qualified	Project Implementing Team Leader
Eng. Samuel O. Ogege	Deputy Director-Special Projects (JICA)	Qualified	Project Engineer
Mr. Walter B. Nyatwang'a	Deputy Director-Environment & Social Interests	Qualified	Project Safeguards Specialist
Ms. Norah Odingo	Deputy Director-Legal Services	Qualified	Project Legal Specialist
Mr. Chanje Kera	Deputy Director-Finance & Accounts	Qualified	Project Financial Specialist
Ms. Rose Oloo	Assistant Director-Social Interests	Qualified	Project Social Development Specialist
Mr. Richard Kilel	Assistant Director-Supply Chain Management	Qualified	Project Procurement Specialist

**Project Information and Overall Performance (Continued)**

**1.7 Funding Summary**

The Project is for duration of Seven (7) years from 2019 to 2027 with an approved budget of Yen 47,800,000,000 equivalent to Kshs. 49,047,624,422 as highlighted in the table below

**A. Sources of Funds**

Source of funds	Donor Commitment		Amount Received to date – (30.06.2022)		Undrawn balance to date - (30.06.2022)	
	Yen	Kshs	Yen	Kshs	Yen	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
<b>(ii)Loan</b>						
Japan International Co-operation (JICA)	47,800,000,000	49,047,624,422	914,348,663	938,214,013	46,885,651,337	48,109,410,409
<b>(ii)Counterpart funds</b>						
Government of Kenya	-	12,246,513	-	12,246,513	-	-
<b>Total</b>	<b>47,800,000,000</b>	<b>49,059,870,935</b>	<b>914,348,663</b>	<b>950,460,526</b>	<b>46,885,651,337</b>	<b>48,109,410,409</b>

**B. Application of Funds**

Application of funds	Amount received to date – (30th June 2022)		Cumulative Amount paid to date – (30th June 2022)		Unutilised balance to 30th June 2022	
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
	YEN	KSHS	YEN	KSHS	YEN	KSHS
<b>(i)Loan</b>						
Japan International Co-operation (JICA)	914,348,663	938,214,013	914,348,663	938,214,013	-	-
<b>(ii)Counterpart funds</b>						
Government of Kenya	-	12,246,513	-	12,246,513	-	-
<b>Total</b>	<b>914,348,663</b>	<b>950,460,526</b>	<b>914,348,663</b>	<b>950,460,526</b>	<b>-</b>	<b>-</b>

**Project Information and Overall Performance (Continued)**

**1.8 Summary of Overall Project Performance:**

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

Budget	FY 2021/2022		
	Budget	Actual	Percentage (%)
Counterpart Funds - GoK	10,000,000	7,824,152	78%
Loan from External:			
Direct Payments	1,000,000,000	938,214,013	93%
<b>TOTAL</b>	<b>1,010,000,000</b>	<b>946,038,165</b>	<b>94%</b>

ii) Physical progress based on outputs, outcome and impacts since project commencement: The project is under detailed design which is expected to be completed in November,2022. Thereafter, procurement of works contractor will commence and the process is expected to take approximately 12 months till contract signing

iii) Comment on value for money achievements.

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

iv) Absorption rate for each year since the commencement of the project

Budget	FY 2021/2022		
	Budget	Actual	Percentage (%)
Counterpart Funds - GoK	10,000,000	7,824,152	78%
Loan from External:			
Direct Payments	1,000,000,000	938,214,013	93%
<b>TOTAL</b>	<b>1,010,000,000</b>	<b>946,038,165</b>	<b>94%</b>

Budget	FY 2020/2021		
	Budget	Actual	%
Counterpart Funds - GoK	30,000,000	4,422,361	15%
<b>Total</b>	<b>30,000,000</b>	<b>4,422,361</b>	<b>15%</b>

v) List Implementation Challenges and recommended way forward

The project was highly affected by the outbreak of Covid-19 which derailed the progress of the project. The project has at the moments made progress

#### **Project Information and Overall Performance (Continued)**

##### **1.9 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.

**2. Statement of Performance Against Project’s Predetermined Objectives**

**Introduction**

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

- The key objective of the project is to relief traffic congestion and improve traffic smoothness by constructing a bridge between Mombasa island and Likoni and upgrading regional roads, leading to revitalize regional economic activity and contribute economic development of Kenya and surrounding countries
- To improve current traffic status in Mombasa and contribute development of Southern undeveloped districts.

**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-bund (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
It aims at making Kenya a newly industrialized, middle income country, providing high quality of life for all its citizens by the year 2030	To provide an efficient and safe transport means between the mainland south and Mombasa Island	It strengthens the economic trade within and between regions	Mitigation of traffic congestion in the urban areas by the improvement of road network.
To enhance social economic development of the people along the project road	Improved air quality along the project road hence improved health among communities along the project road.	Reduced CO <sub>2</sub> concentration along the project road as a result of reduced traffic congestion	Through technical and vocational trainings undertaken during the Financial Year, local jobs have been created.

### **3. Environmental and Sustainability Reporting**

Mombasa Gate Bridge Construction Project (I) 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 prosperity. Five out of the seventeen goals are pertinent to management of projects being undertaken by the Authority. These are being addressed through the following initiatives;

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

#### **2. Environmental performance**

The Authority is working towards ensuring environmental sustainability in projects by undertaking tree planting exercises, implementation of road beautification programs, enforce reinstatement of quarries and borrow pits after construction works, undertakes regular Environmental Impact Assessment (EIA) Audits, carries out M&E on Environment and Social Management Plan (ESMPs) as well as Environmental Social Impact Assessment (ESIA) on projects.

### **3. Employee welfare**

In all its staff appointments, the Authority takes deliberate actions to embrace Equal Employment Opportunity policies, gender mainstreaming, addresses concerns around Persons Living with Disabilities (PWDs) and takes affirmative action in line with prevailing Government Policy guidelines. The Authority prioritizes training to develop technical capacity of staff in the fields of Value Engineering, Project Financing, Project, Contract Management, Performance Based Maintenance and Safety.

### **4. Market place practices-**

The Authority strives to ensure responsible competition practices through undertaking annual governance audits in projects, monitoring the implementation of policies and further promotes ethical conduct in projects. The Authority equally sensitizes staff on corruption and integrity.

The Authority undertakes to be actively involved in the negotiations during budget sector hearings in order to increase budgetary allocations for projects thus honouring contracts by paying its liabilities on time.

### **5. Community Engagements**

During the implementation of the Project, the Authority is committed to remaining a responsible corporate citizen by being accountable for its actions through engaging in Public Participation. The Project's goal in terms of community engagement is to ensure that the projects foster long-term relationships with stakeholders and communities around the project. The aim is not just to build roads that foster development but to ensure collaboration with the local communities to achieve sustainable development. The project staff is also encouraged to give back to society by participating in the Authority's corporate social responsibility projects.

To achieve inclusive growth among the community around the project area, the project has a component of training unemployed youth around the project area. To enhance social safeguards in projects, the Authority undertakes Resettlement Action Plan (RAP) studies and implements its recommendations, carries out Social Impact Assessments (SIA), undertakes gender mainstreaming and conduct stakeholders' forum to sensitize the public in several cross-cutting issues.

#### **4. Statement of Project Management Responsibilities**

The Director General, KeNHA and the Project Implementation Team Leader for Mombasa Gate Bridge Construction Project (I) 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, 2022. 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.

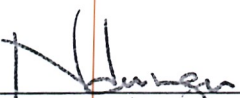
The Director General, KeNHA and the Project Implementation Team Leader for Mombasa Gate Bridge Construction Project (I) accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance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

The Director General, KeNHA and the Project Implementation Team Leader for Mombasa Gate Bridge Construction Project (I) 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, 2022, and of the Project's financial position as at that date. The Director General, KeNHA and the Project Implementation Team Leader for Mombasa Gate Bridge Construction 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 Gate Bridge Construction Project (I) 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 Gate Bridge Construction Project (I) on 30 AUG 2022 and signed by them.

  
\_\_\_\_\_  
**Eng. Kungu Ndungu**  
**Director General**

Date 30 AUG 2022

  
\_\_\_\_\_  
**Eng. Charles O. Obuon**  
**Director-Development**

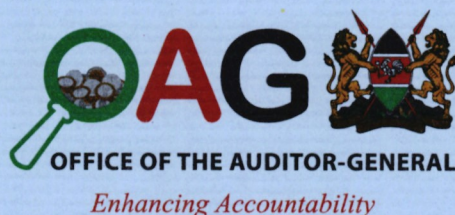
Date 30 AUG 2022

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

Date 30 AUG 2022

# REPUBLIC OF KENYA

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

## **REPORT OF THE AUDITOR-GENERAL ON MOMBASA GATE BRIDGE CONSTRUCTION PROJECT (I) LOAN AGREEMENT NO.KE-P34 FOR THE YEAR ENDED 30 JUNE, 2022 - KENYA NATIONAL HIGHWAYS AUTHORITY**

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### **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 intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

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

#### **Qualified Opinion**

I have audited the accompanying financial statements of Mombasa Gate Bridge Construction Project (I) set out on pages 1 to 18, which comprise the statement of

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*Report of the Auditor-General on Mombasa Gate Bridge Construction Project (I) Loan Agreement No.KE-P34 for the year ended 30 June, 2022 - Kenya National Highways Authority*

financial assets as at 30 June, 2022, the statement of receipts and payments, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Mombasa Gate Bridge Construction Project (I) as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Financing Agreement No. KE-P34 dated 5 December, 2019 between Japanese International Cooperation Agency (JICA) and the Government of the Republic of Kenya and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1. Inaccuracy of the Cumulative Receipts**

The statement of receipts and payments and Note 1 to the financial statements, reflects prior year receipts and payments made by third parties balance of Kshs.4,422,361. However, additional information indicates that the quarter three (3) receipts for the 2020/2021 financial year were understated by Kshs.31,500. The prior year adjustment to correct the understatement has not been effected.

As a result, the accuracy of the cumulative amount of Kshs.12,246,513 on transfers from Government entities could not be confirmed.

#### **2. Unsupported Transfer from Government Entities**

The statement of receipts and payments and Note 1 to the financial statements indicate that transfers from Government entities amounting to Kshs.7,824,152 was made during the year under review as indicated in the table below:

<b>Exchequer Receipts</b>	<b>Amount (Kshs.)</b>
Quarter 1	5,442
Quarter 2	2,134,436
Quarter 3	2,955,304
Quarter 4	<u>2,728,970</u>
	<b>7,824,152</b>

However, the quarterly exchequer requisitions, exchequer receipts, cash book and bank statements confirming the receipts, were not provided for audit review.

As a result, the completeness and accuracy of receipts from other Government entities totalling to Kshs.7,824,152 could not be confirmed.

### **3. Failure to Open a Separate Bank Account for the Project**

The statement of financial assets reflects a nil balance in respect of cash and cash equivalents. However, the certificate of bank balance reflects a balance of Kshs.5,305,453,396 for all the projects under implementation by KeNHA. A breakdown of the Project's specific balance for Mombasa Gate Bridge Construction Project (I) included in the above amount has not been provided. In addition, the cash book, board of survey report and bank reconciliation statement in respect of this project was not provided for audit review.

Further, a separate bank account for the Project was not maintained contrary to Regulation 76(1) of the Public Finance Management (National Government) Regulations, 2015 which requires that a bank account in the name of the project is opened and maintained in the Central Bank of Kenya, unless it is exempted by the Cabinet Secretary, in writing.

As a result, the accuracy and completeness of the cash and cash equivalents balance could not be confirmed.

### **4. Unsupported Payments on Goods and Services**

The statement of receipts and payments reflects an amount of Kshs.7,824,152 under purchase of goods and services. This amount relates to domestic travel and subsistence expenses during the year. However, supporting ledger, Project trial balance and payment vouchers were not provided for audit verification, as detailed in the table below:

<b>S/No.</b>	<b>Date</b>	<b>PV. No.</b>	<b>Description</b>	<b>Amount (Kshs.)</b>
1.	02 March, 2022	71181	MBG Gazettement	6,480
2.	06 June, 2022	72789	Issuance of notices	196,000
3.	06 June, 2022	72789	Issuance of notices	210,000
				<b>412,480</b>

In the circumstances, the propriety of the payments could not be confirmed.

### **5. Ineligible Expenditure**

The statement of receipts and payments and Note 3 to the financial statements indicate that an amount of Kshs.7,824,152 was paid in respect of goods and services. Included in this amount is a payment of Kshs.1,834,850 in respect of domestic travel and subsistence. Review of the documents in support of the expenditure revealed that the payment relates to Mombasa Port Area Development Project (MPADP). However, the expenditure was not in the project approved budget.

In the circumstances, the regularity of the expenditure could not be confirmed.

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

### **Key Audit Matters**

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

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

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources, 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**

#### **1. Delayed Commencement of Project**

The Government of Kenya through the Cabinet Secretary for finance entered into a loan agreement with the Japan International Cooperation Agency (JICA) for construction of Mombasa Gate Bridge on 5 December, 2019. The project agreement states that the final disbursement under the loan agreement shall be made within the period from the effective date of the loan agreement to the same day and month nine (9) years after the effective date of the loan agreement. The Project was expected to be completed by June, 2027. However, at the time of audit some four years (4) later, the implementing agency (KeNHA) had only identified the project consultants through a contract signed on 31 August, 2021. The scope of the consultancy, was to assist on preparation of tender documents, construction supervision, facilitation of implementation of environmental and social monitoring plan and transfer of technology. A payment of Kshs.938,218,013 was made on 18 March, 2022 being 15% of the contract sum. However, the consultant has not completed the draft detailed design documents and draft bidding documents covered under item 1 of the scope of consultancy services.

In the circumstances, value for money for the amount of Kshs.938,218,013 paid to the contractor could not be ascertained.

## **2. Failure to Maintain an Imprest Register**

Review of payments records revealed that Management issued out several imprests to project management staff. However, the imprest register was not maintained contrary to the provisions of regulation 93(4) of Public Finance Management (National Government) Regulations, 2015 on issuance and surrender of imprests, which requires that before issuing temporary imprests the Accounting Officer shall ensure that the applicant has been recorded in the imprest register including the amount applied for.

In the circumstances, Management was in breach of the law.

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

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

#### **Conclusion**

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

#### **Basis 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 control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

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

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

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

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

### **Auditor-General's Responsibilities for the Audit**

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in

an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of 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 policies and procedures may deteriorate.


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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi


22 November, 2022

**Mombasa Gate Bridge Construction Project (I)**  
**Annual Report and Financial Statements for the financial year ended June 30, 2022**

**6. Statement of Receipts and Payments for The Year Ended 30th June 2022.**


	Note	FY 2021/22		FY 2020/21		Cummulative to Date
		KSh		KSh		
		Receipts & Payments Controlled by the Entity	Payments Made by the Third Parties	Receipts & Payments Controlled by the Entity	Payments Made by the Third Parties	
<b>RECEIPTS</b>						
Transfer from Government entities	1	7,824,152	-	-	4,422,361	12,246,513
Loan from external development partners	2	-	938,214,013	-	-	938,214,013
<b>TOTAL RECEIPTS</b>		<b>7,824,152</b>	<b>938,214,013</b>	<b>-</b>	<b>4,422,361</b>	<b>950,460,526</b>
<b>PAYMENTS</b>						
Purchase of goods and services	3	7,824,152	-	-	4,422,361	12,246,513
Acquisition of non-financial assets	4	-	938,214,013	-	-	938,214,013
<b>TOTAL PAYMENTS</b>		<b>7,824,152</b>	<b>938,214,013</b>	<b>-</b>	<b>4,422,361</b>	<b>950,460,526</b>
<b>SURPLUS/DEFICIT FOR THE YEAR</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

  
**Eng. Kungu Ndungu**  
 Director General


30 AUG 2022

Date

  
**Eng. Charles O. Obuon**  
 Director – Development

30 AUG 2022

Date

  
**CPA Chanje Kera**  
 Deputy Director (F&A)

ICPAK Member No. 8279  
 30 AUG 2022

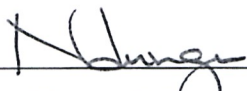
Date

**Mombasa Gate Bridge Construction Project (I)**  
**Annual Report and Financial Statements for the financial year ended June 30, 2022**

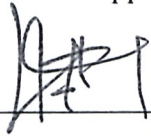
**7. Statement of Financial Assets as at 30th June 2022**

	Note	2021/22	2020/21
		Kshs	Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents	5		
Imprests and Advances		-	-
Bank Balances		-	-
<b>TOTAL FINANCIAL ASSETS</b>		-	-
REPRESENTED BY:			
Cash and cash equivalents b/fwd		-	-
Surplus/Deficit for the year			-
<b>NET FINANCIAL POSITION</b>		-	-


The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 30 AUG 2022 2022 and signed by:

  
 Eng. Kungu Ndungu  
 Director General

Date 30 AUG 2022

  
 Eng. Charles O. Obuon  
 Director-Development

Date 30 AUG 2022

  
 CPA Chanje Kera  
 Deputy Director (F&A)  
 ICPAK Member No. 8279  
 Date 30 AUG 2022

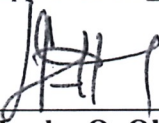
8. Statement of Cashflow For the Year 30th June 2022

Description	Note	2021/2022	2020/2021
<b>Receipts</b>			
<b>Cashflow from Operating Activities</b>			
Transfer from Government entities	1	7,824,152	4,422,361
Proceeds from domestic and foreign grants		-	-
Miscellaneous receipts		-	-
<b>Payments</b>			
Purchase of goods and services	3	(7,824,152)	(4,422,361)
Social security benefits		-	-
Transfers to other government entities		-	-
<b>Net cash flow from operating activities</b>		-	-
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of Non-financial Assets	4	(938,214,013)	-
<b>Net cash flows from Investing Activities</b>		<b>(938,214,013)</b>	-
<b>CASHFLOW FROM BORROWING ACTIVITIES</b>			
Proceeds from Foreign Borrowings	2	938,214,013	-
<b>Net cash flow from financing activities</b>		<b>938,214,013</b>	-
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>		-	-
<b>Cash and cash equivalent at BEGINNING of the year</b>		-	-
<b>Cash and cash equivalent at END of the year</b>		-	-

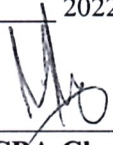
The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30 AUG 2022 2022 and signed by:

  
Eng. Kungu Ndungu

Director General

  
Eng. Charles O. Obuon

Director-Development

  
CPA Chanje Kera

Deputy Director (F&A)

ICPAK Member No. 8279

Date 30 AUG 2022

Date 30 AUG 2022

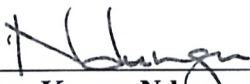
Date 30 AUG 2022

**Mombasa Gate Bridge Construction Project (I)**  
**Annual Report and Financial Statements for the financial year ended June 30, 2022**


**9. Statement of Comparison of Budget and Actual Amounts for the year ended 30<sup>th</sup> June 2022**

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Variance	% of Utilisation	Comments
	a	b	c=a+b	d	e=c-d	f=d/c %	
<b>Receipts</b>							
Transfer from Government entities	40,000,000	(30,000,000)	10,000,000	7,824,152	2,175,848	78%	Budget revised Downwards
Transfer from External Development Partner	4,849,200,000	(3,849,200,000)	1,000,000,000	938,214,013	61,785,987	94%	Budget revised Downwards
<b>Total Receipts</b>	<b>4,889,200,000</b>	<b>(3,879,200,000)</b>	<b>1,010,000,000</b>	<b>946,038,165</b>	<b>63,961,835</b>	<b>94%</b>	<b>63,961,834</b>
<b>Payments</b>							
Compensation of employees	4,889,200,000	(3,879,200,000)	1,010,000,000	946,038,165	63,961,835	94%	Budget revised Downwards
Purchase of goods and services							
Social security benefits							
Acquisition of non-financial assets							
<b>Total Payments</b>	<b>4,889,200,000</b>	<b>(3,879,200,000)</b>	<b>1,010,000,000</b>	<b>946,038,165</b>	<b>63,961,835</b>	<b>94%</b>	<b>63,961,834</b>


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

  
**Eng. Kungu Ndungu**  
**Director General**

30 AUG 2022  
 \_\_\_\_\_  
**Date**

  
**Eng. Charles O. Obuon**  
**Director-Development**

30 AUG 2022  
 \_\_\_\_\_  
**Date**

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

30 AUG 2022  
 \_\_\_\_\_  
**Date**

## **10. Significant Accounting Policies**

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

### **10.1 Statement of compliance and basis of preparation**

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

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

### **10.2 Reporting entity**

The financial statements are for Mombasa Gate Bridge Construction Project (I) under the State Department of Infrastructure. The financial statements are for the reporting entity Mombasa Gate Bridge Construction Project (I) as required by Section 81 of the PFM Act, 2012

### **10.3 Reporting currency**

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

### **10.4 Recognition of receipts**

Mombasa Gate Bridge Construction Project (I) recognises all receipts from the various sources when the event occurs, and the related cash has actually been received.

#### **i) Transfers from the Exchequer**

Transfer from Exchequer is 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 monies 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 ongoing satisfaction is highly likely and the project is anticipated to continue to completion. An analysis of the Project's undrawn external assistance is shown in the funding summary.

**10.5 Recognition of payments**

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

**i) Compensation to employees**

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

**Significant Accounting Policies (Continued)**

**ii) 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.

**iii) Interest on borrowing**

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

**iv) 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.

**v) Acquisition of fixed assets**

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

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

**10.6 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.

**Significant Accounting Policies (Continued)**

**10.7 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.

**10.8 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.

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

**10.10 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:

**Significant Accounting Policies (Continued)**

- 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.

There were no contingent liabilities in the year.

**10.11 Contingent Assets**

Mombasa Gate Bridge Construction Project (I) 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 Gate Bridge Construction Project (I) 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.

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

**Significant Accounting Policies (Continued)**

**10.13 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*.

**10.14 Third party payments**

Included in the receipts and payments, are payments made on its behalf by to third parties in form of loans and grants. These payments do not constitute cash receipts and payments. and are disclosed in the payment to third parties' column in the statement of receipts and payments. During the year, Kshs 938 Million being loan disbursements were received in form of direct payments from third parties.

**10.15 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.

**Significant Accounting Policies (Continued)**

**10.16 Comparative figures**

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

**10.17 Subsequent events**

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended June 30, 2022.

**10.18 Prior period adjustments**

Prior period adjustments relate to errors and other adjustments noted arising from previous year(s). There were no prior adjustments in the current financial year.

**11. Notes to The Financial Statements**

**1. Transfer from Government entities**

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

	<b>FY 2021/2022</b>	<b>FY 2020/2021</b>	<b>Cumulative to-date</b>
	<b>Kshs</b>	<b>Kshs</b>	
<b>Counterpart funding through Ministry of Transport and Infrastructure</b>			
Counterpart funds Quarter 1	5,442	-	5,442
Counterpart funds Quarter 2	2,134,436	3,433,130	5,567,566
Counterpart funds Quarter 3	2,955,304	957,731	3,944,535
Counterpart funds Quarter 4	2,728,970	-	2,728,970
<b>Total</b>	<b>7,824,152</b>	<b>4,422,361</b>	<b>12,246,513</b>

**Note:** FY 2020/2021 Q3 was understated by Kshs 31,500. The actual amount should have been 989,231

**2. Loan from External Development Partners**

During the 12 months to 30 June 2022 we received funding from development partners in form of loans negotiated by the National Treasury donors as detailed in the table below:

<b>Name of Donor</b>	<b>Amount in Foreign Currency</b>	<b>Loans received in cash</b>	<b>Loans received as direct payment</b>	<b>Total amount in Kshs</b>	<b>Total amount in Kshs</b>
				<b>FY 2021/22</b>	<b>FY 2020/21</b>
	<b>Yen</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>JICA</b>	-	-	938,214,013	938,214,013	-
<b>Total</b>	-	-	<b>938,214,013</b>	<b>938,214,013</b>	-

**3. Purchase Of Goods And Services**

<b>Description</b>	<b>FY 2021/22</b>			<b>FY 2020/21</b>	<b>Cumulative</b>
	<b>Payments Made by the Entity in Cash</b>	<b>Payments made by third parties</b>	<b>Total Payments</b>	<b>Payments Made by the Entity in Cash</b>	
	<b>KSh</b>	<b>KSh</b>	<b>KSh</b>	<b>Kshs</b>	<b>Kshs</b>
Domestic Travel & Subsistence	7,824,152	-	7,824,152	4,422,361	12,246,513
<b>Total</b>	<b>7,824,152</b>	<b>-</b>	<b>7,824,152</b>	<b>4,422,361</b>	<b>12,246,513</b>

**Mombasa Gate Bridge Construction Project (I)**  
**Annual Report and Financial Statements for the financial year ended June 30, 2022**

**Notes To The Financial Statements (Continued)**

**4. Acquisition Of Non-Financial Assets**

Item	FY 2021/22			FY 2020/21	Cumulative to-date
	Payments made by the entity in Cash	Payments made by third parties	Total Payments		
	KSh	KSh	KSh	Kshs	Kshs
Research, Studies, project preparation, design & supervision.	-	938,214,013		-	938,214,013
Acquisition of land	-	-	-	-	-
Acquisition of other intangible assets	-				-
<b>Total</b>	-	<b>938,214,013</b>	-	-	<b>938,214,013</b>

**5. Cash And Cash Equivalents**

	FY 2021/22	FY 2020/21
Description	Kshs	Kshs
Bank accounts	-	-
<b>Total</b>	-	-

**Mombasa Gate Bridge Construction Project (I)**  
**Annual Report and Financial Statements for the financial year ended June 30, 2022**

**12. Other Important Disclosures**

**12.1 Pending Accounts Payable (Annex 3)**

	Balance b/f FY 2021/2022	Additions for the period	Paid during the year	Balance c/f FY 2021/2022
Description	Kshs	Kshs	Kshs	Kshs
Construction of Civil Works				
Land Compensation				
Supply of services				
<b>Total</b>				

**12.2 External Assistance**

**a) External assistance relating loans and grants**

	FY 2021/2022	FY 2020/2021
Description	Kshs	Kshs
External assistance received as loans	938,214,013	-
<b>Total</b>	<b>938,214,013</b>	<b>-</b>

**b) Undrawn external assistance**

	Purpose for which the undrawn external assistance may be used	FY 2021/2022	FY 2020/2021
Description		Kshs	Kshs
Undrawn external assistance - loans	Civil works & consultancy services	48,109,410,409	49,047,624,422
<b>Total</b>		<b>48,109,410,409</b>	<b>49,047,624,422</b>

**c) Classes of providers of external assistance**

	FY 2021/2022	FY 2020/2021
Description	Kshs	Kshs
Multilateral donors	938,214,013	-
<b>Total</b>	<b>938,214,013</b>	<b>-</b>

**Mombasa Gate Bridge Construction Project (I)**

**Annual Report and Financial Statements for the financial year ended June 30, 2022**

**d) Non-monetary external assistance**

<b>Description</b>	<b>FY 2021/22</b>	<b>FY 2020/21</b>
	<b>Kshs</b>	<b>Kshs</b>
Goods	-	-
Services	-	-
<b>Total</b>	-	-

**e) Purpose and use of external assistance**

<b>Description</b>	<b>FY 2021/22</b>	<b>FY 2020/21</b>
	<b>Kshs</b>	<b>Kshs</b>
Acquisition of Non-financial Assets	938,214,013	-
<b>Total</b>	938,214,013	-

**f) 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

	<b>FY 2021/22</b>	<b>FY 2020/21</b>
<b>Description</b>	<b>Kshs</b>	<b>Kshs</b>
Multilateral donors	938,214,013	-
<b>Total</b>	938,214,013	-

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**13. Prior Year Auditor-General Recommendations**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	<p><b>Unsupported Transfer from Government Entities:</b> In the Financial year under review the Statement of receipts and payments reflects transfers from other government entities figure of Kshs 4,284,201. However, the exchequer requisition and exchequer notifications evidencing these receipts were not provided for audit. In the circumstances the authenticity, accuracy and completeness of the receipts from other government entities figure of Kshs 4,284,201 could not be confirmed</p>	<p>We disagree observation. All exchequer funds received are channelled to a single exchequer bank account which is in line with provision of section 28 (2) of the PFM act 2012 of a treasury single account. In FY 2020/21 the project received Kshs 4,422,361 not 4,284,201 as per annex 2 of the financial statements (<i>copy attached</i>). Copies of Bank reconciliation statements for the co-operative bank account accompanied by the cash books and bank statements for each month for the period 1<sup>st</sup> July 2020 to 30<sup>th</sup> June 2021 were also availed during the audit. Further a certificate of bank balance for the period ending 30<sup>th</sup> June 2021 was also availed during</p>	Resolved	Continuous

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		the audit. Total receipts from the parent ministry are equally confirmed at the end of each financial year as per the attached exchequer confirmation		
2.	<p><b>Procurement of Consultancy Services for Tender Assistances and Contract Supervision of Construction of Mombasa Gate Bridge Project:</b>                      Delay conclusion and awarding of contract. As outlined in article 1 and Section 2, Japan International Corporation (JICA) agreed to lend the Government of Kenya Japanese Yen (47,800,000,00) part of which was allocated for payment under the contract consultancy services for Tender Assistance and Construction supervision of the Mombasa Gate Bridge Project (1). Available records indicated that during the year 2019, the Authority commenced the process of employing project Consultant. The procurement process was conducted in Line with the requirements of the Loan agreement, general terms and condition for the Japanese ODA loans October 2012 and PPADA 2012. On 1<sup>st</sup> March 2021, The Authority approved award of Tender to M/s Nippon Koei Company (Japan) Lead partner</p>	We disagree with Observation. The Contract was awarded on 7 <sup>th</sup> July, 2021 and later signed on 31 <sup>st</sup> August 2021 by both parties. The process was also much affected by Covid-19.	Resolved	Resolved

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	<p>in Joint Venture with others at a tender price of USD 36,545,235 JPY 2,633,305,624 inclusive provisional sums and contingencies. However, despite successful conclusion of contract negotiation held in May 2021 and extension of proposal validity period to 8 October 2021, the contract had not been awarded as at 6 October 2021 time of Audit. In the foregoing the delay in awarding the contract for the construction of the project is the effect delaying the start of the project implementation.</p>			
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**Eng. Kungu Ndungu  
Director General**



**Eng. Charles O. Obuon  
Director -Development**

30 AUG 2022

**Date**

30 AUG 2022

**Date**

**Mombasa Gate Bridge Construction Project (I)**  
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**14. Annexes**

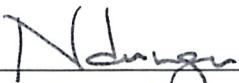
**Annex 1 - Variance Explanations - Comparative Budget and Actual Amounts for FY 2021-2022**

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Variance	% of Utilisation	Comments
	a	b	c=a+b	d	e=c-d	f=d/c %	
<b>Receipts</b>							
Transfer from Government entities	40,000,000	(30,000,000)	10,000,000	7,824,152	2,175,848	78%	Budget revised Downwards
Transfer from External Development Partner	4,849,200,000	(3,849,200,000)	1,000,000,000	938,214,013	61,785,987	94%	Budget revised Downwards
<b>Total Receipts</b>	<b>4,889,200,000</b>	<b>(3,879,200,000)</b>	<b>1,010,000,000</b>	<b>946,038,165</b>	<b>63,961,835</b>	<b>94%</b>	<b>63,961,834</b>
<b>Payments</b>							
Compensation of employees							
Purchase of goods and services							
Social security benefits	4,889,200,000	(3,879,200,000)	1,010,000,000	946,038,165	63,961,835	94%	Budget revised Downwards
Acquisition of non-financial assets							
<b>Total Payments</b>	<b>4,889,200,000</b>	<b>(3,879,200,000)</b>	<b>1,010,000,000</b>	<b>946,038,165</b>	<b>63,961,835</b>	<b>94%</b>	<b>63,961,834</b>


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**Annex 2: Reconciliation of Inter-Entity Transfers**

	<b>FY 2021/2022</b>	<b>FY 2020/2021</b>	<b>Cumulative to-date</b>
	<b>Kshs</b>	<b>Kshs</b>	
<b>Counterpart funding through Ministry of Transport and Infrastructure</b>			
Counterpart funds Quarter 1	5,442	-	5,442
Counterpart funds Quarter 2	2,134,436	3,433,130	5,567,566
Counterpart funds Quarter 3	2,955,304	957,731	3,944,535
Counterpart funds Quarter 4	2,728,970	-	2,728,970
<b>Total</b>	<b>7,824,152</b>	<b>4,422,361</b>	<b>12,246,513</b>

  
**Eng. Kungu Ndungu**  
**Director General**

30 AUG 2022  
**Date**

  
**CPA Chanje Kera**  
**Deputy Director (F&A)**  
**ICPAK Member NoNo.8279**

30 AUG 2022  
**Date**

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**Annex 3 – Analysis of Pending Bills**

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2021/22	Outstanding Balance 2021/22	Comments
	a	b	c	d=a-c		
<b>Construction buildings</b>	of					
1.						
2.						
<b>Sub-Total</b>				-	-	
<b>Construction of civil works</b>						
3.						
4.						
<b>Sub-Total</b>				-	-	
<b>Supply of goods</b>						
5.						
6.						
<b>Sub-Total</b>				-	-	
<b>Supply of services</b>						
7.						
8.						
<b>Sub-Total</b>						
<b>Grand Total</b>				-	-	

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**ANNEX 4 – Summary of Fixed Assets Registers**

<b>Asset class</b>	<b>Opening Cost (KShs) 2021/22</b>	<b>Purchases/Additions in the Year (KShs) 2021/22</b>	<b>Disposals in the Year (KShs) 2021/22</b>	<b>Closing Cost (KShs) (KShs) 2021/22</b>
	<b>(a)</b>	<b>(b)</b>	<b>(c)</b>	<b>(d)= (a)+ (b)- (c)</b>
Research, studies, project preparation, design & supervision	-	938,214,013		938,214,013
Land Acquisitions	-	-	-	-
<b>Total</b>	-	938,214,013		938,214,013