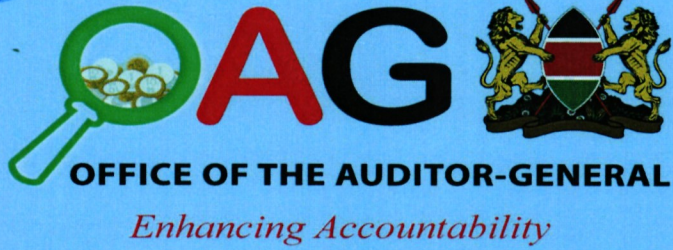


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# REPORT

OF

**THE AUDITOR-GENERAL**

ON

**MOMBASA PORT AREA ROAD  
DEVELOPMENT PROJECT**

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

**KENYA NATIONAL HIGHWAYS  
AUTHORITY**

THE NATIONAL ASSEMBLY  
PAPERS LAID

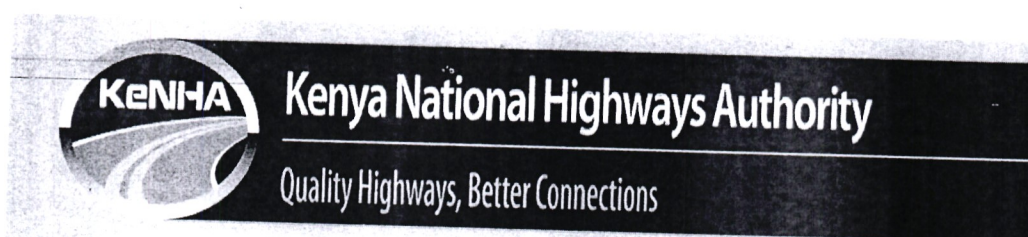
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CLERK-AT-THE-TABLE:	Chotet		





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



PROJECT NAME: MOMBASA PORT AREA ROAD DEVELOPMENT PROJECT

IMPLEMENTING ENTITY: KENYA NATIONAL HIGHWAYS AUTHORITY

PROJECT LOAN NUMBER: KE – P29 & KE – P32

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ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2021

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

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

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

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

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

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**1. PROJECT INFORMATION AND OVERALL PERFORMANCE**

**1.1 Name and registered office**

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

**Objective:**

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

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

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

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

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

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

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

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

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

**MOMBASA PORT AREA ROAD DEVELOPMENT PROJECT**  
**JICA LOAN NO.KE – P29 & KE – P32**  
**Reports and Financial Statements**  
**For the financial year ended June 30, 2021**

**1.2 Project Information**

Project Start Date:	2 <sup>nd</sup> June, 2012
Project End Date:	12 <sup>th</sup> March 2024
Project Coordinator	Eng. David A. Muchilwa
Project Manager	Eng. Samuel O. Ogege
Project Sponsor:	Japan International Cooperation Agency (JICA)

**1.3 Project Overview**

Line Ministry/State Department of the project	The project is under the supervision of the Ministry of Transport, Infrastructure, Housing, Urban Development & Public Works																																	
Project number	KE-P9 & KE-P32																																	
Strategic goals of the project	<p>The project management aims to achieve the goals through the following means:</p> <ul style="list-style-type: none"> <li>(i) Increase efficiency of road transport along the Coast Region and neighbouring countries to facilitate trade and regional integration</li> <li>(ii) Promote private sector participation in the management, financing and maintenance of road assets</li> <li>(iii) Reduce transit time and costs incurred in cross-border movement.</li> </ul>																																	
Achievement of strategic goals	Implementation of the project in timely, efficient and effective manner.																																	
Other important background information of the project	<p><b>PROJECT COMPONENTS AND COSTS</b>  The following components of the project are being implemented by KeNHA</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="2"></th> <th colspan="3" style="text-align: center;">Million Japanese Yen</th> </tr> <tr> <th style="text-align: center;">Base Rate</th> <th style="text-align: center;">Foreign Exchange Cost</th> <th style="text-align: center;">Total Cost</th> </tr> <tr> <th></th> <th style="text-align: center;">%</th> <th style="text-align: center;">JPY '000,000</th> <th style="text-align: center;">JPY '000,000</th> </tr> </thead> <tbody> <tr> <td>A. Civil Works</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Mombasa Port Area Road Development Project</td> <td style="text-align: center;">80</td> <td style="text-align: right;">21,678</td> <td style="text-align: right;">21,678</td> </tr> <tr> <td>Consultancy Services</td> <td style="text-align: center;">100</td> <td style="text-align: right;">3,845</td> <td style="text-align: right;">3,845</td> </tr> <tr> <td>Contingency</td> <td style="text-align: center;">-</td> <td style="text-align: right;">2,168</td> <td style="text-align: right;">2,168</td> </tr> <tr> <td><b>Total</b></td> <td></td> <td style="text-align: right;"><b>27,691</b></td> <td style="text-align: right;"><b>27,691</b></td> </tr> </tbody> </table>				Million Japanese Yen			Base Rate	Foreign Exchange Cost	Total Cost		%	JPY '000,000	JPY '000,000	A. Civil Works				Mombasa Port Area Road Development Project	80	21,678	21,678	Consultancy Services	100	3,845	3,845	Contingency	-	2,168	2,168	<b>Total</b>		<b>27,691</b>	<b>27,691</b>
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	%	JPY '000,000	JPY '000,000																															
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**MOMBASA PORT AREA ROAD DEVELOPMENT PROJECT**  
**JICA LOAN NO.KE – P29 & KE – P32**  
**Reports and Financial Statements**  
**For the financial year ended June 30, 2021**

**1.4 Bankers**                   Co-operative Bank of Kenya  
Upper Hill Branch  
Po Box  
Nairobi, Kenya  
Account No.01141160979900

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

**1.6 Roles and Responsibilities**

List of the people who are working on the project.

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

**MOMBASA PORT AREA ROAD DEVELOPMENT PROJECT**  
**JICA LOAN NO.KE – P29 & KE – P32**  
**Reports and Financial Statements**  
**For the financial year ended June 30, 2021**

**1.7 Funding summary**

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

**A. Source of Funds**

Source of funds	Donor Commitment		Amount received to date (30.06.2021)		Undrawn balance to date (30.06.2021)	
	<i>Donor currency(JPY)</i>	<i>Kshs</i>	<i>Donor currency(JPY)</i>	<i>Kshs</i>	<i>Donor currency</i>	<i>Kshs</i>
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
<b>(i) Loan</b>						
Japan International Corporation Agency (JICA)	40,157,000,000	32,034,483,767	24,943,055,062	19,897,848,258	15,213,944,938	12,136,635,509
<b>(ii) Counterpart funds</b>						
Government of Kenya		6,708,710,929		6,708,710,929		
<b>Total</b>	<b>40,157,000,000</b>	<b>38,743,194,696</b>	<b>24,943,055,062</b>	<b>26,606,559,187</b>	<b>15,213,944,938</b>	<b>12,136,635,509</b>

**B. Application of Funds**

Application of funds	Amount received to date - (30.06.2021)		Cumulative Amount paid to date - (30.06.2021)		Unutilised balance to date - (30.06.2021)	
	<i>Donor currency</i>	<i>Kshs</i>	<i>Donor currency</i>	<i>Kshs</i>	<i>Donor currency</i>	<i>Kshs</i>
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
<b>(i) Loan</b>						
Japan International Corporation Agency (JICA)	24,943,055,062	19,897,848,258	24,943,055,062	19,897,848,258	-	-
<b>(ii) Counterpart funds</b>						
Government of Kenya (GoK)	-	6,708,710,929	-	6,626,019,715	-	82,691,214
<b>Total</b>	<b>24,943,055,062</b>	<b>26,606,559,187</b>	<b>24,943,055,062</b>	<b>26,523,867,973</b>	<b>-</b>	<b>82,691,214</b>

**MOMBASA PORT AREA ROAD DEVELOPMENT PROJECT**  
**JICA LOAN NO.KE – P29 & KE – P32**  
**Reports and Financial Statements**  
**For the financial year ended June 30, 2021**

**1.8 Summary of Overall Project Performance:**

(a) Budget performance against actual amounts for current year:-

Budget	FY 2020/2021		
	Actual	Budget	%
Counterpart Funds - GoK	305,937,808	325,000,000	94%
Loan from Development Partners			
Direct Payments	7,372,002,768	7,300,000,000	101%
<b>TOTAL</b>	<b>7,677,940,576</b>	<b>7,625,000,000</b>	<b>101%</b>

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

**Package 1**

The physical progress as at 30<sup>th</sup> June, 2021 is 100% against percentage of time elapsed of 100%

**Package 2**

The actual physical progress as at 30<sup>th</sup> June, 2021 is 30.6% against percentage of time elapsed of 32.47%

**Package 3**

The actual physical progress as at 30<sup>th</sup> June, 2021 is 78% against percentage of time elapsed of 116.7%

(c) Comment on value for money achievements.

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

**1.9 Summary of Project Compliance:**

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

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

### Introduction

The key development objectives of the project are to:

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

### Progress on attainment of Strategic development objectives

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement: Below we provide the progress on attaining the stated objectives:

Objective	Outcome	Indicator	Performance
Increase efficiency of road transport along the Coast Region and neighbouring countries to facilitate trade and regional integration	Linked road from the New Kipevu Container Terminal to the National Highway network	Increased discharge of containers from the Port of Mombasa	Package 1 of the road is 100% complete.
To ease movement of people and goods between Mombasa Island and the South Coast.	Linked road from Mombasa Island to the South Coast	Increased movement of people and goods between Mombasa Island and the South Coast.	During the Financial Year 2020/21, taking of cross sections, setting out of road alignment, setting out of Mwache abutment A, Tsunza abutment A&B & Mteza abutment B was completed. All KPLC power lines were relocated.

**MOMBASA PORT AREA ROAD DEVELOPMENT PROJECT**  
**JICA LOAN NO.KE – P29 & KE – P32**  
**Reports and Financial Statements**  
**For the financial year ended June 30, 2021**

<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
Reduce transit time and costs incurred in cross-border movement.	Increased business turnover among transport business operators	Reduced traffic congestion at the coastal town of Mombasa	<p>During the Financial Year 2020/21;</p> <ul style="list-style-type: none"> <li>• Construction of Mwache abutment A was completed</li> <li>• Construction of Mteza Abutment B was near completion</li> <li>• Construction of Tsunza abutment A &amp; B had started</li> </ul> <p>Dredging work was on going near Mteza abutment A</p>

### **3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING**

#### **1. Sustainability strategy and profile**

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

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

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

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

**CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY  
REPORTING (Continued)**

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

**3. Employee welfare**

In all its staff appointments, the Authority takes deliberate actions to embrace Equal Employment Opportunity policy, gender mainstreaming, address disability and take affirmative action in line with prevailing Government Policy guidelines. The Authority prioritize training to develop technical capacity of staff in the fields of Value Engineering, Project Financing, Project and Contract Management, Performance Based Maintenance and Safety.

**4. Market place practices**

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

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

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

**5. Community Engagements**

During the implementation of the Project, the Project is committed to remaining a responsible corporate citizen by being accountable for its actions and maintaining high standards of social and environmental record. The Project's goal in terms of community engagement is to ensure that the projects foster long-term relationships with stakeholders and communities around the project. The aim is not just to build roads that foster development but to ensure collaboration with the local

**MOMBASA PORT AREA ROAD DEVELOPMENT PROJECT**

**JICA LOAN NO.KE – P29 & KE – P32**

**Reports and Financial Statements**

**For the financial year ended June 30, 2021**

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**CORPORATE SOCIAL RESPONSIBILITY STATEMENT/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.

**MOMBASA PORT AREA ROAD DEVELOPMENT PROJECT**

**JICA LOAN NO.KE – P29 & KE – P32**

**Reports and Financial Statements**

**For the financial year ended June 30, 2021**

**4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES**

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

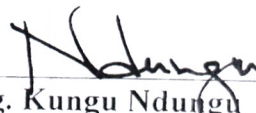
The Director General, KeNHA and the Project Implementation Team Leader for Mombasa Port Area Road Development Project accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance 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 2021, 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 17 AUG 2021 2021 and signed by them.

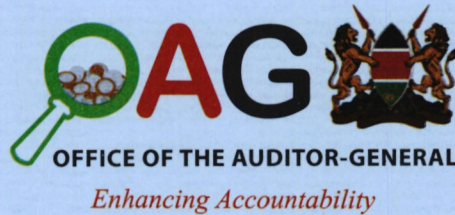
  
Eng. Kungu Ndungu  
Director General

  
Eng. David A. Muchilwa  
Director-Development

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

# REPUBLIC OF KENYA

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

## **REPORT OF THE AUDITOR-GENERAL ON MOMBASA PORT AREA ROAD DEVELOPMENT PROJECT FOR THE YEAR ENDED 30 JUNE, 2021 - 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, gazetted notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, 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 Port Area Road Development Project set out on pages 1 to 17, which comprise the statement of financial

assets as at 30 June, 2021, and the statement of receipts and payments, statement of cash flows and 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 effect of the matters 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, 2021, 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 Agreement No.KE-P29 and 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.

### **Basis for Qualified Opinion**

#### **1. Unsupported Expenditure**

Note 4 to the financial statements reflects acquisition of non-financial assets expenditure of Kshs.686,105,936 relating to construction of roads. The expenditure was however, not supported with entries in the ledger, payment vouchers and interim payment certificates.

Consequently, the accuracy, completeness and propriety of the expenditure of Kshs.686,105,936 could not be confirmed.

#### **2. Nugatory Expenditure**

Included in the pending bills balance of Kshs.4,789,660,357 as recorded under Annex 3A is Kshs.19,959,349 relating to interest charged, which arose from delayed payments.

The payment of interest on defrayment of delayed payments leads to loss of Government funds which could have been avoidable.

#### **3. Unsupported Bank Balance**

Note 5A to the financial statements reflects cash and cash equivalents balance of Kshs.82,691,214 as at 30 June, 2021. However, bank certificate provided for audit included other Projects' balances totalling to Kshs.214,265,448 as at 30 June, 2021 and which made it difficult to isolate the correct balance for the Project.

In the circumstances, it was not possible to confirm that cash and cash equivalents balance of Kshs.82,691,214 as 30 June, 2021 was fairly stated.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Mombasa Port Area Road Development

Project in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

### **Other Matter**

#### **Delays in Land Compensation**

Review of progress reports for the contract's packages 2 and 3 revealed delays in land compensation as a major cause of delay in project implementation with Kshs.3,673,011,232 out of the Kshs.5,708,116,715 as captured at Annex 3A on pending bills still outstanding.

Delayed project implementation may lead to additional cost due to inflation and resultant interest payable to beneficiaries.

## **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 matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **Foreigners Engaged in the Project without Work Permits**

The review of expatriate staffs' records revealed that they did not have valid work permits as required by Section 40 of the Kenya Citizenship and Immigration Act, 2011 on employment of foreigners.

This is likely to pose security risk since the workers were not vetted as required and hence violation 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 overall governance were not effective.

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.

### **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 sustain 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 the Project monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes

and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

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

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

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of 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 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 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 December, 2021**



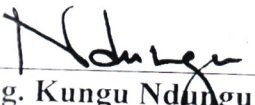
**MOMBASA PORT AREA ROAD DEVELOPMENT PROJECT**  
**JICA LOAN NO.KE – P29 & KE – P32**

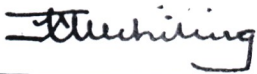
*Reports and Financial Statements*  
*For the financial year ended June 30, 2021*


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

	Note	FY 2020/21	FY 2019/20
		Kshs	Kshs
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances	5A	82,691,214	476,737,759
Cash Balances		-	-
Cash Equivalents (short-term deposits)		-	-
<b>Total Cash and Cash Equivalents</b>		<b>82,691,214</b>	<b>476,737,759</b>
Accounts Receivables		-	-
<b>TOTAL FINANCIAL ASSETS</b>		<b>82,691,214</b>	<b>476,737,759</b>
<b>FINANCIAL LIABILITIES</b>			
Payables- Deposits and Retentions	6	82,691,214	476,737,759
<b>NET ASSETS</b>		-	-
<b>REPRESENTED BY</b>			
Fund balance b/fwd	7	-	-
Prior year adjustments		-	-
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 17 AUG 2021 2021 and signed by:

  
 Eng. Kungu Ndungu  
 Director General

  
 Eng. David A. Muchilwa  
 Director-Development

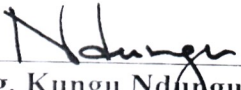
  
 CPA Chanje Kera  
 Deputy Director (F&A)  
 ICPAK Member No. 8279

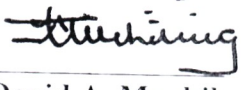
**MOMBASA PORT AREA ROAD DEVELOPMENT PROJECT**  
**JICA LOAN NO.KE – P29 & KE – P32**  
**Reports and Financial Statements**  
**For the financial year ended June 30, 2021**


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

	Note	FY 2020/2021	FY 2019/2020
		Kshs	Kshs
<b>Receipts for operating income</b>			
Transfer from Government entities	1	305,937,808	994,997,963
<b>Payments for operating expenses</b>			
Purchase of goods and services	3	(13,878,417)	(14,236,324)
<b>Net cash flow from operating activities</b>		<b>292,059,391</b>	<b>980,761,639</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of Non-financial Assets	4	(8,058,108,704)	(3,463,282,989)
<b>Net cash flows from Investing Activities</b>		<b>(8,058,108,704)</b>	<b>(3,463,282,989)</b>
<b>CASHFLOW FROM BORROWING ACTIVITIES</b>			
Proceeds from Foreign Borrowings	2	7,372,002,768	2,713,215,144
<b>Net cash flow from financing activities</b>		<b>7,372,002,768</b>	<b>2,713,215,144</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>		<b>(394,046,545)</b>	<b>230,693,794</b>
<b>Cash and cash equivalent at BEGINNING of the year</b>		<b>476,737,759</b>	<b>246,043,965</b>
<b>Cash and cash equivalent at END of the year</b>		<b>82,691,214</b>	<b>476,737,759</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 **17 AUG 2021** 2021 and signed by:

  
 Eng. Kungu Ndungu  
 Director General

  
 Eng. David A. Muchilwa  
 Director-Development

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

**MOMBASA PORT AREA ROAD DEVELOPMENT PROJECT**

JICA LOAN NO.KE – P29 &amp; KE – P32

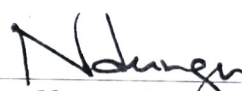
Reports and Financial Statements

For the financial year ended June 30, 2021

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

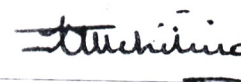
Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Variance	% of Var
	a	b	c=a+b	d	e=c-d	f=d/c %
<b>Receipts</b>						
Transfer from Government entities	360,000,000	(35,000,000)	325,000,000	305,937,808	19,062,192	94%
Proceeds from foreign borrowings-Revenue	50,000,000	(50,000,000)	-	-	-	-
Proceeds from Loans-Direct Payments	1,400,000,000	5,900,000,000	7,300,000,000	7,372,002,768	(72,002,768)	101%
<b>Total Receipts</b>	<b>1,810,000,000</b>	<b>5,815,000,000</b>	<b>7,625,000,000</b>	<b>7,677,940,576</b>	<b>52,940,576</b>	<b>101%</b>
<b>Payments</b>						
Purchase of goods and services				13,878,417		
Acquisition of non-financial assets	1,810,000,000	5,815,000,000	7,625,000,000	8,058,108,704	(446,987,121)	106%
<b>Total Payments</b>	<b>1,810,000,000</b>	<b>5,815,000,000</b>	<b>7,625,000,000</b>	<b>8,071,987,121</b>	<b>(446,987,121)</b>	<b>106%</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


17 AUG 2021

Date

  
 Eng. David A. Muchilwa  
 Director-Development

17 AUG 2021

Date

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

17 AUG 2021

Date

## **10. SIGNIFICANT ACCOUNTING POLICIES**

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

### **10.1 Basis of Preparation**

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

The financial statements have been prepared in accordance with Cash-basis IPSAS financial reporting under the cash basis of Accounting, as prescribed by the Public Sector Accounting Standards Board (PSASB)

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

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

#### **10.1.2 Reporting entity**

The financial statements are for the Mombasa Port Area Road Development Project under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012.

#### **10.1.3 Reporting currency**

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

### **10.2 Significant Accounting Policies**

#### **a) Recognition of receipts**

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

- **Transfers from the Exchequer**

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

- **External Assistance**

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

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Donations and grants**

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

**Proceeds from borrowing**

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

**Undrawn external assistance**

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

• **Other receipts**

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

**b) Recognition of payments**

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

• **Compensation of employees**

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

• **Use of goods and services**

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

• **Interest on borrowing**

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

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

• **Acquisition of fixed assets**

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

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

**c) In-kind donations**

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

**d) Cash and cash equivalents**

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

**Restriction on cash**

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

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**e) Accounts receivable**

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

**f) 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

**g) Contingent Assets**

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity 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.

**h) 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

**MOMBASA PORT AREA ROAD DEVELOPMENT PROJECT**

**JICA LOAN NO.KE – P29 & KE – P32**

**Reports and Financial Statements**

**For the financial year ended June 30, 2021**

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**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

involve the payment of cash in the reporting period, they recorded as ‘memorandum’ or ‘off-balance’ items to provide a sense of the overall net cash position of the Project at the end of the year. When the pending bills are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

**i) 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.

**j) Third party payments**

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

During the year **KSh 7,372,002,768** being loan disbursements were received in form of direct payments from third parties.

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**k) 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.

**l) 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.

**m) 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, 2021.

**n) Errors**

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

**MOMBASA PORT AREA ROAD DEVELOPMENT PROJECT**  
**JICA LOAN NO.KE – P29 & KE – P32**  
**Reports and Financial Statements**  
**For the financial year ended June 30, 2021**

**11. NOTES TO THE FINANCIAL STATEMENTS**

**1. RECEIPTS FROM GOVERNMENT OF KENYA**

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

	<b>FY 2020/21</b>	<b>FY 2019/20</b>	<b>Cumulative</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>to-date</b>
Counterpart funding through Ministry of Transport and Infrastructure			
Counterpart funds Quarter 1	90,025,243	4,070,900	1,660,197,496
Counterpart funds Quarter 2	202,467,033	467,983,700	1,173,471,047
Counterpart funds Quarter 3	13,337,651	110,135,769	885,630,414
Counterpart funds Quarter 4	107,881	412,807,594	2,989,411,972
<b>Total</b>	<b>305,937,808</b>	<b>994,997,963</b>	<b>6,708,710,929</b>

**2. LOAN FROM EXTERNAL DEVELOPMENT PARTNER**

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

<b>Name of Donor</b>	<b>Loans received in cash</b>	<b>Loans received as direct payment</b>	<b>Total amount in Kshs</b>	
	<b>Kshs</b>	<b>Kshs</b>	<b>2020/21</b>	<b>2019/20</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>Loans Received from Multilateral Donors</b>				
Japan International Cooperation Agency (JICA)	-	7,372,002,768	7,372,002,768	2,713,215,144
<b>Total</b>	-	<b>7,372,002,768</b>	<b>7,372,002,768</b>	<b>2,713,215,144</b>

**MOMBASA PORT AREA ROAD DEVELOPMENT PROJECT**  
**JICA LOAN NO.KE – P29 & KE – P32**  
**Reports and Financial Statements**  
**For the financial year ended June 30, 2021**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**3. PURCHASE OF GOODS AND SERVICES**

Item	FY 2020/21			FY 2019/20	Cumulative to Date
	Payments Made by the Entity in Cash	Payments Made by Third Parties	Total Payments	Total Payments	
	KSh	KSh	KSh	KSh	
Domestic Travel & Subsistence	12,404,136	-	12,404,136	9,874,548	45,114,303
Hospitality Supplies	780,200	-	780,200	2,838,107	3,824,209
Printing, Adverts & Information Supplies	205,045	-	205,045	1,523,669	7,429,467
Utilities, supplies & services	489,036	-	489,036	-	489,036
<b>Total</b>	<b>13,878,417</b>	<b>-</b>	<b>13,878,417</b>	<b>14,236,324</b>	<b>56,857,015</b>

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

	FY 2020/21			FY 2019/20	Cumulative to-date
	Payments Made by the Entity in Cash	Payments Made by Third Parties	Total Payments		
	KSh	KSh	KSh	KSh	KSh
Research, studies, project preparation, design & supervision	-	505,447,693	505,447,693	202,236,503	2,782,356,966
Construction of Roads	611,105,936	6,866,555,075	7,477,661,011	3,010,126,086	21,649,548,509
Acquisition of Land	75,000,000	-	75,000,000	250,920,400	2,035,105,483
<b>Total</b>	<b>686,105,936</b>	<b>7,372,002,768</b>	<b>8,058,108,704</b>	<b>3,463,282,989</b>	<b>26,467,010,958</b>

**MOMBASA PORT AREA ROAD DEVELOPMENT PROJECT**  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**5. CASH AND CASH EQUIVALENTS CARRIED FORWARD**

	<b>FY 2020/21</b>	<b>FY 2019/20</b>
	<b>KShs</b>	<b>KShs</b>
Bank accounts (Note 11.5A)	82,691,214	476,737,759
<b>Total</b>	<b>82,691,214</b>	<b>476,737,759</b>

**5A Bank Accounts**

	<b>FY 2020/21</b>	<b>FY 2019/20</b>
	<b>KShs</b>	<b>KShs</b>
<b>Local Currency Accounts</b>		
National Bank of Kenya Ltd Retention [A/c No. 0100132733200]	82,691,214	476,737,759
<b>Total local currency balances</b>	<b>82,691,214</b>	<b>476,737,759</b>
<b>Total bank account balances</b>	<b>82,691,214</b>	<b>476,737,759</b>

**6. ACCOUNTS PAYABLES**

<b>Description</b>	<b>FY 2020/21</b>	<b>FY 2019/20</b>
	<b>Kshs</b>	<b>Kshs</b>
Retentions controlled by the entity	82,691,214	476,737,759
<b>Total bank account balances</b>	<b>82,691,214</b>	<b>476,737,759</b>

*\*Prior year closing retention amount of Kshs 476,737,759 has been reclassified from the Fund balance b/f to Financial liabilities – Payables- retention in the financial statements as required by PSASB reporting template for FY 2020/21*

**7. FUND BALANCE BROUGHT FORWARD**

	<b>FY 2020/21</b>	<b>FY 2019/20</b>
	<b>Kshs</b>	<b>Kshs</b>
Bank accounts	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

*\*Kshs 476,737,759 has been reclassified from the Fund balance b/f to Financial liabilities – Payables- retention in the financial statements as required by PSASB reporting template for FY 2020/21*

**MOMBASA PORT AREA ROAD DEVELOPMENT PROJECT**  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

<b>Description</b>	<b>FY 2020/21</b>	<b>FY 2019/20</b>
	<b>Kshs</b>	<b>Kshs</b>
Retentions as at 1st July	476,737,759	246,043,965
Closing accounts payables – retentions as at 30 <sup>th</sup> June	82,691,214	476,737,759
Changes in accounts payables - retentions	<b>(394,046,545)</b>	<b>230,693,794</b>

**MOMBASA PORT AREA ROAD DEVELOPMENT PROJECT**  
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**12. OTHER IMPORTANT DISCLOSURES**

**1. PENDING ACCOUNTS PAYABLE (See Annex 3A)**

Description	Balance b/f FY 2019/2020	Additions for the period	Paid during the year	Balance c/f FY 2020/21
	Kshs	Kshs	Kshs	Kshs
Construction of civil works	3,009,204,688	5,574,045,991	7,477,661,011	1,105,589,668
Land Compensation	3,731,571,034	16,440,198	75,000,000	3,673,011,232
Supply of services	148,273,857	382,111,710	519,326,110	11,059,457
<b>Total</b>	<b>6,889,049,579</b>	<b>5,972,597,899</b>	<b>8,071,987,121</b>	<b>4,789,660,357</b>

**2. ACCOUNTS PAYABLES**

Description	FY 2020/21	FY 2019/20
	Kshs	Kshs
Retentions controlled by third parties	101,884,254	37,994,912
<b>Total</b>	<b>101,884,254</b>	<b>37,994,912</b>

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

Description	FY 2020/21	FY 2019/20
	Kshs	Kshs
Retentions as at 1st July	37,994,912	29,263,043
Closing accounts payables – retentions as at 30 <sup>th</sup> June	101,884,254	37,994,912
Changes in accounts payables - retentions	<b>63,889,342</b>	<b>8,731,869</b>

**4. EXTERNAL ASSISTANCE**

*a) External assistance relating to loans and grants*

Description	FY 2020/2021	FY 2019/2020
	Kshs	Kshs
External assistance received as loans	7,372,002,768	2,713,215,144
<b>Total</b>	<b>7,372,002,768</b>	<b>2,713,215,144</b>

*b) Undrawn external assistance*

Description	Purpose for which the undrawn external assistance may be used	FY 2020/2021	FY 2019/2020
		Kshs	Kshs
Undrawn external assistance - grants	Construction of roads & consultancy services	12,136,635,509	19,508,638,277
<b>Total</b>		<b>12,136,635,509</b>	<b>19,508,638,277</b>

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**OTHER IMPORTANT DISCLOSURES (Continued)**

*c) Classes of providers of external assistance*

<b>Description</b>	<b>FY 2020/2021</b>	<b>FY 2019/2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Multilateral donors	7,372,002,768	2,713,215,144
<b>Total</b>	<b>7,372,002,768</b>	<b>2,713,215,144</b>

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

*d) Purpose and use of external assistance*

<b>Description</b>	<b>FY 2020/2021</b>	<b>FY 2019/2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Acquisition of Assets	7,372,002,768	2,713,215,144
<b>Total</b>	<b>7,372,002,768</b>	<b>2,713,215,144</b>

*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*


<b>Description</b>	<b>FY 2020/2021</b>	<b>FY 2019/2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Multilateral donors	7,372,002,768	2,713,215,144
<b>Total</b>	<b>7,372,002,768</b>	<b>2,713,215,144</b>

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

**13. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**


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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue)	Status:(Resolved/Not Resolved)	Timeframe
KeNHA/MBS Port Area/2019/20(17)	Note 11.1 to the financial statements reflects pending accounts payable of Kshs. 6,889,049,579 as at 30 June, 2019. Although management has committed to liaising with the line ministry and the National Treasury for adequate budgetary allocation & timely exchequer releases for prompt payments in the subsequent financial year, the Project is at risk of incurring significant interest costs and penalties with the continued delay in making payments.	Pending bills arise due to inadequate budgetary provisions coupled with delayed Exchequer releases to facilitate prompt contractual payments. The Authority will continue liaising with the Treasury for adequate budgetary allocation and timely release of exchequer.	Eng. Samuel Ogege – Project Manager	Continuous	Continuous
KeNHA/MBS Port Area/2019/20(17)	The statement of comparative budget & actual amounts reflects final receipts budget & actual on comparative basis of Kshs 4,101,193,511 & Kshs 3,708,213,107 respectively resulting to an under-funding of Kshs 392,980,404 or 10% of the budget. Similarly, the Project expended Kshs 3,477,519,313 against an approved budget of Kshs 4,101,193,511 resulting to an under-expenditure of Kshs 623,674,198 or 15% of the budget.	The Authority continues to liaise with the Treasury for adequate budgetary allocation and timely release of exchequer. Under-expenditure was however due to slow progress occasioned by Covid-19 pandemic	Eng. Samuel Ogege – Project Manager	Continuous	Continuous

  
**Eng. Kungu Ndungu**  
 Director General

**17 AUG 2021**

Date

  
**Eng. David A. Muchilwa**  
 Director-Development

**17 AUG 2021**

Date

14. ANNEXES

ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

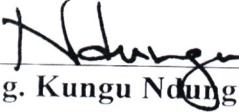
	Final Budget a	Actual on Comparable Basis b	Budget Utilisation Variance c=a-b	% of Utilisation Variance to Final Budget d=b/a %	Comments on Variance
<b>RECEIPTS DURING THE YEAR/PERIOD</b>					
Government of Kenya	325,000,000	305,937,808	19,062,192	94%	
External Financing-Direct Payments					
	7,300,000,000	7,372,002,768	(72,002,768)	101%	Reduction of budget after expenditure
<b>TOTAL RECEIPTS DURING THE YEAR/PERIOD</b>	<b>7,625,000,000</b>	<b>7,677,940,576</b>	<b>(52,940,576)</b>	<b>101%</b>	
Purchase of goods and services					
	7,625,000,000	13,878,417	(446,987,121)	106%	Reduction of budget after expenditure
Acquisition of non-financial assets		8,058,108,704			
<b>TOTAL PAYMENTS</b>	<b>7,625,000,000</b>	<b>8,071,987,121</b>	<b>(446,987,121)</b>	<b>106%</b>	

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**ANNEX 2 – RECONCILIATION OF INTER-ENTITY TRANSFERS**

<b>PROJECT NAME:</b>		<b>MOMBASA PORT AREA ROAD DEVELOPMENT PROJECT</b>		
<b>Break down of Transfers from the State Department of Infrastructure</b>				
<b>a. Government Counterpart Funding</b>				
	<u>Bank Statement Date</u>	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>FY to which the amounts relate</u>
	Quarter 1	31-Aug-20	90,025,243	FY 2019/20
	Quarter 2	23-Nov-20	202,467,033	FY 2019/20
	Quarter 3	19-Feb-21	13,337,651	FY 2019/20
	Quarter 4	3-May-21	107,881	FY 2019/20
	<b>Total</b>		<b>305,937,808</b>	

  
 Eng. Kungu Ndungu  
 Director General

17 AUG 2021

Date

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

17 AUG 2021

Date

ANNEX 3A - ANALYSIS OF PENDING BILLS

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance		Comments
				2021	2020	
	a	b	c	d=a-c		
<b>Supply of Services</b>						
Katahira & Engineers	28,666,962	19-May-17	28,596,479	70,483	70,483	FN 52
Katahira & Engineers	28,188,636	20-Jun-17	27,358,062	830,575	830,575	FN 53
Katahira & Engineers	24,610,735	17-Jul-17	23,678,402	932,333	932,333.10	FN 54
Katahira & Engineers	22,344,268	28-Aug-17	21,572,829	771,439	771,438.80	FN 55
Katahira & Engineers	19,210,195	09-Oct-17	18,636,343	573,852	573,851.58	FN 56
Katahira & Engineers	21,055,837	01-Nov-17	20,491,673	564,164	564,163.86	FN 57
Katahira & Engineers	20,180,160	29-Nov-17	19,512,810	667,350	667,349.89	FN 58
Katahira & Engineers	19,857,621	18-Dec-17	19,350,693	506,928	506,927.74	FN 59
Katahira & Engineers	14,497,230	02-Feb-18	13,925,177	572,053	572,053.09	FN 60
Katahira & Engineers	14,779,996	20-Feb-18	14,015,527	764,469	764,469.15	FN 61
Katahira & Engineers	18,938,951	21-Mar-18	18,277,804	661,147	661,147.28	FN 62
Katahira & Engineers	18,313,774	23-Apr-18	17,641,560	672,214	672,213.83	FN 63
Katahira & Engineers	19,842,880	06-Jun-18	19,301,454	541,426	541,426.06	FN 64
Katahira & Engineers	20,882,505	01-Aug-18	20,426,701	455,804	455,804.00	FN 65
Katahira & Engineers	21,768,513	05-Jan-14	19,293,292	2,475,221	2,475,221	FN 15
Katahira & Engineers	32,288,868	01-Apr-20	32,288,868	-	32,288,868	FN 83
Katahira & Engineers	19,866,020	02-Mar-20	19,866,020	-	19,866,020	FN 84
Katahira & Engineers	24,868,371	01-Apr-20	24,868,371	-	24,868,371	FN 85
Katahira & Engineers	30,800,332	22-Apr-20	30,800,332	-	30,800,332	FN 86
Katahira & Engineers	29,390,809	17-Jun-20	29,390,809	-	29,390,809	FN 87
<b>Sub-Total Services</b>	<b>450,352,664</b>		<b>439,293,207</b>	<b>11,059,457</b>	<b>148,273,857</b>	

Supplier of Goods or Services	Original Amount a	Date Contracted b	Amount Paid To-Date c	Outstanding Balance		Comments
				2021 d=a-c	2020	
<b>Civil Works</b>						
CCECC&CR11	601,381,074	06.09.2018	590,160,154	11,220,920	11,220,920	IPC 21
CCECC&CR11	444,261,693	01.10.2018	307,920,889	136,340,804	136,340,804	IPC 22
CCECC&CR11	86,057,367	01-Mar-21	-	86,057,367	-	FPC
FUJITA CORP.	4,847,319,909	01-Dec-19	4,847,319,909	-	2,423,659,954	Advance
FUJITA CORP.	1,637,997,599	19-Aug-20	1,596,330,068	41,667,531	-	IPC 2
FUJITA CORP.	570,268,482	30-Mar-21	479,171,262	91,097,220	-	IPC 3
FUJITA CORP.	1,120,076,632	27-Apr-21	896,061,306	224,015,326	-	IPC 4
FUJITA CORP.	790,862,087	23-Jun-21	632,689,670	158,172,417	-	IPC 5
CCECC	267,959,636	02-Apr-20	267,959,636	-	194,184,532	IPC 3
CCECC	373,276,552	30-Jun-20	373,276,552	-	243,798,478	IPC 4
CCECC	350,554,543	02-Dec-20	249,789,027	100,765,516	-	IPC 5
CCECC	314,324,254	25-Feb-21	203,422,463	110,901,791	-	IPC 6
CCECC	407,896,000	06-Jun-21	262,545,224	145,350,776	-	IPC 7
<b>Sub-Total Civil Works</b>	<b>11,812,235,828</b>		<b>10,706,646,160</b>	<b>1,105,589,668</b>	<b>3,009,204,688</b>	
<b>Land Compensation</b>						
	<b>5,708,116,715</b>	02-Jun-12	2,035,105,483	3,673,011,232	3,731,571,034	
<b>Grand Total</b>	<b>17,970,705,207</b>		<b>13,181,044,850</b>	<b>4,789,660,357</b>	<b>6,889,049,579</b>	

**MOMBASA PORT AREA ROAD DEVELOPMENT PROJECT**  
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**ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER**

<b>Asset class</b>	<b>Opening Cost</b>	<b>Purchases/Additions in the Year</b>	<b>Disposals in the Year</b>	<b>Closing Cost</b>
	(KSh)	(KSh)	(KSh)	(KSh)
	2020/21	2020/21	2020/21	2021
	(a)	(b)	(c)	(d)= (a)+ (b)-(c)
Land	1,960,105,483	75,000,000	-	2,035,105,483
Construction of Roads	16,448,796,771	7,983,108,704	-	24,431,905,475
<b>Total</b>	<b>18,408,902,254</b>	<b>8,058,108,704</b>	-	<b>26,467,010,958</b>

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