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*Enhancing Accountability*



 <b>THE NATIONAL ASSEMBLY</b> PAPERS LAID	
DATE: 18 FEB 2021	
DAY: <i>Thursday</i>	
TABLED BY:	<i>L.D.M</i>
REPORT <small>TABLED BY:</small>	<i>P. Muiga</i>

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**OF**  
  
**THE AUDITOR-GENERAL**  
  
**ON**  
  
**MOMBASA-MARIAKANI HIGHWAY PROJECT**  
**LOT 1 (MOMBASA-KWA JOMVU) LOAN**  
**NO. 2100150032743**  
  
**FOR THE YEAR ENDED**  
**30 JUNE, 2020**  
  
**KENYA NATIONAL HIGHWAYS**  
**AUTHORITY**



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



**PROJECT NAME: MOMBASA-MARIAKANI HIGHWAY PROJECT (A109) ROAD LOT 1:  
(MOMBASA – KWA JOMVU)**

**IMPLEMENTING ENTITY: KENYA NATIONAL HIGHWAYS AUTHORITY**

**PROJECT CREDIT NUMBER: 2100150032743**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

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

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

**MOMBASA – MARIAKANI HIGHWAY PROJECT (A109) ROAD LOT 1: (MOMBASA – KWA JOMVU)**

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

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**MOMBASA – MARIAKANI HIGHWAY PROJECT (A109) ROAD LOT 1: (MOMBASA – KWA JOMVU)**

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

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**1. PROJECT INFORMATION AND OVERALL PERFORMANCE**

**1.1 Name and registered office**

Mombasa – Mariakani Highway Project (A109) Road Lot 1: (Mombasa – Kwa Jomvu)

**Objective:**

The development objectives of the Project are to increase trade and regional integration and to contribute to the Government of Kenya’s social and economic development and poverty reduction efforts by providing a more efficient and effective transport system.

The specific objective of the Project is to improve transport of import and export goods and passengers traffic along the Northern Corridor. The Project will also contribute towards restoring the road network and improving economic and social welfare of people living in urban, peri-urban and rural areas along the project road.

**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

**1.2 Project Information**

Project Start Date:	September, 2015
Project End Date:	December, 2020
Project Engineer	Eng. Charles O. Obuon
Project Sponsor:	1. African Development Fund (ADF) 2. Government of Kenya (GoK)

**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
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**MOMBASA – MARIAKANI HIGHWAY PROJECT (A109) ROAD LOT 1: (MOMBASA – KWA JOMVU)**

**Reports and Financial Statements**

**For the financial year ended June 30, 2020**

Project number	P-KE-DB0-021
Strategic goals of the project	The strategic goals of the project are as follows: (i) Improve trade and regional integration and contribute to the Government of Kenya’s social and economic development. (ii) Enhance social economic development of the people along the project road.
Achievement of strategic goals	The project management aims to achieve the strategic goals through implementation of the project in a timely, efficient and effective manner.
Other important background information of the project	The Project has four (4) components namely; 1. <b>Road Construction Civil Works</b> ; which involves dualling of the Mombasa – Mariakani Road (41.7 Kms). It will also include maintenance of the road for five years following the completion of the works. 2. <b>Consulting Services and Training</b> ; include (i) construction supervision services for the road civil works, (ii) impact assessment of investments in the road sub-sector, (iii) provision for studies of Marua-Nanyuki-Lewa Road, (iv) project audit, (v) HIV/AIDS, gender, road safety awareness and sensitization and monitoring of ESMP and (vi) vocational training of unemployed youth. 3. <b>Institutional Support</b> ; include consultancy services for: (i) development of Roads sub-sector guideline on gender mainstreaming; (ii) capacity building on planning and management of road maintenance contracts; and, (iii) project coordination. 4. <b>Compensation and Resettlement</b> ; this component makes provision for the adequate compensation and resettlement of Project Affected Persons identified in the Project Environmental and Social Impact Assessments, and relocation of utilities.
Project duration	The overall implementation period is 5 years (2015 – 2020) with additional maintenance period of 5 years.

**1.4 Bankers**

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

**1.5 Auditors**

Auditor General  
 Office of the Auditor General  
 Po Box 30084-0100,  
 Nairobi.

**MOMBASA – MARIAKANI HIGHWAY PROJECT (A109) ROAD LOT 1: (MOMBASA – KWA JOMVU)**

**Reports and Financial Statements**

**For the financial year ended June 30, 2020**

**1.6 Roles and Responsibilities**

List of the people working on the project.

Names	Title designation	Key qualification	Responsibilities
Eng. David A. Muchilwa	Director-Development	Qualified	Project Implementing Team Leader
Eng. Charles O. Obuon	Deputy Director-Special Projects(ADB & KfW)	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. Isaac W. Kamotho	Assistant 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

**1.7 Funding summary**

The Project is for duration of 5 years from September, 2015 to December, 2020 with an approved Development Partner budget of UA 80,000,000 equivalent to Kshs. 11,316,256,000 as highlighted in the table below:

Source of funds	Donor Commitment-		Amount received to date – (30.06.2020)		Undrawn balance to date (30.06.2020)	
	UA (A)	Kshs (A')	UA (B)	Kshs (B')	UA (A)-(B)	Kshs (A')-(B')
<b>(i) Loan</b>						
ADF	80,000,000	11,316,256,000	35,133,977	4,969,813,462	44,866,023	6,346,442,538
<b>(ii) Counter part funds</b>						
Government of Kenya	-	-	39,694,635	5,614,933,080	-	-
<b>Total</b>	<b>80,000,000</b>	<b>11,316,256,000</b>	<b>74,828,611</b>	<b>10,584,746,542</b>	<b>44,866,023</b>	<b>6,346,442,538</b>

**MOMBASA – MARIAKANI HIGHWAY PROJECT (A109) ROAD LOT 1: (MOMBASA – KWA JOMVU)**

**Reports and Financial Statements**

**For the financial year ended June 30, 2020**

**1.8 Summary of Overall Project Performance:**

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

Budget	FY 2019/2020			Cumulative		
	Actual	Budget	%	Actual	Budget	%
Counterpart Funds - GoK	3,737,553,693	3,786,305,040	99%	5,614,933,080	4,751,960,598	118%
Loan from External Development Partners						
ADF	1,730,831,342	1,800,000,000	96%	4,969,813,462	5,685,000,000	87%
<b>TOTAL</b>	<b>5,468,385,035</b>	<b>5,586,305,040</b>	<b>98%</b>	<b>10,584,746,542</b>	<b>10,436,960,598</b>	<b>101%</b>

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

As at 30<sup>th</sup> June, 2020, the overall weighted progress of works achieved was approximately 70% against percentage of time elapsed of 95.35%

(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

**MOMBASA – MARIAKANI HIGHWAY PROJECT (A109) ROAD LOT 1: (MOMBASA – KWA JOMVU)**

**Reports and Financial Statements**

**For the financial year ended June 30, 2020**

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

**Introduction**

The key development objectives of the project are to:

- a) To improve trade and regional integration and contribute to the Government of Kenya's social and economic development
- b) To enhance social economic development of the people along the project road

**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:

<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
To improve trade and regional integration and contribute to the Government of Kenya's social and economic development	Reduced congestion in Mombasa town. Reduced travel time between Mombasa and Malaba	Increased volume of Import Export trade handled at the port of Mombasa.	Construction works ongoing.
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. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING**

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

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

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

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

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

### **3. Employee welfare**

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

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

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

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

### **5. Community Engagements**

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

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.

**MOMBASA – MARIAKANI HIGHWAY PROJECT (A109) ROAD LOT 1: (MOMBASA – KWA JOMVU)**

**Reports and Financial Statements**

**For the financial year ended June 30, 2020**

**4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES**

The Director General, KeNHA and the Project Implementation Team Leader for Mombasa – Mariakani Highway Project (A109) Road Lot 1: (Mombasa – Kwa Jomvu) are responsible for the preparation and presentation of the Project’s financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

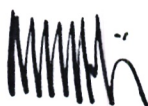
The Director General, KeNHA and the Project Implementation Team Leader for Mombasa – Mariakani Highway Project (A109) Road Lot 1: (Mombasa – Kwa Jomvu) accept responsibility for the Project’s financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The Director General, KeNHA and the Project Implementation Team Leader for Mombasa – Mariakani Highway Project (A109) Road Lot 1: (Mombasa – Kwa Jomvu) are of the opinion that the Project’s financial statements give a true and fair view of the state of Project’s transactions during the financial year ended June 30, 2020, and of the Project’s financial position as at that date. The Director General, KeNHA and the Project Implementation Team Leader for Mombasa – Mariakani Highway Project (A109) Road Lot 1: (Mombasa – Kwa Jomvu) 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 – Mariakani Highway Project (A109) Road Lot 1: (Mombasa – Kwa Jomvu) 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 – Mariakani Highway Project (A109) Road Lot 1: (Mombasa – Kwa Jomvu) on 25 AUG 2020 2020 and signed by them.



**Eng. Peter M. Mundinia**  
Director General



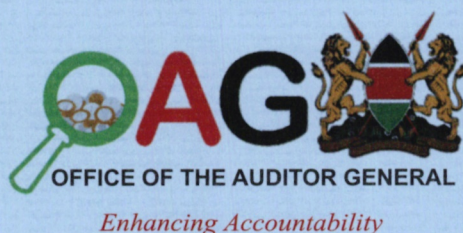
**Eng. David A. Muchilwa**  
Director-Development



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

# REPUBLIC OF KENYA

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

## **REPORT OF THE AUDITOR-GENERAL ON MOMBASA-MARIAKANI HIGHWAY PROJECT LOT 1 (MOMBASA-KWA JOMVU) LOAN NO. 2100150032743 FOR THE YEAR ENDED 30 JUNE, 2020 – KENYA NATIONAL HIGHWAYS AUTHORITY**

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

#### **Opinion**

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

In my opinion, the financial statements present fairly, in all material respects, the financial position of Mombasa-Mariakani Highway Project Lot 1 (Mombasa-Kwa Jomvu) as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Financing Agreement No.2100150032743 dated 22 May, 2015 between the African Development Fund and the Government of Kenya and the Public Finance Management Act, 2012.

#### **Basis for Opinion**

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Mombasa-Mariakani Highway Project Lot 1 (Mombasa-Kwa Jomvu) Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### **Key Audit Matters**

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

## **Other Matter**

### **Pending Bills**

Note 11.1 to the financial statements reflects pending bills amounting to Kshs.133,575,356 as at 30 June, 2020. Although Management has committed to liaise with the line Ministry and The National Treasury for adequate budgetary allocation and timely Exchequer releases for prompt payments in the subsequent financial year, the Project is at risk of incurring additional interest costs and penalties with the continued delay in making payments.

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

### **Conclusion**

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

### **Basis for Conclusion**

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

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

### **Conclusion**

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

### **Basis for Conclusion**

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

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

As required by the African Development Fund and Loan Agreement No. No.2100150032743, 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 overall governance.

In preparing the financial statements, Management is responsible for assessing the Project's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless 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 financial reporting process, reviewing the effectiveness of how the Project monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment

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

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities,

financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

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

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional 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.

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

**Nairobi**

**28 December, 2020**

**MOMBASA – MARIAKANI HIGHWAY PROJECT (A109) ROAD LOT 1: (MOMBASA – KWA JOMVU)**

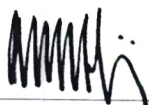
**Reports and Financial Statements**

**For the financial year ended June 30, 2019**

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

	Note	FY 2019/20		FY 2018/19 (Restated)		Cumulative to Date (Restated)
		Receipts & Payments Controlled by the Entity	Payments Made by Third Parties	Receipts & Payments Controlled by the Entity	Payments Made by Third Parties	
		KSh	KSh	KSh	KSh	
<b>RECEIPTS</b>						
Transfer from Government entities	10.3	3,737,553,693	-	1,459,959,988	-	5,614,933,080
Loan from external development partners	10.4	-	1,730,831,342	-	1,694,656,257	4,969,813,462
<b>TOTAL RECEIPTS</b>		<b>3,737,553,693</b>	<b>1,730,831,342</b>	<b>1,459,959,988</b>	<b>1,694,656,257</b>	<b>10,584,746,542</b>
<b>PAYMENTS</b>						
Purchase of goods and services	10.5	10,044,938	16,222,715	33,317,594	-	142,661,438
Acquisition of non-financial assets	10.6	3,724,195,902	1,714,608,627	1,423,812,701	1,694,656,257	10,435,579,984
<b>TOTAL PAYMENTS</b>		<b>3,734,240,840</b>	<b>1,730,831,342</b>	<b>1,457,130,295</b>	<b>1,694,656,257</b>	<b>10,578,241,422</b>
<b>SURPLUS/DEFICIT FOR THE YEAR</b>		<b>3,312,853</b>	<b>-</b>	<b>2,829,693</b>	<b>-</b>	<b>6,505,120</b>

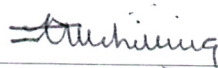
The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements.



**Eng. Peter M. Mundinia**  
Director General

23 AUG 2020

Date



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

23 AUG 2020

Date



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

23 AUG 2020

Date

**MOMBASA – MARIAKANI HIGHWAY PROJECT (A109) ROAD LOT 1: (MOMBASA – KWA JOMVU)**

**Reports and Financial Statements**

**For the financial year ended June 30, 2020**

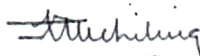
**7. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES AS AT 30TH JUNE 2020**

	Note	FY 2019/20	FY 2018/19
		Kshs	Kshs
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances	10.7A	6,505,120	3,192,267
<b>TOTAL FINANCIAL ASSETS</b>		<b>6,505,120</b>	<b>3,192,267</b>
<b>REPRESENTED BY:</b>			
Cash and cash equivalents b/fwd		3,192,267	362,574
Surplus/Deficit for the year		3,312,853	2,829,693
<b>NET FINANCIAL POSITION</b>		<b>6,505,120</b>	<b>3,192,267</b>

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



**Eng. Peter M. Mundinia**  
Director General



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



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

**MOMBASA – MARIAKANI HIGHWAY PROJECT (A109) ROAD LOT 1: (MOMBASA – KWA JOMVU)**

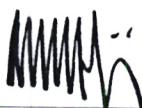
**Reports and Financial Statements**

**For the financial year ended June 30, 2020**

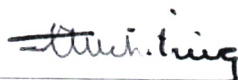
**8. STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2020**

	Note	FY 2019/2020	FY 2018/2019
<b>Receipts for operating income</b>			
Transfer from Government entities	10.3	3,737,553,693	1,459,959,988
<b>Payments for operating expenses</b>			
Purchase of goods and services	10.5	(26,267,653)	(33,317,594)
<b>Net cash flow from operating activities</b>		<b>3,711,286,040</b>	<b>1,426,642,394</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of Assets	10.6	(5,438,804,529)	(3,118,468,958)
<b>Net cash flows from Investing Activities</b>		<b>(5,438,804,529)</b>	<b>(3,118,468,958)</b>
<b>CASHFLOW FROM BORROWING ACTIVITIES</b>			
Proceeds from Foreign Borrowings	10.4	1,730,831,342	1,694,656,257
<b>Net cash flow from financing activities</b>		<b>1,730,831,342</b>	<b>1,694,656,257</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>		<b>3,312,853</b>	<b>2,829,693</b>
<b>Cash and cash equivalent at BEGINNING of the year</b>		<b>3,192,267</b>	<b>362,574</b>
<b>Cash and cash equivalent at END of the year</b>		<b>6,505,120</b>	<b>3,192,267</b>

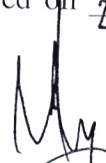
The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on ~~25 AUG 2020~~ 2020 and signed by:



Eng. Peter M. Mundinia  
Director General



Eng. David A. Muchilwa  
Director-Development



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

**MOMBASA – MARIKANI HIGHWAY PROJECT (A109) ROAD LOT 1: (MOMBASA – KWA JOMVU)**

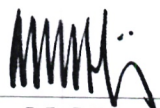
**Reports and Financial Statements**

**For the financial year ended June 30, 2020**

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

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
<b>Receipts</b>						
Transfer from Government entities	315,282,256	3,471,022,784	3,786,305,040	3,737,553,693	48,751,347	99%
Proceeds from Loans	1,600,000,000	200,000,000	1,800,000,000	1,730,831,342	69,168,658	96%
<b>Total Receipts</b>	<b>1,915,282,256</b>	<b>3,671,022,784</b>	<b>5,586,305,040</b>	<b>5,468,385,035</b>	<b>117,920,005</b>	<b>98%</b>
<b>Payments</b>						
Purchase of goods and services	1,915,282,256	3,671,022,784	5,586,305,040	10,044,938	137,455,573	98%
Acquisition of non-financial assets				5438,804,529		
<b>Total Payments</b>	<b>1,915,282,256</b>	<b>3,671,022,784</b>	<b>5,586,305,040</b>	<b>5,448,849,467</b>	<b>137,455,573</b>	<b>98%</b>

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



Eng. Peter M. Mundinia  
Director General

23 AUG 2020

Date



Eng. David A. Muchilwa  
Director-Development

23 AUG 2020

Date



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

23 AUG 2020

Date

**MOMBASA – MARIAKANI HIGHWAY PROJECT (A109) ROAD LOT 1: (MOMBASA – KWA JOMVU)**

**Reports and Financial Statements**

**For the financial year ended June 30, 2020**

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**10. NOTES TO THE FINANCIAL STATEMENTS**

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

**10.1. Basis of Preparation**

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

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

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

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

**10.1.2. Reporting entity**

The financial statements are for the Mombasa – Mariakani Highway Project (A109) Road Lot 1: (Mombasa - Kwa Jomvu) 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.

**MOMBASA – MARIAKANI HIGHWAY PROJECT (A109) ROAD LOT 1: (MOMBASA – KWA JOMVU)**

**Reports and Financial Statements**

**For the financial year ended June 30, 2020**

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- **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.

**MOMBASA – MARIAKANI HIGHWAY PROJECT (A109) ROAD LOT 1: (MOMBASA – KWA JOMVU)**

**Reports and Financial Statements**

**For the financial year ended June 30, 2020**

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**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

**e) Accounts receivable**

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

**f) Pending bills**

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as ‘memorandum’ or ‘off-balance’ items to provide a sense of the overall net cash position of the Project at the end of the year. When the pending bills are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

**g) Budget**

The budget is developed on a comparable accounting basis (cash basis), the same accounts classification basis (except for accounts receivable - outstanding imprest and clearance accounts and accounts payable - deposits, which are accounted for on an accrual basis), and for the same period as the financial statements. The Project’s budget was approved as required by Law and National Treasury Regulations, as well as by the participating development partners, as detailed in the Government of Kenya Budget Printed Estimates for the year. The Development Projects are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognised as inter-entity transfers and are eliminated upon consolidation.

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

**MOMBASA – MARIAKANI HIGHWAY PROJECT (A109) ROAD LOT 1: (MOMBASA – KWA JOMVU)**

**Reports and Financial Statements**

**For the financial year ended June 30, 2020**

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**h) Third party payments**

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

During the year **KSh 1,730,831,342** being loan disbursements were received in form of direct payments from third parties.

**i) Exchange rate differences**

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

**j) Comparative figures**

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

**k) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2020.

**l) Errors**

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

**MOMBASA – MARIAKANI HIGHWAY PROJECT (A109) ROAD LOT 1: (MOMBASA – KWA JOMVU)**

**Reports and Financial Statements**

**For the financial year ended June 30, 2020**

**10.3. RECEIPTS FROM GOVERNMENT OF KENYA**

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

	2019/20	2018/19	Cumulative to-date
	Kshs	Kshs	
Counterpart funding through Ministry of Transport and Infrastructure			
Counterpart funds Quarter 1	12,080,240	350,750,950	459,791,696
Counterpart funds Quarter 2	263,969,611	176,104,534	563,961,834
Counterpart funds Quarter 3	34,604,048	172,593,449	328,800,744
Counterpart funds Quarter 4	3,426,899,794	760,511,055	4,262,378,806
<b>Total</b>	<b>3,737,553,693</b>	<b>1,459,959,988</b>	<b>5,614,933,080</b>

**10.4. LOAN FROM EXTERNAL DEVELOPMENT PARTNER**

During the 12 months to 30 June 2020 we received funding from Development Partners in form of loans negotiated by the National Treasury detailed in the table below:

Name of Donor	Date Received	Amount in Donor currency	Loans Received in Cash	Loans Received as Direct Payment	Total Amount in Kshs	
					FY 2019/20	FY 2018/19 (Restated)
		UA	Kshs	Kshs	Kshs	Kshs
<b>Loans Received from Multilateral Donors (International Organizations)</b>						
African Development Fund (ADF)	FY 2019/20	12,236,071	-	1,730,831,342	1,730,831,342	1,694,446,494
<b>Total</b>		<b>12,236,071</b>	<b>-</b>	<b>1,730,831,342</b>	<b>1,730,831,342</b>	<b>1,694,446,494</b>

**MOMBASA – MARIAKANI HIGHWAY PROJECT (A109) ROAD LOT 1: (MOMBASA – KWA JOMVU)**

**Reports and Financial Statements**

**For the financial year ended June 30, 2020**

**10.5. PURCHASE OF GOODS AND SERVICES**

Item	FY 2019/20			FY 2018/19	Cumulative to Date
	Payments Made by the Entity in Cash	Payments Made by Third Party	Total Payments		
	KSh	KSh	KSh	KSh	KSh
Domestic Travel & Subsistence	9,253,188	-	9,253,188	26,041,613	76,893,237
Hospitality Supplies & Services	91,354	-	91,354	6,885,511	7,515,930
Printing, Adverts & Information Supplies	700,396	-	700,396	13,920	5,421,933
Training Payments	-	16,222,715	16,222,715	-	16,222,715
Other Operating Expenses	-	-	-	-	31,700,000
Utility Supplies & Services	-	-	-	376,550	4,907,623
<b>Total</b>	<b>10,044,938</b>	<b>16,222,715</b>	<b>26,267,653</b>	<b>33,317,594</b>	<b>142,661,438</b>

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

	FY 2019/20			FY 2018/19 (Restated)	Cumulative to-date (Restated)
	Payments Made by the Entity in Cash	Payments Made by Third Party	Total Payments		
	KSh	KSh	KSh	Kshs	Kshs
Research, Studies, Project Preparation, Design & Supervision	66,654,817	169,300,822	235,955,639	136,264,449	542,500,119
Construction of Roads	365,418,023	1,545,307,805	1,910,725,828	1,950,623,900	5,303,009,740
Acquisition of Land	3,292,123,062	-	3,292,123,062	1,031,580,609	4,590,070,125
<b>Total</b>	<b>3,724,195,902</b>	<b>1,714,608,627</b>	<b>5,438,804,529</b>	<b>3,118,468,958</b>	<b>10,435,579,984</b>

**MOMBASA – MARIAKANI HIGHWAY PROJECT (A109) ROAD LOT 1: (MOMBASA – KWA JOMVU)**

**Reports and Financial Statements**

**For the financial year ended June 30, 2020**

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

	<b>FY 2019/20</b>	<b>FY 2018/19</b>
<b>Description</b>	<b>Kshs</b>	<b>Kshs</b>
Bank accounts (Note 10.7A)	6,505,120	3,192,267
<b>Total</b>	<b>6,505,120</b>	<b>3,192,267</b>

**10.7A BANK ACCOUNTS**

	<b>FY 2019/20</b>	<b>FY 2018/19</b>
	<b>Kshs</b>	<b>Kshs</b>
Local Currency Accounts		
National Bank of Kenya Ltd. [A/c No. 0100132733200]	6,505,120	3,192,267
<b>Total bank account balances</b>	<b>6,505,120</b>	<b>3,192,267</b>

**10.8. PRIOR YEAR ADJUSTMENT**

	<b>Balance b/f FY 2018/2019 as per Financial statements</b>	<b>Adjustments</b>	<b>Adjusted Balance b/f FY 2018/2019</b>
<b>Description</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
Loan from external Development Partners	1,848,254,266	(153,598,009)	1,694,656,257
Acquisition of non-financial assets controlled by the entity	1,426,642,394	(2,829,693)	1,423,812,701
Acquisition of non-financial assets made by third parties	1,848,254,266	(153,598,009)	1,694,656,257
Bank account Balances (Retention)	-	3,192,267	3,192,267
	<b>5,123,150,926</b>	<b>(306,833,444)</b>	<b>4,816,317,482</b>

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

**MOMBASA – MARIAKANI HIGHWAY PROJECT (A109) ROAD LOT 1: (MOMBASA – KWA JOMVU)**

**Reports and Financial Statements**

**For the financial year ended June 30, 2020**

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

<b>Description</b>	<b>FY 2019/20</b>	<b>FY 2018/19</b>
	<b>Kshs</b>	<b>Kshs</b>
Retention as at 1st July 2019 (A)	3,192,267	362,574
Retentions held during the year (B)	3,312,853	2,829,693
Retentions paid during the year (C)	-	-
Net changes in accounts payables D=A+B-C	<b>6,505,120</b>	<b>3,192,267</b>

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

<b>Description</b>	<b>FY 2019/20</b>	<b>FY 2018/19</b>
Retention as at 1st July 2019 (A)	198,807,772	45,209,763
Retentions held during the year (B)	95,417,086	153,598,009
Retentions paid during the year (C)	-	-
Net changes in accounts payables D=A+B-C	<b>294,224,858</b>	<b>198,807,772</b>

**MOMBASA – MARIAKANI HIGHWAY PROJECT (A109) ROAD LOT 1: (MOMBASA – KWA JOMVU)**

**Reports and Financial Statements**

**For the financial year ended June 30, 2020**

**11. OTHER IMPORTANT DISCLOSURES**

**11.1. PENDING BILLS (See Annex 2A)**

<b>Description</b>	<b>Balance b/f FY 2018/2019</b>	<b>Additions for the period</b>	<b>Paid during the year</b>	<b>Balance c/f FY 2019/20</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
Construction of civil works	112,723,880	1,931,577,304	1,910,725,828	133,575,356
Land Compensation	3,374,200,400	(82,077,338)*	3,292,123,062	-
Supply of services	41,086,455	194,869,184	235,955,639	-
<b>Total</b>	<b>3,528,010,735</b>	<b>2,044,369,150</b>	<b>5,438,804,529</b>	<b>133,575,356</b>

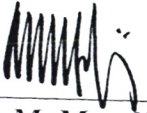
\* Represent downward revaluation of land compensation

**MOMBASA – MARIAKANI HIGHWAY PROJECT (A109) ROAD LOT 1: (MOMBASA – KWA JOMVU)**  
**Reports and Financial Statements**  
**For the financial year ended June 30, 2019**

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

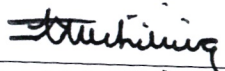
The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved /Not Resolved)	Timeframe: (Date when the issue is expected to be resolved)
KeNHA/ MBS- Mariakani /2018/2019(26)	Note 9.1 to the financial statements reflects pending accounts payable of Kshs. 3,731,885,451 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 managed to reduce the pending bills from Kshs 3.7B in FY 2018/19 to Kshs 133M in FY 2019/20	Eng. Charles Obuon - Project Engineer	Continuous	Continuous

  
 Eng. Peter M. Mundinia  
 Director General

25 AUG 2020

Date

  
 Eng. David A. Muchilwa  
 Director-Development

25 AUG 2020

Date

**MOMBASA – MARIAKANI HIGHWAY PROJECT (A109) ROAD LOT 1: (MOMBASA – KWA JOMVU)**

**Reports and Financial Statements**

**For the financial year ended June 30, 2019**

**ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS**

	<b>Final Budget</b>	<b>Actual on Comparable Basis</b>	<b>Budget Utilization Difference</b>	<b>% of Utilization</b>	<b>Comments on Variance</b>
	a	b	c=a-b	d=b/a %	
<b>RECEIPTS DURING THE YEAR/PERIOD</b>					
Government of Kenya	3,786,305,040	3,737,553,693	48,751,347	99%	
External financing	1,800,000,000	1,730,831,342	69,168,658	96%	
<b>Total receipts</b>	<b>5,586,305,040</b>	<b>5,468,385,035</b>	<b>117,920,005</b>	<b>98%</b>	
<b>PAYMENTS DURING THE YEAR/PERIOD</b>					
Purchase of goods and services	5,586,305,040	10,044,938	137,455,573	98%	
Acquisition of non-financial assets		5,438,804,529			
<b>Total payments</b>	<b>5,586,305,040</b>	<b>5,448,849,467</b>	<b>137,455,573</b>	<b>98%</b>	

**MOMBASA – MARIAKANI HIGHWAY PROJECT (A109) ROAD LOT 1: (MOMBASA – KWA JOMVU)**

**Reports and Financial Statements**

**For the financial year ended June 30, 2020**

**ANNEX 2A – ANALYSIS OF PENDING BILLS**

Supplier of Goods/Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance	Outstanding Balance	Comments
				2020	2019	
	a	b	c	d=a-c		
<b>Sub-Total</b>						
<b>Consultancy Services</b>						
Sai Consulting Engineers	19,090,226	31.10.2017	19,090,226	-	2,633,135	FN 6
Sai Consulting Engineers	16,360,374	12.03.2018	16,360,374	-	705,189	FN 7
Sai Consulting Engineers	1,849,774	01.12.2018	1,849,774	-	1,849,774	FN 7 PAYE
Sai Consulting Engineers	18,135,820	14.06.2018	18,135,820	-	781,716	FN 8
Sai Consulting Engineers	1,880,530	28.03.2019	1,880,530	-	1,880,530	FN 8 PAYE
Sai Consulting Engineers	20,416,245	01.08.2018	20,416,245	-	2,816,034	FN 9
Sai Consulting Engineers	3,901,714	15.05.2019	3,901,714	-	3,901,714	FN 9 PAYE
Sai Consulting Engineers	21,417,397	11.06.2018	21,417,397	-	2,954,124	FN 10
Sai Consulting Engineers	16,272,074	01.06.2019	16,272,074	-	2,244,378	FN 11
Sai Consulting Engineers	27,985,578	06.05.2019	27,985,578	-	3,860,080	FN 12
Panafcon Ltd.	2,763,050	15.05.2017	2,763,050	-	741,600	FN 3
Gibb Africa Ltd	31,934,844	01.10.2018	31,934,844	-	4,094,461	FN 2
Gibb Africa Ltd	4,727,088	01.10.2018	4,727,088	-	1,826,920	FN 3MN
Technical University of Mombasa	1,425,500	28.06.2019	1,425,500	-	1,425,500	INV 1
Mtongwe Youth Polytechnic	1,295,300	28.06.2019	1,295,300.00	-	1,295,300	1/FEB /019
Kenya Coast National	5,457,280	28.06.2019	5,457,280	-	5,457,280	INV 105

**MOMBASA – MARIAKANI HIGHWAY PROJECT (A109) ROAD LOT 1: (MOMBASA – KWA JOMVU)**

**Reports and Financial Statements**

**For the financial year ended June 30, 2020**

Supplier of Goods/Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance	Outstanding Balance	Comments
Polytechnic						
Bandari College	2,618,720	28.06.2019	2,618,720	-	2,618,720	BC/2/19
<b>Sub-total</b>	<b>197,531,514</b>		<b>197,531,514</b>	-	<b>41,086,455</b>	
<b>Civil Works</b>						
Third Engineering	192,809,473	19.02.2018	192,809,473	-	2,082,082	IPC 4
Third Engineering	207,056,876	04.04.2018	207,056,876	-	5,354,890	IPC 5
Third Engineering	209,626,575	06.06.2018	209,626,575	-	5,421,330	IPC 6
Third Engineering	246,815,210	14.11.2018	246,815,210	-	1,000	IPC 9
Third Engineering	541,695,515	11.04.2019	541,695,515	-	49,953,409	IPC 11
Third Engineering	326,117,424	01.06.2019	326,117,424	-	49,911,169	IPC 12
Third Engineering	25,272,255	04.05.2020	-	25,272,255	-	IPC 13
Third Engineering	558,079,742	02.03.2020	519,626,003	38,453,739	-	IPC 17
Third Engineering	339,086,286	08.04.2020	295,720,361	43,365,925	-	IPC 18
Third Engineering	234,794,941	16.06.2020	208,311,503	26,483,438	-	IPC 19
<b>Sub-total</b>	<b>2,881,354,297</b>		<b>2,747,778,941</b>	<b>133,575,356</b>	<b>112,723,880</b>	
<b>Land Compensation</b>	-		4,590,070,125	-	3,374,200,400*	
<b>Grand-Total</b>	<b>3,078,885,811</b>		<b>7,535,380,580</b>	<b>133,575,356</b>	<b>3,528,010,735</b>	

\* Financial Year 2018/2019 land compensation pending bill has been restated downwards by Kshs 203,874,716 representing pending bill for Lot 2 erroneously captured in Lot 1 pending bills.

**MOMBASA – MARIAKANI HIGHWAY PROJECT (A109) ROAD LOT 1: (MOMBASA – KWA JOMVU)**

**Reports and Financial Statements**

**For the financial year ended June 30, 2020**

**ANNEX 3 – 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>
	<b>(KSh)</b>	<b>(KSh)</b>	<b>(KSh)</b>	<b>(KSh)</b>
	<b>2018/19</b>	<b>2016/17</b>	<b>2016/17</b>	<b>2017</b>
	<b>(a)</b>	<b>(b)</b>	<b>(c)</b>	<b>(d)= (a)+ (b)-(c)</b>
Land	1,297,947,062	3,292,123,062	-	4,590,070,124
Construction of Roads	3,900,828,432	2,146,681,467	-	6,047,509,899
<b>Total</b>	<b>5,198,775,494</b>	<b>5,438,804,529</b>	<b>-</b>	<b>10,637,580,023</b>



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