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THE AUDITOR-GENERAL

ON

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

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

KENYA NATIONAL HIGHWAYS AUTHORITY



MINISTRY OF ROADS AND TRANSPORT



Kenya National Highways Authority

Quality Highways, Better Connections

PROJECT NAME: MOMBASA GATE BRIDGE CONSTRUCTION PROJECT (I)

IMPLEMENTING ENTITY: KENYA NATIONAL HIGHWAYS AUTHORITY

PROJECT LOAN NUMBER: KE – P34

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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

Mombasa Gate Bridge Construction Project (I)
Annual Report and Financial Statements for the financial year ended June 30, 2023

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1. Acronyms and Glossary of Terms

| | |
|----------------|--|
| CBK | Central Bank of Kenya |
| CPA | Certified Public Accountant |
| Comparative FY | Financial year preceding the current financial year. |
| EIA | Environmental Impact Assessment |
| EIK | Environmental Institute of Kenya |
| FY | Financial Year |
| GK | Government of Kenya |
| ICPAK | Institute of Certified Public Accountants of Kenya |
| IPSAS | International Public Sector Accounting Standards |
| JICA | Japan International Cooperation Agency |
| KeNHA | Kenya National Highways Authority |
| KISM | Kenya Institute of Supplies and Management |
| Kshs. | Kenya Shillings |
| NEMA | National Environment Management Authority |
| TNT | National Treasury |
| PAPs | Project Affected Persons |
| PFM | Public Finance Management. |
| PSASB | Public Sector Accounting Standards Board |
| SDG | Sustainable Development Goals |
| SMART | Specific, Measurable, Achievable, Realistic and Time-bound |

2. Project Information and Overall Performance

2.1 Name and registered office

Name: Mombasa Gate Bridge Construction Project

Objective:

The objective of the Project is to mitigate traffic congestion and facilitate efficient transportation and logistics, by constructing a bridge linking Mombasa Island and South Mainland (Likoni Area) and related roads improvement, thereby contributing to simulation of regional economic activities including the proposed Special Economic Zone and economic development in Kenya and neighbouring countries.

Registered Office 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

2.2 Project Information

| | |
|---------------------|---|
| Project Start Date: | 5 th December 2019 |
| Project End Date: | 30 th June 2027 |
| Project Engineer | Eng. Samuel O. Ogege |
| Project Sponsor: | 1. Government of Kenya (GK) 2. Japan International Cooperation Agency (JICA) |

2.3 Project Overview

| | |
|---|---|
| Line Ministry/State Department of the project | The project is under the supervision of State Department for Roads |
| Project number | KE-P34 |
| Strategic goals of the project | The strategic goals of the project are as follows: (i) To relieve traffic congestion and improve traffic smoothness by y constructing a bridge between Mombasa Island and Likoni. (ii) Upgrading regional roads, leading to revitalized regional rconomic activities. |
| Achievement of strategic goals | The project management aims at implementation of the project in timely, efficient and effective manner. |

Mombasa Gate Bridge Construction Project (I)
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| | |
|--|--|
| Other important background information of the project | The project will enhance regional integration, trade, tourism, blue economy and socio-economic development in the coastal region |
| Current situation that the project was formed to intervene | The project was formed to reduce cost and time of travel between Mombasa Island and Likoni area. |
| Project duration | The project started on 5 th December 2019 and is expected to be completed by June 2027 |

2.4 Bankers

Co-operative Bank of Kenya
 Upper Hill Branch
 Po Box
 Nairobi

National Bank of Kenya
 Hill Branch
 Po Box
 Nairobi

2.5 Independent Auditor

The project is audited by the Office of the Auditor General

2.6 Roles and Responsibilities

List of the people who are working on the project

| Names | Title designation | Key qualification | Responsibilities |
|----------------------|---|--------------------------------------|----------------------------------|
| Eng. Henry Gakuru | Ag. Director-Development | Registered Civil Engineer | Project Implementing Team Leader |
| Eng. Samuel Ogege | Deputy Director-Special Projects | Registered Civil Engineer | Project Engineer |
| Ms Levina Wanyoyi | Deputy Director-Supply Chain Management | Registered Member KISM | Project Procurement Specialist |
| Mr. Walter Nyatwanga | Deputy Director-Environment & Social Interest | Member EIK, NEMA Lead Expert | Project Safeguards Specialist |
| Mr Chanje Kera | Deputy Director-Finance & Accounts | Certified Public Accountant of Kenya | Project Financial Specialist |

Mombasa Gate Bridge Construction Project (I)
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2.7 Funding summary

The Project is for duration of seven (7) years from 5th December 2019 to 30th June 2027 with an approved budget of Japanese Yen 47,800,000,000 equivalent to Kshs. 49,047,624,422 as highlighted in the table below:

A. Source of Funds

| Source of funds | Donor Commitment- | | Amount received to date - (30.06.2023) | | Undrawn balance to date - (30.06.2023) | |
|--|-----------------------|-----------------------|--|--------------------|--|-----------------------|
| | JPY | Kshs | JPY | Kshs | JPY | Kshs |
| | (A) | (A') | (B) | (B') | (A)-(B) | (A')-(B') |
| (i) Loan | | | | | | |
| Japan International Cooperation (JICA) | 47,800,000,000 | 49,047,624,422 | 914,348,663 | 938,214,013 | 46,885,651,337 | 48,109,410,409 |
| (ii) Counterpart Funds | | | | | | |
| Government of Kenya (GK) | 21,680,628 | 22,246,513 | 21,680,628 | 22,246,513 | - | - |
| Total | 47,800,000,000 | 49,047,624,422 | 936,029,292 | 960,460,526 | 46,885,651,337 | 48,109,410,409 |

B. Application of Funds

| Application of funds | Amount received to date - (30.06.2023) | | Cumulative Amount paid to date - (30.06.2023) | | Unutilised balance to date - (30.06.2023) | |
|--|--|--------------------|---|--------------------|---|--------------|
| | JPY | Kshs | JPY | Kshs | JPY | Kshs |
| | (A) | (A') | (B) | (B') | (A)-(B) | (A')-(B') |
| (i) Loan | | | | | | |
| Japan International Cooperation (JICA) | 914,348,663 | 938,214,013 | 914,348,663 | 938,214,013 | - | - |
| (ii) Counterpart funds | | | | | | |
| Government of Kenya(GK) | - | 22,246,513 | - | 22,245,038 | - | 1,475 |
| Total | 914,348,663 | 960,460,526 | 914,348,663 | 960,459,051 | - | 1,475 |

2.8 Summary of Overall Project Performance:

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

| | FY 2022/2023 | | | Cumulative to-date | | |
|--|-------------------|------------------|------------|----------------------|--------------------|------------|
| | Budget | Actual | % | Budget | Actual | % |
| Counterpart Funds - GK | 14,000,000 | 9,998,525 | 71% | 54,000,000 | 22,245,038 | 41% |
| Loan from Development Partners | | | | | | |
| Japan International Cooperation (JICA) | 10,000,000 | - | - | 1,010,000,000 | 938,214,013 | 93% |
| Total | 24,000,000 | 9,998,525 | 42% | 1,064,000,000 | 960,459,051 | 90% |

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

There was no physical progress as at 30th June 2023

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

| Financial Year | Budget | Actual | Percentage (%) |
|----------------|----------------------|--------------------|----------------|
| FY 2022/23 | 24,000,000 | 9,998,525 | 42% |
| FY 2021/22 | 1,010,000,000 | 946,038,165 | 94% |
| FY 2020/21 | 30,000,000 | 4,422,361 | 15% |
| Total | 1,064,000,000 | 960,459,051 | 90% |

(iv) 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 supervision consultant who oversees the project implementation on daily basis in consultation and subsequent approvals from the employer and the bank.
- In addition to works supervision, the consultant will undertake 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.

2.9 Summary of Project Compliance:

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

3. Statement of Performance Against Project's Predetermined Objectives

Introduction

The key development objectives of the project are to:

- a) Reduce traffic congestion and improve traffic smoothness between Mombasa Island and South Coast (Likoni) mainland
- b) To improve current traffic status in Mombasa and contribute to development of Southern Coast undeveloped districts.

Progress on attainment of Strategic development objectives

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-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 |
|---|---|--|--|
| It aims at making Kenya a newly industrialized, middle income country, providing high quality of life for all its citizens by the year 2030 | Efficient and safe transport means between the mainland south and Mombasa Island | Strengthened economic trade within and between the regions | Mitigation of traffic congestion in the urban areas by improved road network |
| 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 CO2 concentration along the project road as a result of reduced traffic congestion | Project at its initial preparation stage |

4. Environmental and Sustainability Reporting

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

1. Sustainability strategy and profile

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

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

Environmental and Sustainability Reporting (Continued)

Audits, carries out M&E on Environment and Social Management Plan (ESMPs) as well as Environmental Social Impact Assessment (ESIA) on projects.

While executing works, the Contractor continued to perform air quality management such as regularly dampening of deviations and other dust-prone accesses to lay dust; Sprinkling of stockpiles (mainly the quarry dust) at the construction camp; control of construction vehicle speed limits along the deviations and dusty accesses; regularly servicing of vehicles and other machinery to control exhaust gas emissions, maintenance of the asphalt and concrete batching plants including the dust collection systems to ensure effectiveness in dust collection.

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

Environmental and Sustainability Reporting (Continued)

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.

During the project execution, the Contractor is encouraged to offer employment opportunities to the locals as casuals, carry out awareness and education on HIV and protection against the disease and other sexually transmitted diseases.

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.

5. Statement of Project Management Responsibilities

The Director General, KeNHA and the Project Implementation Team Leader for Mombasa Gate Bridge Construction Project (I) are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year ended on June 30, 2023. This responsibility includes: (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

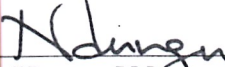
The Director General, KeNHA and the Project Implementation Team Leader for Mombasa Gate Bridge Construction Project (I) accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance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

The Director General, KeNHA and the Project Implementation Team Leader for Mombasa Gate Bridge Construction Project (I) are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year ended June 30, 2023, and of the Project's financial position as at that date. The Director General, KeNHA and the Project Implementation Team Leader for Mombasa Gate Bridge Construction Project (I) further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.


The Director General, KeNHA and the Project Implementation Team Leader for Mombasa Gate Bridge Construction Project (I) confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project financial statements


The Project financial statements were approved by the Director General, KeNHA and the Project Implementation Team Leader for Mombasa Gate Bridge Construction (I) on
26 SEP 2023 and signed by them.



Eng. Kungu Ndungu
Director General



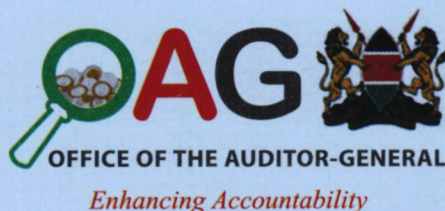
Eng. Henry Gakuru
Ag. Director-Development



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

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REPORT OF THE AUDITOR-GENERAL ON MOMBASA GATE BRIDGE CONSTRUCTION PROJECT (I) LOAN AGREEMENT NO.KE-P34 FOR THE YEAR ENDED 30 JUNE, 2023 - KENYA NATIONAL HIGHWAYS AUTHORITY

PREAMBLE

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

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

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

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

Opinion

I have audited the accompanying financial statements of Mombasa Gate Bridge Construction Project (I) set out on pages 1 to 19, which comprise of the statement of financial assets as at 30 June, 2023, the statement of receipts and payments, statement

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

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Mombasa Gate Bridge Construction Project (I) as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Financing Agreement No. KE-P34 dated 5 December, 2019 between Japanese International Cooperation Agency (JICA) and the Government of the Republic of Kenya and the Public Finance Management Act, 2012.

Basis for Opinion

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

Emphasis of Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects total budgeted receipts amount of Kshs.24,000,000 against actual receipts amount of Kshs.10,000,000 resulting in an under-collection of Kshs.14,000,000 or 58% of the budget.

Similarly, the statement reflects total budgeted expenditure of Kshs.24,000,000 against actual payments of Kshs.9,998,525 resulting in an under-expenditure of Kshs.14,001,475 or 58% of the budgeted expenditure.

The under-collection of receipts and under-expenditure affected the planned activities and may have impacted negatively on the Project objectives.

2. Slow Absorption of Project Funds

Paragraph 2.7 of the funding summary indicates that the project was to be implemented within seven (7) years from 5 December, 2019 with the targeted completion date of 30 June, 2027. The donor made a commitment of JPY 47,800,000,000 equivalent to Kshs.49,047,624,422. As at 30 June, 2023, halfway the project period, only JPY 914,348,663 (Kshs.938,214,013) or 2% had been drawn leaving Kshs.48,109,410,409 or 98% of Donor commitment undrawn. The absorption rate of funds is slow, an indication that the project may not be completed within the remaining period.

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

Key Audit Matters

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

Other Matter

Unresolved Prior Year Issues

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter described in the Basis for 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

Delayed Commencement of Project

Review of project records revealed that the implementing agency (KeNHA) had entered into a contract for the provision of project consultancy services on 31 August, 2021 at a contract sum of US\$.36,579,745 (JPY 2,270,091,056). The scope of the consultancy, was to assist in preparation of tender documents, construction supervision, facilitation of implementation of environmental and social monitoring plan and transfer of technology. The consultant was paid advance payments amounting to Kshs.938,214,013 in the financial year 2021-2022. Despite the advance payments, progress made in the year under review was not supported with approved work plan, status report on the deliverables, corresponds between the consultant and the donor, detailed design and bidding documents.

In the circumstances, value for money for the amount paid to the consultant could not be ascertained.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that

govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by Financier and Financing Agreement I report based on my audit, that:

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

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

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

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the

activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls 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 controls would not necessarily disclose all matters in the internal controls 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 controls may not prevent or detect misstatements and instances of noncompliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi


10 November, 2023


Mombasa Gate Bridge Construction Project (I)
Annual Report and Financial Statements for the financial year ended June 30, 2023


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

| | Note | FY 2022/23 | | FY 2021/22 | | Total | Payments Made by Third Parties | Payments Made by Third Parties | Total | Cumulative to date |
|---|------|--|--------------------------------|--|--------------------------------|--------------------|--------------------------------|--------------------------------|--------------|--------------------|
| | | Receipts & Payments Controlled by the Entity | Payments Made by Third Parties | Receipts & Payments Controlled by the Entity | Payments Made by Third Parties | | | | | |
| | | Kshs | Kshs | Kshs | Kshs | | | | | |
| RECEIPTS | | | | | | | | | | |
| Transfer from Government entities | 1 | 10,000,000 | - | 10,000,000 | 7,824,152 | - | - | 7,824,152 | 22,246,513 | |
| Loan from external Development Partners | 2 | - | - | - | - | 938,214,013 | 938,214,013 | 938,214,013 | 938,214,013 | |
| Total Receipts | | 10,000,000 | - | 10,000,000 | 7,824,152 | 938,214,013 | 946,038,165 | 960,460,526 | | |
| Payments | | | | | | | | | | |
| Purchase of goods and services | 3 | 9,998,525 | - | 9,998,525 | 7,824,152 | - | - | 7,824,152 | 22,245,038 | |
| Acquisition of non-financial assets | 4 | - | - | - | - | 938,214,013 | 938,214,013 | 938,214,013 | 938,214,013 | |
| Total Payments Surplus/(Deficit) | | 9,998,525 | - | 9,998,525 | 7,824,152 | 938,214,013 | 946,038,165 | 960,459,051 | 1,475 | |

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


Eng. Kungu Ndungu
 Director General


Eng. Henry Gakuru
 Ag. Director-Development

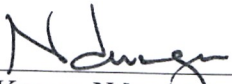

CPA Chanje Kera
 Deputy Director (F&A)
 ICPAK Member No. 8279


Mombasa Gate Bridge Construction Project (I)
Annual Report and Financial Statements for the financial year ended June 30, 2023


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

| Description | Notes | FY 2022/23 Kshs | FY 2021/22 Kshs |
|--|-------|--------------------|--------------------|
| Financial Assets | | | |
| Cash and Cash Equivalents | | | |
| Bank Balances | 5A | 1,475 | - |
| Total Cash and Cash equivalents | | 1,475 | - |
| Total Financial Assets | | 1,475 | - |
| Financial Liabilities | | | |
| Deposits and Retention | 6 | - | - |
| Net Assets | | 1,475 | - |
| Represented By: | | | |
| Fund Balance B/fwd. | 7 | - | - |
| Prior Year adjustments | | - | - |
| Surplus/Deficit for the year | | 1,475 | - |
| Net Financial Position | | 1,475 | - |

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 26 SEP 2023 and signed by:


 Eng. Kungu Ndungu
 Director General

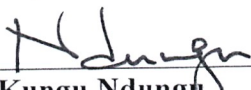

 Eng. Henry Gakuru
 Ag. Director-Development



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

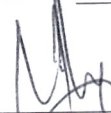
9. Statement of Cashflow For the Year Ended 30th June 2023

| Description | Note | FY 2022/23 Kshs | FY 2021/22 Kshs |
|--|------|--------------------|----------------------|
| Cashflow from operating activities | | | |
| Receipts | | | |
| Transfer from Government entities | 1 | 10,000,000 | 7,824,152 |
| Total receipts | | 10,000,000 | 7,824,152 |
| Payments | | | |
| Purchase of goods and services | 3 | (9,998,525) | (7,824,152) |
| Total payments | | (9,998,525) | (7,824,152) |
| Net cash flow from operating activities | | 1,475 | - |
| CASHFLOW FROM INVESTING ACTIVITIES | | | |
| Acquisition of Assets | 4 | - | (938,214,013) |
| Net cash flows from Investing Activities | | - | (938,214,013) |
| CASHFLOW FROM BORROWING ACTIVITIES | | | |
| Proceeds from Foreign Borrowings | 2 | - | 938,214,013 |
| Net cash flow from financing activities | | - | 938,214,013 |
| NET INCREASE IN CASH AND CASH EQUIVALENT | | 1,475 | - |
| Cash and cash equivalent at BEGINNING of the year | 5 | - | - |
| Cash and cash equivalent at END of the year | 5 | 1,475 | - |

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 26 SEP 2023 and signed by:


 Eng. Kungu Ndungu
 Director General


 Eng. Henry Gakuru
 Ag. Director-Development

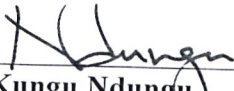

 CPA Chanje Kera
 Deputy Director (F&A)
 ICPAK Member No. 8279

Mombasa Gate Bridge Construction Project (I)
Annual Report and Financial Statements for the financial year ended June 30, 2023


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

| Receipts/Payments Item | Original Budget | Adjustments | Final Budget | Actual on Comparable Basis | Budget Utilization Difference | % of Utilization |
|-------------------------------------|----------------------|------------------------|-------------------|----------------------------|-------------------------------|------------------|
| | a | b | c=a+b | d | e=c-d | f=d/c % |
| Receipts | | | | | | |
| Transfer from Government entities | 40,000,000 | (26,000,000) | 14,000,000 | 10,000,000 | 4,000,000 | 71% |
| Proceeds from borrowings | 9,658,567,854 | (9,648,567,854) | 10,000,000 | - | 10,000,000 | 0% |
| Total Receipts | 9,698,567,854 | (9,674,567,854) | 24,000,000 | 10,000,000 | 14,000,000 | 42% |
| Payments | | | | | | |
| Purchase of goods and services | 9,698,567,854 | (9,674,567,854) | 24,000,000 | 9,998,525 | 14,001,475 | 42% |
| Acquisition of non-financial assets | | | | - | | |
| Total Payments | 9,698,567,854 | (9,674,567,854) | 24,000,000 | 9,998,525 | 14,001,475 | 42% |
| Surplus or Deficit | - | - | - | 1,475 | (1,475) | - |

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


 Eng. Kungu Ndungu
 Director General


 Eng. Henry Gakuru
 Ag. Director-Development


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

11. Significant Accounting Policies

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

(a) Statement of compliance and basis of preparation

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

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

(b) Reporting entity

The financial statements are for Mombasa Gate Bridge Construction Project (I) under Kenya National Highways Authority. The financial statements are for the reporting entity's Mombasa Gate Bridge Construction Project (I) as required by Section 81 of the PFM Act, 2012.

(c) 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.

(d) Recognition of receipts

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

i) Transfers from the Exchequer

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

ii) External Assistance

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

Significant Accounting Policies (Continued)

iii) Other receipts

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

iv) Donations and grants

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

v) Proceeds from borrowing

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

vi) Undrawn external assistance

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

(e) Recognition of payments

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

i) Compensation of employees

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

ii) Use of goods and services

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

iii) Interest on borrowing

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

iv) Repayment of borrowing (principal amount)

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

Significant Accounting Policies (Continued)

v) Acquisition of fixed assets

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts

items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

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

(f) In-kind donations

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

(g) Cash and cash equivalents

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

(h) Restriction on cash

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

(i) Imprests and Advances

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

Significant Accounting Policies (Continued)

(j) Contingent Liabilities

A contingent liability is:

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

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

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

(k) Contingent Assets

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

(l) Pending bills

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

Significant Accounting Policies (Continued)

(m) Budget

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

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

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

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

(n) Third party payments

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

(o) Exchange rate differences

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

(p) Comparative figures

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

(q) Subsequent events

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

Significant Accounting Policies (Continued)

(r) Prior period adjustments

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

12. Notes to The Financial Statements

1. Transfers from Government Entities

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

| Description | FY 2022/23 | FY 2021/22 | Cumulative |
|---|-------------------|------------------|-------------------|
| | Kshs | Kshs | to-date |
| Counterpart funding through Ministry of Transport and Infrastructure | | | |
| Counterpart funds Quarter 1 | 10,000,000 | 5,442 | 10,005,442 |
| Counterpart funds Quarter 2 | - | 2,134,436 | 5,567,566 |
| Counterpart funds Quarter 3 | - | 2,955,304 | 3,944,535 |
| Counterpart funds Quarter 4 | - | 2,728,970 | 2,728,970 |
| Total | 10,000,000 | 7,824,152 | 22,246,513 |

2. Loan from External Development Partners

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

| Description | FY 2022/23 | | | | | FY 2021/22 | Cumulative |
|--|---------------|-------------------------|---------------------------------|----------------------------------|----------------------|----------------------|--------------------|
| | Date received | Amount in loan currency | Loans received in actual amount | Loans received as direct payment | Total amount in Kshs | Total amount in Kshs | to date |
| | | | Kshs | Kshs | Kshs | Kshs | Kshs |
| Japan International Cooperation | | | | | | | |
| Loans Received from Multilateral Donors | | | | | | | |
| Japan International Cooperation | FY 2022/23 | - | - | - | - | 938,214,013 | 938,214,013 |
| Total | | - | - | - | - | 938,214,013 | 938,214,013 |

3. Purchase of Goods and Services

| Item | FY 2022/23 | | | FY 2021/22 | Cumulative |
|--|-------------------------------------|--------------------------------|------------------|------------------|-------------------|
| | Payments made by the entity in Cash | Payments made by third parties | Total Payments | | to Date |
| | Ksh | Ksh | Ksh | Ksh | Ksh |
| Domestic Travel & Subsistence | 4,926,925 | - | 4,926,925 | 7,824,152 | 17,173,438 |
| Printing, Adverts & Information Supplies | 5,071,600 | - | 5,071,600 | - | 5,071,600 |
| Total | 9,998,525 | - | 9,998,525 | 7,824,152 | 22,245,038 |

Notes to the Financial Statements (Continued)

4. Acquisition of Non-Financial Assets

| | FY 2022/23 | | | FY 2021/22 | Cumulative to-date |
|--|-------------------------------------|--------------------------------|----------------|--------------------|--------------------|
| | Payments made by the entity in Cash | Payments made by third parties | Total Payments | | |
| | Kshs | Kshs | Kshs | Kshs | Kshs |
| Research, studies, project preparation, design & supervision | - | - | - | 938,214,013 | 938,214,013 |
| Civil works | - | - | - | - | - |
| Total | - | - | - | 938,214,013 | 938,214,013 |

5. Cash and Cash Equivalents Carried Forward

| Description | FY 2022/23 | FY 2021/22 |
|-------------------------|--------------|------------|
| | Kshs | Kshs |
| Bank accounts (Note 5A) | 1,475 | - |
| Total | 1,475 | - |

5A Bank Accounts

| | FY 2022/23 | FY 2021/22 |
|---|--------------|------------|
| | Kshs | Kshs |
| Local Currency Accounts | | |
| Co-operative Bank of Kenya Exchequer [A/c No. 01141160979900] | 1,475 | - |
| National Bank of Kenya [A/c No. 0100132733200] | - | - |
| Total bank account balances | 1,475 | - |

6. Deposits and Retentions

There were no deposits and retentions during the Financial Year ended 30th June 2023 (FY 2021/22, Nil)

7. Fund Balance Brought Forward

There was no fund balance brought forward in the Financial Year ended 30th June 2023 (FY 2021/22, Nil)

13. Other Important Disclosures

1. Pending Accounts Payable (See Annex 4)

| Description | Balance b/f FY 2022/2023 | Additions for the year | Paid during the year | Balance c/f FY 2022/23 |
|-----------------------------|--------------------------|------------------------|----------------------|------------------------|
| | Kshs | Kshs | Kshs | Kshs |
| Construction of civil works | - | - | - | - |
| Lands Compensation | - | - | - | - |
| Supply of services | - | - | - | - |
| Total | - | - | - | - |

2. External Assistance

a) External assistance relating loans and grants

| Description | FY 2022/2023 | FY 2020/2021 |
|---------------------------------------|--------------|--------------------|
| | Kshs | Kshs |
| External assistance received as loans | - | 938,214,013 |
| Total | - | 938,214,013 |

b) Undrawn external assistance

| Description | Purpose for which the undrawn external assistance may be used | FY 2022/2023 | FY 2021/2022 |
|-------------------------------------|---|-----------------------|-----------------------|
| | | Kshs | Kshs |
| Undrawn external assistance - loans | Civil works & consultancy services | 48,109,410,409 | 48,109,410,409 |
| Total | | 48,109,410,409 | 48,109,410,409 |

c) Classes of providers of external assistance

| Description | FY 2022/2023 | FY 2021/2022 |
|---------------------|--------------|--------------------|
| | Kshs | Kshs |
| Multilateral donors | - | 938,214,013 |
| Total | - | 938,214,013 |

External assistance for road construction works & supervision consultancy services.

Other Important Disclosures (Continued)

d) Non-monetary external assistance

| | FY 2022/2023 | FY 2021/2022 |
|--------------------|---------------------|---------------------|
| Description | Kshs | Kshs |
| Goods | - | - |
| Services | - | - |
| Total | - | - |

e) Purpose and use of external assistance

| | FY 2022/2023 | FY 2021/2022 |
|-----------------------|---------------------|---------------------|
| Description | Kshs | Kshs |
| Acquisition of Assets | - | 938,214,013 |
| Total | - | 938,214,013 |

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

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

| | FY 2022/2023 | FY 2021/2022 |
|---------------------|---------------------|---------------------|
| Description | Kshs | Kshs |
| Multilateral donors | - | 938,214,013 |
| Total | - | 938,214,013 |

*Mombasa Gate Bridge Construction Project (I)
Annual Report and Financial Statements for the financial year ended June 30, 2023*

14. Annexes

Annex 1: Prior Year Auditor-General's Recommendations

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status | Timeframe: |
|--|---|---|----------|------------|
| 1 | <p><u>Basis for Qualified Opinion</u> Inaccuracy of the Cumulative Receipts The statement of receipts and payments and Note 1 to the financial statements, reflects prior year receipts and payments made by third parties balance of Kshs. 4,422,361. However, additional information indicates that the quarter three (3) receipts for the 2020/2021 financial year were understated by Kshs.31,500. The prior year adjustment to correct the understatement has not been affected. As a result, the accuracy of the cumulative amount of Kshs. 12,246,513 on transfer from Government entities could not be confirmed.</p> | <p>Government makes budgetary allocation on annual basis to finance the project operating costs as well as the right of way. The exchequer amount budgeted and received by the project since inception amounting to Kshs 12,246,573.00 has been disclosed under the funding summary, further All exchequer funds are received in lumpsum and channeled to a single exchequer bank account which is in line with provisions of the PFM Act of a Treasury single Account.</p> | Resolved | Resolved |
| 2 | <p>Unsupported Transfer from Government Entities The statement of receipts and payments and Note 1 to the financial statements indicate that transfers from Government entities amounting to Kshs. 7,824,152 was made during the year under review. However, the quarterly exchequer requisitions, exchequer receipts, cash book and</p> | <p>Project ledger was extracted from the authority's bank account. The Authority does not maintain a separate bank account but maintains one development Exchequer bank</p> | Resolved | Resolved |

Mombasa Gate Bridge Construction Project (I)
Annual Report and Financial Statements for the financial year ended June 30, 2023

| | | | |
|---|---|--|---------------------------------|
| | <p>bank statements confirming the receipts, were not provide for audit review. As a result, the completeness and accuracy of receipts from other Government entities totalling to Kshs. 7,824,152 could not be confirmed.</p> | <p>account for all the Authority's programs funded by GK Exchequer. This is in line with the National Treasury advisory to State corporations to maintain and operate rationalized and optimized bank accounts. The quarterly exchequer requisitions, receipts, cashbook and bank statements were all availed during the audit process.</p> | |
| 3 | <p>Failure to Open a separate Bank Account for the Project</p> <p>The statement of financial assets reflects a nil balance in respect of cash and cash equivalents. However, the certificate of bank balance reflects a balance of Kshs, 5,305,453,396 for all the projects under implementation by KeNHA. A breakdown of the project's specific balance for Mombasa Gate Bridge Construction Project (I) included in the amount has not been provided. In addition, the cashbook, board of survey report and bank reconciliation statement in respect of this project was not provided for audit review</p> | <p>The Authority receives exchequer amounts in lumpsum in line with Sec 28(2) of PFM act of 2012 requiring maintenance of a single treasury account. In the FY under audit however, the project received an amount of Kshs 7,824,152 and expended in full hence a Nil Cash balance as at end of the year. The Authority will continue to provide Financial statement that give a and fair view of the financial affairs of the project</p> | <p>Resolved</p> <p>Resolved</p> |
| 4 | <p>Unsupported Payments on Goods and Services</p> <p>The statement of receipts and payments reflects</p> | <p>The authority maintains an imprest</p> | <p>Resolved</p> <p>Resolved</p> |

**Mombasa Gate Bridge Construction Project (I)
Annual Report and Financial Statements for the financial year ended June 30, 2023**


| | | | |
|---|--|--|--------------------------|
| | <p>amount of Kshs. 7,824,152 under purchase of goods services. This amount relates to domestic travel and subsistence expenses during the year. However, supporting ledger, project trial balance and payment vouchers were not provided for audit verification.</p> | <p>register for all staff within the financial reporting system where it is able to identify all imprest issued and surrendered. All imprest issued during the financial year were surrendered and surrendered documents availed to the auditors during the audit exercise.</p> | |
| 5 | <p>Ineligible Expenditure</p> <p>The statement of receipts and payments and Note 3 to the financial statements indicate that an amount of Kshs. 7,824,152 was paid in respect of goods and services. Included in this amount is a payment of of Kshs. 1,834,850 in respect of domestic travel and subsistence. Review of the documents in support of the expenditure revealed that the payment relates to Mombasa Port Area Development Project (MPARD). However, the expenditure was not in the project approved budget.</p> | <p>The survey team were to serve notices as per section 120(3) of land act to the PAPs within Mombasa County of which the affected areas were within the round about that inter links MPARD and Mombasa Gate Bridge thus some of the PAPs were at the boundary of the two projects. It was therefore right to source funds from Mombasa Gate Bridge Project as part of the activity involved its survey.</p> | Resolved Resolved |
| 1 | <p><u>Basis for Conclusion</u></p> <p>Delayed Commencement of Project</p> <p>The Government of Kenya through the Cabinet Secretary for finance entered into a loan agreement with the Japan International Cooperation Agency (JICA) for construction of Mombasa Gate Bridge on 5 December, 2019. The project agreement states in part that "The final disbursement under the loan agreement shall be</p> | <p>As captured in the Minutes of Discussion signed on 17th April 2019 between MoTIHUD & PW and JICA, the Detailed Design for the Mombasa Gate Bridge was to be undertaken by a Consultant appointed by JICA and paid for through a grant. Although the Consultant procured under KeNHA to</p> | Resolved Resolved |

Mombasa Gate Bridge Construction Project (I)
Annual Report and Financial Statements for the financial year ended June 30, 2023


| | | | | |
|---|---|--|----------|----------|
| | <p>made within the period from the effective date of the Loan Agreement to the same day and month nine (9) years after the effective date of the Loan Agreement". The project is expected to be completed by June 2027.</p> <p>The consultant was paid 15% of the contract sum equivalent to Kshs.938,218,013 on 18 March, 2022 as per the contract agreement. However, the consultant has not completed the Draft Detailed Design Documents and Draft Bidding Documents covered under item 1 of the scope of consultancy services.</p> | <p>undertake among other duties, Tender Assistance and Construction Supervision was procured in August 2021 and an Advance payment made, commencement to the Consultant could not have been issued since, as stipulated in the Consultant's Contract <i>sub-clause 2.3.1</i>, commencement of the services will be upon issuance of Draft Bidding Documents to the Consultant. The authority has however not received the draft bidding documents from JICA with no objection after the consultant submission. Delay in completion of the Detailed Design was occasioned by the effects of COVID-19. Most of the team who were from Japan were forced to go back to their native land and quarantined. This significantly consumed most of their time and derailed the project design. The Authority will continue to provide financial statement that give a and fair view of the financial affairs of the project.</p> | Resolved | Resolved |
| 2 | <p>Failure to Maintain an Imprest Register</p> <p>Review of payments records revealed that Management issued out several imprests to project management issued out several imprests</p> | <p>The authority maintains an imprest register for all staff within the financial reporting system. The</p> | Resolved | Resolved |

**Mombasa Gate Bridge Construction Project (I)
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| | | | |
|--|--|---|--|
| | <p>to project management staff. However, the imprest register was not maintained contrary to the provisions of regulation 93 (4) of Public Finance Management (National Government) Regulations, 2015 on issuance and surrender of imprests which requires that before issuing temporary imprests the Accounting Officer shall ensure that the applicant has been recorded in the imprest register including the amount applied.</p> | <p>authority is therefore able to identify all imprest issued and surrendered. All these were availed to the auditor during the audit exercise and all imprest issued during the financial year were surrendered and surrendered documents availed.</p> | |
|--|--|---|--|


Eng. Kungu Ndungu
Director General

26 SEP 2023
Date


Eng. Henry Gakuru
Ag. Director-Development

26 SEP 2023
Date

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

| | Final Budget | Actual on Comparable Basis | Budget Utilisation Difference | % of Utilisation | Comments on Variance |
|-------------------------------------|---------------------|-----------------------------------|--------------------------------------|-------------------------|-----------------------------|
| | a | b | c=a-b | d=b/a % | |
| Receipts | | | | | |
| Government of Kenya | 14,000,000 | 10,000,000 | 4,000,000 | 71% | Project preparation Stage |
| External financing | 10,000,000 | - | 10,000,000 | 0% | Project preparation Stage |
| Total Receipts | 24,000,000 | 10,000,000 | 14,000,000 | 42% | |
| Payments | | | | | |
| Purchase of goods and services | 24,000,000 | 9,998,525 | 14,001,475 | 42% | Project preparation Stage |
| Acquisition of non-financial assets | - | - | - | - | |
| Total Payments | 24,000,000 | 9,998,525 | 14,001,475 | 42% | |

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Annex 3: Reconciliation of inter-entity transfers

| | | | |
|-----------|---|---|---------------------------------------|
| | Project Name: | Mombasa Gate Bridge Construction Project (I) | |
| | Break down of Transfers from the State Department of Roads | | |
| a. | Government Counterpart Funding | | |
| | <u>Bank Statement Date</u> | <u>Amount (Kshs)</u> | <u>FY to which the amounts relate</u> |
| | 30-Sep-22 | 10,000,000 | FY 2022/23 |
| | Total | 10,000,000 | |

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Annex 4: Analysis of Pending Bills

| Supplier of Goods/Services | Date Contracted | Original Amount | Amount Paid To-Date | Outstanding Balance | Outstanding Balance | Comments |
|-----------------------------|-----------------|-----------------|---------------------|---------------------|---------------------|----------|
| | | | | 2023 | 2022 | |
| | | a | b | c=a-b | | |
| Sub-Total | | | | | | |
| Consultancy Services | | | | | | |
| | - | | - | - | - | |
| Civil Works | | | | | | |
| | - | | - | - | - | |
| Sub-total | - | | - | - | - | |
| Land Compensation | | | | | | |
| | - | | - | - | - | |
| Grand-Total | - | | - | - | - | |

Annex 5: Summary of Fixed Asset Register

| Asset class | Opening Cost | Purchases/Additions in the Year | Disposals in the Year | Closing Cost |
|-----------------------|---------------------|--|----------------------------------|--------------------------|
| | (Kshs) | (Kshs) | (Kshs) | (Kshs) |
| | FY 2022/23 | FY 2022/23 | FY 2022/23 | FY 2023 |
| | (a) | (b) | (c) | (d)= (a)+ (b)-(c) |
| Construction of Roads | 938,214,013 | - | - | 938,214,013 |
| Total | 938,214,013 | - | - | 938,214,013 |

