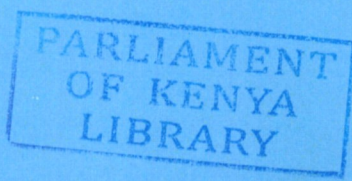
 THE NATIONAL ASSEMBLY PAPERS T A I D	
DATE: 09 FEB 2022	DAY: Wed
TABLED BY: LDM	
CLERK-AT-THE-TABLE: S. Kalau	

REPORT

OF



THE AUDITOR-GENERAL

ON

**MOMBASA-MARIAKANI HIGHWAY PROJECT
(LOT 1 MOMBASA – KWA JOMVU)**

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

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

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2021

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, 2021**

CONTENTS	PAGE
1. PROJECT INFORMATION AND OVERALL PERFORMANCE	i
2. STATEMENT OF PERFORMANCE AGAINST PROJECT’S PREDETERMINED OBJECTIVES.....	vi
3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING	vii
4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES	ix
5. REPORT OF THE INDEPENDENT AUDITORS ON THE MOMBASA – MARIAKANI HIGHWAY PROJECT (A109) ROAD LOT 1: (MOMBASA – KWA JOMVU).....	x
6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED 30TH JUNE 2021	1
7. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES AS AT 30TH JUNE 2021	2
8. STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2021	3
9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS	4
10. SIGNIFICANT ACCOUNTING POLICIES	5
11. NOTES TO THE FINANCIAL STATEMENTS	11
12. OTHER IMPORTANT DISCLOSURES	15
13. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS.....	17
14. ANNEXES.....	18
ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS.....	18
ANNEX 2 – RECONCILIATION OF INTER-ENTITY TRANSFERS	19
ANNEX 3A – ANALYSIS OF PENDING BILLS.....	20
ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER	21

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

Reports and Financial Statements

For the financial year ended June 30, 2021

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
-----------------------------------------------	------------------------------------------------------------------------------------------------------------------------------

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

Reports and Financial Statements

For the financial year ended June 30, 2021

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. Road Construction Civil Works ; 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. Consulting Services and Training ; 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. Institutional Support ; 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. Compensation and Resettlement ; 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

National Bank of Kenya
 Hill Branch
 P.O Box
 Nairobi.
 Account No. 01001322733200

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, 2021

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:

A. Source of Funds

Source of funds	Donor Commitment-		Amount received to date – (30.06.2021)		Undrawn balance to date (30.06.2021)	
	UA (A)	Kshs (A')	UA (B)	Kshs (B')	UA (A)-(B)	Kshs (A')-(B')
(i) Loan						
ADF	80,000,000	11,316,256,000	47,014,576	6,650,362,239	32,985,424	4,665,893,761
(ii) Counterpart funds						
Government of Kenya	-	5,863,688,385	-	5,863,688,385	-	-
Total	80,000,000	17,179,944,385	47,014,576	12,514,050,624	32,985,424	4,665,893,761

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

Reports and Financial Statements

For the financial year ended June 30, 2021

B. Application of Funds

Application of funds	Amount received to date - (30.06.2021)		Cumulative Amount paid to date - (30.06.2021)		Unutilised balance to date - (30.06.2021)	
	Donor currency(UA)	Kshs	Donor currency(UA)	Kshs	Donor currency(UA)	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Loan						
Africa Development Fund (ADF)	47,014,576	6,650,362,239	47,014,576	6,650,362,239	-	-
(ii) Counterpart funds						
Government of Kenya(GoK)	-	5,863,688,385	-	5,848,655,241	-	15,033,144
Total	47,014,576	12,514,050,624	47,014,576	12,499,017,480	-	15,033,144

1.8 Summary of Overall Project Performance:

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

Budget	FY 2020/2021		
	Actual	Budget	%
Counterpart Funds - GoK	248,755,305	354,000,000	70%
Loan from External Development Partners			
Africa Development Fund	1,680,548,777	1,700,000,000	99%
TOTAL	1,929,304,082	2,054,000,000	94%

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

As at 30th June, 2021, the overall weighted progress of works achieved was approximately 98.30% against percentage of time elapsed of 98.41%

(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

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

Reports and Financial Statements

For the financial year ended June 30, 2021

- Monthly site meetings that involve the employer, the consultant and the contractor.

1.9 Summary of Project Compliance:

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

2. STATEMENT OF PERFORMANCE AGAINST PROJECT’S PREDETERMINED OBJECTIVES

Introduction

The key development objectives of the project are to:

- a) 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:

Objective	Outcome	Indicator	Performance
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 almost complete. Physical progress of works as at 30 th June 2021 was 98.3%
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 ₂ 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, 2021

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, 2021. This responsibility includes: (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

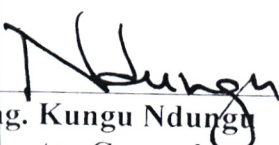
The Director General, KeNHA and the Project Implementation Team Leader for Mombasa – Mariakani Highway Project (A109) Road Lot 1: (Mombasa – Kwa Jomvu) accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate 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, 2021, 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 17 AUG 2021 2021 and signed by them.

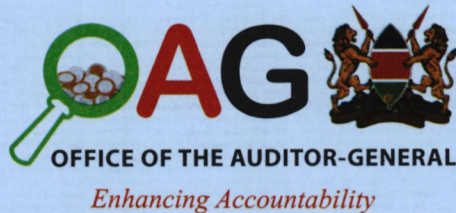

Eng. Kungu Ndungu
Director General


Eng. David A. Muchilwa
Director-Development


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

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON MOMBASA-MARIAKANI HIGHWAY PROJECT (LOT 1 MOMBASA - KWA JOMVU) FOR THE YEAR ENDED 30 JUNE, 2021— 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, gazetted notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Mombasa-Mariakani Highway Project (Lot 1-Mombasa Kwa Jomvu) set out on pages 1 to 17, which comprise the

Report of the Auditor-General on Mombasa-Mariakani Highway Project (Lot 1-Mombasa-Kwa Jomvu) for the year ended 30 June, 2021 - Kenya National Highways Authority

statement of financial assets and liabilities as at 30 June, 2021, and the statement of receipts and payments, statement of cashflow and 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, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Mombasa-Mariakani Highway Project as at 30 June, 2021, 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 the Republic of Kenya.

Basis for Qualified Opinion

1. Unsupported Transfers from Government Entities

Note 1 to the financial statements reflects Kshs.248,755,305 in respect to transfers from other Government entities. However, the supporting documents provided by way of exchequer requisitions and bank statements revealed that an amount of Kshs.302,681,906 was requested for the Project during the year under review but which could not be linked to actual receipts resulting to an unexplained variance of Kshs.53,926,601. It was therefore, not clear how the Management of the implementing Authority determined the receipts attributable to the Project.

In the circumstances, it has not been possible to confirm the completeness, accuracy and validity of Kshs.248,755,305 in respect to receipts from other Government entities.

2. Unreconciled Retention Funds

The statement of financial assets and liabilities and Note 6 to the financial statements reflects a balance of Kshs.15,033,144 in respect to retention funds controlled by the entity which, when added to the Kshs.418,033,205 reflected as retentions controlled by third parties under other important disclosures at Note 12.2, gives a combined figure of Kshs.433,066,349. However, examination of the last interim payment certificate No.29 of 28 May, 2021 revealed that, a total of Kshs.427,436,817 had been retained from the contractor's payments implying that there is an overstatement of the retentions balance by Kshs.5,629,532.

Consequently, the financial statements do not reflect the correct position on retentions as at 30 June, 2021.

3. Undisclosed Surpluses

The statement of financial assets and liabilities reflects nil amounts under both fund balance brought forward and surplus for the year. However, the statement of receipts and payments reflects Kshs.434,525 and Kshs.15,033,144 as surplus for the year and

cumulative surpluses respectively which should have also been included in the statement of financial assets and liabilities.

In the circumstances, it was not possible to ascertain the fair statement of the financial position of the Project as at 30 June, 2021.

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 qualified opinion.

Key Audit Matters

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

Other Matter

1. Delayed Project Completion

Kenya National Highways Authority entered into a 42 months contract for construction of Mombasa-Mariakani Project with Third Engineering Bureau of China in July, 2016 at a contract sum of Ksh.6,016,868,260. The works commenced on 4 February, 2017 with an initial contract period of 30 months and was later extended by 13 months to bring the revised completion date to 3 September, 2021. However, physical verification of the project site, which was carried out in October, 2021 after the lapse of revised completion date, revealed that works were still ongoing with overall progress approximated at 95%.

In the circumstances, implementation of the Project was behind schedule which may lead to costs escalation and delayed realization of expected benefits.

2. Pending Bills

Note 12.1 to the financial statements reflects pending bills amounting to Kshs.451,001,811 as at 30 June, 2021 and as analysed in Annex 3A. The balance represented an increase from a figure of Kshs.133,575,356 reported in 2020 financial year by Kshs.317,426,455. The Management explained that it was liaising with the line Ministry and The National Treasury to secure adequate budgetary allocation and exchequer releases to enable prompt payments of the pending bills in the subsequent financial year.

However, there is a risk of incurring additional significant costs in terms of interest and penalties due to continued delay in settlements of Project obligations.

3. Lack of Site Access Due to Legal Disputes

A physical verification of the Project carried out in 21 October, 2021 revealed that, works in a section of the road namely, Kwa - Jomvu interchange had stalled since the year 2016

due to two on-going Court cases. The first Court case No.157 of 2015 was filed by a local company which led to stoppage of construction of interchange reinforced earth wall, ramp, the main road and slip road while another Court case No.106 of 2015 was filed by another Investment Company which stopped demolition of a walling structures encroaching on the road reserve.

In the circumstances, completion of road works in the affected sections is doubtful which not only undermines realization of benefits from the Project but could also lead to additional costs in form of claims by the contractor due to lack of access to the construction site.

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, I report based on my audit, that:

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;

- ii. In my opinion, adequate accounting records have been kept by the Project, so far as appears from the examination of those records; and,
- iii. The Project's financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and those Charged with Governance

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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


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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

22 December, 2021

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


Reports and Financial Statements

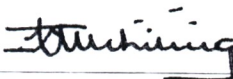
For the financial year ended June 30, 2021


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

	Note	FY 2020/21	FY 2019/20
		Kshs	Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	5A	15,033,144	14,598,619
Cash Balances		-	-
Cash Equivalents (short-term deposits)		-	-
Total Cash and Cash Equivalents		15,033,144	14,598,619
Accounts Receivables		-	-
TOTAL FINANCIAL ASSETS		15,033,144	14,598,619
FINANCIAL LIABILITIES			
Payables- Deposits and Retentions	6	15,033,144	14,598,619
NET ASSETS		-	-
REPRESENTED BY			
Fund balance b/fwd	7	-	-
Prior year adjustments		-	-
Surplus/(Deficit) for the year		-	-
NET FINANCIAL POSITION		-	-

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 17 AUG 2021 2021 and signed by:


 Eng. Kungu Ndungu
 Director General


 Eng. David A. Muchilwa
 Director-Development


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

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

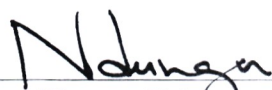
Reports and Financial Statements

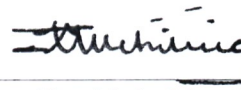
For the financial year ended June 30, 2021

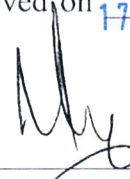
8. STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2021

	Note	FY 2020/2021	FY 2019/2020(Restated)
Receipts for operating income			
Transfer from Government entities	1	248,755,305	3,737,553,693
Payments for operating expenses			
Purchase of goods and services	3	(1,181,775)	(26,267,653)
Net cash flow from operating activities		247,573,530	3,711,286,040
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	4	(1,927,687,782)	(5,430,711,030)
Net cash flows from Investing Activities		(1,927,687,782)	(5,430,711,030)
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Foreign Borrowings	2	1,680,548,777	1,730,831,342
Net cash flow from financing activities		1,680,548,777	1,730,831,342
NET INCREASE IN CASH AND CASH EQUIVALENT		434,525	11,406,352
Cash and cash equivalent at BEGINNING of the year		14,598,619	3,192,267
Cash and cash equivalent at END of the year		15,033,144	14,598,619

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 17 AUG 2021 2021 and signed by:


 Eng. Kungu Ndungu
 Director General


 Eng. David A. Muchilwa
 Director-Development


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

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

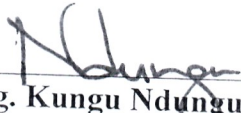
Reports and Financial Statements

For the financial year ended June 30, 2021

9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

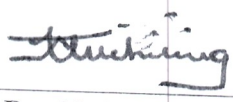
Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
Receipts						
Transfer from Government entities	130,000,000	224,000,000	354,000,000	248,755,305	105,244,695	70%
Proceeds from Loans	3,000,000,000	(1,300,000,000)	1,700,000,000	1,680,548,777	19,451,223	99%
Total Receipts	3,130,000,000	(1,076,000,000)	2,054,000,000	1,929,304,082	124,695,918	94%
Payments						
Purchase of goods and services	3,130,000,000	(1,076,000,000)	2,054,000,000	1,181,775	125,130,443	94%
Acquisition of non-financial assets				1,927,687,782		
Total Payments	3,130,000,000	(1,076,000,000)	2,054,000,000	1,928,869,557		

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


 Eng. Kungu Ndungu
 Director General


17 AUG 2021

Date


 Eng. David A. Muchilwa
 Director-Development

17 AUG 2021

Date


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

17 AUG 2021

Date

10. SIGNIFICANT ACCOUNTING POLICIES

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

10.1 Basis of Preparation

10.1.1 Statement of compliance and basis of preparation

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

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

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

10.1.2 Reporting entity

The financial statements are for the Mombasa – 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.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

• **Interest on borrowing**

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

• **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.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

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) Contingent Liabilities

A contingent liability is:

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

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities, Letters of comfort/ support, insurance, Public Private Partnerships, The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

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

g) Contingent Assets

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

h) Pending bills

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

i) Budget

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

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

j) Third party payments

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

During the year **KSh 1,680,548,777** being loan disbursements were received in form of direct payments from third parties.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Exchange rate differences

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

l) Comparative figures

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

m) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2021.

n) Errors

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

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

Reports and Financial Statements

For the financial year ended June 30, 2021

11. NOTES TO THE FINANCIAL STATEMENTS

1. RECEIPTS FROM GOVERNMENT OF KENYA

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

	2020/21	2019/20	Cumulative
	Kshs	Kshs	to-date
Counterpart funding through Ministry of Transport and Infrastructure			
Counterpart funds Quarter 1	108,739,467	12,080,240	568,531,163
Counterpart funds Quarter 2	119,666,921	263,969,611	683,628,755
Counterpart funds Quarter 3	16,024,127	34,604,048	344,824,871
Counterpart funds Quarter 4	4,324,790	3,426,899,794	4,266,703,596
Total	248,755,305	3,737,553,693	5,863,688,385

2. LOAN FROM EXTERNAL DEVELOPMENT PARTNER

During the 12 months to 30 June 2021 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 2020/21	FY 2019/20
					UA	Kshs
Loans Received from Multilateral Donors (International Organizations)						
African Development Fund (ADF)	FY 2020/21	11,880,599	-	1,680,548,777	1,680,548,777	1,730,831,342
Total		11,880,599	-	1,680,548,777	1,680,548,777	1,730,831,342

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

Reports and Financial Statements

For the financial year ended June 30, 2021

3. PURCHASE OF GOODS AND SERVICES

Item	FY 2020/21			FY 2019/20	Cumulative to Date
	Payments Made by the Entity in Cash	Payments Made by Third Party	Total Payments		
	KSh	KSh	KSh	KSh	KSh
Domestic Travel & Subsistence	699,275	-	699,275	9,253,188	77,592,512
Hospitality Supplies & Services	482,500	-	482,500	91,354	7,998,430
Printing, Adverts & Information Supplies	-	-	-	700,396	5,421,933
Training Payments	-	-	-	16,222,715	16,222,715
Other Operating Expenses	-	-	-	-	31,700,000
Utility Supplies & Services	-	-	-	-	4,907,623
Total	1,181,775	-	1,181,775	26,267,653	143,843,213

4. ACQUISITION OF NON-FINANCIAL ASSETS

	FY 2020/21			FY 2019/20 (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	6,107,168	162,813,597	168,920,765	235,955,639	711,420,884
Construction of Roads	221,667,104	1,517,735,180	1,739,402,284	1,902,632,329	7,034,318,525
Acquisition of Land	19,364,733	-	19,364,733	3,292,123,062	4,609,434,858
Total	247,139,005	1,680,548,777	1,927,687,782	5,430,711,030	12,355,174,267

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

Reports and Financial Statements

For the financial year ended June 30, 2021

5. CASH AND CASH EQUIVALENTS CARRIED FORWARD

Description	FY 2020/21 Kshs	FY 2019/20(Restated) Kshs
Bank accounts (Note 10.7A)	15,033,144	14,598,619
Total	15,033,144	14,598,619

5A BANK ACCOUNTS

Description	FY 2020/21 Kshs	FY 2019/20(Restated) Kshs
Local Currency Accounts		
National Bank of Kenya Ltd. Retention [A/c No. 0100132733200]	15,033,144	14,598,619
Total bank account balances	15,033,144	14,598,619

6. ACCOUNTS PAYABLES

Description	FY 2020/21 Kshs	FY 2019/20(Restated) Kshs
Retentions controlled by the entity	15,033,144	14,598,619
Total	15,033,144	14,598,619

**Prior year closing retention amount of Kshs 14,598,619 has been reclassified from the Fund balance b/f to Financial liabilities – Payables- retention in the financial statements as required by PSASB reporting template for FY 2020/21*

7. FUND BALANCE BROUGHT FORWARD

Description	FY 2020/21 Kshs	FY 2019/20 Kshs
Bank accounts	-	-
Total	-	-

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

Reports and Financial Statements

For the financial year ended June 30, 2021

8. PRIOR YEAR ADJUSTMENT

	Balance b/f FY 2019/2020 as per Financial statements	Adjustments	Adjusted Balance b/f FY 2019/2020
Description	Kshs	Kshs	Kshs
Acquisition of non-financial assets-payments controlled by the entity	3,724,195,902	(8,093,499)	3,716,102,403
Cash and cash equivalents	6,505,120	8,093,499	14,598,619
Bank account Balances (Retention)	6,505,120	8,093,499	14,598,619
Accounts payables-retentions controlled by the entity	6,505,120	8,093,499	14,598,619
	3,743,711,262	16,186,998	3,759,898,260

**This prior year adjustment has been necessitated by reclassification of Kshs 8,093,499 retention amounts expensed in FY 2019/20 and have now been introduced in Statement of Financial Assets.*

9. CHANGES IN ACCOUNTS PAYABLE – RETENTIONS CONTROLLED BY THE ENTITY

Description	FY 2020/21	FY 2019/20
	Kshs	Kshs
Retentions as at 1st July	14,598,619	3,192,267
Closing accounts payables – retentions as at 30 th June	15,033,144	14,598,619
Changes in accounts payables - retentions	434,525	11,406,352

10. RESTATEMENT OF FY 2019/2020 FINANCIAL STATEMENTS

Financial Year 2019/20 statements have been restated by Kshs 8,093,499 being retention payments inadvertently included in acquisition of non-financial assets in Financial Year 2019/20 Financial Statements.

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

Reports and Financial Statements

For the financial year ended June 30, 2021

12. OTHER IMPORTANT DISCLOSURES

1. PENDING BILLS (See Annex 3A)

Description	Balance b/f FY 2019/2020	Additions for the period	Paid during the year	Balance c/f FY 2020/21
	Kshs	Kshs	Kshs	Kshs
Construction of civil works	133,575,356	1,920,428,982	1,739,402,284	314,602,054
Lands Compensation	-	122,709,203	19,364,733	103,344,470
Supply of services	-	203,157,827	170,102,540	33,055,287
Total	133,575,356	2,246,296,012	1,928,869,557	451,001,811

2. ACCOUNTS PAYABLES

Description	FY 2020/21	FY 2019/20
	Kshs	Kshs
Retentions controlled by third parties	418,033,205	294,224,858
Total	418,033,205	294,224,858

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

Description	FY 2020/21	FY 2019/20
	Kshs	Kshs
Retentions as at 1st July	294,224,858	198,807,772
Closing accounts payables – retentions as at 30 th June	418,033,205	294,224,858
Changes in accounts payables - retentions	123,808,347	95,417,086

4. EXTERNAL ASSISTANCE

a) External assistance relating to loans and grants

Description	FY 2020/2021	FY 2019/2020
	Kshs	Kshs
External assistance received as loans	1,680,548,777	1,730,831,342
Total	1,680,548,777	1,730,831,342

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

Reports and Financial Statements

For the financial year ended June 30, 2021

b) Undrawn external assistance

	Purpose for which the undrawn external assistance may be used	FY 2020/2021	FY 2019/2020
Description		Kshs	Kshs
Undrawn external assistance - grants	Construction of roads & consultancy services	4,665,893,761	6,346,442,538
Total		4,665,893,761	6,346,442,538

c) Classes of providers of external assistance

	FY 2020/2021	FY 2019/2020
Description	Kshs	Kshs
Multilateral donors	1,680,548,777	1,730,831,342
Total	1,680,548,777	1,730,831,342

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

d) Purpose and use of external assistance

	FY 2020/2021	FY 2019/2020
Description	Kshs	Kshs
Acquisition of Assets	1,680,548,777	1,730,831,342
Total	1,680,548,777	1,730,831,342

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


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

	FY 2020/2021	FY 2019/2020
Description	Kshs	Kshs
Multilateral donors	1,680,548,777	1,730,831,342
Total	1,680,548,777	1,730,831,342

13. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS


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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved /Not Resolved)	Timeframe: (Date when the issue is expected to be resolved)
KeNHA/ MBS- Mariakani Lot 1/2019/20 20(15)	Note 11.1 to the financial statements reflects pending bills amounting to Kshs. 133,575,356 as at 30 June, 2019. Although management has committed to liaise 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 additional interest costs and penalties with the continued delay in making payments.	Pending bills arise due to inadequate budgetary provisions coupled with delayed Exchequer releases to facilitate prompt contractual payments. The Authority will continue liaising with the Treasury for adequate budgetary allocation and timely release of exchequer.	Eng. Charles Obuon - Project Engineer	Continuous	Continuous


 Eng. Kungu Ndungu
 Director General

17 AUG 2021

Date


 Eng. David A. Muchilwa
 Director-Development

17 AUG 2021

Date

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

Reports and Financial Statements

For the financial year ended June 30, 2021

14. ANNEXES

ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation	Comments on Variance
	a	b	c=a-b	d=b/a %	
RECEIPTS DURING THE YEAR/PERIOD					
Government of Kenya	354,000,000	248,755,305	105,244,695	70%	Delay in exchequer release
External financing	1,700,000,000	1,680,548,777	19,451,223	99%	
Total receipts	2,054,000,000	1,929,304,082	124,695,918	94%	
PAYMENTS DURING THE YEAR/PERIOD					
Purchase of goods and services	2,054,000,000	1,181,775	125,130,443	94%	
Acquisition of non-financial assets		1,927,687,782			
Total payments	2,054,000,000	1,928,869,557	125,130,443	94%	

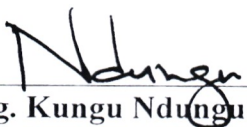
MOMBASA – MARIAKANI HIGHWAY PROJECT (A109) ROAD LOT 1: (MOMBASA – KWA JOMVU)

Reports and Financial Statements

For the financial year ended June 30, 2021


ANNEX 2 – RECONCILIATION OF INTER-ENTITY TRANSFERS

PROJECT NAME:		MOMBASA-MARIAKANI HIGHWAY PROJECT (A109) ROAD LOT 1: (MOMBASA – KWA JOMVU)		
Break down of Transfers from the State Department of Infrastructure				
a. Government Counterpart Funding				
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>FY to which the amounts relate</u>
	Quarter 1	31-Aug-20	108,739,467	FY 2020/21
	Quarter 2	23-Nov-20	119,666,921	FY 2020/21
	Quarter 3	19-Feb-21	16,024,127	FY 2020/21
	Quarter 4	23-Apr-21	4,324,790	FY 2020/21
	Total		248,755,305	


Eng. Kungu Ndungu
Director General

17 AUG 2021

Date


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

17 AUG 2021

Date

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

Reports and Financial Statements

For the financial year ended June 30, 2021

ANNEX 3A – ANALYSIS OF PENDING BILLS

Supplier of Goods/Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance	Outstanding Balance	Comments
				2021	2020	
	a	b	c	d=a-c		
Sub-Total						
Consultancy Services						
Sai Consulting Engineers	83,807,218	03.12.2020	73,515,103	10,292,115	-	FN 18/095
Sai Consulting Engineers	733,016	15.12.2020	-	733,016	-	FN 14
Sai Consulting Engineers	1,907,331	20.05.2021	-	1,907,331	-	FN 12(Tax)
SMEC International	401,945	12.02.2021	-	401,945	-	FN 7
Gibb Africa Ltd	47,370,748	26.05.2021	42,128,801	5,241,947	-	FN 4(Lewa)
Government Printers	13,920	10.06.2021	-	13,920	-	Inv 2244
Cardno IT Transport	8,515,121	11.06.2021	6,671,807	1,843,314	-	FN 2
Cardno IT Transport	8,515,121	11.06.2021	6,671,807	1,843,314	-	FN 3
Cardno IT Transport	8,515,121	11.06.2021	6,671,807	1,843,314	-	FN 4
Cardno IT Transport	8,935,071	11.06.2021	-	8,935,071	-	FN 5
Sub-total	168,714,612		135,659,325	33,055,287	-	
Civil Works						
Third Engineering	25,272,255	04.05.2020	-	25,272,255	25,272,255	IPC 13
Third Engineering	558,079,742	02.03.2020	558,079,742	-	38,453,739	IPC 17
Third Engineering	339,086,286	08.04.2020	339,086,286	-	43,365,925	IPC 18
Third Engineering	234,794,941	16.06.2020	234,794,941	-	26,483,438	IPC 19
Third Engineering	28,056,411	01.10.2020	-	28,056,411	-	IPC 20
Third Engineering	283,258,610	02.10.2020	244,820,662	38,437,948	-	IPC 12
Third Engineering	260,638,425	11.11.2020	231,276,529	29,361,896	-	IPC 20
Third Engineering	484,827,439	30.11.2020	434,008,293	50,819,146	-	IPC 12
Third Engineering	221,651,365	05.03.2020	186,875,028	34,776,337	-	IPC 13
Third Engineering	224,350,164	16.04.2021	189,150,447	35,199,717	-	IPC 17
Third Engineering	227,423,723	01.06.2021	191,741,725	35,681,998	-	IPC 18
Third Engineering	235,800,896	08.06.2021	198,804,550	36,996,346	-	IPC 19
Sub-total	3,123,240,257		2,808,638,203	314,602,054	133,575,356	
Land Compensation			4,609,434,858	103,344,470	-	
Grand-Total	3,291,954,869		7,560,645,766	451,001,811	133,575,356	

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

Reports and Financial Statements

For the financial year ended June 30, 2021

ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Opening Cost (Restated)	Purchases/Additions in the Year	Disposals in the Year	Closing Cost
	(KSh)	(KSh)	(KSh)	(KSh)
	2019/20	2020/21	2020/21	2021
	(a)	(b)	(c)	(d)= (a)+ (b)-(c)
Land	4,590,070,124	19,364,733	-	4,609,434,857
Construction of Roads	5,837,416,361	1,908,323,049	-	7,745,739,410
Total	10,427,486,485	1,927,687,782	-	12,355,174,267

Opening cost restated downwards by Kshs 210,093,538 from Kshs 10,637,580,023 reported in the Financial Year 2019/20 Financial Statements to Kshs 10,427,486,485. The difference being retention amounts previously expensed and now introduced in the Statement of Financial Assets but the adjustment inadvertently omitted in the Financial Year 2019/2020 Financial Statements' summary of fixed asset register.

