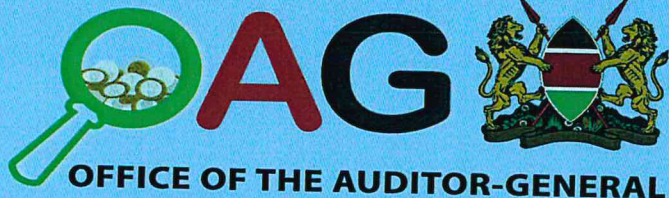


REPUBLIC OF KENYA



*Enhancing Accountability*

**THE NATIONAL ASSEMBLY  
PAPERS LAID**

**DATE:** 02 FEB 2022

**DAY:** Wed

**TABLED BY:** The Majority Whip

**CLERK-AT THE-TABLE:** Finlay M.

**NATIONAL ASSEMBLY  
RECEIVED**

16 DEC 2021

DEPUTY CLERK  
P. O. Box 41842 - 00100, NAIROBI

**REPORT  
OF  
THE AUDITOR-GENERAL  
ON  
MOMBASA-NAIROBI-ADDIS ABABA ROAD  
CORRIDOR DEVELOPMENT PROJECT  
NO. P-ZI-DBO-018  
(ISIOLO/MERILLE/MOYALE ROAD)**

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

**KENYA NATIONAL HIGHWAYS  
AUTHORITY**







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



**Kenya National Highways Authority**

*Quality Highways, Better Connections*

**Project Name – MOMBASA –NAIROBI-ADDIS ABABA ROAD CORRIDOR DEVELOPMENT  
PROJECT: (ISIOLO/MERILLE/MOYALE ROAD)**

**Implementing Entity – KENYA NATIONAL HIGHWAYS AUTHORITY - (KeNHA)**

**PROJECT LOAN NO: – 2100150008850  
PROJECT GRANT NO: – 2100155004016**

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**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 –NAIROBI-ADDIS ABABA ROAD CORRIDOR DEVELOPMENT PROJECT:  
(ISIOLO/MERILLE/MOYALE ROAD)**

**Reports and Financial Statements**

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

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**CONTENTS**

**PAGE**

1. PROJECT INFORMATION AND OVERALL PERFORMANCE .....	i
2. STATEMENT OF PERFORMANCE AGAINST PROJECT’S PREDETRMINED OBJECTIVES .....	vi
3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING.....	vii
4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES .....	ix
5. REPORT OF THE INDEPENDENT AUDITORS ON MOMBASA –NAIROBI-ADDIS ABABA ROAD CORRIDOR DEVELOPMENT PROJECT: ISIOLO/MERILLE/ MOYALE ROAD).....	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. NOTES TO THE FINANCIAL STATEMENTS .....	5
11. OTHER IMPORTANT DISCLOSURES .....	11
12. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS.....	12
ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS .....	13





**MOMBASA –NAIROBI-ADDIS ABABA ROAD CORRIDOR DEVELOPMENT PROJECT:  
(ISIOLO/MERILLE/MOYALE ROAD)**

**Reports and Financial Statements**

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

**1. PROJECT INFORMATION AND OVERALL PERFORMANCE**

**1.1 Name and registered office**

Project Name	Mombasa –Nairobi-Addis Ababa Road Corridor Development Project (Isiolo/Merille/Moyale Road)
--------------	--

Project Objectives	(i) Improve land transport communications between Kenya and Ethiopia and contribute to enhance trade and regional economic integration  (ii) Provide landlocked Ethiopia with an alternative outlet to the sea through the port of Mombasa, and  (iii) Open up Kenya's Northern Region (Arid Semi-Arid Lands of Kenya (ASAL) and integrate it with the rest of Kenya.
--------------------	---

Project Registered Office and Physical Location:	Barabara Plaza Jomo Kenyatta International Airport (JKIA) Off Mazao Road Nairobi, Kenya
--	--

Project Address	P.O. Box 49712-00100 Nairobi
-----------------	---------------------------------

Contacts:	Telephone: 020-8013842; Email dg@kenha.co.ke; Website www.kenha.co.ke
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**1.2 Project Information**

Project Start Date:	04th February, 2005
Project End Date:	31st December, 2010 or such date as shall be agreed upon between the Recipient and the Fund.
Project Manager:	Eng. D.A Muchilwa – Director Development Eng. D. Cherono – Project Co-Ordinator
Project Sponsor:	African Development Bank (ADB)

**1.3 Project Overview**

Line Ministry/State Department of the project	The project is under the supervision of the Ministry of Transport, Infrastructure, Housing, Urban Development & Public Works
Project number	P-ZI-DBO-018





**MOMBASA –NAIROBI-ADDIS ABABA ROAD CORRIDOR DEVELOPMENT PROJECT:  
(ISIOLO/MERILLE/MOYALE ROAD)**

**Reports and Financial Statements**

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

Other important background information of the project	<p>This report briefly provides information on the physical progress of the project which is being implemented in two stages, from Isiolo to Merille River of approximately 136 Kms whose activities includes construction works, upgrading the existing gravel road to a bitumen paved road and construction of roadside socio-economic infrastructure and services, and from Merille river to Moyale Road Project whose activities involves detailed designs is being carried out by a consultant. The road is approximately 366.4 kms (measured by GPS automatic tracking system). The consultant has however proposed to divide the road into three contract sections for the purpose of preparation for international competitive Bidding.</p> <p>The sections proposed are as follows:-          CONTRACT No.1-Merille River to Marsabit - Length 122 kms          CONTRACT No.2-Marsabit to Turbi - Length 121 kms          CONTRACT No.3-Turbi to Moyale - Length 123.4 kms</p> <p>The project is financed by both Government of Kenya at a rate of 38% plus taxes and 62% excluding taxes by Development partners.</p>
---	---

**PROJECT COMPONENTS AND COSTS - LOAN**

Size of the Loan-Isiolo-Merille River Works UA 33.60 Million

Size of the loan - Isiolo-Merille River Design UA 1.20 Million

**The project comprises the following components:-**

- (i) Construction works for upgrading the existing gravel road to a bitumen paved road with 7.0 - m carriage and 1.5 - m shoulder on each side for a total length of 136 km between Isiolo and Merille River in Northern Kenya at a cost of 19.58 million UA in foreign exchange and 3.77 in local cost thus a total of 23.35 million UA;
- (ii) Construction of roadside socio-economic infrastructure and services at a cost of 1.79 million UA in foreign exchange and 0.34 million UA in local cost thus a total of 2.13 million UA;
- (iii) Consulting Services for design review, tender assistance and supervision of the civil works at a cost of 1.46 million UA in foreign exchange and 0.21 million UA in local thus a total of 1.67 million UA;
- (iv) Audit Services at a cost of 0.08 million AU in foreign exchange and 0.02 million AU in local cost thus a total of 0.10 million AU;
- (v) Total Base Cost is 22.91 million AU in foreign exchange and 4.34 million AU in local currency, thus a total of 27.26 million AU;
- (vi) Physical contingency is at a cost of 2.29 million AU at foreign exchange and 0.43 million AU at a local cost thus a total of 2.73 million AU;
- (vii) Price contingency is at 2.48 million AU in foreign exchange and 1.114 million AU at a local cost thus a total of 3.62 million AU;
- (viii) Total Project Cost is at a 27.68 million UA in foreign exchange and 5.92 million UA in local cost thus a total of 33.60 million AU.





**MOMBASA –NAIROBI-ADDIS ABABA ROAD CORRIDOR DEVELOPMENT PROJECT:  
(ISIOLO/MERILLE/MOYALE ROAD)**

**Reports and Financial Statements**

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

**1.4 Bankers**

Standard Chartered Bank Kenya Ltd

Kenyatta Avenue Branch, Nairobi

Account Number:'0108098898301

**1.5 Auditors**

Auditor General

Office of the Auditor General

P.O. Box 30084 – 00100 GPO

Nairobi

**1.6 Roles and Responsibilities**

NAMES	Title Designation	Key qualification	Responsibilities
Eng. D. A. Muchilwa	Director Development	Qualified	Project Implementing Team Leader
Eng. D.Cheronono	Deputy Director	Qualified	Project Co-Ordinator
Mr. Philip Wachira	CFO	Qualified	Project Financial specialist
Eng. A.K. Mwaniki	Engineer	Qualified	Design Engineer
Mr. W. Nyatwanga	Manager (Environmental & Social)	Qualified	Project Environmentalist
Eng. J.Cherogony	Senior Engineer (C)	Qualified	Contracts Engineer

**1.7 Funding summary**

The project financing is for duration of Six years from 04th February, 2005 to 31st December, 2010 (or earlier) with an approved budget of UA 28.44 Million equivalent to Kshs. 3,867,948,236 for development partner and Kshs 2,700,659,150 for counterpart funding as highlighted in the table below:

**1. Sources of funds**

Source of funds	Donor Commitments		Amount received to date		Undrawn balance to date	
	UA	Kshs	UA	Kshs	UA	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A') – (B')
<b>(i)Loan</b>						
<b>African Development Bank (AfDB)</b>						
	27,597,320	3,752,255,320	27,597,320	3,752,255,320	-	-





**MOMBASA –NAIROBI-ADDIS ABABA ROAD CORRIDOR DEVELOPMENT PROJECT:  
(ISIOLO/MERILLE/MOYALE ROAD)**

**Reports and Financial Statements**

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

Source of funds	Donor		Amount received to date		Undrawn balance to date	
	UA	Kshs	UA	Kshs	UA	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A') – (B')
<b>(ii) Grant</b>						
<b>ADF Grant</b>						
	850,905	115,692,916	850,905	115,692,916	-	-
<b>(iii) Counterpart Funds</b>						
	-	2,700,659,150	-	2,700,659,150	-	-
<b>Total</b>	<b>28,448,226</b>	<b>6,568,607,386</b>	<b>28,448,226</b>	<b>6,568,607,386</b>	<b>-</b>	<b>-</b>

**2. Application of funds**

Application of funds	Amount received to date – (30 <sup>th</sup> June 2021)		Cumulative Amount paid to date – (30 <sup>th</sup> June 2021)	Unutilised balance to date (30 <sup>th</sup> June 2021)	
	Donor currency	Kshs		Donor currency	Kshs
	(A)	(A')	(B')	(A)-(B)	(A')- (B')
<b>(i) Grant</b>					
<b>ADF Grant</b>	850,905	115,692,916	115,692,916	-	-
<b>(i) Loan</b>					
<b>African Development Bank (AfDB)</b>	27,597,320	3,752,255,320	3,752,255,320	-	-
<b>(ii) Counterpart funds</b>					
<b>Government of Kenya</b>	-	2,700,659,150	2,682,524,718	-	18,134,432
<b>Total</b>	<b>28,448,225</b>	<b>6,568,607,386</b>	<b>6,550,472,954</b>	<b>-</b>	<b>18,134,432</b>



**MOMBASA –NAIROBI-ADDIS ABABA ROAD CORRIDOR DEVELOPMENT PROJECT:  
(ISIOLO/MERILLE/MOYALE ROAD)**

**Reports and Financial Statements**

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

**Summary of Overall Project Performance:**

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

	2020/2021		
	Actual	Budget	%
Counterpart Funds - Gok	-	-	0%
<b>Total</b>	-	-	<b>0%</b>

**(b) Physical progress based on outputs, outcome and impacts since project commencement.**

The Project has since been completed and handed over to the employer

**(c) Comment on value-for-money achievements.**

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

**1.8 Summary of Project Compliance:**

There were no significant cases of non-compliance with applicable laws and regulations, and essential external financing agreements/covenants.





**MOMBASA –NAIROBI-ADDIS ABABA ROAD CORRIDOR DEVELOPMENT PROJECT:  
(ISIOLO/MERILLE/MOYALE ROAD)**

**Reports and Financial Statements**

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

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

The key development objectives of the project are to:

- (i) Improve road transport services along the Nairobi-Thika corridor and enhance urban mobility within the metropolitan area by reducing traffic congestion.
- (ii) Contribute to the development of a sustainable urban public transit system for the Nairobi Metropolitan Area
- (iii) Promote private sector participation in the management, operation, and financing of road infrastructure in Kenya

**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:

Project	Objective	Outcome	Indicator	Performance
Isiolo - Merille.	To improve transport communications between Kenya and Ethiopia for the benefit of both countries and the region.	Transport and logistics costs are reduced; transit and travel times are reduced	Transport and shipping costs	Average travel time from Mombasa to Addis has been reduced
		Port of Mombasa becomes cost-effective alternative for Ethiopia's import/export shipping	Transit time for imports and exports	Increased volume of transit goods to/from Ethiopia
		Technical and Operational Capacity of Kenya Road Agencies is strengthened	Volume of transit goods to/from Ethiopia using the port of Mombasa	The corridor is already under Performance based maintenance contracts.
		Improved economic and social welfare of towns along the corridor	Performance of Roads Agencies	Increased average household income across the corridor.
			Average household income	



### **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.

The Contractor has been involved in various CSR activities geared towards providing the local residents through construction of water kiosks along the project road, improvement of access roads and enhancing learning and playing environment in schools along the project road. 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 –NAIROBI-ADDIS ABABA ROAD CORRIDOR DEVELOPMENT PROJECT:  
(ISIOLO/MERILLE/MOYALE ROAD)**

**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 Management for Mombasa –Nairobi-Addis Ababa Road Corridor Development Project: (Isiolo/Merille/Moyale Road) 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 Management for Mombasa –Nairobi-Addis Ababa Road Corridor Development Project: (Isiolo/Merille/Moyale Road), 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 the International Public Sector Accounting Standards.

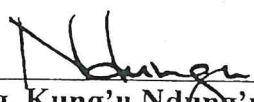
The Director General, KeNHA and Project Management for Mombasa –Nairobi-Addis Ababa Road Corridor Development Project: (Isiolo/Merille/Moyale Road) are of the opinion that the Project financial statements give a true and fair view of the state of the Project's transactions during the financial year ended June, 30, 2021 and the Project's financial position as at that date.


The Director General, KeNHA and the Project Management for Mombasa –Nairobi-Addis Ababa Road Corridor Development Project: (Isiolo/Merille/Moyale Road) Project further confirm that 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 on the adequacy of the systems of internal financial control.

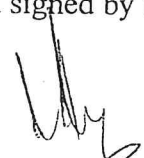
The Director General, KeNHA and the Project Management for Mombasa –Nairobi-Addis Ababa Road Corridor Development Project: (Isiolo/Merille/Moyale Road) confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year under audit are 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 Project Management for Mombasa–Nairobi-Addis Ababa Road Corridor Development Project: (Isiolo/Merille/Moyale Road) on.....17 AUG 2021..... and signed by them

  
Eng. Kung'u Ndung'u  
Director General

  
Eng. David A. Muchilwa  
Director Development

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

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P.O. Box 30084-00100  
NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON MOMBASA-NAIROBI-ADDIS ABABA ROAD CORRIDOR DEVELOPMENT PROJECT NO. P-ZI-DBO-018 (ISIOLO/MERILLE/MOYALE ROAD) FOR THE YEAR ENDED 30 JUNE, 2021 - KENYA NATIONAL HIGHWAYS AUTHORITY**

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### **PREAMBLE**

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

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

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal 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-Nairobi-Addis Ababa Road Corridor Development Project (Isiolo/Merille/Moyale Road) set out on pages 1 to 12, which comprise the statement of financial assets and liabilities as at 30 June, 2021 and the statement of receipts and payments, statement of cash flows and the statement of comparative budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with 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 effects of the matter 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-Nairobi-Addis Ababa Road Corridor Development Project (Isiolo/Merille/Moyale Road) 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 Loan and Grant Agreements No.210015008850 and No.2100155004016 respectively dated 4 February, 2005 between the African Development Fund (ADF) and the Government of Kenya (GOK)

### Basis for Qualified Opinion

#### Unsupported Cash and Cash Equivalents Balance

As reported in the previous year, the statement of financial assets and liabilities reflects Kshs.18,682,650 in respect of cash and cash equivalents held at the Cooperative Bank of Kenya account No.01141160979900 which was not supported with bank statements confirming transfer of the funds from project bank account to KeNHA main account on 16 October, 2014 after completion of the project.

Consequently, it has not been possible to confirm that the cash and cash equivalent balance of Ksh.18,682,650 as at 30 June, 2021 is fairly stated.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Mombasa-Nairobi-Addis Ababa Road Corridor Development Project: (Isiolo/Merille/Moyale Road) 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. I have determined that there are no key audit matters in my report for the year under review.

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

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, 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 comply, 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 ADF 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 agree 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 Project's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Project or to cease operations.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements follow 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 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

03 December, 2021



6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED 30TH JUNE 2021

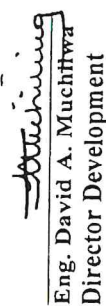
	Note	2020/21			2019/20			Cumulative to-date
		Receipts and payments controlled by the entity	Payments made by third parties	Total Payments	Receipts and payment controlled by the entity	Payments made by third parties		
		KShs	KShs		KShs	KShs		KShs
<b>RECEIPTS</b>								
Transfer from Government entities	10.3	-	-	-	-	-		2,700,659,150
Loan from external development partners	10.4	-	-	-	-	-		3,752,255,320
Proceeds from domestic and foreign grants	10.5	-	-	-	-	-		115,692,916
Interest Income		-	-	-	-	-		548,218
<b>TOTAL RECEIPTS</b>		-	-	-	-	-		6,569,155,604
<b>PAYMENTS</b>								
Purchase of goods and services	10.6	-	-	-	-	-		3,688,517
Acquisition of non-financial assets	10.7	-	-	-	-	-		6,546,784,437
<b>TOTAL PAYMENTS</b>		-	-	-	-	-		6,550,472,954
<b>SURPLUS/DEFICIT</b>		-	-	-	-	-		18,682,650

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

  
Eng. Kung'u Ndung'u  
Director General

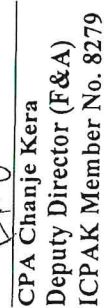
17 AUG 2021

Date

  
Eng. David A. Muchithwa  
Director Development

17 AUG 2021

Date

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

17 AUG 2021

Date



**MOMBASA –NAIROBI-ADDIS ABABA ROAD CORRIDOR DEVELOPMENT PROJECT:  
(ISIOLO/MERILLE/MOYALE ROAD)**

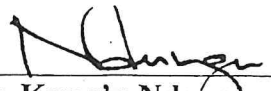
**Reports and Financial Statements**


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


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

	Note	2020/21 Kshs.	2019/20 Kshs.
<b>FINANCIAL ASSETS</b>			
Cash and Cash Balances	10.8	18,682,650	18,682,650
<b>TOTAL FINANCIAL ASSETS</b>		<b>18,682,650</b>	<b>18,682,650</b>
<b>TOTAL FINANCIAL LIABILITIES</b>		-	-
<b>NET ASSETS</b>		-	-
<b>REPRESENTED BY: -</b>			
Fund balance b/fwd		18,682,650	18,682,650
Surplus/Deficit for the year	10.8	-	-
Prior year adjustment		-	-
<b>NET FINANCIAL POSITION</b>		<b>18,682,650</b>	<b>18,682,650</b>

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

  
Eng. Kung'u Ndung'u  
Director General

  
Eng. David A. Muchilwa  
Director Development

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



**MOMBASA –NAIROBI-ADDIS ABABA ROAD CORRIDOR DEVELOPMENT PROJECT:  
(ISIOLO/MERILLE/MOYALE ROAD)**

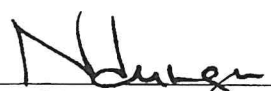
**Reports and Financial Statements**

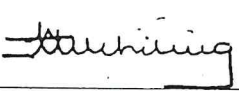
**For the financial year ended June 30, 2021**


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

	2020/21 Kshs.	2019/20 Kshs.
<b>RECEIPTS FOR OPERATING INCOME</b>		
Transfers from Government entities		
Gok Counterpart Fund	-	-
Interest Income	-	-
<b>Net Receipts for operating income</b>	-	-
Payment for operating expenses		
Project operating costs	-	-
<b>Net cash flow from operating activities</b>	-	-
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>		
Acquisition of road assets	-	-
<b>Net cash flows from Investing Activities</b>	-	-
<b>CASHFLOW FROM BORROWING ACTIVITIES</b>		
Proceeds from Foreign Borrowings	-	-
<b>Net cash flow from financing activities</b>	-	-
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>	-	-
<b>Cash and cash equivalent at Beginning of the year</b>	18,682,650	18,682,650
<b>Cash and cash equivalent at End of the year</b>	18,682,650	18,682,650

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 and signed by:

  
Eng. Kung'u Ndung'u  
Director General

  
Eng. David A. Muchilwa  
Director Development

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





**MOMBASA –NAIROBI-ADDIS ABABA ROAD CORRIDOR DEVELOPMENT PROJECT:  
(ISIOLO/MERILLE/MOYALE ROAD)**


**Reports and Financial Statements**

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

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

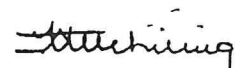
Receipts/ Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable basis	Variance	%Var. f=d/c%
	a		c=a+b	d	e=c-d	
<b>Receipts</b>						
Transfers from Government entities	20,000,000	(20,000,000)	-	-	-	-
<b>Total Receipts</b>	<b>20,000,000</b>	<b>(20,000,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Payments</b>						
Acquisition of non-financial assets	20,000,000	(20,000,000)	-	-	-	-
<b>Total Payments</b>	<b>20,000,000</b>	<b>(20,000,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

  
Eng. Kung'u Ndung'u  
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. NOTES TO THE FINANCIAL STATEMENTS**

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

### **10.1 Basis of Preparation**

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

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

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

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

#### **10.1.2 Reporting entity**

The financial statements are for the Mombasa –Nairobi-Addis Ababa Road Corridor Development Project: (Isiolo/Merille/Moyale Road) 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 (KShs), 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 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 ongoing satisfaction is highly likely and the project is anticipated to continue to completion. An analysis of the Project's undrawn external assistance is shown in the funding summary

• **Other receipts**

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

**b) Recognition of payments**

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

• **Compensation of employees**

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

• **Use of goods and services**

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

• **Interest on borrowing**

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



**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

• **Acquisition of fixed assets**

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

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

**c) In-kind donations**

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

**d) Cash and cash equivalents**

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

**Restriction on cash**

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





**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**e) Accounts receivable**

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

**f) Pending bills**

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

**g) Budget**

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

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

**h) Third party payments**

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

During the year No loan disbursements were received in form of direct payments from third parties.



**MOMBASA – NAIROBI-ADDIS ABABA ROAD CORRIDOR DEVELOPMENT PROJECT:  
(ISIOLO/MERILLE/MOYALE ROAD)**

**Reports and Financial Statements**

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

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**i) Exchange rate differences**

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

**j) Comparative figures**

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

**k) Subsequent events**

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

**l) Errors**

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

**10.3 RECEIPTS FROM GOVERNMENT OF KENYA**

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

	<b>FY 2020/21</b>	<b>FY 2019/20</b>	<b>Cumulative</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>to-date</b>
Counterpart funds Quarter 1	-	-	806,835,390
Counterpart funds Quarter 2	-	-	803,717,942
Counterpart funds Quarter 3	-	-	570,299,933
Counterpart funds Quarter 4	-	-	322,586,527.91
<b>Sub- Total</b>	-	-	<b>2,503,439,793</b>
RMLF Fund	-	-	197,219,357
<b>TOTAL</b>	-	-	<b>2,700,659,150</b>





**MOMBASA –NAIROBI-ADDIS ABABA ROAD CORRIDOR DEVELOPMENT PROJECT:  
(ISIOLO/MERILLE/MOYALE ROAD)**

**Reports and Financial Statements**

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

**10.4 PROCEEDS FROM DOMESTIC AND FOREIGN LOANS**

During the 12 months to 30 June 2021 we received funding from Development Partners in form of loans negotiated by the National Treasury donors as detailed in the table below:

Name of Donor	Date Received	Loans Received as Direct payments	Total amounts in Kshs.		
			FY 2020/21	FY 2019/20	Cumulative to date
<b>Loans Received from Multilateral Donors</b>					
African Development Bank	2020/21	-	-	-	3,752,255,320
<b>Total</b>		-	-	-	3,752,255,320

**10.5 PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS**

During the 12 months to 30 June 2021 we received funding from Development Partners in form of grants negotiated by the National Treasury donors as detailed in the table below:

Name of Donor	Date Received	Loans Received as Direct payments	Total amounts in Kshs.		
			FY 2020/21	FY 2019/20	Cumulative to date
<b>Grants Received from Multilateral Donors</b>					
ADF	2020/21	-	-	-	115,692,916
<b>Total</b>		-	-	-	115,692,916

**10.6 PURCHASE OF GOODS AND SERVICES**

	FY 2020/21		FY 2019/20		Cumulative to-date
	Payments made by the Entity in cash	Payments made by third parties	Payments made by the Entity in cash	Payments made by third parties	
	Kshs	Kshs	Kshs	Kshs	Kshs
Domestic travel and subsistence	-	-	-	-	2,497,000
Advertising and Services	-	-	-	-	1,191,517
<b>Total</b>	-	-	-	-	3,688,517



**MOMBASA –NAIROBI-ADDIS ABABA ROAD CORRIDOR DEVELOPMENT PROJECT:  
(ISIOLO/MERILLE/MOYALE ROAD)**

**Reports and Financial Statements**

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

**10.7 ACQUISITION OF NON-FINANCIAL ASSETS**

	FY 2020/21		FY 2019/20		Cumulative
	Payments made by the Entity in cash	Payments made by third parties	Payments made by the Entity in cash	Payments made by third parties	Cumulative to-date
	Kshs	Kshs	Kshs	Kshs	Kshs
Construction of roads	-	-	-	-	6,531,270,049
Acquisition of land	-	-	-	-	15,514,388
<b>Total</b>	-	-	-	-	<b>6,546,784,437</b>

**10.8 CASH AND CASH EQUIVALENTS C/FWD**

	2020/21 Kshs	2019/20 Kshs
Local Currency Accounts		
<b>Total Local Currency</b>	<b>18,682,650</b>	<b>18,682,650</b>

**10.8A Bank Accounts**

**Local Currency Accounts**

	2020/21 Kshs	2019/20 Kshs
Co-operative Bank of Kenya A/C No. 01141160979900	18,682,650	18,682,650
<b>Total</b>	<b>18,682,650</b>	<b>18,682,650</b>

**10.9 ACCOUNTS PAYABLE - RETENTION**

The project did not have any outstanding retentions amounts in the current year. (FY 2019/2020 – Nil)

**11. OTHER IMPORTANT DISCLOSURES**

**1. PENDING ACCOUNTS PAYABLES**


	Balance B/F 2020/21	Additions For the Period	Adjustment For the Period	Balance C/F FY 2020/21
	Kshs	Kshs	Kshs	
Construction of civil works	-	-	-)	-
	-	-	-	-
	=====	=====	=====	=====



## 12. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS


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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	The statement of financial assets and liabilities reflect a bank balance of Kshs 18,682,650 as at 30 June 2019, it was however not supported by a bank balance. Although management explained that the project account was closed and the amount is being held in the Authorities exchequer bank account awaiting transfer to the National Treasury, it has not been possible to ascertain the existence of the funds since the GoK exchequer account certificate as at 30 June 2020, reflects a balance of Kshs 20,779,561,755 which has not been supported by analysis of projects for which the balance represents.	The monies shall forthwith be surrendered to the National Treasury.	DD(F&A)	Not resolved	December 2021

  
**Eng. Kung'u Ndung'u**  
**Director General**

**17 AUG 2021**

Date

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

**17 AUG 2021**

Date





**MOMBASA –NAIROBI-ADDIS ABABA ROAD CORRIDOR DEVELOPMENT PROJECT: (ISIOLO/MERILLE/MOYALE ROAD)**  
**Reports and Financial Statements**  
**For the financial year ended June 30, 2021**

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

	Final Budget	Actual on Comparable Basis	Budget Utilisation Variance	% of Utilisation Variance to Final Budget	Comments on Variance
	a	b	c=a-b	d=c/a %	
<b>RECEIPTS DURING THE YEAR/PERIOD</b>					
Government of Kenya -GOK	20,000,000	(20,000,000)	-	-	-
<b>Total receipts</b>	<b>20,000,000</b>	<b>(20,000,000)</b>	-	-	-
<b>PAYMENTS DURING THE YEAR/PERIOD</b>					
Acquisition of non-financial assets	20,000,000	(20,000,000)	-	-	-
<b>Total payments</b>	<b>20,000,000</b>	<b>(20,000,000)</b>	-	-	*

\* This project is completed and handed over to the Government of Kenya.



**MOMBASA –NAIROBI-ADDIS ABABA ROAD CORRIDOR DEVELOPMENT PROJECT: (ISIOLO/MERILLE/MOYALE ROAD)**  
**Reports and Financial Statements**  
**For the financial year ended June 30, 2021**

**ANNEX 2 – SUMMARY OF FIXED ASSET REGISTER**

Asset class	Opening Cost (KShs) 2020/21	Purchases/Additions in the Year (KShs)	Disposals in the Year (KShs)	Closing Cost (KShs) 2020/21
	(a)	(b)	(c)	(d)= (a)+ (b)-(c)
Road Assets	6,531,270,049	-	-	6,531,270,049
Land	15,514,388			15,514,388
<b>Total</b>	<b>6,546,784,437</b>	<b>-</b>	<b>-</b>	<b>6,546,784,437</b>

