

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

**EAST AFRICA TRADE AND TRANSPORT
FACILITATION PROJECT
(IDA CREDIT NO.4148-KE)**

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

**KENYA NATIONAL
HIGHWAYS AUTHORITY**

PARLIAMENT
OF KENYA
LIBRARY

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 12 MAR 2024

DAY

TUESDAY

Hon Owen Bayo, MP
Deputy leader, majority party
Inzofu mwate





MINISTRY OF ROADS AND TRANSPORT



PROJECT NAME: EAST AFRICA TRADE AND TRANSPORT FACILITATION PROJECT

IMPLEMENTING ENTITY: KENYA NATIONAL HIGHWAYS AUTHORITY

PROJECT GRANT/CREDIT NUMBER: LOAN ID 4148-KE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2023

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

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1. Acronyms and Glossary of Terms

CBK	Central Bank of Kenya
CPA	Certified Public Accountant
EATTFP	East Africa Trade and Transport Facilitation Project
FY	Financial Year
GK	Government of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IDA	International Development Association
IPSAS	International Public Sector Accounting Standards
KeNHA	Kenya National Highways Authority
Kshs.	Kenya Shillings
MRT	Ministry of Roads and Transport
PAP	Project Affected Persons
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
TMEA	Trade Mark East Africa
USD	United States Dollar
SDG	Sustainable Development Goals
TNT	National Treasury
UA	Unit of Account

2. Project Information and Overall Performance

2.1 Name and registered office

Project Name	East Africa Trade & Transport Facilitation Project
Project Objectives	<ul style="list-style-type: none"> • (a) Improve trade environment through the effective implementation of the East Africa, Community customs Union Protocol; • (b) Enhance transport and logistics services efficiency along key corridors by reducing tariff barriers and uncertainty of transit time; and • (c) Improve railway services in Kenya and Uganda.
Project Registered Office and Physical Location:	The project headquarters offices were at Barabara Plaza, Jomo Kenyatta International Airport, Nairobi, Off Mazao Road
Project Address	P.O. Box 49712-00100 Nairobi
Contacts:	Telephone: 020-8013842; Email dg@kenha.co.ke; Website www.kenha.co.ke

2.2 Project Information

Project Start Date:	The project start date was 4th April, 2006
Project End Date:	The project end date was 30th September, 2015
Project Manager:	The project manager was Eng. P. Omondi
Project Sponsor:	The project sponsor was IDA, TMEA and Government of Kenya

2.3 Project overview

Line Ministry/State Department of the project	The project was under the supervision of the State Department of Roads under the Ministry of Roads and Transport
Project number	CREDIT NO.4148 KE
Strategic goals of the project	<ol style="list-style-type: none"> 1. Improve trade environment through the effective implementation of the East Africa, Community customs Union Protocol; 2. Enhance transport and logistics services efficiency along key corridors by reducing non-tariff barriers and uncertainty of transit time

Project Information and Overall Performance (Continued)

Summary of Project Strategies for achievement of strategic goals	The project management aims to achieve the goals by supporting:		
	<ol style="list-style-type: none"> 1. The general trade environment through the effective implementation of the customs union and the related free market; 2. Actions for improving the efficiency of supply chains in and out of the region, along the main trade routes, from the main gateways (ports) to the main business centres, and along the way (including border crossings, load control, etc.); and 		
Areas that the project was formed to intervene	The Project was made up of the following components:		
	<ol style="list-style-type: none"> 1. Modernization and establishment of One-Stop Border posts at key border posts on important trade routes namely, Malaba, Busia, Isebania, Taveta and Lunga Lunga; 2. Construction of modern weighbridges at Mariakani and Athi river on the Northern Corridor and; 3. Implementation of a common Axle Load Control policy covering participating states. 		
	The project start and end dates are as below:		
Project duration	Project	Start Date	End Date
	Civil Works:- Improved of Border Post Building and Facilities		
	Malaba	4 th July 2012	25 th April 2014
	Busia	4 th July 2012	30 th May 2014
	Taveta	4 th July 2012	31 st March 2014
	Lunga Lunga	5 th July 2012	31 st January 2014
	Isebania	5 th July 2012	31 st March 2014
	Procurement of Fixed Weighbridges		
	Mariakani	1 st July, 2015	30 th April,2016
	Athi River	1 st June 2015	30 th April,2016

2.4 Bankers

NCBA Bank Ltd
Head Office, NIC House, Nairobi
P.O. Box 44599, Nairobi
Account Number: 1625990354

Co-operative Bank of Kenya Ltd
Upper Hill Branch, Nairobi
Account Number: '01141160979900

National Bank of Kenya Ltd
Hill Park Branch, Nairobi
Account Number: 0100132733200

Project Information and Overall Performance (Continued)

2.5 Independent Auditor

Auditor General
Office Of the Auditor - General
P.O. Box 30084 - 00100 GPO
Nairobi

2.6 Roles and Responsibilities

Names	Title designation	Key qualification	Responsibilities
Eng.H. Gakuru	Ag. Director, Development	Registered Engineer	Project Implementing Team Leader - KeNHA
Eng. P. Omondi	Deputy Director, Roads	Registered Engineer	Project Manager (EATTFP) - KeNHA
Arch. C. Maweu	Project Manager Ministry of Public Works	Registered Architect	Project Manager
Arch. L. Kibisu	D/Project Manager –Ministry of Public Works	Registered Architect	Deputy Project Manager
Arch. S.M. Mwilu	Project Architect	Registered Architect	Project Architect
QS. P.W. Munene	Project Quantity Surveyor	Registered Quantity Surveyor	Project Quantity Surveyor
Eng. S.M. Kasanga	Project Electrical Engineer	Registered Engineer	Project Electrical Engineer
Eng. R.D. Mwega	Project Civil Engineer	Registered Engineer	Project Civil Engineer

2.7 Funding summary

The Project was for a duration of nine and half years from 2006 to 2015 with an approved budget of Kshs 977,850,059 by Trademark East Africa (TMEA) and USD 22,084,735 equivalent to Kshs 1,668,501,725 by International Development Association (IDA) as highlighted in the table below:

Below is the funding Summary: -

Project Information and Overall Performance (Continued)

A. Source of Funds

Source of funds	Donor Commitment-		Amount received to 30th June 2023		Undrawn balance to 30th June 2023	
	<i>Donor currency</i>	<i>Kshs</i>	<i>Donor currency</i>	<i>Kshs</i>	<i>Donor currency</i>	<i>Kshs</i>
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant	KSHS		KSHS			
Trade Mark East Africa (TMEA)	977,850,059	977,850,059	977,850,059	977,850,059	-	-
(ii) Loan	USD		USD			
International Development Association - IDA	22,084,735	1,668,501,725	22,084,735	1,668,501,725	-	-
(iii) Counterpart funds						
Government of Kenya		2,116,367,701	-	2,116,367,701	-	-
Total		4,762,719,485		4,762,719,485	-	-

B. Application of Funds

Application of funds	Amount received to 30th June 2023		Cumulative Amount paid to 30th June 2023		Unutilised balance to 30th June 2023	
	<i>Donor currency</i>	<i>Kshs</i>	<i>Donor currency</i>	<i>Kshs</i>	<i>Donor currency</i>	<i>Kshs</i>
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant	KSHS		KSHS			
Trade Mark East Africa (TMEA)	977,850,059	977,850,059	977,850,059	977,850,059	-	-
(ii) Loan	USD		USD			
International Development Association - IDA	22,084,735	1,668,501,725	22,084,735	1,668,501,725	-	-
(iii) Counterpart funds						
Government of Kenya		2,116,367,701	-	2,054,354,952	-	62,012,749
Total		4,762,719,485		4,700,706,736	-	62,012,749

Project Information and Overall Performance (Continued)

2.8 Summary of Overall Project Performance:

(i) Budget performance against actual amounts for current year

Receipts/Payments Item	FY 2022/2023			
	Printed Budget	Final Budget	Actual	%
Acquisition of non-financial assets			9,000,000	18%
Purchase of goods & services	-	50,000,000	-	0%
Total	-	50,000,000	9,000,000	18%

(ii) Budget performance against actual amounts for current year

The project was Completed and taken over by the employer in FY 2021/2022

2.9 Summary of Project Compliance:

There were no reported cases of significant non-compliance with applicable laws and regulations, and essential external financing agreements/covenants during the project implementation period.

3. Statement of Performance against Project's Predetermined Objectives

Below is a summary of the Project's performance against the predetermined objectives:

Objective	Outcome	Indicator	Performance
Improve trade environment through the effective implementation of the East Africa, Community customs Union Protocol;	Improve trade environment through the effective implementation of the East Africa, Community customs Union Protocol;	Improved Trade environment	The completion of OSBPs and Axle Load Control stations has facilitated efficient transit of goods
	Enhanced transport and logistics services along key corridors by reducing tariff barriers and uncertainty of transit time	Transit time	The completion of OSBPs and Axle Load Control stations has significantly reduced transit time and reduced barriers

4. Environmental and Sustainability reporting

The East Africa Trade & Transport Facilitation Project exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy. Below is a brief highlight of our activities that drive towards sustainability.

1. Sustainability strategy and profile

Sustainable Development Goals (SDGs) 2015-2030 provides a plan of action for the attainment of peace 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

Environmental and Sustainability reporting (Continued)

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 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 social economic development. The project staff is also encouraged to give back to society by participating in the Authority's corporate social responsibility initiatives.

The Contractor has been involved in various CSR activities geared towards providing social amenities to the local residents through drilling of boreholes and 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.

5. Statement of Project Management Responsibilities

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


The Director General, KeNHA and the Project Management of The East Africa Trade and Transport Facilitation Project accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The Director General, KeNHA and the Project Management of The East Africa Trade and Transport Facilitation Project are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year/period ended June 30, 2023, and of the Project's financial position as at that date. The Director General, KeNHA and the Project Implementation Team Leader for The East Africa Trade and Transport Facilitation Project further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

The Director General, KeNHA and the Project Management of Implementation Team Leader for The East Africa Trade and Transport Facilitation Project confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year/period 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 The East Africa Trade and Transport Facilitation Project on 23 SEP 2023 and signed by them.



Eng. Kungu Ndungu
Director General



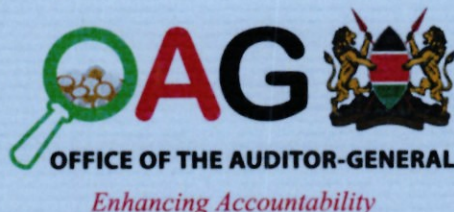
Eng. Henry Gakuru
Ag. Director, Development



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

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON EAST AFRICA TRADE AND TRANSPORT FACILITATION PROJECT (IDA CREDIT NO.4148-KE) FOR THE YEAR ENDED 30 JUNE, 2023 - KENYA NATIONAL HIGHWAYS AUTHORITY

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of East Africa Trade and Transport Facilitation Project set out on pages 1 to 19, which comprise of the statement of financial assets as at 30 June, 2023 and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for 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 East Africa Trade and Transport Facilitation Project as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Financing Agreement Credit No.4148 dated 05 April, 2006 between the Republic of Kenya and International Development Association (IDA) and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Unsupported Long Unpaid Retentions

As disclosed in Note 9 to the financial statements, the statement of financial assets reflects third party payables - retention balance of Kshs.21,012,749 in respect of accounts payable - retention in favor of two different firms owed balances of Kshs.410,451 and Kshs.20,602,298. However, Management has not explained failure to pay the retention money some of which dates back to 2015 after the closure of the Project. Further, the retention monies was not supported with ledgers and interim payment certificates.

In the circumstances, the accuracy, completeness and existence of accounts payable balance of Kshs.21,012,749 could not be confirmed.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the East Africa Trade and Transport Facilitation Project Management in accordance with ISSAI 130 on the 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 judgement, are of most significance in the audit of the financial statements. There were no Key audit matters to report in the year under review.

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final expenditure budget and actual on comparable basis of Kshs.50,000,000 and Kshs.21,569,268 respectively resulting to under-absorption of Kshs.28,430,732 or 57% of the budget.

The under-absorption affected the planned activities and may have impacted negatively on service delivery to the public.

2. Project Information Report

The project information at Section 2.2 of the annual report and financial statements reflects the Project end date as 30 September, 2015. However, the Project closure report was not provided for audit, eight (8) years after the expiry of the closure date. Further, the Project's certificate of completion was not provide for audit review.

In addition, the Project duration detailed on project overview report in Paragraph 2.3 does not agree with the information in Paragraph 2.2.

3. Long Outstanding and Unsupported Pending Bills

Annex 4 to the financial statements reflects analysis of pending bills in respect of construction of buildings balance of Kshs.70,867,529 as at 30 June, 2023 including three outstanding bills totalling Kshs.34,964,092 which date back to 2017 and 2018. However, review of Annex 4 to the financial statements revealed additional pending bill balance of Kshs.35,903,436 incurred on 08 September, 2021 which is six (6) years three (3) months after the Project end date of 30 September, 2015. Further, the pending bill was not disclosed in the audited financial statements for the year ended 30 June, 2022. The Project therefore runs the risk of incurring significant unquantified interest costs and penalties with the continued delay in settling invoiced bills. Failure to clear pending bills in the year to which they relate distorts the budget of the following year as they constitute a first charge on the budget.

4. Unresolved Prior Year Matters

As disclosed under the progress on follow-up of auditor's recommendations section of the financial statements, the prior year audit issues remained unresolved as at

30 June, 2023. Management has not provided satisfactory reasons for the delay in resolving the issues.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, and 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 the International Standards for Supreme Audit Institutions (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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) 2315 and 2330. The Standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, 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 International Development Association (IDA), 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 the Management and those Charged with Governance

The 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 controls as the 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 controls, risk management and governance.

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

The 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, the Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in

compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi


30 November, 2023


EAST AFRICA TRADE & TRANSPORT FACILITATION PROJECT
Annual Report and Financial Statements for the financial year ended June 30, 2023

7. Statement of Receipts and Payments for the year ended 30th June 2023

	Note	FY 2022/23			FY 2021/22			Cumulative to date
		Receipts and payments controlled by the entity	Payments made by third parties	Total	Receipts and payments controlled by the entity	Payments made by third parties	Total	
		Kshs	Kshs		Kshs	Kshs		
Receipts								
Transfer from Government entities	1	50,000,000	-	50,000,000	3,000,000	-	3,000,000	
Proceeds from domestic and foreign grants	2	-	-	-	-	-	977,850,059	
Loan from external development partners	3	-	-	-	-	-	1,668,501,725	
Miscellaneous receipts	4	432,351	-	432,351	510,978	-	72,246,049	
Total Receipts		50,432,351	-	50,432,351	3,510,978	-	4,762,719,485	
Payments								
Purchase of goods and services	5	-	-	-	-	-	59,923,477	
Acquisition of non-financial assets	6	9,000,000	-	9,000,000	13,337,124	-	4,619,353,178	
Miscellaneous Expenditure	7	12,569,268	-	12,569,268	-	-	21,430,081	
Total Payments		21,569,268	-	21,569,268	13,337,124	-	4,700,706,736	
Surplus (Deficit)		28,863,083	-	28,863,083	(9,826,146)	-	62,012,749	

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


Eng. Kungu Ndungu
Director General


Eng. Henry Gakuru
Ag. Director, Development

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

26 SEP 2023
Date

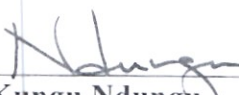
26 SEP 2023
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26 SEP 2023
Date


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

	Note	2023 Kshs	2022 Kshs
Financial Assets			
Cash and Cash Equivalents			
Bank Balances	8	62,012,749	33,149,666
Total Financial Assets		62,012,749	33,149,666
Financial Liabilities			
Third Party Payables - Retentions	9	21,012,749	21,012,749
Net Assets		41,000,000	12,136,917
Represented By:			
Fund balance b/fwd	11	12,136,917	11,625,939
Surplus (Deficit) for the year		28,863,083	510,978
Net Financial Position		41,000,000	12,136,917

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 28 SEP 2023 and signed by:


Eng. Kungu Ndungu
Director General

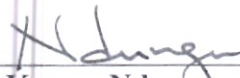

Eng. Henry Gakuru
Ag. Director, Development



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

9. Statement of Cashflow for the year ended 30th June 2023

	Note	2023 Kshs	2022 Kshs
Receipts			
Transfer from Government entities	1	50,000,000	3,000,000
Miscellaneous receipts	4	432,351	510,978
Payments			
Purchase of goods and services	5	-	-
Miscellaneous Expenditure	7	(12,569,268)	-
Net cash flow from operating activities		37,863,083	3,510,978
Cashflow From Investing Activities			
Acquisition of Non Financial Assets	6	(9,000,000)	(13,337,124)
Net cash flows from Investing Activities		(9,000,000)	(13,337,124)
Cashflow From Borrowing Activities			
Proceeds from Foreign Borrowings		-	-
Net cash flow from financing activities		-	-
Net Increase In Cash And Cash Equivalent		28,863,083	(9,826,146)
Cash and cash equivalent at beginning of the year		33,149,666	42,975,812
Cash and cash equivalent at end of the year		62,012,749	33,149,666

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


Eng. Kungu Ndungu
Director General

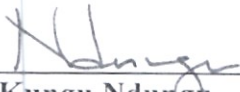

Eng. Henry Gakuru
Ag. Director, Development


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

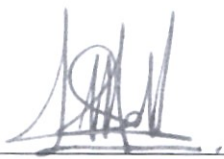
10. Statement of Comparison of Budget and Actual amounts for the year ended 30th June 2023

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Variance	% of Var
	a	b	c=a+b	d	e=c-d	f=d/c %
Receipts						
Transfer from Government entities	-	50,000,000	50,000,000	50,000,000	-	100%
Proceeds from domestic and foreign grants	-	-	-	-	-	0%
Miscellaneous receipts	-	-	-	432,351	(432,351)	100%
Total Receipts	-	50,000,000	50,000,000	50,432,351	(432,351)	101%
Payments						
Purchase of goods and services	-	50,000,000	50,000,000	-	41,000,000	18%
Acquisition of non-financial assets:				9,000,000		
Miscellaneous Payments			-	12,569,268	(12,569,268)	100%
Total Payments	-	50,000,000	50,000,000	21,569,268	28,430,732	43%
Surplus (Deficit)	-	-	-	28,863,083	28,863,083	-

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


 Eng. Kungu Ndungu
 Director General

26 SEP 2023
 Date


 Eng. Henry Gakuru
 Ag. Director, Development

26 SEP 2023
 Date


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

26 SEP 2023
 Date

Significant Accounting Policies

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

a) Statement of compliance and basis of preparation

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

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

b) Reporting entity

The financial statements are for the East Africa Trade & Transport Facilitation Project under the Kenya National Highways Authority. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012 .

c) 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.

Significant Accounting Policies (Continued)

d) 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.

i) 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.

ii) External Assistance

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

iii) Other receipts

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

iv) Donations and grants

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

Significant Accounting Policies (Continued)

v) Proceeds from borrowing

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

vi) Undrawn external assistance

These are loans and grants at reporting date as specified in a binding agreement and relate to funding for the Project currently under development where conditions have been satisfied or their 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

e) Recognition of payments

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

i) Compensation of employees

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

ii) Use of goods and services

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

Significant Accounting Policies (Continued)

iii) Interest on borrowing

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

iv) Repayment of borrowing (principal amount)

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

v) Acquisition of fixed assets

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment. A fixed asset register is maintained by the Authority and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the consolidated financial statements.

f) In-kind donations

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

Significant Accounting Policies (Continued)

g) Cash and cash equivalents

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

h) Restriction on cash

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

i) Imprests and Advances

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

Significant Accounting Policies (Continued)

j) Contingent Liabilities

A contingent liability is:

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

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

The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. There were no contingent liabilities in the year.

k) Contingent Assets

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

l) Pending bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as 'memorandum' or 'off-balance' items to

Significant Accounting Policies (Continued)

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.

m) Budget

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

n) Third party payments

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

During the year **Kshs NIL** being loan and grant disbursements were received in form of direct payments from third parties.

Significant Accounting Policies (Continued)

o) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the Project operates, Kenya Shillings. Transactions in foreign currencies

during the year/period are converted into the functional currency using the exchange rates prevailing at the dates of the transactions. Any foreign exchange gains and losses resulting from

the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of receipts and payments.

p) Comparative figures

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

q) Subsequent events

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

r) Prior period adjustments

Prior period adjustments relate to errors and other adjustments noted arising from previous year(s). There were no Prior year adjustments in the current financial year.

12. Notes to the Financial Statements

1. Transfers from Government entities

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

	2022/23	2021/22	Cumulative
	Kshs	Kshs	to-date
Counterpart funds Quarter 1	-	-	344,176,316
Counterpart funds Quarter 2	-	3,000,000	480,033,408
Counterpart funds Quarter 3	-	-	684,409,533
Counterpart funds Quarter 4	50,000,000	-	535,502,395
Total	50,000,000	3,000,000	2,044,121,652

2. Proceeds from Domestic and Foreign Grants

The Project's financing agreement lapsed on 30th September 2015 hence no funding from development partners was received in form of grants in the current FY (FY 2021/22 Kshs Nil). A cumulative amount of Kshs 978 million was however utilised in the project.

3. Loan from External Development Partners

The Project's financing agreement lapsed on 30th September 2015 hence no funding from Development Partners was received in form of loans negotiated by the National Treasury in FY 2021/22 (FY 2021/22 Kshs Nil). A cumulative amount of Kshs 1.7 billion was however utilised in the project.

4. Miscellaneous Income

	FY 2022/23			FY 2021/22	Cumulative to-date
	Receipts controlled by the entity	Receipts made by third parties	Total Receipts	Total Receipts	
	Kshs	Kshs	Kshs	Kshs	Kshs
Bank Interest	432,351	-	432,351	510,978	72,246,049
Total	432,351	-	432,351	510,978	72,246,049

Notes to the Financial Statements (Continued)

5. Purchase of Goods and Services

	FY 2022/23			FY 2021/22	Cumulative to-date
	Payments controlled by the entity	Payments made by third parties	Total Payments	Total Payments	
	Kshs	Kshs	Kshs	Kshs	
Communication, supplies and services	-	-	-	-	4,873,550
Domestic travel and subsistence	-	-	-	-	55,049,927
Total	-	-	-	-	59,923,477

6. Acquisition of Non-Financial Assets

	FY 2022/23			FY 2021/22	Cumulative to-date
	Receipts and payments controlled by the entity	Payments made by third parties	Total Payments	Total Payments	
	Kshs	Kshs	Kshs	Kshs	
Construction of roads	9,000,000	-	9,000,000	13,337,124	4,517,586,765
Purchase of office furniture & general equipment	-	-	-	-	101,766,413
Total	9,000,000	-	9,000,000	13,337,124	4,619,353,178

7. Miscellaneous Expenditure

	FY 2022/23			FY 2021/22	Cumulative to-date
	Payments controlled by the entity	Payments made by third parties	Total Payments	Total Payments	
	Kshs	Kshs	Kshs	Kshs	
Interest Overcharge	-	-	-	-	8,860.813
Transfers to Revenue Account	12,569,268	-	12,569,268	-	12,569,268
	12,569,268	-	12,569,268	-	21,430,081

Notes to the Financial Statements (Continued)

8. Cash and Cash Equivalents

	2022/2023	2021/2022
	Kshs	Kshs
Bank accounts (Note 8.A)	62,012,749	33,149,666
	62,012,749	33,149,666

8.A Bank Accounts

	2022/2023	2021/2022
	Kshs	Kshs
NCBA Bank A/C No [A/c No ICA 1-110-000985]	-	12,136,917
NBK Retention A/C 0100132733200	21,012,749	21,012,749
Co-operative Bank of Kenya Ltd A/C: '01141160979900	41,000,000	-
Total local currency balances	62,012,749	33,149,666

Special Deposit Accounts

The Project Special Account was closed after the financing agreement lapsed on 30th September 2015

9. Accounts Payables – Retentions

Description	2022-2023		2021-2022	
	Kshs		Kshs	
Retention	21,012,749		21,012,749	
Total	21,012,749		21,012,749	
Ageing analysis:	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	-	%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	21,012,749	100%	21,012,749	100%
Total	21,012,749	%	21,012,749	%

Notes to the Financial Statements (Continued)

10. Changes in Accounts Payable – Retentions

Description	2022-2023	2021-2022
	Kshs	Kshs
Retentions as at 1 st July	21,012,749	31,349,873
Closing accounts payables as at 30 th June	21,012,749	21,012,749
Change in payables	-	(10,337,124)

11. Fund Balance Carried Forward

	FY 2022/23	FY 2021/22
	KShs	KShs
Bank accounts	41,000,000	12,136,917
Total	41,000,000	12,136,917

Other Important Disclosures

1. Pending Accounts Payable (Annex 4)

Description	Balance b/f FY 2022/2023	Additions for the period	Paid during the year	Balance c/f FY 2022/2023
	Kshs	Kshs	Kshs	Kshs
Construction of buildings & Civil Works	43,964,093	35,903,436	9,000,000	70,867,529
Total	43,964,093	35,903,436	9,000,000	70,867,529

13. Annexes

Annex 1 - Prior Year Auditor-General's Recommendations


Ref. No.	Issue / Observations from Auditor	Management comments	Status:	Timeframe :
1	<p>BASIS FOR QUALIFICATION</p> <p>Inaccuracies of the Financial Statements The statement of receipts and payments reflects a deficit of Kshs 9,826,146 for the year under review. However, the statement of financial assets shows a surplus for the year of Kshs 510,978 for the same period resulting in unexplained difference of Kshs 10,337,124. In the circumstances, the accuracy of the financial statements could not be confirmed.</p>	<p>We disagree with the audit observation that there were inaccuracies in the financial statements. As explained during the audit process, the deficit recorded in the financial year amounting to Kshs 9,826,146 is a summation of interest earned amounting to Kshs. 510,978 less retention money paid of Kshs. 10,337,124. Please note that the Reporting Template issued by the PSASB requires interest income earned during the period to be reported as period surplus whereas any payments made including release of retention money to be recognized as a deficit. The summation of the individual surpluses and deficits result to a net surplus or net deficit. The two figures of Kshs. 510,978 and Kshs. 10,337,124 were correctly recorded in line with reporting template. The Accounting and disclosure of the above items are therefore consistent with the Projects reporting template issued by the National Treasury through the PSASB.</p>	Resolved	Closed
2	<p>Unsupported Cash and Cash Equivalents The statement of financial assets and note 8 to the financial statements, cash and cash equivalents balance of Kshs 33,149,666 includes an unsupported retention account</p>	<p>We disagree with the audit observation that an amount of Kshs 21,012,749 was unsupported. As clarified during the audit exercise, the retention amounts of Kshs 21,012,749 is fully supported by the schedule of retention balance, bank reconciliation and statement of bank balance</p>	Resolved	Closed

EAST AFRICA TRADE & TRANSPORT FACILITATION PROJECT
Annual Report and Financial Statements for the financial year ended June 30, 2023

	<p>balance of Kshs 21,012,749 In the circumstance, the accuracy of cash & cash equivalents as at 30 June 2022 could not be confirmed</p>	<p>confirmation from the bank which were all availed during the audit period.</p>	
<p>OTHER MATTER Pending Bills The project's total donor and counterpart commitment amount to Kshs 4,712,287,134 as indicated on the statement of sources of funding. Further, as per the application of funds statement all the committed funds have been received and paid out except an amount of Kshs 33,149,666 which includes Kshs 21,012,749 relating to retention leaving a balance of Kshs 12,136,917 for settlement of pending bills. The reported pending bill as per note 12.1 of the financial statements is Kshs 43,964,093 which is more than Kshs 12,136,917 available cash for settlement of pending bills The origin of the pending bill has not been explained since the project has been fully funded. Note 12.1 and Annex 3 to the financial statements reflects pending accounts payable in respect of road contractors totalling Kshs 43,964,093 as at 30 June 2022. In the circumstances, the Project therefore runs the risk of incurring significant unquantified interest costs and penalties with the continued delay in settling invoiced</p>	<p>We agree with the observation that the Project had a pending bill amount of Kshs 43,964,093 as of 30 June 2022. This situation arose due to:</p> <ol style="list-style-type: none"> 1. The exhaustion and subsequent lapse of Development Partner financing counterpart funds prior to completion of all the project components 2. Inadequate GK counterpart budgetary provisions in the current as well as prior financial years. We however disagree with the observation that the project has been fully funded. We wish to note that it is the Authority that contracts service providers to the project and therefore bound by the provisions of the contracts. In the event that the credit is exhausted, it is the Government that remains with the residual responsibility of ensuring the project is delivered to the public hence payment of the full values of approved IPCs/ fee notes. Pending bills are as a result of inadequate budgetary allocations. The project will therefore be fully funded once the Government budgets and releases all the funds relating to the project outstanding amounts. In order to facilitate settlement of the outstanding bills, the Authority will continue to engage the parent ministry and the National Treasury in a bid to secure sufficient budgetary allocation. 	<p>Not Resolved</p>	<p>Ongoing</p>

EAST AFRICA TRADE & TRANSPORT FACILITATION PROJECT
Annual Report and Financial Statements for the financial year ended June 30, 2023

	bills.			
2	Project closure report	The project information at section 1.2 of the annual report and financial statements indicate that the project ended on 30 October 2015. However, the project closure report was not provided for audit, being almost seven (7) years after expiry of the closure period.	We agree with the audit observation that the project closure report was not ready at the time of audit. The project closure report is under development.	Ongoing


Eng. Kungu Ndungu
Director General

26 SEP 2023
 Date


Eng. Henry Gakuru
Ag. Director, Development

26 SEP 2023
 Date

EAST AFRICA TRADE & TRANSPORT FACILITATION PROJECT
Annual Report and Financial Statements for the financial year ended June 30, 2023

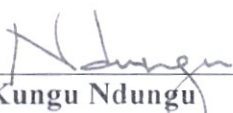
Annex 2 - Variance Explanations - Comparative Budget and Actual amounts for Current FY

	Final Budget	Actual on Comparable Basis	Budget Utilisation Variance	% of Utilisation Variance	Comments on Variance
	a	b	c=a-b	d=b/a %	
Receipts					
Transfer from Government entities	50,000,000	50,000,000	-	100%	
Proceeds from domestic and foreign grants	-	-	-	0%	
Miscellaneous receipts	-	432,351	(432,351)	100%	
Total Receipts	50,000,000	50,432,351	(432,351)		
Payments					
Purchase of goods and services		-			
Acquisition of non-financial assets:	50,000,000	9,000,000	28,430,732	43%	Project funds received at the end of financial year.
Miscellaneous Payments		12,569,268			
Total Payments	50,000,000	21,569,268	28,430,732	43%	

EAST AFRICA TRADE & TRANSPORT FACILITATION PROJECT
Annual Report and Financial Statements for the financial year ended June 30, 2023


Annex 3 - Reconciliation Of Inter-Entity Transfers

East Africa Trade & Transport Facilitation Project			
Break down of Transfers from the State Department of Roads			
Government Counterpart Funding			
Quarter	Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
Quarter 1			FY 2022/23
Quarter 2		-	FY 2022/23
Quarter 3		-	FY 2022/23
Quarter 4	27-Jun-23	50,000,000	FY 2022/23
	Total	50,000,000	


Eng. Kungu Ndungu
 Director General

20 SEP 2023

Date


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

20 SEP 2023

Date

EAST AFRICA TRADE & TRANSPORT FACILITATION PROJECT
Annual Report and Financial Statements for the financial year ended June 30, 2023

Annex 4 - Analysis of Pending Bills

Supplier of Goods or Services	Date Invoiced	Original Amount	Amount Paid To-Date	Outstanding Balance		Comments
				FY 2022/23	FY 2021/22	
	b	a	c	d=a-c		
Construction of Buildings and Civil Works						
Shengli Engineering Construction	15/08/2018	10,615,519	-	10,615,519	10,615,519	IPC 11
Shengli Engineering Construction	15/08/2018	22,351,055	-	22,351,055	22,351,055	IPC 12
Njuca Consolidated	15/05/2017	26,890,035	24,892,517	1,997,518	10,997,518	IPC 20
Vaghjiyani Enterprises Ltd	08/12/2021	35,903,436	-	35,903,436	-	Final IPC
Total Construction of Buildings and Civil Works		95,760,046	24,892,517	70,867,529	43,964,093	
Grand Total		95,760,046	24,892,517	70,867,529	43,964,093	

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Annex 5 – Summary of Fixed Asset Register

Asset class	Opening Cost (KShs) 2022/23	Donations in form of assets (KShs) 2022/23	Purchases/Additions in the Year (KShs) 2022/23	Disposals in the Year (KShs) 2022/23	Transfers in/(out) (KShs) 2022/23	Closing Cost (KShs) 2022/23
	(a)	(b)	(c)	(d)	(e)	(f)= (a)+ (b)+(c)-(e)
Buildings and Civil Works	4,508,586,765	-	9,000,000	-	-	4,517,586,765
Office equipment, furniture and fittings	101,766,413	-	-	-	-	101,766,413
Total	4,610,353,178	-	9,000,000	-	-	4,619,353,178