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REPORT

THE NATIONAL ASSEMBLY PAPERS L AID	
DATE: 29 NOV 2023	DAY: WED
TABLED BY:	Hon Owen Bayo, esq, MP Deputy Majority Leader
CLERK-AT THE-TABLE:	Fenlags Muriuki

THE AUDITOR-GENERAL

ON

**HORN OF AFRICA GATEWAY
DEVELOPMENT PROJECT
LOAN NO.6768-KE**

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

**KENYA NATIONAL HIGHWAYS
AUTHORITY**

15 NOV 2023

RECEIVED

MINISTRY OF ROADS AND TRANSPORT



Kenya National Highways Authority

Quality Highways, Better Connections

**PROJECT NAME: HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT
(HoAGDP)**

IMPLEMENTING ENTITY: KENYA NATIONAL HIGHWAYS AUTHORITY

**PROJECT CREDIT NUMBER: LOAN ID 6768-KE
PROJECT NO P-161305**

ANNUAL REPORT AND AUDITED 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)**

HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)
Annual Reports and Unaudited Financial Statements For the financial year ended June 30, 2023

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1. Acronyms and Glossary of Terms

CBK	Central Bank of Kenya
CPA	Certified Public Accountant
EIK	Environment Institute of Kenya
EXIM	Export – Import
FY	Financial Year
HoAGDP	Horn of Africa Gateway Development Project
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
KeNHA	Kenya National Highways Authority
Kshs.	Kenya Shillings
MoRT	Ministry of Roads and Transport
NETIP	North Eastern Transport Improvement Project
PAD	Project Appraisal Document
PAPs	Project Affected Persons
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
PPA	Project Preparation Advance
RMB	Renminbi
RFP	Request For Proposals
SDG	Sustainable Development Goals
TNT	National Treasury
UA	Unit of Account
UA	Unit of Account
USD	United States Doller

2. Project information and overall performance

2.1 Name and registered office

Name: Horn of Africa Gateway Development Project (HoAGDP)

Objective:

The overarching objective of the HoA Program, which the proposed project will contribute to, is “Enhancing connectivity among the HoA countries and access to seaports; facilitation of domestic and regional trade and economic integration, and road safety”. This will be achieved through a sequential improvement in physical and institutional infrastructure and promoting trade and investing in development facilitation interventions.

It is envisaged that this project will unlock existing potential and productivity, promote completeness by improving access to public services within the Horn of Africa Region in a bid to enhance the growth of the Country’s Gross Domestic Product. The project will also contribute to the reduction of transport cost that will in turn help lower the cost of economic development, services delivery, and ease of doing business.

The main objectives of the initiative is to improve:

- a) The movement of people and goods and digital connectivity and access to social services to communities at designated locations along the targeted sections of the Isiolo-Mandera Regional Road Corridor.
- b) The capacity of selected transport related institutions in Kenya.
- c) Enhancing connectivity among the Horn of Africa countries and access to seaports; facilitation of domestic and regional trade and economic integration, and road safety a contribution towards the Horn of Africa program objective.

Address: Barabara Plaza,
Jomo Kenyatta International Airport (JKIA)
Off Mazao Road, Nairobi Kenya

The project also has offices/branches as follows In KeNHA, Upper Eastern Regional Office in Isiolo town.

Contacts:

Director General
Kenya National Highways Authority
Po Box 49712-00100
Nairobi
Telephone: (254) 020 495000
E-mail: dg@Kenha.co.ke
Website: www.kenha.co.ke

HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)

Annual Reports and Unaudited Financial Statements For the financial year ended June 30, 2023

Project information and overall performance (Continued)

2.2 Project Information

Project Start Date:	16 th February, 2017
Financing Agreement Effectiveness Date:	22 nd December 2020 The Government received a Project Preparation Advance (PPA) for the preparation of Northeastern Transport Improvement Project (NETIP) However, the project name changed to Horn of Africa Gateway Development Project (HoAGDP). This was necessitated by virtue of the project changing its scope into a regional project under the Horn of Africa initiative. Further, the PPA was refinanced & recouped from the proceeds of the HoAGDP loan upon it becoming effective.
Project Closing Date	30 th June 2028
Project Engineer	Eng Paul Omondi
Project Sponsor:	1. International Development Agency (IDA) 2. Government of Kenya

2.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the State Department of Roads on behalf of the Ministry of Roads and Transport
Project number	P-161305
Strategic goals of the project	The strategic goals of the project are as follows. <ul style="list-style-type: none">• Road construction of a 350KM section of the road corridor •• Development of social and economic infrastructure in some sections of the road •• Installation of fibre optic cable along the 740KM road
Achievement of strategic goals	<ul style="list-style-type: none">• Reduction in travel time.• Reduction in transport cost to users.• Reduction in cost of ICT access in area served.• Road in good and fair condition• Improved processing time at border crossings

HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)

Annual Reports and Unaudited Financial Statements For the financial year ended June 30, 2023

Other important background information of the project	<p>The total Financing cost of the HoAGDP program is US\$750 million.</p> <p>Part of the project amount is to be expended through KeNHA as one of the six (6) designated implementing agencies in accordance with the Project Appraisal Document (PAD). The amount shall be utilized in the following project components to be undertaken by KeNHA.</p> <ul style="list-style-type: none">○ Component A: Improving the movement of people and goods, and digital connectivity: Sub-component A1: Upgrading Selected Critical Road Infrastructure – USD 642.54○ Component B: Facilitation of Regional Trade and Transport: Subcomponent B2: Regional Transport Facilitation by KeNHA - USD 46.58○ Component C: Improve Access to Selected Basic Social Services at Designated location along the road corridor – USD 36.98.○ Component D: Institutional Strengthening of Selected Transport and Related Institutions: Subcomponent D1: Strengthening the capacity of KeNHA and associated Institutions – USD 42.93 <p>The total Counterpart funding for KeNHA components is USD 642.87 Million equivalent and GoK USD 126.14 Million</p>
Areas that the project was formed to intervene	<p>The project was formed to intervene in the following problems/gaps:</p> <ul style="list-style-type: none">(i) Improving Movement of People, Goods, and Digital Connectivity(ii) Facilitation of Regional Trade and Transport <p>Improving Access to Selected Basic Social Services at Designated Locations</p>
Project duration	1,278 Days (42 Months)

2.4 Bankers

NCBA Bank Ltd
NCBA House, Nairobi
Account number 1625990367

Cooperative Bank of Kenya
Upper Hill Branch, Nairobi
Account number 01141160979900

2.5 Independent Auditor

Auditor General
Office of the Auditor General
Kenya National Audit Office
P.o Box 30084-0100
Nairobi

Project information and overall performance (Continued)

2.6 Roles and Responsibilities

Names	Title designation	Key qualification	Responsibilities
Eng.Henry Gakuru	Director-Development	Registered Civil Engineer	Team Leader
Eng.Paul Omondi	Deputy Director	Registered Civil Engineer	Team Coordinator & Construction Specialist
Mr Walter Nyatwanga	Deputy Director	Certified Environmentalist and Social Safeguards Professional	Environment Social Safeguards Specialist
Mr. James Bowen	Director-Corporate Services	Certified Public Accountant	Financial Specialist
Ms.Levina Wanyonyi	Deputy Director	Certified Supply Chain Professional	Supply Chain Management Specialist

2.7 Funding summary

The Project is for duration of 3.5 years from 2022 to 2028 with an approved budget of Euro. 573,700,000 equivalent to Kshs 73,232,977,110 as highlighted in the table below:

A. Source of Funds

Source of funds	Donor Commitment-		Amount received to date – (30th June 2023)		Undrawn balance to date (30th June 2023)	
	EURO (A)	Kshs (A')	EURO (B)	Kshs (B')	EURO (A)-(B)	Kshs (A')-(B')
(i)Loan						
International Development Bank- IDA	573,700,000	73,232,977,110	41,789,214	5,334,405,653	531,910,786	67,898,571,457
(ii)Counterpart funds						
Government of Kenya	-	230,823,304	-	230,823,304	-	-
Total	41,789,214	5,636,644,678	33,266,412	4,536,639,814	8,522,801	1,100,004,864

HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)

Annual Reports and Unaudited Financial Statements For the financial year ended June 30, 2023

Project information and overall performance (Continued)

B. Application of Funds

Application of funds	Amount received to date – (30 th June 2023)		Cumulative Amount paid to date – (30 th 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')
	EURO	KSHS	EURO	KSHS	EURO	KSHS
(i) Loan						
International Development Association-IDA	41,789,214	5,334,405,653	33,266,412	4,246,467,528	8,522,801	1,087,938,125
(ii) Counterpart funds						
Government of Kenya	-	302,239,025	-	290,172,286	-	12,066,739
Total	41,789,214	5,636,644,678	33,266,412	4,536,639,814	8,522,801	1,100,004,864

2.8 Summary of Overall Project Performance:

Budget performance against actual amounts for current year and for cumulative to-date

	2022/2023			cumulative		
	Budget	Actual	%	Budget 2022/23	Actual 2022/23	%
Counterpart Funds-GOK	87,500,000	87,000,000	99%	339,001,000	290,172,286	86%
Loan from external Development Partners	3,000,000,000	1,301,110,830	43%	9,216,000,000	4,246,467,528	46%
Total	3,087,500,000	1,388,110,830	45%	9,555,001,000	4,536,639,814	47%

HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)

Annual Reports and Unaudited Financial Statements For the financial year ended June 30, 2023

Project information and overall performance (Continued)

Physical progress based on outputs, outcomes, and impacts since project commencement is as follows.

- a) Isiolo -Kulamawe 77 Kms - 6.22%
- b) Kulamawe-Modogashe 113Kms -4.1%

i) Absorption rate for each year since the commencement of the project

Financial Year	Budget	Actual	Percentage (%)
FY 2022/23	3,087,500,000	1,388,110,830	45%
FY 2021/22	4,806,000,000	2,491,940,523	52%
FY 2020/21	760,000,000	289,891,547	38%
FY 2019/20	292,000,000	172,033,670	59%
FY 2018/19	303,501,000	99,861,860	33%
FY 2017/18	306,000,000	94,801,384	31%
TOTAL	9,555,001,000	4,536,639,814	47%

HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)*Annual Reports and Unaudited Financial Statements For the financial year ended June 30, 2023***Project information and overall performance (Continued)****Status of the Project.**

Road Section	Name of Contractors	Progress Reported to Date
1. Isiolo – Kula Mawe 77kms Contract type: Works Contract Signed: Commencement Date: Projected Completion date: Contract amount: Consultant: Egis International in association with Egis Kenya	China State Construction Engineering Corporation Limited	Works to Commence on 1 st September 2022, Advance payment Ksh. 1,044,011,314.57 made. Physical Work Progress: 6.22%
2. Kula Mawe – Modogashe 113 kms	China State Construction Engineering Corporation Limited	Works to Commence on 1st September 2022, advance payment of Ksh.414,110,383.55 made. Physical Work Progress: 4.1%
3. Modogashe – Samatar 90kms Contract type: Contract Signed: Commencement Date: Projected Completion date: Contract amount:	Intercontinental Consultants and Technocrats Pvt Ltd in Joint venture with ITEC Engineering Ltd, Kenya	Design Review complete Works proposed Financing under Annuity Program
4. Samatar – Wajir Contract type: Tender Administration and construction supervision	Intercontinental Consultants and Technocrats Pvt Ltd in Joint venture with ITEC Engineering Ltd, Kenya	Design Review complete Works proposed Financing by BADEA No objection to issue the RFP has been issued by the bank
5. Wajir – Kutulo 119kms Contract type: N/A Contract Signed: N/A Projected Completion date: N/A Contract amount: N/A	N/A	Procurement process of Contractor is ongoing. Final Bidding documents sent to the Bank for clearance

HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)

Annual Reports and Unaudited Financial Statements For the financial year ended June 30, 2023

Road Section	Name of Contractors	Progress Reported to Date
6. . Kutulo – Elwak 56kms Contract type: N/A Consultancy N/A Contract Signed: N/A Projected Completion date: N/A Contract amount: N/A	N/A	Procurement process of Contractor is ongoing. Prospective bidders expected to submit bids on 7th September 2023.
7. Elwak - Rhamu 142kms Contract type: Contract Signed: Commencement Date: Contract amount:	N/A	

2.9 Summary of Project Compliance:

There is no significant case of non-compliance with applicable laws and regulations and essential external financing agreements /covenants was reported during the year.

HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)

Annual Reports and Unaudited Financial Statements For the financial year ended June 30, 2023

3. Statement of performance against project’s predetermined objectives

The proposed project development objectives are to improve the movement of goods and people along Isiolo-Wajir-Mandera part of the Mombasa-Garissa- Wajir- Mandera- Mogadishu Road corridor and to enhance connectivity between Kenya and Somalia and Ethiopia. The project will comprise upgrading road infrastructure and associated roadside social amenities including designing and establishing facilities and marketing system for pilot pastoralist roadside markets and provision of market shades, milk cooler, slaughterhouses, veterinary posts, livestock holding area in selected locations.

The objectives, Outcome, indicator, and performance of the project are highlighted in the table below.

Objective	Outcome	Indicator	Performance
To open up Northeastern Kenya and provide Gateway to the Horn of Africa through Ethiopia and Somalia. Facilitate Trade and Transport & Communication through provision of fibre Optic Cable, Boost economic growth in North Eastern Region,	<ul style="list-style-type: none"> • Improved Trade, Transport and Communication • Efficient Transport system • Improved livelihood for communities • Economic growth 	<ul style="list-style-type: none"> • Average Travel time between Isiolo to Modogashe; and Wajir to Elwak, disaggregated by passengers and freight. • Number of public transport service providers along Isiolo-Modogashe and WajirElwak; • Number of road crash fatalities between IsioloMandera road section (per 1,000 vehicles) • Average processing time at border crossing for freight trucks and passenger vehicles. • Number of online public services used by communities along the corridor per month. • Number of women and children utilizing the improved social services. (Social/Gender disaggregated) • Road Management Information System utilized for decision making and setting performance targets; and • Number of non-Kenyans trained in new skills in Kenyan institutions. 	Procurement of a Monitoring and Evaluation Entity for the project is ongoing.

4. Environmental and sustainability reporting

Horn of Africa Gateway Development 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 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.

Environmental and Sustainability Reporting (Continued)

4. Marketplace 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 Authority is committed to provide CSR activities geared towards improving the lives of local residents and since the project is in design stage, a consultant is undertaking needs assessment in the Region to come up with desirable list for CSR activities.

5. Statement of project management responsibilities

The Director General and the Project Implementation Team Leader for Horn of Africa Gateway Development Project (HoAGDP) 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.

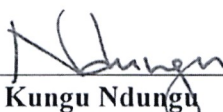
The Director General and the Project Implementation Team Leader for Horn of Africa Gateway Development Project (HoAGDP) accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The Director General and the Project Implementation Team Leader for Horn of Africa Gateway Development Project (HoAGDP) 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 and the Project Implementation Team Leader for Horn of Africa Gateway Development Project (HoAGDP) 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 and the Project Implementation Team Leader for Horn of Africa Gateway Development Project (HoAGDP) 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 and the Project Implementation Team Leader for Horn of Africa Gateway Development Project (HoAGDP) on 25 SEP 2023 and signed by them.



Eng. Kungu Ndungu
Director General



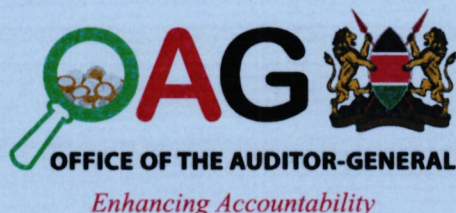
Eng. Henry Gakuru
Director -Development



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

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REPORT OF THE AUDITOR-GENERAL ON HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT LOAN NO.6768-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 Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Horn of Africa Gateway Development Project set out on pages 1 to 26, which comprise of the statement of

financial assets as at 30 June, 2023, and the statement of receipts and payments, statement of cash flow and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Horn of Africa Gateway Development Project Loan No. 6768 KE 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 between the International Development Association (IDA) and the Republic of Kenya dated 07 October, 2020 and the Public Finance Management Act, 2012.

In addition, the special account statement presents fairly, the special account transactions and the ending balance has been reconciled with the books of account.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Horn of Africa Gateway Development 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 opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects total budgeted receipts of Kshs.3,087,500,000 against actual receipts of Kshs.1,429,724,496 resulting in an under-collection of Kshs.1,657,775,504 or 54% of the budgeted receipts.

Similarly, the statement reflects total budgeted expenditure of Kshs.3,087,500,000 against actual payments of Kshs.1,377,538,002 resulting in an under-expenditure of Kshs.1,709,961,998 or 55% of the budgeted expenditure.

The under-collection of receipts and under-expenditure is an indication that the Project may not have achieved the planned objectives.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by International Development Agency (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 financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and those Charged with Governance

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

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

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the 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 review 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 controls 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 controls.
- 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 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 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


08 November, 2023

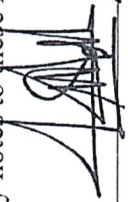
HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)
Annual Reports and Unaudited Financial Statements For the financial year ended June 30, 2023


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

	NOTES	2022/23			2021/22			Cumulative to date Kshs (Restated)
		Receipts & Payments Controlled by the Entity Kshs	Receipts & Payments made by the Third Party Kshs	Total Kshs	Receipts & Payments Controlled by the Entity Kshs (Restated)	Receipts & Payments made by the Third Party Kshs	Total Kshs (Restated)	
RECEIPTS								
1	Transfer from Government entities	87,000,000	-	87,000,000	83,724,201	-	83,724,201	230,823,304
2	Loan from external development partner	454,898,109	846,212,721	1,301,110,830	905,096,500	2,321,772,304	3,226,868,804	5,334,405,653
3	Miscellaneous Receipts	41,613,666	-	41,613,666	27,134,920	-	27,134,920	71,415,721
	Total receipts	583,511,775	846,212,721	1,429,724,496	1,015,955,621	2,321,772,304	3,337,727,925	5,636,644,678
PAYMENTS								
4	Purchase of goods and services	129,338,617	-	129,338,617	110,934,092	-	110,934,092	304,133,503
5	Acquisition of non-financial assets	401,927,595	846,212,721	1,248,140,316	59,179,407	2,321,772,304	2,380,951,711	4,232,384,616
6	Miscellaneous Payments	59,069	-	59,069	54,720	-	54,720	121,696
	TOTAL PAYMENTS	531,325,281	846,212,721	1,377,538,002	170,168,219	2,321,772,304	2,491,940,523	4,536,639,815
	Surplus/(deficit)	52,186,494	-	52,186,494	845,787,402	-	845,787,402	1,100,004,863

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
 Director -Development


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

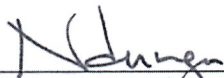
HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)

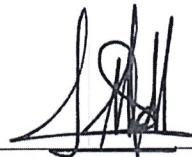
Annual Reports and Unaudited Financial Statements For the financial year ended June 30, 2023


8. Statement of Financial Assets as 30th June 2023

	Note	2022/23	2021/22
		Kshs	Kshs (Restated)
Financial Assets			
Cash and Cash Equivalents			
Bank Balances	7	1,100,004,864	1,047,818,371
Total Cash and Cash equivalents		1,100,004,864	1,047,818,371
Net Assets		1,100,004,864	1,047,818,371
Represented By			
Fund Balance B/fwd.		1,047,818,371	180,875,330
Retentions transferred to Project Account during the Year		-	21,155,637
Surplus/(Deficit) for the Year		52,186,494	845,787,403
Net Financial Position		1,100,004,864	1,047,818,371

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


Eng. Kungu Ndungu
Director General

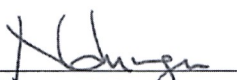

Eng. Henry Gakuru
Director -Development

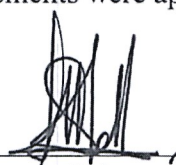

CPA Chanje Kera
Director Director (F&A)
ICPAK No.8279


HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)**Annual Reports and Unaudited Financial Statements For the financial year ended June 30, 2023****9. Statement of Cashflow for as at 30th June 2023**

Cashflow from operating activities		2022/23	2021/22 (Restated)
Transfer from government entities	1	87,000,000	83,724,201
Miscellaneous receipts	3	41,613,666	27,134,920
Total Receipts		128,613,666	110,859,121
Payments			
Purchase of goods and services	4	(129,338,617)	(110,934,092)
Miscellaneous Payments	6	(59,069)	(54,720)
Total Payments		(129,397,686)	(110,988,812)
Net receipts/(payments)		258,011,352	221,847,933
Net cashflow from operating activities			
Cashflow from investing activities			
Acquisition of non- financial assets	8	(1,248,140,316)	(2,380,951,711)
Net cash flows from Investing Activities		(1,248,140,316)	(2,380,951,711)
Cash flow from financing activities			
Proceeds from foreign borrowings	3	1,301,110,830	3,226,868,804
Net cash flow from financing activities		1,301,110,830	3,226,868,804
Net increase in cash and cash equivalent		52,186,494	845,787,402
Cash and cash equivalent at beginning of the year		1,047,818,371	202,030,967
Cash and cash equivalent at end of the year		1,100,004,864	1,047,818,371

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
Director -Development


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

HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)

Annual Reports and Unaudited Financial Statements For the financial year ended June 30, 2023

HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)
Annual Reports and Unaudited Financial Statements For the financial year ended June 30, 2023

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

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Variance	% of Utilisation
	a	b	c=a+b	d	e=d-c	f=d/c %
Receipts						
Transfer from Government entities	150,000,000	(62,500,000)	87,500,000	87,000,000	500,000	99%
Proceeds from borrowings	7,890,000,000	(5,090,000,000)	3,000,000,000	1,301,110,830	1,698,889,170	43%
Miscellaneous receipts	-	-	-	41,613,666	(41,613,666)	-
Total Receipts	8,040,000,000	(5,152,500,000)	3,087,500,000	1,429,724,496	1,657,775,504	46%
Payments						
Purchase of goods and services	8,040,000,000	(5,152,500,000)	3,087,500,000	129,338,617	1,709,961,998	45%
Acquisition of non-financial assets				1,248,140,316		
Miscellaneous Payments				59,069		
Total Payments	8,040,000,000	(5,152,500,000)	3,087,500,000	1,377,538,002	1,709,961,998	45%
Surplus or Deficit	-	-	-	52,186,494	(52,186,494)	

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



Eng. Kungu Ndungu
Director General



Eng. Henry Gakuru
Director -Development



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

11. Significant Accounting Policies

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

a) Statement of compliance and basis of preparation

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

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

b) Reporting entity

The financial statements are for the Horn of Africa Gateway Development (HoAGDP) Project under National Government of Kenya. 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.

d) Recognition of receipts

The Project recognises all receipts from the various sources when the event occurs, and the related cash has been received by the Government.

i) Transfers from the Exchequer

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

ii) External Assistance

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

Significant Accounting Policies (Continued)

iii) Other receipts

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

iv) Donations and grants

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

v) Proceeds from borrowing

Borrowing includes 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.

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 were 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 each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the consolidated financial statements.

f) In-kind donations

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

g) Cash and cash equivalents

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

Significant Accounting Policies (Continued)

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.

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.

Annex 5 of this financial statement is a register of contingent liabilities in the year.

k) Contingent Assets

The Horn of Africa Gateway Development Project (HoAGDP) 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 the Eastern Africa Regional, Transport, Trade & Development 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.

Significant Accounting Policies (Continued)

l) Pending bills

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

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.

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.

Significant Accounting Policies (Continued)

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).

HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)**Annual Reports and Unaudited Financial Statements For the financial year ended June 30, 2023****12. Notes to The Financial Statements****1. Transfers from Government entities**

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

	2022/2023	2021/2022	Cumulative
Counterpart funding through Ministry of Roads and Transport	Kshs	Kshs	to-date
Counterpart funds Quarter 1	-	17,465,866	32,794,015
Counterpart funds Quarter 2	54,000,000	18,530,115	80,838,373
Counterpart funds Quarter 3	-	29,123,729	48,401,432
Counterpart funds Quarter 4	-	18,604,491	35,789,484
Total	54,000,000	83,724,201	197,823,304
Other transfers from Government entities			
Appropriations-in-Aid	33,000,000	-	33,000,000
Total	33,000,000	-	33,000,000
Grand Total	87,000,000	83,724,201	230,823,304

2. Loan from External Development Partners

Description	2022/2023				FY 2021/2022		Cumulative to date (Restated)
Name of Donor-IDA	Date received	Amount in loan currency	Loans received in actual amount	Loans received as direct payment*	Total amount in Kshs	Total amount in Kshs(Restated)	
		EURO	Kshs	Kshs	Kshs	Kshs	Kshs
Loans Received from Bilateral Donors (IDA)		10,192,775	454,898,109	846,212,721	1,301,110,830	3,226,868,804	5,334,405,653
Total		10,192,775	454,898,109	846,212,721	1,301,110,830	3,226,868,804	5,334,405,653

Notes to The Financial Statements (Continued)

3. Miscellaneous Receipts

	2022/23	2021/22(Restated)	Cumulative to-date
	Kshs	Kshs	Kshs
Bank Interest	41,613,666	27,134,920	71,415,721
Total	41,613,666	27,134,920	71,415,721

4. Purchase of Goods and Services

	2022/23			2021/22	Cumulative to date
	Receipts & Payments Controlled by the Entity	Receipts & Payments made by the Third Party	Total	Receipts & Payments Controlled by the Entity & Third party	
	Kshs	Kshs	Kshs	Kshs	
Communication Supplies and services			-	9,389,056	9,389,056
Domestic travel and subsistence	57,393,510	-	57,393,510	79,035,786	199,435,402
Printing, advertising, and information supplies	14,894,861		14,894,861	2,063,175	17,812,724
Hospitality Supplies & Services	21,457,464		21,457,464	4,029,238	25,486,702
Training payments	35,592,782		35,592,782	16,416,837	52,009,619
Total	129,338,617	-	129,338,617	110,934,092	304,133,503

Notes to The Financial Statements (Continued)

5. Acquisition of Non-Financial Assets

	2022/23			2021/22	Cumulative to-date
	Payments made by the Entity	Payments Made by Third Party	Total	Payments made by the Entity (Restated)	
	Kshs	Kshs	Kshs	Kshs	
Construction of roads	64,302,275	846,212,721	910,514,996	2,321,772,304	3,232,287,300
Research, studies, project preparation, design & supervision	330,625,320		330,625,320	59,179,407	993,097,316
Acquisition of land	7,000,000	-	7,000,000	-	7,000,000
Total	401,927,595	846,212,721	1,248,140,316	2,380,951,711	4,232,384,616

6. Miscellaneous Payments

	2022/23	2021/22 (Restated)	Cumulative
	Kshs	Kshs	to-date
Bank Charges	59,069	54,720	121,696
Total	59,069	54,720	121,696

7. Cash and Cash Equivalents

	2022/23	2021/22
Bank accounts (Note 7A)	1,100,004,864	1,047,818,371
	1,100,004,864	1,047,818,371

Notes to The Financial Statements (Continued)**7A Bank Accounts**

	2022/23	2021/22
	KShs	KShs
<u>Local Currency Accounts</u>		
NCBA (A/c No 01001032662501)	1,087,938,125	1,047,818,371
Cooperative Bank (A/c No 011141160979900)	12,066,739	-
Total bank account balances	1,100,004,864	202,030,967

8. Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as at 30th June 2023 are not included in the Statement of Financial Assets since they are below the line items and are yet to be drawn into the Exchequer Account as a voted provision.

Below is the Special Deposit Account (SDA) movement schedule which shows the flow of funds that were voted in the year. These funds have been reported as loans/grants received in the year under the Statement of Receipts and Payments.

	2022/23	2021/22
	EURO	EURO
Horn of Africa Gateway Development Project (HoAGDP) Project Credit No. V0630 KE Account No .100352027 Commercial Bank of Africa		
Opening balance	2,006,719.10	8,450,000.00
Total amount deposited in the account	1,865,900.99	556,719.00
Total amount withdrawn (as per statement of Receipts & Payments)	3,594,403.38	7,000,000.00
Closing balance (as per SDA bank account reconciliation attached)	278,216.71	2,006,719.00

Notes to The Financial Statements (Continued)**9. Fund balance carried forward**

Description	2022/23	2021/22
	Kshs	Kshs
Bank Accounts	1,100,004,864	1,047,818,371
Total	1,100,004,864	1,047,818,371

10. Prior Year Adjustment

	Balance b/f FY 2021/2022 as per financial statements	Adjustments	Adjusted Balance b/f FY 2021/2022
Description	Kshs	Kshs	Kshs
Loan from external development partner	3,666,965,304	(440,096,500)	3,226,868,804
Miscellaneous Receipts	27,724,596	(589,676)	27,134,920
Acquisition of non-financial assets	2,821,048,211	(440,096,500)	2,380,951,711
Miscellaneous Payments	644,395	(589,675)	54,720
	2,761,868,804	(440,096,500)	2,321,772,304

The adjustments relate to opening balances for 2021/2022 that were not factored in on the final audited financial statements.

Other Important Disclosures

1. Pending accounts payable (see annex 4)

	Balance b/f FY 2022/2023	Additions for the year	Paid during the year	Balance c/f FY 2022/2023
Description	Kshs	Kshs	Kshs	Kshs
Supply of services	-	1,848,023	-	1,848,023
Total	-	1,848,023	-	1,848,023

2. External assistance

	FY 2022/2023	FY 2021/2022 (Restated)
Description	Kshs	Kshs
External assistance received as loans	1,301,110,830	3,226,868,804
Total	1,301,110,830	3,226,868,804

a. External assistance relating loans and grants.

	FY 2022/2023	FY 2021/2022 (Restated)
Description	Kshs	Kshs
External assistance received as loans	1,301,110,830	3,226,868,804
Total	1,301,110,830	3,226,868,804

HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)*Annual Reports and Unaudited Financial Statements For the financial year ended June 30, 2023***Other Important Disclosures (Continued)****b. Undrawn external assistance**

	Purpose for which the undrawn external assistance may be used	FY 2022/2023	FY 2021/2022 (Restated)
Description		Kshs	Kshs
Undrawn external assistance - loans		67,898,571,457	69,199,682,287
Total		67,898,571,457	69,199,682,287

c. Classes of providers of external assistance

	FY 2022/2023	FY 2021/2022 (Restated)
Description	Kshs	Kshs
Multilateral donors	1,301,110,830	3,226,868,804
Total	1,301,110,830	3,226,868,804

d. Purpose and use of external assistance

Payments Made by Third Parties	FY 2022/2023	FY 2021/2022 (Restated)
	Kshs	Kshs
Acquisition of Assets	1,248,140,316	2,380,951,711
TOTAL	1,248,140,316	2,380,951,711

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

	FY 2022/2023	FY 2021/2022 (Restated)
Description	Kshs	Kshs
Multilateral donors	846,212,721	2,321,772,304
Total	846,212,721	2,321,772,304

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13 Annexes

Annex 1: Prior Year Auditor General's Recommendations

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
	<p>1. Inaccuracies in the Financial Statements</p> <p>Review of the Project's financial statements revealed the following inaccuracies.</p> <p>i) Paragraph 1.7 of the financial statements on funding summary reflects an approved budget of Euro 573,700,000 equivalent to Kshs.73,232,977,110. However, an amount Kshs.55,099,103 appearing in the same paragraph has not been identified to any of the funding sources mentioned.</p> <p>ii) Note 2 to the financial statements shows loan received from bilateral donors (IDA) of Euro 29,892,254 whereas paragraph 1.7 B of the financial statements on application of funds reflects amounts received to date (30 June 2022) of USD 31,596,438. This therefore results to a lack of consistency in currency reporting.</p>	<p>i) We agree with the auditor's observation that the funding summary has not been identified to any of the funding sources mentioned. The amount of Kshs.55,099,103 appearing in paragraph 1.7 was a regrettable error on our part and the financial statements were amended to show the correct budget of Ksh.143,823,304 identified as funding from the Government of Kenya (GOK) instead of Kshs.55,099,103</p> <p>ii) We agree with the auditor's observation that the funding summary has not been identified to any of the funding sources mentioned. Lack of consistency in currency reporting was a result of an oversight on our part. The error is regretted, and the financial statements were amended to reflect the correct currency as EURO 31,596,438 and</p>	<p>Resolved</p> <p>Resolved</p>	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
	<p>iii)The statement of receipts and payments reflects miscellaneous receipts of Kshs.27,134,920. However, the ledger and support schedule provided reflect an amount of Kshs.27,724,596 resulting in an unexplained difference of Kshs.589,676.</p> <p>iv)The statement of financial assets reflects a fund balance brought forward of Kshs.202,030,967. However, the audited financial statements for 2020/2021 reflect a balance of Kshs.180,875,330. The resultant difference of Kshs.21,155,637 has not been explained.</p> <p>(v)Note 8 to the financial statements on special deposit account disclosure reflects a total amount withdrawn</p>	<p>not USD 31,596,438.</p> <p>iii) We agree with the auditor's observation that there was an unexplained difference of Kshs.589,676. The miscellaneous receipts of Kshs.27,134,920 as reflected in the Receipts of Payments is the correct figure, however, the support schedule amounting to Ksh.27,724,596 was erroneously presented, this arose from a misrepresentation of a withholding tax on interest of Ksh 586,676 as a bank charge.</p> <p>(iv) We disagree with the auditor's observation that the difference of Kshs.21,155,637 has not been explained. The difference between the fund balance brought forward of Kshs.202,030,967 and the audited financial statements for 2020/2021 of Kshs.180,875,330 as noted by the auditor is Kshs.21,155,637 which relates to the retention transferred to the project account in the financial year under review.</p> <p>(v) We agree with the auditor's observation that the variance of</p>	<p>Resolved</p> <p>Resolved</p>	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
	<p>from the special deposit account Kshs.69,044,470 while the statement of receipts and payments reflects receipts from external development partner of Kshs.905,096,500. The resultant variance of Kshs.836,052,030 has not been explained.</p> <p>Further, review of the special account statement revealed that the special account had an opening balance of Euro 8,450,000, deposits of Euro 556,719, a withdrawal of Euro 7,000,000 (which was deposited in the Project account) and a closing balance of Euro 2,006,719. However, all these amounts have not been disclosed in Note 8 to the financial statements.</p>	<p>Kshs.836,052,030 has not been explained. The variance of Ksh. 836,052,030 between the special deposit account disclosure and the special deposit account in Note 8 arose because of a regrettable error of presentation of figures in Kenya shillings as opposed to Euros. The financial statements were amended to show the correct withdrawal of Euro 7,000,000 which is equivalent to Ksh 905,096,500 as reflected in the statement of Receipts and Payments, the Ksh 69,044,470 was the total amount deposited in the financial year of Euro 556,719 converted to Kenya Shillings.</p> <p>We further agree with the auditor's observation that the amounts have not been disclosed in Note 8 to the financial statements. The amounts pointed by the auditor as disclosed in note 8 was erroneously presented in Kenya Shillings opposed to Euros, However, the financial statements were amended and have been restated in the currency of the loan to reflect the opening balance of EURO 8,450,000, deposit of Euro 556,719, A withdrawal of Euro 7,000,000 (which was deposited in the Project</p>	Resolved	
			Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
	<p>(vi) Note 12 to the financial statements on other important disclosures reflects project information as paragraph 1 instead of paragraph 4.</p> <p>(v) Annex 1 to the financial statements on variance explanations reflects Kshs.80,971,344, Kshs.2,761,868,804 and Kshs. 27,724,596 as actual receipts under transfers from Government entities, transfer from external development partner and miscellaneous receipts respectively. However, the statement of receipts and payments reflects Kshs.83,724,201, Kshs. 3,226,868,804 and Kshs. 27,134,920 as actual receipts under transfers from Government entities, transfer from external development partner and miscellaneous receipts respectively. The resultant differences of Kshs.2,752,857, Kshs.465,000,000 and Kshs. 589,676 respectively have not been explained. Further, the annex reflects Kshs.108,181,235, Kshs. nil, and Kshs.2,821,048,211 as actual payments under</p>	<p>account) and a closing balance of Euro 2,006,719</p> <p>(vi) We agree with the auditor's observation on important disclosures in our draft project financial statements submitted for audit on 31st August 2022. The project information reflected on page 18 of the 1st draft project financial statements was a regrettable typing error. The financial statements were amended to reflect the correct details of project information.</p> <p>(v) We agree with the auditor's observation that the differences of Kshs.2,752,857, Kshs.465,000,000 and Kshs. 589,676 have not been explained. We wish to clarify that this was a regrettable misrepresentation of figures. However, Annex 1 of the financial statements were amended to reflect the amounts of Kshs.83,724,201, Kshs. 3,226,868,804 and Kshs. 27,134,920 as actual receipts under transfers from Government entities, transfer from external development partner and miscellaneous receipts respectively as correctly pointed by the auditor.</p>	Resolved	
			Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
	<p>purchase of goods and services, research studies & design and miscellaneous charges respectively. However, the statement of receipts and payments reflects Kshs.110,934,092, Kshs.2,380,951,711 and Kshs.54,720 for the same item respectively. The resultant differences of Kshs.2,752,857, Kshs.2,380,951,711 and Kshs.2,820,993,491 respectively have not been explained.</p> <p>viii)The period at Note 12.3 (d) to the financial statements on purpose and use of external assistance is reflected as 2021/2021 instead of 2021/2022. Consequently, the accuracy of the financial statements could not be confirmed.</p>	<p>We further agree with the auditor's observation that the differences of Kshs.2,752,857, Kshs.2,380,951,711 and Kshs.2,820,993,491 respectively have not been explained.</p> <p>The amounts reflected on annex 1 as pointed by the auditor was a regrettable error of misrepresentation of figures, Annex 1 of the financial statements have been amended on page 22 to reflect the amounts of Kshs.110,934,092, Kshs.2,380,951,711 and Kshs.54,720 for actual payments under purchase of goods and services, research studies & design and miscellaneous payments respectively as correctly pointed by the auditor.</p> <p>viii) We agree with the auditor's observation, this was a regrettable typing error. The period at Note 12.3 (d) to the financial statements on purpose and use of external assistance has been corrected in the amended financial statements on page 18 to read 2021/2022 as correctly noted by the auditor.</p>	Resolved	

HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
	<p>2. Purchase of Goods and Services</p> <p>The statement of receipts and payments reflects purchase of goods and services of Kshs.110,934,092. As disclosed at Note 4 to the financial statements, the amount comprises of domestic travel expenses of Kshs.79,035,786, printing and advertising of Kshs.2,063,175, hospitality expenses of Kshs.4,029,238, communication supplies of Kshs.9,389,056 and training cost of Kshs.16,416,837. However, a detailed work plan to confirm that the activities paid for related to the Project was not provided for audit review. Further, expenditure totalling to Kshs.4,632,411 was described as relating to the previous North Eastern Transport Improvement Project (NETRIP).</p> <p>In the circumstances, the accuracy and validity of the purchase of goods and services expenditure of Kshs.110,934,092 could not be confirmed.</p> <p>KEY AUDIT MATTERS Other Matter 1. Lack of an Itemized Expenditure Budget The statement of comparison of budget and actual amounts indicates that the authority budgeted to receive Kshs.150,000,000 and Kshs.4,656,000,000 as</p>	<p>We disagree with the auditor's observation that a detailed work plan to confirm that the activities paid for related to the project was not provided for audit purposes. The Horn of Africa project is a multiyear project, and all the activities are project related and there is no separate line budget for each activity. We disagree with the auditor's observation that a detailed work plan to confirm that the activities paid for related to the project was not provided for audit purposes. We wish to clarify that the project initially started as Northeastern Transport Improvement Project (NETIP) which later on changed name to Horn of Africa Gateway Development Project (HoAGDP) and hence the description NETIP. We further clarify that the description is not NETRIP as pointed by the auditor but NETIP</p> <p>1. We disagree with the auditor's observation that there was lack of an Itemized Expenditure Budget. By nature, and practice, appropriation by The National Assembly to the project is on a</p>	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
	<p>GoK funds and loan from external development partners respectively for the implementation of Horn of Africa Gateway Development (HoAGDP) Project. The statement further shows that Kshs.110,934,092 and Kshs.2,380,951,711 were spent on purchase of goods and services and acquisition of non-financial assets respectively. However, the project expenditure budget was not provided. It was therefore not possible to trace the budget from which the expenditure was incurred. It was therefore not possible to trace the budget from which the expenditure was incurred.</p> <p>2. Budget Control and Performance The statement of comparison of budget and actual amounts reflects total budgeted receipts of Kshs.4,806,000,000 against actual receipts of Kshs.3,337,727,925 thereby resulting in an under-collection of Kshs. 1,468,272,075 or 30.5% of the budgeted receipts. Further, the statement reflects total budgeted expenditure of Kshs.4,806,000,000 against actual payments of Kshs.2,491,940,523 resulting in an under-expenditure of Kshs.2,314,059,477 or 48% of the budgeted expenditure. The under-collection of receipts and under-expenditure is an indication that the Project may not have achieved the planned objectives.</p>	<p>specific line by line individual project. This is the form in which the project budgets are uploaded onto IFMIS and availed for expenditure. However, for purposes of presentation in the financial statements, the requirement is not to present them per project as in IFMIS but by the nature of expenditure.</p> <p>2. We agree with the auditor's observation that the under-expenditure is an indication that the Project may not have achieved the planned objectives. We wish to clarify that planned Milestones for Design Review delayed due to the sensitive security situation along the project area, especially for Wajir – Kotulo – Elwak where Security threats were high. Additionally, slight delay in the procurement process. The procurement process for Isiolo-Kulamawe and Kulamawe-Modogashe sections were completed in this financial year and advance payments made to the contractor.</p>	Resolved	

HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)
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Reference No. on the external audit Report	Issue./Observations from Auditor	Management comments	Status:	Timeframe:
	<p>Conclusion Basis for Conclusion 1.Delayed Project Milestones Review of the project information as presented in the financial statements and the project activities implementation status as at 30 June, 2022 revealed that although the project financing agreement was signed in October, 2020, construction works for the road sections had not started with some sections at the design stage while others were either at contractor's procurement stage or works contracted but not started.</p>	<p>1. We partially agree with the auditor's observation that there was Delayed Project Milestones. The main delay factor has been procurement process which has since been addressed in conjunction with the development partners. It is worth noting that most of the road sections along the Isiolo-Mandera corridor are at an advanced stage in procurement. Additionally, it is worth noting that so far two projects along the corridor have since commenced. We partially agree with the auditor's observation. The main delay factor has been procurement process which has since been addressed in conjunction with the development partners. It is worth noting that most of the road sections along the Isiolo-Mandera corridor are at an advanced stage in procurement. Additionally, it is worth noting that so far two projects along the corridor have since commenced.</p>	Not Resolved	Continuous
	<p>2.Lack of an Assets Register</p>	<p>We disagree with the auditor's</p>	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
	Annex 3 of the financial statements -Summary of fixed assets, reflects a balance of Ksh.603,292,589 as the closing cost off the road asset. However contrary to section 143(1)of the Public Finance Management Regulations 2015 the Project's Management did not maintain a register of assets	observation and wish to note that the Fixed assets Register which is maintained by the authority has all the information pertaining to the project. It is worth to note that annex 3 of the financial statements has all the information required under the project reporting template as provided by IPSAS		


 Eng. Kungu Ndungu
 Director General

26 SEP 2023
 Date


 Eng. Henry Gakuru
 Director Development

26 SEP 2023
 Date

HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)
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Annexe 2-Variance explanations - Comparative Budget and Aactual amounts for Current FY 2022/2023

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilisation	Comments on Variance (below 90% and over 100%)
	a	b	c=a-b	d=b/a %	
Receipts					
Transfers from Government Entity	87,500,000	87,000,000	500,000	99%	
Proceeds from borrowings	3,000,000,000	1,301,110,830	1,698,889,170	43%	Package 2 and package 3 contracts not yet signed
Miscellaneous receipts	-	41,613,666	(41,613,666)		
Total receipts	3,087,500,000	1,429,724,496	1,657,775,504	46%	
Payments					
Miscellaneous Payments		59,069	(59,069)		
Purchase of goods and services	3,087,500,000	1,377,478,933	1,710,021,067	45%	Package 2 and package 3 contracts not yet signed
Acquisition of non-financial assets					
Total payments	3,087,500,000	1,377,538,002	1,709,961,998	45%	

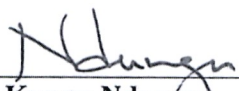
HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)
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Annex 3: Reconciliation of inter-entity transfers


	2022/2023	2021/2022	Cumulative to-date
	Kshs	Kshs	
Quarter 1		17,465,866	32,794,015
Quarter 2	54,000,000	18,530,115	80,838,373
Quarter 3		29,123,729	48,401,432
Quarter 4		18,604,491	35,789,484
Total	54,000,000	83,724,201	197,823,304

Other transfers from Government entities			
Ministry Of Roads and Transport			-
Appropriations-in-Aid	33,000,000		33,000,000
TOTAL	33,000,000		33,000,000
Grand Total	87,000,000	83,724,201	230,823,304

The above amounts have been communicated to and reconciled with the parent Ministry/ state department.


 Eng. Kungu Ndungu
 Director General

Date 26 SEP 2023


 CPA Chanje Kera
 Deputy Director (F&A)
 ICPAK Member No. 8279
 Date 26 SEP 2023

HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)
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Annex 4: Analysis of Pending Bills

Supplier of Goods or Services	Date Contracted/ invoiced.	Original Amount	Amount Paid To-Date	Outstanding Balance 2022/23	Outstanding Balance 2021/22	Comments
				2022/23	2021/22	Fee Note No.
	b	a	c	d=a-c		
Supply of Services						
Gibb Africa Limited	30/06/2022	1,848,023	-	1,848,023	-	5
Total		1,848,023	-	1,848,023	-	

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Annex 5: Summary of Fixed Assets Register

Asset class	Opening Cost	Purchases/Additions in the Year	Disposals in the Year	Closing Cost
	(KShs)	(KShs)	(KShs)	(KShs)
	2022/23	2022/23	2022/23	(KShs)
	(a)	(b)	(c)	(d)= (a)+ (b)-(c)
Road Asset	2,984,244,300	1,241,140,316	-	4,225,384,616
Land Acquisition	-	7,000,000		7,000,000
Total	2,984,244,300	1,248,140,316	-	4,232,384,616