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REPORT

	
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OF THE AUDITOR-GENERAL

ON

**EASTERN AFRICA REGIONAL
TRANSPORT, TRADE AND DEVELOPMENT
FACILITATION PROJECT IDA CREDIT
NO.5638-KE**

**FOR THE YEAR ENDED
30 JUNE, 2020**

**KENYA NATIONAL HIGHWAYS
AUTHORITY**



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



**PROJECT NAME: EASTERN AFRICA REGIONAL TRANSPORT, TRADE &
DEVELOPMENT FACILITATION PROJECT (SECOND PHASE PROGRAM)**

IMPLEMENTING ENTITY: KENYA NATIONAL HIGHWAYS AUTHORITY

**PROJECT CREDIT NUMBER: LOAN ID 5638-KE
PROJECT NO P-148853**

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2020**

**PROJECT NAME: EASTERN AFRICA REGIONAL TRANSPORT, TRADE & DEVELOPMENT
FACILITATION PROJECT (SECOND PHASE PROGRAM)**

Reports and Financial Statements For the financial year ended June 30, 2020

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PROJECT NAME: EASTERN AFRICA REGIONAL TRANSPORT, TRADE & DEVELOPMENT FACILITATION PROJECT (SECOND PHASE PROGRAM)

Reports and Financial Statements For the financial year ended June 30, 2020

1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name: Eastern Africa Regional Transport, Trade & Development Facilitation Projection (Second Phase Program)

Objective:

The objective of the Project is to improve the movement of goods and people along Lokichar to Nadapal Nakodok part of the Eldoret-Nadapal road in the north western part of Kenya, in particular and to enhance connectivity between Kenya and South Sudan.

The pastoralist communities, farmers and businesses along the corridor will benefit from:

- Employment creation from pastoralist roadside markets.
- Reduction of poverty
- Road user savings in maintenance costs and travel time
- Improvement of safety in travel and improvement of emergency response in the transit corridor including Eldoret-Nadapal-Nakodok which is prone to road accidents and injuries.
- The provision of fibre optic cable will improve internet access for economic development activities in the region.
- Provision of One Stop Border Post (OSBP) and trade facilitation is expected to reduce delay at the borders, reduce trading costs between Kenya and Sudan and enhance business opportunities.

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Jomo Kenyatta International Airport (JKIA)
Off Mazao Road (Opposite KCAA Headquarters)
Nairobi Kenya

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

1.2 Project Information

Project Start Date:	20 th July 2015
Project End Date:	31 st December 2021
Project Engineer	Eng. John Ndinika & Eng. Julius Mak'oderoh
Project Sponsor:	International Development Agency (IDA)

1.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the Ministry of Transport, Infrastructure, Housing & Urban Development
Project number	P-148853
Strategic goals of the project	The objective of the Project is to improve the movement of goods and people along the Lokichar Nadapal/Nakodok part of the Eldoret-Nadapal/Nakodok road in the north western part of Kenya, in particular, and to enhance connectivity between Kenya and South Sudan, in general:
Projects Components & Description	<p>The Projects have the following components</p> <ul style="list-style-type: none"> i) Component 1: Upgrading Selected Critical Road Infrastructure <ul style="list-style-type: none"> a) Upgrading of approximately 80 km of the Lokitaung junction - Kalobeiyei River section of the Eldoret-Nadapai/Nakodok road and (ii) related supervision costs. b) Upgrading of approximately 80 km of the Lokitaung junction-Lodwar section of the Eldoret-Nadapal/Nakodok road; and (ii) related supervision costs. c) Upgrading of approximately 50 km of the Lodwar – Loichangamatak section of the Eldoret-Nadapai/Nakodok road; and (ii) related supervision costs. d) Construction of a bridge at Kainuk on Muruni River; and (ii) related supervision costs. e) Upgrading of approximately 40 km of the Loichangamatak – Lokichar section of the Eldoret-Nadapai/Nakodok road; and related supervision costs. f) Implementing the Resettlement Action Plans (RAPs) along the Eldoret Nadapal/Nakodok road. ii) Component 2: Facilitation of Regional Transport, Trade and iii) Development Component 3: Institutional Development and Program Management iv) Component 4: Enhancing Internet Connectivity

Other important background information of the project Costing and Financing USD	Project Component	Project Cost(USD)	IDA Financing(USD)	% Financing(USD)
	Upgrading Critical Road Infrastructure	594	426	72
	Facilitation of Regional Transport, Trade and Development	31	27	87
	Institutional Development and Program Management	3.5	3.5	100
	Total	628.5	456.5	73

1.4 Bankers National Bank of Kenya Ltd
Hill Branch
Po Box 72866-00200
Nairobi

1.5 Auditors Auditor General
Office of the Auditor General
P.o Box 30084-0100
Nairobi

1.6 Roles and Responsibilities

Names	Title designation	Key qualification	Responsibilities
Eng. David.A.Muchilwa	Director Development	Qualified	Oversight
Eng. John Ndinika	Deputy Director Special Project (EARTTDP)	Qualified	Team Coordinator & Construction Specialist
Mr Walter Nyatwanga	Deputy Director	Qualified	Safeguards Specialist
Eng. Julius Mako'oderoh	Assistant Director	Qualified	Monitoring & Evaluation Specialist
Eng Julia Ondeyo	Assistant Director	Qualified	Monitoring & Evaluation Specialist
Mr Isaac Kamotho	Assistant Director	Qualified	Financial Specialist
Mr R Kilel	Assistant Director	Qualified	Procurement Specialist

1.7 Funding summary

The Project duration is from 20th July 2015 to 31st December 2021 with an approved budget of USD 456,551,724 equivalent to Kshs 48,632,985,379 and Kshs. 17,389,578,400 as highlighted in the table below:

Source of funds	Donor Commitment-		Amount received to date – (30 06 2020)		Undrawn balance to date (30 06 2020)	
	USD	Kshs	USD	Kshs	USD	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant						
-	-	-	-	-	-	-
(ii) Loan	456,551,724	48,632,985,379	199,570,480	21,258,726,470	256,981,244	27,374,258,909
(iii) Counterpart funds						
GOK	-	17,389,578,400	-	2,998,719,184	-	14,390,859,216
Total	456,551,724	66,022,563,779	199,570,480	24,257,445,654	256,981,244	41,765,118,125

1.8 Summary of Overall Project Performance:

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

Current Year		
Budget 2019/2020	Actual 2019/2020	Performance %
12,224,361,112	11,555,916,381	95%

The status report is as follows

PROJECT DESCRIPTION		PROGRESS REPORTED TO DATE
<p>1. Project Name: Upgrading of Kalobeiyei River — Nadapal (88 km) road section Contract type: Works Contractor: China Railway No. 5 Engineering Group Ltd Contract Signed: 28th March, 2017 Commencement Date: 11th July, 2017 Completion Date: 11th July, 2020 Contract amount: KES. 7,865,031,057.15 Consultant: Intercontinental Consultants & Technocrats Pvt Ltd with CAS Consultant Ltd. Contract Amount: USD. 3,543,351.00 and KES. 491,355,410.00</p>	Physical progress,	57.70%
	Amount certified	KES. 3,732,240,604.98
	Amount paid	KES. 3,366,785,088.30
	Time lapsed	35.67 Months
<p>2. Project Name: Upgrading of Lokitaung Junction to Kalobeiyei River (80 km) road section Contract type: Works Contractor: Chongqing International Construction Corporation Contract Signed: 28th March, 2017 Commencement Date: 1st August, 2017 Completion Date: 1st August, 2020 Contract amount: KES. 8,454,759,874.18 Consultant: Sheladia Associates Inc. in association with Abdul Mullick associates Contract Amount: USD. 2,204,145.00 and KES. 629,802,599.00</p>	Physical progress,	56.33%
	Amount certified	KES. 4,632,885,032.56
	Amount paid	KES. 4,391,867,438.44
	Time lapsed	35 months

PROJECT DESCRIPTION		PROGRESS REPORTED TO DATE
<p>3. Project Name: Upgrading of Lodwar - Lokitaung Junction to (80 km) road section Contract type: Works Contractor: Third Engineering Bureau of China Construction Group Co. Ltd Contract Signed: 14th March, 2017 Commencement Date: 15th August, 2017 Completion Date: 15th August, 2020 Contract amount: KES. 8,334,773,795.84</p> <p>Consultant: Egis International in association with Egis Kenya Contract Amount: KES. 568,958,975.00 and EURO. 1,589,113.00</p>	Physical progress,	89.14%
	Amount certified	KES. 8,317,058,822.47
	Amount paid	KES. 7,665,249,431.96
	Time lapsed	98.61 Months
<p>4. Project Name: Replacement of Kainuk Bridge Contract type: Works Contractor: China Henan International Corporation Group Ltd Contract Signed: 6th October, 2016 Commencement Date: 17th July, 2017 Completion Date: 17th October, 2018 Contract amount: KES. 1,538,973,674.11</p> <p>Consultant: SAI Consulting Engineers Pvt Ltd in association with Wanjohi Mutonyi Consulting Engineers. Contract Amount: KES. 23,693,000.00 and USD. 2,259,346.00</p>	Physical progress,	97%
	Amount certified	KES. 425,223,606.36
	Amount paid	KES. 608,233,741.66
	Time lapsed	31.5 Months
<p>5. Project Name: Upgrading of Loichangamatak – Lodwar (50Km) Contract type: Works</p>	Physical progress,	73.7%

PROJECT DESCRIPTION		PROGRESS REPORTED TO DATE
Contractor: China Railway No. 5 Eng. Co. Ltd Contract Signed: 10 th November, 2016 Commencement Date: 10 th July, 2017 Completion Date: 10 th July, 2020 Contract amount: KES. 6,782,439,479.76 Consultant: Dohwa Engineering Co. Ltd in J.V with GIBB International. Contract Amount: KES. 421,319,530.00 and USD 2,968,202.00	Amount certified	KES. 3,947,581,039.70
	Amount paid	KES. 3,765,608,417.59
	Time lapsed	35.7 Months
6. Contractor: China State Construction Engineering Corp. Ltd Contract Signed: Commencement Date: Completion Date: Contract amount: KES. Consultant: Intercontinental Consultants and technocrats Pvt. Ltd Contract Amount: KES. 139,766,000.00 and USD 3,146,770.00	Physical progress,	4%
	Amount certified	60,287,236.75
	Amount paid	KES.
	Time lapsed	6.01%
7. Needs Assessment for Social Infrastructure Consulting Services for Delivery Needs Assessment for Social Infrastructure and Social Services	In Progress	Various needs identified through consultations and a validation workshop to be held in Lodwar to conclude the assignment

1.9 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

2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETERMINED OBJECTIVES

The Objective of the Eastern Africa Regional Transport, Trade and Development Facilitation Project (EARTTDFP) is to improve movement of goods and people along Lokichar / Nakodok part of the Eldoret-Nadapal /Nakodok road in the North Western part of Kenya in particular to enhance connectivity between Kenya and South Sudan. The proposed project will boost agricultural development in the area, fishery and tourism potential. In addition, the project will contribute significantly to improvement of the livelihood of the people living in Turkana and West Pokot counties currently who are living in extreme poverty where development indicators including education, life expectancy are way below national average. The Turkana County is the poorest county in Kenya and has been highly marginalized geographically and historically. Furthermore, provision of social amenities the project will help integrate the poor including women in national and sub regional economy.

The Kenya National Highways Authority, the Implementing Agency under the Ministry of Transport, Infrastructure, Housing and Urban Development (MoTIUD), is currently executing the project under six (6) Contracts namely:

- Upgrading of Kainuk Bridge and the Approach Roads
- Lot 4_ Upgrading of Lokichar - Loichangamatak (40Km)
- Lot 3_ Upgrading of Kalobeiyei River — Nadapal (88 km) road section
- Lot 2_ Upgrading of Lokitaung Junction to Kalobeiyei River (80 km) road section
- Lot 1_ Upgrading of Lodwar - Lokitaung Junction to (80 km) road section
- Lot 0_ Upgrading of Loichangamatak – Lodwar (50Km)

The Challenges experienced in carrying out the projects are:

- a) **Water Scarcity:** Turkana County is classified as a Semi-Arid Lands (ASAL) and receives an Annual rainfall that range between 150mm and 550mm per year. Rainfall is erratic and unpredictable.
- b) **Low Literacy Levels:** The County has one of the lowest literacy levels 19% compared to 79% of the national average. This means that local skilled labour was not only insignificant but also there was serious communication barrier between the Contractor and the unskilled labourers.
- c) **Remoteness of Project Area:** The project area is over 1000km from the Port of Mombasa and over 600km from Nairobi – where most of high-value materials are sourced from.
- d) **Undue Political Risk/Influence:** The County has one of the lowest literacy levels and high poverty index; thereby making the local communities not only vulnerable to political influence but also heaping unreasonable expectations on the Contractors. Consequently, all the Contractors have experienced incidences of riots and commotion by the local communities clamouring inter alia for employment of 100% of labour force from Turkana community, mass employment beyond requirement of the Contract, hiring of equipment from locals, barring contractor from accessing material sites despite executing lease agreements earlier and following due process.

STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETERMINED OBJECTIVES (Continued)

Progress on attainment of Strategic development objectives

Below we provide a detailed analysis of the progress on attaining the project's objectives:

Objective	Outcome	Indicator	Performance
To improve the movement of people/goods through upgrading of road infrastructure along Lokichar - Nakodok (part of Eldoret – Nakodok corridor)	Increased efficient transportation of people, goods and services	Completion of the following Road Projects	
		Kainuk Bridge	97% Completed
		Kalobeyei River – Nadapal/Nakodok	60% Completed
		Lokitaung' Junction – Kalobeiyei River	60% Completed
		Lodwar – Lokitaung' Junction	91% Completed
		Loichangamatak - Lodwar	76% Completed
		Lokichar -Loichangamatak	5% Completed
Facilitate trade through construction of social infrastructure	Increased Trade	Completion of Construction of Social Infrastructure	Plans to start the CSR projects are now underway after the MoUs were signed in April and July 2020.
Enhance of internet connectivity in the North Western Kenya through construction of fibre Optic Cable	Enhanced Internet Connectivity	Completion of Construction of Fibre Optic Cable	Preparation of tender documents is in progress

3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

1. Sustainability strategy and profile

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

- a) *Good health and well-being (SDG 3)*: The Authority strives to undertake Road Safety Audits to identify accident black spots, implement intervention measures and provide road safety education to reduce accidents;
- b) *Gender Equality (SDG 5)*: The Authority encourages mainstreaming of gender equality in project and programmes by incorporating compliance to one third gender rule in procurement and recruitment;
- c) *Industry, innovation and infrastructure (SDG 9)*: The Authority develops quality , reliable, sustainable and resilient infrastructure including regional and trans-border infrastructure to support economic development and human wellbeing with a focus on affordable and equitable access for all;
- d) *Sustainable cities and communities (SDG 11)*: The Authority endeavours to extend the paved road network to hitherto underserved areas in the region to improve nationwide access to high speed and all – weather connectivity; and
- e) *Climate action (SDG 13)*: The Authority endeavours to combat negative impacts of road development through environmental mitigation, climate change measures and compliance with National Environment Management Authority (NEMA) requirements in all development projects

2. Environmental performance

The Authority is working towards ensuring environmental sustainability in projects by undertaking tree planting exercises, implementation of road beautification programs, enforce reinstatement of quarries and borrow pits after construction works, undertakes regular Environmental Impact Assessment (EIA) Audits, carries out M&E on Environment and Social Management Plan (ESMPs) as well as Environmental Social Impact Assessment (ESIA) on projects.

3. Employee welfare

In all its staff appointments, the Authority takes deliberate actions to embrace Equal Employment Opportunity policies, gender mainstreaming, addresses concerns around Persons Living with Disabilities (PWDs) and takes affirmative action in line with prevailing Government Policy guidelines. The Authority prioritizes training to develop technical capacity of staff in the fields of Value Engineering, Project Financing, Project, Contract Management, Performance Based Maintenance and Safety.

4. Market place practices

The Authority strives to ensure responsible competition practices through undertaking annual governance audits in projects, monitoring the implementation of policies and further promotes ethical conduct in projects. The Authority equally sensitizes staff on corruption and integrity.

The Authority undertakes to be actively involved in the negotiations during budget sector hearings in order to increase budgetary allocations for projects thus honouring contracts by paying its liabilities on time.

**CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY
REPORTING (Continued)**

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.

KeNHA intends to utilize approximately KES 2.8 Billion under the EARTTDFP project in implementing the social infrastructure in virtually all the seven sub-counties of Turkana County within the life of the EARTTDFP Project as follows; N0.	Road Project	CSR Activity	Status of CSR Activity
1.	Lokichar - Loichangamatak	<ul style="list-style-type: none"> • Construction of Classrooms, Teacher’s Houses, Toilet Blocks, Water Piping among others in 7 schools • Upgrading of Lochwaa Dispensary, Nagetei Dispensary & Lokichar Hospital • Drilling of Boreholes in Kabura, Junuta, Lolupe, Kaichipaluk & Ekalale • Lokichar Sale Yard • Lokichar Market • Moruengor Business Centre • Lorry Parks and Boda boda Shades 	The CSR Activities have not yet commenced. There was need to put in place a Memorandum of Understanding between KeNHA, West Pokot County & Turkana County to provide free land for the CSR

2.	Loichangamatak - Lodwar	<ul style="list-style-type: none"> • Construction of Classrooms, Teacher’s Houses, Toilet Blocks, Water Piping among others in 3 schools • Upgrading of Loturerei Health Centre, Lolupe Health Centre, LCR Annex, St. Mary’s Dispensary Locheremoit Dispensary, Nareng Emunyen Dispensary & Sopel Dispensary • Drilling of Boreholes in 4 villages • Town Shades in 4 Towns • Irrigation Scheme & Fish Processing Plant • Slaughter House • Livestock Sale yard • Lodwar Tannery • Piping of water to cover Loturerei, Township, Kanam kemer, Turkana University College and surrounding villages. 	<p>projects and to facilitate free movement of Construction Materials required for the project.</p> <p>These MoUs were signed on April 8, 2020 and July 10, 2020 respectively.</p> <p>Plans to start the CSR projects are now underway.</p> <p>The CSR Activities have not yet commenced.</p>
3.	Lodwar -- Lokitaung’ Junction	<ul style="list-style-type: none"> • Construction of Classrooms, Teacher’s Houses, Toilet Blocks, Water Piping among others in 20 schools • Upgrading of Nameyana Dispensary, Lomil Dispensary, Nasiger Dispensary, Napelilim Dispensary, Makutano Health Centre, Kaenongon Dispensary, Aterika Dispensary, • Drilling of Boreholes in 8 villages • Boda Boda Shades in 3 Towns • Irrigation Scheme and Irrigation Canal in 2 locations • Slaughter House • Livestock Sale yard • Lodwar Tannery • Piping of water in 3 villages. • Pasture Production at Losaijat 	<p>There was need to put in place a Memorandum of Understanding between KeNHA, West Pokot County & Turkana County to provide free land for the CSR projects and to facilitate free movement of Construction Materials required for the project.</p> <p>These MoUs were signed on April 8, 2020 and July 10, 2020 respectively.</p>
4	Lokitaung’ Junction – Kalobeiyei River	<ul style="list-style-type: none"> • Construction of Classrooms, Teacher’s Houses, Toilet Blocks, Water Piping among others in 14 schools 	<p>These MoUs were signed on April 8, 2020 and July 10, 2020 respectively.</p>

		<ul style="list-style-type: none"> • Upgrading of Moruangibuin Dispensary, Lokore Health Centre, Lokichar Dispensary, Kalobeiyei Dispensary, Kakuma Sub-County Hospital, Namon Dispensary, Lopur Dispensary, Kangitesiroi Dispensary, • Drilling of Boreholes in 18 villages • Boda Boda Shades in 3 Towns • Irrigation Scheme and Irrigation Canal in 2 locations • 1 Slaughter House • Komotogae Drug Store • Piping of water in 5 villages. • Pasture Production at Losaijat • 1 Lorry Park 	Plans to start the CSR projects are now underway.
5	Kalobeyei River – Nadapal/Nakodok	<ul style="list-style-type: none"> • Construction of Classrooms, Teacher’s Houses, Toilet Blocks, Water Piping among others in 5 schools • Upgrading of Songot Dispensary, Letea Health Centre, AIC health Centre , Loteteleit Dispensary, Nakururum Health Centre • Drilling of Boreholes in 11 villages • Boda Boda Shades in 5 Towns • Lomidat Flood Irrigation Scheme • Improve Lokichoggio Market • Improve Songot Market • Spate Irrigation at Lokirieriet and bush clearing • Atackaale irrigation scheme 	
6.	Kainuk Bridge	<ul style="list-style-type: none"> • Construction of Classrooms, Teacher’s Houses, Toilet Blocks, Water Piping among others in 7 schools • Upgrading of Kainuk Health Centre, Kakongu Health Centre • Drilling of Boreholes in 2 villages • Boda Boda Shades in 3 Locations • Livestock Sale Yard • Kaputiro Irrigation Scheme • Loyapat Irrigation Scheme • Lomosing’o Irrigation Scheme 	

		<ul style="list-style-type: none">• Lodoupua Rain Fed Farms and Water Pan• Kainuk Rest Stop• Kainuk Lorry Parking	
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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.

4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Director General, KeNHA and the Project Implementation Team Leader for Eastern Africa Regional, Transport, Trade & Development 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, 2020. This responsibility includes: (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

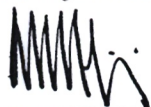
The Director General, KeNHA and the Project Implementation Team Leader for Eastern Africa Regional, Transport, Trade & Development Facilitation Project accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate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

The Director General, KeNHA and the Project Implementation Team Leader for Eastern Africa Regional, Transport, Trade & Development 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, 2020, and of the Project's financial position as at that date. The Director General, KeNHA and the Project Implementation Team Leader for Eastern Africa Regional, Transport, Trade & Development 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.

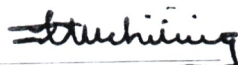
The Director General, KeNHA and the Project Implementation Team Leader for Eastern Africa Regional, Transport, Trade & Development Facilitation Project confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds 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

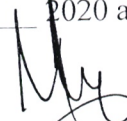
The Project financial statements were approved by the Director General, KeNHA and the Project Implementation Team Leader for Eastern Africa Regional, Transport, Trade & Development Facilitation Project on 23 AUG 2020 2020 and signed by them.



Eng. Peter M. Mundinia
Director General



Eng. David A. Muchilwa
Director -Development



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

REPUBLIC OF KENYA

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Enhancing Accountability

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON EASTERN AFRICA REGIONAL TRANSPORT, TRADE AND DEVELOPMENT FACILITATION PROJECT IDA CREDIT NO.5638-KE FOR THE YEAR ENDED 30 JUNE, 2020 – KENYA NATIONAL HIGHWAYS AUTHORITY

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Eastern Africa Regional Transport, Trade and Development Facilitation Project set out on pages 1 to 14, which comprise of the statement of financial assets and liabilities as at 30 June, 2020, statement of receipts and payments, statement of cash flows and the statement of comparative budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with 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 Eastern Africa Regional Transport, Trade and Development Facilitation Project as at 30 June, 2020, 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 and the Financing Agreement Credit No.5638-KE dated 20 July, 2015 between the International Development Association (IDA) and the Republic of Kenya and the Public Finance Management Act, 2012.

In addition, the special accounts statement presents fairly the special account transactions and the closing 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 Eastern Africa Regional Transport, Trade and Development Facilitation Project Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Report of the Auditor-General on Eastern Africa Regional Transport, Trade and Development Facilitation Project IDA Credit No.5638-KE for the year ended 30 June, 2020 – Kenya National Highways Authority

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

Pending Bills

Note 11.1 to the financial statements reflects pending bills amounting to Kshs.1,225,792,738 as at 30 June, 2020. Although Management has committed to liaise with the line Ministry and The National Treasury for adequate budgetary allocation and timely Exchequer releases for prompt payments in the subsequent financial year, the Project is at risk of incurring additional significant interest costs and penalties with the continued delay in making payments.

Failure to settle bills during the year in which they relate to distorts the financial statements and adversely affects the budgetary provisions for the subsequent year as they form a first charge

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the International Development Association (IDA) and the Republic of Kenya, except for the matter under Other Matter section of my report, I report based on my audit that:

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

Responsibilities of Management and Board of Directors

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

In preparing the financial statements, Management is responsible for assessing the Project's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using 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.

The Board of Directors is responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Project monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall

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.


Nancy Gathungu
AUDITOR-GENERAL

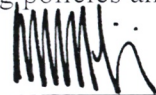
Nairobi

28 December, 2020

5. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED 30TH JUNE 2020

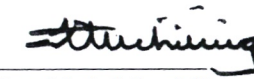
	NOTES	2019/20			2018/19			Cumulative to date Kshs
		Kshs	Kshs	Kshs	Kshs(Restated)	Kshs(Restated)	Kshs(Restated)	
		Receipts & Payments Controlled by the Entity	Receipts & Payments made by the Third Party	Total	Receipts & Payments Controlled by the Entity	Receipts & Payments made by the Third Party	Total	
RECEIPTS								
Transfer from Government entities	10.3	1,722,944,712	-	1,722,944,712	856,727,929	-	856,727,929	2,998,719,184
Transfer from External Development Partner	10.4	591,494,282	9,519,705,779	10,111,200,061	479,205,324	5,263,623,642	5,742,828,966	21,258,726,470
Miscellaneous Receipts	10.5	1,384,102	-	1,384,102	2,016,525	-	2,016,525	15,749,439
Total receipts		2,315,823,096	9,519,705,779	11,835,528,875	1,337,949,778	5,263,623,642	6,601,573,420	24,273,195,093
PAYMENTS								
Purchase of goods and services	10.6	32,491,456	-	32,491,456	52,859,905	-	52,859,905	162,771,073
Acquisition of non-financial assets	10.7	2,003,650,686	9,519,705,779	11,523,356,465	1,048,867,954	5,263,623,642	6,312,491,596	23,584,444,065
Miscellaneous Payments	10.8	68,460	-	68,460	62,750	-	62,750	212,355
TOTAL PAYMENTS		2,036,210,602	9,519,705,779	11,555,916,381	1,101,790,609	5,263,623,642	6,365,414,251	23,747,427,493
SURPLUS/DEFICIT FOR THE YEAR		279,612,494	-	279,612,494	236,159,169	-	236,159,169	525,767,600

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


 Eng. Peter M. Mundinia
 Director General

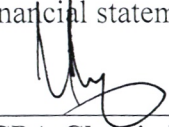
23 AUG 2020

Date


 Eng. David A. Muchilwa
 Director -Development

23 AUG 2020

Date


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

23 AUG 2020

Date

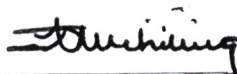
7. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES AS AT 30TH JUNE 2020

	Notes	2019/20	2018/19
		Kshs	Kshs(Restated)
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Imprests and Advances		-	-
Bank Balances	10.9	525,767,600	246,155,106
TOTAL FINANCIAL ASSETS		525,767,600	246,155,106
REPRESENTED BY:			
Cash and cash equivalents b/fwd	10.9A	246,155,106	9,995,937
Surplus/Deficit for the year		279,612,494	236,159,169
NET FINANCIAL POSITION		525,767,600	246,155,106

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 23 AUG 2020 2020 and signed by:



Eng. Peter M. Mundinia
Director General



Eng. David A. Muchilwa
Director -Development



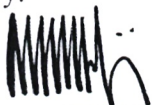
CPA Chanje Kera
Deputy Director (F&A)
ICPAK Member No.8279

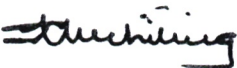
*EASTERN AFRICA REGIONAL TRANSPORT TRADE & DEVELOPMENT FACILITATION PROJECT
Reports and Financial Statements For the financial year ended June 30, 2020*


8. STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2020

		2019/20	2018/19
		Kshs	Kshs(Restated)
Receipts for operating income			
Transfer from Government entities	10.3	1,722,944,712	856,727,929
Payments for operating expenses			
Purchase of goods and services	10.6	(32,491,456)	(52,859,905)
Miscellaneous Payments	10.8	(68,460)	(62,750)
Miscellaneous Receipts	10.5	1,384,102	2,016,525
Net cash flow from operating activities		1,691,768,898	805,821,799
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	10.7	(11,523,356,465)	(6,312,491,596)
Net cash flows from Investing Activities		(11,523,356,465)	(6,312,491,596)
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Foreign Borrowings	10.4	10,111,200,061	5,742,828,966
Net cash flow from financing activities		10,111,200,061	5,742,828,966
NET INCREASE IN CASH AND CASH EQUIVALENT		279,612,494	236,159,169
Cash and cash equivalent at BEGINNING of the year		246,155,106	9,995,937
Cash and cash equivalent at END of the year		525,767,600	246,155,106

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 23 AUG 2020 2020 and signed by:


Eng. Peter M. Mundinia
Director General

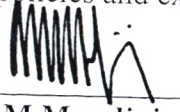

Eng. David A. Muchilwa
Director -Development


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

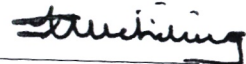
5. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED 30TH JUNE 2020

	NOTES	2019/20			2018/19			Cumulative to date Kshs
		Kshs	Kshs	Kshs	Kshs(Restated)	Kshs(Restated)	Kshs(Restated)	
		Receipts & Payments Controlled by the Entity	Receipts & Payments made by the Third Party	Total	Receipts & Payments Controlled by the Entity	Receipts & Payments made by the Third Party	Total	
RECEIPTS								
Transfer from Government entities	10.3	1,722,944,712	-	1,722,944,712	856,727,929	-	856,727,929	2,998,719,184
Transfer from External Development Partner	10.4	591,494,282	9,519,705,779	10,111,200,061	479,205,324	5,263,623,642	5,742,828,966	21,258,726,470
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PAYMENTS								
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SURPLUS/DEFICIT FOR THE YEAR		279,612,494	-	279,612,494	236,159,169	-	236,159,169	525,767,600

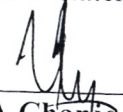
The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements


 Eng. Peter M. Mundinia
 Director General

25 AUG 2020
 Date


 Eng. David A. Muchilwa
 Director -Development

25 AUG 2020
 Date


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

25 AUG 2020
 Date

10. NOTES TO THE FINANCIAL STATEMENTS

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

10.1. Basis of Preparation

10.1.1. Statement of compliance and basis of preparation

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

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

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

10.1.2. Reporting entity

The financial statements are for the Eastern Africa Regional Transport Trade & Development Facilitation Project (EARTTDFP) under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012 .

10.1.3. Reporting currency

The financial statements are presented in Kenya Shillings (KShs), which is the functional and reporting currency of the Project and all values are rounded to the nearest Kenya Shilling.

10.2. Significant Accounting Policies

a) Recognition of receipts

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

- **Transfers from the Exchequer**

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

- **External Assistance**

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donations and grants

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

Proceeds from borrowing

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

Undrawn external assistance

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

- **Other receipts**

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

b) Recognition of payments

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

- **Compensation of employees**

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

- **Use of goods and services**

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

- **Interest on borrowing**

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

- **Acquisition of fixed assets**

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

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

c) In-kind donations

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

d) Cash and cash equivalents

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

Restriction on cash

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Accounts receivable

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

f) Pending bills

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

g) Budget

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

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

h) Third party payments

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

During the year **Kshs 10.111 billion** being loan disbursements were received in form of direct payments from third parties.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Exchange rate differences

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

j) Comparative figures

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

k) Subsequent events

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended June 30, 2020

l) Errors

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

10.3. RECEIPTS FROM GOVERNMENT OF KENYA

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

	2019/20	2018/19	Cumulative to-date
	Kshs	Kshs	
Quarter 1	29,354,983	26,746,191	81,459,060
Quarter 2	241,166,603	118,852,452	519,913,398
Quarter 3	77,945,530	467,230,960	625,933,876
Quarter 4	1,374,477,596	243,898,326	1,771,412,850
	1,722,944,712	856,727,929	2,998,719,184

10.4. LOAN FROM EXTERNAL DEVELOPMENT PARTNER

Name of Donor	Amount in loan currency	Loans received in cash	Loans received as direct payment*	Total amount in Kshs	Total amount in Kshs (Restated)
	USD	Kshs	Kshs	FY 2019/20	FY 2018/19
				Kshs	Kshs
Loans Received from Bilateral Donors (IDA/GOK)	94,920,881	591,494,282	9,519,705,779	10,111,200,061	5,742,828,966
Total	94,920,881	591,494,282	9,519,705,779	10,111,200,061	5,742,828,966

10.5. MISCELLANEOUS RECEIPTS

Description	2019/20	2018/19	Cumulative to-date
	Kshs	Kshs	
Bank Interest	1,384,102	2,016,525	15,749,439
Total	1,384,102	2,016,525	15,749,439

10.6. PURCHASE OF GOODS AND SERVICES

Description	2019/20		2018/19		Cumulative to - date
	Receipts & Payments Controlled by the Entity	Receipts & Payments made by the Third Party	Total Payments	Total Payments	
	Kshs	Kshs	Kshs	Kshs	
Domestic travel and subsistence	32,491,456	-	32,491,456	52,859,905	162,771,073
Total	32,491,456	-	32,491,456	52,859,905	162,771,073

10.7. ACQUISITION OF NON-FINANCIAL ASSETS

Description	2019/20			2018/19	Cumulative to-date Kshs
	Payments made by the Entity Kshs	Payments Made by Third Party Kshs	Total Payments Kshs	Total Payments Kshs(Restated)	
Research, studies, project preparation, design & supervision	427,007,062	710,075,711	1,137,082,773	469,435,190	2,261,126,945
Rehabilitation of Roads	1,526,421,824	8,809,630,068	10,336,051,892	5,843,056,406	21,246,873,295
Acquisition of land	50,221,800	-	50,221,800	-	76,443,825
Total	2,003,650,686	9,519,705,779	11,523,356,465	6,312,491,596	23,584,444,065

10.8. MISCELLANEOUS PAYMENTS

Description	2019/20	2018/19	Cumulative to-date
	Kshs	Kshs	
Bank Charges	68,460	62,750	212,355
Total	68,460	62,750	212,355

10.9. CASH AND CASH EQUIVALENTS C/FWD

	2019/20	2018/19
	Kshs	Kshs(Restated)
Bank accounts (Note 8.6A)	525,767,600	246,155,106
	525,767,600	246,155,106

10.9A Bank Accounts

	2019/20	2018/19
	KShs	KShs(Restated)
Local Currency Accounts		
National Bank of Kenya [A/c No 01001032662501]	168,565,965	8,356,110
National Bank of Kenya [A/c No 01001-327332-00]	357,201,635	237,798,996
Total bank account balances	<u>525,767,600</u>	<u>246,155,106</u>

10.9B Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as at 30th June 2020 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.

Special Deposit Accounts Movement Schedule

	2019/20	2018/19
	KShs	KShs
Eastern Africa Regional Transport Trade & Development Facilitation Project Loan Credit No 5638-Ke Da-B [A/c No100243767-Central Bank of Kenya]		
Opening balance	120,226,019	110,821,686
Total amount deposited in the account	471,268,263	389,324,218
Total amount withdrawn (as per Statement of Receipts & Payments)	591,494,282	379,615,601
Amount withdrawn(cash in transit as at 30 th June, 2019)	-	304,284
Closing balance (as per SDA bank account reconciliation attached)	-	120,226,019

The Special Deposit Account(s) reconciliation statement(s) has (have) been attached as *Appendix xx* support these closing balances.

10.10 PRIOR YEAR ADJUSTEMENT

	Balance b/f FY 2018/19 as Financial statements	Adjustments	Adjusted Balance b/f FY 2018/19
Description of the error	Kshs	Kshs	Kshs
Bank account Balances	8,356,110	237,798,996	246,155,106
Acquisition of Non - Financial assets	6,794,250,499	(481,758,903)	6,312,491,596
	6,802,606,609	(243,959,907)	6,558,646,702

* This prior year adjustment has been necessitated by PSAB introduction of the Note on Retentions in the Financial Statements in FY 2019/20. Retentions amounts had previously been expensed and have now been introduced in the Statement of Financial Assets

10.11 CHANGES IN ACCOUNTS PAYABLE – RETENTIONS – PAYMENTS MADE BY THIRD PARTY

Description of the error	2019 - 2020	2018 - 2019
	KShs	KShs
Deposit and Retentions as at 1 st July 2019 (A)	243,959,907	-
Deposit and Retentions held during the year (B)	839,583,157	243,959,907
Deposit and Retentions paid during the Year (C)	-	-
Net changes in account receivables D= A+B-C	1,083,543,064	243,959,907

10.12. CHANGES IN ACCOUNTS PAYABLE – RETENTIONS – PAYMENTS CONTROLLED BY THE ENTITY

Description of the error	2019 - 2020	2018 - 2019
	KShs	KShs
Deposit and Retentions as at 1 st July 2019 (A)	237,798,996	-
Deposit and Retentions held during the year (B)	119,402,639	237,798,996
Deposit and Retentions paid during the Year (C)	-	-
Net changes in account receivables D= A+B-C	357,201,635	237,798,996

11. OTHER IMPORTANT DISCLOSURES

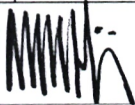
11.1. PENDING ACCOUNTS PAYABLE (See Annex 2A)

	Balance b/f FY 2019/2020	Additions for the period	Paid during the year	Balance c/f FY 2019/2020
Description	Kshs	Kshs	Kshs	Kshs
Construction of Civil Works	2,764,148,958	9,712,733,311	11,592,537,304	884,344,965
Land Compensation	160,808,317	110,532,563	50,221,800	221,119,080
Supply of services	127,929,455	24,890,694	32,491,456	120,328,693
Total	3,052,886,730	9,848,156,568	11,675,250,560	1,225,792,738

12. PROGRESSES ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

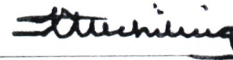
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments Focal Point person to resolve the issue	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
	NONE	NONE	NONE	



Eng. Peter M. Mundinia
Director General

23 AUG 2020

Date



Eng. David A. Muchilwa
Director -Development

23 AUG 2020

Date

EASTERN AFRICA REGIONAL TRANSPORT TRADE & DEVELOPMENT FACILITATION PROJECT
Reports and Financial Statements For the financial year ended June 30, 2020

ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

	Final Budget	Actual on Comparable Basis	Budget Utilisation Variance	% of Utilisation Variance to Final Budget	Comments on Variance
	a	b	c=a-b	d=b/a %	
RECEIPTS DURING THE YEAR/PERIOD					
Transfers from Government Entity	1,982,161,112	1,722,944,712	259,216,400	87%	
Transfer from External Development Partner	10,242,200,000	10,111,200,061	130,999,939	99%	
Miscellaneous receipts	-	1,384,102	(1,384,102)	-	Interest earned during the year
Total receipts	12,224,361,112	11,835,528,875	388,832,237	97%	
PAYMENTS DURING THE YEAR/PERIOD					
Miscellaneous Payments	-	68,460	(68,460)	0%	Bank Charges during the year
Purchase of Goods and Services	33,000,000	32,491,456	508,544	98%	
Acquisition of non-financial assets	12,191,361,112	11,523,356,465	668,004,647	95%	
Total payments	12,224,361,112	11,555,916,381	668,444,731	95%	

EASTERN AFRICA REGIONAL TRANSPORT TRADE & DEVELOPMENT FACILITATION PROJECT Reports and Financial Statements For the financial year ended June 30, 2020

ANNEX 2A - ANALYSIS OF PENDING BILLS

IPC /FEE NOTE	Supplier of Goods or Services	Project	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance	Outstanding Balance
						2019/20	2018/19
			a	b	c	d=a-c	
15	THIRD ENGINEERING	Lodwar-Lokitaung	11,210,906	25-Jun-19	-	11,210,906	
23	THIRD ENGINEERING	Lodwar-Lokitaung	572,187,742	14-Jan-20	528,124,854	44,062,888	
24	THIRD ENGINEERING	Lodwar-Lokitaung	233,686,130	02-Mar-20	201,453,560	32,232,570	
25	THIRD ENGINEERING	Lodwar-Lokitaung	476,530,621	08-Apr-20	423,126,327	53,404,294	
26	THIRD ENGINEERING	Lodwar-Lokitaung	298,446,779	30-Apr-20	262,427,340	36,019,439	
27	THIRD ENGINEERING	Lodwar-Lokitaung	205,336,917	10-Jun-20	185,523,707	19,813,210	
16	CHINA RAILWAY NO. 5	Loichangamatak-Lodwar	171,493,245	02-Sep-19	156,595,561	14,897,684	
17	CHINA RAILWAY NO. 5	Loichangamatak-Lodwar	103,401,827	08-Oct-19	101,183,992	2,217,835	
18	CHINA RAILWAY NO. 5	Loichangamatak-Lodwar	165,663,730	08-Nov-19	162,834,505	2,829,225	
19	CHINA RAILWAY NO. 5	Loichangamatak-Lodwar	202,737,312	27-Dec-19	195,802,197	6,935,115	
20	CHINA RAILWAY NO. 5	Loichangamatak-Lodwar	250,799,189	14-Jan-20	215,841,465	34,957,724	
21	CHINA RAILWAY NO. 5	Loichangamatak-Lodwar	208,432,855	19-Feb-20	179,683,496	28,749,359	
22	CHINA RAILWAY NO. 5	Loichangamatak-Lodwar	424,417,558	03-Jun-20	372,296,103	52,121,455	
23	CHINA RAILWAY NO. 5	Loichangamatak-Lodwar	188,369,739	03-Jun-20	164,001,851	24,367,888	
24	CHINA RAILWAY NO. 5	Loichangamatak-Lodwar	13,270,383	12-Jun-20	2,654,076	10,616,307	
17	CHONGQING	Lokitaung-Kalobeyei	199,224,446	03-Mar-20	172,129,287	27,095,159	
18	CHONGQING	Lokitaung-Kalobeyei	193,650,153	20-Mar-20	166,939,787	26,710,366	
19	CHONGQING	Lokitaung-Kalobeyei	55,170,694	22-Apr-20	-	55,170,694	
20	CHONGQING	Lokitaung-Kalobeyei	217,953,789	07-May-20	191,187,534	26,766,255	
21	CHONGQING	Lokitaung-Kalobeyei	198,809,785	10-Jun-20	174,394,548	24,415,237	
22	CHONGQING	Lokitaung-Kalobeyei	176,609,358	17-Jun-20	154,920,489	21,688,869	

EASTERN AFRICA REGIONAL TRANSPORT TRADE & DEVELOPMENT FACILITATION PROJECT Reports and Financial Statements For the financial year ended June 30, 2020

15	CHINA RAILWAY NO. 5	Kalobeiyei - Nadapal	66,158,592	05-Dec-19	-	66,158,592	
16	CHINA RAILWAY NO. 5	Kalobeiyei - Nadapal	213,112,591	24-Dec-19	210,770,703	2,341,888	
17	CHINA RAILWAY NO. 5	Kalobeiyei - Nadapal	199,144,310	19-Feb-20	166,572,340	32,571,970	
18	CHINA RAILWAY NO. 5	Kalobeiyei - Nadapal	151,948,558	05-Mar-20	136,991,196	14,957,362	
19	CHINA RAILWAY NO. 5	Kalobeiyei - Nadapal	168,657,094	07-May-20	148,301,927	20,355,167	
20	CHINA RAILWAY NO. 5	Kalobeiyei - Nadapal	124,510,181	17-Jun-20	104,159,863	20,350,318	
8	CHINA HENAN	Kainuk Bridge	4,726,590	18-Oct-19	-	4,726,590	
10	CHINA HENAN	Kainuk Bridge	233,305,455	19-Jun-20	66,704,856	166,600,599	
	Civil Works		5,728,966,529		4,844,621,564	884,344,965	2,764,148,957
32	Egis International	Lodwar-Lokitaung	16,617,474	07-May-20	-	16,617,474	
33	Egis International	Lodwar-Lokitaung	16,348,144	15-May-20	-	16,348,144	
34	Egis International	Lodwar-Lokitaung	16,799,496	12-Jun-20	-	16,799,496	
37	ABDUL MULLICK ASSOCIATES	Lokitaung-Kalobeyei	12,229,857	19-Jun-20	-	12,229,857	
37	SHELADIA ASSOCIATES	Lokitaung-Kalobeyei	4,802,438	19-Jun-20	-	4,802,438	
33	Intercontinental Consultants & Technocrats Pvt/CAS JV	Kalobeiyei - Nadapal	13,985,628	13-May-20	5,831,714	8,153,914	
36	Intercontinental Consultants & Technocrats Pvt/CAS JV	Kalobeiyei - Nadapal	15,602,857	13-May-20	9,179,717	6,423,140	
37	Intercontinental Consultants & Technocrats Pvt/CAS JV	Kalobeiyei - Nadapal	17,628,308	13-May-20	10,503,594	7,124,714	
38	Intercontinental Consultants & Technocrats Pvt/CAS JV	Kalobeiyei - Nadapal	18,129,862	18-Jun-20	-	18,129,862	
36/002	Sai Consulting Engineers Pvt Ltd	Kainuk Bridge	14,415,867	09-Jun-20	13,855,028	560,839	
38/002	Sai Consulting Engineers Pvt Ltd	Kainuk Bridge	5,140,185	09-Jun-20	-	5,140,185	
39/014	Sai Consulting Engineers Pvt Ltd	Kainuk Bridge	4,521,380	12-Jun-20	-	4,521,380	

EASTERN AFRICA REGIONAL TRANSPORT TRADE & DEVELOPMENT FACILITATION PROJECT Reports and Financial Statements For the financial year ended June 30, 2020

40/025	Sai Consulting Engineers Pvt Ltd	Kainuk Bridge	3,477,250	29-Jun-20	-	3,477,250	
	Supply of Services		159,698,746		39,370,053	120,328,693	127,929,455
	Land Acquisition		-		-	221,119,080	160,808,317
	Total		5,888,665,275		4,883,991,617	1,225,792,738	3,052,886,729

ANNEX 3 SUMMARY OF FIXED ASSET

Asset class	Opening Cost (KShs) 2019/20	Purchases/Additions in the Year (KShs) 2019/2020	Disposals in the Year (KShs) 2019/2020	Closing Cost (KShs) (KShs) 2019/2020
	(a)	(b)	(c)	(d)= (a)+ (b)-(c)
Construction of Roads	12,034,865,575	11,473,134,665	-	23,508,000,240
Land Acquisitions	26,222,025	50,221,800	-	76,443,825
Total	12,061,087,600	11,523,356,465	-	23,584,444,065

Appendices

1. Bank Reconciliation
2. Special Deposit Account Reconciliation Statements