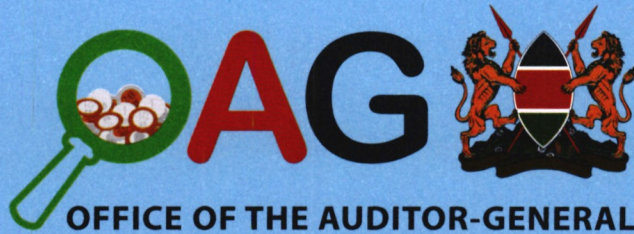


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

**HORN OF AFRICA GATEWAY
DEVELOPMENT PROJECT
(IDA CREDIT NO.6768 KE)**

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

**NATIONAL TRANSPORT
AND SAFETY AUTHORITY**

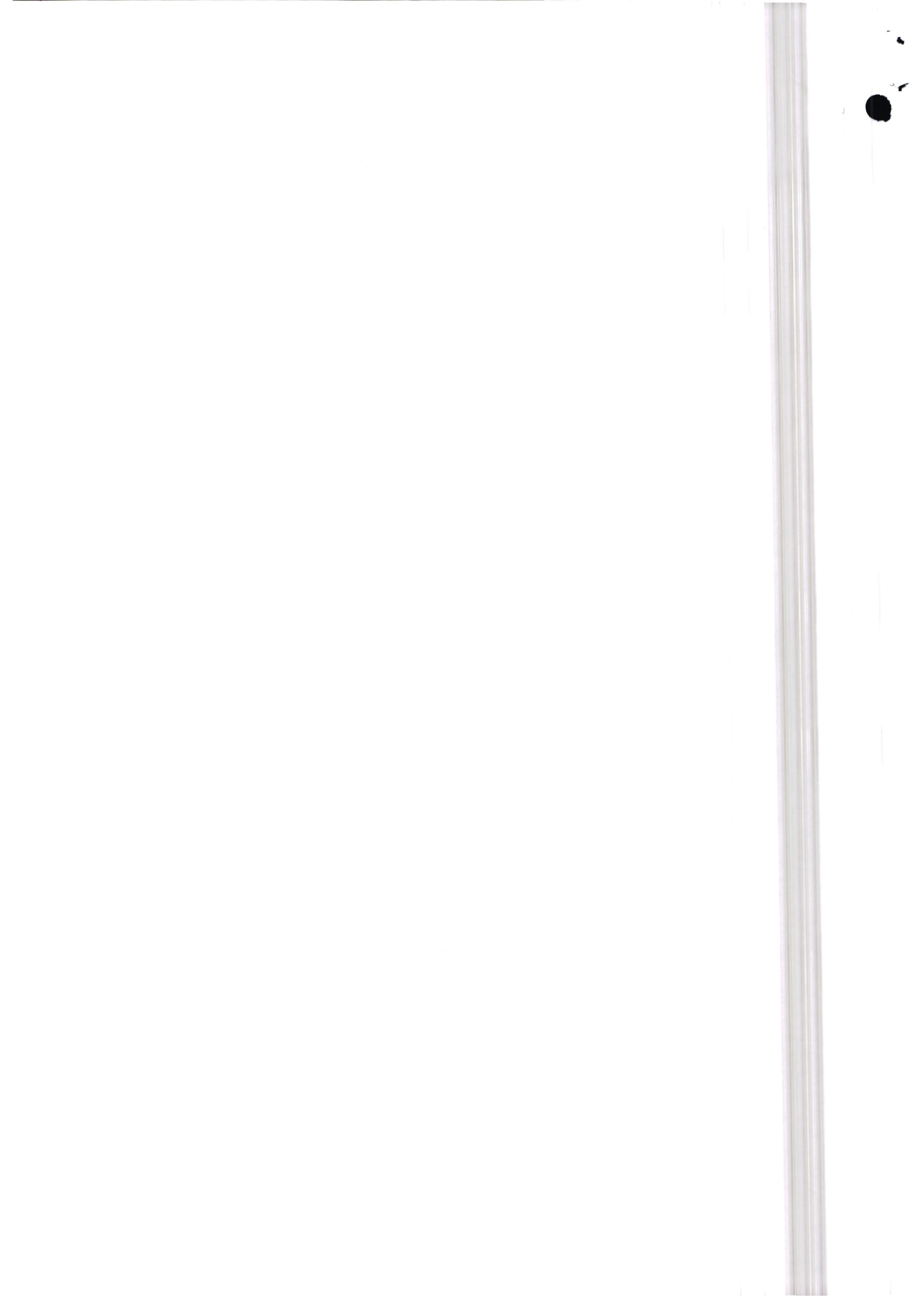
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THE NATIONAL ASSEMBLY
PAPER NO. 107

DATE: 07 DEC 2023

TABLED

Notes
Hon Owen Bayu CBS mp
Deputy majority leader
A. Chesuho



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
KENYA
REGISTRY

24 OCT 2023

RECEIVED



PROJECT NAME: Horn of Africa Gateway Development Project

IMPLEMENTING ENTITY: National Transport and Safety Authority

PROJECT CREDIT NUMBER: P161305/6768KE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2023

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

Horn of Africa Gateway Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2023

***Horn of Africa Gateway Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2023***

Table Contents

1.	Acronyms and Glossary of Terms	iv
2.	Project Information and Overall Performance.....	v
3.	Statement of Performance against Project’s Predetermined Objectives.....	xvi
4.	Environmental and Sustainability Reporting.....	xxii
5.	Statement of Project Management Responsibilities	xxvi
6.	Report of the Independent Auditor on Horn of Africa Gateway Development Project	xxviii
7.	Statement of Receipts and Payments for the year ended 30th June 2023.....	1
8.	Statement of Financial Assets as at 30 th June 2023	3
9.	Statement of Cashflow for the year ended 30 th June 2023	4
10.	Statement of Comparison of Budget and Actual amounts for the year ended 30 th June 2023	6
11.	Significant Accounting Policies	7
12.	Notes to the Financial Statements	14
13.	Annexes	23

***Horn of Africa Gateway Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2023***

1. Acronyms and Glossary of Terms

CBK	Central Bank of Kenya
NTSA	National Transport and Safety Authority
TIMS	Transport Integrated Management Systems
HoAGDP	Horn of Africa Gateway Development Project
GoK	Government of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
NT	National Treasury
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
WB	World Bank
Comparative FY	Financial Year preceding the current Financial Year
MOTIHUD	Ministry of Transport, Infrastructure, Housing & Urban Development
IDA	International Development Association
OSHA	Occupational Safety and Health Act
EMCA	Environmental Management and Coordination Act

2. Project Information and Overall Performance

2.1 Name and registered office

Name

The project's official name is Horn of Africa Gateway Development Project.

Objective

The Overall Project Development Objectives for HoAGDP are to:

- a) Improve Movement of People, Goods and Access to Digital Connectivity.
- b) Facilitate Regional Trade and Transport
- c) Improve Access to Selected Basic Social Services at Designated Locations
- d) Institutional Strengthening of selected Transport and Related Institutions.

The main objective for NTSA Activities under the project is to Strengthen Institutional Capacity to oversee road safety initiatives.

Address

NTSA Head Office, Upper Hill-Nairobi, Nairobi County, Kenya.

Office of the Director General,

National Transport and Safety Authority,

316 Upper Hill Chambers, 2nd Ngong Avenue:

P.O.BOX 3602-00506, Nairobi.

Contacts: The following are the project contacts

Telephone: (020)6632123/ (020)6632243

E-mail: dg@ntsa.go.ke

Website: www.ntsa.go.ke

***Horn of Africa Gateway Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2023***

Project information and overall performance (continued)

2.2 Project Information

Project Start Date:	22.12.2020
Project End Date:	31.12.2028
Project Manager:	Mr George Njao
Project Sponsor:	Government of Kenya and the World Bank

2.3 Project Overview

Line Ministry/State Department of the project	The Ministry of Interior and Coordination of National Government
Project number	P161305
Strategic goals of the project	The strategic goal of the project is to Strengthen the Institutional Capacities of National Transport and Safety Authority (NTSA)
Other important background information of the project	The project has six implementing entities and 21 beneficiary Agencies. The total loan facility of USD 750Million was approved by the World Bank on 8th September 2020, as was communicated through a press release by the Cabinet Secretary, MOTIHUD. NTSA, as an implementing entity and the Bank approved USD 28Million including USD 4Million from GoK for NTSA under HOAGDP. As an implementing entity, NTSA signed a subsidiary agreement with the Bank on 5th November 2020. Project effective date was 22nd December 2020, and project commenced thereafter.
Project duration	8 years

Project Information and Overall Performance (Continued)

2.4 Bankers

The following are the bankers for the current year:

- (i) Kenya Commercial Bank Ltd
 Capitol Hill Branch
 P.O Box 4360-00100
 Nairobi, Kenya.
- (ii) Central Bank of Kenya
 Haile Selassie Avenue
 P.O.BOX 6000-00200
 Nairobi, Kenya.

2.5 Auditors

Office of the Auditor General
 Anniversary Towers
 P. o. Box 30084-00100
 Nairobi, Kenya.

2.6 Roles and Responsibilities

The following key people are working on the project.

Names		Title designation	Key qualification	Responsibilities
Mr. Njao	George	Project Manager and Project Oversight Committee (POC) Member	<ul style="list-style-type: none"> • Holds a Master's degree and a Bachelor of Science degree from Central Missouri State University, USA. • Has over 15 years' experience in the transport sector specifically in safety management 	The GoK established the POC to be responsible for steering, oversight and strategic guidance to project implementation, and resolve bottlenecks, particularly of a policy nature that may arise as well as cross-cutting issues such as land acquisition, resettlement and compensation, relocation of utilities, payment processing, and budget allocations for the project
Ms. Olwa	Beatrice	PIT Lead	<ul style="list-style-type: none"> • PhD in Strategic management 	<ul style="list-style-type: none"> • Manage the day-to-day operations of their

*Horn of Africa Gateway Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2023*

Names	Title designation	Key qualification	Responsibilities
		<p>(ongoing).</p> <ul style="list-style-type: none"> • A holder of Master of Arts in Planning, and • Bachelor of Arts in Economics and Mathematics • A Monitoring and Evaluations expert • A strategist • Public policy and research expert • EIA/EA Lead Expert • Has a certificate in project planning and management. • Over 20 years' experience in planning and management. 	<p>respective component.</p> <ul style="list-style-type: none"> • Plan, direct, control and coordinate activities of the program components under their management • Monitor the program commitment of their respective organizations. •) Resolving any project preparation and implementation bottlenecks that may arise during execution of their respective project activities • Ensure Preparation and submission of all the project reports in a timely manner
Mr. Nashon Kondiwa	Deputy PIT Lead and ICT Expert	<ul style="list-style-type: none"> • Masters of Science in Electrical Engineering • Masters of Science In Telecommunication Engineering • Bachelor of Science in Computer Engineering • Certified Project Management Professional (PMP) • 17 Years Experience in ICT Solutions Design, Operations and Project Management. • A member of the Project Management Institute (PMI) 	<p>The responsibilities of the PIT as stipulated in the Project Implementation Manual are as follows:</p> <ol style="list-style-type: none"> a) manage the day-to-day activities of the components of the project. b) Implement the project with due diligence and efficiency and in conformity with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the World Bank. c)) Prepare quarterly progress reports for the respective activities
Opere Joel	Vehicle	<ul style="list-style-type: none"> • Eng. Opere is a 	

Horn of Africa Gateway Development Project

Annual Report and Financial Statements for the financial year ended June 30, 2023

Names	Title designation	Key qualification	Responsibilities
Akomo	Inspection Expert	<p>Professional Engineer with Engineers Board of Kenya, Corporate Member and a Technical Committee member of Leadership and Capacity development Committee of the Institution of Engineers of Kenya.</p> <ul style="list-style-type: none"> • He has an experience of over 14 years • PhD in Climate Change and Adaptation (ongoing)- University of Nairobi • Masters of Science in Energy Management- UoN • Bsc in Mechanical Engineering- JKUAT • Diploma in Mechanical Engineering – JKUAT 	<p>and submit to the Project Management Office not later than 15 days after the end of the quarter.</p> <p>d) Ensure attendance of all project meetings such as the POC, Implementation Support Mission Meetings and any other meetings as may be called from time to time.</p> <p>e) Ensure compliance to the provisions of the Anti-Corruption Guidelines and the Safeguard Standards as stipulated in the Financing Agreement</p> <p>f) Undertake procurement of all works, goods and services in accordance with the provisions of the Financing Agreement and PPSD</p> <p>g) Prepare responses to the issues raised during the Implementation Support Mission and submit the responses not later than 30 days after the mission</p>
Eng. Christine Ogut	Road Safety Audit Expert	<ul style="list-style-type: none"> • Eng. Christine Ogut is a Professional Engineer with Engineers Board of Kenya, Corporate Member and a Council Member of the Institution of Engineers of Kenya. • She holds a Bachelor of Science Degree (Civil Engineering) 	<p>h) Retain all records evidencing expenditures under the respective activities of the Project for the period of time specified in the General Conditions;</p>

***Horn of Africa Gateway Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2023***

Names	Title designation	Key qualification	Responsibilities
		<ul style="list-style-type: none"> from University of Nairobi • A Master of Science Degree in Urban Infrastructure Engineering Management from UNESCO-IHE, Delft, Netherlands • Diploma in Environment and Public Transport Management from Vagoch Transport Forsknings Institute (VTI) Linkoping, Sweden. • She is a Road Safety Auditor and Trainer of Trainees. 	<ul style="list-style-type: none"> i) Maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the World Bank, both in a manner adequate to reflect its operations and financial conditions, including the operations, resources and expenditures related to the PIE respective Part of the Project; j) Ensure attendance of all project meetings such as the POC, Implementation Support Mission Meetings and any other meetings as may be called from time to time.
Mr. Shalakh Shem	Procurement specialist	<ul style="list-style-type: none"> • Master's in Business Administration (Procurement and Supply Chain Management) • Bachelor of Science in Purchasing & Supplies Management • Graduate Diploma in Procurement & Supply (CIPS) 	<ul style="list-style-type: none"> k) Prepare and furnish to the World Bank not later than fifteen days after the end of each quarter, interim unaudited financial reports relating to the previous quarter, in form and substance satisfactory to the World Bank for consolidation in the interim unaudited financial reports.
Mr. Wycliffe Wasike	Finance Specialist	<ul style="list-style-type: none"> • Masters in Business Administration • Bachelor of Commerce • Certified Public Accountant (CPA-K) • Certified Public Secretary (CPS-K) 	<ul style="list-style-type: none"> l) Open and maintain a dedicated Project account, until the
Ms. Margaret Kabochi	Human Resource expert	<ul style="list-style-type: none"> • Bachelor's degree • Higher Diploma 	

Horn of Africa Gateway Development Project

Annual Report and Financial Statements for the financial year ended June 30, 2023

Names	Title designation	Key qualification	Responsibilities
		in Human Resource Management • Certified HR Practitioner (CHRP-K) • MBA (Double Majors)- Human Resource Management and Strategic Management	completion of the Project, in a commercial bank on terms and conditions acceptable to the World Bank. Ensure that the Page 24 funds deposited into said account shall be used exclusively to finance the cost of expenditures required the PIE respective part of the Project. m) Furnish to the World Bank such other information concerning the project as may from time to time be requested
Mr. Wilson Tuigong	Road safety expert	<ul style="list-style-type: none"> • Master's in finance • Master of Arts in Economics • CPA(K) 	
Dr. Duncan Kibogong	Road Safety Expert	<ul style="list-style-type: none"> • Dr Kibogong is a holder of Bachelor of Medicine and Bachelor Surgery (MB, ChB) from University of Nairobi) • Master of Public Health. • Master of Science in Strategic Management (MSc Strategic Management) from JKUAT. • Post Graduate Course Certification in Road Safety from the International Road Safety Institute based at Delft University of Technology. • He is also certification on Road Traffic Injury Prevention and Control in Low and Middle Income Countries 	

***Horn of Africa Gateway Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2023***

Names	Title designation	Key qualification	Responsibilities
		from Johns Hopkins University, USA. <ul style="list-style-type: none"> • He Previously worked in road Safety programmes at the World Health Organization (WHO). 	
Mr. Julius Kihara	Monitoring and Evaluation Expert	<ul style="list-style-type: none"> • Bsc Supply Chain Management • CPA finalist • Msc Monitoring and Evaluation (M&E) ongoing. • M&E Expert for the project 	

2.7 Funding summary

The Project is for duration of 8 years from 2021 to 2028 with an approved budget of EUR 25M equivalent to KShs 3.2B as highlighted in the table below:

Project information and overall performance (continued)

Below is the funding summary:

A. Source of Funds

Source of funds	Donor Commitment-		Amount received to date - (30 June 2023)		Undrawn balance to date	
	Donor currency EUR (A)	Kshs (A')	Donor currency EUR (B)	Kshs (B')	Donor currency Kshs (A)-(B)	Kshs (A)-(B)
(i) Grant						
Insert name of donor	-	-	-	-	-	-
(ii) Loan						
International Development Association (World Bank)	21,400,000	2,737,569,320	6,993,932	909,204,947	14,406,069	1,828,364,373
(iii) Counterpart funds						
Government of Kenya	3,619,237	462,986,577	-	-	3,619,237	462,986,577
Total	25,019,237	3,200,555,897	6,993,932	909,204,947	18,025,306	2,291,350,950

*Horn of Africa Gateway Development Project
Annual Report and 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 date (30 th June 2023)	
	Donor currency (A)	Kshs (A')	Donor currency (B)	Kshs (B')	Donor currency (A)-(B)	Kshs (A')-(B')
(i) Loan						
International Development Association	6,993,932	909,204,947	4,674,223	715,069,665	2,319,708	194,135,282
(ii) Counterpart funds						
Government of Kenya	-	-	-	-	-	-
Total	6,993,932	909,204,947	4,674,223	715,069,665	2,319,708	194,135,282

Project information and overall performance (continued)

2.8 *Summary of Overall Project Performance:*

- i) The Project activities are in various stages of implementation. There are some which are yet to commence, others are in procurement process while others are nearing completion. Specific status is as detailed under *Statement of Performance against Project's Predetermined Objectives (Number 3. Of Table of Contents)*
- ii) The value-for-money has been achieved through the activities that have been carried out so far as
- iii) The absorption rate for the current Financial Year was 81% against 58% in FY 2021/22 and that of FY 2020/21 which was 6.3%.
- iv) Implementation challenges includes interdependency of various activities whereby a challenge that leads to delay of the activity will result in delay of another activity(s).

2.9 *Summary of Project Compliance:*

No issues of non-compliance has been encountered so far.

3. Statement of Performance against Project's Predetermined Objectives

Introduction

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer when preparing financial statements of each National Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the national government entity's performance against predetermined objectives.

The key development objective of the Project's Agreement is to strengthen NTSA capacity through implementation of the following project activities:

- a) Upgrading and reconfiguration of the Transport Integrated Management System (TIMS)
- b) Automation of motor vehicle inspection centres and a driving school.
- c) Carrying out research on road safety management (safe systems approach) to establish baseline data on road safety performance indicators in Kenya.
- d) Strengthening of NTSA management information systems and building NTSA's institutional capacity in monitoring, evaluation, and learning.
- e) Enhancing NTSA capacity in: carrying out road safety audits, evaluation of road designs, identification of hazardous locations based on crash data, recommending remedial measures appropriate for hazards, and post audit evaluation of hazardous locations; (ii) facilitating NTSA contribution in harmonization of safety regulations among similar agencies in East Africa and Horn of Africa and in development of specific road safety rules and regulations for transit traffic within the region and specifically for the transport of hazardous materials on regional road corridors; and (iii) undertaking public sensitization and awareness on road safety matters and design of improved protocols/guidelines for emergency response.

Progress on attainment of strategic development objectives

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable,

***Horn of Africa Gateway Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2023***

realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement:

**Horn of Africa Gateway Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2023**

Below we provide the progress on attaining the stated objectives:

No.	Project Activities	Objective	Outcome	Indicator	Performance/Milestones
1.	<p>Project Name: KE-NTSA-204278-GO-RFB/Supply, Delivery and Installation of Primary Data Centre core Infrastructure switches, Servers, Storage, Intelligent racks, Virtual Desktop Infrastructure and associated devices.</p>	<p>The Project objective is to address reliability and capacity challenges of TIMs. It is categorized into 5 lots:</p> <ul style="list-style-type: none"> LOT 1: Supply Delivery and Installation of Primary Data Centre Core Switches, Servers, Storage and Data Centre Firewall Upgrade LOT 2: Supply Delivery and Installation of Integrated Data Centre Infrastructure/ Intelligent Racks for Primary Data Centre Lot 3: Supply and Installation of Virtual Desktop Infrastructure Solution LOT 4: Supply and Delivery of 200 Laptops, 40 Printers and 5 Projectors. LOT 5: Provision of Cloud Services for High Availability Architecture 	<p>Having Reliable and secure Infrastructure efficient delivery</p> <p>Having Reliable and secure Infrastructure efficient delivery</p> <p>Having Reliable and secure Infrastructure efficient delivery</p> <p>Having Reliable and secure Infrastructure efficient delivery</p> <p>Having Reliable and secure Infrastructure</p>	<p>% of project completion</p> <p>% of project completion</p> <p>% of project completion</p> <p>% of project completion</p> <p>% of project completion</p>	<ul style="list-style-type: none"> 100% technically complete. Defects & Liability Period phase completed; snag items completed. 100% technically complete Construction works – Completed. Facility handed over to NTSA. Handover certificate signed User training completed Overall progress at 92%. Devices (400 nodes) ordered & delivered. 100% completed and signed off. 100% technically Completed and operationalized. Under maintenance period

**Horn of Africa Gateway Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2023**

No.	Project Activities	Objective	Outcome	Indicator	Performance/Milestones
2.	Project Name: KE-NTSA-204305-GO-RFB /Supply, delivery and installation of intelligent road safety management application and monitoring centre.	NTSA aims to implement an intelligent road safety management system to capture traffic data and automate enforcement of traffic laws along the transport corridor.	<ul style="list-style-type: none"> Enhanced efficiency in Road Safety Management Improved Road User behaviour 	% of project completion	<ul style="list-style-type: none"> Project completion at 62% Onboarding of Vendors and Operators is at 85% complete. Control Management Centre (CMC) delivery is at 99%
3.	Project Name: KE-NTSA-216855-CS-QCBS / Consultancy Services for Project Management to Support National Transport and Safety Authority ICT Projects Implementation and Quality Assurance	To efficiently manage ongoing ICT projects and ensure quality assurance.	Having Reliable and secure Infrastructure for efficient delivery	% of project completion	<ul style="list-style-type: none"> Security Vulnerability Assessment at 100% Completed documents signed off. Network & Systems/ Infrastructure Assessment at 100% Completed documents signed off.
4.	Project Name: KE-NTSA-204331-GO-RFQ / Procurement of motor vehicle Contract type: Goods	Procurement of a vehicle to support Road Safety audits	Enhanced Mobility	Vehicle Purchased.	<ul style="list-style-type: none"> Vehicle procured in the first year of project and it in use.
5.	Project Name: KE-NTSA-231634-CS-INDV / Consultancy Services for Design Enterprise Architecture of ICT Systems and Services for Optimal Service Delivery and	The main purpose of this activity is to define appropriate standards, framework, guidelines and delivery of a new Enterprise Architecture for NTSA services that cover the four main architecture domains (i.e. business, data, application &	Having Reliable and secure Infrastructure for efficient delivery	% of project completion	<ul style="list-style-type: none"> The project was completed and closed. Final report available

**Horn of Africa Gateway Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2023**

No.	Project Activities	Objective	Outcome	Indicator	Performance/Milestones
6.	<p>Operations (International Consultant) Contract type: Consultancy</p> <p>Project Name: KE-NTSA-231640-CS-INDV Consultancy Services for Design of Enterprise Architecture of ICT Systems and Services for Optimal Service Delivery and Operations (Local Consultant)</p>	<p>technology).</p> <p>The main was to review existing architecture, impand lemented systems, both hardware and software.</p>	<p>Having Reliable and secure Infrastructure for efficient Service delivery</p>	<p>% of project completion</p>	<ul style="list-style-type: none"> • Project completed • Final report available
7.	<p>Project Name: KE-NTSA-238600-CS-QCBS / Consultancy services for Review and Development of NTSA Strategic Plan, Strategy Monitoring, Evaluation, and Learning Framework Contract type: Consultancy</p>	<p>Main objective is to develop the second NTSA strategic Plan 2023-2027 and related Monitoring, evaluation, and learning framework.</p>	<p>Enhancing an efficient Road Management System and Road User behaviour</p>	<p>% of project completion</p>	<p>Project completion at 60%</p> <ul style="list-style-type: none"> • Draft report was subjected to management review • Second draft subjected to the Board for review. • Draft monitoring, evaluation and learning framework submitted and feedback provided

**Horn of Africa Gateway Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2023**

No.	Project Activities	Objective	Outcome	Indicator	Performance/Milestones
8.	<p>Project Name: KE-NTSA-231676-CS-QCBS / Consultancy Services for Design and Supervision of Works for Motor Vehicle Inspection and Driver Testing Centre in Thika Town (<i>Phase 1 & 2</i>)</p>	<ul style="list-style-type: none"> Automate Thika Motor Vehicle Inspection Center Build a model Driver Training and testing Unit. 	<p>Enhancing an efficient and safer vehicles management system</p>	<p>% Of project completion</p>	<ul style="list-style-type: none"> Procurement plan for Works has been submitted to the Bank and a No Objection has been granted. Approvals for Social and Environmental Impact Assessment granted by NEMA Approvals for development and Occupational Safety & Health granted
9.	<p>Project Name: Consultancy Services for Review of Design for Additional Four Inspection Lanes, and Supervision of Works at Likoni Road Motor Vehicle Inspection Centre, Nairobi</p>	<p>Automate additional four test lanes at Likoni-Rd. motor vehicle inspection center</p>	<p>Enhancing an efficient and safer vehicles management system</p>	<p>% Of project completion</p>	<ul style="list-style-type: none"> Design and tender documents submitted to NTSA Procurement plan submitted to the Bank for No Objection. Following up on approvals by NEMA, and County government
10.	<p>Capacity Building for NTSA staff</p>	<p>To enhance NTSA capacity</p>	<p>Enhanced road safety management</p>	<p>Number trained</p>	<ul style="list-style-type: none"> 189 members of staff trained.

4. Environmental and Sustainability Reporting

NTSA was established under the NTSA Act No.33 of 2012 with a purpose to: (i) Harmonize operations of key institutions in the road transport subsector, (ii) Improve service delivery; and (iii) Enhance road safety. NTSA as the body charged with the responsibility for ensuring the provision of safe, reliable and efficient road transport services; and administering the Act of Parliament set out in the First Schedule and any other written law, among other responsibilities is obliged to safeguard the realization of safety targets as set out locally or adopted internationally by the country. The main one being reduction of fatalities and injuries arising from road crashes. Highlight of activities that drive sustainability are as follows:

1. Sustainability strategy and profile

Motorized transport has become the most preferred means of transport. As people use this preferred mode, they equally expose or subject their lives and property to danger and risks. According to the World Health Organization estimates, about 1.2 million people are killed annually on the roads and up to 50 million are injured worldwide. 90 per cent of these deaths and injuries occur in developing countries such as Kenya, which incidentally claim less than a half of the world registered vehicle fleet. Should the trend continue, the number of people injured or killed on the roads will keep on rising and NTSA as the Authority in charge of Road safety has put in place measures to help reduce the trend. The sub-component D4 is specifically aimed at improving Road Safety by leveraging on Technology to ensure Compliance with Road Transport Rules and Regulations, both nationally and regionally using global parameters.

The African Union (AU) enacted the UN Decade of Action along with many other African countries including Kenya. Together with the United Nations Economic Commission for Africa (UNECA), the AU defined the African Road Safety Action Plan 2011-2020 which was built on five pillars aligned with the Safe System Approach and include: Road safety management; Safer roads and mobility; Safer vehicles; Safer road users; and Post-crash response. Through HOAGDP, the Authority will coordinate and lead a team to implement interventions aligned to all the five pillars of road safety through leadership and a comprehensive coordination mechanism as spelt out in National Road Safety Action Plan.

Selected initiatives in the National Road Safety Action Plan including research on safe systems, public education programmes targeting behavioural change and regional integration, will be implemented under HOAGDP support.

2. Environmental performance

The Authority has a total of 17 motor vehicle inspection centers across the country. Through support from the World Bank, NTSA automated two motor vehicle inspection centers, namely Nairobi - Likoni and Mombasa-Miritini Road Inspection centers. In the remaining 15 inspection centers are manually operated. Section 16(2) of the Traffic Act Cap 403 requires that “Every vehicle more than four years old from the recorded dated of manufacture shall be subjected to inspection by the motor vehicle inspection unit”, which means that over three million vehicles in Kenya are supposed to be inspected annually. However, given the current capacity of the 17 inspection centres, NTSA can inspect a maximum of 400,000 vehicles (public and commercial service vehicles) leaving approximately 2,600,000 vehicles (mainly private) uninspected annually. NTSA plans to develop Regional Model for motor vehicle inspection in Thika town to act as centres of excellence. The main features for the planned test lanes include Brake testers, headlight testers, display unit, and most importantly, emission tester and noise meter which will help with managing environmental pollution from motor vehicles and reduce the impact of noise and air pollution on human health.

3. Employee Welfare

The Authority has put in place the Gender & Disability Mainstreaming Committee and career Progression policy to guide its recruitment processes and daily affairs

NTSA as an employer has a primary duty under Occupational Health, & Safety Act- OSHA 2007 and Environmental Management and Coordination Act (EMCA 1999) to “take every precaution reasonable in the circumstances for the protection of a worker and the natural environment”. In order to fulfil these regulatory requirements; NTSA has developed a Safety, Health and Environment policy document which outlines the policy framework under which Safety, Health and Environment is managed. The policy

has the following objectives.

- a) Zero injuries, fatalities and occupational illnesses.
- b) Minimizing negative impact to the environment.
- c) Zero damage to property and/or equipment.

The Authority is fully compliant with the Occupational Safety and Health Act of 2007, (OSHA).

In an effort to comply with the gender rule the Authority formulated the gender and disability mainstreaming policies and by extension a committee to guide and implement gender and disability matters in the Authority. These are key performance indicators in the performance contracting, which the Authority is currently compliant on.

Training has been assigned a specific budget line to promote capacity building of staff in diversified fields. To promote professionalism and retention of critical staff a practice has been established where annual subscription and continuous development programmes are shouldered by the Authority for the benefit of the professional staff. This in turn has enabled them to be in good professional standing.

4. Market place practices-

The project should outline its efforts to;

a) Responsible supply chain and supplier relations;

The Authority is guided by the Public Procurement Regulatory Act 2015 and World Bank Procurement Regulations when undertaking our procurement processes. We respect our suppliers and give equal opportunity to all without discrimination (gender or disability). Our procurement processes are transparent and our suppliers are paid within the stipulated timelines.

b) Responsible ethical practices;

The Authority has automated all the services on the Transport Integrated Management Systems (TIMS) an online self-service portal where clients create and manage their own individual accounts by using their personal information. As outlined in the Authorities Service Charter, the services offered indicate the costs and timelines for acquiring the services thereby managing customer expectations regarding the delivery

of services, standards of quality and conflict resolution. The Authority undertakes all its activities in an ethical manner and in line with the requirement of relevant laws and regulations.

- c) Regulatory impact assessment
Safeguard citizen and stakeholder's rights.

5. Community Engagements

National Transport and Safety Authority exists to continuously improve on road safety for all users through planning, managing and regulating the road transport system transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to delivery our strategy, which is founded on four strategic pillars: Service orientation, internal business processes. People focus and financial sustainability. Below is a brief highlight of our commitment in each pillar.

In the year under review, the programs undertaken were of ICT related and as such did not have direct community engagement related activities. They entailed procurement of systems and related wares.

5. Statement of Project Management Responsibilities

The Director General NTSA and the Project Coordinator for 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 (v) Making accounting estimates that are reasonable in the circumstances.

The Director General NTSA and the Project Coordinator for 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 NTSA and the Project Coordinator for 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 ended June 30, 2023, and of the Project's financial position as at that date. The Director General NTSA and the Project Coordinator for 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 NTSA and the Project Coordinator for HoAGDP confirm that the Project has complied fully with applicable Government Regulations and the terms of

***Horn of Africa Gateway Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2023***

external financing covenants, and that Project funds received during the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project financial statements

The Project financial statements were approved by the Director General and the Project Coordinator for HoAGDP on 27/09/ 2023 and signed by them.

Director General

Name: *George Nyaw*

Project Coordinator

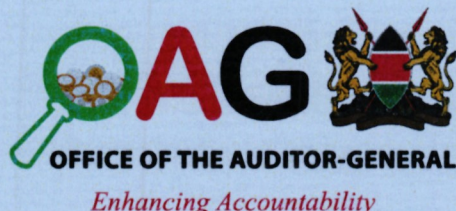
Name: *B. ULWA (P/T)*

Project Accountant

Name: *George Kulho*
ICPAK Member No. *13016*

REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
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HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (IDA CREDIT NO.6768 KE) FOR THE YEAR ENDED 30 JUNE, 2023 - NATIONAL TRANSPORT AND SAFETY AUTHORITY

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Horn of Africa Gateway Development Project (IDA Credit No.6768 KE) - National Transport and Safety Authority

Report of the Auditor-General on Horn of Africa Gateway Development Project (IDA Credit No.6768 KE) for the year ended 30 June, 2023 - National Transport and Safety Authority

(NTSA) set out on pages 1 to 23, which comprise of the statement of financial assets as at 30 June, 2023 and the statement of receipts and payments, statement of cash flows and 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 Horn of Africa Gateway Development Project (IDA Credit No.6768 KE) - National Transport and Safety Authority 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 No.6768 KE between the International Development Association(IDA) and the Republic of Kenya dated 7 October, 2020 and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Horn of Africa Gateway Development Project - National Transport and Safety Authority 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.

Key Audit Matters

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

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects total budgeted expenditure of Kshs.629,720,000 against actual payments of Kshs.509,180,035 thereby resulting in an under-expenditure of Kshs.120,539,965 or 19% of the budgeted expenditure.

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

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 on whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities which govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

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

Basis for Conclusion

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) 2315 and 2330. The Standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk Management and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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 controls as Management determines is necessary to enable the preparation of financial statements which are free from material misstatement, whether due to fraud or error, and for assessment of the effectiveness of the 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 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 audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal controls 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 controls that are identified during the audit.

I also provide the 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

27 October, 2023

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

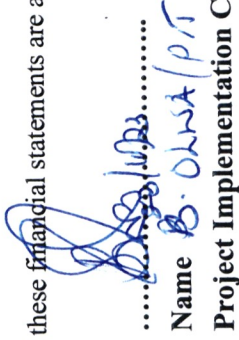
	Note	2022-2023			2021-2022			Cumulative to-date (From inception)
		Receipts and payments controlled by the entity	Payments made by third parties	Total	Receipts and payment controlled by the entity	Payments made by third parties	Total	
Receipts		Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
Transfer from Government entities	1	-	-	-	-	-	-	-
Proceeds from domestic and foreign grants	2	-	-	-	-	-	-	-
Loan from external development partners	3	440,876,797	229,498,424	670,375,221	128,930,395	60,585,875	189,516,270	909,204,947
Total receipts		440,876,797	229,498,424	670,375,221	128,930,395	60,585,875	189,516,270	909,204,947
Payments								
Purchase of goods and services	4	56,146,116	-	56,146,116	8,269,562	-	8,269,562	64,415,678
Acquisition of non-financial assets	5	223,471,071	229,498,424	452,969,494	130,723,293	60,585,875	191,309,169	650,568,318
Other grants and transfers /payments	6	64,425	-	64,425	20,644	-	20,644	85,669
Total payments		279,681,611	229,498,424	509,180,035	139,013,499	60,585,875	199,599,375	715,069,665
Surplus/ (deficit)		161,195,186	-	161,195,186	(10,083,104)	-	(10,083,104)	194,135,282

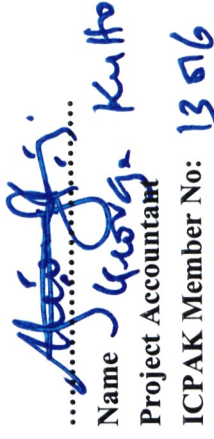
**Horn of Africa Gateway Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2023**

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

.....

Name **George Njiru**
Director General

.....

Name **B. Oluwa/P.T**
Project Implementation Coordinator

.....

Name **George Kuito**
Project Accountant
ICPAK Member No: **13516**

*Horn of Africa Gateway Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2023*

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

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
Financial Assets			
Cash and Cash equivalents			
Bank Balances	7	125,317,543	301,211
Total Cash and Cash equivalents		125,317,543	301,211
Accounts Receivables	8	68,817,740	32,638,887
Total Financial Assets		194,135,283	32,940,887
Financial Liabilities			
Net Assets		194,135,283	32,940,097
Represented By			
Fund Balance B/fwd.	9	32,940,097	43,023,201
Surplus/(Deficit) for the Year		161,195,186	(10,083,104)
Net Financial Position		194,135,283	32,940,097

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 27/09/2023 and signed by:

.....
Name George Njiru
Director General

.....
Name B. OLSA/pri
Project Coordinator

.....
Name George Kutto
Project Accountant

ICPAK Member No: 13016

*Horn of Africa Gateway Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2023*

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

Description	Notes	2022-2023	2021-2022
		Kshs	Kshs
Cashflow From Operating Activities			
Receipts			
Transfer from government entities	1	-	-
Proceeds from domestic and foreign grants	2	-	-
Total receipts		-	-
Payments			
Purchase of goods and services	4	(56,146,116)	(8,269,562)
Other grants and transfers	6	(64,425)	(20,644)
Total Payments		(56,210,541)	(8,290,206)
Adjustments during the year			
Prior year adjustments	12	-	-
Decrease/(increase) in accounts receivable	10	(36,178,853)	(32,638,887)
Increase/(decrease) in accounts payable:	11	-	-
Net cash flow from operating activities		(92,389,394)	(40,929,093)
Cashflow From Investing Activities			
Acquisition of non-financial assets	5	(223,471,071)	(130,723,293)
Net cash flows from investing activities		(223,471,071)	(130,723,293)
Cash Flow From Financing Activities			
Proceeds from foreign borrowings	3	440,876,797	128,930,395
Net cash flow from financing activities		440,876,797	128,930,395
Net increase in cash and cash equivalents		125,016,332	(42,721,991)
Cash and cash equivalent at beginning of the year	7	301,210	43,023,201
Cash and cash equivalent at end of the year	7	125,317,543	301,210

***Horn of Africa Gateway Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2023***

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The HoAGDP financial statements were approved on 27/09/2023 and signed by:

.....
Name **George Njiru**
Director General

.....
Name **B. West/ps**
Project Coordinator

.....
Name **George Kutto**
Project Accountant
ICPAK Member No: **13516**

Horn of Africa Gateway Development Project
Annual Report and 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	a	b	c=a+b	d	e=c-d	f=d/c %
	Original Budget	Adjustments	Final Budget	Actual Comparable Basis	Budget Utilization Difference	% of Utilization
Receipts						
Transfer from Government entities	-	-	-	-	-	0%
Proceeds from domestic and foreign grants	-	-	-	-	-	0%
Proceeds from borrowings	159,729,056	469,990,944	629,720,000	670,375,221	(40,655,221)	106%
Miscellaneous receipts	-	-	-	-	-	-
Total Receipts	159,729,056	469,990,944	629,720,000	670,375,221	(40,655,221)	106%
Payments						
Purchase of goods and services	-	59,000,000	59,000,000	56,146,116	2,853,884	95%
Acquisition of non-financial assets	159,709,056	410,940,944	570,650,000	452,969,494	117,680,506	79%
Other grants and transfers	20,000	50,000	70,000	64,425	5,575	92%
Total Payments	159,729,056	469,990,944	629,720,000	509,180,035	120,539,965	81%
Surplus or Deficit	-	-	-	161,195,186	(161,195,186)	

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

.....
 Name **George Njoo**
 Director General

.....
 Name **B. OLSA / PIS**
 Project Coordinator

.....
 Name **George Kutto**
 Project Accountant
 ICPAK Member No: **13516**

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 Project under the National Transport and Safety Authority. The financial statements are for the Authority's Horn of Africa Gateway Development Project as required by Section 81 of the 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 Horn of Africa Gateway Development Project recognises all receipts from the various sources when the event occurs, and the related cash has actually been received.

Significant Accounting Policies (Continued)

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 monies received through grants and loans from multilateral and bilateral development partners.

iii) Other receipts

These include Appropriation-in-Aid and relates to receipts such as proceeds from disposal of assets and sale of tender documents. These are recognized in the financial statements at 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 external loans acquired by the Project or any other debt the Project may take and will be treated on cash basis and recognized as a receipt during the year they were received.

vi) Undrawn external assistance

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

Significant Accounting Policies (Continued)

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 to 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.

iii) Interest on borrowing

Borrowing costs that include interest are recognized as payment in the period in which they incur 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

Significant Accounting Policies (Continued)

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.

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.

Significant Accounting Policies (Continued)

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

k) Contingent Assets

The Authority 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 Authority in the notes to the financial statements. Contingent assets are assessed continually to ensure that

Significant Accounting Policies (Continued)

developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

l) Pending bills

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

Significant Accounting Policies (Continued)

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.

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). During the FY 2022-23, there was no prior period adjustments.

*Horn of Africa Gateway Development Project
Annual Report and 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:

Description	KShs	KShs	Cumulative to-date (from inception)
	2022-2023	2021-2022	
<i>Counterpart funding through Ministry of Interior and Coordination of National Administration</i>			
State Department of Interior	-	-	-
Total	=	=	=

Notes to the Financial Statements (Continued)

2. Proceeds From Domestic and Foreign Grants

During the financial period to 30 June 2023, we received grants from donors as detailed in the table below:

Name of Donor	Date received	Amount received in donor currency	Grants received in cash	Grants received as direct payment*	Grants received in kind	Total amount in Kshs	
						2022-2023 Kshs	2021-2022 Kshs
Grants Received from Bilateral Donors (Foreign Governments)	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-

*Horn of Africa Gateway Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2023*

3. Loan from External Development Partners

During the financial period to 30 June 2023, we received funding from development partners in form of loans negotiated by the National Treasury as detailed in the table below:

Name of Donor	Date received	Amount in loan currency	Loans received in cash	Loans received as direct payment*	Total amount in Kshs	
					2022-2023	2021-2022
International Development Association (IDA)	-	-	-	-	-	189,516,270
International Development Association (IDA)	30.08.2022	760,000	92,303,292		92,303,292	
International Development Association (IDA)	09.12.2022	1,532,924	194,671,774		194,671,774	-
International Development Association (IDA)	15.05.2023	1,067,182	153,901,731		153,901,731	-
International Development Association (IDA)				229,498,424	229,498,424	
Total	-	3,360,106	440,876,797	229,498,424	670,375,221	189,516,270

4. Purchase of Goods and Services

	2022/2023			2021/2022		Cumulative to-date
	Payments made in Cash	Payments made by third parties	Total payments	Total payments		
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Domestic travel and subsistence	2,110,787	-	2,110,787	2,198,900	4,309,687	
Training payments	48,166,447	-	48,166,447	-	48,166,447	
Hospitality supplies and services	-	-	-	418,644	418,644	
Specialized materials and services	5,868,883	-	5,868,883	5,652,018	11,520,901	
Total	<u>56,146,116</u>	=	<u>56,146,116</u>	<u>8,269,562</u>	<u>64,415,679</u>	

*Horn of Africa Gateway Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2023*

Notes to the Financial Statements (Continued)

5. Acquisition of Non-Financial Assets

	2022-2023		2021-2022		Cumulative to-date
	Payments made in Cash	Payments made by third parties	Total payments	Total payments	
	Kshs.	Kshs.	Kshs	Kshs	Kshs
Construction of buildings	7,553,278	-	7,553,278	-	7,553,278
Purchase of vehicles & other transport equipment	-	-	-	-	6,289,655
Purchase of specialised plant, equipment and machinery	177,497,188	229,498,424	406,995,612	174,868,816	581,864,428
Research, studies, project preparation, design & supervision	37,040,717	-	37,040,717	-	37,040,717
Acquisition of other intangible assets	1,379,887	-	1,379,887	16,440,352	17,820,239
Total	223,471,070	229,498,424	452,969,494	191,309,168	650,568,317

6. Other Grants, Transfers and Payments

	2022-2023		2021-2022		Cumulative to-date
	Payments made in Cash	Payments made by third parties	Total payments	Total payments	
	Kshs	Kshs	Kshs	Kshs	Kshs
Miscellaneous payments/Bank Charges	64,425	-	64,425	20,644	85,669
Total	64,425	-	64,425	20,644	85,669

***Horn of Africa Gateway Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2023***

Notes to the Financial Statements (Continued)

7. Cash And Cash equivalents

Description	2022-2023	2021-2022
	Kshs	Kshs
Bank accounts (Note 7A)	125,317,543	301,211
Total	<u>125,317,543</u>	<u>301,211</u>

The Horn of Africa Gateway Development Project has one project account spread within the project implementation area and no foreign currency designated account managed by the National Treasury as listed below:

A. Project Bank Accounts

Details	2022-2023	2021-2022
	Kshs	Kshs
<u>Local Currency Accounts</u>		
Kenya Commercial Bank [A/c No. 1282371665]	125,317,543	301,211
Total bank account balances	<u>125,317,543</u>	<u>301,211</u>

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.

*Horn of Africa Gateway Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2023*

Special Deposit Accounts Movement Schedule

Description	2022-2023	2021-2022
	Kshs	Kshs
(i) A/C Name [A/c No. 1000474847]		
Opening balance	499,007,016	592,236,159
Description	2022-2023	2021-2022
	Kshs	Kshs
Total amount deposited in the account	211,183,132	52,724,787
Total amount withdrawn (as per Statement of Receipts & Payments)	(440,876,797)	(128,930,395)
Foreign exchange gain/loss (Unrealised)	95,158,231	(17,023,535)
Closing balance (as per SDA bank account reconciliation attached)	<u>364,471,582</u>	<u>499,007,016</u>

The funds held were valued at Kshs. 364,471,582 based on exchange rate of 153.3382 thereby indicating a gain in value of Kshs. 95,158,231. However, this gain is not realised as at 30th June since funds were not received by the Authority.

The Special Deposit Account reconciliation statement has been attached as Appendix ii to support these closing balances.

8. Accounts Receivables

Description	2022-2023	2021-2022
	Kshs	Kshs
Payments to Suppliers (Advance Payment) Opening Balance	32,638,887	-
Payments to Suppliers (Advance Payment) Recovered	(16,108,705)	-
Other Receivables	52,287,558	32,638,887
Total	68,817,740	32,638,887

*Horn of Africa Gateway Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2023*

Notes to the Financial Statements (Continued)

8b: Breakdown Advances to Suppliers

Name of Officer or Institution	Amount Taken	Due Date of Surrender	Amount Surrendered	Balance 2023	Balance 2022
	Kshs	Kshs	Kshs	Kshs	Kshs
Juniper Intakes Ltd	-	-	16,108,705	-	16,108,705
Data Integrated Ltd	-			16,530,182	16,530,182
Total	=	=	=	<u>16,530,182</u>	<u>32,638,887</u>

9. Fund Balance Brought Forward

Description	2022-2023	2021-2022
	Kshs	Kshs
Bank accounts	301,211	43,023,201
Cash in hand	-	-
Accounts Receivable	32,638,887	-
Total	32,940,097	43,023,201

10. Changes in Receivable

Description	2022-2023	2021-2022
	Kshs	Kshs
Opening Receivables as at 1 st July 2022	32,638,887	-
Closing account receivables as at 30 th June 2023	(68,817,740)	(32,638,887)
Change in Receivables	(36,178,853)	(32,638,887)

*Horn of Africa Gateway Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2023*

11. Other Important Disclosures

1. Other Pending Payables (See Annex 4)

	Balance b/f FY 2021/2022	Additions for the period	Paid during the year	Balance c/f FY 2022/2023
Description	Kshs	Kshs	Kshs	Kshs
Amounts due to third parties	7,946,623	68,972,431	7,946,623	68,972,431
Total	7,946,623	68,972,431	7,946,623	68,972,431

*Horn of Africa Gateway Development Project
Reports and Financial Statements
For the financial year ended June 30, 2023*

13. Annexes

Annex 1: Prior Year Auditor-General's Recommendations

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	Lack of Internal Audit Reports During the year under review, the Project was not audited by the internal audit department as provided for in the Project's Appraisal Document Annex 1 Paragraph 14.	Management explained that the Internal Audit was carried out under Finance Department and Corporate Research, Strategy and Planning Department Audits	Not Resolved	FY 2023-24

.....
Name *George Njau*
Director General

.....
Name *B. O. L. W. A. / P. S.*
Project Coordinator

*Horn of Africa Gateway Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2023*

Annex2 - Variance explanations - Comparative Budget and Actual amounts for FY 2022-2023

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% Utilization	Comments on Variance (below 90% and over 100%)
	a	b	c=a-b	d=b/a %	
Receipts					
Proceeds from borrowings	629,720,000	670,375,221	(40,655,221)	106%	There was a Direct Payment of Kshs. 70 Million for FY 2021/22
Total Receipts	629,720,000	670,375,221	470,212,785	106%	
Payments					
Purchase of goods and services	59,000,000	56,146,116	2,853,884	95%	
Acquisition of non-financial assets	570,650,000	452,969,494	117,680,506	79%	Anticipated activities during the FY 2021/22 crossed over to the next FY
Other grants and transfers	70,000,000	64,425	5,575	92%	
Total payments	629,720,000	509,180,035	120,539,965	81%	


Confirmation of amounts received by NTSA as at 30th June 2023

Amounts disbursed by State Department for Internal Security and National Administration Kshs.661,826,797.20 as at 30th June 2023

Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)	Amount Received by NTSA Kshs. (E) ----- as at 30th June, 2023	Difference (KShs) (F)= (D-E)
FT2221SXZ8PV	3/Aug/22	73,650,000.00	-	-	73,650,000.00	73,650,000	(F)= (D-E)
FT222380419V	26/Aug/22	-	-	-	-	-	(D-E)
FT22319W08G1	15/Nov/22	73,650,000.00	92,303,292.00	-	92,303,292.00	92,303,292	NIL
FT22339BQP3Z	5/Dec/22	-	-	-	73,650,000.00	73,650,000	NIL
FT23047F1197	16/Feb/23	73,650,000.00	194,671,774.00	-	194,671,774.00	194,671,774	NIL
FT23110PNBR1	20/Apr/23	-	-	-	73,650,000.00	73,650,000	NIL
TOTAL		220,950,000.00	440,876,797.20	-	661,826,797.20	661,826,797.20	NIL

I confirm that the amounts shown above are correct as of the date indicated

Head of Accounts Department NTSA

Name ELIJAH SITH MERTIA sign 

Date 31/8/2023

Annex 4- Analysis of Other Pending Payables

Name	Brief Transaction Description	Original Amount	Date Deducted	Amount Paid To-Date	Outstanding Balance 2023	Outstanding Balance 2022	Comments
Amounts due to Third Parties							
Kenya Revenue Authority	5% Tax payable withheld from the Copy Cat Ltd	14,309,246	23.07.2022	7,946,623	6,362,623	7,946,623	
Retention withheld	Retention monies for various contractors	62,609,808	-	-	62,609,808	-	
Grand Total		76,919,054	-	7,946,623	68,972,431	7,946,623	

Annex 5 – Summary of Fixed Assets Register

Asset class	Opening Cost (KShs) 2022/23 (a)	Donations in form of assets (KShs) 2022/23 (b)	*Purchases/ Additions in the Year (KShs) 2022/23 (c)	**Disposals in the Year (KShs) 2022/23 (d)	Transfers in/(out) Kshs 2022/23 (d)	Closing Cost (KShs) 2023 (e)= (a)+ (b)+c- (d)+(-)d
Transport equipment	6,400,000	-	-	-	-	6,400,000
ICT Equipment	51,225,800	-	13,101,460	-	-	64,327,260
Work in Progress	131,916,960	-	540,396,053	-	-	672,313,013
Total	114,116,960	-	553,497,513	-	-	743,040,273

*Horn of Africa Gateway Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2023*

Annex 6: Contingent Liabilities Register

	Nature of contingent liability	Remarks
1		
2		

Annex 7: Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities	Source Of Funds				Implementing Partners
				Q1	Q2	Q3	Q4	

*Horn of Africa Gateway Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2023*


Annex 8: Reporting Disaster Management Expenditure

Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments

**Horn of Africa Gateway Development Project
 Reports and Financial Statements
 For the financial year ended June 30, 2023**

Annex 9: Other Support Documents

i. Bank Reconciliations statement as at 30th June 2023



NATIONAL TRANSPORT & SAFETY AUTHORITY

SUMMARY BANK RECONCILIATION REPORT

BANK & BRANCH : KCB-Capital Hill

ACCOUNT NAME : KCB Word Bank HoAGDP

ACCOUNT NO. : 1282371665

PERIOD : June 2023

PARTICULARS	Kshs
Bank statement Balance as at	
Add :	125,317,542.70
Receipts in Cash Book not in Bank Statement	
Payments in bank statement not in cashbook	
SUB-TOTAL	
Less:	
Receipts in Bank Statement not in Cash Book	
Unpresented Cheques	
SUB-TOTAL	
Adjusted Bank Balance	125,317,542.70
Balance as per Cash Book	125,317,542.70
Difference	125,317,542.70

Prepared By: <u>Caria Kaumba</u>	Designature: <u>F</u>	
Signature: <u>[Signature]</u>	Date: <u>06/07/2023</u>	
Reviewed By: <u>Bernard L</u>	Designature: <u>PFO-R & M</u>	
Signature: <u>[Signature]</u>	Date: <u>06/07/2023</u>	
Approved By: <u>Elizabeth M</u>	Designature: <u>MF</u>	
Signature: <u>[Signature]</u>	Date: <u>6/7/23</u>	

Horn of Africa Gateway Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2023

ii. Special Deposit Account reconciliation statement

67

HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT - NTSA
STATEMENT OF SPECIAL (DESIGNATED) ACCOUNT RECONCILIATION
FOR THE YEAR ENDED 30 JUNE 2023

Credit No.: IDA LOAN CREDIT NO.67680-KE (DA-D)
 Bank Account No.: 1000474847 Held with CENTRAL BANK OF KENYA

	NOTES	AMOUNT EURO	AMOUNT EURO
1	Amount advanced by IDA		7,139,581.68
	Less:		
2	Total amount documented		2,139,581.68
3	Outstanding amount to be documented		5,000,000.00
	Represented by:		
4	Ending Special account Balance as at 30 June 2023		2,382,455.28
5	Amounts claimed but not credited as at 30 June 2023		
6	Amounts withdrawn and not claimed		2,617,544.72
7	Service Charges (if not included in lines 5 and 6 above)		-
8	Interest earned (if included in Special Account)		-
9	Total advance to Special Account Year ended 30 June 2023		5,000,000.00

Discrepancy between total appearing on line 3 and 9

Notes:

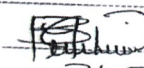
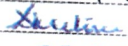
- 1 Explain the discrepancy between totals appearing on lines 3 and 9 above (e.g amount due to be refunded to cover ineligible expenditures paid from the Special/Designated Account)
- 2 Indicate if amount appearing on line 6 is eligible for financing by IDA and provide reasons for not claiming the expenditures


 AUTHORISED REPRESENTATIVE
 RESOURCE MOBILISATION DEPARTMENT
 THE NATIONAL TREASURY

DATE: 28-08-2023

Horn of Africa Gateway Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2023

(10)

SPECIAL ACCOUNT STATEMENT		
For period ending	30TH JUNE, 2023	
Account No.	1000474847	
Depository Bank	CENTRAL BANK OF KENYA	
Address	CBK	
Related Loan	HOFGDP-NTSA	
Credit Agreement		
Currency	EUR	
Part A - Account Activity		
Beginning balance of 1st July, 2022 as per C.B.K. Ledger Account		4,023,591.43
Add:		
Total Amount deposited by World Bank		1,718,989.30
Total Interest earnings if deposited in account		
Total amount refunded to cover ineligible expenditure		
Deduct:		
Total amount withdrawn		3,360,105.45
Total service charges if not included above in amount withdrawn		
Ending balance on 30th June, 2023		2,382,455.28
AUTHORISED REPRESENTATIVE CENTRAL BANK OF KENYA	SIGNATURE:	
AUTHORISED REPRESENTATIVE EXTERNAL RESOURCES DEPARTMENT-TREASURY	DATE	21.07.2023
	SIGNATURE:	
	DATE	28-08-2023

NOTE: The ending balance as per Central Bank of Kenya Ledger Account and the off-shore Special Account as at 30th June, 2023 have been reconciled and a copy of the supporting Reconciliation Statement is attached.

Horn of Africa Gateway Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2023

Result 1 - 5 of 5 47

Base Date: 19/07/2023 Run Date: 19/07/2023
 CENTRAL BANK OF KENYA
 BANKI KUE YA KENYA
 P.O. BOX 60000-0200
 NAIROBI

STATEMENT OF ACCOUNT PAGE NO: 1

ACCOUNT NUMBER: 1000474847

ACCOUNT TYPE: HOFC:DP:KENYA
 10/06/2023

STATEMENT PERIOD: From 01/07/2022 To

NO.	DATE	REFERENCE NO	DETAILS	DEBIT	CREDIT	CREDIT BALANCE
OPENING BAL:						
						4,023,591.43
NO.	Value Date	Reference No	Details	Debit	Credit	Balance
1	19/08/2022	FT22231YGNT3	PA128261	-760,000.00	0.00	3263591.43
2	13/11/2022	FT223191QTTZ	FUNDING	0.00	1,532,918.45	4796509.88
3	30/11/2022	FT223342R9B3	PA129565	-1,532,923.45	0.00	3263586.43
4	08/03/2023	FT2306772MNG	FUNDING	0.00	186,050.85	3449637.28
5	04/04/2023	FT230945BG6H	PA129909	-1,067,182.00	0.00	2382455.28

END OF ACCOUNT STATEMENT

CREDIT BALANCE - 2382455.28

Favourites

TAM:ESTMT OF ACCTEPRM

Account equals 1000474847

Statement From equals 20220701

Statement To equals 20230830

TAM:ESTMT OF ACCTEPRM

More Options
Clear selection Find