


Enhancing Accountability



 THE NATIONAL ASSEMBLY PAPERS LAID	
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THE AUDITOR-GENERAL

ON

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

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

KENYA NATIONAL HIGHWAYS AUTHORITY



11/11/11



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



Kenya National Highways Authority

Quality Highways, Better Connections

PROJECT NAME: EAST AFRICA TRADE AND TRANSPORT FACILITATION PROJECT

IMPLEMENTING ENTITY: KENYA NATIONAL HIGHWAYS AUTHORITY

PROJECT GRANT/CREDIT NUMBER: LOAN ID 4148-KE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2020

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

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

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EAST AFRICA TRADE & TRANSPORT FACILITATION PROJECT
Statement of Budget Performance
For the year ended June 30, 2020

1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

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

1.2 Project Information

Project Start Date:	The project start date is 4th April, 2006
Project End Date:	The project end date is 30th September, 2015
Project Manager:	The project manager is Eng. P. Omondi
Project Sponsor:	The project sponsor is 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 and Public Works.
Project number	CREDIT NO.4148 KE
Strategic goals of the project	1. Improve trade environment through the effective implementation of the East Africa, Community customs Union Protocol;
	2. Enhance transport and logistics services efficiency along key corridors by reducing on tariff barriers and uncertainty of transit time; and
	3. Improve railway services in Kenya and Uganda.

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Achievement Of strategic goals	The project management aims to achieve the goals by supporting:		
	1. The general trade environment through the effective implementation of the customs union and the related free market;		
	2. Actions for improving the efficiency of supply chains in and out of the region, along the main trade routes, from the main gateways (ports) to the main business centres, and along the way (including border crossings, load control, etc.); and		
Other important background information of the project	3. The Governments of Uganda and Kenya in the joint concession of the Kenya and Uganda railways.		
	The Project is made up of the following components:		
	1. Modernization and establishment of One-Stop Border posts at key border posts on important trade routes namely, Malaba, Busia, Isebania, Taveta and Lunga Lunga;		
Project duration	2. Construction of modern weighbridges at Mariakani and Athi river on the Northern Corridor and;		
	3. Implementation of a common Axle Load Control policy covering participating states.		
	The project start and end dates are as below:		
	Project	Start Date	End Date
	Civil Works:- Improved of Border Post Building and Facilities		
	Malaba	4 th July 2012	25 th April 2014
	Busia	4 th July 2012	30 th May 2014
	Taveta	4 th July 2012	31 st March 2014
	Lunga Lunga	5 th July 2012	31 st January 2014
	Isebania	5 th July 2012	31 st March 2014
	Procurement of Fixed Weighbridges		
	Mariakani	1 st July, 2015	30 th April, 2016
	Athi River	1 st June 2015	30 th April, 2016

1.4 Bankers

NIC Bank Ltd
Head Office, NIC House, Nairobi
P.O. Box 44599,
Nairobi
Account Number: ICA 1-110-000985

EAST AFRICA TRADE & TRANSPORT FACILITATION PROJECT
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For the financial year ended June 30, 2020

1.5 Auditors

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

1.6 Roles and Responsibilities

Names	Title designation	Key qualification	Responsibilities
Eng.D.A. Muchilwa	Project Implementing Team Leader-KeNHA	Engineer	Project Implementing Team Leader - KeNHA
Eng. P. Omondi	Project Manager(EATTFP)- KeNHA	Engineer	Project Manager (EATTFP) - KeNHA
Arch. C. Maweu	Project Manager Ministry of Public Works	Architect	Project Manager — Ministry of Public Works
Arch. L. Kibisu	D/Project Manager –Ministry of Public Works	Architect	D/Project Manager —Ministry of Public Works
Arch. S.M. Mwilu	Project Architect	Architect	Project Architect
QS. P.W. Munene	Project Quantity Surveyor	Quantity Surveyor	Project Quantity Surveyor
Eng. S.M. Kasanga	Project Electrical Engineer	Engineer	Project Electrical Engineer
Eng. R.D. Mwega	Project Civil Engineer	Engineer	Project Civil Engineer

EAST AFRICA TRADE & TRANSPORT FACILITATION PROJECT
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For the financial year ended June 30, 2020

1.7 Funding summary

The Project is for duration of Eight years from 2006 to 2015 with an approved budget of KSHS 977,850,059 by Trademark East Africa (TMEA) and USD 22,135,154 equivalent to KSHS 1,672,310,872 by International Development Association (IDA) as highlighted in the table below:

Below is the funding Summary: -

Source of funds	Donor Commitment-		Amount received to 30th June 2020		Undrawn balance to 30th June 2020	
	Donor currency	Kshs	Donor currency	Kshs	Donor currency	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant	KSHS		KSHS			
Trade Mark East Africa (TMEA)	977,850,059	977,850,059	977,850,059	977,850,059	-	-
(ii) Loan	USD		USD			
International Development Association - IDA	22,135,154	1,672,310,872	22,135,154	1,672,310,872	-	-
(iii) Counterpart funds						
Government of Kenya		1,984,729,405	-	1,984,729,405	-	-
Total		4,634,890,336		4,634,890,336	-	-

1.8 Summary of Overall Project Performance:

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

Receipts/Payments Item	FY 2019/2020		
	Budget	Actual	%
Acquisition of non-financial assets	150,292,813	174,586,000	116%
Purchase of goods & services	4,080,000	4,075,449	100%
Total	154,372,813	178,661,449	116%

EAST AFRICA TRADE & TRANSPORT FACILITATION PROJECT
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COMMENT ON VALUE FOR-MONEY ARCHIEVEMENTS: -

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

1.9 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.

EAST AFRICA TRADE & TRANSPORT FACILITATION PROJECT
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For the financial year ended June 30, 2020

2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETERMINED OBJECTIVES

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

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

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

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Assessment (EIA) Audits, carries out M&E on Environment and Social Management Plan (ESMPs) as well as Environmental Social Impact Assessment (ESIA) on projects.

3. Employee welfare

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

4. Market place practices

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

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

5. Community Engagements

During the implementation of the Project, the Authority is committed to remaining a responsible corporate citizen by being accountable for its actions through engaging in Public Participation. The Project's goal in terms of community engagement is to ensure that the projects foster long-term relationships with stakeholders and communities around the project. The aim is not just to build roads that foster development but to ensure collaboration with the local communities to achieve sustainable development. The project staff is also encouraged to give back to society by participating in the Authority's corporate social responsibility projects.

The Contractor has been involved in various CSR activities geared towards providing the local residents through construction of water kiosks along the project road, improvement of access roads and enhancing learning and playing environment in schools along the project road. To enhance social safeguards in projects, the Authority undertakes Resettlement Action Plan (RAP) studies and

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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.

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4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Director General, KeNHA and the Project and the Project Management of The East Africa Trade and Transport Facilitation Project are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year ended on June 30, 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.

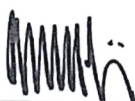
The Director General, KeNHA and the Project Management of The East Africa Trade and Transport Facilitation Project accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance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

The Director General, KeNHA and the Project Management of The East Africa Trade and Transport Facilitation Project are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year/period ended June 30, 2020, and of the Project's financial position as at that date. The Director General, KeNHA and the Project Implementation Team Leader for The East Africa Trade and Transport Facilitation Project t further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

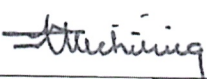
The Director General, KeNHA and the Project Management of Implementation Team Leader for The East Africa Trade and Transport Facilitation Project confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project financial statements


The Project financial statements were approved by the Director General, KeNHA and the Project Implementation Team Leader for The East Africa Trade and Transport Facilitation Project on 26 AUG 2020 2020 and signed by them.



Eng. Peter M. Mundinia
Director General



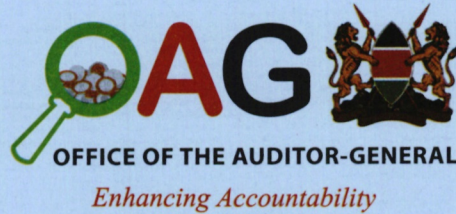
Eng. David A. Muchilwa
Director, Development



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

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON EAST AFRICA TRADE AND TRANSPORT FACILITATION PROJECT (IDA CREDIT NO. 4148-KE) FOR THE YEAR ENDED 30 JUNE, 2020 – KENYA NATIONAL HIGHWAYS AUTHORITY

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of East Africa Trade and Transport Facilitation Project set out on pages 1 to 13, which comprise the statement of financial assets and liabilities as at 30 June, 2020, and the statement of receipts and payments, statement of cash flows and the statement of comparative budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with 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 East Africa Trade and Transport 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 Credit No. 4148-KE between the International Development Association (IDA) and the Republic of Kenya dated 5 April, 2006 and the Public Finance Management Act, 2012.

In addition, the special accounts statement presents fairly the special accounts transaction 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 East Africa Trade and Transport 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.

Key Audit Matters

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

Report of the Auditor-General on East Africa Trade and Transport Facilitation Project (IDA Credit No.4148-KE) for the year ended 30 June, 2020 – Kenya National Highways Authority

Other Matter

1. Pending Bills

Note 11 to the financial statements reflects pending bills amounting to Kshs.46,964,093 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 costs by way of interest and penalties with the continued delay in making the payments.

2. Budget Control and Performance

The statement of comparative budget and actual amounts reflects actual expenditure amounting to Kshs.178,661,449 against estimated expenditure of Kshs.154,372,813 resulting into an over expenditure of Kshs.24,288,636 or 16%. The over expenditure was attributed to release of retention money from the prior year retention fund.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were

operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by International Development Association (IDA), I report based on my audit, that:

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

Responsibilities of Management and those Charged with Governance

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

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

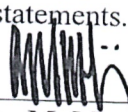
23 December, 2020

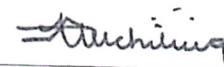
*EAST AFRICA TRADE & TRANSPORT FACILITATION PROJECT
Reports and Financial Statements
For the financial year ended June 30, 2020*

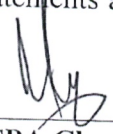
6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED 30TH JUNE 2020

	Note	FY 2019/20		FY 2018/19		Cumulative to date
		Receipts and payments controlled by the entity	Payments made by third parties	Receipts and payments controlled by the entity	Payments made by third parties	
		Kshs	Kshs	Kshs (Restated)	Kshs (Restated)	Kshs
RECEIPTS						
Transfer from Government entities	10.3	149,180,335	-	97,105,790	-	1,984,729,405
Proceeds from domestic and foreign grants	10.4	-	-	-	-	977,850,059
Loan from external development partners	10.5	-	-	-	-	1,672,310,872
Miscellaneous receipts	10.6	463,879	-	413,872	-	70,814,674
TOTAL RECEIPTS		149,644,214	-	97,519,662	-	4,705,705,010
PAYMENTS						
Purchase of goods and services	10.7	4,075,449	-	3,133,378	-	58,406,097
Acquisition of non-financial assets	10.1	174,586,000	-	104,956,931	-	4,595,950,334
Miscellaneous Expenditure	10.9	-	-	-	-	8,860,813
TOTAL PAYMENTS		178,661,449	-	108,090,309	-	4,663,217,244
SURPLUS/DEFICIT FOR THE YEAR		(29,017,235)	-	(10,570,647)	-	42,487,766

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


Eng. Peter M. Mundinia
Director General


Eng. David A. Muchilwa
Director, Development


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

26 AUG 2020
Date

26 AUG 2020
Date


26 AUG 2020
Date

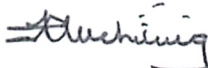
EAST AFRICA TRADE & TRANSPORT FACILITATION PROJECT
Reports and Financial Statements
For the financial year ended June 30, 2020


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

	Note	2020 Kshs	2019 Kshs (Restated)
FINANCIAL ASSETS			
Cash and Cash Equivalents Bank Balances	10.10	42,487,766	71,505,001
TOTAL FINANCIAL ASSETS		42,487,766	71,505,001
REPRESENTED BY:			
Fund balance b/fwd Surplus/Deficit for the year	10.11	71,505,001 (29,017,235)	71,091,129 413,872
NET FINANCIAL POSITION		42,487,766	71,505,001

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

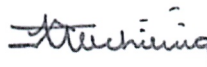
EAST AFRICA TRADE & TRANSPORT FACILITATION PROJECT
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For the financial year ended June 30, 2020


8. STATEMENT OF CASH FLOW FOR THE PERIOD 30TH JUNE 2020

	Note	2020 Kshs	2019 Kshs (Restated)
Receipts for operating income			
Transfer from Government entities	10.3	149,180,335	97,105,790
Miscellaneous receipts	10.6	463,879	413,872
Payments for operating expenses			
Purchase of goods and services	10.7	(4,075,449)	(3,133,378)
Net cash flow from operating activities		145,568,765	94,386,284
Cashflow From Investing Activities			
Acquisition of Non Financial Assets	10.8	(174,586,000)	(104,956,931)
Net cash flows from Investing Activities		(174,586,000)	(104,956,931)
Cashflow From Borrowing Activities			
Proceeds from Foreign Borrowings		-	-
Net cash flow from financing activities		-	-
Net Increase In Cash And Cash Equivalent		(29,017,235)	(10,570,647)
Cash and cash equivalent at BEGINNING of the year		71,505,001	82,075,648
Cash and cash equivalent at END of the year		42,487,766	71,505,001

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

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

9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Variance	% of Var
	a	b	c=a+b	d	e=c-d	f=d/c %
Receipts						
Transfer from Government entities	54,000,000	100,372,813	154,372,813	149,180,335	5,192,478	97%
Miscellaneous receipts	-	-	-	463,879	(463,879)	100%
Total Receipts	54,000,000	100,372,813	154,372,813	149,644,214	4,728,599	97%
Payments						
Purchase of goods and services	54,000,000	100,372,813	154,372,813	4,075,449	(24,288,636)	116%
Acquisition of non-financial assets:				174,586,000		
Total Payments	54,000,000	100,372,813	154,372,813	178,661,449	(24,288,636)	116%

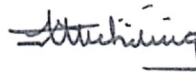
Note: The significant budget utilisation/performance differences in the last column are explained in **Annex 1** to these financial statements.



Eng. Peter M. Mundinia
 Director General

26 AUG 2020

Date



Eng. David A. Muchilwa
 Director, Development

26 AUG 2020

Date



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

26 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 East Africa Trade and Transport Facilitation Project 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 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 Nil** being grant 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
	Kshs	Kshs	to-date
Counterpart funds Quarter 1	4,438,595	330,771	343,110,596
Counterpart funds Quarter 2	24,646,060	24,204,067	475,659,508
Counterpart funds Quarter 3	5,336,180	23,881,651	684,332,733
Counterpart funds Quarter 4	114,759,500	48,689,301	481,626,568
Total	149,180,335	97,105,790	1,984,729,405

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

10.4. PROCEEDS FROM DOMESTIC FOREIGN GRANTS

During the 12 months to 30 June 2020 we did not receive any funding from development partners in form of grants. An accumulative amount of Kshs 978 million has however been utilised in the project.

10.5. LOAN FROM EXTERNAL DEVELOPMENT PARTNERS

During the 12 months to 30 June 2020 we did not receive any funding from development partners in form of loans negotiated by the National Treasury. An accumulative amount of Kshs 1.7 billion has however been utilised in the project.

10.6. MISCELLANEOUS INCOME

	FY 2019/20			FY 2018/19	Cumulative to-date
	Receipts controlled by the entity	Receipts made by third parties	Total Receipts	Total Receipts	
	Kshs	Kshs	Kshs	Kshs	Kshs
Bank Interest	463,879	-	463,879	413,872	70,814,674
Total	463,879	-	463,879	413,872	70,814,674

10.7. PURCHASE OF GOODS AND SERVICES

	FY 2019/20			FY 2018/19	Cumulative to-date
	Payments controlled by the entity	Payments made by third parties	Total Payments	Total Payments	
	Kshs	Kshs	Kshs	Kshs	Kshs
Communication, supplies and services	-	-	-	-	4,873,550
Domestic travel and subsistence	4,075,449	-	4,075,449	3,133,378	53,532,547
Total	4,075,449	-	4,075,449	3,133,378	58,406,097

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

10.8. ACQUISITION OF NON-FINANCIAL ASSETS

	FY 2019/20			FY 2018/19	Cumulative to-date
	Receipts and payments controlled by the entity	Payments made by third parties	Total Payments	Total Payments	
	Kshs	Kshs	Kshs	Kshs (Restated)	
Construction of roads	174,586,000	-	174,586,000	104,956,931	4,494,183,92
Purchase of office furniture & general equipment	-	-	-	-	101,766,41
Total	174,586,000	-	174,586,000	104,956,931	4,595,950,33

10.9. MISCELLANEOUS EXPENDITURE

	FY 2019/20			FY 2018/19	Cumulative to-date
	Receipts and payments controlled by the entity	Payments made by third parties	Total Payments	Total Payments	
	Kshs	Kshs	Kshs	Kshs	
Interest Overcharge	-	-	-	-	8,860,813
	-	-	-	-	8,860,813

10.10. CASH AND EQUIVALENTS C/FWD

	FY 2019/20	FY 2018/19
	Kshs	Kshs (Restated)
Bank accounts (Note 10.10A)	42,487,766	71,505,001
	42,487,766	71,505,001

10.10A BANK ACCOUNTS

	2019/2020	2018/19
	Kshs	Kshs (Restated)
NIC Bank A/C No [A/c No ICA 1-110-000985]	11,137,893	10,674,014
NBK Retention A/C 0100132733200	31,349,873	60,830,987
Total local currency balances	42,487,766	71,505,001

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

10.11. FUND BALANCE BROUGHT FORWARD

	FY 2019/20	FY 2018/19
	KShs	KShs (Restated)
Bank accounts	42,487,766	71,505,001
Total	42,487,766	71,505,001

10.12. PRIOR YEAR ADJUSTMENT

	Balance b/f FY 2018/2019 as per Financial statements	Adjustments	Adjusted Balance b/f FY 2018/2019
	Kshs	Kshs	Kshs
Bank account Balances	10,674,014	60,830,987	71,505,001
Acquisition of non-financial assets	93,972,412	10,984,519	104,956,931
	104,646,426	71,815,506	176,461,932

Prior year adjustment has been necessitated by PSAB introduction of the note on retention in the financial statements in FY 2019/20. Retention amounts had previously been expensed and have now been introduced in the statement of Financial Assets.

10.13. CHANGES IN ACCOUNTS PAYABLE – RETENTIONS

	2019 - 2020	2018 - 2019
	KShs	KShs
Retentions as at 1 st July (A)	60,830,987	71,815,506
Retentions held during the year (B)	1,836,888	2,922,426
Retentions paid during the Year (C)	31,318,002	13,906,945
Retentions as at 30th June D= A+B-C	31,349,873	60,830,987

11. PENDING BILLS (Annex 2A)

	Balance b/f FY 2018/2019	Additions for the period	Paid during the year	Balance c/f FY 2019/2020
Description	Kshs	Kshs	Kshs	Kshs
Construction of buildings & Civil Works	161,784,366	30,284,613	145,104,886	46,964,093
Total	161,784,366	30,284,613	145,104,886	46,964,093

EAST AFRICA TRADE & TRANSPORT FACILITATION PROJECT
Statement of Budget Performance
For the year ended June 30, 2020

12. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

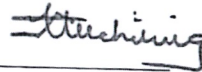
The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

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



Eng. Peter M. Mundinia
 Director General

26 AUG 2020
 Date



Eng. David A. Muchilwa
 Director, Development

26 AUG 2020
 Date

EAST AFRICA TRADE & TRANSPORT FACILITATION PROJECT
Statement of Budget Performance
For the 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	Comments on Variance
	a	b	c=a-b	d=b/a %	
Receipts					
Transfer from Government entities	154,372,813	149,180,335	5,192,478	97%	
Miscellaneous receipts	-	463,879	(463,879)	100%	
Total Receipts	154,372,813	149,644,214	4,728,599		
Payments					
Purchase of goods and services	154,372,813	4,075,449	(24,288,636)	116%	Expenditure includes Kshs 31,318,002 retention released from prior year retention fund
Acquisition of non-financial assets:		174,586,000			
Total Payments	154,372,813	178,661,449	(24,288,636)		

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

ANNEX 2A - ANALYSIS OF PENDING BILLS

Supplier of Goods or Services	IPC No	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance	Outstanding Balance
					2020	2019
		a	b	c	d=a-c	
Construction of buildings & Civil Works						
SHENGLI ENGINEERING CONSTRUCTION LTD	11	10,615,519	2018-08-15	-	10,615,519	-
SHENGLI ENGINEERING CONSTRUCTION LTD	12	22,351,055	2018-08-15	-	22,351,055	-
NJUCA CONSOLIDATED	20	26,890,035	2017-05-15	12,892,517	13,997,518	-
Total Construction of buildings & Civil Works		59,856,610		12,892,517	46,964,093	161,784,366
Grand Total		59,856,610		12,892,517	46,964,093	161,784,366

ANNEX 3 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Opening Cost (KShs) 2019/20	Purchases/Additions in the Year (KShs) 2019/20	Disposals in the Year (KShs) 2019/20	Closing Cost (KShs) 2019/20
	(a)	(b)	(c)	(d)= (a)+ (b)-(c)
Buildings and structures	4,319,597,921	174,586,000	-	4,494,183,921
Office equipment, furniture and fittings	101,766,413	-	-	101,766,413
Total	4,421,364,334	174,586,000	-	4,595,950,334

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

ANNEX 4 – SPECIAL DEPOSIT ACCOUNTS

The balances in the Project’s Special Deposit Account 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
(i) A/C NCTIP KeNHA [A/c No 0810297087613		
Opening balance	86,913,154	86,913,154
Total amount deposited in the account	-	-
Total amount withdrawn (as per Statement of Receipts & Payments)	=	=
Closing balance (as per SDA bank account reconciliation attached)	86,913,154	86,913,154

These amount represents USD 849,605.07 held in the Special deposit account translated at Kshs 102.2983 as at 30 June 2020

1922

1923

1924

1925