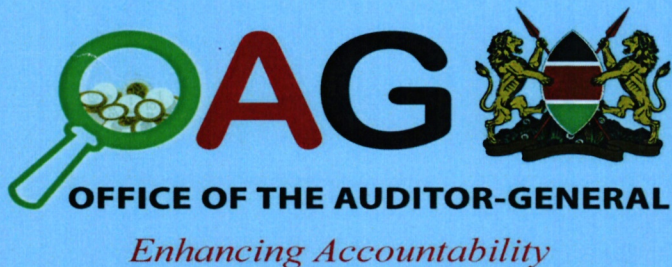


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REPORT

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THE AUDITOR-GENERAL

ON

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

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

**STATE DEPARTMENT FOR
INFRASTRUCTURE**



EASTERN AFRICAN REGIONAL TRANSPORT, TRADE AND DEVELOPMENT

STATE DEPARTMENT OF INFRASTRUCTURE

PROJECT GRANT/CREDIT NUMBER: 5638-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)**

**Eastern Africa Regional Transport, Trade and Development Facilitation Project
Reports and Financial Statements
For the financial year ended June 30, 2020**

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**Eastern Africa Regional Transport, Trade and Development Facilitation Project
Reports and Financial Statements
For the financial year ended June 30, 2020**

1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name: The project's official name is Eastern Africa Regional Trade and development Facilitation Project.

Objective: The key objective of the project is to strengthen institutional capacities in all implementing entities and complementary institutions involved within the project.

Address: The project headquarters offices are Transcom Building (Nairobi), Nairobi County, Kenya.

The address of its registered office is:

State Department of Infrastructure
P.O. Box 30260-00100
Nairobi.

Contacts: The following are the project contacts

Telephone: (254)020 2723232

E-mail: ps@infrastructure.go.ke

Website: www.transport.go.ke

1.2 Project Information

Project Start Date:	The project start date is 12th June 2015
Project End Date:	The project end date is 31 st December,2021
Project Manager:	The project manager is Eng.J. M. Kungu
Project Sponsor:	The project sponsor is World Bank(IDA)

1.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the State Department of Infrastructure.
Project number	5638-KE

Eastern Africa Regional Transport, Trade and Development Facilitation Project
Reports and Financial Statements
For the financial year ended June 30, 2020

Strategic goals of the project	The strategic goals of the project are as follows: (i) Improve the movement of goods and people along the Lokichar Nadapal/Nakodok part of the Eldoret-Nadapal road in the North Western part of Kenya, in particular and to enhance connectivity between Kenya and South Sudan in general.
Other important background information of the project	To facilitate Regional Transport, Trade and Development through harmonization of customs and other management, risk management and control procedures.
Current situation that the project was formed to intervene	The project was formed to support activities designed to strengthen the institutional capacities of implementing entities involved in project implementation and to support monitoring and evaluation of road projects
Project duration	The project started on 12 th June, 2015 and is expected to run until 31 st Dec2021

1.4 Bankers

The following are the bankers for the current year:

(i) Project Account

Central Bank of Kenya

Haile Selassie Avenue

P.O.Box 60000-0200

Nairobi, Kenya

1.5 Auditors

The project is audited by:

The Office of the Auditor General
 Anniversary Towers. University Way
 P.O.Box 30084-00100
 Nairobi, Kenya

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1.6 Roles and Responsibilities

List the different people who will be working on the project. This list would include the project manager and all the key stakeholders who will be involved with the project. Also, record their role, their positions, and their contact information.

Names	Title designation	Key qualification	Responsibilities
Eng. J.M. Kungu	Project Team Leader	Msc.(Civil Engineering)	Proper Management of the implementation
Eng. James W. Theuri	Deputy Team Leader	Msc. (Civil Engineering)	Technical Coordination and management of entities on project
Judith Kerich	Assistant Team Leader	MBA(Strategic Management)	Administration and Financial Coordination
Elizabeth Adhiambo	Project Accountant	BBA(Accounting and Finance, CPA-K	Proper funds flow and timely financial reports

1.7 Funding summary

The Project is for duration of six years from 2015 to 2021 with an approved budget of US\$ 10.5M (use donor currency) equivalent to KShs 1,081,500,000 as highlighted in the table below:

Below is the funding summary:

Source of funds	Donor Commitment-		Amount received to date – (30.06.2020)		Undrawn balance to date (30.06. 2020)	
	Donor currency	Kshs	Donor currency	Kshs	Donor currency	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Loan	85.25					
World Bank(IDA)	10,500,000	1,096,382,930	4,924,711.43	461,904,183	5,575,288.57	634,478,747
Total	10,500,000	1,096,382,930	4,924,711.43	461,904,183	5,575,288.57	634,478,747

1.8 Summary of Overall Project Performance:

- Budget performance against actual amounts for current year and for cumulative to-date,
- Physical progress based on outputs, outcomes and impacts since project commencement,
- Comment on value-for-money achievements,
- Indicate the absorption rate for each year since the commencement of the project.
- List the implementation challenges and recommended way forward.

Eastern Africa Regional Transport, Trade and Development Facilitation Project
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1.9 Summary of Project Compliance:

- Include significant cases of non-compliance with applicable laws and regulations, and essential external financing agreements/covenants,
- Include consequences suffered on account of non-compliance or likely to be suffered
- Indicate mitigation measures taken or planned to be taken to alleviate the adverse effects of actual or potential consequences of non-compliance

2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETRMINED 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

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.

Project Development Objective (PDO)

The objective of the Eastern Africa Regional Transport, Trade and Development Facilitation Project, Second Phase of Program (SOP2) is to improve the movement of goods and people along Lokichar – Nadapal/Nakodok part of the Eldoret-Nadapal/Nakodok road in the north western part of Kenya, in particular, and to enhance connectivity between Kenya and South Sudan, in general.

This project contributes to the principal PDO, improving access to the north western part of Kenya and between Kenya and South Sudan, through improving road infrastructure and ICT links, reducing transport and ICT costs, and facilitating the reduction of non-fiscal trade barriers, which help reduce the cost of doing business and development. The project also improves South Sudan's access to sea ports by improving the Nadapal/Nakodok – Eldoret part of the Juba-Nadapal – Eldoret (South Sudan – Kenya regional link) corridor that connects to the Northern Corridor serving the landlocked countries in the sub region to Mombasa sea port. The project provides the most cost-efficient transit corridor for South Sudan that crosses only one border post.

The project help boost export oriented agricultural development in the north western part of Kenya, which is endowed with agricultural land, animal resources, fishery and minerals. It also facilitates the extraction of the recent discovery of oil, and the development of tourism potential in the project area. In addition, the trade facilitation measures deployed under this project help integrate the poor, including the pastoralist women living along the corridor, into the national and sub-regional economy through the development of pastoralist road side markets. The project contributes significantly to the improvement of the livelihood of the population living in Turkana and West Pokot counties of Kenya, currently living under extreme poverty, where development indicators, including education, life expectancy and sanitation, are far below the national average

Project Implementation

The Project is implemented by Kenya National Highways Authority (KeNHA), Kenya Revenue Authority (KRA), State Department of Infrastructure (SDoI) and Information, Communication and Technology Authority (ICTA). The implementing entities establish Project Management Teams

Eastern Africa Regional Transport, Trade and Development Facilitation Project
Reports and Financial Statements
For the financial year ended June 30, 2020

assigning staff from within. SDoI is responsible for the overall coordination and implementation of the project in Kenya, as well as the implementation of the development facilitation interventions such as designing the export processing zones in conjunction with other relevant government departments and the ministry responsible for commerce. SDoI appoints and maintain throughout the project life a project coordinator for overall coordination. KeNHA focuses on road corridor upgrading. KRA have the overall responsibility of implementing the trade facilitation measures on the Kenyan side while ICTA is responsible for the ICT component. SDoI, KeNHA, KRA and ICTA all have experience in managing Bank supported projects and further TA to strengthen project implementation capacity is provided under the project.

The tasks under the State Department of Infrastructure are captured unerringly in the sub components extracted from the Project Appraisal Document (PAD) below:

Sub-component 2 (c): Support to MoTI (US\$3.5 million). This sub-component includes a program of activities designed in conjunction with the ministry responsible for commerce, to implement transport, trade and development facilitation measures. It will include such activities as: (i) identifying and designing potential sites and providing services to facilitate the development of export processing zones, storage facilities and rest stops; (ii) certifying export products; and (iii) simplifying the process for import-export.

Sub-component 3 (a): Strengthen the institutional capacities of entities involved in Project implementation including: (i) the capacity of KeNHA in road design review as well as contract management, value engineering, road maintenance, safeguards and procurement management; (ii) project management capacity, maintenance management and engineering capabilities in the transport sector through supporting the Kenyan Roads Board; Engineers Board of Kenya; MoTI, Resource Mobilization Department under the National Treasury, and State Law Office; (iii) supporting the MoTI in the monitoring and evaluation of the projects; and (iv) strengthening project management capacity of Information and Communication Technology Authority (ICTA)

Sub-component 3 (b): Support to strengthen the National Transport and Safety Authority to implement the “Safe System”, program to include such activities as: (i) conducting needs assessment, vehicle safety inspection and safety audits; (ii) strengthening enforcement capability of the Authority and post-impact care; and (iii) assessing road safety on Lokichar-Eldoret section of the Eldoret-Nadapal/ Nakodok Corridor as well as developing and carrying out of a pilot road safety action plan along the corridor.

- **Sub-component 3 (c):** (i) Provision of advisory services, training and operating costs to Ministry of Transport and Infrastructure as required to sustain the management and coordination of Project implementation activities, including audits, and the monitoring and evaluation of progress achieved in the execution of the Project; (ii) Provision of advisory services, training and operating costs to KeNHA as required to sustain the management and coordination of Project implementation activities,

including audits, and the monitoring and evaluation of progress achieved in the execution of the Project.

- **Sub-component 3 (d):** Provision of technical assistance (TA) to carryout preparatory studies

**Eastern Africa Regional Transport, Trade and Development Facilitation Project
Reports and Financial Statements
For the financial year ended June 30, 2020**

to support the preparation of the next phase of the Program and develop follow-on regional transport and trade facilitations projects as well as bidding documents for long term performance-based road maintenance contracting

Metrics met

The project is in its 5th year of implementation with one year left to closure, (December 2021).

Multitude achievements and milestones have been met amidst various challenges in implementation.

These achievements have both been evidenced in both the overall project sphere as well as in the tasks for the State Department of Infrastructure.

Project	Objective	Outcome	Indicator	Performance
Eastern Africa Regional Transport, Trade, Development & Facilitation Project (EARTTDFP)	Support to MoTI to implement transport, trade and development facilitation measures	facilitate the development of export processing zones, storage facilities and rest-stops and ease the process of exporting and importing goods	% increase in imports and exports for the country	This activity has not yet been implemented
	Strengthen the institutional capacities of entities involved in Project implementation	Capacity building to Kenya Roads Board, Engineers Board of Kenya, State Department of Infrastructure, State Law Office, Resource Mobilization under National Treasury	Well trained officers as well as equipped offices to enable officers undertake their duties and responsibilities as set out in the various organizations	In the FY 19/20 the project was able to train xx number of officers from all the mentioned institutions
	Support to strengthen the National Transport and Safety Authority to implement the “Safe System”, program	vehicle safety inspection and safety audits, strengthening enforcement capability of the Authority and post-impact care and assessing road safety on Lokichar-Eldoret section of the Eldoret-Nadapal/ Nakodok Corridor as well as developing and carrying out of a pilot road safety action plan along the corridor.	Increase road safety in the country	In the FY 19/20 the activity under NTSA was still under implementation hence not possible to measure performance

Eastern Africa Regional Transport, Trade and Development Facilitation Project
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	Provision of advisory services, training and operating costs to Ministry of Transport and Infrastructure as required to sustain the management and coordination of Project implementation activities	acquiring technical assistance (TA) to entities involved in Project implementation as well as Monitoring and coordination of the project	Efficiency and effectiveness in meeting project objectives	In the FY 19/20 the SDoI acquired services of a communication officer to enhance capacity of the coordination office in respect of project implementation

**3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY
REPORTING**

Currently the State Department is not involved in any corporate social responsibility since the activities under the department are not interactive with any society.

**Eastern Africa Regional Transport, Trade and Development Facilitation Project
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4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The *Principal Secretary* for the State department of Infrastructure and the *Project Coordinator* for Eastern Africa Regional Transport, Trade and Development Facilitation **Project** (*Chief Engineer Roads*) 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 (period) 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 *Principal Secretary* for the State department of Infrastructure and the *Project Coordinator* for Eastern Africa Regional Transport, Trade and Development Facilitation Project accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The *Principal Secretary* for the State department of Infrastructure and the *Project Coordinator* for Eastern Africa Regional Transport, Trade and Development Facilitation Project are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year/period ended June 30, 2020, and of the Project's financial position as at that date. The *Principal Secretary* for the State department of Infrastructure and the *Project Coordinator* for Eastern Africa Regional Transport, Trade and Development Facilitation Project further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

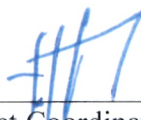
The *Principal Secretary* for the State department of Infrastructure and the *Project Coordinator* for Eastern Africa Regional Transport, Trade and Development Facilitation Project confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project financial statements

The Project financial statements were approved by the *Principal Secretary* for the State department of Infrastructure and the *Project Coordinator* for Eastern Africa Regional Transport, Trade and Development Facilitation Project on _____ 2020 and signed by them.



Principal Secretary
Prof. Arch. Paul M. Maringa (Phd),
CBS, Corps. Arch.(Maak), MKIP



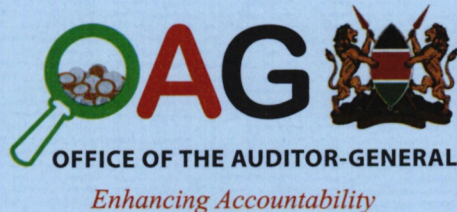
Project Coordinator
Eng. J. M. Kung'u



Project Accountant:
Elizabeth Adhiambo
ICPAK Member No:

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 EASTERN AFRICA REGIONAL TRANSPORT, TRADE AND DEVELOPMENT FACILITATION PROJECT (IDA CREDIT NO.5638-KE) FOR THE YEAR ENDED 30 JUNE, 2020 - STATE DEPARTMENT FOR INFRASTRUCTURE

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Eastern Africa Regional Transport, Trade and Development Facilitation Project set out on pages 1 to 28, which comprise of the statement of financial assets as at 30 June, 2020, statement of receipts and payments, statement of cash flow 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, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Eastern Africa Regional Transport, Trade and Development Facilitation Project as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Financing Agreement No. 5638-KE dated 20 July, 2015 between the International Development Association (IDA) and the Republic of Kenya and the Public Finance Management Act, 2012.

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

Basis for Qualified Opinion

Unsupported Prior Year Adjustments

As disclosed under Note 9.16 to the financial statements, the statement of financial assets reflects prior year adjustments balance of Kshs.3,028,860 (2018 - Kshs.6,492,005). However, Management has not supported the adjustments by way of detailed explanation and relevant documentations such as journal entries.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Eastern Africa Transport, Trade and Development Facilitation Project Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified 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.

Other Matter

Budget Control and Performance

The statement of comparative budget and actual amounts reflects actual and budgeted receipts of Kshs.85,490,250 and Kshs.450,000,000 respectively resulting in under-funding of Kshs.364,509,750 or 81% of the budgeted. Similarly, the Project expended an amount of Kshs.51,683,050 against an approved budget of Kshs.450,000,000 resulting to an under absorption on Kshs.398,316,950 or 88% of the budget. Although the Management has attributed the under-funding and under expenditure to the effects of COVID 19 pandemic which has led to the suspension of many activities, the performance is very low.

Consequently, the planned programs and activities may not have been implemented and the public have not received the envisaged services.

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

Weakness in Internal Control - Long Outstanding Imprests and Advances

Further, as disclosed under Note 9.14 to financial statements, the statement reflects a balance of Kshs.38,895,664 under accounts receivable-imprest and advances which includes an amount of Kshs.1,780,720 which has been outstanding for more than one year. Management has explained that the amount is held against an officer who had retired and subsequently passed on. It has not been explained why the management did not recover the amounts at the point of retirement thereby casting doubts on the effectiveness of the internal control at the point of separation in service

Consequently, the recoverability of the balance is in doubt.

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) and the Republic of Kenya, except for the matters under Basis for Qualified Opinion and Other Matter sections of my report, I report based on my audit that:

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

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in

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


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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

28 December, 2020

**Eastern Africa Regional Transport, Trade and Development Facilitation Project
Reports and Financial Statements
For the financial year ended June 30, 2020**

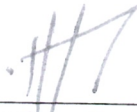
6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2020

	Note	2019/2020		2018/2019		Cumulative to-date (From inception)
		Receipts and payments controlled by the entity	Payments made by third parties	Receipts and payment controlled by the entity	Payments made by third parties	
		KShs	KShs	KShs	KShs	KShs
RECEIPTS						
Transfer from Government entities	9.3	-	-	-	-	-
Loan from external development partners	9.5	85,490,250	221,733,639	70,891,648	-	461,904,183
Miscellaneous receipts	9.6	-	-	-	-	-
TOTAL RECEIPTS		85,490,250	221,733,639	70,891,648	-	461,904,183
PAYMENTS						
Compensation of employees	9.7	42,843,865	-	49,307,311	-	117,722,818
Purchase of goods and services	9.8	8,839,185	221,733,639	48,637,407	-	314,806,566
Social security benefits	9.9	-	-	-	-	-
Acquisition of non-financial assets	9.10	-	-	-	-	-
TOTAL PAYMENTS		51,683,050	221,733,639	97,944,718	-	432,529,384
SURPLUS/(DEFICIT)		33,807,200		(27,053,070)	-	29,374,799

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



Principal Secretary
Prof. Arch. Paul M. Maringa (Phd)
Arch.(Maak), MKIP



Project Coordinator
Eng. J. M. Kung'u



Project Accountant
Elizabeth Adhiambo
ICPAK Member No:

**Eastern Africa Regional Transport, Trade and Development Facilitation Project
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7. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2020


	Note	2019-2020	2018-2019
		KShs	KShs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	9.13.A	37,114,944	278,884
Cash Balances	9.13.B	-	-
Cash Equivalents (short-term deposits)	9.13.C	-	-
Total Cash and Cash Equivalents		37,114,944	278,884
Accounts receivables – Imprest and Advances	9.14	1,780,720	1,780,720
TOTAL FINANCIAL ASSETS		38,895,664	2,059,604
REPRESENTED BY			
Fund balance b/fwd	9.15	2,059,604	22,620,669
Prior year adjustments	9.16	3,028,860	6,492,005
Surplus/(Deficit) for the year		33,807,200	(27,053,070)
NET FINANCIAL POSITION		38,895,664	2,059,604.00

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



Principal Secretary
Prof. Arch. Paul M. Maringa (Phd)
CBS, Corps. Arch.(Maak), MKIP

Date.....



Project Coordinator
Eng. J. M. Kung'u

Date.....



Project Accountant
Elizabeth Adhiambo
ICPAK Member No:

Date.....

**Eastern Africa Regional Transport, Trade and Development Facilitation Project
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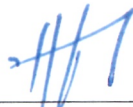
8. STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30TH JUNE 2020

		2019-2020	2018-2019
	Note	KShs	KShs
Receipts from operating activities			
Transfer from Government entities	9.3	-	-
Proceeds from domestic and foreign grants	9.4	-	-
Miscellaneous receipts	9.6	-	-
Payments from operating activities			
Compensation of employees	9.7	(42,843,865)	(49,307,311)
Purchase of goods and services	9.8	(8,839,185)	(48,637,407)
Social security benefits	8.9	-	-
Adjustments during the year			
Decrease/(Increase) in Accounts receivable: (outstanding imprest)	9.17	-	-
Increase/(Decrease) in Accounts Payable: (deposits and retention)	9.18	-	-
Prior Year Adjustments	9.16	3,028,860	-
Net cash flow from operating activities		(48,654,190)	(97,944,718)
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets (Unaccounted Imprest)	9.10	-	-
		1,780,720	1,780,720
Net cash flows from Investing Activities		1,780,720	1,780,720
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Foreign Borrowings	9.5	85,490,250	70,891,648
Net cash flow from financing activities		85,490,250	70,891,648
NET INCREASE IN CASH AND CASH EQUIVALENT			
		36,836,060	(27,053,071)
Cash and cash equivalent at BEGINNING of the year		278,884	27,331,955
Cash and cash equivalent at END of the year		37,144,944	278,884

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 _____ 2020 and signed by:



Principal Secretary
Prof. Arch. Paul M. Maringa (Phd)
Arch.(Maak), MKIP



Project Coordinator
Eng. J. M. Kung'u



Project Accountant
Elizabeth Adhiambo
ICPAK Member Number:

**Eastern Africa Regional Transport, Trade and Development Facilitation Project
Reports and Financial Statements
For the financial year ended June 30, 2020**

Date.....


Date.....

Date.....

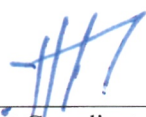
**9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS FOR THE
YEAR ENDED 30TH JUNE,2020**

Receipts/Payments Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
Receipts						
Transfer from Government entities						
Proceeds from domestic and foreign grants						
Proceeds from borrowings	600,000,000	150,000,000	450,000,000	85,490,250	364,509,750	19%
Miscellaneous receipts						
Total Receipts	600,000,000	150,000,000	450,000,000	85,490,250	364,509,750	19%
Payments						
Compensation of employees	50,000,000	-	50,000,000	42,843,865	7,156,135	85.7%
Purchase of goods and services	550,000,000	150,000,000	400,000,000	8,839,185	391,160,815	2.2%
Social security benefits						
Acquisition of non-financial assets						
Other grants and transfers						
Total Payments	600,000,000	150,000,000	450,000,000	51,683,050	398,316,950	43.95%

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



Principal Secretary
Prof. Arch. Paul M. Maringa (Phd)
CBS, Corps Arch.(Maak), MKIP
Date



Project Coordinator
Eng. J. M. Kung'u
Date



Project Accountant
Elizabeth Adhiambo
ICPAK Member Number:
Date

10. NOTES TO THE FINANCIAL STATEMENTS

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

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

9.1. Basis of Preparation

9.1.1. 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.

9.1.2. Reporting entity

The financial statements are for the Project - under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012 .

9.1.3. 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.

9.2. 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

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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) 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 4** of this financial statement is a register of the contingent liabilities in the year.

Section 89 (2) (i) of the PFM Act requires the National Government to report on the payments made, or losses incurred, by the county government to meet contingent liabilities as a result of loans during the financial year, including payments made in respect of loan write-offs or waiver of interest on loans

g) Contingent Assets

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

Eastern Africa Regional Transport, Trade and Development Facilitation Project
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h) 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.

i) 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.

j) 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 - billion being loan disbursements were received in form of direct payments from third parties.

k) 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.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9.3. RECEIPTS FROM GOVERNMENT OF KENYA

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

	2019/20	2018/19	Cumulative to-date(from inception)
	KShs	KShs	
<i>Counterpart funding through Ministry -</i>			
Counterpart funds Quarter 1	-	-	-
Counterpart funds Quarter 2	-	-	-
Counterpart funds Quarter 3	-	-	-
Counterpart funds Quarter 4	-	-	-
	=	=	=
<i>Other transfers from government entities</i>			

**Eastern Africa Regional Transport, Trade and Development Facilitation Project
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

9.4. PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

During the 12 months to 30 June 2020 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	
						2019/20	2018/19
						KShs	KShs
Grants Received from Bilateral Donors (Foreign Governments)							
Insert name of foreign Government	-					-	-
Grants Received from Multilateral Donors (International Organisations)							
Insert name of international organization	-					-	-
Grants Received from Local Individuals and organisations							
Insert name of individual or local organization	-					-	-
Total						-	-

* The direct-payment grants represent payments for goods and services done directly by the donor on behalf of the project. Projects should ensure that the adequate documents and support document is requested from the donors to support this grant.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

9.5. LOAN FROM EXTERNAL DEVELOPMENT PARTNERS

During the 12 months to 30 June 2020 we received funding from development partners in form of loan negotiated by the National Treasury donors as detailed in the table below:

Name of Donor	Date received	Amount in loan currency	Loans received in	Loans received as	Total amount in KShs	
			cash	direct payment*	2019/20	2018/19
			KShs	KShs		
Loans Received from Multilateral Donors (International Organisations)						
Word Bank (IDA)	13/09/2019	503,300	52,081,484		52,081,484	25,114,028
	09/04/2020	314,257.98	33,408,766		33,408,766	45,777,620
				221,733,639		
Total		817,557.98	85,490,250	221,733,639	85,490,250	70,891,648

9.6. MISCELLANEOUS RECEIPTS

	2019/20			2018/19	Cumulative to- date
	Receipts controlled by the entity in Cash	Receipts controlled by third parties	Total Receipts		(from inception)
	KShs	KShs	KShs		
Property income	-	-	-	-	-
Sales of goods and services	-	-	-	-	-
Administrative fees and charges	-	-	-	-	-
Fines, penalties and forfeitures	-	-	-	-	-
Voluntary transfers other than grants	-	-	-	-	-
Other receipts not classified elsewhere	-	-	-	-	-
	≡	≡	≡	≡	≡

[Provide explanation as necessary]

Eastern Africa Regional Transport, Trade and Development Facilitation Project
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

9.7. COMPENSATION OF EMPLOYEES

	2019/20			2018/19	Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
-					
Basic salaries of permanent employees	42,843,865	-	42,843,865	49,307,311	117,722,818.00
Basic wages of temporary employees	-	-	-	-	-
Personal allowances paid as part of salary	-	-	-	-	-
Personal allowances paid as reimbursements	-	-	-	-	-
Personal allowances provided in kind	-	-	-	-	-
Pension and other social security contributions	-	-	-	-	-
Compulsory national social security schemes	-	-	-	-	-
Compulsory national health insurance schemes	-	-	-	-	-
Social benefit schemes outside government	-	-	-	-	-
Other personnel payments	-	-	-	-	-
Total	<u>42,843,865</u>	<u>=</u>	<u>42,843,865</u>	<u>49,307,311</u>	<u>117,722,818.00</u>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

9.8. PURCHASE OF GOODS AND SERVICES

	2019/20			2018/19	Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Utilities, supplies and services	-	-	-	7,688,699.	7,688,699
Communication, supplies and services	-	-	-	-	-
Domestic travel and subsistence	-	-	-	-	-
Foreign travel and subsistence	-	-	-	-	-
Printing, advertising and – information supplies & services	-	-	-	-	-
Rentals of produced assets	-	-	-	-	-
Training payments	8,028,985	-	8,028,985	47,066,437	82,417,788
Hospitality supplies and services	-	-	-	-	-
Insurance costs	-	-	-	-	-
Specialised materials and services	-	221,733,639	221,733,639	-	221,733,639
Other operating payments	810,200	-	810,200	1,570,970	2,966,220
Routine maintenance – vehicles and other transport equipment	-	-	-	-	-
Routine maintenance- – other assets	-	-	-	-	-
Exchange rate losses/gains (net)	-	-	-	-	-
Total	8,839,185	221,733,639	270,371,046	48,637,407	314,806,566

[Provide explanation as necessary]

Eastern Africa Regional Transport, Trade and Development Facilitation Project
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

9.9. SOCIAL SECURITY BENEFITS

	2019/20			2018/19	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Government pension and retirement benefits	-	-	-	-	-
Social security benefits in cash and in kind	-	-	-	-	-
Employer social benefits in cash and in kind	-	-	-	-	-
Total	=	=	=	=	=

[Provide explanation as necessary]

9.10. ACQUISITION OF NON-FINANCIAL ASSETS

	2019/20			2018/19	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Purchase of buildings	-	-	-	-	-
Construction of buildings	-	-	-	-	-
Refurbishment of buildings	-	-	-	-	-
Construction of roads	-	-	-	-	-
Construction of civil works	-	-	-	-	-
Overhaul & refurbishment of construction and civil works	-	-	-	-	-
Purchase of vehicles & other transport equipment	-	-	-	-	-
Overhaul of vehicles & other transport equipment	-	-	-	-	-

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	2019/20			2018/19	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
Purchase of household furniture & institutional equipment	-	-	-	-	-
Purchase of office furniture & general equipment	-	-	-	-	-
Purchase of specialised plant, equipment and machinery	-	-	-	-	-
Rehabilitation & renovation of plant, equipment & machinery	-	-	-	-	-
Purchase of certified seeds, breeding stock and live animals	-	-	-	-	-
Research, studies, project preparation, design & supervision	-	-	-	-	-
Rehabilitation of civil works	-	-	-	-	-
Acquisition of strategic stocks	-	-	-	-	-
Acquisition of land	-	-	-	-	-
Acquisition of other intangible assets	-	-	-	-	-
Total	=	=	=	=	=

[Provide explanation as necessary]

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

9.11. TRANSFERS TO OTHER GOVERNMENT ENTITIES

During the 12 months to 30 June 2020, we transferred funds to reporting government entities as shown below:

	2019/20			2018/19	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Transfers to National Government entities					
Ministry ABC	-	-	-	-	-
Project XYZ	-	-	-	-	-
	=	=	=	=	=
Transfers to County Government					
County ABC	-	-	-	-	-
County XYZ	-	-	-	-	-
	=	=	=	=	=
TOTAL	=	=	=	=	=

We have confirmed that the beneficiary institutions have received the funds and have recorded these as inter-entity receipts. We have attached these duly signed confirmations as an Appendix to the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

9.12. OTHER GRANTS AND TRANSFERS AND PAYMENTS

	2019/20			2018/19	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Grants for scholarships	-	-	-	-	-
Transfers to lower levels of government e.g schools	-	-	-	-	-
Miscellaneous payments	-	-	-	-	-
Total	=	=	=	=	=

[Provide explanation as necessary]

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

9.13. CASH AND CASH EQUIVALENTS CARRIED FORWARD

	2019/20	2018/19
	KShs	KShs
Bank accounts (Note 8.13A)	37,114,944	278,884
Cash in hand (Note 8. 13B)	-	-
Cash equivalents (short-term deposits) (Note 8.13C)	-	-
Total	<u>37,114,944</u>	<u>278,884</u>

The project has 1(One) number of project accounts spread within the project implementation area and 1(One) number of foreign currency designated accounts managed by the National Treasury as listed below:

9.13 A Bank Accounts

Project Bank Accounts

	2019/20	2018/19
	KShs	KShs
<u>Foreign Currency Accounts</u>		
Central Bank of Kenya [A/c No.....]	-	-
Kenya Commercial Bank [A/c No.....]	-	-
Co-operative Bank of Kenya [A/c No.....]	-	-
Others (<i>specify</i>)	-	-
Total Foreign Currency balances	≡	≡
<u>Local Currency Accounts</u>		
Central Bank of Kenya [A/c No. 1000284579]	37,114,944	278,884
Kenya Commercial Bank [A/c No.....]	-	-
Co-operative Bank of Kenya [A/c No.....]	-	-
Others (<i>specify</i>)	-	-
Total local currency balances	≡	≡
Total bank account balances	<u>37,114,944</u>	<u>278,884</u>

Eastern Africa Regional Transport, Trade and Development Facilitation Project
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as at 30th June 2020 are not included in the Statement of Financial Assets since they are below the line items and are yet to be drawn into the Exchequer Account as a voted provision.

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

Special Deposit Accounts Movement Schedule

	2019/20	2018/19
	KShs	KShs
(i) A/c Name [A/c No.1000243759]		
Opening balance	-	-
Total amount deposited in the account	-	-
Total amount withdrawn (as per Statement of Receipts & Payments)	85,490,250	70,891,648
Closing balance (as per SDA bank account reconciliation attached)	85,490,250	70,891,648
(ii) A/c Name [A/c No.1000243759]		
Opening balance (as per the SDA reconciliation)	-	-
Total amount deposited in the account	-	-
Total amount withdrawn (as per Statement of Receipts & Payments)	=	=
Closing balance (as per SDA bank account reconciliation attached)	=	=

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

9.13B Cash In Hand

	2019/20	2018/19
	KShs	KShs
Location 1	-	-
Location 2	-	-
Location 3	-	-
Other locations (<i>specify</i>)	-	-
Total cash balances	=	=

[Provide a cash count certificate for each location above]

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

9.13 ACCOUNTS PAYABLE

Accounts Payable	2019/20	2018/19
	KShs	KShs
Payable	3,028,860	-
Total	<u>3,028,860</u>	<u>-</u>

[Provide short appropriate explanations as necessary]

9.14. OUTSTANDING IMPRESTS AND ADVANCES

Name of Officer or Institution	Amount Taken	Due Date of Surrender	Amount Surrendered	Balance 2020	Balance 2019
Hudson Kihumba Nyamanda	1,780,720.00	-	-	1,780,720.00	1,780,720
Xx institution	-	-	-	-	4,711,286
Interproject advance	-	-	-	-	-
Officer 3	-	-	-	-	-
Officer 4	-	-	-	-	-
Officer 5	-	-	-	-	-
Programme 1	-	-	-	-	-
Total	<u>1,780,720.00</u>	<u>-</u>	<u>-</u>	<u>1,780,720.00</u>	<u>6,492,006</u>

9.15. FUND BALANCE BROUGHT FORWARD

	2019/20	2018/19
	KShs	KShs
Bank accounts	37,114,944	278,884.00
Cash in hand	-	-
Cash equivalents (short-term deposits)	-	-
Outstanding imprests and advances	1,780,720	1,780,720.00
Total	<u>38,895,664</u>	<u>2,059,604.00</u>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

9.16. PRIOR YEAR ADJUSTMENT

	Balance b/f FY 2018/2019 as per Financial statements	Adjustments	Adjusted Balance b/f FY 2018/2019
Description of the error	Kshs	Kshs	Kshs
Bank account Balances		-	-
Cash in hand	-	-	-
Accounts Payables	-	-	-
Receivables		3,028,860	6,492,005
Others (<i>specify</i>)	-	-	-
		3,028,860	6,492,005

(Explain whether the prior year relates to errors noted in prior year, changes in estimates or accounting policy.)

9.17. CHANGES IN RECEIVABLE

Description of the error	2019 - 2020	2018 - 2019
	KShs	KShs
Outstanding Imprest as at 1 st July 2019 (A)	-	-
Imprest issued during the year (B)	-	-
Imprest surrendered during the Year (C)	-	-
Net changes in account receivables D= A+B-C	-	-

9.18. CHANGES IN ACCOUNTS PAYABLE – DEPOSITS AND RETENTIONS

Description of the error	2019 - 2020	2018 - 2019
	KShs	KShs
Deposit and Retentions as at 1 st July 2019 (A)	-	-
Deposit and Retentions held during the year (B)	-	-
Deposit and Retentions paid during the Year (C)	-	-
Net changes in account receivables D= A+B-C	-	-

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10. OTHER IMPORTANT DISCLOSURES

10.1 PENDING ACCOUNTS PAYABLE (See 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	-	-	(-)	-
Construction of civil works	-	-	(-)	-
Supply of goods	-	-	(-)	-
Supply of services	-	-	(-)	-
Total	-	-	(-)	-

10.2 PENDING STAFF PAYABLES (See Annex 2B)

	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
Senior management	-	-	(-)	-
Middle management	-	-	(-)	-
Unionisable employees	-	-	(-)	-
Others	-	-	(-)	-
Total	-	-	(-)	-

10.3 OTHER PENDING PAYABLES (See Annex 2C)

	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
Amounts due to National Government entities	-	-	(-)	-
Amounts due to County Government entities	-	-	(-)	-
Amounts due to third parties	-	-	(-)	-
Total	-	-	(-)	-

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OTHER IMPORTANT DISCLOSURES (Continued)

10.4 External Assistance

Description	FY 2019/2020	FY 2018/2019
	Kshs	Kshs
External assistance received in cash	85,490,250.00	70,891,648
External assistance received as loans and grants	-	-
External assistance received in kind- as payment by third parties	221,733,639	-
Total	307,223,889	70,891,648

a) External assistance relating loans and grants

Description	FY 2019/2020	FY 2018/2019
	Kshs	Kshs
External assistance received as loans Word Bank (IDA)	85,490,250	70,891,648
External assistance received as grants	-	-
Total	85,490,250	70,891,64

b) Undrawn external assistance

Description	Purpose for which the undrawn external assistance may be used	FY 2019/2020	FY 2018/2019
		Kshs	Kshs
Undrawn external assistance - loans		634,478,747.00	925,244,706.10
Undrawn external assistance - grants		-	-
Total		634,478,747.00	925,244,706.10

c. Classes of providers of external assistance

Description	FY 2019/2020	FY 2018/2019
	Kshs	Kshs
Multilateral donors	-	-
Bilateral donors	-	-
Word Bank (IDA)	634,478,747.00	925,244,706.10
NGOs	-	-
National Assistance Organization	-	-
Total	634,478,747.00	925,244,706.10

Provide details of the reasons for external assistance e.g. Economic development or welfare objective. Emergency relief, Trading activities etc

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OTHER IMPORTANT DISCLOSURES (Continued)

d. Non-monetary external assistance

	FY 2019/2020	FY 2018/2019
Description	Kshs	Kshs
Goods	-	-
Services	-	-
Total	-	-

This may occur when goods such as vehicles, computers, medical equipment, food aid etc are contributed to a county by donors, NGO etc

N/B : Disclose the basis on which the value of goods and services were determined (This may be by : depreciated historical cost of physical assets, price attached on the goods, an assessment of value by the management of transferor, recipient on Third Party, Fair value measurement.

e Purpose and use of external assistance

PAYMENTS MADE BY THIRD PARTIES	FY 2019/2020	FY 2018/2019
	Kshs	Kshs
Compensation of Employees	-	-
Use of goods and services	221,733,639	-
Subsidies	-	-
Transfers to Other Government Units	-	-
Other grants and transfers	-	-
Social Security Benefits	-	-
Acquisition of Assets	-	-
Finance Costs, including Loan Interest	-	-
Repayment of principal on Domestic and Foreign borrowing	-	-
Other Payments	-	-
TOTAL	221,733,639	-

N/B The above sub-classification will be adopted based on the purpose of the external assistance and how the external assistance was used.

**Eastern Africa Regional Transport, Trade and Development Facilitation Project
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OTHER IMPORTANT DISCLOSURES (Continued)

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

This relates to external assistance paid directly by third parties to settle obligations on behalf of the entity

	FY 2019/2020	FY 2018/2019
Description	Kshs	Kshs
National government	-	-
Multilateral donors	-	-
Bilateral donors	-	-
International assistance organization(IDA)	221,733,639	-
NGOs	-	-
National Assistance Organization	-	-
Total	221,733,639	-

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11. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S 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.

Inaccuracies in the Statement of Financial assets	The statement of financial assets reflects prior year adjustment of kshs. 6,492,005 which, as shown under note 8.16 to the financial statements, related to outstanding imprest. However, the details of prior year adjustments were not provided. Further, the statement of financial assets reflects a nil balance under inter project payables while. Note 8.14 to the financial statement reflects outstanding inter projet payables of kshs. 4,711,006. The difference between the two sets of records have not been explained	The issue has already been reviewed and revised to reflect the true position of the financial statement	Principal Secretary	Resolved	
Other matters	The statement of Comparative budget and actual amounts for the year ended 30 June,2019 reflects receipts of kshs. 70,891,648 against budgeted receipts of kshs. 80,000,000 resulting in an under collection or 11% of budget receipts. Similarly, the statement reflects total actual expenditure of kshs. 97,944,718 against budgeted expenditure of kshs. 80,000,000 resulting into an over expenditure of kshs. 17,944,718 or 22% of budgeted expenditure. Explanation for material differences between the budget and actual amounts were not provided contrary to the reporting requirements prescribed by Public sector Accounting Standards Board.	The issue was raised on Management letter and as per our response is that the project account operates through Special deposit account of which Bank balances at the close of the year is brought forward as an opening balance for the next year. The closing Balance carried forward from 2017/2018 was 27,331,955 which was sufficient to accommodate the extra payments	Principal Secretary	Resolved	

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Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.

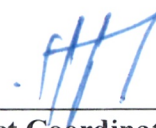
**Prof. Arch. Paul M. Maringa (Phd)
CBS, Corps Arch.(Maak), MKIP**



Principal Secretary

Date: 1stDecember, 2020

Eng. J. M. Kung'u



Project Coordinator

Date: 1stDecember, 2020

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ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance
	a	b	c=a-b	d=b/a %	
Receipts					
Transfer from Government entities	-	-	-	-	
Proceeds from domestic and foreign grants	-	-	-	-	
Proceeds from borrowings	450,000,000	85,490,250	51,683,050	19%	
Miscellaneous receipts	-	-	-	-	
Total Receipts	450,000,000	85,490,250	51,683,050	19%	
Payments					
Compensation of employees	50,000,000	42,843,865	7,156,135	85.7%	
Purchase of goods and services	400,000,000	8,839,185	391,160,815	2.2%	
Social security benefits	-	-	-	-	
Acquisition of non-financial assets	-	-	-	-	
Transfers to other government entities	-	-	-	-	
Other grants and transfers	-	-	-	-	
Total payments	450,000,000	-	51,683,050	11.5%	

Explain all variance below 90% and above 100%

- (i) The Variance is below 90%. This is due to pandemic in the country many activities were suspended
- (ii) -
- (iii)-

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ANNEX 2A - ANALYSIS OF PENDING BILLS

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2020	Outstanding Balance 2019	Comments
	a	b	c	d=a-c		
Construction of buildings						
1.						
2.						
3.						
Sub-Total						
Construction of civil works						
4.						
5.						
6.						
Sub-Total						
Supply of goods						
7.						
8.						
9.						
Sub-Total						
Supply of services						
10.						
11.						
12.						
Sub-Total						
Grand Total						

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ANNEX 2B - ANALYSIS OF PENDING STAFF BILLS

Name of Staff	Job Group	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2020	Outstanding Balance 2019	Comments
		a	b	c	d=a-c		
Permanent Employees - Management							
1.							
2.							
3.							
Sub-Total							
Permanent Employees – Others							
4.							
5.							
6.							
Sub-Total							
Temporary employees							
7.							
8.							
9.							
Sub-Total							
Others (specify)							
10.							
11.							
12.							
Sub-Total							
Grand Total							

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ANNEX 2C - ANALYSIS OF OTHER PENDING PAYABLES

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2020	Outstanding Balance 2020	Comments
		a	b	c	d=a-c		
Amounts due to National Govt Entities							
1.							
2.							
3.							
Sub-Total							
Amounts due to County Govt Entities							
4.							
5.							
6.							
Sub-Total							
Amounts due to Third Parties							
7.							
8.							
9.							
Sub-Total							
Others (specify)							
10.							
11.							
12.							
Sub-Total							
Grand Total							

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ANNEX 3 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Opening Cost (KShs) 2020/xx (a)	*Purchases/Additions in the Year (KShs) 2020/xx (b)	**Disposals in the Year (KShs) 2020/xx (c)	Transfers in/(out) Kshs 2020/xx (d)	Closing Cost (KShs) 2020 (e)= (a)+ (b)-(c)+(-)d
Land					
Buildings and structures					
Transport equipment					
Office equipment, furniture and fittings					
ICT Equipment,					
Other Machinery and Equipment					
Heritage and cultural assets					
Biological assets					
Infrastructure assets roads, rails					
Intangible assets					
Work in Progress					
Total					

Notes

* Purchases/Additions in the year reconciled to the amount in Statement of Receipts and Payments

** The disposal amount to be disclosed in this register is the cost that the asset was acquired at and not the price at which it has been sold.

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ANNEX 4 CONTINGENT LIABILITIES REGISTER

	Nature of contingent liability	Payable to	Currency	Estimated Amount Kshs	Expected date of payment	Remarks
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						

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APPENDICES

- i. Signed confirmations from beneficiaries in Transfers to Other Government Entities
- ii. Bank Reconciliations
- iii. Cash Count Certificate
- iv. Special Deposit Account(s) reconciliation statement(s)