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**REPORT**

**OF**

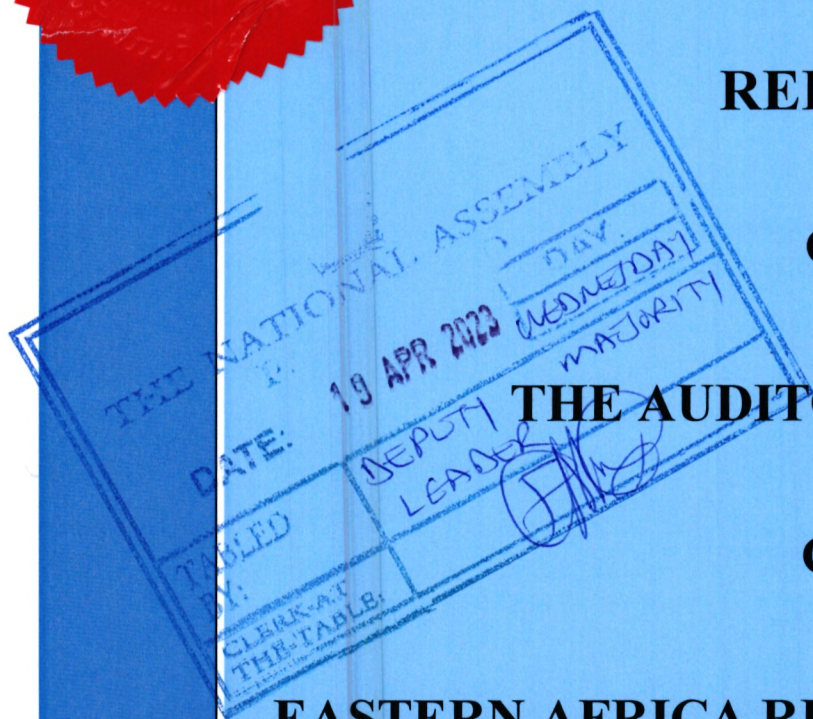
**THE AUDITOR-GENERAL**

**ON**

**EASTERN AFRICA REGIONAL TRANSPORT,  
TRADE AND DEVELOPMENT FACILITATION  
PROJECT (IDA CR-5638)**

**FOR THE YEAR ENDED  
30 JUNE, 2022**

**KENYA NATIONAL  
HIGHWAYS AUTHORITY**





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

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**PROJECT NAME: EASTERN AFRICA REGIONAL TRANSPORT, TRADE &  
DEVELOPMENT FACILITATION PROJECT (SECOND PHASE PROGRAM)  
IMPLEMENTING ENTITY: KENYA NATIONAL HIGHWAYS AUTHORITY**

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

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2022**



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## **1. PROJECT INFORMATION AND OVERALL PERFORMANCE**

### **1.1 Name and registered office**

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

**Objective:**

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

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

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

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

**Contacts:**

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

## 1.2 Project Information

Project Start Date:	20 <sup>th</sup> July 2015
Project End Date:	1 <sup>st</sup> December 2022
Project Engineer	Eng. Eric Wambua
Project Sponsor:	International Development Agency (IDA)

## 1.3 Project Overview

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

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

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

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

## 1.6 Roles and Responsibilities

Names	Title designation	Key qualification	Responsibilities
Eng. Charles Obuon	Director Development	Qualified	Oversight
Eng. Eric Wambua	Deputy Director Special Project (EARTTDP)	Qualified	Team Coordinator & Construction Specialist
Mr Walter Nyatwanga	Deputy Director	Qualified	Safeguards Specialist
Eng. Rael Maswan	Assistant Director	Qualified	Monitoring & Evaluation Specialist
Mr. Chanje Kera	Deputy Director	Qualified	Financial Specialist
Mr. Richard Kilel	Assistant Director	Qualified	Procurement Specialist

## 1.7 Funding summary

The Project duration is from 20<sup>th</sup> July 2015 to 1<sup>st</sup> December 2022 with an approved budget of USD 456,551,724 equivalent to Kshs 49,284,758,606 and Kshs. 17,389,578,400 as highlighted in the table below:

### A. Source of Funds

Source of funds	Donor Commitment-		Amount received to date – (30th June 2022)		Undrawn balance to date (30th June 2022)	
	USD	Kshs	USD	Kshs	USD	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant	-	-	-	-	-	-
(ii) Loan						
International Development Association - IDA	456,551,724	49,284,758,606	341,594,279	36,875,102,463	114,957,445	12,409,656,143
(iii) Counterpart funds						
Government of Kenya	-	17,389,578,400	-	4,279,737,186	-	13,109,841,214
<b>Total</b>	<b>456,551,724</b>	<b>66,674,337,006</b>	<b>341,594,279</b>	<b>41,154,839,649</b>	<b>114,957,445</b>	<b>25,519,497,357</b>

## B. Application of Funds

Application of funds	Amount received to date – (30 <sup>th</sup> June 2022)		Cumulative Amount paid to date – (30 <sup>th</sup> June 2022)		Unutilised balance to 30th June 2022	
	Donor currency	Kshs	Donor currency	Kshs	Donor currency	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
	USD	KSHS	USD	KSHS	USD	KSHS
<b>(i) Loan</b>						
International Development Association - IDA	341,594,279	36,875,102,463	339,943,350.94	36,696,884,734	1,650,928	178,217,729
<b>(ii) Counterpart funds</b>						
Government of Kenya	-	4,279,737,186	-	4,146,744,039	-	132,993,147
<b>Total</b>	<b>341,594,279</b>	<b>41,154,839,649</b>	<b>-</b>	<b>40,843,628,773</b>	<b>1,650,928</b>	<b>311,210,876</b>

### 1.8 Summary of Overall Project Performance:

Budget performance against actual amounts for current year.

Current Year		
Budget 2021/22	Actual 2021/22	Performance %
12,504,387,987	9,922,256,635	79%

The status report is as follows

PROJECT DESCRIPTION		PROGRESS REPORTED TO DATE
<b>1. Project Name:</b> Upgrading of Kalobeiyei River — Nadapal (88 km) road section <b>Contract type:</b> Works <b>Contractor:</b> China Railway No. 5 Engineering Group Ltd <b>Contract Signed:</b> 28 <sup>th</sup> March, 2017 <b>Commencement Date:</b> 11 <sup>th</sup> July, 2017 <b>Completion Date:</b> 11 <sup>th</sup> July, 2020 <b>Contract amount:</b> KES. 7,865,031,057.15  <b>Consultant:</b> Intercontinental Consultants & Technocrats Pvt Ltd with CAS Consultant Ltd.	Physical progress,	94%
	Amount certified	KES. 5,740,971,476.76
	Amount paid	KES. 4,430,651,821.39
	Time lapsed	47.47 Months

PROJECT DESCRIPTION		PROGRESS REPORTED TO DATE
Contract Amount: USD. 3,543,351.00 and KES. 491,355,410.00		
<p><b>2. Project Name:</b> Upgrading of Lokitaung Junction to Kalobeiyei River (80 km) road section  <b>Contract type:</b> Works  <b>Contractor:</b> Chongqing International Construction Corporation  <b>Contract Signed:</b> 28th March, 2017  <b>Commencement Date:</b> 1st August, 2017  <b>Completion Date:</b> 1st August, 2020  <b>Contract amount:</b> KES. 8,454,759,874.18</p> <p><b>Consultant:</b> Sheladia Associates Inc. in association with Abdul Mullick associates  <b>Contract Amount:</b> USD. 2,204,145.00 and KES. 629,802,599.00</p>	Physical progress,	99.6%
	Amount certified	KES. 6,636,330,038.54
	Amount paid	KES. 5,665,405,442.74
	Time lapsed	92.07 months
<p><b>3. Project Name:</b> Upgrading of Lodwar - Lokitaung Junction to (80 km) road section  <b>Contract type:</b> Works  <b>Contractor:</b> Third Engineering Bureau of China Construction Group Co. Ltd  <b>Contract Signed:</b> 14<sup>th</sup> March, 2017  <b>Commencement Date:</b> 15<sup>th</sup> August, 2017  <b>Completion Date:</b> 31<sup>st</sup> January, 2021  <b>Contract amount:</b> KES. 8,334,773,795.84</p> <p><b>Consultant:</b> Egis International in association with Egis Kenya  <b>Contract Amount:</b> KES. 568,958,975.00 and EURO. 1,589,113.00</p>	Physical progress,	100%
	Amount certified	KES. 10,152,033,222.35
	Amount paid	KES. 9,846,146,393.01
	Time lapsed	41.5Months

PROJECT DESCRIPTION		PROGRESS REPORTED TO DATE
<p>4. Project Name: Replacement of Kainuk Bridge Contract type: Works Contractor: China Henan International Corporation Group Ltd Contract Signed: 6<sup>th</sup> October, 2016 Commencement Date: 17<sup>th</sup> July, 2017 Completion Date: 17<sup>th</sup> October, 2018 Contract amount: KES. 1,538,973,674.11</p> <p>Consultant: SAI Consulting Engineers Pvt Ltd in association with Wanjohi Mutonyi Consulting Engineers. Contract Amount: KES. 23,693,000.00 and USD. 2,259,346.00</p>	Physical progress,	100%
	Amount certified	KES. 1,032,222,363.67
	Amount paid	KES. 767,058,846.00
	Time lapsed	36.5 Months
<p>5. Project Name: Upgrading of Loichangamatak – Lodwar (50Km) Contract type: Works Contractor: China Railway No. 5 Eng. Co. Ltd Contract Signed: 10<sup>th</sup> November, 2016 Commencement Date: 10<sup>th</sup> July, 2017 Completion Date: 15<sup>th</sup> December, 2021 Contract amount: KES. 6,782,439,479.76</p> <p>Consultant: Dohwa Engineering Co. Ltd in J.V with GIBB International. Contract Amount: KES. 421,319,530.00 and USD 2,968,202.00</p>	Physical progress,	99.8%
	Amount certified	KES. 4,888,176,693.01
	Amount paid	KES. 4,527,308,826.69
	Time lapsed	47.7 Months
<p>6. Contractor: China State Construction Engineering Corp. Ltd Contract Signed:</p>	Physical progress,	84%
	Amount certified	1,324,035,824.55

PROJECT DESCRIPTION		PROGRESS REPORTED TO DATE
Commencement Date: Completion Date: Contract amount: KES.	Amount paid	KES. 1,235,477,137.22
	Time lapsed	13.0 Months
Consultant: Intercontinental Consultants and technocrats Pvt. Ltd Contract Amount: KES. 139,766,000.00 and USD 3,146,770.00		
7. Needs Assessment for Social Infrastructure Consulting Services for Delivery Needs Assessment for Social Infrastructure and Social Services	In Progress	Various needs identified through consultations and a validation workshop to be held in Lodwar to conclude the assignment

**1.9 Summary of Project Compliance:**

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

## **2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETERMINED OBJECTIVES**

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

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

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

The Challenges experienced in carrying out the projects are:

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

**Statement of performance against project's predetermined objectives (Continued)**

**Progress on attainment of Strategic development objectives**

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

<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
To improve the movement of people/goods through upgrading of road infrastructure along Lokichar - Nakodok (part of Eldoret – Nakodok corridor)	Increased efficient transportation of people, goods and services	Completion of the following Road Projects	
		Kainuk Bridge	100% Completed
		Kalobeyei River – Nadapal/Nakodok	92.93% Completed
		Lokitaung' Junction – Kalobeiyei River	98.50% Completed
		Lodwar – Lokitaung' Junction	100% Completed
		Loichangamatak - Lodwar	99.90% Completed
		Lokichar -Loichangamatak	81.00% Completed
Facilitate trade through construction of social infrastructure	Increased Trade	Completion of Construction of Social Infrastructure	Plans to start the CSR projects are now underway after the MoUs were signed in April and July 2020.
Enhance of internet connectivity in the North Western Kenya through construction of fibre Optic Cable	Enhanced Internet Connectivity	Completion of Construction of Fibre Optic Cable	Preparation of tender documents is in progress

### **3. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

The Eastern Africa Regional Transport, Trade & Development Facilitation Project (EARTTDFP) Program exists to transform lives. This is our purpose, the driving force behind everything we do is what guides our strategy, below is a brief highlight of our activities that drive towards sustainability.

#### **1. Sustainability strategy and profile**

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

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

#### **2. Environmental performance**

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

#### **3. Employee welfare**

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

#### 4. Market place practices

##### a) Responsible supply chain and supplier relations

The Authority strives to maintain good business practices, treats its own suppliers responsibly by honouring contracts and respecting payment practices

##### b) Responsible ethical practices

The Authority strives to ensure responsible competition practices through undertaking annual governance audits in projects. The Authority equally sensitizes staff on corruption and integrity.

##### c) Regulatory Impact Assessment

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.

#### 5. Community Engagements

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

The Authority intends to utilize approximately KES 2.8 Billion under the EARTTDFP project in implementing the social infrastructure in virtually all the seven sub-counties of Turkana County within the life of the EARTTDFP Project.

A detailed list of the CSR Activities and their Status is as follows:

<i>No.</i>	<i>Road Project</i>	<i>CSR Activity</i>	<i>Status of CSR Activity</i>
1.	Lokichar - Loichangam atak	<ul style="list-style-type: none"> <li>• Construction of Classrooms, Teacher's Houses, Toilet Blocks, Water Piping among others in 7 schools</li> <li>• Upgrading of Lochwaa Dispensary, Nagetei Dispensary &amp; Lokichar Hospital</li> <li>• Drilling of Boreholes in Kabura, Junuta, Lolupe, Kaichipaluk &amp; Ekalale</li> <li>• Lokichar Sale Yard</li> <li>• Lokichar Market</li> <li>• Moruengor Business Centre</li> </ul> Lorry Parks and Boda boda Shades	Hospital, County offices, DCC offices, water pan yet to be done

2.	Loichangam atak - Lodwar	<ul style="list-style-type: none"> <li>• Provision of 55(No) of sports uniforms to aid in physical education classes of school children</li> <li>• Provision of 18(No)footballs to physical education classes of school children</li> <li>• Distribution of 452kg of relief food to 226(No)people affected by draught</li> <li>• Renovation of 2km internal access roads</li> <li>• Governor’s Office renovation</li> </ul>	<p>8 schools completed in Turkana South</p> <p>Provided for 8 schools completed in Turkana South</p> <p>Distributed in Kimabur,Lochor Emoit and Nagetei villages</p> <p>Completed, km 72&amp;78</p> <p>Donated 20(No) trucks of sand material and gravel for office renovation Voluntary office ground levelling works don at the Governor’s office</p>
3.	Lodwar – Lokitaung’ Junction	<ul style="list-style-type: none"> <li>• Construction of Classrooms, Teacher’s Houses, Toilet Blocks, Water Piping among others in 20 schools</li> <li>• Upgrading of Nameyana Dispensary,LomilDispensary,Nasiger Dispensary,NapelilimDispensary,Mak utano Health Centre, Kaenongon Dispensary, Aterika Dispensary,</li> </ul>	<p>Completed and Project substantially completed and handed over on 31<sup>st</sup> January 2021</p>
4	Lokitaung’ Junction – Kalobeiyei River	<ul style="list-style-type: none"> <li>• Construction of Classrooms, Teacher’s Houses, Toilet Blocks, Water Piping among others in 14 schools</li> <li>• Upgrading of Moruangibuin Dispensary, Lokore Health Centre, Lokichar Dispensary, Kalobeiyei Dispensary, Kakuma Sub-County Hospital, Namon Dispensary, Lopur Dispensary, Kangitesiroi Dispensary,</li> <li>• Drilling of Boreholes in 18 villages</li> <li>• Boda Boda Shades in 3 Towns</li> </ul>	<p>The following projects have been Completed;</p> <ul style="list-style-type: none"> <li>i) Chief’s office at Lokere Centre</li> <li>ii) 9 classrooms at Komotogae,3 at Kangura,2 at</li> <li>iii) Toilets for Tarach and Komotogae health centres</li> <li>iv) Construction of Likitoea</li> </ul>

		<ul style="list-style-type: none"> <li>• Irrigation Scheme and Irrigation Canal in 2 locations</li> <li>• 1 Slaughter House</li> <li>• Komotogae Drug Store</li> <li>• Piping of water in 5 villages.</li> </ul>	<p>Angsikiri market shade in Kakuma town</p> <p>v) Water is shared with the community</p>
5	Kalobeyei River – Nadapal/Nakodok	<ul style="list-style-type: none"> <li>• Fencing St.Patrick Lomidat Primary School</li> <li>• Fencing St. Teremukus Primary School</li> <li>• Fencing Lomidat Dispensary</li> <li>• Construction of community hall at Aposa(km 186)</li> <li>• Construction of community hall at Nakururum (km 176)</li> </ul>	<p>Completed and handed over to the school Board of Management</p> <p>Completed and handed over to the dispensary Board of management</p> <p>Completed and handed over</p>

To enhance social safeguards in projects, the Authority undertakes Resettlement Action Plan (RAP) studies and implements its recommendations, carries out Social Impact Assessments (SIA), undertakes gender mainstreaming and conduct stakeholders' forum to sensitize the public in several cross cutting issues.

#### **4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES**

The Director General, KeNHA and the Project Implementation Team Leader for Eastern Africa Regional, Transport, Trade & Development Facilitation Project are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year ended on June 30, 2022. This responsibility includes: (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

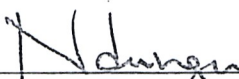
The Director General, KeNHA and the Project Implementation Team Leader for Eastern Africa Regional, Transport, Trade & Development Facilitation Project accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate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


The Director General, KeNHA and the Project Implementation Team Leader for Eastern Africa Regional, Transport, Trade & Development Facilitation Project are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year/period ended June 30, 2022, and of the Project's financial position as at that date. The Director General, KeNHA and the Project Implementation Team Leader for Eastern Africa Regional, Transport, Trade & Development Facilitation Project further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

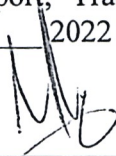
The Director General, KeNHA and the Project Implementation Team Leader for Eastern Africa Regional, Transport, Trade & Development Facilitation Project confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds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

#### **Approval of the Project financial statements**

The Project financial statements were approved by the Director General, KeNHA and the Project Implementation Team Leader for Eastern Africa Regional, Transport, Trade & Development Facilitation Project on \_\_\_\_\_ 30 AUG 2022 \_\_\_\_\_ 2022 and signed by them.

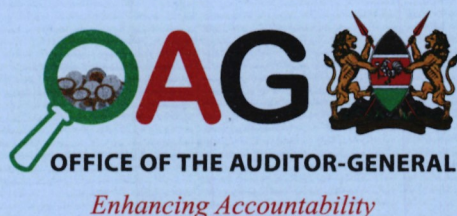
  
\_\_\_\_\_  
**Eng. Kungu Ndungu**  
**Director General**

  
\_\_\_\_\_  
**Eng. Charles Obuon**  
**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 EASTERN AFRICA REGIONAL TRANSPORT, TRADE AND DEVELOPMENT FACILITATION PROJECT (IDA CR-5638) FOR THE YEAR ENDED 30 JUNE, 2022 - KENYA NATIONAL HIGHWAYS AUTHORITY**

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### PREAMBLE

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

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

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

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

## REPORT ON THE FINANCIAL STATEMENTS

### 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 17, which comprise of the statement of financial assets and liabilities as at 30 June, 2022, the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Eastern Africa Regional Transport, Trade and Development Facilitation Project as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) the Public Finance Management Act, 2012 and comply with the Financing Agreement No. KE-5638 dated April, 2015 between the International Development Association and Government of the Republic of Kenya.

In addition, except for the effect of the matter described in the Basis for Qualified Opinion section of my report, the special account statement presents fairly the special account transactions and the closing balance has been reconciled with the books of account.

### Basis for Qualified Opinion

#### 1. Inaccuracies in the Financial Statements

The statement of financial assets reflects a fund balance brought forward of Kshs.200,585,306 which differs with the prior year audited carried forward balance of Kshs.181,737,287 resulting to an unreconciled and unexplained variance of Kshs.18,848,019. Further, the statement of receipts and payments reflects a deficit of Kshs.155,922,439 in the year under review while the statement of financial assets reflects a deficit of Kshs.22,367,577 resulting to an unreconciled variance of Kshs.133,554,862.

In the circumstances, the accuracy and completeness of the financial statements for the year ended 30 June, 2022 could not be confirmed.

#### 2. Irregularities in Cash and Cash Equivalentents

The statement of financial assets and as disclosed in Note 6A to the financial statements reflects cash and cash equivalentents balance of Kshs.311,210,876. Included in this balance is an amount of Kshs.178,217,730 held in a local bank account whose bank certificate

reflects a closing balance of Kshs.25,634,574 as at 30 June, 2022 resulting to an unexplained and unreconciled variance of Kshs.152,583,156.

Further, the cash and cash equivalents balance includes an amount of Kshs.132,993,147 in respect of retention monies, similarly held in a local bank. However, the cash book, bank reconciliation statements and bank confirmation certificates in respect of the balance were not provided for audit review.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.311,210,876 as at 30 June, 2022 could not be confirmed.

### **3. Unreconciled Balances on Special Deposit Accounts**

The Project's special account statement reflects USD 4,046,000 equivalent to Kshs.460,787,056, which was withdrawn from the special account and transferred to the project bank account during the year under review. However, the statement of receipts and payments reflects transfers from external development partner to the project amounting to Kshs.460,356,451, resulting to an unexplained and unreconciled difference of Kshs.430,605.

In the absence of reconciliation of the variance of Kshs.430,605, it was not possible to confirm the accuracy of the balance of Kshs.460,356,451 reflected in the financial statements.

### **4. Presentation and Disclosure of the Financial Statements**

The financial statements for the year ended 30 June, 2022, had various anomalies, as detailed below;

- i) Section 1.3 on page v which reflects the project overview has omitted information relating to achievements on strategic goals, current situation which the project was formed to intervene and the project duration.
- ii) Section 1.7 on page vii which relates to funding summary has omitted information relating to the project duration.
- iii) The summary of overall project performance section of the report includes incomplete information on the upgrading of Lodwar and the revised contract sum for the bid is not indicated.
- iv) Detailed information on upgrade of Lokichar - Loichamatak Lot 4, is not included in the summary of overall project performance.

In the circumstances, it was not possible to confirm that the financial statements were presented in the format prescribed by the Public Sector Accounting Standards Board.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Eastern Africa Regional Transport, Trade and Development Facilitation Project Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audit 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**

### **1. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis totalling to Kshs.12,504,387,987 and Kshs.9,766,284,766 respectively, resulting to an underfunding of Kshs.2,738,103,221 or 22% of the budget. Similarly, the Project spent Kshs.9,922,207,205 against an approved budget of Kshs.12,504,387,987 resulting to an under expenditure of Kshs.2,582,180,782 or 21% of the budget.

The underfunding and under-performance may have affected implementation of the planned activities and this may have impacted negatively on service delivery to the public.

### **2. Pending Bills**

Other important disclosures under paragraph 1 to the financial statements reflects pending bills totalling Kshs.453,148,451 as at 30 June, 2022 which were not settled during the financial year 2021/2022 but were instead carried forward to 2022/2023. This figure of Kshs.453,148,451 varies with recalculated amount of Kshs.452,413,937 by Kshs.734,514. Further, the pending bills in the year under review of Kshs.453,148,451 were not supported with respective schedule therefore could not be reconciled to the pending bills totalling to Kshs.1,540,700,413 in the financial year 2020/2021 with an original amount of Kshs.7,654,282,422.

Failure to settle bills in the year to which they relate affects the budgetary provisions for the subsequent year to which they form a first charge, and also efficiency with which the project is implemented.

### **3. Delay in Implementing Part of the Financing Agreement**

Review of the project information and overall performance revealed that one of the objectives of the project was the provision of a One Stop Boarder Post (OSBP) between

Kenya and Sudan to enhance business opportunities. However, audit review of documents provided revealed that an OSBP had not been constructed at Nadapal. No explanation was provided for not implementing the OSBP, considering that the Project Agreement lapses in 2023.

Based on the circumstances described above, the project may not be completed within the scheduled project timelines.

#### **4. Unresolved Prior Year Matters**

In the audit report of the previous year, several issues were raised. However, the Management has not indicated how each of the issues raised in the previous year Auditor-General's report, was resolved, including the provision of information required under the prescribed reporting format.

Under the circumstances, it was not possible to confirm that the financial statements disclosed the implementation status of the prior year audit recommendations.

### **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, except for effect of matters described in the Basis for Conclusion of Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that nothing else 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**

##### **1. Irregularities in Project Implementation**

The statement of performance against the project's predetermined objectives reflects projects currently under execution under six (6) contracts. Review of records provided for audit revealed the following;

##### **1.1 Lot 1: Upgrading of Lodwar - Lokitaung Junction Road (80Km)**

The Management awarded the contract to an international contractor and an international consultant at a total sum of - Kshs.8,334,773,795 and Kshs.767,598,100 (Kshs.568,958,975 and Euro.1,589,113 - exchange rate Kshs.125) respectively. The commencement date was 15 August, 2017 for a period of thirty-six (36) months to 14 August, 2020, with defects liability period of 12 months. The works contract sum was varied from Kshs.8,334,773,795, with an increment of Kshs.2,126,856,197 or 26%, to

Kshs.10,461,629,992. In addition, there was an extension of time to 31 January, 2022 representing 47.2% increase in contract period inclusive of defects notification period.

This contravened Section 139(4)(e) of the Public Procurement and Disposal Act, 2015, which provides that the cumulative value of all contract variations should not result in an increment of more than 25% of original contract price. Further, the contractor was paid the balance of 50% of his retention money against a retention guarantee, despite not having constructed a One Stop Boarder Post (OSBP) between Kenya and Sudan, which was part of the scope provided for under the Construction Agreement. The project was yet to be completed at the time of the audit.

In view of the issues described above in relation to the project implementation, the Project Management is in breach of the law.

## **1.2 Lot 2: Upgrading of Lokitaung Junction - Kalobeyei River Road (80Km)**

The Project was awarded to an International Construction Corporation (works) and a local consultant at a contract sum of Kshs.8,454,759,874 and Kshs.854,625,389 (Kshs.629,802,599 and USD2,204,145 - exchange rate Kshs.102), respectively.

The project, commenced on 1 August, 2017, for a period of thirty-six months ending 31 July, 2020, with twelve-months defects liability period. The work's sum for this project was varied from the initial amount of Kshs.8,454,759,874 to Kshs.9,799,110,192, comprising an increment of Kshs.1,344,350,318 or 16% of the initial contract sum. However, no details were provided in relation to the additional scope of work.

In addition, Kshs.1,599,184 was drawn from the project's contingency fund to compensate five (5) persons affected by the Project (PAPs). However, the compensation was for Lodwar - Lokitaung PAPs and not Lokitaung - Kalobeyei River PAPs. A list from the National Lands Commission in support of this payment was not provided for audit review and no explanation was given for the irregular payment.

Further an amount of Kshs.2,046,690 was incurred on compensation of six (6) new PAPs, who were already compensated. However, the Management did not explain how the PAPs were identified for the second payment and whether it was a case of double payment.

Again, there was modification of scope of consultancy services to include design and supervision of social economic infrastructure in Turkana and West Pokot whose variation was included in addendum No.2 to the consultancy contract. However, this addendum to the contract including the amount of variation and timeline was not provided for audit review.

In the circumstances, it was not possible to confirm the validity and value for money of the expenditure incurred on the project.

### 1.3 Lot 3: Upgrading of Kalobeiyei River - Nadapal/Nakodok Road Project

A contract for works was awarded to an International Engineering Group Company Limited at a contract sum of Kshs.7,865,031,057, which was later revised to Kshs.9,819,160,609. The contract for supervision was awarded to International Consultants in joint venture with another Consultant at a contract sum of Kshs.852,777,212 (Kshs.491,355,410 and USD 3,543,351 exchange rate 102). The contract commenced on 11 July, 2017 for 36 months ending 10 July, 2020, with a defect liability period of 12 months. An extension of time was granted revising the completion date to 30 September, 2021. However, anomalies were observed in the implementation of the project, as detailed below;

- i. The project was at 93% physical progress against 105% of time lapse. There was no evidence that the employer charged liquidated damages to the contractor even though the contractor had not discharged his contractual responsibility.
- ii. No valid performance guarantee was provided by the contractor as provided for in the construction contract.
- iii. The consultant provided his performance guarantee from an Insurance Company from India. It is not clear the circumstances under which Management exposed the Authority to this risk of having a guarantee which could not be authenticated.
- iv. The contractor has raised a claim of Kshs.77,988,334 as interest on delayed payment, which the Authority declined to honor and make payment, which points to lack of prudent financial management in relation to the project.
- v. The project was revised from 88km to 77km, whereby the distance from Nadapal to Nakodok was truncated. However, there was no proportionate reduction of the contract sum, but on the contrary the contract sum increased from Kshs.7,865,031,057 to Kshs.9,819,160,608.
- vi. A total of 141 Project Affected Persons were irregularly compensated at a cost of Kshs.50,895,710. However, this compensation was done by the contractor through instruction from the Authority, contrary to the normal process where the National Land Commission (NLC) is the entity mandated to carry out land compensation. It was not clear, and Management did not explain why the compensation was not carried out by the National Land Commission. No evidence was provided to show the compensation was approved by NLC.

In view of the anomalies described above, it was not possible to confirm that value for money was realized in the implementation of the Project.

In the circumstances, the Project Management was in breach of the law.

#### **1.4 Lot 4: Upgrading of Lokichar - Loichangamatak (40Km)**

The works contract for the upgrading of Lokichar - Loichangamatak (A1) road was awarded to an international construction Engineering Limited on 10 July, 2017 for a period of 30 months ending 9 January, 2020 and later revised to 9 April, 2021. The contract sum was Kshs.5,800,819,125.

The Management approved an irregular payment of Kshs.30,452,484 to be utilized by Resident Engineer to compensate the Project Affected Persons (PAPs), contrary to the normal process where the National Land Commission is the entity mandated to carry out land compensation. There was no documentation to demonstrate that the PAPs compensation was sanctioned by NLC.

In addition, according to the works contract the contractor was to provide seven (7) type II houses for accommodation of the engineer's senior staff, at a cost of Kshs.4,510,000 each. In August, 2020 the Authority instructed the contractor to add 2 more houses that were not provided for in the contract, to accommodate KeNHA staff members. Further, the Authority's staff members were issued with imprest to cater for accommodation and other expenses.

In view of the anomalies described above, it was not possible to confirm the validity of the above funds paid to the PAPs by the resident engineer and the expenditure of Kshs.9,188,000, comprising the cost of two (2) houses together with imprest issued for accommodation.

#### **1.5 Lot 0: Upgrading of Loichangamatak - Lodwar (50km)**

The project was awarded to an international Engineering Company Limited for works and Engineering Company Limited in Joint Venture for consultancy at a contract sum of Kshs.6,782,439,479 and Kshs.724,076,134 (Kshs.421,319,530 and USD 2,968,202 at exchange rate of Kshs.102) respectively.

Documents provided for audit review revealed that the project was 99.8% complete while the progress reports for the project revealed that the project was at defect and liability period. However, the snag list was not provided for audit review.

Further, the financial statements reflect a donation of 20 trucks of sand material and gravel for renovation of the Governor's office. However, it was not clear the circumstances under which project funds were used to renovate the Governor's office considering that the County's budget has an allocation for such expenses and that Corporate Social Responsibility (CSR) activities are supposed to benefit the local community.

In view of the anomalies described above, it was not possible to confirm that value for money was realized in the implementation of the Project.

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 standard requires that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## 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 not been kept by the Project, so far as appears from the examination of those records; and,
- iii. The Project's financial statements are not 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 controls 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 governance.

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

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

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

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

### **Auditor-General's Responsibilities for the Audit**

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit

the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal 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 Project's 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 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.

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

**Nairobi**

**07 December, 2022**

**EASTERN AFRICA REGIONAL TRANSPORT TRADE & DEVELOPMENT FACILITATION PROJECT**  
**Annual Report and Financial Statements for the financial year ended June 30, 2022**

**6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2022**

NOTES	2021/22				2020/2021				Cumulative to date
	Receipts & Payments Controlled by the Entity	Receipts & Payments made by the Third Party	Total	Receipts & Payments Controlled by the Entity	Receipts & Payments made by the Third Party	Total	Receipts & Payments made by the Third Party	Total	
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	
<b>RECEIPTS</b>									
1 Transfer from Government entities	168,189,499	-	168,189,499	1,091,589,491	-	1,091,589,491	-	1,091,589,491	4,258,498,174
2 Transfer from External Development Partner	460,356,451	9,135,327,223	9,595,683,674	568,215,586	5,452,476,733	6,020,692,319		6,020,692,319	36,875,102,463
3 Miscellaneous Receipts	2,411,593	-	2,411,593	3,077,980	-	3,077,980		3,077,980	21,239,012
<b>Total receipts</b>	<b>630,957,543</b>	<b>9,135,327,223</b>	<b>9,766,284,766</b>	<b>1,662,883,057</b>	<b>5,452,476,733</b>	<b>7,115,359,790</b>		<b>7,115,359,790</b>	<b>41,154,839,649</b>
<b>PAYMENTS</b>									
4 Purchase of goods and services	10,532,661		10,532,661	19,698,077		19,698,077		19,698,077	193,001,811
5 Acquisition of non-financial assets	776,297,891	9,135,327,223	9,911,625,114	1,701,766,415	5,452,476,733	7,154,243,148		7,154,243,148	40,650,312,327
6 Miscellaneous Payments	49,430	-	49,430	52,850	-	52,850		52,850	314,635
<b>TOTAL PAYMENTS</b>	<b>786,879,982</b>	<b>9,135,327,223</b>	<b>9,922,207,205</b>	<b>1,721,517,342</b>	<b>5,452,476,733</b>	<b>7,173,994,075</b>		<b>7,173,994,075</b>	<b>40,843,628,773</b>
<b>SURPLUS/DEFICIT</b>	<b>(155,922,439)</b>	<b>-</b>	<b>(155,922,439)</b>	<b>(58,634,285)</b>	<b>-</b>	<b>(58,634,285)</b>		<b>(58,634,285)</b>	<b>311,210,876</b>

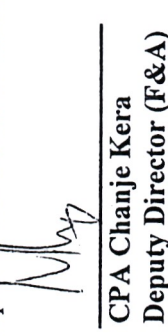
The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements

  
**Eng. Kungu Ndingu**  
 Director General

30 AUG 2022  
 Date

  
**Eng. Charles Obuon**  
 Director -Development

30 AUG 2022  
 Date

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

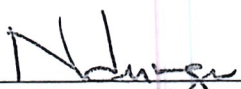
30 AUG 2022  
 Date

**EASTERN AFRICA REGIONAL TRANSPORT TRADE & DEVELOPMENT FACILITATION PROJECT**  
**Annual Report and Financial Statements for the financial year ended June 30, 2022**


**7. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2022**

	Note	2021/22	2020/21
		Kshs	Kshs
<b>Financial Assets</b>			
Cash Bank Balances	9	311,210,876	467,133,315
Bank Balances			
<b>Total Cash and Cash equivalents</b>		<b>311,210,876</b>	<b>467,133,315</b>
<b>Financial liabilities</b>			
Payables - Retentions	8	132,993,147	285,396,028
<b>Net assets</b>		<b>178,217,729</b>	<b>181,737,287</b>
<b>Represented by:</b>			
Fund balance b/fwd		200,585,306	168,565,965
Surplus/(Deficit) for the year		(22,367,577)	13,171,322
<b>Net financial position</b>		<b>178,217,729</b>	<b>181,737,287</b>


The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 30 AUG 2022 2022 and signed by:

  
 Eng. Kungu Ndungu  
 Director General

Date 30 AUG 2022

  
 Eng. Charles Obuon  
 Director -Development

Date 30 AUG 2022

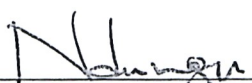
  
 CPA Chanje Kera  
 Deputy Director (F&A)  
 ICPAK Member No.8279

Date 30 AUG 2022


**8. STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2022**

		2021/22	2020/21
<b>Receipts</b>			
Transfer from Government entities	1	168,189,499	1,091,589,491
Proceeds from domestic and foreign grants			
Miscellaneous Receipts	3	2,411,593	3,077,980
<b>Total Receipts</b>		<b>170,601,092</b>	<b>1,094,667,471</b>
<b>Payments</b>			
Purchase of goods and services	4	(10,532,661)	(19,698,077)
Miscellaneous Payments	6	(49,430)	(52,850)
<b>Total Payments</b>		<b>(10,582,091)</b>	<b>(19,750,927)</b>
<b>Net cash flow from operating activities</b>			
<b>Adjustments during the year</b>			
Prior year adjustments			
Decrease/(Increase) in accounts receivable			
<b>Net cash flow from operating activities</b>			
<b>Cashflow from investing activities</b>			
Acquisition of non-financial assets	5	(9,911,625,114)	(7,154,243,148)
<b>Net cash flows from investing activities</b>		<b>(9,911,625,114)</b>	<b>(7,154,243,148)</b>
<b>Cashflow from financing activities</b>			
Proceeds from foreign Borrowings	2	9,595,683,674	6,020,692,319
<b>Net cash flow from financing activities</b>		<b>9,595,683,674</b>	<b>6,020,692,319</b>
<b>Net increase in cash and cash equivalent</b>		<b>(155,922,439)</b>	<b>(58,634,285)</b>
<b>Cash and cash equivalent at beginning of the year</b>		<b>467,133,315</b>	<b>525,767,600</b>
<b>Cash and cash equivalent at end of the year</b>		<b>311,210,876</b>	<b>467,133,315</b>


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 30 AUG 2022 2022 and signed by:

  
 Eng. Kungu Ndungu  
 Director General

Date 30 AUG 2022

  
 Eng. Charles Obuon  
 Director -Development

Date 30 AUG 2022

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


Date 30 AUG 2022

**EASTERN AFRICA REGIONAL TRANSPORT TRADE & DEVELOPMENT FACILITATION PROJECT**  
*Annual Report and Financial Statements for the financial year ended June 30, 2022*

**9. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Variance	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %
<b>Receipts</b>						
Transfer from Government entities	280,000,000	(98,000,000)	182,000,000	168,189,499	13,810,501	92%
Transfer from External Development	10,222,387,987	2,100,000,000	12,322,387,987	9,595,683,674	2,726,704,313	78%
Miscellaneous Income	-	-	-	2,411,593	(2,411,593)	-
<b>Total Receipts</b>	<b>10,502,387,987</b>	<b>2,002,000,000</b>	<b>12,504,387,987</b>	<b>9,766,284,766</b>	<b>2,738,103,221</b>	<b>78%</b>
<b>Payments</b>						
Purchase of goods and services	10,502,387,987	2,002,000,000	12,504,387,987	10,532,661	2,582,180,782	0%
Acquisition of non-financial assets				9,911,625,114		
Miscellaneous Charges				49,430		
<b>Total Payments</b>	<b>10,502,387,987</b>	<b>2,002,000,000</b>	<b>12,504,387,987</b>	<b>9,922,207,205</b>	<b>2,582,180,782</b>	<b>79%</b>

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

  
**Eng. Kungu Ndingu**  
 Director General

30 AUG 2022

Date



**Eng. Charles Obuon**  
 Director -Development

30 AUG 2022

Date



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

30 AUG 2022

Date

## **10. SIGNIFICANT ACCOUNTING POLICIES**

### **10. Significant Accounting policies**

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

#### **10.1 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.

#### **10.2 Reporting entity**

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

#### **10.3 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.

#### **10.4 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.

##### **i) Transfers from the Exchequer**

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

##### **ii) External Assistance**

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

##### **iii) Other receipts**

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

### **Significant Accounting Policies (Continued)**

#### **iv) Donations and grants**

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

#### **v) Proceeds from borrowing**

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

#### **vi) Undrawn external assistance**

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

### **10.5 Recognition of payments**

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

#### **i) Compensation of employees**

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

#### **ii) Use of goods and services**

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

**Significant Accounting Policies (Continued)**

**iii) Interest on borrowing**

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

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

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

**v) Acquisition of fixed assets**

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

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

**a) 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.

**b) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank

account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

## **Significant Accounting Policies (Continued)**

### **10.8 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.

#### **c) Imprests and Advances**

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

### **10.10 Contingent Liabilities**

A contingent liability is:

- a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b) A present obligation that arises from past events but is not recognised because:
  - i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
  - ii) The amount of the obligation cannot be measured with sufficient reliability.

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities. Letters of comfort/ support, insurance, Public Private Partnerships, The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. Annex 5 of this financial statement is a register of contingent liabilities in the year.

### **10.11 Contingent Assets**

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

## **Significant Accounting Policies (Continued)**

### **10.12 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.

### **10.13 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.

### **10.14 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 9.44 billion** being loan disbursements were received in form of direct payments from third parties.

### **10.15 Exchange rate differences**

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

**Significant Accounting Policies (Continued)**

**10.16 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.

**10.17 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, 2022.

**10.18 Prior Period Adjustments**

Prior period Adjustments relate to errors and other adjustments noted arising from previous year(s). There are no prior year adjustments for the financial year under review.

## 11. NOTES TO THE FINANCIAL STATEMENTS

### 1. Transfers from Government entities

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

	2021/2022	2020/21	Cumulative
	Kshs	Kshs	to-date
Counterpart funds Quarter 1	130,391,039	258,087,961	469,938,060
Counterpart funds Quarter 2	1,910,000	689,031,462	1,210,854,860
Counterpart funds Quarter 3	2,099,445	8,151,679	636,185,000
Counterpart funds Quarter 4	33,789,015	136,318,389	1,941,520,254
<b>Total</b>	<b>168,189,499</b>	<b>1,091,589,491</b>	<b>4,258,498,174</b>

### 2. Loan from External Development Partner

Name of Donor	Amount in loan currency	Loans received in cash	Loans received as direct payment	Total amount in Kshs	Total amount in Kshs
				FY 2021/22	FY 2020/21
	USD	Kshs	Kshs	Kshs	Kshs
Loans Received from IDA	90,081,369	460,356,451	9,135,327,223	9,595,683,674	6,020,692,319
<b>Total</b>	<b>90,081,369</b>	<b>460,356,451</b>	<b>9,135,327,223</b>	<b>9,595,683,674</b>	<b>6,020,692,319</b>

### 3. Miscellaneous Receipts

	2021/22	2020/21	Cumulative
	Kshs	Kshs	to-date
Bank Interest	2,411,593	3,077,980	21,239,012
<b>Total</b>	<b>2,411,593</b>	<b>3,077,980</b>	<b>21,239,012</b>

### 3. Purchase of Goods and Services

Description	2021/22			2020/21	Cumulative to date
	Receipts & Payments Controlled by the Entity	Receipts & Payments made by the Third Party	Total Payments	Total Payments	
	Kshs	Kshs	Kshs	Kshs	Kshs
Domestic travel and subsistence	10,532,661	-	10,532,661	32,491,456	193,001,811
<b>Total</b>	<b>10,532,661</b>	<b>-</b>	<b>10,532,661</b>	<b>32,491,456</b>	<b>193,001,811</b>

### 4. Acquisition of Non-Financial Assets

Description	2021/21			2020/21	Cumulative to-date
	Payments made by the Entity	Payments Made by Third Party	Total Payments	Total Payments	
	Kshs	Kshs	Kshs	Kshs	Kshs
Research, studies, project preparation, design & supervision	480,966,912	711,675,856	1,192,642,768	1,103,403,177	4,557,172,890
Rehabilitation of Roads	295,330,979	8,423,651,367	8,718,982,346	5,906,023,695	35,871,879,336
Acquisition of land	-	-	-	144,816,276	221,260,101
<b>Total</b>	<b>776,297,891</b>	<b>9,135,327,223</b>	<b>9,911,625,114</b>	<b>7,154,243,148</b>	<b>40,650,312,327</b>

### 5. Miscellaneous Payments

	2021/22	2020/21	Cumulative to-date
	Kshs	Kshs	
Bank Charges	49,430	52,850	314,635
<b>Total</b>	<b>49,430</b>	<b>52,850</b>	<b>314,635</b>

**6. Cash and Cash Equivalents C/Fwd**

	2021/22	2020/21
	Kshs	Kshs
Bank accounts (Note 6A)	311,210,876	467,133,315
	<b>311,210,876</b>	<b>467,133,315</b>

**6A. Bank Accounts**

	2021/22	2020/21
	KShs	KShs
<b>Local Currency Accounts</b>		
National Bank of Kenya-EARTTDFP [A/c No 01001032662501]	178,217,730	181,737,287
National Bank of Kenya-Retention [A/c No 01001-327332-00]	132,993,147	285,396,028
<b>Total bank account balances</b>	<b>311,210,876</b>	<b>467,133,315</b>

**7. Special Deposit Accounts**

The balances in the Project's Special Deposit Account(s) as at 30th June 2022 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**

	2021/22	2020/21
	KShs	KShs
Eastern Africa Regional Transport Trade & Development Facilitation Project Loan Credit No 5638-Ke Da-B [A/c No100243767-Central Bank of Kenya]		
Opening balance	-	-
Total amount deposited in the account	506,008,295	568,215,586
Total amount withdrawn (as per Statement of Receipts & Payments)	460,356,451	568,215,586
Amount withdrawn (cash in transit as at 30 <sup>th</sup> June, 2021)	-	-
Closing balance (as per SDA bank account reconciliation attached)	<b>45,651,844</b>	-

**Notes to the Financial statements (Continued)**

The Special Deposit Account reconciliation statement has been attached as per appendix support this closing balance.

**9. Accounts Payables**

Description	2021-2022	2020-2021
	Kshs	Kshs
Retention - Payments controlled by the entity	132,993,147	285,396,028
<b>Total</b>	<b>132,993,147</b>	<b>285,396,028</b>

**10. Fund Balance C/f**

	2021/22	2020/21
	KShs	KShs
Bank accounts	311,210,876	168,565,965
<b>Total</b>	<b>311,210,876</b>	<b>168,565,965</b>

**11. Changes in Accounts Payable – Retentions – Payments Controlled By The Entity**

Description	2021/22	2020/21
	KShs	KShs
Deposit and Retentions as at 1 <sup>st</sup> July	285,396,028	357,201,635
Deposit and Retentions as at 30th June	132,993,147	285,396,028
<b>Change in Payables</b>	<b>(152,402,881)</b>	<b>(71,805,607)</b>

**Note:** Reduction in retention account includes an amount of Ksh. 18,848,018 transferred from retention account to project account as required by development partner

## 12. OTHER IMPORTANT DISCLOSURES

### 1. Pending Accounts Payable (See Annex 3a)

Description	Balance b/f	Additions for the period	Paid during the year	Balance c/f
	FY 2020/2021			FY 2021/2022
	Kshs	Kshs	Kshs	Kshs
Construction of Civil Works	1,459,584,439	7,635,508,905	8,718,982,346	376,110,998
Land Compensation	76,302,939	-		77,037,454
Supply of services	4,813,035	1,198,932,548	1,203,175,429	-
<b>Total</b>	<b>1,540,700,413</b>	<b>8,833,871,299</b>	<b>9,922,157,775</b>	<b>453,148,451</b>

### 2. Accounts Payables

Description	2021-2022	2020-2021
	Kshs	Kshs
Retention - Payments made by third party	1,157,918,207	1,308,305,573
<b>Total</b>	<b>1,157,918,207</b>	<b>1,308,305,573</b>

### 3. External Assistance

	FY 2021-2022	FY 2020-2021
Description	Kshs	Kshs
External assistance received as loans	9,595,683,674	6,020,692,319
<b>Total</b>	<b>9,595,683,674</b>	<b>6,020,692,319</b>

**a. External assistance relating loans and grants**

	FY 2021-2022	FY 2020-2021
Description	Kshs	Kshs
External assistance received as loans	9,595,683,674	6,020,692,319
<b>Total</b>	<b>9,595,683,674</b>	<b>6,020,692,319</b>

**b. Undrawn external assistance**

	Purpose for which the undrawn external assistance may be used	FY 2021-2022	FY 2020-2021
Description		Kshs	Kshs
Undrawn external assistance - loans		12,409,656,143	22,005,339,817
<b>Total</b>		<b>12,409,656,143</b>	<b>22,005,339,817</b>

**c. Classes of providers of external assistance**

	FY 2021-2022	FY 2020-2021
Description	Kshs	Kshs
Multilateral donors	9,595,683,674	6,020,692,319
<b>Total</b>	<b>9,595,683,674</b>	<b>6,020,692,319</b>

**d. Purpose and use of external assistance**

Payments Made by Third Parties	FY 2021-2022	FY 2020-2021
	Kshs	Kshs
Acquisition of Assets	9,595,683,674	5,452,476,733
<b>TOTAL</b>	<b>9,595,683,674</b>	<b>5,452,476,733</b>

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

	FY 2021-2022	FY 2020-2021
Description	Kshs	Kshs
Multilateral donors	9,595,683,674	5,452,476,733
<b>Total</b>	<b>9,595,683,674</b>	<b>5,452,476,733</b>

**EASTERN AFRICA REGIONAL TRANSPORT TRADE & DEVELOPMENT FACILITATION PROJECT**  
*Annual Report and Financial Statements for the financial year ended June 30, 2022*

**13. PROGRESSES 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.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Note 1	<p><b>Pending Bills</b>                      Note 12.1 to the financial statements reflects pending bills amounting to Kshs 46,964,093 as at 30 June 2021. 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</p>	<p>We agree with the observation. The EATTFP project was co-financed by GoK and the International Development Association (IDA) whose credit and financing ended on 30 September 2015 prior to completion of the project. With the exhaustion of development partner financing, it is the sole responsibility of the Government to ensure the project is completed for use by the public and to make good the liabilities arising thereof through exchequer budgetary allocations.</p>	Not Resolved	Continuous