

REPUBLIC OF KENYA



*Enhancing Accountability*

THE NATIONAL ASSEMBLY  
PAPER NO. \_\_\_\_\_  
DAY \_\_\_\_\_

DATE 07 DEC 2023  
**REPORT** *THURS*

TABLED BY: *Hon Owen Sanyal, CBS, MP*  
*Deputy leader majority*  
**OF** *Minam*

PARLIAMENT  
OF KENYA  
LIBRARY

**THE AUDITOR-GENERAL**

**ON**

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

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

**KENYA NATIONAL HIGHWAYS  
AUTHORITY**

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

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MINISTRY OF ROADS AND TRANSPORT



**Kenya National Highways Authority**

Quality Highways, Better Connections

**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, 2023**

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

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## **1. Acronyms and Glossary of Terms**

CBK	Central Bank of Kenya
CPA	Certified Public Accountant
EARTTDFP	Eastern Africa Regional Transport, Trade & Development Facilitation Project
ESIA	Environmental Social Impact Assessment
EXIM	Export – Import
FY	Financial Year
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
KeNHA	Kenya National Highways Authority
Kshs.	Kenya Shillings
M&E	Monitoring and Evaluation
MoRT	Ministry of Roads and Transport
MoU	Memorandum of Understanding
NEMA	National Environment Management Authority
NLC	National Land Commission
OSBP	One Stop Border Post
PAPs	Project Affected Persons
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
RMB	Renminbi
SDG	Sustainable Development Goals
TNT	National Treasury
UA	Unit of Account
USD	United States Dollar

## 2. Project Information and Overall Performance

### 2.1 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 Northwestern 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
- Savings in maintenance costs and travel time for the road users.
- Improvement of safety in travel and improvement of emergency response in the transit corridor including Eldoret-Nadapal-Nakodok which is prone to road accidents.
- 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 and improve business opportunities between Kenya and Sudan.

**Address:** Barabara Plaza,  
Jomo Kenyatta International Airport (JKIA)  
Off Mazao Road  
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

**Project Information and Overall Performance (Continued)**

**2.2 Project Information**

Project Start Date:	20 <sup>th</sup> July 2015
Project End Date:	29 <sup>th</sup> December 2023
Project Engineer	Eng. Eric Wambua
Project Sponsor:	1. International Development Agency (IDA) 2. Government of Kenya

**2.3 Project Overview**

Line Ministry/State Department of the project	The project is under the supervision of the State Department of Roads on behalf of the Ministry of Roads and Transport			
Project number	P-148853			
Strategic goals of the project	<p>The strategic goals of the project are as follows:</p> <ul style="list-style-type: none"> <li>i. To develop effective information communication technology infrastructure for countries in the East Africa region while easing procedures and requirements for cross-border trade.</li> <li>ii. To facilitate implementation of common market protocol and common customs territory for the East African Community (EAC)</li> <li>iii. Supporting Kenya's Vision 2030, aiming to have Kenya achieve middle income status by 2030 by attaining annual growth of 10 percent</li> </ul>			
Summary of project strategies for achievement of strategic goals.	<p>The project management aims to achieve the goals through the following means:</p> <ul style="list-style-type: none"> <li>iv. Providing a cost-effective transit route connecting a landlocked country to seaports</li> <li>v. Providing reliable all-season access road to reduce transportation costs and facilitate agriculture-based export growth.</li> <li>vi. Provision of roadside markets to serve as outlets for local products.</li> <li>vii. Facilitating cross-border trade among micro-enterprises and petty traders, who are mainly women.</li> <li>viii. Assisting in transporting emergency humanitarian aid and movement of victims of conflicts</li> </ul>			
Other important background information of the project	<b>Project Component</b>	<b>Project Cost in Million (USD)</b>	<b>IDA Financing, in Million (USD)</b>	<b>% Financing, in Million (USD)</b>

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	<table border="1"> <tbody> <tr> <td>Upgrading Critical Road Infrastructure</td> <td>594</td> <td>426</td> <td>72</td> </tr> <tr> <td>Facilitation of Regional Transport, Trade and Development</td> <td>31</td> <td>27</td> <td>87</td> </tr> <tr> <td>Institutional Development and Program Management</td> <td>3.5</td> <td>3.5</td> <td>100</td> </tr> <tr> <td><b>Total</b></td> <td><b>628.5</b></td> <td><b>456.5</b></td> <td><b>73</b></td> </tr> </tbody> </table>	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>
Upgrading Critical Road Infrastructure	594	426	72														
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<b>Total</b>	<b>628.5</b>	<b>456.5</b>	<b>73</b>														
Areas that the project was formed to intervene	<p>The project was formed to intervene in the following areas:</p> <ol style="list-style-type: none"> <li>The project is currently at 96.00% implementation with tarmac length of approximately 310km. The transport costs have reduced tremendously and the connectivity in the Juba – Eldoret corridor which also provides a link to Turkana and West Pokot counties has improved. This has raised the living standards of the people in the region.</li> <li>Due to the new road infrastructure, an attractive environment for doing business has been presented and the economic activities in the region have increased.</li> <li>There is reduction in time and transportation costs of humanitarian aid since the corridor traverses a region that is home to refugees.</li> <li>Creation of an efficient trade and development corridor that also involves enhanced use of ICT for internet connectivity and road management</li> </ol>																
Project duration	The project started on 12 <sup>th</sup> June 2015 and is expected to run until 29 <sup>th</sup> December 2023.																
Projects Components & Description	<p>The Projects have the following components.</p> <ol style="list-style-type: none"> <li>Component 1: Upgrading Selected Critical Road Infrastructure <ol style="list-style-type: none"> <li>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>Upgrading of approximately 80 km of the Lokitaung junction-Lodwar section of the Eldoret-Nadapai/Nakodok road; and (ii) related supervision costs.</li> <li>Upgrading of approximately 50 km of the Lodwar – Loichangamatak section of the Eldoret-Nadapai/Nakodok road; and (ii) related supervision costs.</li> <li>Construction of a bridge at Kainuk on Muruni River; and (ii) related supervision costs.</li> </ol> </li> </ol>																

	<p>e) Upgrading of approximately 40 km of the Loichangamatak – Lokichar section of the Eldoret-Nadapai/Nakodok road; and related supervision costs.</p> <p>f) Implementing the Resettlement Action Plans (RAPs) along the Eldoret Nadapal/Nakodok road.</p> <p>ii) Component 2: Facilitation of Regional Transport, Trade and</p> <p>iii) Development Component 3: Institutional Development and Program Management</p> <p>iv) Component 4: Enhancing Internet Connectivity</p>
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#### 2.4 Bankers

The following are the bankers for the project:

National Bank of Kenya Ltd  
Hill Branch, Nairobi  
Account number 01001032733200

Cooperative Bank of Kenya  
Upper Hill Branch, Nairobi  
Account number 01141160979900

#### 2.5 Independent Auditor

The project is audited by,

Auditor General  
Office of the Auditor General  
P.O Box 30084-0100  
Nairobi

#### 2.6 Roles and Responsibilities

Names	Title designation	Key qualification	Responsibilities
Eng. Henry Gakuru	Director Development	Registered Civil Engineer	Oversight
Eng. Eric Wambua	Deputy Director Special Project (EARTTDP)	Registered Civil Engineer	Team Coordinator & Construction Specialist
Mr Walter Nyatwanga	Deputy Director	Registered NEMA Lead expert. Member EIK	Environment and Social Safeguards Specialist
Mr. Chanje Kera	Deputy Director	Certified Public Accountant	Financial Specialist
Ms. Levina Wanyonyi	Deputy Director	Certified Supply Chain Management Professional	Supply Chain Management Specialist

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**2.7 Funding summary.**

The Project is for duration of 8 years from 20<sup>th</sup> July 2015 to 29<sup>th</sup> December 2023 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 2023)		Undrawn balance to date (30th June 2023)	
	USD	Kshs	USD	Kshs	USD	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
<b>(i) Grant</b>	-	-	-	-	-	-
<b>(ii) Loan</b>						
International Development Association - IDA	456,551,724	49,284,758,606	367,200,458	39,639,289,420	89,351,266	9,645,469,186
<b>(iii) Counterpart funds</b>						
Government of Kenya	-	12,794,234,000	-	4,453,279,942	-	8,340,954,058
<b>Total</b>	<b>456,551,724</b>	<b>62,078,992,606</b>	<b>367,200,458</b>	<b>44,092,569,362</b>	<b>89,351,266</b>	<b>17,986,423,244</b>

**B. Application of Funds**

Application of funds	Amount received to date – (30 <sup>th</sup> June 2023)		Cumulative Amount paid to date – (30 <sup>th</sup> June 2023)		Unutilised balance to 30 <sup>th</sup> June 2023	
	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	367,200,458	39,639,289,420	366,287,897	39,540,778,498	912,561	98,510,922
<b>(ii) Counterpart funds</b>						
Government of Kenya	-	4,453,279,942	-	4,328,928,399	-	124,351,543
<b>Total</b>	<b>367,200,458</b>	<b>44,092,569,362</b>	<b>366,287,897</b>	<b>43,869,706,898</b>	<b>912,561</b>	<b>222,862,465</b>

**Project Information and Overall Performance (Continued)**

**2.8 Summary of Overall Project Performance:**

i) Budget performance against actual amounts for current year and cumulative to date.

	2022/2023			cumulative		
	Budget	Actual	%	Budget 2022/23	Actual 2022/23	%
Counterpart Funds-GOK	170,000,000	170,000,000	100%	3,771,104,192	4,328,928,399	115%
Loan from external Development Partners	3,382,000,000	2,556,037,370.00	76%	44,264,521,788	39,540,778,498	89%
<b>Total</b>	<b>3,552,000,000</b>	<b>2,726,037,370</b>	<b>77%</b>	<b>48,035,625,980</b>	<b>43,869,706,897</b>	<b>91%</b>

ii) Physical progress based on outputs, outcomes, and impacts since project commencement is as follows.

- a) Total of 327 Km of Road Constructed
- b) 600 Km Fibre optic laid from Eldoret to Nadapal
- c) Reduced travel time-Average travel time between Lokichar and Lodwar disaggregated by passengers and freight (Hours) has reduced from 12 hours to 3 hours.
- d) Number of public transport service providers along Lokichar - Nadapal/Nakodok road section has increased hence improved movement of people and goods.
- e) Selected Critical Road Infrastructure Upgraded along the road corridor.

iii) Absorption rate for each year since the commencement of the project

Financial Year	Budget	Actual	Percentage (%)
FY 2022/23	3,552,000,000	2,726,037,370	77%
FY 2021/22	12,504,387,987	9,922,256,635	79%
FY 2020/21	7,067,268,455	7,067,266,810	100%
FY 2019/20	6,679,544,000	6,679,542,802	100%
FY 2018/19	6,679,544,000	6,679,557,557	100%
FY 2017/18	2,530,888,673	2,026,175,722	80%
FY 2016/17	7,801,992,865	7,649,314,458	98%
FY 2015/16	1,220,000,000	1,119,555,544	92%
<b>Total</b>	<b>48,035,625,980</b>	<b>43,869,706,898</b>	<b>91%</b>

**Project Information and Overall Performance (Continued)**

- i) The project faced the following challenges.
- a) Lack of right of way due to inadequate budget leading to delayed compensation and resettlement processes
  - b) Delayed funding of GOK Component due to inadequate budget
  - c) Insecurity

**Summary of Project Compliance:**

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

**The status report is as follows.**

PROJECT DESCRIPTION	INDICATOR	PROGRESS REPORTED TO DATE
<b>1. Project Name:</b> Upgrading of Kalobeiyei River — Nadapal (77.20 km) road section <b>Contract type:</b> Works <b>Contractor:</b> China Railway No. 5 Engineering Group Ltd <b>Contract Signed:</b> 28th March 2017 <b>Commencement Date:</b> 11th July 2017 <b>Completion Date:</b> 11th July 2020 <b>Revised Completion Date:</b> 10th April 2023 <b>Contract amount:</b> KES. 7,540,611,654.38  <b>Consultant:</b> Intercontinental Consultants & Technocrats Pvt Ltd with CAS Consultant Ltd. <b>Contract Amount:</b> USD. 4,089,072.00 and KES. 596,637,881.00	Physical progress	100%
	Amount certified	Ksh. 6,867,169,856.85
	Amount paid	Ksh. 6,465,310,775.17
	Time lapsed	71.0 Months
<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	Physical progress,	100.00%
	Amount certified	Ksh. 12,343,887,481.33

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PROJECT DESCRIPTION	INDICATOR	PROGRESS REPORTED TO DATE
<p>Commencement Date: 1st August 2017 Completion Date: 31st March 2022 Contract amount: KES. 9,799,110,192.16</p> <p>Consultant: Sheladia Associates Inc. in association with Abdul Mullick associates Contract Amount: USD. 2,942,098.33 and KES. 789,258,446.50</p>	Amount paid	Ksh. 12,180,015,342.82
	Time lapsed	66.74 months
<p>3. Project Name: Upgrading of Lodwar - Lokitaung Junction to (80 km) road section Contract type: Works Contractor: Third Engineering Bureau of China Construction Group Co. Ltd Contract Signed: 14th March 2017 Commencement Date: 15th August 2017 Completion Date: 31st January 2021 Contract amount: KES. 10,422,180,486.34</p> <p>Consultant: Egis International in association with Egis Kenya Contract Amount: KES. 568,958,975.00 and EURO. 1,589,113.00</p>	Physical progress,	100%
	Amount certified	Ksh. 1,032,222,363.67
	Amount paid	Ksh. 865,013,452.76
	Time lapsed	36.5Months
<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>	Physical progress,	100%
	Amount certified	Ksh. 1,032,222,363.67
	Amount paid	Ksh.. 779,820,858.17

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PROJECT DESCRIPTION	INDICATOR	PROGRESS REPORTED TO DATE
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	Time lapsed	36.5Months
<p>5.Project Name: Upgrading of Loichangamatak – Lodwar (50Km) Contract type: Works Contractor: China Railway No. 5 Eng. Co. Ltd Contract Signed:6<sup>th</sup> September 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. 517,865,662.00 and USD 4,727,667.00</p>	Physical progress,	100.00%
	Amount certified	Ksh. 6,757,826,421.76
	Amount paid	Ksh.. 6,556,430,144.11
	Time lapsed	47.7Months
<p>6.Project Name: Upgrading of Lokichar-Loichangamatak (40.8Km) Contract type: Works Contractor: China State Construction Engineering Corp. Ltd Contract Signed: 15th November 2019 Commencement Date: 2nd June 2020 Completion Date: 2nd December 2022 Revised Completion Date: 17th June 2023 Contract amount: KES. 5,800,819,124.72</p>	Physical progress,	99%
	Amount certified.	Ksh. 4,429,151,191.63
	Amount paid.	Ksh. 4,270,344,469.82
	Time lapsed	38.5 Months

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PROJECT DESCRIPTION	INDICATOR	PROGRESS REPORTED TO DATE
Consultant: Intercontinental Consultants and technocrats Pvt. Ltd Contract Amount: KES. 162,128,560.00 and USD 3,650,253.00		
<b>7.</b> Needs Assessment for Social Infrastructure Consulting Services for Delivery Needs Assessment for Social Infrastructure and Social Services	Completed	Completed
<b>8.</b> Construction of Socio-Economic Infrastructure in Turkana and West Pokot Counties <b>Lot 1:</b> Contractor: M/s Third Engineering Bureau of China City Construction Group Company Limited • Original Works Contract Price: KES 2,274,748,802.63 • Contract Signed date: N/A • Completion Date: 29th December 2023 <b>Lot 2:</b> Contractor: M/s Chongqing International Construction Corporation • Original Works Contract Price: KES 1,698,398,970.22 • Contract Signed date: 25 <sup>th</sup> July 2023 • Completion Date: 29 <sup>th</sup> December 2023 Consultant: M/s Egis International, France <i>in joint venture with</i> M/s Egis Kenya Limited, Kenya • Original Contract Price: KES 331,319,200.00		Expected Commencement: August 2023 Expected Date of Completion: 29 <sup>th</sup> December 2023

### 3. Statement of Performance against Project's Predetermined Objectives

#### Introduction

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

The key development objectives of the project's agreement/ plan is to improve movement of goods and people along Lokichar / Nakodok part of the Eldoret-Nadapal /Nakodok road in the Northwestern 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 by 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 State Department of Roads in the Ministry of Roads, 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)
- Construction of Socio-Economic Infrastructure in Turkana and West Pokot Counties

The Challenges experienced in carrying out the projects are:

- a) **Water Scarcity:** Turkana County is classified as a Semi-Arid Land (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**

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic, and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement.

Below we provide the progress on attaining the stated objectives:

<b>Project</b>	<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
Eastern Africa Regional Transport, Trade & Development Facilitation Project	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	100% Completed
			Lokitaung’ Junction – Kalobeyei River	100% Completed
			Lodwar – Lokitaung’ Junction	100% Completed
			Loichangamatak - Lodwar	100% Completed
	Lokichar - Loichangamatak	99% Completed		
	Facilitate trade through construction of social infrastructure	Increased Trade	Completion of Construction of Social Infrastructure	CSR projects are now underway after the MoUs were signed in April and July 2020
	Enhancement of internet connectivity in the Northwestern Kenya through construction of fibre Optic Cable	Enhanced Internet Connectivity	Completion of Construction of Fibre Optic Cable	Fibre Optic Cable fully laid

#### **4. 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. It 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.

The Authority has an Occupational Safety and Health Policy, and staff are trained on safety and health procedures, where they are encouraged to identify equipment or hazardous materials that are of concern to them. Workplaces are inspected from time to time and registered annually by the

Directorate of Occupational Safety and Health (DOSH). In this respect, the Authority has a Health and Safety Committee which spear heads matters of Health and Safety.

#### **4. Marketplace 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 was 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 Ksh.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 EARTIDFP 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.	Lot 0: Upgrading of Loichangam atak – Lodwar (A1) Road	<ul style="list-style-type: none"> <li>• Provision of 55No. sports uniforms to 8No. schools in Turkana South</li> <li>• Provision of 18No. footballs to 8No. schools</li> <li>• Distribution of 452kg relief food to 226No. persons affected by drought in Kimabur, Locheremoit and Nagetei</li> <li>• Donation of 400No. masks, 10No. boxes of soap and 24No. handwash bottles at Kanam and Lodwar</li> </ul>	Completed

*Eastern Africa Regional Transport, Trade & Development Facilitation Project.  
Annual Report and Unaudited Financial Statements for the financial year ended June 30, 2023*

		<ul style="list-style-type: none"> <li>• Renovation of 2km access roads at Km 72 and Km 78</li> <li>• Undertook ground levelling works at Governor's office.</li> <li>• Donated sand material for construction purposes at Kanam, Ngakoriyek and ACK Kanamkemer</li> </ul>	
2.	Lot 1: Upgrading of Lodwar – Lokitaung Junction (A1) Road	<ul style="list-style-type: none"> <li>• Drilled 3No. boreholes for the community.</li> <li>• Built 2No. ECDE classrooms, toilet, teachers' administration block and provided 25No. desks at Narong'or</li> <li>• Provided education sponsorships to 10No. students (PAPs) from Narong'or for 4 years near the Km 12 crusher site.</li> <li>• Built 3No. sub-camp site perimeter fences.</li> </ul>	Completed
3.	Lot 2: Upgrading of Lokitaung Junction – Kalobiyei River (A1) Road	<ul style="list-style-type: none"> <li>• Built chief's office at Lokore centre.</li> <li>• 9No. classrooms at Komotogae (3), Kangura (2), Lokichar (2) and Kadakumoe (2) ECDE centres</li> <li>• Built toilets for Tarach and Komotogae ECDE centres.</li> <li>• Fenced Pelekech, Towakayen Primary Schools and Komotogae ECDE centre</li> <li>• Constructed Likitoe Ang'sikiria market shade in Kakuma town.</li> <li>• Continued to share water with the community</li> </ul>	Completed
4	Lot 3: Upgrading of Kalobeiyei River – Nadapal/Nakodok (A1) Road	<ul style="list-style-type: none"> <li>• Fenced St. Patrick Lomidat Primary School</li> <li>• Fenced Teremkus Primary School</li> <li>• Fenced Lomidat dispensary</li> <li>• Fenced Teremkus dispensary</li> <li>• Constructed community hall at Aposta (Km 186)</li> <li>• Constructed community hall at Nakururum (Km 176). yet to complete perimeter fencing and pit toilets</li> </ul>	Completed

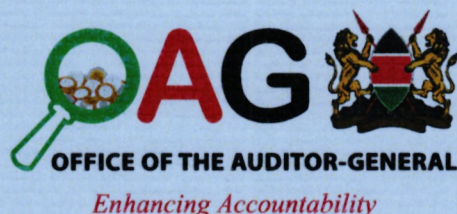
*Eastern Africa Regional Transport, Trade & Development Facilitation Project.  
Annual Report and Unaudited Financial Statements for the financial year ended June 30, 2023*

5	Construction of Socio-Economic Infrastructure in Turkana and West Pokot Counties	Social safeguards: Consultancy Services for Mitigation Against Gender Based Violence and Prevention of Sexual Exploitation and Abuse in Civil Works Contracts for The Upgrading of Kainuk Bridge, Lokichar-Lodwar-Nadapal/Nakodok Road (A1)	Expected Commencement: August 2023 - Expected Date of Completion: 29th December 2023
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To enhance social safeguards in projects, the Authority undertakes Resettlement Action Plan (RAP) studies and implements its recommendations, carries out Social Impact Assessments (SIA), undertakes gender mainstreaming and conduct stakeholders' forum to sensitize the public in several cross-cutting issues.

# REPUBLIC OF KENYA

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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, 2023 - 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 the 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.

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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, 2023 - Kenya National Highways Authority*

## 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 29, which comprise of the statement of financial assets as at 30 June, 2023, 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 the Eastern Africa Regional Transport, Trade and Development Facilitation Project as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and 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 matters 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. Unsupported Cash and Cash Equivalents

The statement of financial assets reflects cash and cash equivalents balance of Kshs.222,862,465 which, as disclosed in Note 7 to the financial statements includes a balance of Kshs.51,114,859 held in a local bank account whose reconciled bank balance was Kshs.3,582,156,401 resulting to an unexplained variance of Kshs.3,359,293,936.

Further, the cash and cash equivalents balance includes an amount of Kshs.73,236,684 in respect of retention monies whose bank reconciliation statement and bank confirmation statement in respect of the balance reflected a balance of Kshs.561,158,482 resulting to unexplained variance of Kshs.487,921,798. The Management explained that the unreconciled balances were as a result of the Authority comingling funds for all the Projects undertaken by the Authority. In addition, the statement of cashflow did not reflect the total net cashflow from operating activities balance of Kshs.163,289,195.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.222,862,465 could not be confirmed.

## **2. Deficit Balance**

The statement of receipts and payments reflects a deficit of Kshs.88,348,412 which differs with the deficit of Kshs.28,591,949 reflected in the statement of financial assets resulting to an unexplained variance of Kshs.59,756,463.

In the circumstances, the accuracy of the deficit of Kshs.28,591,949 could not be confirmed.

## **3. Presentation and Disclosure in the Financial Statements**

The bank reconciliations and the Special Deposit Accounts statements were not attached to the financial statements as appendices as per the guidelines provided in the Annual Financial Reporting template (Revised June, 2023), issued by the Public Sector Accounting Standards Board.

In the circumstances, proper disclosure and presentation of the financial statements could not be confirmed.

### **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 of Kshs.3,552,000,000 against actual receipts of Kshs.2,937,729,713 resulting to underfunding of Kshs.614,270,287 or 17 % of the approved budget. Similarly, the project expended Kshs.3,026,078,125 against an approved budget of Kshs.3,552,000,000 resulting to under expenditure of 525,921,875 or 15% of the budget.

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

#### **2. Delayed Counterpart Funding**

Review of Project documents revealed that the total counterpart funding from the Government of Kenya was Kshs.12,794,234,000, while total actual amount received was Kshs.4,453,279,942 equivalent to 34% of the total counterpart financing projection. The balance of counterpart funding of Kshs.8,340,954,058 or 66% had not been disbursed to fund the Project's activities as at 30 June, 2023, with only six (6) months to the closing date of the Project of 29 December, 2023.

In the circumstances, the underfunding of the Project affected the planned activities and may have negative impact on service delivery to the public.

### **3. Unresolved Prior Year Matters**

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

## **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 the matters described in the Basis for Conclusion on 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. Undrawn Loan Balances**

Review of documents revealed that the Project started on 20 July, 2015 and was expected to end by 29 December, 2023 with donor commitment of Kshs.49,284,758,606. However, a total of Kshs.39,639,289,420 had been drawn from the donor commitment, leaving an undrawn balance of Kshs.9,645,469,186. In accordance with Clause II (2.03) of the financing agreement, the loan will continue to attract penalty on the undrawn balance in form of commitment fees.

In the circumstances, the Project costs may continue escalating as a result of penalty payments which are irregular and avoidable charge to public funds.

#### **2. Delay in Completion of the Project - Upgrading of Nadapal-Nakodok Road**

Review of the Project documents revealed that the first amendment to the financing agreement dated 24 December, 2021 indicated that the Project closure period be revised from 31 December, 2021 to 29 December, 2023. The agreement involved Project restructuring by excluding 11 KM of upgrading of Nadapal-Nakodok Road section from the original works under LOT 3 of upgrading of Kalobeiyei River -Nadapal-Nakodok Road Project resulting to reduced scope of work from 88 KM to 77 KM. The amendment provided that the Project construction works be undertaken by the Government of Kenya at a cost of Kshs.1,440,000,000 while the consultancy cost for supervision of the Project was to be paid by the donor at a cost of Kshs.19,200,000. However, audit inspection carried in November, 2023 revealed that works had not commenced.

In the circumstances, delayed Project may result in additional project expenses leading to loss in public funds.

### **3. Failure to Settle Pending Bills**

Annex 4 of the financial statements reflects Kshs.838,328,644 in respect of pending accounts payables which includes an amount of Kshs.765,416,216 which relates to pending certificates to contractors and interest on delayed payments while Kshs.72,912,428 relates to unpaid compensation to Project Affected Persons as a result of land acquisition during the construction of the roads.

In the circumstances, the Project risks incurring significant losses in form of interest and penalties due to continued delay in settlement of the pending bills.

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

#### **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

##### **Conclusion**

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

##### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards 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 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**

The 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 governance.

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal 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 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**


**15 November, 2023**

**EASTERN AFRICA REGIONAL TRANSPORT TRADE & DEVELOPMENT FACILITATION PROJECT**  
**Annual Report and Financial Statements for the financial year ended June 30, 2023**

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

NOTES	2022/23			2021/22			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	
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	
<b>RECEIPTS</b>							
1	170,000,000	-	170,000,000	168,189,499	-	168,189,499	4,428,498,174
2	208,149,587	2,556,037,370	2,764,186,957	460,356,451	9,135,327,223	9,595,683,674	39,639,289,420
3	3,542,756	-	3,542,756	2,411,593	-	2,411,593	24,781,768
<b>Total receipts</b>	<b>381,692,343</b>	<b>2,556,037,370</b>	<b>2,937,729,713</b>	<b>630,957,543</b>	<b>9,135,327,223</b>	<b>9,766,284,766</b>	<b>44,092,569,362</b>
<b>PAYMENTS</b>							
4	10,231,361	-	10,231,361	10,532,661	-	10,532,661	203,233,172
5	459,787,194	2,556,037,370	3,015,824,564	776,297,891	9,135,327,223	9,911,625,114	43,666,136,891
6	22,200	-	22,200	49,430	-	49,430	336,835
<b>TOTAL PAYMENTS</b>	<b>470,040,755</b>	<b>2,556,037,370</b>	<b>3,026,078,125</b>	<b>786,879,982</b>	<b>9,135,327,223</b>	<b>9,922,207,205</b>	<b>43,869,706,898</b>
<b>SURPLUS/DEFICIT</b>	<b>(88,348,412)</b>	<b>-</b>	<b>(88,348,412)</b>	<b>(155,922,439)</b>	<b>-</b>	<b>(155,922,439)</b>	<b>222,862,464</b>


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

  
**Eng. Kungu Ndungu**  
 Director - General

23 SEP 2023  
 Date

  
**Eng. Henry Gakuru**  
 Ag. Director - Development

23 SEP 2023  
 Date

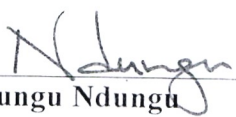
  
**CPA Chanje Kera**  
 Deputy Director (F&A)  
 ICPAK Member No.8279

23 SEP 2023  
 Date


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

	Note	2022/23	2021/22
		Kshs	Kshs
<b>Cash and Cash equivalents</b>			
Bank Balances	7	222,862,465	311,210,876
Cash Balances			
<b>Total Cash and Cash equivalents</b>		<b>222,862,465</b>	<b>311,210,876</b>
<b>Financial liabilities</b>			
Third Party Deposits and Retention	11	73,236,684	132,993,147
<b>Net assets</b>		<b>149,625,781</b>	<b>178,217,729</b>
<b>Represented by:</b>			
Fund balance b/fwd		178,217,729	200,585,306
Surplus/(Deficit) for the year		(28,591,949)	(22,367,577)
<b>Net financial position</b>		<b>149,625,781</b>	<b>178,217,729</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 23 SEP 2023 and signed by:

  
Eng. Kungu Ndungu  
Director General

  
Eng. Henry Gakuru  
Ag. Director - Development

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

Date 23 SEP 2023

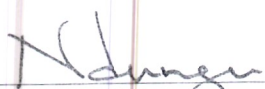
Date 23 SEP 2023

Date 23 SEP 2023


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

		2022/23	2021/22
<b>Receipts</b>			
Transfer from Government entities	1	170,000,000	168,189,499
Proceeds from domestic and foreign grants			
Miscellaneous Receipts	3	3,542,756	2,411,593
<b>Total Receipts</b>		<b>173,542,756</b>	<b>170,601,092</b>
<b>Payments</b>			
Purchase of goods and services	4	(10,231,361)	(10,532,661)
Miscellaneous Payments	6	(22,200)	(49,430)
<b>Total Payments</b>		<b>(10,253,561)</b>	<b>(10,582,091)</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	(3,015,824,564)	(9,911,625,114)
<b>Net cash flows from investing activities</b>		<b>(3,015,824,564)</b>	<b>(9,911,625,114)</b>
<b>Cashflow from financing activities</b>			
Proceeds from foreign Borrowings	2	2,764,186,957	9,595,683,674
<b>Net cash flow from financing activities</b>		<b>2,764,186,957</b>	<b>9,595,683,674</b>
<b>Net increase in cash and cash equivalent</b>		<b>(88,348,412)</b>	<b>(155,922,439)</b>
<b>Cash and cash equivalent at beginning of the year</b>		<b>311,210,876</b>	<b>467,133,315</b>
<b>Cash and cash equivalent at end of the year</b>		<b>222,862,464</b>	<b>311,210,876</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 23 SEP 2023 and signed by:

  
Eng. Kungu Ndungu  
Director General

  
Eng. Henry Gakuru  
Ag. Director - Development

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

Date 23 SEP 2023

Date 23 SEP 2023

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**EASTERN AFRICA REGIONAL TRANSPORT TRADE & DEVELOPMENT FACILITATION PROJECT**  
*Annual Report and Financial Statements for the financial year ended June 30, 2023*

**10. Statement of Comparison of Budget and actual amounts for the year ended 30<sup>th</sup> June 2023**

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	680,000,000	(510,000,000)	170,000,000	170,000,000	-	100%
Transfer from External Development Partner	6,032,000,000	(2,650,000,000)	3,382,000,000	2,764,186,957	617,813,043	82%
Miscellaneous Income	-	-	-	3,542,756	(3,542,756)	-
<b>Total Receipts</b>	<b>6,712,000,000</b>	<b>(3,160,000,000)</b>	<b>3,552,000,000</b>	<b>2,937,729,713</b>	<b>614,270,287</b>	<b>83%</b>
<b>Payments</b>						
Purchase of goods and services	6,712,000,000	(3,160,000,000)	3,552,000,000	10,231,361	3,541,768,639	0.3%
Acquisition of non-financial assets	-	-	-	3,015,824,564	536,175,436	85%
Miscellaneous Charges	-	-	-	22,200	(22,200)	-
<b>Total Payments</b>	<b>6,712,000,000</b>	<b>(3,160,000,000)</b>	<b>3,552,000,000</b>	<b>3,026,078,125</b>	<b>525,921,875</b>	<b>85%</b>
<b>Surplus or Deficit</b>				<b>(88,348,412)</b>	<b>525,921,875</b>	

Note: The significant budget utilisation/performance differences in the last column are explained in Annex 2 to these financial statements.

  
**Eng. Kungu Ndungu**  
 Director General


23 SEP 2023

Date

  
**Eng. Henry Gakuru**  
 Ag. Director - Development

23 SEP 2023

Date

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

23 SEP 2023

Date

## **11. Significant Accounting Policies**

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

### **a) Statement of compliance and basis of preparation**

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

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

### **b) Reporting entity**

The financial statements are for KeNHA, Eastern Africa Regional Transport Trade & Development Facilitation Project under supervision of the State Department of Roads on behalf of the Ministry of Roads and Transport as required by Section 81 of the PFM Act, 2012 .

### **c) Reporting currency**

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

### **d) Recognition of receipts**

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

#### **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.

**e) Recognition of payments**

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

**i) Compensation 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 were 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.

**f) In-kind donations**

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

**g) Cash and cash equivalents**

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

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

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

### **h) Restriction on cash**

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

### **i) Imprests and Advances**

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

### **j) Contingent Liabilities**

A contingent liability is:

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

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

### **k) 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)**

**l) Pending bills**

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

**m) Budget**

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

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

**n) Third party payments**

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

**o) Exchange rate differences**

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

**Significant Accounting Policies (Continued)**

**p) Comparative figures**

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

**q) Subsequent events**

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended June 30, 2023.

**r) Prior Period Adjustments**

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

## 12. Notes to the Financial Statements

### 1. Transfers from Government entities

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

	2022/23	2021/22	Cumulative to date
	Kshs	Kshs	
<b>Counterpart funding through Ministry of Roads and Transport</b>			
Counterpart funds Quarter 1		130,391,039	469,938,060
Counterpart funds Quarter 2	170,000,000	1,910,000	1,380,854,860
Counterpart funds Quarter 3		2,099,445	636,185,000
Counterpart funds Quarter 4		33,789,015	1,941,520,254
<b>Total (See Annex 3)</b>	<b>170,000,000</b>	<b>168,189,499</b>	<b>4,428,498,174</b>
<b>Other transfers from government entities</b>			
Appropriation-in-Aid	-	-	-
<b>Total</b>	<b>170,000,000</b>	<b>168,189,499</b>	<b>4,428,498,174</b>

### 2. Loan from External Development Partners

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

Description	2022/2023					2021/2022	Cumulative to date	
	Name of Donor-IDA	Date received	Amount in loan currency	Loans received in actual amount	Loans received as direct payment	Total amount		Total amount
			USD	Kshs	Kshs	Kshs		
Loans received from Multilateral Donors-IDA/GOK			25,949,349	208,149,587	2,556,037,370	2,764,186,957	9,595,683,674	39,639,289,420
<b>Total</b>			<b>25,949,349</b>	<b>208,149,587</b>	<b>2,556,037,370</b>	<b>2,764,186,957</b>	<b>9,595,683,674</b>	<b>39,639,289,420</b>

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

**3. Miscellaneous Receipts**

	2022/23	2021/22	Cumulative
	Kshs	Kshs	to-date
Bank Interest	3,542,756	2,411,593	24,781,768
<b>Total</b>	<b>3,542,756</b>	<b>2,411,593</b>	<b>24,781,768</b>

**4. Purchase of Goods and Services**

Description	2022/23			2021/22	Cumulative to date
	Payments Controlled by the Entity	Payments made by the Third Party	Total Payments	Total Payments	
	Kshs	Kshs	Kshs	Kshs	
Training payments	488,300	-	488,300		488,300
Domestic travel and subsistence	6,112,759	-	6,112,759	10,532,661	199,114,570
Hospitality supplies and services	3,630,302		3,630,302		3,630,302
<b>Total</b>	<b>10,231,361</b>	<b>-</b>	<b>10,231,361</b>	<b>10,532,661</b>	<b>203,233,172</b>

**5. Acquisition of Non-Financial Assets**

Description	2022/23			2021/22	Cumulative to date
	Payments made by the Entity	Payments Made by Third Party	Total Payments	Total Payments	
	Kshs	Kshs			
Research, studies, project preparation, design & supervision			-	1,192,642,768	4,557,172,890
Rehabilitation of Roads	459,787,194	2,556,037,370	3,015,824,564	8,718,982,346	38,887,703,900
Acquisition of land	-	-	-	-	221,260,101
<b>Total</b>	<b>459,787,194</b>	<b>2,556,037,370</b>	<b>3,015,824,564</b>	<b>9,911,625,114</b>	<b>43,666,136,891</b>

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

**6. Miscellaneous Payments**

	2022/23	2021/22	Cumulative
	Kshs	Kshs	to-date
Bank Charges	22,200	49,430	336,835
<b>Total</b>	<b>22,200</b>	<b>49,430</b>	<b>336,835</b>

**7. Cash and Cash Equivalents**

	2022/23	2021/22
	Kshs	Kshs
Bank accounts (Note 7A)	222,862,465	311,210,876
	<b>222,862,465</b>	<b>311,210,876</b>

**7A. Bank Accounts**

	2022/23	2021/22
	KShs	KShs
<b>Local Currency Accounts.</b>		
National Bank of Kenya [A/c No 01001032662501]	98,510,922	178,217,729
National Bank of Kenya [A/c No 01001-327332-00]	73,236,684	132,993,147
Cooperative Bank [A/c No 011141160979900]	51,114,859	-
<b>Total bank account balances</b>	<b>222,862,465</b>	<b>311,210,876</b>

**8. Special Deposit Accounts**

The balances in the Project's Special Deposit Account(s) as at 30th June 2023 are not included in the Statement of Financial Assets since they are below the line items and are yet to be drawn into the Exchequer Account as a voted provision.

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

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

**Special Deposit Accounts Movement Schedule**

	2022/23	2021/22
	USD	USD
Eastern Africa Regional Transport Trade & Development Facilitation Project Loan Credit No 5638-Ke Da-B [A/c No100243767-Central Bank of Kenya]		
Opening balance 1st July 2022	387,430.32	-
Total amount deposited in the account	2,284,907.02	4,433,430.31
Total amt withdrawn	1,629,494.45	4,045,999.99
Amt withdrawn (cash in transit as at 30 <sup>th</sup> June, 2023)	-	-
Closing balance (as per SDA bank account reconciliation attached)	<b>1,042,842.89</b>	<b>387,430.32</b>

The Special Deposit Account statement has been attached as per appendix 2 support this closing balance.

**9. Deposits and Retention Monies**

Description	2022-2023		2021-2022	
	Kshs		Kshs	
Retention	73,236,684		132,993,147	
Deposits	-		-	
<b>Total</b>	<b>73,236,684</b>		<b>132,993,147</b>	
<b>Ageing analysis:</b>	<b>2022-2023</b>	<b>% of the Total</b>	<b>2021-2022</b>	<b>% of the Total</b>
Under one year		%		%
1-2 years	25,276,769	35%		
2-3 years	987,069	1%	132,993,147	100%
Over 3 years	46,972,846	64%		%
<b>Total</b>	<b>73,236,684</b>	<b>100%</b>	<b>132,993,147</b>	<b>100%</b>

Notes to the Financial Statements (Continued)

10. Fund Balance C/f

	2022-2023	2021-2022
	KShs	KShs
Bank accounts	222,862,465	311,210,876
<b>Total</b>	<b>222,862,465</b>	<b>311,210,876</b>

11. Changes in Accounts Payable and Retention

Description	2022-2023	2021-2022
	KShs	KShs
Deposit and Retentions as at 1 <sup>st</sup> July	132,993,147	285,396,028
Deposit and Retentions as at 30th June	73,236,684	132,993,147
<b>Change in Payables</b>	<b>(59,756,463)</b>	<b>(152,402,881)</b>

**1. Other Important disclosures**

**1. Pending Accounts Payable (See Annex 4)**

Description	Balance b/f	Additions for the year	Paid during the year	Balance c/f
	FY 2022-2023			FY 2022- 2023
	Kshs	Kshs	Kshs	Kshs
Construction of Civil Works	376,110,998	3,405,129,782	3,015,824,564	765,416,216
Land Compensation	77,037,454	-	4,125,026	72,912,428
Supply of services	-	-	-	-
<b>Total</b>	<b>453,148,451</b>	<b>3,405,129,782</b>	<b>3,019,949,590</b>	<b>838,328,644</b>

**2. Accounts Payables**

Description	2022-2023	2021-2022
	Kshs	Kshs
Retention - Payments made by third party	390,361,454	1,157,918,207
<b>Total</b>	<b>390,361,454</b>	<b>1,157,918,207</b>

**3. External Assistance**

Description	FY 2022-2023	FY 2021-2022
	Kshs	Kshs
External assistance received as loans	2,764,186,957	9,595,683,674
<b>Total</b>	<b>2,764,186,957</b>	<b>9,595,683,674</b>

1. Other Important disclosures (Continued)

a. External assistance relating to loans and grants.

	FY 2022-2023	FY 2021-2022
Description	Kshs	Kshs
External assistance received as loans	2,764,186,957	9,595,683,674
<b>Total</b>	<b>2,764,186,957</b>	<b>9,595,683,674</b>

b. Undrawn external assistance

	Purpose for which the undrawn external assistance may be used	FY 2022-2023	FY 2021-2022
Description		Kshs	Kshs
Undrawn external assistance - loans	Acquisition of Assets	9,645,469,186	12,409,656,143
<b>Total</b>		<b>9,645,469,186</b>	<b>12,409,656,143</b>

c. Classes of providers of external assistance

	FY 2022-2023	FY 2021-2022
Description	Kshs	Kshs
Multilateral donors	2,764,186,957	9,595,683,674
<b>Total</b>	<b>2,764,186,957</b>	<b>9,595,683,674</b>

d. Purpose and use of external assistance

Payments Made by Third Parties	FY 2022-2023	FY 2021-2022
	Kshs	Kshs
Acquisition of Assets	3,015,824,564	9,595,683,674
<b>TOTAL</b>	<b>3,015,824,564</b>	<b>9,595,683,674</b>

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

	FY 2022-2023	FY 2021-2022
Description	Kshs	Kshs
Multilateral donors	2,764,186,957	9,595,683,674
<b>Total</b>	<b>2,764,186,957</b>	<b>9,595,683,674</b>

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13. Annexes.

Annex 1: Prior Year Auditor-General's Recommendations

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status	Timeframe
1	<p><b>Basis for Qualified Opinion</b></p> <p><b>Inaccuracies in the Financial Statements</b></p> <p>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.</p>	<p>The financial statements had been amended to reflect the fund balance brought forward figure of Kshs.200,585,306. The variance of Ksh.18,848,019 was a result of retention money transferred from the authority's retention account to the project account as required by the Development Partner. This amount that had been accounted under financial liabilities has therefore been reclassified to fund balances in the current financial year. The difference of Ksh.133,554,862 is the retention released to the contractors for the financial year under review.</p>	Resolved	
2	<p><b>Irregularities in Cash and Cash Equivalents</b></p> <p>The statement of financial assets and as disclosed in Note 6A to the financial statements reflects cash and cash equivalents 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</p>	<p>The difference of 152,583,155.6 is as a result of unrepresented cheque no.6562. We wish to note that although the Authority maintains one bank account for funds held as retention funds, the</p>	Resolved	

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	<p>balance of Kshs.25,634,574 as at 30 June, 2022 resulting to an unexplained and unreconciled variance of Kshs. 152,583,156.</p> <p>Further, the cash and cash equivalents balance include 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.</p> <p>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.</p>	<p>Authority maintains a dynamic accounting system which is able to provide a robust electronic register that provides the following details amongst others, the date when an amount was either retained or paid out, the amounts retained or released, the vendor to whom the amount relates to, and the project to which the amount relates to. We further clarify that the Authority maintains one bank account for all the retention money withheld from all the projects. The Kshs. Ksh.132,993,147 reported in note 7 of the financial statements represents only the retention portion of this project.</p> <p>The accuracy and completeness of the cash and cash equivalents balance of Ksh.311,210,876 as at 30 June 2022 can be confirmed as at 30 June 2022, as it represents the actual cash balance in the project account of Ksh.178,217,729 and the balance in the retention account of Ksh. 132,993,147</p>	
<p>3</p>	<p><b>Unreconciled Balances on Special Deposit Accounts</b></p> <p>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.</p> <p>In the absence of reconciliation of the variance of Kshs.430,605, it was not possible to confirm the accuracy</p>	<p>We wish to clarify that transfers from external development partner to the project were received on diverse dates at different ruling exchange as indicated below.</p> <p>12/10/2021 USD 1,303,207.70 received as Ksh.143,574,392.30</p> <p>28/3/2022 USD 1,439,331.19 received as Ksh.164,198,902.15</p> <p>28/6/2022 USD 1,303,461.10 received as Ksh. 152,583,156.35</p>	<p>Resolved</p>

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	of the balance of Kshs.460,356,451 reflected in the financial statements.	Total receipts Ksh 460,356,450.80 Therefore, the figure of Ksh.460,356,451 in the statement of receipts and payments is correct.	
4	<p><b>Presentation and Disclosure of the Financial Statements</b> The financial statements for the year ended 30 June 2022, had various anomalies, as detailed below.</p> <p>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. Section 1.7 on page vii which relates to funding summary has omitted information relating to the project duration.</p>	<p>i)The Financial statements were amended, and the project overview updated to show the information relating to achievements on strategic goals, current situation that the project was formed to intervene and the project duration.</p>	Resolved
	<p>ii)Section 1.7 On page vii which relates to funding summary has omitted information relating to the project duration.</p>	<p>ii)The Financial statements were amended to include information relating to the project duration.</p>	Resolved
	<p>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.</p>	<p>(iii)The Financial statements summary of overall Project Performance section of the report were amended to include information on the upgrading of Lokichar - Loichangamatak -Lodwar. it is worth noting that there was no revised contract sum for this particular project</p>	Resolved

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	<p>iv) Detailed information on upgrade of Lokichar – Loichagamatak 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</p>	<p>iv) The Financial statements were amended to include the detailed information on upgrade of Lokichar – Loichagamatak</p>	Resolved
	<p><b>Key Audit Matters</b> <b>Other Matter</b> <b>Budgetary Control and Performance</b> 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.</p>	<p>We agree with the auditor's observation. Under absorption was as a result of substantial completion of Lodwar-Lokitang project which resulted on the under absorption of the development partner portion of the budget</p>	Resolved
	<p><b>2 Pending Bills</b> Other important disclosures under paragraph 1 to the financial statements reflects pending bills totalling Ksh.453,148,451 as at 30 June 2022 which was not settled during the financial year 2021/2022 but were instead carried forward to 2022/2023. Further, the pending bills for the year under review of Ksh.453,148,451 with an original amount of Ksh.1,540,700,413 in the financial year 2020/2021 with an original amount of Ksh.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</p>	<p>We agree with the observation, that the project had an accumulated pending bill amounting to Kshs. 453,148,451 This was as a result of budget constraints in the financial year. However, In FY 2022/23 the Authority managed to secure a GoK budgetary provision for the project amounting to Kshs 930,000,000</p>	Resolved

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	<p>which the project is implemented 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.</p>		
<p>3</p>	<p><b>Delay in Implementing Part of the Financing Agreement</b> 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.</p>	<p>We disagree with the observation. One Stop Boarder Post at Nakodok was to be implemented by Kenya Revenue Authority (KRA) who are one of the beneficiaries under the financing agreement.</p>	<p>Not Resolved  Continuous</p>
<p>4</p>	<p><b>Unresolved Prior Year Matters</b> 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.</p>	<p>We agree with the auditor's observation. The financial statements were revised to indicate the status of each of the issues raised in the previous year Auditor-General's report.</p>	<p>Resolved</p>
	<p><b>Basis for Conclusion</b> <b>Irregularities in Project Implementation.</b> The statement of performance against the project's predetermined objectives reflects projects currently under</p>		

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<p>execution under six (6) contracts. Review of records provided for audit revealed the following.</p>		
<p><b>1.1 Lot 1: Upgrading of Lodwar - Lokitaung Junction Road (80Km)</b>  <b>Basis for Conclusion</b>  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 and (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 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</p>	<p>We disagree with the Auditors observation that there were irregularities in the implementation of 6 projects.   We would like to clarify as follows regarding the Contract variations:   The subject project was implemented through World Bank funding and its procurement was undertaken in accordance with the Bank's Procurement Regulations which requires a No Objection for any Contract amendment which was sought by KeNHA. The necessary approvals were obtained from the Bank prior to processing the variation.   The One Stop Boarder Post at Nakodok had nothing to do with the Upgrading of Lodwar – Lokitaung Junction since it was to be implemented by Kenya Revenue Authority (KRA) who were not a party to the road project.</p>	<p>Resolved</p>

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<p>was part of the scope provided for under the Construction Agreement. The project was yet to be completed at the time of the audit.</p> <p>In view of the issues described above in relation to the project implementation, the Project Management is in breach of the law</p>			
<p><b>1.2 Lot 2: Upgrading of Lokitaung Junction - Kalobeyei River Road (80Km)</b></p> <p>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 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.</p> <p>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.</p>	<p>We disagree with the Auditor's observation that no details were provided in relation to the additional scope of work to the Auditors.</p> <p>We wish to clarify that the Contract price was revised under addendum No. 2, a copy of which was provided to the auditors, which was approved by the World Bank from Kshs. 8,454,759,874 to Kshs. 9,799,110,192 an increment of Kshs. 1,344,350,318 (15.90%). This was occasioned by the project cost appraisal done on the project due to variations of works resulting from increased quantities and adjustments for changes in cost due to escalation of applicable indices in accordance with Sub-Clause 13.8 (Adjustments for Changes in Cost) of the Conditions of Contract.</p>		Resolved

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<p>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.</p>	<p>This section was completed and handed over before any budgetary allocations were available from GoK counterpart funds for the 5 persons affected by the project (PAPs) in this schedule. To avoid any complaints on non compensation being escalated to the World Bank (Which would Instantly go against guidelines in OP.4.10, OP 4.122, Currently ESS5 and ESS 7 on Loan conditions necessary for safeguarding of Project Affected Persons to ensure the project did not contravene any of the World Bank's Guidelines or infringe on human rights through displacement devoid of compensation as per the Land Act 2012. (If this happened, the whole project funding would be suspended by the bank). If the funds were sent to NLC and due to the delay in NLC processes and the Vulnerable PAPs relocated without these funds, then the project would be in contravention of the Loan safeguards conditions highlighted above.</p>	<p>As it can be observed, none of the 6 new PAPs had been compensated before. The project design confirmed their structures had not been captured by the NLC in the initial 2019 site inspection and for purposes of follow up, that's why they were labelled as "new" PAPs in 2021 to avoid them being disenfranchised by the resettlement and</p>
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		compensation process, and thus making them Vulnerable which would trigger a complaint to the World Bank.		
	ii) No valid performance guarantee was provided by the contractor as provided for in the construction contract.	ii)The contractor provided a valid performance guarantee in accordance with the Contract	Resolved	
	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.	iii)The first Performance Consultant's Performance guarantee was from Oriental Insurance Company from India and a renewal endorsement of a local insurance submitted for CIC General Insurance Ltd.	Resolved	
	iv)The contractor has raised a claim of Kshs.77,988,334 as interest on delayed payment, which the Authority declined to honour and make payment, which points to lack of prudent financial management in relation to the project.	iv)The claim on interest on delayed payment is supposed to be paid by the Government of Kenya but there have been delays due to the Government's budgetary constraints, However the management will endeavour to allocate sufficient resources.	Resolved	
	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 7,865,031,057 to Kshs.9,819, 160,608.	v)The contract sum has not increased from Kshs.7,865,031,057 to Kshs.9,819,160,608 as stated. We would like to shed light on the revision of the Contract sum and scope which has been incorporated under Addendum No. 3 and forwarded to the World bank for clearance comprising of the following.	Resolved	
		a) The revision in the scope of works from Kalobeiyei River - Nakodok (88.0		

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		<p>km) to Kalobeiyei River – Nadapal (77.2 km).</p> <p>b) Extension of Time for Completion by One Hundred and Ninety-Two (192) Calendar Days without any additional cost to the Employer. The aforesaid Addendum revises the Completion Date for the works from September 30, 2021, to April 10, 2022, plus 12 months Defects Notification Period starting from April 11, 2022, and ending on 10 April 2023.</p> <p>c) Reduction of Ksh 324,419,402.77 to be excluded from the Contract Price; thereby revising the accepted contract amount to Ksh.7,540,611,654.38 which translates to 4.12% reduction.</p>		
	<p>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.</p>	<p>vi) The payment for land compensation was in the interest of forestalling potential claims occasioned by presence of Project Affected Persons (PAPs) on the critical sections of the road due to the delays in remittance of funds by NLC that had already been transferred by KeNHA. This ensures that the contractor obtains right of way to enable fast tracking &amp; completion of the works within time for completion.</p>	Resolved	

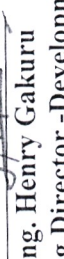
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<p>1.4</p>	<p><b>Lot 4: Upgrading of Lokichar - Loichangamatak (40Km)</b> The contract for the Upgrading of Lokichar – Loichangamatak (A1) Road was awarded to China State Construction Engineering Ltd on 10 July 2017 for a period of 30 months ending 9 January 2020 and later revised to 9 April 2021. The contract sum was Kshs.5,800,819,125. The Director General 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. No documentation to demonstrate the PAPs compensation was sanctioned by NLC.</p>	<p>We disagree with the Auditor's observation. We wish to point out that the referenced contract: Lokichar – Loichangamatak (A1) Road was awarded to China State Construction Engineering Ltd on 2nd October 2019 for a period of 30 months ending 2nd December 2022 at contract sum of Kshs.5,800,819,125. No amendments have been to this contract completion date as per your observations.</p>	<p>Resolved</p>
<p>In addition, according to the construction 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 to accommodate KeNHA staff members in contract. 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. Further, it was not possible to confirm that the expenditure of Kshs.9,188,000, comprising the cost of two (2) houses together with imprest issued for accommodation, was incurred for the purposes for which it was intended under the contract.</p>	<p>The approval for Payment for land compensation was in the interest of forestalling potential claims occasioned by presence of Project Affected Persons (PAPs) on the critical sections of the road due to the delays in remittance of funds by NLC that had already been transferred by KeNHA. This ensures that the contractor obtains right of way to enable fast tracking &amp; completion of the works within time for completion.</p>	<p>Regarding the provision of accommodation for Engineer's Senior staff, we clarify that there are no additional houses instructed and the Contractor is only providing for seven houses as per the Contract.</p>	

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1.5	<p><b>Lot O: Upgrading of Loichangamatak - Lodwar (50km)</b>                  LOT 0: Upgrading of Loichangamatak-Lodwar 50km.                  The Project's contractor was China Railways No. 5 Engineering Group Co. Ltd, and the consultant was DOHWA Engineering Co. Ltd in Joint Venture with GIBB Africa. The contract sum was Kshs.6,782,439,479 and Kshs.421,319,530 for the contractor and consultant, 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.</p>	Resolved	<p>We confirm that the project is at 99.8% complete, under Defect Notification Period. The material in question that was dumped at the Governor's office is the spoil from the road and was the Contractor's CSR which is not paid under the Contract.</p>
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**Eng. Kungu Ndungu**  
 Director General

  
**Eng. Henry Gakuru**  
 Ag. Director - Development

23 SEP 2023  
 Date

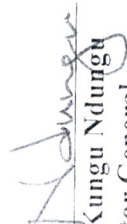
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 Date

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**Annex 2- Variance explanations - Comparative Budget and Actual amounts for Current Financial Year**

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	680,000,000	(510,000,000)	170,000,000	170,000,000	-	100%
Transfer from External Development Partner	6,032,000,000	(2,650,000,000)	3,382,000,000	2,764,186,957	617,813,043	82%
Miscellaneous Income	-	-	-	3,542,756	(3,542,756)	-
<b>Total Receipts</b>	<b>6,712,000,000</b>	<b>(3,160,000,000)</b>	<b>3,552,000,000</b>	<b>2,937,729,713</b>	<b>614,270,287</b>	<b>83%</b>
<b>Payments</b>						
Purchase of goods and services	6,712,000,000	(3,160,000,000)	3,552,000,000	10,231,361	3,541,768,639	0.3%
Acquisition of non-financial assets	-	-	-	3,015,824,564	536,175,436	85%
Miscellaneous Charges	-	-	-	22,200	(22,200)	-
<b>Total Payments</b>	<b>6,712,000,000</b>	<b>(3,160,000,000)</b>	<b>3,552,000,000</b>	<b>3,026,078,125</b>	<b>525,921,875</b>	<b>85%</b>
<b>Surplus or Deficit</b>				<b>(88,348,412)</b>	<b>525,921,875</b>	

The above amounts have been communicated to and reconciled with the parent Ministry/ state department.

  
**Eng. Kungu Ndungu**  
 Director General

23 SEP 2023

  
**CPA Chanje Kera**  
 Deputy Director (F&A)  
 ICPAK Member No. 8279  
 23 SEP 2023

Date \_\_\_\_\_

Date \_\_\_\_\_

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**Annex 3: Reconciliation of inter-Entity Transfers**

Project Name: Eastern Africa Regional Transport, Trade & Development Facilitation Project			
Break down of transfers from the State Department of Roads and Transport			
a.	Government Counterpart funding	Bank Statement Date	FY to which the amounts relate
	Government Counterpart funding	31-Oct-22	2022/2023
	<b>Total</b>		
<b>B.</b>	<b>Direct payments</b>	-	
<b>C.</b>	<b>Others</b>		
	Appropriations-in-Aid	-	
	<b>Total</b>		
	<b>Total (A+B+C)</b>		

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**Annex 4 - Analysis of Pending Bills**

	Supplier of Goods or Services	Date Contracted/Invoiced	Original Amount	Amount paid to-date	Outstanding Balance 2022/23	Outstanding Balance 2021/22	Comments IPC/F.NOTE NO.
		b	a		d=a-c		
<b>A</b>	<b>Construction of civil works</b>						
1	Third Engineering	25-Jun-19	11,210,906	8,000,000	3,210,906		15
2	Third Engineering	17-Oct-20	25,584,332	4,072,351	21,511,981		32
3	Third Engineering	10-Jun-21	14,722,449	-	14,722,449		36
4	Third Engineering	09-Jun-21	28,316,293	-	28,316,293		39
5	Third Engineering	09-Jun-20	120,013,868	20,566,586	99,447,282		38
6	China Railway No. 5	02-Sep-19	171,493,245	156,595,561	14,897,684		16
7	China Railway No.5	08-Oct-19	103,401,827	101,183,992	2,217,835		17
8	China Railway No.5	08-Nov-19	165,663,730	162,834,505	2,829,225		18
9	China Railway No.5	27-Dec-19	202,737,312	199,685,861	3,051,451		19
10	China Railway No.5	14-Jan-20	250,799,189	247,731,789	3,067,400		20
11	China Railway No.5	12-Jun-20	13,720,383	3,104,076	10,616,307		24

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	Supplier of Goods or Services	Date Contracted/Invoiced	Original Amount	Amount paid to-date	Outstanding Balance 2022/23	Outstanding Balance 2021/22	Comments IPC/F.NOTE NO.
12	China Railway No.5	22-Dec-21	68,703,883	-	68,703,883		33
13	China Railway No.5	01-Apr-22	25,808,861	-	25,808,861		38
14	China Railway No.5	07-Jun-22	281,860,299	233,077,740	48,782,559		39
15	China Railway No.5	10-Sep-22	50,276,395	40,516,027	9,760,368		40
16	China Railway No.5	27-Apr-23	11,660,706	-	11,660,706		44
17	Chongqing	30-Jun-20	176,609,358	121,438,664	55,170,694		22
18	Chongqing	01-Dec-20	213,911,412	187,146,037	26,765,375		23
19	Chongqing	22-Apr-20	55,170,694	-	55,170,694		19
20	Chongqing	10-Sep-21	26,765,375	-	26,765,375		38
21	China State Construction	14-Nov-22	17,532,981	-	17,532,981		17
22	China State Construction	18-Nov-22	102,115,432	88,238,150	13,877,283		18
23	China State Construction	03-Jan-23	26,236,699	-	26,236,699		19
24	China State Construction	26-Apr-23	118,263,121	101,950,966	16,312,155		20
25	China State Construction	18-May-23	172,906,163	149,057,037	23,849,126		21

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	Supplier of Goods or Services	Date Contracted/Invoiced	Original Amount	Amount paid to-date	Outstanding Balance 2022/23	Outstanding Balance 2021/22	Comments IPC/F.NOTE NO.
26	China State Construction	22-Jun-23	442,238,971	381,240,492	60,998,479		22
27	Kinde Engineering Works	09-Jun-22	113,393,088	96,516,265	16,876,823		4
28	Kinde Engineering Works	02-Jun-23	75,111,411	64,751,216	10,360,195		5
29	Kinde Engineering Works	20-Jun-23	80,075,898	69,030,947	11,044,952		6
30	China Henan	09-Mar-21	414,538,557	393,412,783	21,125,774		14
31	China Henan	09-Feb-21	237,936,821	237,480,361	456,460		Forex
32	China Henan	01-Nov-19	4,726,590	-	4,726,590		8
33	China Henan	09-Sep-22	9,541,374	-	9,541,374		13
			<b>3,833,047,622</b>	<b>3,067,631,406</b>	<b>765,416,216</b>	<b>376,110,998</b>	
<b>B</b>	<b>Supply of goods</b>						
			-		-		
<b>C</b>	<b>Land Acquisition</b>		<b>77,037,454</b>	<b>4,125,026</b>	<b>72,912,428</b>	<b>77,037,454</b>	
	<b>Total</b>		<b>3,910,085,076</b>	<b>3,071,756,432</b>	<b>838,328,644</b>	<b>453,148,451</b>	

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Annex 5. Summary of Fixed Assets Register

Asset class	Opening Cost		Purchases/Additions in the Year	Disposals in the Year	Closing Cost
	(KShs)	(KShs)			
	2022/23	2022/23	2022/23	2022/23	2022/23
	(a)	(b)	(c)	(d) = (a) + (b) - (c)	
Construction of Roads	40,429,052,226	3,015,824,564	-	-	43,444,876,790
Land Acquisitions	221,260,101	-	-	-	221,260,101
<b>Total</b>	<b>40,650,312,327</b>	<b>3,015,824,564</b>	<b>-</b>	<b>-</b>	<b>43,666,136,891</b>

*Eastern Africa Regional Transport, Trade & Development Facilitation Project.  
Annual Report and Unaudited Financial Statements for the financial year ended June 30, 2023*

Appendices

1. Bank Reconciliation
2. Special Deposit Account Statement