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	M/S. MERCY CHUMU

THE AUDITOR-GENERAL

ON

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

FOR THE YEAR ENDED

30 JUNE, 2024

KENYA REVENUE AUTHORITY

KENYA REVENUE AUTHORITY



**EASTERN AFRICA REGIONAL TRANSPORT, TRADE & DEVELOPMENT
FACILITATION PROJECT**

PROJECT GRANT/CREDIT NUMBER. 5638-KE

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2024**

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

CONTENTS	PAGE
ACRONYMS AND GLOSSARY OF TERMS	ii
1. PROJECT INFORMATION AND OVERALL PERFORMANCE.....	iii
2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETERMINED OBJECTIVES	xviii
3. ENVIROMENTAL AND SUSTAINABILITY REPORTING.....	xxii
4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES	xxviii
5. REPORT OF THE INDEPENDENT AUDITORS ON THE EASTERN AFRICA REGIONAL TRANSPORT, TRADE & DEVELOPMENT FACILITATION PROJECT	xxix
6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2024	1
7. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES AS AT 30TH JUNE 2024	2
8. STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30TH JUNE 2024.....	3
10. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2024.....	4
11. SIGNIFICANT ACCOUNTING POLICIES.....	5
12. NOTES TO THE FINANCIAL STATEMENTS	10
13. ANNEXES	27

ACRONYMS AND GLOSSARY OF TERMS

KRA	Kenya Revenue Authority
NRA	National Revenue Authority
MOU	Memorandum of Understanding
ICT	Information and communication technology
KENHA	Kenya National Highway Authority
RECTS	Regional Electronic Cargo Tracking System
RRU	Rapid Response Unit
SOPs	Standard Operating Procedures
EAC	East Africa Community
GOK	Government of Kenya
NLC	National Lands Commission
UON	University of Nairobi

1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name: Eastern Africa Regional Transport, Trade & Development Facilitation Project.

Objective:

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

Address: Times Towers Building, Nairobi County, Kenya.

Registered office:

Times Tower Building,
Haile Selassie Avenue,
P.O Box 48240-00100,
Nairobi, Kenya.

Contacts:

Telephone: (254) 020-310900, 2810000, 315553
E-mail: callcenter@kra.go.ke, cic@kra.go.ke
Website: www.kra.go.ke

1.2 Project Information

Project Start Date:	20 th July 2015
Project End Date:	31 st December 2024
Project Manager:	Kenneth Mbobua (Chief Manager)
Project Accountant	CPA. Josephat Omondi (Deputy Commissioner- Finance)
Project Coordinator:	Lilian Nyawanda (Commissioner of Customs & Borders Control)
Project Sponsor:	Humphrey Wattanga (Commissioner General)

1.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the National Treasury
Project number	<u>5638 – KE</u>
Strategic goals of the project	The strategic goals of the project are Facilitation of Regional Transport, Trade and Development which includes: -

	<ul style="list-style-type: none"> (i) Harmonisation of Customs and other border management, risk management and control procedures. (ii) Strengthening of the cross-border management unit of KRA including enhancing its coordination with other border agencies. (iii) Support the implementation of an integrated border management system. (iv) Support Implementation of the Memorandum of Understanding (MOU) between Kenya Customs and South Sudan Customs Services relative to information exchange and use of common procedures (v) Support the use of information and communication technology (ICT) for revenue collection and for facilitating clearance and release of goods to help Kenya Customs comply with new transparency requirement of e-citizen registration, electronic collection of revenue and e-reporting of clearances and release of goods. (vi) Design construction and supervision of the construction of offices at selected locations along the Eldoret-Nadapal/Nakodok road corridor to house rapid response unit of KRA to monitor international trade. (vii) Support the implementation of the regional cargo monitoring for goods under customs control (viii) Training of KRA staff (ix) Incremental Operating costs
<p>Achievement of strategic goals</p>	<p>The project management aims to achieve the goals through the following means:</p> <ul style="list-style-type: none"> (i) Harmonisation of Customs and other border management, risk management and control procedures. This component has been achieved. South Sudan is now a Member of East African Community and has adopted the EAC trade facilitation instruments including One Stop Border Post Act and East Africa Customs Management Act. (ii) Strengthening of the cross border management units and enhancement of coordination with other border agencies. The Authority has already procured enforcement equipments including motor vehicles which are currently undertaking patrol and surveillance activities within the corridors (iii) Support the implementation of an integrated border management system. KRA has adopted a multi-agency operation at the border to facilitate coordinated border management on the Kenya Side. Joint Operations with Sudan will commence once the MoU is signed.

	<p>(iv) Support Implementation of the Memorandum of Understanding (MOU) between Kenya Customs and South Sudan Customs Services relative to information exchange and use of common procedures. Discussion of the MOU are ongoing. So far substantial milestone have been achieved just awaiting approval with Ministry of Foreign Affairs.</p> <p>(v) Support use of ICT for revenue collection and for facilitating clearance and release of goods As a member of East Africa Community, South Sudan clear their cargo at the first Point of entry, which is Mombasa Port. To facilitate faster clearance of cargo and release of goods, KRA has already completed and commissioned a Kilindini Fibre upgrade at the port.</p> <p>(vi) Design construction and supervision of the construction of offices at selected locations along the Eldoret-Nadapal/Nakodok road corridor to house rapid response unit of KRA to monitor international trade. KRA procured a design & supervision consultant, undertook public participation as at Turkana County and was allocated 60 acres of land for construction of RRU.</p> <p>(vii) Support the implementation of the regional cargo monitoring for goods under customs control. KRA has engaged KENHA to leverage on their technology, discussions ongoing.</p> <p>(viii) Training of KRA staff. KRA has trained a total of 1,682 Staff from inception of this Project to date. The Authority has trained officers in One Stop Border Post Operations, Customs refresher and Project Management. This has enhanced staff capacity in trade facilitation and Project Management.</p>
<p>Other important background information of the project</p>	<p>The project contributes to the overarching objective of the Eastern Africa Regional Transport, Trade and Development Facilitation Program of “enhancing connectivity of South Sudan with its Eastern Africa neighbouring countries, and its access to sea ports” through a sequential improvement in physical and institutional infrastructure, in addition to promoting trade and development facilitation interventions on the Juba- Nadapal – Eldoret development corridor. The overall program is being implemented in a series of three projects (SOPs).</p> <p>The first project of the program (Phase 1) focused on South Sudan, was approved in May 2014. It supports the improvement of part of the Juba-Nadapal/Nakodok road in the territory of South Sudan, and implementation of trade and development facilitation measures, including a new fiber optic link (This was</p>

	<p>suspended). This second project (Phase 2) is focusing on the improvement of road and ICT infrastructure, implementation of trade and development facilitation, including facilitating the development of export processing zones, pastoralist road side markets, and service centres (rest stops) in Kenyan territory. The third project (Phase 3) expected to cover Kenya and South Sudan will focus on enhancing support to trade facilitation measures along the Juba-Nadapal-Eldoret corridor and completing the upgrading of the Juba-Eldoret road. The overall program in the long-term envisages promoting the entire EAC Corridor No.3, including Kitale to Biharamulo (the extension of Juba- Nadapal-Eldoret road) as a development corridor by upgrading the section of the road from Kitale to Biharamulo into a safe and digital road, as well as replicating the trade and development facilitation interventions adopted for the Juba-Eldoret corridor.</p>
Current situation that the project was formed to intervene	<p>The situation at the border crossing of Nadapal/Nakodok is characterized by lack of interagency co-operation, no structured sharing of information, no co-ordination in operating hours between agencies on the same and opposite sides of the border, insufficient parking space, no ICT connectivity, and lack of coverage and necessary equipment for physical inspections. The customs process is manual, as there is no power and human resource to run electronic based system, however modern customs procedures and systems are not yet adopted. Average crossing times for imports into South Sudan is 24 hours, but with a significant standard deviation</p>
Project duration	<p>The project started on 20th July 2015, was initially expected to run until 31 December 2021, however due to delay in implementation of most activities affected by the Covid 19 pandemic, an extension was granted until 31st December 2023 and a further extension has been granted until 31st December 2024</p>

1.4 Bankers

National Bank of Kenya Limited,
Harambee Avenue Branch,
P.O. Box 41862-00100 Nairobi, Kenya

1.5 Independent Auditor

Auditor General,

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

1.6 Roles and Responsibilities

List of the Project management team who worked on the project for the period ended 30th June 2024 are as stated below. This included a project team leader and all the key stakeholders as stipulated in the Finance Agreement and these where the team involved in the project. Below stated also are their positions, qualification and roles to the project.

Names	Title designation	Key qualification	Responsibilities
Kenneth Mbobua	Chief Manager	Bachelor of Science - information Technology	Team Leader
Benson Kiruja	Ag.Deputy Commissioner	MBA (Supply Chain Management), Chartered Institute of Procurement and Supply, UK,	Procurement Manager
William Buluma	Chief Manager	Bachelor of Quantity Surveying CPA- Sec 6 Chartered Institute of Arbitrators Registered Quantity Surveyor	Facilities & Logistics Manager
Catherine Okoth	Manager	Bachelor of science in food, nutrition and dietetics.	Technical Officer
Jacqueline Osango	Manager	MBA(Finance), Bachelor of Science-Business Admin,CPA(K).	Project Accountant
George Ouya	Supervisor	CPA	Project Accountant
Mirriam Musyimi	Assistant Manager	MBA (Strategic Management), CIPS, BA (Purchasing & Supply Chain Management)	Procurement Officer
Ruth Rugwe	Assistant Manager	MA, Economics	Monitoring and Evaluation
Elias Mirigi	Assistant Manager	Master of Science in IT	ICT Specialist
Paul Lentupuru	Assistant Manager	Bachelor of Arts in Criminology and Security Studies.	Security Specialist

		Higher Diploma in Forensic Psychology and Criminology	
Kiprop Mengech	Manager	MBA Bachelors of Commerce – Business Administration (Marketing) CIPS UK	Diplomacy, Marketing & Communications - specialist
Charles Anino	Officer	BTECH Civil Engineering	Facilities and Logistics specialist
Grace Mwangi	Manager	Bachelor of business administration	Training Specialist
Lenza Nyabwa	Supervisor	Bachelor of Business Administration	Technical – Cargo Monitoring
Christine Ilahalwa	Supervisor	MA-International Business Management	Social Safeguards Specialist
Charles Muriithi	Assistant Manager	MA (Economics), BA (Economics)	Technical Officer
Esther Adhiambo	Officer	Bachelor of Technology Information Studies.	Secretariat
Grace Wamwea	Supervisor	Bachelor of Commerce (Bcom) Chartered Institute of Procurement and Supply, UK	Technical Support
Winnie Kibuchi	Assistant Manager	Msc. Project Management Professional Diploma- CIPS, UK Certified Supplies Practitioner- KISM	Procurement Officer

1.7 Funding summary

The Project was initially for duration of six years from 2015 to completion date December 2021. In January 2022 the project was restructured through an amended Finance agreement extending the completion date to December 2023 and further extended to December 2024. The approved funding increased from US\$8 million equivalent to KShs 806 million to US\$ 10.9 million equivalent to KShs 1,411 million (converted at an Exchange rate of Kshs 129.5270 as at 30th June 2024) as highlighted in the table below:

Below is the funding summary:

PROJECT INFORMATION AND OVERALL PERFORMANCE

a) Source of Funds

Source of funds	Donor Commitment-		Amount received to date (30th June 2024)		Undrawn balance to date (30th June 2024)	
	USD '000'	KShs '000'	USD '000'	KShs '000'	USD '000'	KShs '000'
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant						
International Development Association (IDA)	10,180	1,318,585	6,758	831,536	3,422	487,049
(iii) Counterpart funds						
Government of Kenya	720	93,259	649	84,000	71	9,259
Total	10,900	1,411,844	7,407	915,536	3,493	496,308

b) Application of Funds

Source of funds	Amount received to date (30th June 2024)		Cumulative Amount paid to date (30th June 2024)		Unutilised balance to date (30th June 2024)	
	USD '000'	KShs '000'	USD '000'	KShs '000'	USD '000'	KShs '000'
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant						
International Development Association (IDA)	6,758	831,536	6,085	788,155	673	43,381
(iii) Counterpart funds						
Government of Kenya	649	84,000	589	76,201	60	7,799
Total	7,407	915,536	6,674	864,355	733	51,181

1.8 Summary of Overall Project Performance:

The project expenditure for FY 2023/24 as at 30th June 2024 is 94% based on current year's budget spend and commitments.

The cumulative project expenditure on budget and commitments from inception to date is 92% of the undisbursed funds as per Donor Commitments (converted at Kshs 129.5270 as at 30th June 2024).

The project Implementation status on activities is at 71%

Implementation of the main activity i.e. Construction of Rapid Response Units began in Aug 2023 and is still in progress. It is expected to be completed by 31st Dec 2024.

Project performance FY 2023/24				
Period	Budget "Kshs"	Budget spend & Commitments "Kshs"	Budget spend & Commitments %	Implementation status %
Current Budget	892,030,580	Paid 406,505,538 Committed 430,502,796 Total 837,008,334	94%	71%
Cumulative	1,411,844,000	Paid 864,356,278 Committed 430,502,796 Total 1,294,859,074	92%	71%

The status of implementation is as follows;

a) Support for ICT to ensure revenue collection and facilitate clearance and release of goods- Kilindini Fibre Connectivity

The ICT component had two lots:

- Lot 1 involves a project to upgrade the for Fiber Optic Based Metropolitan Area Network (MAN) and Local Area Networks (LANs) In Kilindini Port.
- Lot 2 involves Network Management and Traffic Shaping Solution at KRA Data Centre in Nairobi.

Both Lot 1 and Lot 2 have been fully implemented and commissioned for use.

	LOT 1 : Fiber Optic Based Metropolitan Area Network (MAN) and Local Area Networks (LANs) in Kilindini Port
Contractor	Top Choice Surveillance Limited
Contract Type	Works and Installation of Equipment
Commencement Date	31/12/2019
Completed & Commissioned	100% complete and commissioned on 07/07/2021
Contract amount:	Kshs. 175,084,037
Payments	a) Amount paid: Kshs. 160,186,016

	LOT 2: Network Management and Traffic Shaping Solution at KRA Data Centre in Nairobi
Contractor	Next Technologies Ltd
Contract Type	Works and Installation of Equipment
Commencement Date	01/12/2019
Completed & Commissioned	100% complete and commissioned on 07/07/2021
Contract amount:	USD. 457,649.68 (Kshs 59M)
Payments	a) Amount paid: USD 457,649.68

b) Systems to facilitate implementation of regional cargo monitoring for goods under customs control

	Systems to Facilitate Implementation of Regional Cargo Monitoring
Budget amount:	USD. 500,000 (Kshs 65M)
Progress Status	-KRA has engaged KENHA on how to leverage on their systems to install cargo-monitoring system. - Implementation of a new KRA's system involves detailed site survey in the various respective sites, procurement of contractors and construction and integration of the system into KRA already existing RECTS.

	-KRA reallocated funds for this activity to Construction of RRU activity because of the limited period remaining to completion of the project. This was communicated to World Bank in a meeting held on 18 th April 2023 and approved through revised procurement plan on World bank portal.
Payments	Nil

c) Supply and delivery of furniture and office equipment for Nadapal Patrol Base and Lokichogio, Lodwar, Lokichar and Kainuk Rapid Response Units (RRUs)

	Furniture and Office Equipment
Contractor	Various
Contract Type	Goods
Commencement Date	Nov 2023
Expected Completion Date	Dec 2024
Budget amount:	USD. 520,000 (Kshs 67M)
Contracts amounts	Kshs 57,554,897 (USD 444,347)
Progress Status	<ul style="list-style-type: none"> - As per the restructured finance agreement this activity is funded by counterpart (GOK) funding. - KRA has received a Total of Kshs 84 Million Counterpart budget FY 2023/24 (ie Kshs 37Million received on 28/08/2023 and Kshs 47Million received on 21/12/2023) - The GOK funds were to be utilised as Kshs 62 Million for procurement of Furniture and 22Million for Operating expenses under supervision of construction of RRU. - Delivery and payment of Office Equipment & Furniture Kshs 58M already made. - Pending Furniture to be delivery after completion of construction of the offices, expected in Qrt 2.
Payments	<ul style="list-style-type: none"> a) Budget Kshs 67,000,000 b) GOK Budget received FY 2023/24: Kshs 62,000,000 c) Amount paid: Kshs. 57,554,897 d) Amount pending delivery & Payment Kshs. 4,445,103 e) GOK Budget to be requested FY 2024/25 Kshs 5,000,000

d) Consultancy for design, Bills of Quantities (BQs), Environmental Impact Assessment (EIA), Evaluation of bids and supervision of works for Nadapal Patrol Base and Rapid Response Unit (RRUs) Offices

	Consultancy for design of RRUs Offices
Contractor	University of Nairobi
Contract Type	Consultancy
Commencement Date	Feb 2022
Expected Completion Date	Dec 2024
Budget amount:	USD. 600,000 (Kshs 78M)
Contract Amount	Kshs. 20,574,135
Progress Status	KRA has progressed payment of Kshs. 17,157,652.39 for the following reports from the Consultant: <ul style="list-style-type: none"> a) Inception Report (D1) b) Needs Assessment Reports (D2) c) Conceptual/Schematic Designs Report (D3) d) Detailed design report (D4) e) Bills of Quantities and bidding documents (D5) f) EIA Report (D6) g) 1st Milestone of Construction Supervision Construction still in Progress expected to be completed in Dec 2024 after extension of Completion Date from December 2023 to December 2024.

e) Support to Implementation of MoU between Kenya and South Sudan and quality control and Harmonisation of Border Procedures

This activity includes two components:

- a) Support to the implementation of the memorandum of understanding between Kenya Customs and South Sudan Customs; and
- b) Services capacity building (Quality and harmonization of border procedures).

	MOU between Kenya and South Sudan
Contractor	Reallocated to another activity
Contract Type	Works
Commencement Date	Reallocated to another activity
Budget amount:	USD. 600,000 (Kshs 78M)
Progress Status	The draft MoU has now received all approvals; the Office of the Attorney General, The National Treasury and latest the Ministry of Foreign Affairs (MoFA). Sign off expected in the 1st quarter of FY 2024/25.

	-KRA has already forwarded to World Bank for No objection approval, a proposal of Kshs. 10,000,000 of the engagements it intent to undertake in Qrt 1 FY 2024/25 -KRA reallocated the savings from the remaining budget for this activity to Construction of RRU activity, which requires more funds from what was budgeted for. This was communicated to World Bank in a meeting held on 18 th April 2023 and approved through revised procurement plan on World bank portal.
Payments	Nil

f) Capacity Building Training & Stakeholder Engagement

	Capacity Building Training
Contractor	Various
Contract Type	Training
Commencement Date	2019
Completion Status	100% complete and Fully paid
Budget amount:	USD.1,700,000 (220M)
Progress Status	The status of implementation from Inception to date is as follows: a) A total of 1,682 KRA staff trained on different professional courses from inception to end of FY 2023/24. A total spend of Kshs 174M. b) KRA received No objection from World Bank for its Annual Training Plan for FY 2022/23 of Kshs 90,376,059, of which the training have not been fully implemented as at 30 th June 2023. These have been completely implemented and paid by 31 st December 2023. -KRA reallocated the savings from the remaining budget for this activity to Construction of RRU activity.
Payment	1) Total Amount paid: Kshs. 173,874,047

g) Provision of Enforcement Equipment

	Enforcement Equipment
Contractor	Biometrics Technology Ltd
Contract Type	Goods
Commencement Date	29 th July 2022
Completion Status	100% complete and Fully paid
Budget amount:	USD. 715,000 (Kshs 93M)
Contract Amounts	Kshs 13,640,000 (USD 105K) & USD 315,795 (Kshs 44M)

Progress Status	<p>-Tender awarded in June 2022 and contract of USD 315,794 (Kshs 44,483,955.54) signed on 29th July 2022.</p> <p>-Delivery delayed 3 out of the 4 equipment delivered in June 2023.</p> <p>-Payment made on 15th Nov 2023 via Direct Payment by World Bank.</p> <p>2) The Lot 2 of enforcement equipment:</p> <p>a) Laptops & Screens for the project</p> <p>- World Bank no objection approval received of USD 84,000 and USD 19,000 respectively.</p> <p>- Procurement process complete, items delivered and paid a total Kshs 13,682,623.</p> <p>-KRA reallocated the savings from the remaining budget for this activity to Construction of RRU activity, which requires more funds from what was budgeted for. This was communicated to World Bank in a meeting held on 18th April 2023 and approved through revised procurement plan on World bank portal.</p>
Payments	a) Total Amount paid: Kshs. 58,166,579

h) Construction and rehabilitation works for Nadapal Patrol Base and Lokichogio, Lodwar, Lokichar and Kainuk Rapid Response Units (RRUs)

	Construction and rehabilitation works
Contractor	Kashyap Contractor
Contract Type	Works
Commencement Date	Pending
Original Completion Date	December 2024
Initial Budget amount:	USD. 3,280,000 (Kshs 425M)
Contract Amount	Kshs 639,882,049 (USD 5M)
Progress Status	<p>This activity has progressed as per the following milestones:</p> <p>1) KRA acquired 60 acres of land from Turkana Community in Lodwar, Kainuk and Kakuma (20 acres each) through public participation in the March –April 2022.</p> <p>2) KRA already received the land ownership documents as per Kenya Gazette dated 29th Sep 2023.</p> <p>3) The Supervision consultant (UON) has already submitted the inception report, needs assessment and designs reports and already prepared work plan for</p>

	<p>construction & rehabilitation and is in the process of supervision of the Construction of RRU.</p> <p>4) KRA tendered for a contractor for the construction of Rapid Response Units in Kainuk, Kakuma and Lodwar. Evaluations were done and One contractor qualified for all the 3 lots and was awarded.</p> <p>5) Construction of the RRU began in August after the site handover in all the 3 sites (Lodwar, Kainuk and Kakuma) and is current still in progress, projected to be completed in December 2024.</p> <p>-KRA reallocated funds from activities completed with savings in their budget or those that were not done by end June 2023 to Construction of RRU activity which requires an approximate budget of USD 5Million which is more than what was initially budgeted for.</p>
Payments	<p>a) Advance payment and Certificates 1 to 4 : Kshs. 219,974,127</p> <p>b) Unbilled Amts Kshs. 419,907,921</p>
Issue/challenge to report and Mitigation	<p>Issue: There has been delay in timely completion of the Construction of RRU due to insecurity, political interference and El-nino rains which have affected the project sites</p> <p>Mitigation:</p> <p>-Contract has been extended to new completion time Dec 2024 after World Bank extended the project completion date to December 2024.</p>

i) Supply and delivery of patrol motor vehicles & motor cycles and a fork lift.

	Patrol Motor Vehicles and Fork Lift
Contractor / Supplier	Crown Motor Groups , Isuzu E.A, Achelis Material Handling LTD
Contract Type	Goods
Commencement Date	12.11.2021 , 11.11.2021 & 25.11.2021
Completed & Commissioned	100% complete and Fully paid
Budget amount:	USD. 785,000 (Kshs 102M)
Progress Status	Implementation status: 100% We have already purchased & paid:-

	-4 units Hard Top 4x4 Station Wagons -5 Heavy Duty 4x4 Specialized Double Cabin unit -1-unit Forklift Truck.
Payments	a) Amount paid: Kshs. 73,052,154 & USD 99,253(Kshs 12,582,936.94)

j) Incremental Operating Costs.

	Incremental Operating Costs
Contract Type	Services
Expected Completion Date	December 2024
Allocated amount:	USD. 200,000 (Kshs 26M)
/Progress Status	-We have compiled the schedule of expenses for other operating costs that is to be funded under Counterpart (GOK) - The GOK funds of 22Million budget received for Operating expenses under supervision of construction of RRU. -The utilised funds will be utilised on KRA monitoring and evaluation, supervision and commissioning costs of construction of RRU in Qrt 1 FY 2024/25. -KRA has requested for GOK budget for the pending operations activities for Qrt 1 & Qrt 2 FY 2024/25
Payments	a) Amount Utilised: Kshs. 18,645,626 b) Unutilised Amt Kshs. 3,354,374

1.9 Summary of Project Compliance:

The project complied with the applicable laws, regulations and financing agreement. The project also prepared the financial year ended 30th June 2024 as per the required template as recommended in the Prior year audit.

2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETERMINED OBJECTIVES

a) 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 objective of the project is to improve the movement of goods and people along Lokichar – Nadapal/Nakodok part of the Eldoret - Nadapal road in the north – western part of Kenya, in particular and enhance connectivity between Kenya and South Sudan, in general.

The key development objectives of the project's 2015-2024 plan are:

- i. Harmonisation of Customs and other border management, risk management and control procedures.
- ii. Strengthening of the cross-border management unit of KRA including enhancing its coordination with other border agencies.
- iii. Support the implementation of an integrated border management system.
- iv. Support the implementation of the Memorandum of Understanding (MOU) between Kenya Customs and South Sudan Customs Services relative to information exchange and use of common procedures.
- v. Support the use of information and communication technology (ICT) for revenue collection and for facilitating clearance and release of goods to help Kenya Customs comply with new transparency requirement of e-citizen registration, electronic collection of revenue and e-reporting of clearances and release of goods.
- vi. Design construction and supervision of the construction of offices at selected locations along the Eldoret-Nadapal/Nakodok road corridor to house rapid response unit of KRA to monitor international trade.
- vii. Support the implementation of the regional cargo monitoring for goods under customs control.
- viii. Training of KRA staff.

During the year FY 2023-2024 under review, the Authority undertook the following activities:

- i. Delivery and payments of assorted enforcement equipment under contract KE-KRA-182903-GO-RFB by Biometric Technology LTD.
- ii. Supervision of construction of RRU under contract KE-KRA-182803-CS-CDS by University of Nairobi (UON). Payment made in milestones, with the final payment to be made at the completion of the construction.
- iii. Implementation of construction of RRU under contract KE-KRA-182803-CS-CDS by Kashyap Enterprises Ltd. Payment made in milestones as per the completion certificates. Construction expected to be completed in December 2024.
- iv. Implementation of Training that were still ongoing as at 30th June 2023 in FY 2022/23
- v. Procurement, delivery and payment of Office Equipment & Furniture.
- vi. Procurement, delivery and payment of Laptop and screens
- vii. Operational Expenses in KRA supervision, Monitoring and Evaluation of Construction of RRU.

Challenges experienced in the financial year while carrying out the project include:

- i. *Challenges in material acquisition and the El nino rains experienced:-* The project has experienced challenges in materials acquisition which are scarce and have to be hauled from long distances. There has also been delays in delivery of materials as roads were cut off. Also reduction of man working hours.
- ii. *Labour apathy due to insecurity:-* Works on site were disrupted, as they were two incidences of gunshot exchanges in close proximity to the site. This led to loss of man hours as the staff could not work optimally. Additionally, the fear of retaliatory attacks also led to labour apathy as staff were reluctant to work on site.
- iii. *Disruption of the works due to political interference:-* The works have been disrupted on two separate occasions due to political interference. The second instance lead to closure of the site for a period of two weeks.
- iv. *Redesign of the foundations:-* Low bearing capacity of soils noted after bulk excavation at Lodwar.

b) 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-bund (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:

Project	Objective	Outcome	Indicator	Performance
Eastern Africa Regional Transport,	Harmonisation of Customs and other border management, risk	Increased efficient clearance of	Clearance Times	Clearance of cargo at the border takes average 1 day –

***EASTERN AFRICA REGIONAL TRANSPORT, TRADE & DEVELOPMENT FACILITATION PROJECT
Annual Report and Financial Statements for the financial year ended June 30th 2024***

Trade & Development Facilitation	management and control procedures.	people, goods and services		100% implemented
	Provision of Enforcement Equipment	Efficient and effective Prevention and detection of illicit trade	No. of Customs interceptions and compliance levels	Equipment delivered and paid - 100% implemented
	Capacity Building of Staff	Trained officers	No. of officers trained	a) A total of 1,682 KRA staff trained on different professional courses from inception to end of FY 2023/24. b) Project Implementation Team (PIT) Members trained on different professional courses - 100% implemented
	Monitoring of goods under customs control	Increased revenue collection and trade facilitation	No. of consignments under customs control tracked to destination	KRA requested to have this activity to be implemented under Horn of Africa due to limited time.
	Use ICT for revenue collection and for facilitating clearance and release of goods	All documentation done electronically and seamless data exchange	% of declarations done online Seamless exchange of data	100% declarations in Kenya side done electronically. Seamless exchange of data requires implementation by South Sudan - 100% implemented
	Design construction and supervision of the construction of	Increased revenue collection and	No. of consignments under customs	Construction ongoing. Expected to be completed by December

EASTERN AFRICA REGIONAL TRANSPORT, TRADE & DEVELOPMENT FACILITATION PROJECT*
Annual Report and Financial Statements for the financial year ended June 30th 2024

	offices at selected locations along the Eldoret-Nadapal/Nakodok road corridor to house rapid response unit of KRA to monitor international trade.	trade facilitation	control tracked to destination	2024 – 50% complete.
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3. ENVIROMENTAL AND SUSTAINABILITY REPORTING

a) Introduction

The mandate of the EARTTDFP is to improve: (a) the movement of people and goods and digital connectivity and access to social services to communities at designated locations along the Kitale-Nadapal/Nakodok route; and (b) the capacity of selected transport related institutions in Kenya.

b) Sustainability Strategy and Profile

Kenya Revenue Authority's (KRA) vision is to be "a globally trusted revenue agency facilitating tax and customs compliance". KRA seeks to be a good Corporate Citizen in all aspects of its operations and activities. To achieve Service Excellence, KRA has put measures in place to pursue excellence in service delivery through provision of various channels of service delivery including expansion of customer service points to ensure the services are easily available to the customers.

To achieve this objective, KRA is implementing the following strategies:

- i. Establish additional stations/satellite/service centres (three (3) RRU stations in Turkana County)
- ii. Service improvement – human interaction as well as technology (Fibre Optic Based Metropolitan Area Network (MAN) & Local Area Network (LANs) in Kilindini Port
- iii. Offer a multi-channel service to enhance service accessibility to taxpayers.

The role of Customs and Border Control Department is:

- i. Collect and Account for government revenue:- contribution to exchequer revenue averages at 35% per annum.
- ii. Trade Facilitation:- Promote economic interests and development of trade through enhancement of trading activities and ease of doing business.
- iii. National Security:- through Enforcement of Prohibitions and Restrictions.
- iv. Protection of Society – Domestic industry, health and safety of citizens.
- v. Compilation of Trade Statistics

Implementation of the EARTTDFP by KRA is in line with the mandate of KRA specifically of ensuring facilitation of trade in the Northern part of Kenya. This will be through the establishment of Rapid Response Units (RRU) at Kakuma, Lodwar and Kainuk. This is one of the World Trade Organisation's initiatives under the Trade Facilitation Agreement, which contains provisions for expediting the movement, release and clearance of goods, including goods in transit.

Other initiatives for KRA under the EARTTDFP include the institutional strengthening through capacity building of staff as well as through the procurement of enforcement equipment and motor vehicles for patrol and enforcement activities.

KRA will also be signing a Memorandum of Understanding with South Sudan Customs Administration on areas of mutual cooperation. To ensure this will take place;

- i. KRA will be working with other government agencies through to address any matters pertaining to security, trade, environmental sustainability. For instance, on land acquisition, KRA has worked closely with the National Lands Commission as well as the Turkana County Government for allocation of land in Kainuk, Lodwar and Kakuma. KRA has also established good working relations with KeNHA.
- ii. KRA will ensure that there is funding to sustain the assets acquired in the project.
- iii. KRA will ensure that trainings procured are in line with the corporate direction of the organisation.

c) Environmental performance

A number of statutes and regulations will guide the environmental considerations. These include:

- i. The EAC Customs Management Act 2004. The Act restricts the entry of prohibited goods into the country, as outlined in the Second and Third Schedules of the Act.
- ii. Environmental Law – EMCA, 1999 a key consideration here is the restrictions the environmental law places on disposal of unwanted products and e-waste, a key challenge in light of the growing automation of KRA activities and its attempts to adhere to the e-waste disposal guidelines.
- iii. Environmental Management and Coordination (Controlled Substances) Regulations, 2007 which regulates the production, trade and use of controlled substances and products.

To minimise the environmental impact of the development KRA shall ensure the adherence of the following during implementation of the project;

- Loss of Flora and Fauna; To reduce the loss of flora and fauna KRA has ensured that clearing is only for the areas affected by the project and ensured the implementation of landscaping scheme (where possible existing exotic trees/vegetation has been retained and the replacement has been incorporated within the landscaping design.)
- Soil Erosion and Pollution; To control soil erosion and pollution KRA has ensured back filling and levelling of affected areas, rehabilitation of vegetative cover /landscaping and employing construction best practice methods and implement erosions and sediment controls. The contractor sprinkles water occasionally to reduce air pollution from strong winds and improve air quality.

- Noise & Vibration Generation; Off-site recycling of demolition material; Combined deliveries where possible to minimise vehicular movements and emissions; this is being implemented. Designated skips for specific materials i.e. rubble and plasterboard. Also servicing regularly of machines on site and use of local manual labour as much as possible.
- Air Quality/Dust Generation; KRA has also embarked on planting of trees in all sites and so far approximately 200 trees have been planted. KRA has contacted the Kenya Forest Department to assist with the re-planting of trees where the weather conditions are very harsh to ensure success of the exercise for example at Lodwar where the wind and solar is very harsh and extreme.
- Solid waste Generation and disposal of garbage; Waste Disposal and destruction is undertaken by a NEMA approved disposal contractor in all sites. The contractor re-uses the waste materials and what is re-useable has been kept aside in a designated enclosed area. The contractor has a contract with NEMA certified waste management company for disposal of waste which is carried out on intervals. Other wastes for auction are secluded within the site.

d) Employee welfare

The hiring process in KRA is governed by the KRA Human Resource Policies (1st July 2023) interpreted in line with Kenya Labour Laws and other relevant regulations and legislations/Acts, and KRA complies with the gender and disability mainstreaming policies. The policy is reviewed every three years and takes into account views from staff. The policy takes into account the improvement of employees' productivity through the systematic development of knowledge, skills and attitudes including Industrial attachment to enable students/attachées acquire knowledge and skills in a professional work setting through application of learnt skills in a given institution and Internships to enables interns to experience on-the-job training. Additionally, KRA has a competitive reward system for its employees in terms of the remuneration including allowances and benefits.

The HR policy on (OSHA 2007) has set minimum health and safety standards that will promote a conducive working environment and integrate health and safety principles and practices into the Authority's business strategies. The policy applies to all employees in the Authority. The Authority is committed to promoting and maintaining high standards of health and safety for employees, customers and the general public, in an endeavour to improve the working conditions of its employees.

The following measures have been put in place to ensure health and safety for the workers during the construction of the RRU offices in Turkana County:

Considerations of security and safety were entrenched in the tender document and during implementation of the project as follows:

- Health and Safety Plan; The contractor submitted a health and safety plan for approval by the supervising engineer which is used for the implementation of the Health and Safety of workers and the surrounding environment.
- Safety of the site; Site hoarding was done before the commencement of the construction works and the construction of the permanent fences is at an advanced stage at all the three sites. Kainuk has been cleared to improve visibility due to security concerns in the area.
- There are GSU officers manning the sites for security and safety of workers on site.
- Health and safety of workers; A well documented emergency response procedure is in place on all sites. The same is displayed in the notice board on site. There is an MOU with the local hospitals for the workers on site for emergency services including an Ambulance response.
- First aid box; A fully equipped first Aid Kit is available in all sites and it is manned by a trained staff (first aid training or nurse) The Kit is regularly replenished. There is a trained First Aid officer on each site. There is a well labeled emergency assembly point on all sites.
- A daily health register; A daily health register is maintained with a list of all workers on site everyday. The record has information on log-in and log-out time and ID numbers for the workers reporting to site on a daily basis.
- Complaints and grievance register – all complaints and grievances are registered and dealt with according to the grievance redress mechanism, which is documented on site. Most complaints are handled immediately and resolved to satisfaction while major complaints are escalated to management. There is a suggestion box on site.
- An Incident register is maintained on site. All incidences are recorded in this register. The register includes the description of the incidence, the action taken and escalation if any.
- Occupational Health and Public Health Safety; The contractor has provided a Health and Safety Plan and sent it to the Consultant. There is certified health and safety officer deployed on the sites who is available all the time.
- Fire evacuation procedure is documented and sensitizations conducted during tool box meetings
- Fire fighting Equipment; Fire extinguishers have been installed in all the construction sites. There is a visible fire assembly point and proper signage is provided in the construction sites as per the requirement.
- Fire Safety; Sensitize workers on fire safety during all project phases. The site workers are regularly trained on Fire Safety during the tool box meetings which also cover other topics on safety of workers at the construction site.

- Fire Drills; Fire drills to test preparedness of staff have been conducted in the construction sites. There is periodic training on fire safety on site during the tool box meetings conducted in the morning.
- Hazards; There are adequate PPEs (helmets, safety boots, reflector jackets) goggles and gloves. The contractor has provided the right grade PPE depending on tasks being performed to avoid injuries, hazards and illness including working boots, overalls, helmets, goggles, earmuffs, masks, gloves etc.;
- Working in heights; Workers working in heights are adequately trained on heights. The site has staircases which are secured by guardrails and scaffolds and there is signage on safety on site.
- Risky areas such as man holes are barricaded and appropriate signage provided as warning. Signage for construction site and those authorized to access it is well marked. The sites are well labeled with appropriate signage. The sites are clean and waste bins are provided on site.
- All sites have an entry gate which is maned by a guard at the entrance.
- Safety measures training done during tool box meetings. The tool box meetings are conducted periodically.
- There is a signage showing a warning on 'Construction Site' and control on speed at the entries/exits to the site at the main roads.
- Labour; There are mechanisms in place to ensure hiring from the local community is encouraged through the engagement of Community Liason Officers (CLOs)
- Recruitment gives equal opportunity to women and persons living with disabilities through the engagement of the CLO and inclusion of the criteria in the engagements with the community elders during recruitment.
- The workers sign engagement contracts on employment as per requirement by Labour Laws. The contracts are clear on employment terms including working hours and compensations where appropriate. There are daily registers for workers which include ID numbers and Time In and Time Out. Recruitment through IDs ensures that workers are of age.
- Workers are frequently sensitized on HIV/AIDS and other sexually transmitted diseases. Condoms are provided for the workers. Sensitizations are included in the toolbox meetings as a topic on HIV/AIDS and signages on HIV/AIDS awareness are displayed on site.
- Gender Based Violence (GBV) and Sexual harassment ; The Catholic Archdiocese of Lodwar has been providing support on issues related to GBV.
- The site has provided separate ablution facilities for both Genders which are well labled.
- Social Safeguards Specialist; There is a safeguards specialist on site at all times.

e) Market place practices-

i. Responsible Supply chain and supplier relations-

KRA conducts:

- Supplier appraisal to gauge Supplier performance and identify those that excel as well as those that require assistance to understand the procurement processes and then offers sensitizations to suppliers on regularly basis.
- Supplier engagements especially where there are stalemates
- Has MoU with some Banks for AGPO groups for LPO financing
- Post debriefing especially where tenders are none responsive or on the request of a vendor.
- Pre-bid to inform members what is expected for bidding
- Payment is within 60 days. For project contracts in other currencies, KRA engages National Treasury for allocation of budget in A&A.

ii. Responsible ethical practices:-

- KRA ensures that all staff have to declare a conflict of interest e.g. in procurement evaluation, negotiations and must also declare gifts received associated to work.
- There exists a Corruption Pretension Committee
- Integrity assurance officers
- And KRA staff are sensitized on National Values and corruption prevention.

iii. Regulatory impact assessment:-

- KRA adheres to provisions of article 201 of the Constitution of Kenya by ensuring public participation and information sharing.
- There are Stakeholder engagement structures in the authority.
- There also exists a Customer experience framework in the Authority

f) Community Engagements:-

KRA conducted public participation for the allocation of land by the community in 2022, where the community agreed to allocate KRA 60 acres of land at Kakuma, Kainuk and Lodwar.

KRA in the month of July 2023, conducted site hand over. This was an activity that involved the community, Consultant, Contractor, Government agencies in the region, County Government of Turkana as well as the KRA.

Contractor is also expected to be engaging the community through the Community Liaison Person on matters safety, employment, in case of any significant disruption expected

4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Project Accountant, Project Coordinator and Project Sponsor for Eastern Africa Regional Transport, Trade & Development Facilitation Project are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year ended on June 30, 2024. These responsibilities includes:(i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

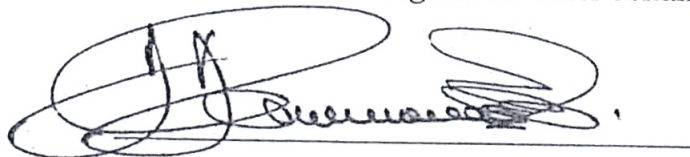
The Project Accountant, Project Coordinator and Project Sponsor for Eastern Africa Regional Transport, Trade & Development Facilitation Project accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting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

The Project Accountant, Project Coordinator and Project Sponsor for Eastern Africa Regional Transport, Trade & Development Facilitation Project are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year ended June 30, 2024, and of the Project's financial position as at that date. The Project Accountant, Project Coordinator and Project Sponsor for Eastern Africa Regional Transport, Trade & Development Facilitation Project further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control. The Project Accountant, Project Coordinator and Project Sponsor for Eastern Africa Regional Transport, Trade & Development Facilitation Project confirms that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

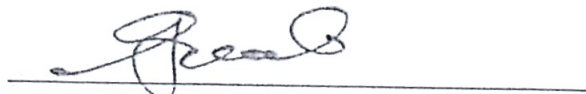
Approval of the Project financial statements

The Project financial statements were approved by the Project Accountant, Project Coordinator and Project Sponsor for the Eastern Africa Regional Transport, Trade & Development Facilitation on and signed on their behalf by.

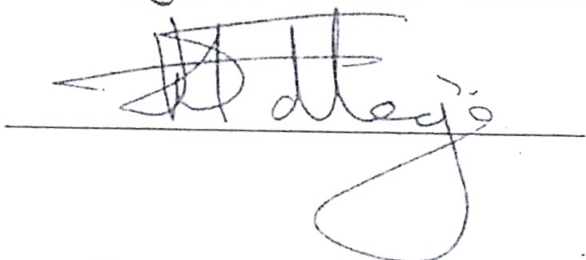
Josephat Omondi
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REPORT OF THE AUDITOR-GENERAL ON EASTERN AFRICA REGIONAL TRANSPORT, TRADE AND DEVELOPMENT FACILITATION PROJECT (IDA CREDIT NO.5638-KE) FOR THE YEAR ENDED 30 JUNE, 2024-KENYA REVENUE AUTHORITY

PREAMBLE

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

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

A qualified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, is effective in the use of resources, or that its internal control, risk management and governance systems are properly designed and were working effectively in the financial year under review.

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

*Report of the Auditor General on Eastern Africa Regional Transport, Trade and Development Facilitation Project
(IDA Credit No.5638-KE) for the year ended 30 June, 2024-Kenya Revenue 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 43, which comprise the statement of financial assets and liabilities as at 30 June, 2024 and 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 effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, the financial statements present fairly, in all material respects, the financial position of Eastern Africa Regional Transport, Trade and Development Facilitation Project as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with Financing Agreement Credit No.5638-KE between the Republic of Kenya and International Development Association dated 20 July, 2015 and as amended on 24 December 2021 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Unsupported Reallocation of Funds

The statement of comparison of budget and actual amount reflects payments final budget of 892,031,000. Review of the financing agreement indicated that the project was funded a total of Kshs.1,411,844,000 to implement ten (10) activities. However, a letter dated 23 February 2023 from the project manager to the Bank sought consideration and concurrence of reallocation of Kshs.210,637,185 from different activities to construction of rapid response units at Kakuma, Kainuk and Lodwar. However, the approvals/concurrence for reallocation of funds by the Bank was not provided for audit.

Further, the summary report on provision of enforcement equipment indicates reallocation of funds to construction of rapid response units at Kakuma, Kainuk and Lodwar activity of Kshs.34,833,421. However, the approvals for reallocation of funds and the revised activities funding that were not provided for audit.

In addition, the statement indicated that strategic objective on supporting the implementation of the regional cargo monitoring for goods under customs control as having been implemented under Horn of Africa Gateway Development Project but the activity was originally budgeted and funded under Eastern Africa Regional Transport and Trade Facilitation Project. However, evidence supporting the request, approval and budget reallocation for the activity between the two Projects was not provided for audit.

In the circumstance, the regularity of reallocated expenditures on various activities could not be confirmed

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

Key Audit Matter

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matter discussed in the Basis for Qualified Opinion section of my report, I have determined that there are no other key audit matters to communicate in my report.

Other Information

Conclusion

The Management is responsible for the other information set out on page i to xxvi which comprise of Project Information and Overall Performance, Statement of Performance against Project Predetermined Objectives, Environmental and Sustainability Reporting and the Statement of Project Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

Basis for Conclusion

In connection with my audit on the Eastern Africa Regional Transport, Trade and Development Facilitation Project financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information I am required to report that fact.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution and 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, 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

1.0 Low Absorption of Project Funds

The statements of comparison of budget and actual amounts reflects actual expenditure on comparable basis of Kshs.406,506,000 against final expenditure budget of Kshs.892,031,000 resulting in underutilization of Kshs.485,525,000 or 46% of the budget.

The low absorption of funds may have significant impact on implementation of planned activities and planned project objectives may not be achieved.

2.0 Acquisition of Non-financial Assets

Statement of receipts and payments reflect acquisition of non-financial assets of Kshs.346,352,000 as disclosed in Note 8 to the financial statements. The following anomalies were noted;

2.1 Construction of Buildings

The expenditure on acquisition of non-financial assets includes Kshs. 219,974,000 in respect of construction of buildings. Examination of records revealed that the Project had a running contract on construction of rapid response units in Kakuma, Lodwar and Kainuk. The contract period which was to expire on December, 2023 was extended to December, 2024. Examination of payments, project management and implementation records and physical verification carried out in the month of October 2024 indicated the following.

2.1.1 Rapid Response Units Office Constructions at Kakuma

Included in the construction of buildings costs of Kshs.219,974,000 is Kshs.71,782,803 in respect of Kakuma RRU. Physical verification and review of the project records indicated the following.

Report of the Auditor General on Eastern Africa Regional Transport, Trade and Development Facilitation Project (IDA Credit No.5638-KE) for the year ended 30 June, 2024-Kenya Revenue Authority

- i. The bills of quantities provided for concrete interlocking paving slabs for the foot paths, paved driveway and walkways at a cost of Kshs.587,760 which was varied by Kshs.3,805,102 and substructure with raft foundation at a provisional cost of Kshs.14,746,488 varied by an additional amount of Kshs.17,400,438. The project management indicated that the variation was occasioned by the site's soil nature. However, the management did not explain why the items were originally omitted in the original bills of quantities whereas the engaged consultant had visited the site for investigation before design.
- ii. Further, the revised drawings for the raft beams indicated 12(twelve no.) beam 5A with 14797mm length while the beam layout drawing only had 2(two no.) of the 14797mm length beams. Calculation of ribbed bar high yield steel and reinforced concrete was done using the 12 no. raft beam quantities which may have resulted in inflated variation amount and over payment.
- iii. Review of the term of reference (TOR) in the contract between the University of Nairobi (project consultant) and the Authority revealed that the consultant was to carry out investigations to ascertain and identify the soil conditions and characteristic of the land parcel with drilling and recovery to minimum of 15m below ground level at not less than 8 locations and excavation of trial pits being a minimum requirement. The variation after excavation from strip level and discovery of unstable soil conditions is a pointer that the consultant did not undertake the TOR provision to enable the correct structural design for the foundation thus occasioning the variation.
- iv. Interim payment certificate (IPC) number 4 dated April 2024 included materials on site of Kshs.9,336,844. However, audit inspection of the stock records at Kakuma RRU construction site indicated variances of Kshs.3,205,114 with the quantities provided in IPC no. 4.

2.1.2 Rapid Response Units Offices at Lodwar

Included in the construction of buildings costs of Kshs.219,974,000 is Kshs.71,554,664 in respect of Lodwar RRU. Physical verification and review of the project records indicated the following.

- i. The bills of quantities provided for concrete interlocking paving slabs for the footpaths, paved driveway and walkways at a cost of Kshs.562,960 which was varied by Kshs.3,009,504 and substructure with raft foundation at a provisional cost of Kshs.14,697,068 varied by an additional amount of Kshs.19,935,247. The project management indicated that the variation was caused by the site's soil nature which could not hold the structure. However, the management did not explain why the items were originally omitted in the original bills of quantities whereas the engaged consultant had visited the site for investigation before design.
- ii. Further, the revised drawings for the raft beams indicated 12(twelve no.) beam 5A with 14797mm length while the beam layout drawing only had 2(two no.) of the 14797mm length beams. Calculation of ribbed bar high yield steel and reinforced

concrete was done using the 12 no. raft beam quantities which may have resulted in inflated variation amount and over payment.

- iii. Review of the term of reference (TOR) in the contract between the University of Nairobi (project consultant) and the Authority revealed that the consultant was to carry out investigations to ascertain and identify the soil conditions and characteristic of the land parcel with drilling and recovery to minimum of 15m below ground level at not less than 8 locations and excavation of trial pits being a minimum requirement. The variation after excavation from strip level and discovery of unstable soil conditions is an indication that the consultant did not undertake the TOR provision to enable the correct structural design for the foundation thus occasioning the variation.

2.2 Delay in Completion of the project

Review of the project financing agreement revealed that the financing agreement was extended to 29 December 2023. Further, a letter to the Cabinet Secretary to The National Treasury and Economic Planning dated December 18, 2023 communicated extension of the project closing date to December 31, 2024. Records provided for audit indicated the following.

- i. The Authority communicated to the contractor on 14 December 2023 on the contract extension to 29 December 2024 six months being completion of works timeline and 6 months defects liability period. However, the management did not provide details of a request from the contractor for extension of the project implementation time with a justification as required by the contract agreement.
- ii. Physical inspection of the project in the month of October 2024 indicated that the project was estimated at 70% completion a fact confirmed by a project status report dated 30 September 2024. This is a clear indication that the project had not reached practical completion and therefore there was delay by the contractor. However, evidence of demand for payment of liquidated damages from the contractor as provided for under clause 8.7 of the contract was not provided for audit.

In the circumstances, value for money on expenditure on acquisition of non financial assets of Kshs.346,352,000 could not be confirmed.

3.0 Irregularities in Training Expenditure

The statement of receipts and payments reflect purchase of goods and services of Kshs.60,153,000 out of which Kshs.40,893,000 is in respect of training as disclosed in Note 6 to the financial statements. Review of training records revealed that Senior Management Leadership and advance management programs were offered for 11 staff at a cost of Kshs.11,901,603 by an Institution engaged through direct procurement. Management indicated that the institution had exclusive rights for the course offered to the Authority's senior management. However, the management did not provide evidence that the same could not have been provided by the Authority's own institution (KESRA),

Kenya School of Government that offers Senior Management and Leadership courses to Government Entities or other private institutions. Further, the direct procurement was not reported to Public Procurement Regulatory Authority (PPRA) as required by PPRA circular No. 01/2021 of 22 April 2021.

In the circumstance, the Management was in breach of the law

The audit was conducted in accordance with ISSAIs 3000 and 4000. The Standards require 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 comply 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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

As required by the International Development Association, I report based on my audit that I have obtained all information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit. In my opinion, Information given in the managements report pages (iii) to (xxviii) is consistent with the financial statements.

Basis for Conclusion

International Development Association requires that I report on the legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate opinion as to the Eastern Africa Regional Transport, Trade and Development Facilitation Project compliance with laws and regulations. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of the 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 controls as the 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 controls, risk management and governance.

In preparing the financial statements, the Management is responsible for assessing the Projects ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the applicable basis of accounting unless the management is aware of the intention to terminate the Project or to cease operations

The 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, the Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply 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 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

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the

INTOSAI Framework of Professional Pronouncements (IFPP). The Framework requires that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with IFPP will always detect a material misstatement 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I also I consider the entity's control environment 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.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

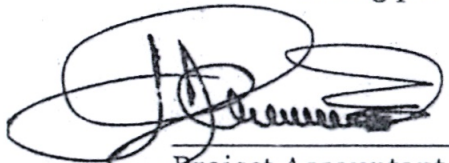
Nairobi


05 November, 2024

6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2024

Description	Note	Receipts and payments controlled by the entity	Payments made by third parties	Total	Receipts and payment controlled by the entity	Payments made by third parties	Total	Cumulative to-date (From Inception)
		2023/24			2022/23			
		KShs '000'	KShs '000'	KShs '000'	KShs '000'	KShs '000'	KShs '000'	KShs '000'
RECEIPTS								
Transfers from Government entities	1	84,000	-	84,000	-	-	-	84,000
Proceeds from domestic and foreign grants	2	123,039	186,910	309,949	133,088	71,793	204,880	831,536
Loan from external development partners	3	-	-	-	-	-	-	-
Miscellaneous receipts	4	-	-	-	-	-	-	-
TOTAL RECEIPTS		207,039	186,910	393,949	133,088	71,793	204,880	915,536
PAYMENTS								
Compensation of employees	5	-	-	-	-	-	-	-
Purchase of goods and services	6	60,153	-	60,153	57,383	0	57,383	218,915
Social security benefits	7	-	-	-	-	-	-	-
Acquisition of non-financial assets	8	159,443	186,910	346,352	18,330	71,793	90,123	645,441
Transfers to other government entities	9	-	-	-	-	-	-	-
TOTAL PAYMENTS		219,596	186,910	406,506	75,713	71,793	147,506	864,355
SURPLUS/(DEFICIT)		(12,557)	-	(12,557)	57,375	-	57,375	51,181

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


Project Accountant
CPA. Josephat Omondi
ICPAK Member No: 3473

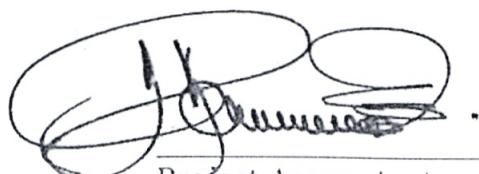

Project Coordinator
Lilian Nyawanda


Project Sponsor
Humphrey Wattanga

**7. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES AS AT
 30TH JUNE 2024**

Description	Note	2023/24	2022/23
		KShs '000'	KShs '000'
FINANCIAL ASSETS			
Cash and Cash Equivalents	11	51,181	63,738
Imprest and Advances	12	-	-
Total Financial Assets (A)		51,181	63,738
FINANCIAL LIABILITIES			
Third Party Deposits and Retention	13	-	-
Total Financial Liabilities (B)		-	-
NET FINANCIAL ASSETS (A-B)		51,181	63,738
REPRESENTED BY			
Fund balance b/fwd	14	63,738	6,363
Prior year adjustments	15	-	-
Surplus/(Deficit) for the period		(12,557)	57,375
NET FINANCIAL ASSETS		51,181	63,738

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



Project Accountant
 CPA. Josephat Omondi
 ICPAK Member Number: 3473



Project Coordinator
 Lilian Nyawanda



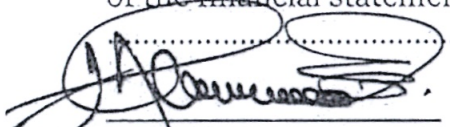
Project Sponsor
 Humphrey Wattanga

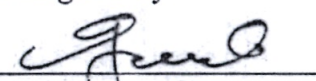
8. STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30TH JUNE 2024


Description	Note	2023/24 KShs '000'	2022/23 KShs '000'
CASHFLOW FROM OPERATING ACTIVITIES			
Receipts			
Transfers from Government Entities	1	84,000	-
Proceeds from domestic and foreign grants	2	309,949	204,880
Total Receipts		393,949	204,880
Payments			
Purchase of goods and services	6	(60,153)	(57,383)
Total Payments		(60,153)	(57,383)
Net Receipts /(Payments)		333,795	147,497
Adjustments during the period			
Prior Year Adjustments	15	-	-
Decrease/(Increase) in Accounts receivable: (outstanding imprest)	16		
Net cash flow from operating activities		333,795	147,497
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of non-financial assets	8	(346,352)	(90,123)
Net cash flows from Investing Activities		(346,352)	(90,123)
CASHFLOW FROM FINANCING ACTIVITIES			
Proceeds from Foreign Borrowings	3	-	-
Net cash flow from financing activities		-	-
NET INCREASE IN CASH AND CASH EQUIVALENT		(12,557)	57,375
Cash and cash equivalent at 1st July	11	63,738	6,363
Cash and cash equivalent at 30th June	11	51,181	63,738

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

..... and signed by


Project Accountant
CPA. Josephat Omondi
ICPAK Member Number: 3473

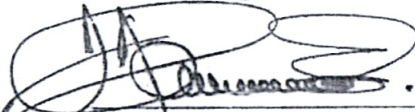

Project Coordinator
Lilian Nyawanda


Project Sponsor
Humphrey Wattanga

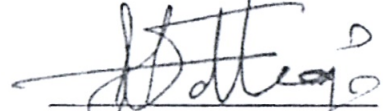
10. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2024

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c%
	KShs '000'	KShs '000'	KShs '000'	KShs '000'	KShs '000'	KShs '000'
Receipts						
Transfer from Government entities	37,000	47,000	84,000	84,000	0	100%
Proceeds from domestic and foreign grants	450,000	358,031	808,031	309,949	498,082	38%
Proceeds from borrowings	-	-	-	-	-	-
Miscellaneous receipts	-	-	-	-	-	-
Total Receipts	487,000	405,031	892,031	393,949	498,082	44%
Payments						
Purchase of goods and services						
a) Training & Bank Charges	0	41,500	41,500	41,446	54	100%
b) Other Operating payments-GOK	22,000	0	22,000	18,707	3,293	85%
Social security benefits	-	-	-	-	-	-
Acquisition of non-financial assets						
a) Purchase of Furniture & Office Equipments, Laptops & Screens	0	75,200	75,200	71,195	4,005	95%
b) Purchase of Specialised Machinery (Enforcement Equipments)	0	44,484	44,484	44,484	0	100%
c) Supervision & Construction of RRU	0	14,120	14,120	10,699	3,421	76%
d) MOU	0	10,000	10,000	0	10,000	0%
e) Construction of RRU	465,000	219,727	684,727	219,974	464,753	32%
Transfers to other government entities	-	-	-	-	-	-
Total Payments	487,000	405,031	892,031	406,506	485,525	46%

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


Project Accountant
CPA. Josephat Omondi
ICPAK Member Number: 3473


Project Coordinator
Lilian Nyawanda


Project Sponsor
Humphrey Wattanga

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 for Eastern Africa Regional Transport, Trade & Development Facilitation Project under National Government of Kenya. The financial statements are for the reporting entity Eastern Africa Regional Transport, Trade & Development Facilitation Project as required by Section 81/ Section 164 of 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

Eastern Africa Regional Transport, Trade & Development Facilitation Project recognises all receipts from the various sources when the event occurs, and the related cash has actually been received.

i) Transfers from the Exchequer

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

ii) External Assistance

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

iii) Other receipts

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

Significant Accounting Policies (Continued)

iv) Donations and grants

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

v) Proceeds from borrowing

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

vi) Undrawn external assistance

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

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.

iii) Interest on borrowing

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

iv) Repayment of borrowing (principal amount)

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

v) Acquisition of fixed assets

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

Significant Accounting Policies(Continued)

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 National Bank of Kenya 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.

For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

h) Restriction on cash

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

i) Imprest 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.

Significant Accounting Policies (Continued)

j) Contingent Liabilities

A contingent liability is:

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

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

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

k) Contingent Assets

The Eastern Africa Regional Trade and Transport 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 Trade and Transport 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.

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 **Significant Accounting Policies (Continued)**

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. 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 are converted into the functional currency using the exchange rates prevailing at the dates of the transactions. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of receipts and payments.

p) Comparative figures

Where necessary comparative figures for the previous financial year/period have been amended or reconfigured to conform to the required changes in financial statements 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, 2024.

r) Prior period adjustments

Prior period adjustments relate to errors and other adjustments noted arising from previous year(s). Explanations and details of these prior period adjustments are presented *in note 15 of these financial statements*

12. NOTES TO THE FINANCIAL STATEMENTS

1. TRANSFERS FROM GOVERNMENT ENTITIES

During the financial period to 30th June 2024, KRA was allocated 37 Million counterpart budget in the beginning of the year and an additional 47 Million during Supplementary Budget in the supplementary budget. KRA received a Total of Kshs 84 Million from National Treasury i.e Kshs 37 Million received on 25th Aug 2023 and Kshs 47 Million received on 21th Dec 2023 as disclosed in the table below:

Description	2023/24 KShs '000'	2022/23 KShs '000'	Cumulative to-date (from inception) KShs '000'
<i>Counterpart funding through Ministry</i>			
Counterpart funds	84,000	-	-
	-	-	-
<i>Other transfers from government entities</i>			
Ministry	-	-	-
Appropriations-in-Aid	-	-	-
Total	84,000	-	-

2. PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

During the financial period to 30th June 2024, KRA received Kshs 123 Million disbursed to our Project account and Kshs 187 Million direct payments made directly by World Bank-International Development Agency on behalf of the project. All as shown in the table below.

NOTES TO THE FINANCIAL STATEMENTS(continued)

	Date received	Amount received in donor currency	Grants received in cash	Grants received as direct payment	Grants received in kind	Total		Cumulative to date
						2023/24	2022/23	
						USD '000	KShs '000	
Grants Received from Bilateral Donors (Foreign Governments)		-	-	-	-	-	-	-
Grants Received from Multilateral Donors (International Organizations)		-	-	-	-	-	-	-
International Development Agency (World Bank)	08/09/2023 03/11/2023 15/12/2023 18/01/2024 24/06/2024 26/06/2024	858	123,039	186,910	-	309,949	204,880	831,536
Grants Received from Local Individuals and organizations		-	-	-	-	-	-	-
Total		858	123,039	186,910	-	309,949	204,880	831,536

3. LOAN FROM EXTERNAL DEVELOPMENT PARTNERS

During the financial period to 30th June 2024 no loan was received from development partners

Name of Donor	Date received	Amount in loan currency	Loans received in actual amount	Loans received as direct payment*	Total amount in KShs '000'			
					USD '000'	KShs '000'	KShs '000'	2023/24
Loans Received from Bilateral Donors (Foreign Governments)		-	-	-	-	-	-	-
Loans Received from Multilateral Donors (International Organizations)		-	-	-	-	-	-	-
Total		-	-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS(continued)

4. MISCELLANEOUS RECEIPTS

During the financial period to 30th June 2024, no miscellaneous receipts were received.

Description	2023/24			2022/23	Cumulative to-date (from inception)
	Receipts controlled by the entity in Cash	Receipts controlled by third parties	Total Receipts		
	KShs '000'	KShs '000'	KShs '000'	KShs '000'	KShs '000'
Property income	-	-	-	-	-
Sales of goods and services	-	-	-	-	-
Administrative fees and charges	-	-	-	-	-
Fines, penalties and forfeitures	-	-	-	-	-
Voluntary transfers other than grants	-	-	-	-	-
Other receipts not classified elsewhere	-	-	-	-	-

5. COMPENSATION OF EMPLOYEES

During the financial period to 30th June 2024, no compensation costs was paid to employees because there were no employees that were assigned to the project on full time basis. The employee handling the project as per the roles & responsibilities indicated in item 1.6 above are Kenya Revenue Authority staff.

Description	2023/24			2022/23	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs '000'	KShs '000'	KShs '000'	KShs '000'	KShs '000'
Basic salaries of permanent employees	-	-	-	-	-
Basic wages of temporary employees	-	-	-	-	-
Personal allowances paid as part of salary	-	-	-	-	-
Personal allowances paid as reimbursements	-	-	-	-	-
Personal allowances provided in kind	-	-	-	-	-
Pension and other social security contributions	-	-	-	-	-

Compulsory national social security schemes	-	-	-	-	-
Compulsory national health insurance schemes	-	-	-	-	-
Social benefit schemes outside government	-	-	-	-	-
Other personnel payments	-	-	-	-	-
Total	-	-	-	-	-

6. PURCHASE OF GOODS AND SERVICES

During the financial period to 30th June 2023, Kshs. 41 Million was incurred on capacity building training for KRA Officers & Project Implementation.

-Kshs 19Million Operational expenses in relation to Domestic travel and supervision of Construction of RRU in Turkana.

-Kshs 553,100.52 Foreign Travel and subsistence expense in relation to training.

Note: Amount Kshs 23,250,000 relates to Trainings payments in FY 2020/21 paid directly by World Bank and disclosed correctly in the respective year. However, this were erroneously omitted in the training Cumulative balances last FY 2022/23.

-The Other operating payments relate to Bank Charges & Exchange rate differences as disclosed in the table below:

	2023/24			2022/23	Cumulative to date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	KShs '000'	KShs '000'	KShs '000'	KShs '000'	KShs '000'
Utilities, supplies and services	-	-	-	-	-
Communication, supplies and services	-	-	-	-	-
Domestic travel and subsistence	18,646	-	18,646	2,520	28,630
Foreign travel and subsistence	553	-	553	21,525	36,782
Printing, advertising and – information supplies & services	-	-	-	-	-
Rentals of produced assets	-	-	-	-	-

Training payments	40,893	-	40,893	32,609	152,629
Hospitality supplies and services	-	-	-	-	-
Insurance costs	-	-	-	-	-
Specialised materials and services	-	-	-	-	-
Other operating payments (Bank Charges)	61	-	61	11	101
Routine maintenance – vehicles and other transport equipment	-	-	-	-	-
Routine maintenance- – other assets	-	-	-	-	773
Exchange rate losses/gains (net)	0	-	-	718	0
Total	60,153		60,153	57,383	218,916

7. SOCIAL SECURITY BENEFITS

As disclosed in Note 9.7 above there were no employees assigned to the project thus no Social Security Benefits as disclosed in the table below:

Description	2023/24			2022/23	Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs '000'	KShs '000'	KShs '000'	KShs '000'	KShs '000'
Government pension and retirement benefits	-	-	-	-	-
Social security benefits in cash and in kind	-	-	-	-	-
Employer social benefits in cash and in kind	-	-	-	-	-
Total	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. ACQUISITION OF NON-FINANCIAL ASSETS

During the financial period to 30th June 2024, KRA paid for the Assets below:-

- a) Kshs. 219,974,156 Advance payment and Completion Certificate 1 to 4 from Kashyap Enterprises LTD for construction of RRU as per Contract.
- b) Kshs 71,194,897 for Computer Laptops, Screens, Office Equipments, and Furniture to various suppliers.
- c) Kshs 44,483,955.54 to Biometric for Supply of Enforcement Equipment
- d) Kshs 10,699,245 to University of Nairobi for Supervision Consultancy fees
- e) Turkana Country donated to KRA 60 acres of land of Value Kshs 47.8M, from Turkana Community in Lodwar, Kainuk and Kakuma (20 acres each) as per Kenya Gazette dated 29th Sep 2023.

	2023/24			2022/23	Cummulative to date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	KShs '000'	KShs '000'	KShs '000'	KShs '000'	KShs '000'
Purchase of buildings	-	-	-	-	-
Construction of buildings	76,781	143,193	219,974	-	219,974
Refurbishment of buildings	-	-	-	-	-
Construction of roads	-	-	-	-	-
Construction of civil works	-	-	-	-	-
Overhaul & refurbishment of construction and civil works	-	-	-	-	-
Purchase of vehicles & other transport equipment- (Motor Vehicles & Forklifts)	-	-	-	71,793	85,635
Overhaul of vehicles & other transport equipment	-	-	-	-	-
Purchase of household furniture & institutional equipment	-	-	-	-	-
Purchase of office furniture & general equipment (Computer infrastructure & Software at Kilindini Port, Office Equipments & Furniture for RRU's and Laptops & Screens)	71,195	-	71,195	38	277,748
Purchase of specialised plant, equipment and machinery (Enforcement Equipments)	767	43,717	44,484	12,583	44,484
Rehabilitation & renovation of plant, equipment & machinery	-	-	-	-	-
Purchase of certified seeds, breeding stock and live animals	-	-	-	-	-
Research, studies, project preparation, design & supervision (UON-Consultancy)	10,699	-	10,699	5,710	17,599
Rehabilitation of civil works	-	-	-	-	-
Acquisition of strategic stocks	-	-	-	-	-
Acquisition of land	-	-	-	-	-
Acquisition of other intangible assets	-	-	-	-	-
Total	159,443	186,910	346,352	90,123	645,441

9. TRANSFERS TO OTHER GOVERNMENT ENTITIES

During the financial period to 30th June 2024, no funds were transferred to other reporting government entities.

Description	2023/24			2022/23	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs '000'	KShs '000'	KShs '000'	KShs '000'	KShs '000'
Transfers to National Government entities					
Ministry	-	-	-	-	-
Project	-	-	-	-	-
Transfers to County Government					
County	-	-	-	-	-
TOTAL	-	-	-	-	-

10. OTHER GRANTS AND TRANSFERS AND PAYMENTS

During the financial period to 30th June 2024, no funds were transferred to Grants.

Description	2023/24			2022/23	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs '000'	KShs '000'	KShs '000'	KShs '000'	KShs '000'
Grants for scholarships	-	-	-	-	-
Transfers to lower levels of government e.g schools	-	-	-	-	-
Miscellaneous payments	-	-	-	-	-
Total	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS(continued)

11. CASH AND CASH EQUIVALENTS

Description	2023/24 KShs '000'	2022/23 KShs '000'
Bank accounts (Note 11A)	51,181	63,738
Cash in hand (Note 11B)	-	-
Cash equivalents (short-term deposits) (Note 11C)	-	-
Total	51,181	63,738

The Eastern Africa Regional Transport, Trade & Development Facilitation Project has one bank account denominated in Kenya Shillings as listed below.

As at 30th June 2024, KRA received four disbursements from Donor i.e. Kshs. 68,361,210 (US\$ 473,252 @144.45), Kshs. 11,651,994 (US\$ 77,846 @149.68), Kshs. 7,083,227(US\$ 46,241 @153.18) and Kshs 12,511,032 (US\$ 78,500 @159.38), Kshs 1,832,390 (US\$ 14,047 @130.44) & Kshs 21,599,139 (US\$ 167,716 @128.78) totalling to Kshs. 123,038,990 (US\$ 857,607). KRA also received a total of Kshs 84,000,000 from GOK (Counterpart) funds.

The project has one bank account as shown below.

11. (A) Bank Accounts
Project Bank Accounts

Description	2023/24 KShs '000'	2022/23 KShs '000'
Local Currency Accounts		
National Bank of Kenya- A/C No 01020014867900	51,181	63,738
Total local currency balances	51,181	63,738
	51,181	63,738
Total bank account balances		

Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as at 30th June 2024 are not included in the Statement of Financial Assets since they are below the line items and are yet to be drawn into the Exchequer Account as a voted provision.

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

Special Deposit Accounts Movement Schedule

Description	2023/24 USD '000'	2022/23 USD '000'
Central Bank of Kenya- A/C No 1000243775	-	-
Opening balance	-	-
Total amount deposited in the account	858	747
Total amount withdrawn (as per Statement of Receipts & Payments)	858	747
Closing balance (as per SDA bank account reconciliation attached)	-	-

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

11 (B) Cash In Hand

During the financial period to 30th June 2024, there was no Cash on hand or Cash Equivalent (Short-term deposits) in the reporting period.

Description	2023/24 KShs 000	2022/23 KShs 000
Time Towers	-	-
Total cash balances	=	=

11 (C) Cash equivalents (short-term deposits)

During the financial period to 30th June 2024, there were no Cash equivalents.

Description	2023/24 KShs 000	2022/23 KShs 000
Time Towers	-	-
Total cash equivalents	=	=

12. IMPRESTS AND ADVANCES

During the financial period to 30th June 2024, there was no pending Imprests or Salary advances in the reporting period.

Description	2023/24 Kshs 000	2022/23 Kshs 000
Government Imprests	-	-
Salary advances	-	-
Total	-	-

NOTES TO THE FINANCIAL STATEMENTS(Continued)

12A: BREAKDOWN OF IMPRESTS AND ADVANCES

During the financial period to 30th June 2024, there were no outstanding Imprests or advances.

Name of Officer or Institution	Amount Taken	Due Date of Surrender	Amount Surrendered	2023/24	2022/23
	KShs 000	KShs 000	KShs 000	KShs 000	KShs 000
	-	-	-	-	-
Total	-	-	-	-	-

13. THIRD- PARTY DEPOSITS AND RETENTION

During the financial period to 30th June 2024, there were no accounts payable.

Description	2023/24		2022/23	
	KShs '000'		KShs '000'	
Retention	21,868		-	
Deposits	-		-	
Total	21,868		-	
Ageing analysis:	2023/24	% of the Total	2022/23	% of the Total
Under one year	21,868	100%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total	21,868	100%	-	%

14. FUND BALANCE BROUGHT FORWARD

During the financial period to 30th June 2024, there was balance brought forward of Kshs 63,737,576 in the Project account.

Description	2023/24	2022/23
	KShs '000'	KShs '000'
Bank accounts	63,738	6,363
Cash in hand	-	-
Outstanding imprests and advances	-	-
Total	63,738	6,363

NOTES TO THE FINANCIAL STATEMENTS(Continued)

15. PRIOR YEAR ADJUSTMENT

During the financial period to 30th June 2024, there were no Prior year adjustments disclosed in the table below:

	Balance b/f FY 2023/24 as per Financial statements	Adjustments	Adjusted Balance b/f FY 2022/23
Description of the error	KShs '000'	KShs '000'	KShs '000'
Bank account Balances	-	-	-
Cash in hand	-	-	-
Accounts Payables	-	-	-
Receivables	-	-	-
Others (<i>specify</i>)	-	-	-
	-	-	-

16. CHANGES IN ACCOUNTS RECEIVABLES (IMPREST AND ADVANCES)

During the financial period to 30th June 2024, there were no accounts receivables

Description	2023/24 KShs '000'	2022/23 KShs '000'
Opening Receivables as at 1 st July 2023	-	-
Closing account receivables as at 30 th June 2024	-	-
Changes in Imprest and Advances	-	-

17. CHANGES IN ACCOUNTS PAYABLES (DEPOSITS AND RETENTION)

During the financial period to 30th June 2024, there were no accounts payable- Deposits and retentions.

Description	2023/24 KShs '000'	2022/23 KShs '000'
Deposit and Retentions as at 1 st July 2023	-	-
Closing account payable as at 30 th June 2024	-	-
Changes in deposits and retention	-	-

NOTES TO THE FINANCIAL STATEMENTS(Continued)

OTHER IMPORTANT DISCLOSURES

18. PENDING ACCOUNTS PAYABLE (See Annex 4A)

During the financial period to 30th June 2024, Retention fees amounts relating to Construction of RRU that was completed, certified and paid as at end of June, were pending payments as disclosed in the table below. These will be paid after end of defect period in FY 2024/25.

Description	Balance b/f 2023/24 KShs '000'	Additions for 2023/24 KShs '000'	Paid during 2023/24 KShs '000'	Balance c/f 2024/25 KShs '000'
Retention Fees on Construction				
Kainuk		7,284	-	7,284
Kakuma	-	6,462	-	6,462
Lodwar		8,123	-	8,123
Total		21,868	-	21,868

19. PENDING STAFF PAYABLES (See Annex 4B)

As disclosed in Note 5 above there were no employees on a full time basis thus no Pending Staff Payables as disclosed in the table below:

Description	Balance b/f 2023/24 KShs '000'	Additions for 2023/24 KShs '000'	Paid during 2023/24 KShs '000'	Balance c/f 2022/23 KShs '000'
Senior management	-	-	-	-
Middle management	-	-	-	-
Unionisable employees	-	-	-	-
Others	-	-	-	-
Total	-	-	-	-

20. OTHER PENDING PAYABLES (See Annex 4C)

During the financial period to 30th June 2024, there were no other pending payables as disclosed in the table below:

	Balance b/f 2023/24	Additions for 2023/24	Paid during 2023/24	Balance c/f 2022/23
Description	KShs '000'	KShs '000'	KShs '000'	KShs '000'
Amounts due to National Government entities	-	-	-	-
Amounts due to County Government entities	-	-	-	-
Amounts due to third parties	-	-	-	-
Total	-	-	-	-

21. External Assistance

During the financial period to 30th June 2023, there was no other external assistance toward this project in addition to the above disclosed loan from World Bank- International Development Agency

	2023/24	2022/23
Description	KShs '000'	KShs '000'
External assistance received in cash	-	-
External assistance received as loans and grants	-	-
External assistance received in kind- as payment by third parties	-	-
Total	-	-

a) External assistance relating loans and grants

	2023/24	2022/23
Description	KShs '000'	KShs '000'
External assistance received as loans	-	-
External assistance received as grants	-	-
Total	-	-

NOTES TO THE FINANCIAL STATEMENTS(Continued)

b) Undrawn external assistance

	Purpose for which the undrawn external assistance may be used	2023/24	2022/23
Description		KShs '000'	KShs '000'
Undrawn external assistance - loans	-	-	-
Undrawn external assistance - grants	-	-	-
Total	-	-	-

c. Classes of providers of external assistance

Description	2023/24	2022/23
	KShs '000'	KShs '000'
Multilateral donors	-	-
Bilateral donors	-	-
International assistance organization	-	-
NGOs	-	-
National Assistance Organization	-	-
Total	-	-

d. Non-monetary external assistance

Description	2023/24	2022/23
	KShs '000'	KShs '000'
Goods	-	-
Services	-	-
Total	-	-

OTHER IMPORTANT DISCLOSURES (continued)

e. Purpose and use of external assistance

PAYMENTS MADE BY THIRD PARTIES	2023/24	2022/23
	KShs '000'	KShs '000'
Compensation of Employees	-	-
Use of goods and services	-	-
Subsidies	-	-
Transfers to Other Government Units	-	-
Other grants and transfers	-	-
Social Security Benefits	-	-
Acquisition of Assets	-	-
Finance Costs, including Loan Interest	-	-
Repayment of principal on Domestic and Foreign borrowing	-	-
Other Payments	-	-
TOTAL	-	-

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

During the financial period to 30th June 2024, there was no external assistance paid directly by third parties to settle obligations on behalf of Kenya Revenue Authority.

Description	2023/24	2022/23
	KShs '000'	KShs '000'
National government	-	-
Multilateral donors	-	-
Bilateral donors	-	-
International assistance organization	-	-
NGOs	-	-
National Assistance Organization	-	-
Total	-	-

Other Important Disclosures (Continued)

22. Payments By Third Party on Behalf of The Project

During the financial period to 30th June 2024, Donor (World bank) directly paid Kshs 186,909,667 on behalf of project, being invoices from Biometric Technology LTD and Kashyap Enterprises LTD relating to supply of Enforcement Equipment and Construction of RRU. This is as disclosed in the tables below:

22.1 Classification by Source

Description	2023/24 KShs '000'	2022/23 KShs '000'
National government	-	-
Multilateral donors	-	-
Bilateral donors	-	-
International Development Agency	186,910	71,792
Total	186,910	71,792

22.2 Classification of payments made by Third Parties by Nature of expenses

Payments made by third parties Description	2023/24 KShs '000'	2022/23 KShs '000'
Compensation of employees	-	-
Use of goods and services	-	-
Subsidies	-	-
Transfers to other government units	-	-
Other grants and transfers	-	-
Social security benefits	-	-
Acquisition of assets	186,910	71,792
Finance costs, including loan interest	-	-
Other payments	-	-
Total	186,910	71,792

Other Important Disclosures (Continued)

23. Related Party transactions

During the financial period to 30th June 2024, there was no related party transaction payments made.

Description	2023/24	2022/23
	KShs '000'	KShs '000'
Compensation to Key Management	-	-
Compensation to the program manager/ director	-	-
Key Management Compensation others (specify)	-	-
Total Compensation to Key Management	-	-
Transfers to related parties	-	-
Transfers to other government entities	-	-
Total Transfers to related parties	-	-
Transfers from related parties	-	-
Transfers from the Ministry/ department	-	-
Payments made on behalf of the project by other govt. entities	-	-
Total Transfers from related parties	-	-

24. Contingent Liabilities

During the financial period to 30th June 2024, there was no contingent liabilities

Contingent liabilities	2023/24	2022/23
	KShs '000'	KShs '000'
Court cases against the project	-	-
Bank guarantees in favour of other govt. entities	-	-
Contingent liabilities arising from PPPs/ donor agreements	-	-
Total		

13. ANNEXES

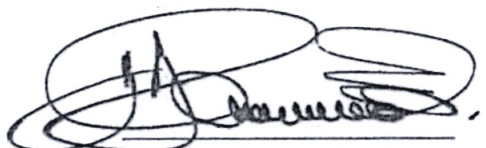
ANNEX 1 - PRIOR YEAR AUDITOR- GENERAL'S RECOMMENDATIONS

The following is the summary of issues raised by the external auditor

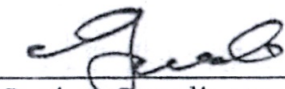
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Timeframe: (Put a date when you expect the issue to be resolved)
Other matters - 1	<p>Budgetary Control and Performance The statement of comparison of budget and actual amounts for the year ended 30th June 2023 reflects reflects final budget and actual on a comparable basis of Kshs.190,000,000 and 204,880,000 respectively resulting to excess receipts totaling Kshs.14,880,000 or 8% of the budget. Similarly, the Project expended a total of Kshs.147,506,000 against an approved budget of Kshs.190,000,000 resulting to an under-expenditure of Kshs.42,494,000 or 22% of the budget. Management attributed the under-expenditure to delay in allocation of land for construction of Rapid Response Units (RRU) office.</p> <p>Non-implementation of the planned activities and may result in failure to achiev all the project planned activities deliverables by 31 December, 2023 being close date of the project as per the revised financing agreement.</p>	<p>Underfunding The cumulative project payments and commitments from inception as at 30th June 2024 is Kshs 1,294,859,074 (equivalent to USD 9,996,827) which is 92% of the total Donor commitment of Kshs 1,411,844,000 (USD 10,900,000) As at 30th June 2024 there were 2 remaining activities to completion of the project. These are the conclusion of Construction of Rapid Response Units and Signing of Memorandum of Association between Kenya Customs and South Sudan Customs, which are in progress and expected to be completed by 31st Dec 2024.</p> <p>Underperformance The EARTTDFP project was scheduled to be completed by 29th December 2023. However due to the reasons below, the project was extended for another year and is expected to come to an end by 31st December 2024.</p> <p>REASONS FOR UNDER-UTILISATION</p> <p>1. Construction of the Rapid Response Units (RRU) Offices (Kshs 639.882Million) The Construction of RRU was scheduled to come at the end of the EARTTDFP Project after the construction of the road by KENHA. This activity accounts for 60% of the proposed budget. There were delays in the implementation of this component because of the following:</p>	<p>Activity is still On-Going expected to be in December 2024</p>

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>a) <u>Delay in land allocation by the County Government of Turkana for Construction of RRU's</u>:- Construction was dependent on successful land acquisition. However there was delay in beginning of this activity due to delay in land allocation by the Country Government of Turkana. The land allocated process was concluded followed by procurement of Contractor then construction commenced in August 2023</p> <p>b) <u>Security Threats</u>:- There was a delay in commencement of construction at Kainuk site due to insecurity. The site is bordering West Pokot and Turkana counties an area frequently faced with banditry.</p> <p>c) <u>Challenges in material acquisition</u>:- The project has experienced challenges in acquisition of construction materials which are scarce and have to be hauled from long distances.</p> <p>d) <u>Introduction of dusk to dawn curfew</u>:- Security situation escalated and this forced the Cabinet Secretary for Interior and National Administration to impose a dusk to dawn curfew in Kainuk through Legal Notice no. 9 dated 15th February 2023. This affected the delivery of materials.</p> <p>e) <u>Disruption of the works due to political interference</u>:- The works have been disrupted on two separate occasions due to local county political interference.</p> <p>f) <u>Labour apathy due to insecurity</u>: Works on site were disrupted, as they were two incidences of gunshots exchanges in close proximity to the site. This led to loss of man-hours as the staff could not work optimally. Additionally, the fear of retaliatory attacks also led to labour apathy as staff were reluctant to work on site</p> <p><u>2. Delays in the signing of the Memorandum of Understanding between KRA Customs and South Sudan Customs (Kshs. 10Million)</u></p>	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>The MoU was approved by the National Treasury, the Office of the Attorney General, and the Ministry of Foreign Affairs, and subsequently submitted to South Sudan Customs for review and signing. Upon review, South Sudan Customs requested the inclusion of additional clauses. These comments were reviewed and resubmitted to South Sudan Customs for final concurrence. South Sudan Customs once again requested additional clauses, which were reviewed by the Technical Teams and submitted to South Sudan through the Ministry of Foreign Affairs in July 2024. Following this submission, the NRA concurred with the draft MoU, and plans are underway for the official signing of the MoU in October 2024. Appendix II</p>	



Project Accountant
 CPA. Josephat Omondi
 ICPAK Member No: 3473



Project Coordinator
 Lilian Nyawanda



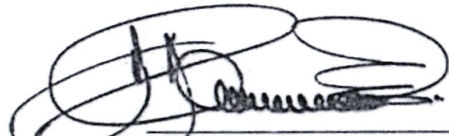
Project Sponsor
 Humphrey Wattanga

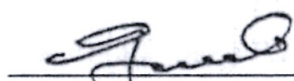
ANNEX 2 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS FOR
 CURRENT YEAR 2023/2024

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance(below 90% and over 100%)
	KShs '000'	KShs '000'	KShs '000'		
	a	b	c=a-b	d=b/a %	
Receipts					
Transfer from Government entities	84,000	84,000	-	100%	
Proceeds from domestic and foreign grants	808,031	309,949	498,082	38%	1) Kshs 498M will be disbursed upon documentation and draw down of the spend amount ie. Completed and paid activities. Construction of RRU is still ongoing and these balance will be disbursed after completion, payment and documentation of the remaining milestones of Construction of RRU
Proceeds from borrowings	-	-	-	-	
Miscellaneous receipts	-	-	-	-	
Total Receipts	892,031	393,949	498,082	44%	
Payments					
Purchase of goods and services					
a) Training & Bank Charges	41,500	41,446	54	100%	
b) Other Operating payments-GOK	22,000	18,119	3,881	82%	2) Operation budget Utilised on KRA supervision of construction of RRU milestones. Construction Still in progress expected to be completed Dec 2024
Acquisition of non-financial assets					
a) Purchase of Furniture & Office Equipment, Laptops & Screens	75,200	71,195	4,005	95%	3) Invoices totalling to Kshs 71M relating to Office Equipment & Furniture delivered and paid. The Budget balance is for pending deliveries expected in Qrt 1 2024/25
b) Purchase of Specialised Machinery (Enforcement Equips)	44,484	44,484	-	100%	4) Activity complete Delivered and paid
c) Supervision & Construction of RRU	14,120	10,626	3,494	75%	5) UON Consultant invoices for supervision are being issued as construction works are complete in the different milestones
d) MOU	10,000	-	10,000	0%	6) Negotiations still ongoing between Kenya & Southern Sudan
e) Construction of RRU	684,727	219,974	464,753	32%	7) Construction in progress, already paid Kshs 220Million ie Advance payment and Completion Certificate 1-4, the remaining payments to be paid as works are completed, inspected & certificate issued in the different milestones of completion.
Total Payments	892,031	406,506	485,525	46%	Construction of RRU are still ongoing with contractor of site, payments to be paid as works are completed, inspected & certificate issued in the different milestones of completion. Activity to be completed December 2024

ANNEX 3: RECONCILIATION OF INTER-ENTITY TRANSFERS

PROJECT NAME: EASTERN AFRICA REGIONAL TRANSPORT & DEVELOPMENT FACILITATION PROJECT			
Break down of Transfers			
a.	Government Counterpart Funding		
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>
			<u>Indicate the FY to which the amounts relate</u>
			-
			-
		Total	-
b.	Direct Payments		
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>
			<u>Indicate the FY to which the amounts relate</u>
			-
			-
		Total	-
c.	Others		
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>
			<u>Indicate the FY to which the amounts relate</u>
			-
			-
		Total	-
		TOTAL(a+b+c)	-


Project Accountant
CPA. Josephat Omondi
ICPAK Member No: 3473


Project Coordinator
Lilian Nyawanda


Project Sponsor
Humphrey Wattanga

ANNEX 4A - ANALYSIS OF PENDING ACCOUNTS PAYABLES

During the financial period to 30th June 2024, there were no pending invoices for payments

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance June 2024	Outstanding Balance June 2023	Comments
	KShs '000'		KShs '000'	KShs '000'	KShs '000'	
	a	b	c	d=a-c		
Supply of Goods						
Sub-Total						
Supply of Services						
Retention Fees on Construction	7,284	-		7,284		Retention fees amounts relating to Construction of RRU that was completed, certified and paid as at end of June, were pending payments as disclosed in the table below. These will be paid after end of defect period in FY 2024/25
Kainuk	6,462			6,462		
Kakuma	8,123			8,123		
Lodwar	21,868			21,868		
Sub-Total						
Grand Total						

ANNEX 4B - ANALYSIS OF PENDING STAFF BILLS

During the financial period to 30th June 2024, there were no pending staff compensated on the project thus there were no staff bills.

Name of Staff	Job Group	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance June 2024	Outstanding Balance June 2023	Comments
		a	b	c	d=a-c		
Permanent Employees - Management							
None	-	-	-	-	-	-	
Sub-Total							
Permanent Employees – Others							
None	-	-	-	-	-	-	
Sub-Total							
Temporary employees							
None	-	-	-	-	-	-	
Sub-Total							
Others (specify)							
None	-	-	-	-	-	-	
Sub-Total	-	-	-	-	-	-	
Grand Total	-	-	-	-	-	-	

EASTERN AFRICA REGIONAL TRANSPORT, TRADE & DEVELOPMENT FACILITATION PROJECT
Annual Report and Financial Statements for the financial year ended June 30th 2024
ANNEX 4C - ANALYSIS OF OTHER PENDING PAYABLES

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance June 2024	Outstanding Balance June 2023	Comments
		a	b	c	d=a-c		
Amounts due to National Govt Entities							
1.							
2.							
3.							
Sub-Total							
Amounts due to County Govt Entities							
4.							
5.							
6.							
Sub-Total							
Amounts due to Third Parties							
7.							
8.							
9.							
Sub-Total							
Others (specify)							
10.							
11.							
12.							
Sub-Total							
Grand Total							

EASTERN AFRICA REGIONAL TRANSPORT, TRADE & DEVELOPMENT FACILITATION PROJECT
Annual Report and Financial Statements for the financial year ended June 30th 2024

ANNEX 5 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Opening Cost (KShs) FY 2023/2024	*Purchases/Additions (KShs) FY 2023/2024	**Disposals (KShs) FY 2023/2024	Transfers in/(out) Kshs FY 2023/2024	Closing Cost (KShs) FY 2023/2024
	(a)	(b)	(c)	(d)	(e)= (a)+ (b)-(c)+(-)d
	KShs '000'	KShs '000'	KShs '000'	KShs '000'	KShs '000'
Land	-	47,800	-	-	47,800
Buildings and structures	-	-	-	-	-
Transport equipment: (Motor vehicles & Forklifts)	85,635	-	-	-	85,635
Office equipment, furniture and fittings (Office Equipments & Furniture for RRUs)	-	57,555	-	-	57,555
ICT Equipment, (Computer infrastructure & Software at Kilindini Port, and Laptops & Screens)	206,553	13,640	-	-	220,193
Other Machinery and Equipment (Enforcement Equipments)	-	44,484	-	-	44,484
Heritage and cultural assets	-	-	-	-	-
Biological assets	-	-	-	-	-
Infrastructure assets roads,	-	-	-	-	-
Intangible assets	-	-	-	-	-
Work in Progress	6,900	230,673	-	-	237,573
Total	299,088	394,152	0	0	693,241

ANNEX 6 CONTINGENT LIABILITIES REGISTER

	Nature of contingent liability	Remarks
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		

EASTERN AFRICA REGIONAL TRANSPORT, TRADE & DEVELOPMENT FACILITATION PROJECT
Reports and Financial Statements
For the financial year ended June 30, 2023

ANNEX 7 REPORTING OF CLIMATE RELEVANT EXPENDITURES

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

Annex 8: Reporting Disaster Management Expenditure

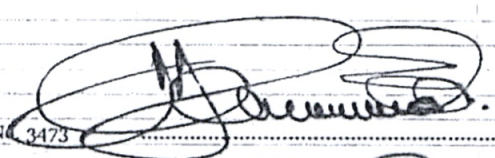
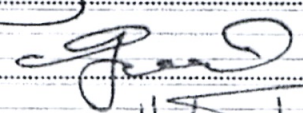
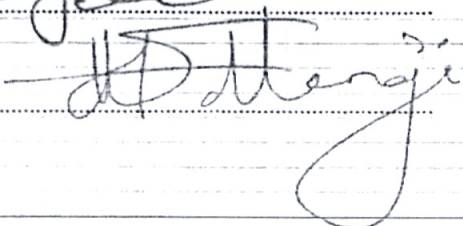
Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments

Annex 9: Other Support Documents

- i. Signed confirmations from beneficiaries in Transfers to Other Government Entities
- ii. Bank Reconciliations statement as at 30th June 2023
- iii. Board of Survey Report
- iv. Special Deposit Account(s) reconciliation statement(s)
- v. GOK IFMIS comparison Trial Balance
- vi. KRA Trial Balance

EASTERN AFRICA REGIONAL TRANSPORT, TRADE & DEVELOPMENT FACILITATION PROJECT
Annual Report and Financial Statements for the financial year ended June 30th 2024

APPENDIX ii – BANK RECONCILIATION PROJECT ACCOUNT NATIONAL BANK OF KENYA AS AT 30TH JUNE 2024.

MINISTRY:	FINANCE		
IMPLEMENTING AGENCY	KENYA REVENUE AUTHORITY		
PROJECT NAME:	EASTERN AFRICA REGIONAL TRANSPORT, TRADE & DEVELOPMENT FACILITATION PROJECT		
IDA CREDIT:	No. 56380KE		
REPORT:	Interim Financial Report (IFR)		
THIS SCHEDULE:	Bank Reconciliation Statement		
Bank and Branch	National Bank of Kenya Ltd - Times Tower Nairobi		
Account No.	01020014867900		
PERIOD OF REPORT:	Period ending 30th June 2024		
CURRENCY:	Kenya shilling		
		<u>Note.</u>	<u>Kshs</u> <u>Kshs</u>
01/07/2023	Balance b/fwd		63,737,576
Add:	Receipts		207,038,990.14
	Interest		207,038,990
	Total Receipts		270,776,566
Less:	Bank charges as at 30/06/2024		61,441.71
	Payments as at 30/06/2024		219,534,429.20
	Unpresented cheque		-
30/06/2024	Balance as per bank statement		51,180,695
KENYA REVENUE AUTHORITY			<u>Kshs</u> <u>Kshs</u>
PROJECT A/C 01020014867900			
30/06/2024	Balance per Bank Statements		51,364,795
	Add:		
30/06/2024	Receipts in cash book not yet credited by Bank		
30/06/2024	Payments in Bank statement and not in the cash book	184,100.00	
	Deduct:		
30/06/2024	Cheques not debited by Bank (Unpresented cheques)		
30/06/2024	Receipts in bank statement not in the cash book		184,100
Balance per Cash Book			51,180,695
Notes:			0
CPA. Josephat Omondi Head of Finance Project Accountant - ICPAK Member No. 3473			
Lillian Nyawanda Project Coordinator			
Humphrey Wattanga Project Sponsor Commissioner General			

EASTERN AFRICA REGIONAL TRANSPORT, TRADE & DEVELOPMENT FACILITATION PROJECT
Annual Report and Financial Statements for the financial year ended June 30th 2024

APPENDIX ii – BOARD OF SURVEY

Bank Reconciliation-2.1

MINISTRY: THE NATIONAL TREASURY
 IMPLEMENTING AGENCY: KENYA REVENUE AUTHORITY
 PROJECT NAME: EASTERN AFRICA REGIONAL TRANSPORT, TRADE & DEVELOPMENT FACILITATION PROJECT
 IDA CREDIT: NO. 5638KE
 REPORT: Bank Reconciliation Statement
 Bank and Branch: National Bank of Kenya Ltd - Times Tower Nairobi
 Account No. 7700052979
 PERIOD OF REPORT: 30TH JUNE, 2024

		Kshs	Kshs
01/06/2024	Balance b/fwd		30,082,790.72
	Receipts	23,343,578.10	
	Interest	-	33,543,528.10
	Total Receipts	23,343,578.10	33,543,528.10
Less:			
	Bank charges as at 30/06/2024	2,390.00	
	Payments as at 30/06/2024	3,258,474.00	2,281,864.00
Add:			
	Unpresented cheques	-	
30/06/2024	Balance as per bank statement		51,364,794.82
KENYA REVENUE AUTHORITY			
PROJECT A/C 01020014867900			
		Kshs	Kshs
30/06/2024	Balance per Bank Statements		51,364,794.82
Add:			
30/06/2024	Receipts in cash book not yet credited by Bank	-	
30/06/2024	Payments in Bank statement and not in the cash book	-	
Deduct:			
30/06/2024	Cheques not debited by Bank (Unpresented cheques)	184,100.00	
30/06/2024	Receipts in bank statement not in the cash book	-	184,100.00
Balance per Cash Book			51,180,694.82

	NAME	DESIGNATION	SIGNATURE	DATE
Prepared by:	George Ouya	Supervisor		03/07/2024
Checked by:	Alex Mwangi	Asst. Manager		03/07/2024
Approved by:	Jacqueline Osango	Manager		30 July 2024

BOS.

JAMES MATUNDA 03/07/2024 - SECRETARY

THOMAS S. MAINA 03/07/2024 - TEAM LEADER

BOARD OF SURVEY ((CONTINUATION))

National
Bank

A Subsidiary of KCB Group PLC

02 JULY 2024

National Bank of Kenya Limited
Head Office, National Bank Building
Nairobi 1, Kenya
P.O. Box 77505 - 00200 Nairobi, Kenya
Tel: +254 (0) 20 - 2628500
Cable: +254 (0) 20 - 2628000

Website: www.nationalbank.co.ke


KCA 30

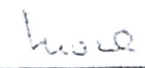
CERTIFICATE OF BALANCE

Certified that the balance of Current Account of KRA EARTTDFP A/C NO
01020014867900 as at 30.06.2024 is KSH.51,364,794.32 Credit)

Read: Ksh Fifty one million three hundred sixty four thousand seven hundred
ninety four cents eighty two. (Credit)

Examined by:


Customer Service


Branch Operations Manager

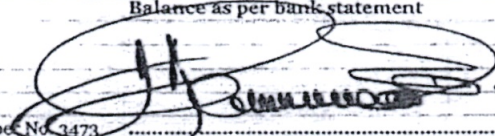

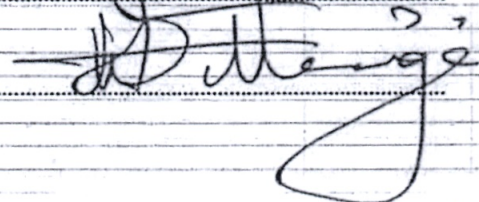
E.O.S

THOMAS S. MUKIA ~~OFFICER~~ ~~Signature~~ 02-07-2024 Team Leader

JAMES MUKUNDU ~~OFFICER~~ 02/07/2024 - [Signature]

EASTERN AFRICA REGIONAL TRANSPORT, TRADE & DEVELOPMENT FACILITATION PROJECT
Annual Report and Financial Statements for the financial year ended June 30th 2024

APPENDIX ii – BANK RECONCILIATION SPECIAL DEPOSIT ACCOUNT CENTRAL BANK OF KENYA AS AT 30TH JUNE 2024

MINISTRY:	FINANCE			
IMPLEMENTING AGENCY:	KENYA REVENUE AUTHORITY			
PROJECT NAME:	EASTERN AFRICA REGIONAL TRANSPORT, TRADE & DEVELOPMENT FACILITATION PROJECT			
IDA CREDIT:	No. 56380KE			
REPORT:	Interim Financial Report (IFR)			
THIS SCHEDULE:	Bank Reconciliation Statement			
Bank and Branch:	Central Bank of Kenya LTD			
Account No.:	1000243775			
PERIOD OF REPORT:	Period ending 30th June 2024			
CURRENCY:	US Dollar			
		Note.	USD	USD
01/07/2023	Balance b/fwd			-
Add:	Receipts		857,602.32	
	Interest		-	857,602
	Total Receipts			857,602
Less:	Payments as at 30/06/2024		857,602.32	857,602
	Unpresented cheque			
30/06/2024	Balance as per bank statement			-
CPA. Josephat Omondi Head of Finance Project Accountant - ICPAK Member No. 3473				
Lilian Nyawanda Project Coordinator				
Humphrey Wattanga Project Sponsor Commissioner General				

*EASTERN AFRICA REGIONAL TRANSPORT, TRADE & DEVELOPMENT FACILITATION PROJECT
Annual Report and Financial Statements for the financial year ended June 30th 2024*

APPENDIX iv –TRIAL BALANCE PROJECT

MINISTRY: FINANCE
 IMPLEMENTING AGENCY: KENYA REVENUE AUTHORITY
 PROJECT NAME: EASTERN AFRICA REGIONAL TRANSPORT, TRADE & DEVELOPMENT PROJECT
 IDA CREDIT: No. 56380KE
 REPORT: TRIAL BALANCE FOR YEAR END 30th JUNE 2024

TRIAL BALANCE EASTERN AFRICA REGIONAL TRANSPORT, TRADE AND DEVELOPMENT FACILITATION PROJECT AS AT 30TH JUNE 2024			
GL Code	Item Description	2023/2024	
		DR (Kshs)	CR (Kshs)
2210010	Bank Bal b/f		63,737,575.59
2210010	Funds Received in Year		207,038,990.05
2210010	Funds Paid Via Direct Payments in Year		186,909,667.24
13000150	Bank Bal c/d as at 30th June 2024	51,180,694.82	
	Acquisition of non-financial assets		
10002010	Motor Vehicles	0.00	
10002010	Forklift	0.00	
10003010	Office Equipment & Furniture	57,554,897.00	
10004010	Computers	13,640,000.00	
10000010	Plant & Machinery Costs	44,483,955.54	
10007010	Capital Working Progress	230,673,400.67	
	Purchase of Goods & services		
60008010	Training	40,893,116.71	
60002020	Local Accomodation	19,198,726.52	
60024010	Bank Charges	61,441.71	
60024012	Exch Rate Diff	-	
TOTAL BALANCES		457,686,233	457,686,233
<p>CPA. Josephat Omondi Head of Finance Project Accountant - ICPAR Member No. 3473</p> <p>Lilian Nyawanda Project Coordinator</p> <p>Humphrey Wattanga Project Sponsor Commissioner General</p>			