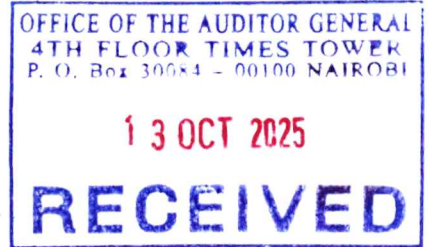




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HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT

KENYA REVENUE AUTHORITY

PROJECT GRANT/CREDIT NUMBER. 6768-KE

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2025**

**Transitional IPSAS Financial Statements/Prepared in accordance with the Accrual
Basis of Accounting Method Under International Public Sector Accounting Standards
(IPSAS)**

HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT
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1. ACRONYMS AND GLOSSARY OF TERMS

KRA	Kenya Revenue Authority
WB	World Bank
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
OSBP	One Stop Border Point
ICMS	Implementation of Integrated Customs Management
PPRA	Public Procurement Regulation Authority
MAPS II	Methodology for Assessment of Procurement System Approach

2. PROJECT INFORMATION AND OVERALL PERFORMANCE

2.1 Name and registered office

Name: Horn of Africa Gateway Development Project.

Objective:

The key objective of the project is to improve the movement of people and goods and digital connectivity and access to social services to communities at designated locations along the targeted sections of the Isiolo-Mandera Regional Road Corridor and the capacity of selected transport related institutions in Kenya

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

2.2 Project Information

Project Start Date:	7 th October 2020
Project End Date:	30 th June 2028
Project Coordinator:	Dr. Lilian Nyawanda (Commissioner of Customs & Border Control)
Project Development Partner:	World Bank (International Development Agency)

2.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the National Treasury
Project number	6768 -KE
Strategic goals of the project	The strategic goals of the project are Facilitation of Regional Trade and Transport which includes: - (a) Provision of technical assistance and advisory services to KRA in (i) strengthening of the cross-border management unit of KRA including enhancing its coordination with

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	<p>other border agencies. (ii) Support the implementation of an integrated border management system.</p> <p>(b) Support harmonization of Customs and other border management functions, risk management and control procedures.</p> <p>(c) Support for the implementation of the memorandum of understanding (MOU) between Kenya Customs and Ministry of Revenues of the Federal Republic of Ethiopia and between the Republic of Kenya and Federal Republic of Somalia relative to exchange of information and use of common border control procedures.</p> <p>(d) Support the use of ICT for revenue collection and for facilitation clearance and release of goods to help Kenya Customs comply with new transparency requirements of e-citizen registration, electronic collection of revenue and e-reporting of clearance and release of goods.</p> <p>(e) Undertaking of a study on trade flows among the Horn of Africa countries of Ethiopia, Somalia and Kenya.</p> <p>(f) Provision of advisory services, training and capacity building activities to KRA.</p>				
<p>Summary of Project Strategies for achievement of strategic goals</p>	<p>The Project Management aims to achieve the goals through the following means:</p> <table border="1" data-bbox="496 1055 1430 2000"> <tr> <td data-bbox="496 1055 759 1928"> <p>Provision of technical assistance and advisory services to KRA in (i) strengthening of the cross-border management unit of KRA including enhancing its coordination with other border agencies. (ii) Support the implementation of an integrated border management system.</p> </td> <td data-bbox="759 1055 1430 1928"> <p>a) Cargo tracking system along the Isiolo-Mandera corridor:</p> <p>1) Geo-fencing of -Isiolo- Modogashe Route -Modogashe – Elwak Route -Rhamu – to Mandera Route</p> <p>2) Installation of Smart Gates solutions at Rhamu and Mandera OSBPs</p> <p>b) Communication Equipment: 1) Purchase of CCTV Surveillance Cameras, Body Worn cameras, Satellite Phones and implementation of CCTV's and Smart Gate Monitoring command center (Established in Times Tower, on the 13th Floor RECTS & Scanner Command Centre)</p> <p>c) Institution strengthening of Border Control Unit and training: Procurement of Body Worn Cameras and associated system.</p> </td> </tr> <tr> <td data-bbox="496 1928 759 2000"> <p>Support harmonization</p> </td> <td data-bbox="759 1928 1430 2000"> <p>a) Harmonization of Customs and Border Management Procedures including risk</p> </td> </tr> </table>	<p>Provision of technical assistance and advisory services to KRA in (i) strengthening of the cross-border management unit of KRA including enhancing its coordination with other border agencies. (ii) Support the implementation of an integrated border management system.</p>	<p>a) Cargo tracking system along the Isiolo-Mandera corridor:</p> <p>1) Geo-fencing of -Isiolo- Modogashe Route -Modogashe – Elwak Route -Rhamu – to Mandera Route</p> <p>2) Installation of Smart Gates solutions at Rhamu and Mandera OSBPs</p> <p>b) Communication Equipment: 1) Purchase of CCTV Surveillance Cameras, Body Worn cameras, Satellite Phones and implementation of CCTV's and Smart Gate Monitoring command center (Established in Times Tower, on the 13th Floor RECTS & Scanner Command Centre)</p> <p>c) Institution strengthening of Border Control Unit and training: Procurement of Body Worn Cameras and associated system.</p>	<p>Support harmonization</p>	<p>a) Harmonization of Customs and Border Management Procedures including risk</p>
<p>Provision of technical assistance and advisory services to KRA in (i) strengthening of the cross-border management unit of KRA including enhancing its coordination with other border agencies. (ii) Support the implementation of an integrated border management system.</p>	<p>a) Cargo tracking system along the Isiolo-Mandera corridor:</p> <p>1) Geo-fencing of -Isiolo- Modogashe Route -Modogashe – Elwak Route -Rhamu – to Mandera Route</p> <p>2) Installation of Smart Gates solutions at Rhamu and Mandera OSBPs</p> <p>b) Communication Equipment: 1) Purchase of CCTV Surveillance Cameras, Body Worn cameras, Satellite Phones and implementation of CCTV's and Smart Gate Monitoring command center (Established in Times Tower, on the 13th Floor RECTS & Scanner Command Centre)</p> <p>c) Institution strengthening of Border Control Unit and training: Procurement of Body Worn Cameras and associated system.</p>				
<p>Support harmonization</p>	<p>a) Harmonization of Customs and Border Management Procedures including risk</p>				

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	<p>of Customs and other border management functions, risk management and control procedures.</p>	<p>management and control measures:</p> <ol style="list-style-type: none"> 1) Procurement of Enhanced Enforcement Equipment - 7 motor vehicles 2) Upgrade of KRA LAN at Various Customs Stations to support Enforcement activities 3) OSBP Baggage Scanners
	<p>Support for the implementation of the memorandum of understanding (MOU) between Kenya Customs and Ministry of Revenues of the Federal Republic of Ethiopia and between the Republic of Kenya and Federal Republic of Somalia relative to exchange of information and use of common border control procedures.</p>	<ol style="list-style-type: none"> 1) Provision of Working equipment to operationalize the JBM (Laptops, printers, projectors, flipcharts, Duty Officer Phones) 2) Joint Training to be included in the Training Plan. 3) Preparations and engagements with stakeholders including visits, Identify Training needs, Prepare, Preparation of OSBP Manuals and Operationalize the joint Border Management Structure.
	<p>Support the use of ICT for revenue collection and for facilitation clearance and release of goods to help Kenya Customs comply with new transparency requirements of e-citizen registration, electronic collection of revenue and e-</p>	<ol style="list-style-type: none"> 1) Integration between the Customs Management System (iCMS) and the Ethiopia Customs Management System for data exchange 2) Consultancy on KRA's ICT strategy to enhance revenue collection and trade facilitation

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	reporting of clearance and release of goods.	
	Undertaking of a study on trade flows among the Horn of Africa countries of Ethiopia, Somalia and Kenya.	<ol style="list-style-type: none"> 1) Site survey of the route including indicating possible location of Customs Facilitation centres 2) Economic Activities (in the geographical locations of the three countries) 3) Trade volumes and Type of goods traded between the countries. 4) Trade Barriers (non-tariff and Tariff Barriers) 5) Existing bilateral or multi-lateral trade agreements 6) Trade flow and trend analysis
	Capacity Building and Training of KRA Staff	1) Training of KRA staff (Corporate and Group Trainings)
	Operating Costs	<ol style="list-style-type: none"> 1) Field Missions 2) Supervision of Works 3) Groundbreaking and launch activities 4) Branding
Other important background information of the project	<p>The Project Development Objectives are to improve:</p> <ol style="list-style-type: none"> a) The movement of people and goods and digital connectivity and access to social services to communities at designated locations along the targeted sections of the Isiolo-Mandera Regional Road Corridor. b) The capacity of selected transport related institutions in Kenya. The northern part of Kenya has poor road networks and digital connectivity, thus making trade along the Isiolo-Modogashe-Wajir-Elwak-Rhumu and Mandera route very difficult. However, there lies the potential of cross border and international trade linking the horn of Africa countries. The role of Kenya Revenue Authority is to provide Trade Facilitation and cargo monitoring along the trade route. 	

Areas that the project was formed to intervene	<ol style="list-style-type: none">1. Support revenue collection to facilitate clearance and release of goods through robust ICT infrastructure upgrade2. Establish trade flows between Kenya and Ethiopia and Kenya and Somalia3. Support monitoring of cargo along the Isiolo-Mandera corridor and combat the smuggling of contraband and enforcing revenue compliance4. Support cross border trade and facilitate exports in the country5. Strengthening of the cross-border management unit of KRA including enhancing its coordination with other border agencies and6. Enhance staff capacity
Project duration	The project started on 7th October 2020 and is expected to run until 30th June 2028.

2.4 Bankers

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

2.5 Auditors

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

2.6 Roles and Responsibilities

The Project Management Team who worked on the project in the financial year ended 30th June 2025 are as stated below. This included a Project Team Leader and all the key stakeholders as stipulated in the Finance Agreement and these were the team involved in the project. Below stated also are their positions, qualification and roles to the project.

PROJECT IMPLEMENTATION TEAM MEMBERS FOR THE HoAGDP				
	Names	Title/ designation	Key qualifications	Responsibility
1.	Chege Macharia	Deputy Commissioner	Master's Degree in Sociology (Criminology) Bachelor in Human Resource Management	Project Lead
2.	Ruth Rugwe	Assistant Manager	M.A, Economics Bachelor of Economics and Statistics	Deputy Project Lead-Business Support
3.	William Buluma	Chief Manager	Bachelor of Quantity Surveying CPA- Sec 6 Chartered Institute of Arbitrators Registered Quantity Surveyor	Facilities & Logistics Manager
4.	Benson Kiruja	Ag. Deputy Commissioner	MBA (Supply Chain Management), Chartered Institute of Procurement and Supply, UK,	Procurement Manager
5.	Christine Ilahalwa	Ag. Chief Manager	MA- International Studies	Social Safeguards Specialist
6.	Grace Mwangi	Manager	Bachelor of business administration	Human Resource Specialist
7.	Jacqueline Osango	Manager	MBA (Finance), BSC in Business Admin, CPA(K).	Project Finance Management Specialist
8.	Miriam Musyimi	Assistant Manager	MBA (Strategic Management), CIPS, BA (Purchasing & Supply Chain Management)	Procurement Specialist
9.	Sheila Mwalekwa	Assistant Manager	MBA, Project Management	Technical Border Control & Enforcement
10.	Jeremiah Kosgei	Manager	MBA, Strategic Management Bachelor Of Commerce	Customs & Border Control Policy
11.	Mohamed Abdi	Assistant Manager	BSC. Electrical and Electronic Engineering,	ICT Specialist

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			CCNA.	
12.	Kiprop Mengech	Manager	MBA Bachelors of Commerce – Business Admiration (Marketing) CIPS UK	Diplomacy, Marketing & Communications – specialist
13.	Paul Lentupuru	Assistant Manager	Bachelor of Arts in Criminology and Security Studies. Higher Diploma in Forensic Psychology and Criminology	Security Specialist
14.	Aisha Koraya	Supervisor – Customs BTO	BSC Computer Science & Technology.	Project Secretariat
15.	Charles Muriithi	Assistant Manager	MA(Economics), BA (Economics	Technical Officer- BC&E
16.	Lenza Nyabwa	Supervisor	Bachelor of Business Administration	Technical – Cargo Monitoring
17.	Alex Mwangi	Assistant Manager	MBA (Finance), BA (Economics), CPA(K)	Project Accountant Officer
18.	Margaret Muturi	Supervisor	MBA Project Management-MCIPS	Monitoring and Evaluation
19.	Winnie Kibuchi	Assistant Manager	Msc. Project Management Professional Diploma- CIPS, UK Certified Supplies Practitioner- KISM	Procurement Specialist
20.	John Khamila	Supervisor	Bachelor of Commerce (Bcom) CIPS	Technical Support & Monitoring and Evaluation

2.7 Funding summary

The Project is for a duration of eight years from 2020 to 2028 with an approved budget of Euro 6.45 million equivalent to KShs 978 million (converted at 151.6500 EURO CBK rate as at 30th June 2025) as highlighted in the table below:

PROJECT INFORMATION AND OVERALL PERFORMANCE

Below is the funding summary:

A. Source of Funds

Source of funds	Donor Commitment-		Cumulative Amount received to date (30th June 2025)		Undrawn balance to date (30th June 2025)	
	EURO '000'	KShs '000'	EURO '000'	KShs '000'	EURO '000'	KShs '000'
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant						
International Development Association (IDA)	5,300	803,745	2,655	363,476	2,645	440,269
(ii) Counterpart funds						
Government of Kenya	1,150	174,398	132	20,000	1,018	154,398
Total	6,450	978,143	2,787	383,476	3,663	594,666

B. Application of Funds

Source of funds	Cumulative Amount received to date (30th June 2025)		Cumulative Amount paid to date (30th June 2025)		Unutilised balance to date – (30th June 2025)	
	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)	2,655	363,476	2,475	336,127	180	27,349
(iii) Counterpart funds						
Government of Kenya	132	20,000	120	18,142	12	1,858
Total	2,787	383,476	2,594	354,270	193	29,206

2.8 Summary of Overall Project Performance:

i) Budget performance against actual amounts current year period and cumulative to-date

The project expenditure for FY 2024/25 as at 30th June 2025 is 100% based on current year's budget spend and commitments.

The cumulative project expenditure on budget and commitments from inception to date is 49% of the undisbursed funds as per Donor commitments (converted at 151.6500 EURO CBK rate as at 30th June 2025). The project cumulative implementation status on activities is at 48%.

Period	Project performance FY 2024/25			Implementation status %
	Budget "Kshs"	Budget spend & commitments "Kshs"	Budget spend & commitments %	
Current year	337,468,800	Paid 208,937,955 Committed 127,590,900 Total 336,528,855	99%	100%
Project Total	978,143,000	Paid 354,269,762 Committed 127,590,900 Total 481,860,662	49%	48%

ii) Physical progress based on outputs and outcomes since project commencement

The status of implementation is as follows;

a) Strengthening of the cross-border management unit of KRA including enhancing its coordination with other border agencies and

Cargo Tracking System along the Isiolo-Mandera Corridor

- 1) Geo-fencing of -Isiolo- Modogashe Route
 - Modogashe – Elwak Route
 - Rhamu – to Mandera Route
- 2) Installation of Smart Gates solutions at Rhamu and Mandera OSBPs

	Geo-fencing of the routes & Installation of Smart Gates Solutions
Contractor	Activity yet to commence
Contract Type	Goods
Projected Commencement Date	July 2025
Projected Completion Date	June 2028
Projected Contract amount:	USD 500,000 (Kshs. 65M)

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Progress Status	The activity is dependent on the construction of the Isiolo-Mandera road by KENHA. However, KRA will commence the implementation of this activity in FY 2025/26, progressively as KeNHA progresses with the construction of the Road
Payments	Nil

b) Support the implementation of an integrated border management system:

- Communication Equipment
Purchase of CCTV Surveillance Cameras, Body Worn cameras, Satellite Phones and implementation of CCTV's and Smart Gate Monitoring command center (Established in Times Tower, on the 13th Floor RECTS & Scanner Command Centre)
- Institution strengthening of Border Control Unit and training
Purchase of body worn cameras and associated system

	Purchase of Various Customs and other Border management equipment & Training
Contractor	A-Z Technologies LTD in Joint Venture with Hytera Communications Corporate LTD
Contract Type	Goods & Services
Commencement Date	June 2025
Projected Completion Date	June 2026
Projected Contract amount:	Body worn Cameras – USD 1,000,000 Command Center – USD 1,000,000 USD 2,000,000 (Kshs. 252M)
Progress Status	<p>- The Customs and Border Control Department revised the user requirements, prepared for body worn cameras and associated system.</p> <p>The activity received a no objection from the World Bank. The tender was advertised. The bid was responsive, tender evaluation complete, award was given in June 2025. Implementation expected to be completed by end of Qrt 2 FY 2025/26</p> <p>-Communication equipment involves implementation of command centre for monitoring of surveillance drones, CCTV, cameras and body worn cameras. Procurement will begin after procurement of enforcement equipment. The Customs and Border Control Department has proposed and prepared requirements the procurement process to commence by in Quarter one of FY 2025/26.</p>
Payments	Nil

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c) Support harmonization of Customs and other border management functions, risk management and control procedures: -

- Procurement of Enhanced Enforcement Equipment; -7 Motor Vehicles
- Upgrade of KRA LAN at various Customs Stations to support Enforcement activities
- OSBP Baggage Scanners

	Procurement of Enhanced Enforcement Equipment;-7 Motor Vehicles, Upgrade of KRA LAN at various Customs Stations and OSBP Baggage Scanners
Contractor / Supplier	CFAO & Activity yet to commence for others
Contract Type	Goods
Commencement Date	Feb 2023
Projected Completion Date	June 2028
Projected Contract amount:	USD 2,000,000 (Kshs. 252M)
Progress Status	-No Objection World Bank approval received for procurement of 7 Motor Vehicles of USD 487,000. -Approval from Head of Public Service to procure 7 motor vehicles through open tender received in Feb 2023. -Motor Vehicles delivered and paid in June 2024 - Upgrade of KRA LAN to commence once Trade Facilitation Centres have been constructed -OSBP Baggage Scanners procurement to commence once OSBPs have been constructed
Payments	Amount Paid: Kshs 94,095,591

d) Support implementation of the MOU between Kenya Customs and Ministry of Revenues of the Federal Republic of Ethiopia and Republic of Kenya and Federal Republic of Somalia: -

- Provision of Working equipment to operationalize the JBM (Laptops, printers projectors, flipcharts, Duty Officer Phones)
- Joint Training to be included in the Training Plan.
- Preparations and engagements with stakeholders including visits, Identify Training needs,
- Preparation of OSBP Manuals and Operationalize the joint Border Management Structure.

	Consultancy, Training & Working equipment provision between Kenya, Ethiopia & Somalia
Contractor	Activity has commenced,
Contract Type	Goods, Services, Training & Consultancy
Commencement Date	June 2025
Projected Completion Date	Dec 2026
Projected Contract amount:	USD 500,000 (Kshs. 65M)

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Progress Status	<p>- KRA is currently reviewing the existing MoUs and agreements between Kenya and Ethiopia, to establish which areas to leverage on.</p> <p>- Engagements with MoFA, IGAD as well as the BCOCC on going.</p> <p>- Engagements with Somalia and Ethiopia ongoing. Engagements between Kenya and Ethiopia have taken place, with two high level engagements held in Ethiopia in the months of March and June 2025. A visit to Mandera with representation from the two countries is scheduled for June 30th to agree on the location of the bridges and the OSBPs.</p> <p>More physical engagements are expected to continue in FY 2025/26</p> <p>The draft Memorandum of Cooperation between Kenya and Ethiopia Customs Authorities has been agreed on and signing off is scheduled for Q1 of FY 2025/26.</p>
Payments	Amount Paid: Kshs 10,275,989
Issue/challenge to report and Mitigation	<p>Major challenge with the implementation of this initiative may be the fact that Somalia has no systems and that most of our borders with Somalia are closed.</p> <p>Engagement with Ethiopia are ongoing</p>

e) Support the use of ICT for revenue collection and facilitating clearance and release of goods at the border: -

- Integration between the Customs Management System (iCMS) and the Ethiopia Customs Management System for data exchange.
- Integration between the KRA RECTS System and the KeNHA Weighbridge Monitoring system (KeNHA to install KRA Automated Container Number Recognition (ACNR) Camera's).

	Consultancy integration between ICMS and Ethiopia Customs management system and Integration between the KRA RECTS System and the KeNHA Weighbridge Monitoring system
Contractor	Activity to commence in FY 2025/26
Contract Type	Goods & Services
Projected Commencement Date	July 2025
Projected Contract amount:	USD 500,000 (Kshs. 65M)
Payments	Nil
Progress Status	KRA Proposed, in the midterm review, introduction of new activity of procurement of a consultancy to review the KRA's ICT Strategy to enhance revenue collection and facilitate trade. This is to replace the activity on integration between KRA's RECTS and KeNHA's Weighbridge Monitoring System.

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f) Study on trade flows between Kenya, Ethiopia and Somalia: -

This includes the identification of the following;

- Site survey of the route including indicating possible location of customs facilitation centres.
- Economic activities (in the geographical locations of the three countries)
- Trade volumes and the type of goods traded between the countries
- Trade barriers (Tariff and non-tariff)
- Existing bilateral and multi-lateral trade agreements
- Trade flows and trade analysis

	Study of trade flows between Kenya, Ethiopia and Somalia
Contractor	Maxwell Stamp Inc
Contract Type	Consultancy
Commencement Date	Dec 2022
Completion Date	Completed and fully paid
Contract amount:	USD 528,133 (Kshs. 68M)
Progress Status	<p>- No Objection World Bank approval the terms of reference in June 2022</p> <p>- The expression of interest was approved thereafter, and KRA tendered for the consultancy. 6 Consultants were shortlisted. Upon Evaluation of both technical and financial proposals, the tender was awarded. This was prior review contract hence the long procurement process.</p> <p>The consultant was onboarded in June 2024. The consultant has delivered all the milestones; inception report, interim report, preliminary report and the final report.</p> <p>KRA conducted a public participation with key stakeholders engaged in trade to review and give comments/adopt the final report on the study. At his point, KRA requested for a variation of the contract to extend it for 3 months to allow the stakeholder engagement.</p> <p>The consultancy is currently complete and fully paid</p>
Payments	Amount paid: Kshs 68,395,084

g) Capacity Building & Training: -

	Training of KRA Staff (Corporate and Group Trainings)
Contractor	Various
Contract Type	Training
Commencement Date	Aug 2022
Projected Completion Date	Dec 2028
Projected Contract amount:	USD 1,160,000 (Kshs. 150M)

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Progress Status	KRA has rolled out trainings for FY 2022/23, 23/24 The World Bank issued a no objection for KRA's training plan and has subsequently issued specific no objection for each quarter. KRA has successfully rolled out trainings for KRA for the Financial Year. All payments are in progress.
Payments	Amount paid: Kshs 70,074,411

h) Operational Costs: -

This includes the identification of the following;

- Field Missions
- Supervision of Works
- Ground-breaking and launch activities
- Branding

	Operating Costs
Contractor	Various
Contract Type	Operations Services
Commencement Date	July 2023
Projected Completion Date	Dec 2028
Projected Contract amount:	USD 500,000 (Kshs. 65M)
Progress Status	-KRA was allocated Kshs 10Million GOK under the budget FY 2024/25 to be utilised for operational expenses. - KRA received GOK Funds of 10Million. 5 Million received on 26th Sep 2024 and the other 5 Million received on 27th Feb 2025
Payments	Amount Paid: Kshs 18,142,420

i) Activities for Public Procurement Regulation Authority (PPRA): -

KRA is undertaking these activities on behalf or with PPRA as a beneficiary. This includes the following;

- Assessment of Public Procurement and Disposal System in Kenya using the Methodology for Assessment of Procurement System (MAPS II) approach. This involves procurement of Consultant for MAPS II (USD 100,000), Four (4) Assessors (USD 400,000) and Legal Consultant (USD 100,000).
- Development of Rules of Procurement and Management of Procurement Complaints (Estimated at Kshs. 4.5m).
- Institutional Strengthening: This involves
 - Purchase of 4 PPRA Motor Vehicles (USD 363,141.60)
 - Training and Capacity Building (USD 436,858.40)

	Purchase of Consultants for MAP II on behalf of
--	--

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	Purchase of Consultants for MAP II on behalf of PPR, 4 Motor vehicles and Training
Contractor	CFAO, and other various training institutions
Contract Type	Consultancy, Goods and Training
Commencement Date	June 2023
Projected Completion Date	Dec 2028
Projected Contract amount:	USD 1,200,000 (Kshs. 155M)
Progress Status	<p>-PPRA Activities Transferred from KENHA to KRA as per approved by World Bank dated 13th March 2023.</p> <p>- Contracts for Motor Vehicles Kshs 47,341,380 signed in May 2024, Motor Vehicles delivered and fully paid.</p> <p>- PPRA Annual Training Plan FY 2024/25 received No Objection World Bank approval received on 20th June 2024. Implementation complete.</p> <p>-PPRA Methodology for Assessment of Procurement Systems (MAPS II) approach Consultants contracts signed as below:-</p> <p>a) Lead consultant USD 125,045 signed in May 2024</p> <p>b) Management Consultant Kshs 11,072,000 signed in Dec 2024</p> <p>c) Legal Consultant Kshs 5,460,000 signed in July 2024</p> <p>d) National Assesors Kshs 27,862,750 signed in July 2024 and Aug 2024</p> <p>e) Consultant for Handling Procurement complaints Kshs 5,545,000 signed in June 2025</p> <p>f) Data Analysis Kshs 2,012,600 signed in July 2024</p>
Payments	<p>a) Training and per diem Amt paid: Kshs 13,716,614</p> <p>b) MAP Consultant Amt paid Kshs 27,789,594</p> <p>c) PPRA Motor Vehicles Amt Paid Kshs 47,341,380</p>

j) Activities being implemented by KENHA on behalf of KRA: -

- Construction of Customs Facilitation centers at Meru/Isiolo, Modogashe and Wajir (Not commenced).
- Construction of Rhamu and Mandera Ones Stop Border Posts (OSBP) including accommodation units (Not Commenced).
- Design and construction supervision of Customs Facilitation Centers at Meru/Isiolo, Modogashe and Wajir.
 - KeNHA advertised for consultancy services for the construction of Trade Facilitation Center for Meru, Wajir and Modogashe.
 - Opening and Evaluation of the Expression of Interest for the consultancy services for the construction of Trade Facilitation Center for Meru, Wajir and Modogashe concluded and report in progress.
 - Design and construction supervision of OSBP at Rhamu and Mandera including accommodation units:

-The ToRs cleared, advertised for Expression of Interest for Consultancy Services for Feasibility, Detailed Engineering Design Studies and Supervision of Construction of the OSBPs. 8 consultants were shortlisted.

-KRA and KeNHA jointly evaluated the proposals. KeNHA submitted the World Bank approved RFP to the 8 shortlisted consultants. Opening of the proposals was completed in October 2024. Evaluation of the proposals completed on 12th December 2024. Report submitted to the World Bank for review and approval.

-Report is in review by the World Bank and pending award.

Wajir: Wajir County Government has allocated KRA 26 acres of land. The PDPs were advertised on the National dailies by the County Government giving a 60 days' notice period for any objection to the allocation and use of the land by KRA. The 60 days have since lapsed and a cadstral survey has been done on the property and the authenticated survey plan obtained. The County Government's Physical Planning office is required to circulate the PDP to various Government agencies, upload the documents at Ardhisasa Nairobi Data Center, for no-objection letters and approval in the Month July 2024. The land has been beaconed and signage erected. KRA received the land ownership documents in the month of March 2025.

Meru : KRA received No objection approval from World Bank for facilitation of stakeholder engagement exercise on Land acquisition on 13th March 2024. The land is required for the construction of Customs facilities in Meru.

The County Government of Meru had allocated KRA 25 acres of land. However, the ownership of the land was disputed by the Kenya Defence Forces who also claimed ownership on the land. A meeting between the County Government and the Ministry of Defence resolved the dispute and lifted the objection by the Kenya Defence Forces. KRA is in the process of obtaining the ownership documents.

Modogashe: KeNHA has written to KRA confirming that they will allocate KRA 20 acres of land from the land they have acquired in Modogashe. The land documentation process by KeNHA is at an advanced stage and once complete, the land will be transferred to KRA.

2.9 Summary of Project Compliance:

The project complied with the applicable laws, regulations and financing agreement.

3. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETERMINED OBJECTIVES

Introduction

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

The key development objectives of the project's 2020-2028 plan are:

- (a) Provision of technical assistance and advisory services to KRA in (i) strengthening of the cross-border management unit of KRA including enhancing its coordination with other border agencies. (ii) Support the implementation of an integrated border management system.
- (b) Support harmonization of Customs and other border management functions, risk management and control procedures.
- (c) Support for the implementation of the memorandum of understanding (MOU) between Kenya Customs and Ministry of Revenues of the Federal Republic of Ethiopia and between the Republic of Kenya and Federal Republic of Somalia relative to exchange of information and use of common border control procedures.
- (d) Support the use of ICT for revenue collection and for facilitation clearance and release of goods to help Kenya Customs comply with new transparency requirements of e-citizen registration, electronic collection of revenue and e-reporting of clearance and release of goods.
- (e) Undertaking of a study on trade flows among the Horn of Africa countries of Ethiopia, Somalia and Kenya.
- (f) Provision of advisory services, training and capacity building activities to KRA.

During the year under review, the Authority undertook the following activities:

- 1) Procurement of Consultancy for Study of Trade: - Contract signed on 7th June 2024. Implementation completed final report issued and fully paid by June 2025.
- 2) KRA Annual Training Plan FY 2024/25:- Received WB No objection approval received on 20th June 2024. Most training Implementation and fully paid by June 2025 except two courses which are being implemented in cohorts still ongoing expected to be completed in Qrt 2 FY 2025/26.
- 3) Implementation of PPRA Activities: - Received WB No objection approval for transfer of implementation of PPRA activities from KENHA to KRA received on 13th March 2023.

The below PPRA Activities were undertaken during the year ended 30th June 2025:-

- a) Contract for Supply of 4 PPRA Motor Vehicles signed on 19th April 2024, Vehicles delivered and fully paid by June 2025.
- b) PPRA Annual Training Plan FY 2024/25, WB No objection approval received on 20th June 2024. Training Implementation and fully paid by June 2025.
- c) Implementation of MAP II Consultancy service:- Contracts for Lead consultant signed

HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT
Annual Report and Financial Statements for the financial year ended June 30th 2025

on 21st March 2024 and the other 9 consultant's contracts signed in various dates in FY 2024/25, Implementation for 1st to 3rd Milestone completed, reports issued and paid as at 30th June 2025. The 4th Milestone is still in progress to be completed and paid in Qrt 1 FY 2025/26.

- 4) Procurement of Body Worn Cameras and Associated System:- Received WB No objection approval on 29th Jan 2025, Tender concluded and award given on 5th June 2025 and contract signed in July 2025.
- 5) Operation Activities funded under GOK: These included Implementation Support Missions with World Bank and land acquisition missions

The below challenges were experienced in the financial year while carrying out the project: -

1) Stakeholder Coordination and Procurement Timelines

The development of comprehensive Terms of Reference (ToRs) for the acquisition of body-worn cameras entailed extensive multi-stakeholder consultation to ensure alignment with operational needs, compliance requirements, and institutional expectations. This review process, while time-intensive, was critical to safeguarding implementation integrity and promoting inter-agency coherence. The TORs were finally agreed on and a contractor has been procured with a contract already signed and implementation expected within Q2 of FY 2025/26

2) Adjustment of Implementation Scope Due to Budgetary Realignment

During the Supplementary Budget II process, a reallocation of resources resulted in a KES 100 million reduction in the approved funding. In response, the project team strategically deferred the command center activity to FY 2025/26 to safeguard priority initiatives within the overall project framework.

3) Progress on attainment of Strategic development objectives

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

Project	Objective	Outcome	Indicator	Performance
Horn of Africa Gateway Development Project	a) Provision of technical assistance and advisory services to KRA in (i) Strengthening of the cross-border management unit of KRA including enhancing its coordination with other border agencies. (ii) Support the implementation of an integrated border management system.	Increased efficient clearance of people, goods and services Increased revenue collection and trade facilitation	Clearance Times No. of consignments under customs control tracked to destination	-Geo-fencing & installation of Smart gates are dependant on Construction of Isiolo - Mandera OSBP by KENHA- to commence FY 2025/26. However, the user requirements have been prepared. Implementation

HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT
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				status 20%
b)Support harmonization of Customs and other border management functions, risk management and control procedures	Secure trade facilitation centre	Completed border post		-Motor Vehicles of Kshs. 94,095,591 delivered and paid. Implementation status 100% - Upgrade of KRA LAN, to commence after construction of KRA Rapid Response Units by KENHA. Implementation status 0%
c)Support for the implementation of the memorandum of understanding (MOU) between Kenya Customs and Ministry of Revenues of the Federal Republic of Ethiopia and between the Republic of Kenya and Federal Republic of Somalia relative to exchange of information and use of common border control procedures	Efficient and effective Prevention and detection of illicit trade	No. of Customs interceptions and compliance levels		Activities already commenced. A draft MOU is in place. Implementation status 50%
d)Support the use of ICT for revenue collection and for facilitation clearance and release of goods to help Kenya Customs comply with new transparency requirements of e-citizen registration, electronic collection of revenue and e-reporting of clearance and release of goods.	Seamless flow of data and information on clearance of goods and services	Increased revenues and reduced clearance time		Dependant on Construction of OSBPs by KENHA. Planned between FY 2025/26. Implementation status 0%
e) Undertaking of a study on trade flows among the Horn of Africa countries of Ethiopia, Somalia and Kenya	Increased revenue collection and trade facilitation	No. of consignments under customs control tracked to destination		Contract Awarded, signed and fully paid. Implementation 100%
f) Provision of advisory services, training and capacity building activities to KRA.	Trained officers	No. of officers trained		KRA to train up to 407 staff members by June 2025. The trainings spread out until June 2028.

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				Implementation status 48%
	g) Activities for Public Procurement Regulation Authority	Procurement of MAPS II Consultants and Building Capacity for PPRA staff	Consultants procured No. of officers trained	-4 Vehicles delivered and fully paid. -Consultants contracts signed paid to 3 rd Milestone. -Trainings for PPRA staff ongoing until June 2028. Implementation status 78%

4. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Introduction

The Horn of Africa Gateway Development Project (HoAGDP)

The mandate of the Horn of Africa Gateway Development Project 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 targeted sections of the Isiolo-Mandera Regional Road Corridor; and (b) the capacity of selected transport related institutions in Kenya.

1. 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:

1. Establishment of additional stations/satellite/service centres
2. Service improvement – human interaction as well as technology
3. Offer of multi-channel service to enhance service accessibility to taxpayers.

The Roll of Customs and Border Control Department includes:

- a) **Collection and Accounting for government revenue** - contribution to exchequer revenue averages at 35% per annum.
- b) **Trade Facilitation – Promote economic interests and development of trade** through enhancement of trading activities and ease of doing business.
- c) **National Security** - through Enforcement of Prohibitions and Restrictions.
- d) **Protection of Society** – Domestic industry, health and safety of citizens.
- e) **Compilation of Trade Statistics**

Implementation of the HoAGDP by KRA is in line with the mandate of KRA specifically of ensuring facilitation of trade in the Northern-East part of Kenya. This will be through the opening of borders such as Mandera and Rhamu by establishing One Stop Border Posts, an initiative whose aim is to reduce transit costs incurred in cross border movement by combining the activities of both country's border organizations and agencies at either a single common location or at a single location in each direction without increasing risk to public safety or revenue collection. This is one of the World Trade Organisation's initiatives under the Trade Facilitation Agreement, requiring collaboration amongst border agencies not only at national, but also at international level. The latter referring mainly to Members sharing common borders and requires coordinating procedures at border crossings, which may include alignment of working days and hours, alignment of procedures and formalities, development and sharing of common facilities, joint controls and establishment of one stop border post controls.

Other initiatives for KRA under the HoAGDP include the implementation of trade facilitation centers to facilitate transit and exports, institutional strengthening through capacity building of staff as well as through the procurement of enforcement equipment. KRA will also be looking to sign Memorandum of Understanding with both Somalia and Ethiopia that will see into opening up of trade between the Partner states. Lastly, KRA will be conducting a study on trade flows to establish patterns of trade, gaps and opportunities of trade in the Northern Easter Region.

To ensure this will take place KRA will:

1. Be working with other government agencies; use the one government approach while addressing any matters pertaining to security, trade, environmental sustainability. For instance, on land acquisition, KRA has made plans and is currently engaging the FCDC, the National Lands Commission as well as the County Governments of the regions for allocation of land. Through the BCOCC and together with the MoFA and IGAD, KRA will be engaging the institutions in order to address diplomatic relations. KRA has establish good working relations with KeNHA who are implementing some initiatives on behalf of KRA.
2. KRA will ensure that there is funding to sustain the assets acquired in the project.
3. KRA will ensure that trainings procured are in line with the corporate direction of the organisation.

2. Environmental performance

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

- a. The EAC Customs Management Act 2004.The Act restricts the entry of restricted and prohibited goods into the country, as outlined in the Second and Third Schedules of the Act.
- b. 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.
- c. Environmental Management and Coordination (Controlled Substances) Regulations, 2007 which regulates the production, trade and use of controlled substances and products.

Evidence as enshrined in the KRA's 8th Corporate Plan

Under the HoAGDP, KRA is yet to implement any activities requiring the above. We shall be updating this as we implement the project.

3. 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.

During the implementation of the construction of the RRUs and OSBPs by the KeNHA on KRA's behalf, KRA shall ensure that the welfare of employees of the contractors and consultants are taken care of.

4. Market place practices-

a) Responsible Supply chain and supplier relations-

KRA conducts:

- i) Supplier appraisal to gauge performance of supplier to guage who needs help in procurement processes involved and then offers sensitizations to suppliers on a quarterly basis.
- ii) Supplier engagements especially where there are stalemates.
- iii) Has MoU with so Banks for agpo groups for LPO financing.
- iv) Post debriefing especially when bidders fail (not for all tenders).
- v) Pre-bid to inform members what is expected for bidding.
- vi) Payment is within 60 days. For project contracts in other currencies, KRA engages
- vii) National Treasury for allocation of budget in A&A.

b) Responsible ethical practices

- KRA ensures that all staff have to declare a conflict of interest eg 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.

c) 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

5. Community Engagements

KRA is yet to implement activities in Northern Eastern side of Kenya. Implementation of these activities will be done by KeNHA on behalf of KRA. However, KRA will be involved in public participation for land acquisition, the social infrastructure input that KeNHA will be implementing.

5. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

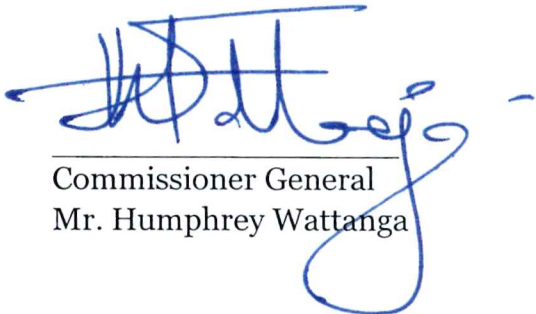
The Commissioner General, Kenya Revenue Authority and Project Coordinator for Horn of Africa Gateway Development Project are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year ended on June 30, 2025. This responsibility includes: (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Commissioner General, Kenya Revenue Authority and Project Coordinator for Horn of Africa Gateway Development Project accept responsibility for the Project's financial statements, which have been prepared on the Accrual Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The Commissioner General, Kenya Revenue Authority and Project Coordinator for Horn of Africa Gateway Development 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, 2025, and of the Project's financial position as at that date. The Commissioner General, Kenya Revenue Authority and Project Coordinator for Horn of Africa Gateway Development 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 Commissioner General, Kenya Revenue Authority and Project Coordinator for Horn of Africa Gateway Development Project confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project financial statements

The Project financial statements were approved by the Commissioner General, Kenya Revenue Authority and Project Coordinator for Horn of Africa Gateway Development Project and signed on 09/10/2025.



Commissioner General
Mr. Humphrey Wattanga



Project Coordinator
Dr. Lilian Nyawanda

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (IDA CREDIT NO.6768-KE) FOR THE YEAR ENDED 30 JUNE, 2025 - KENYA REVENUE AUTHORITY

PREAMBLE

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

- A. Report on 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 the 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.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An Unmodified Opinion is issued when the Auditor-General concludes that the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management, and Governance.

The three parts of the report aim to address the Auditor-General's statutory roles and responsibilities as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Horn of Africa Gateway Development Project (IDA Credit No.6768-KE) set out on pages 1 to 37, which comprise

Report of the Auditor-General on Horn of Africa Gateway Development Project (IDA Credit No.6768-KE) for the year ended 30 June, 2025 - Kenya Revenue Authority

of the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes in net assets, 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, the financial statements present fairly, in all material respects, the financial position of Horn of Africa Gateway Development Project (IDA Credit No.6768-KE) as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with Transitional International Public Sector Accounting Standards and comply with the Financing Agreement No. 6768 – KE between the Republic of Kenya and International Development Association (IDA) dated 11 December, 2020 and the Public Finance Management Act, 2012.

In addition, the special accounts statements present fairly, transactions for the year, and the closing balance have been reconciled with the books of account.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Horn of Africa Gateway Development 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 opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. I have determined that there are no key audit matters to communicate in my report.

Other Information

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

In connection with my audit on the Project's 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. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effects of the matter discussed 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

Supply and Delivery of Motor Vehicles on Behalf of Public Procurement Regulatory Authority (PPRA)

The statement of financial performance reflects expenditure on transfer to other government entities of Kshs.83,322,000 as disclosed in Note 11 to the financial statements. The amount includes Kshs.47,000,000 in respect of motor vehicles purchased on behalf of PPRA. Review of documents revealed that the procurement was in line with the World Bank's approval on transfer of Project activities for PPRA as a beneficiary entity, from Kenya National Highways Authority (KeNHA) to Kenya Revenue Authority (KRA) as the implementing entity. During the period under review, Management entered into a contract with a local supplier for supply of motor vehicles at a contract sum of Kshs.47,341,380. The approved budget, no objection from World Bank for the procurement plan and approval letter expressly stated that the cost of Motor vehicles was Kshs.38,700,000. Management therefore exceeded the approved amount by Kshs.8,641,380 or 22%. Further, Management did not provide details of the source of funding to finance the supplier's bid and contract sum of Kshs.47,341,380.

In the circumstances, value for money on procurement of motor vehicles on behalf of PPRA could not be confirmed.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 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 EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal 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 Financing Agreement No. 6768 – KE between the Republic of Kenya and International Development Association (IDA) dated 20 July,2015 I report, based on my audit, that:

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Project's ability to continue as a going concern, disclosing, as applicable, matters related

to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements 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's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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 International Standards of Supreme Audit Institutions (ISSAIs). The Standards require 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 ISSAI 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 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

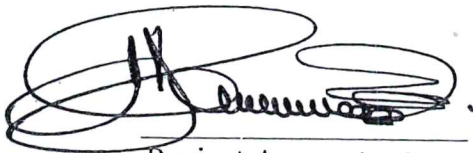
29 October, 2025

HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT
Annual Report and Financial Statements for the financial year ended June 30, 2025

7. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2025

	Notes	2024/25
		KShs '000'
Revenue		
Revenue Transfers	6	224,416
Deferred Income	25	(15,478)
Total revenue		208,938
Expenses		
Employee costs	8	-
Use of goods and services	9	116,492
Depreciation and amortization expense	10	16,937
Transfer to other Government Entities	11	83,322
Other Transfers/Subsidies/Grants	12	-
Certified Works	13	-
Total expenses		216,751
Other gains/(losses)		
Gain/Loss on sale of assets	14	-
Gain/Loss on foreign exchange transactions	15	-
Impairment loss	16	-
Surplus/ (deficit)		(7,813)

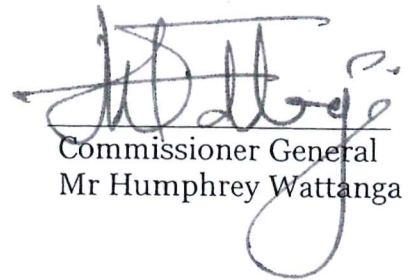
The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements.



Project Accountant
 CPA. Josephat Omondi
 ICPAK Member Number: 3473



Project Coordinator
 Dr. Lilian Nyawanda



Commissioner General
 Mr Humphrey Wattanga


HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT
Annual Report and Financial Statements for the financial year ended June 30th 2025

8. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2025

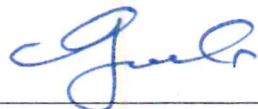
	Note	2024/25	1 st July 2024
		KShs '000'	KShs '000'
Assets			
Current Assets			
Cash and Cash equivalents	17	29,206	13,728
Receivables	18	75,879	
Inventories	19		-
Prepayments	20	-	-
Total Current Assets		105,085	13,728
Non-Current Assets			
Property, Plant and Equipment	21	75,747	92,684
Intangible Assets	22	-	-
Total Non- Current Assets		75,747	92,684
Total Assets (a)		180,831	106,412
Liabilities			
Current Liabilities			
Trade and Other Payables	23	1,505	-
Third Party Deposits	24	-	-
Deferred Income	25	94,456	13,728
Total Current Liabilities(b)		95,961	13,728
Total Liabilities		95,961	13,728
Net Assets (a-b)		84,871	92,684
Represented By:			
Accumulated Surplus		84,871	92,684
Total Net Assets		84,871	92,684

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

The financial statements were approved on 09/10/2025 and signed by:



Project Accountant
 CPA. Josephat Omondi
 ICPAK Member Number: 3473



Project Coordinator
 Dr. Lilian Nyawanda



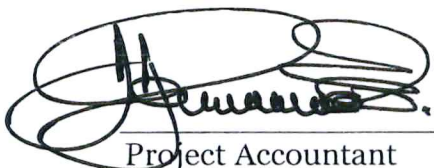
Commissioner General
 Mr Humphrey Wattanga

9. STATEMENT OF CHANGES IN NET ASSETS.

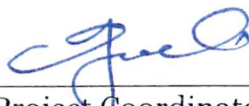
Description	Accumulated Surplus
	KShs '000'
As at 30th June 2024 (Cash Basis)	13,728
Assets c/d	92,684
Less Deffered Liability	(13,728)
As at 1st July 2024	92,684
Surplus/(Deficit) for the period	(7,813)
As at 30th June 2025	84,871

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

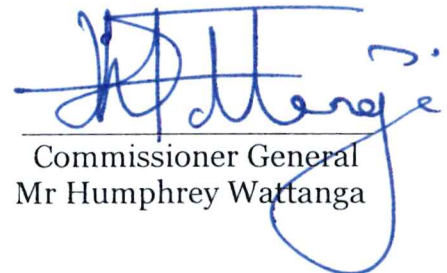
The financial statements were approved on _____ and signed by:



Project Accountant
CPA. Josephat Omondi
ICPAK Member Number: 3473



Project Coordinator
Dr. Lilian Nyawanda



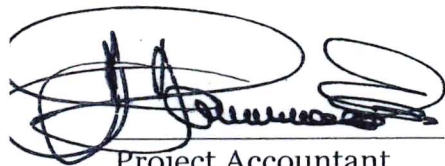
Commissioner General
Mr Humphrey Wattanga

HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT
Annual Report and Financial Statements for the financial year ended June 30th 2025

10. STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30TH JUNE 2025.

Description	Note	2024/25
		KShs '000'
Cashflow from operating activities		
Receipts		
Revenue Transfers		224,416
Total receipts		224,416
Payments		
Employee costs		-
Use of goods and services		119,367
Transfer to other Government Entities		89,571
Other Transfers/Subsidies/Grants		-
Certified Works		-
Gain/Loss on Foreign Transactions		-
Total payments		208,938
Net cash flow from operating activities		15,478
Cashflow from investing activities		
Acquisition of non-financial assets		-
Proceeds from sale of Assets		-
Acquisition of Intangible assets		-
Net cash flows from investing activities		-
Cash flow from financing activities		
Net cash flow from financing activities		-
Net increase in cash and cash equivalents		15,478
Cash and cash equivalent at 1st July 2024		13,728
Cash and cash equivalent at end of June 2025		29,206

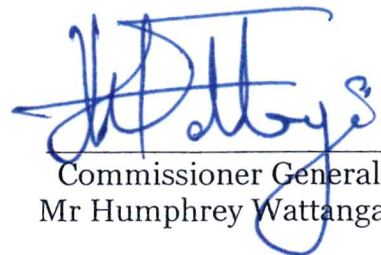
The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 09/07/2025 and signed by:



Project Accountant
 CPA. Josephat Omondi
 ICPAK Member Number: 3473



Project Coordinator
 Dr. Lilian Nyawanda



Commissioner General
 Mr Humphrey Wattanga

HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT

Annual Report and Financial Statements for the financial year ended June 30th 2025

11. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2025

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'
Budget Carry Overs from previous periods	-	-	-	-	-	0%
Revenue						
Opening Balance	13,728	-	13,728	13,728	-	100%
Transfers	423,741	(100,000)	323,741	224,416	99,325	69%
Total Revenue	437,469	(100,000)	337,469	238,144	99,325	71%
Payments						
Employee costs	-	-	-	-	-	0%
Use of goods and services	325,466	(100,000)	225,466	119,367	106,099	53%
Transfer to other Government Entities	112,003	-	112,003	89,571	22,431	80%
Other Transfers/Subsidies/Grants	-	-	-	-	-	0%
Gain/Loss on foreign exchange transactions	-	-	-	-	-	0%
Certified Works	-	-	-	-	-	0%
Total Payments	437,469	(100,000)	337,469	208,938	128,531	62%
Surplus or Deficit	-	-	-	29,206	(29,206)	0%

Note:

- 1) The statement of Comparison of Budget and Actual Amounts is prepared on Cash basis.
- 2) Budget for FY 2023/24 lapsed at year-end. However project account closing balances as at 30th June 2024 has been disclosed above as opening balance.
- 3) The significant budget utilisation/performance differences in the last column are explained in Annex 2 to these financial statements.
- 4) The original budget FY 2024/25 was revised downward to Kshs 337,469,000 in the Budget Supplementary I in March 2025.

12. BUDGET RECONCILIATION

Description of Particulars	Amount
	KShs '000'
Actuals surplus amount as per the Statement of Budget	29,206
Difference	-
Closing Cash and Cash equivalent as per Statement of Cash flow	29,206

13. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

The Horn of Africa Gateway Development Project is established under the supervision of the National Treasury. The Project is wholly owned by the Government of Kenya and is domiciled in Kenya. The key objective of the project is to improve the movement of people and goods and digital connectivity and access to social services to communities at designated locations along the targeted sections of the Isiolo-Mandera Regional Road Corridor and the capacity of selected transport related institutions in Kenya

2. Statement of Compliance and Basis of Preparation

Statement of compliance

The financial statements have been prepared in accordance with the Public Finance Management Act, 2012 and with the International Public Sector Accounting Standards (IPSAS).

Guiding note during the transition period.

KRA has taken advantage of the transition provision under IPSAS 33 and therefore these 1st year financial statements are transitional financial statements.

These financial statements were authorised for issue by the accounting officer on 09/10/2025

i) *New and amended standards and interpretations in issue effective in the year ended 30 June 2025.*

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p>The standard will have no significant impact on the financial statement because the Project has no non-current assets held for sale</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of</p>

HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT
Annual Report and Financial Statements for the financial year ended June 30th 2025

Standard	Effective date and impact:
	discontinued operations to be presented separately in the statement of financial performance. The standard will have no significant impact on the financial statement because the Project has no non-current assets held for sale
IPSAS 45- Property Plant and Equipment	Applicable 1st January 2025 The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets. The standard will have no significant impact on the financial statement because the Project did not have any heritage assets or infrastructure assets in FY 2024/25
IPSAS 46 Measurement	Applicable 1st January 2025 The objective of this standard was to improve measurement guidance across IPSAS by: <ul style="list-style-type: none"> i) Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii) Clarifying transaction costs guidance to enhance consistency across IPSAS; iii) Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. The standard also introduces a public sector specific measurement bases called the current operational value. The standard will have no significant impact on the financial statement because there was no measurement on Project

ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025

Standard	Effective date and impact:
IPSAS 47- Revenue	Applicable 1st January 2026 This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful

Standard	Effective date and impact:
	<p>information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p> <p>The Project disclosed Revenue from exchange transaction appropriately under Statement of performance and Note 6 of the financial statements. There was no Revenue from non-exchange transaction in FY 2024/25</p>
IPSAS 48- Transfer Expenses	<p><i>Applicable 1st January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p> <p>In FY 2024/25 the project incurred expenses on behalf of Public Procurement Regulatory Authority (PPRA) which have been disclosed in the financial statement Note 11-Transfer to other Government Entities.</p>
IPSAS 49- Retirement Benefit Plans	<p><i>Applicable 1st January 2026</i></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p> <p>The standard will have no significant impact on the financial statement because the Project had no retirement benefit schemes</p>

iii) Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year or the entity adopted the following standards early (state the standards, reason for early adoption and impact on entity’s financial statements.)

3. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. To

Notes to the financial statements

the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realized in the statement of financial performance over the useful life of the assets that have been acquired using such funds.

ii) Revenue from exchange transactions

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

b) Budget information

The original budget for FY 2024/2025 was approved on July 2024. There was Subsequent revisions of the budget in the supplementary I reducing the budget by 100Million in March 2025. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on page 6 under statement 12 of these financial statements.

c) Property, plant, and equipment

All property, plant, and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure directly attributable to the acquisition or construction of the item of property plant and equipment. When significant parts of property, plant, and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus, or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration, the asset is initially measured at its fair value.

Notes to the financial statements

d) Leases

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

e) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite. Intangible assets with an indefinite useful life are assessed for impairment at each reporting date.

f) Research and development costs

The Entity expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Entity can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale.
- Its intention to complete and its ability to use or sell the asset.
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset.
- The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

Notes to the financial statements

g) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Project does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Project's financial statements. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial assets

Classification

The entity classifies its financial assets as subsequently measured at amortized cost, fair value through net assets/ equity, or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made an irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is

Notes to the financial statements

recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year-end.

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in Note g

Financial liabilities

Classification

The entity classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through surplus or deficit.

h) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method.

- Finished goods and work in progress: cost of direct materials and labour and proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Project.

i) Provisions

Provisions are recognized when the Project has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Project expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

The Project 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.

Contingent assets

The 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 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.

j) Nature and purpose of reserves

The Project creates and maintains reserves in terms of specific requirements.

Notes to the financial statements

k) Changes in accounting policies and estimates

The Project recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical

l) Employee benefits

Retirement benefit plans

The Project provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

m) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

n) Related parties

The Project regards a related party as a person or an entity with the ability to exert control individually or jointly or to exercise significant influence over the Project, or vice versa. Members of key management are regarded as related parties and comprise the directors, the principal and senior managers.

o) Service concession arrangements

The Project analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Project recognizes that asset when, and only when, it controls or regulates the services. The operator must provide together with the asset, to whom it must provide them, and at what price. In the

Notes to the financial statements

case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Project also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

p) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the reporting period.

q) Subsequent events

There have been no events subsequent to the reporting period with a significant impact on the financial statements for the period ended June 2025.

4. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Project financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Notes to the financial statements

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Project.
- The nature of the asset, its susceptibility, and adaptability to changes in technology and processes.
- The nature of the processes in which the asset is deployed.
- Availability of funding to replace the asset.
- Changes in the market in relation to the asset.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in **Note 4**

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

NOTES TO THE FINANCIAL STATEMENTS

6. Revenue Transfers

During the financial year to 30th June 2025, KRA received disbursement of Kshs 10 Million of GOK (Counterpart) funds from National Treasury and Kshs. 70,000,000 (EURO 491,849 @142.32), Kshs. 19,181,175 (EURO 140,536 @136.49), Kshs. 43,648,002 (EURO 306,688 @142.32), Kshs. 46,813,534 (EURO 334,968 @139.76) and Kshs. 34,772,815 (EURO 245,737 @141.50) totalling to Kshs. 214,415,526 (EURO 1,519,778) from Donor (IDA- World Bank). Disclosed in the table below are the total disbursement received:

Description	2024/25
	KShs '000'
Unconditional Transfers	
GoK (Counter Part funding)	-
Transfers from International Development Association (IDA-World Bank)	-
<i>Other unconditional transfers (Specify)</i>	-
Total Unconditional Transfers (a)	-
Conditional Transfers	
GoK (Counter Part funding)	10,000
Transfers from International Development Association (IDA-World Bank)	214,416
<i>Other conditional transfers (specify)</i>	0
Total Conditional Transfers (b)	224,416
Total Transfers for the Period (a + b)	224,416

a) Details to Revenue Transfers

Name of The Entity Transferring	Amount recognized to Statement of Financial performance	Amount deferred under deferred income.	Amount moved to Capital fund	Total transfers (Current Period)
	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
GoK (Counter Part funding)	10,000	-	-	10,000
Transfers from International Development Association (IDA- World Bank)	214,416	-	-	214,416
Subtotal	224,416	-	-	224,416
Deferred Income realized	-	-	-	-
Total	224,416	-	-	224,416

Notes to the financial statements

7. Miscellaneous revenue

During the financial year to 30th June 2025, no miscellaneous receipts were received.

Description	2024/25
Interest Income	-
<i>Others (specify)</i>	-
Total	-

8. Employees Costs

During the financial year to 30th June 2025, 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	2024/25 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	-
Others specify*	-
Total	-

9. Use of Goods and Services

During the financial year to 30th June 2025, KRA made payment of the following:

- Kshs. 68 Million Consultancy on Study of Trade.
- Kshs 21 Million KRA Domestic and Foreign Travel Payments excluding Kshs 4,379,179 relating to KRA per diem paid in June 2025 for Trips that ended and surrendered after year-end. It also includes expenditure of Kshs 1,504,780 relating Air ticket for HOAGDFP travel expenses erroneously paid under EARTDFFP Project account. These were reversed, disclosed and refunded to EARTTDFP in FY 2025/26.
- Kshs 21 Million KRA Training Payments.
- Kshs 49,080 relate to Bank Charges & Exchange rate differences as disclosed in the table below:

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Notes to the financial statements

Description	2024/25
	KShs '000'
Utilities, supplies and services	0
Bank charges	49
Communication, supplies and services	0
Domestic travel and subsistence- KRA	20,706
Foreign travel and subsistence- KRA	6,462
General office supplies	0
Stationery, Printing, advertising, and information supplies	0
Office rent	0
Training payments- KRA	20,880
Insurance costs	0
Specialized services- KRA- Study of Trade consultancy	68,395
Other operating payments(specify)	0
Routine maintenance – vehicles and other transport equipment	0
Routine maintenance- other assets	0
Total	116,492

10. Depreciation and Amortization expense

During the financial year to 30th June 2025, KRA booked Depreciation of Kshs 16,937,206 on PPE (Motor Vehicles).

Description	2024/25
	KShs '000'
Property, Plant and Equipment	16,937
Intangible Assets	-
Total	16,937

11. Transfer to Other Government Entities

During the financial year to 30th June 2025, KRA made the following payments on activities implemented on behalf of Public Procurement Regulatory Authority (PPRA):

- Kshs. 47 Million Payment for PPRA Motor Vehicles.
- Kshs 28 Million Payment for MAPs various Consultants
- Kshs 5 Million Payment for PPRA Domestic and Foreign Travel Payments excluding Kshs 380,800 relating to PPRA per diem which related to PPRA staff who never went for training and the funds were refunded to project account in July 2025.
- Kshs 3 Million Payment for PPRA Training Payments as per table below:

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Annual Report and Financial Statements for the financial year ended June 30th 2025

Notes to the financial statements

Description	2024/25
	KShs '000'
Public Procurement Regulatory Authority	83,322
Project XYZ	-
Department xxx	-
County xxx	-
Total	83,322

12. Other Transfers/Subsidies/Grants

Description	2024/25
	KShs '000'
Transfers to Non-Government Organizations	-
Subsidies	-
<i>Others Specify</i>	-
Total	-

13. Certified Works

During the financial year to 30th June 2025, there were no works done.

Description	2024/25
	KShs '000'
Road Works	-
Water Works	-
Energy Infrastructure	-
Building Works	-
Total	-

14. Gain/Loss on Sale of Assets

During the financial year to 30th June 2025, there were no sale of Assets.

Notes to the financial statements

Description	2024/25
	KShs '000'
Property, plant and equipment	-
Intangible assets	-
Other assets not capitalised	-
Total gain/Loss on sale of assets	-

15. Gain/Loss on foreign exchange transactions

During the financial year to 30th June 2025, there were no foreign exchange loss or gain as disclosed in the table below:

Description	2024/25
	KShs '000'
Gain on foreign exchange transactions	-
Loss on foreign exchange transactions	-
Total Gain/Loss	-

16. Impairment Loss

During the financial year to 30th June 2025, there were no Assets impaired.

Description	2024/25
	KShs '000'
Property, Plant and Equipment	-
Intangible Assets	-
Others (specify)	-
Total Impairment Loss	-

17. Cash and Cash Equivalents

Description	2024/25	1 st July 2024
	KShs '000'	Kshs '000'
Cash in Bank	29,206	13,728
Cash on hand	-	-
Others (Specify)	-	-
Total Cash and Cash Equivalents	29,206	13,728

Notes to the financial statements

As at 30th June 2025, KRA received disbursement of Kshs 10 Million of GOK (Counterpart) funds from National Treasury. Additional Kshs. 70,000,000 (EURO 491,849 @142.32), Kshs. 19,181,175 (EURO 140,536 @136.49), Kshs. 43,648,002 (EURO 306,688 @142.32), Kshs. 46,813,534 (EURO 334,968 @139.76) and Kshs. 34,772,815 (EURO 245,737 @141.50) totalling to Kshs. 214,415,526 (EURO 1,519,778) from Donor (IDA- World Bank) Disclosed in the table below are the total disbursement received:

The project has one bank account as shown below.

Project Bank Accounts

Details	2024/25	1 st July 2024
	KShs '000'	Kshs '000'
Foreign Currency Accounts		
Central Bank of Kenya- A/C No 1000243775	96	799
Total Foreign Currency balances	<u>96</u>	<u>799</u>
Local Currency Accounts		
National Bank of Kenya- A/C No 01020014867900	29,206	13,728
Total local currency balances	<u>29,206</u>	<u>13,728</u>
Total bank account balances	<u>29,206</u>	<u>13,728</u>

18. Receivables

- During the financial year to 30th June 2025, KRA made had the following receivables:
- Kshs. 65 Million funds requested by KRA in June 2025 and remaining in transit from National Treasury as at 30th June 2025.
 - Kshs 6 Million relating to Customs Duties paid on PPRA vehicles, which need to be reimbursed with Commissioner Customs because HOAGDP is a VAT exempt project
 - Kshs 4 Million relating to per diem paid in June 2025 for Trips that ended and were surrendered after year-end.

Notes to the financial statements

Description	2024/25	1 st July 2024
	KShs '000'	Kshs '000'
IDA Fund in Transit	65,250	0
Other Receivables	10,629	0
	0	0
Total Receivables	75,879	0

Description	2024/25		1 st July 2024	
	KShs '000'		Kshs '000'	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	75,879	100%	-	%
Between 1- 2 years	-	%	-	%
Between 2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total (a+b)	75,879	100%	-	%

19. Inventories

During the financial year to 30th June 2025, there were no Inventories

Description	2024/25	1 st July 2024
	KShs '000'	Kshs '000'
Consumable stores	-	-
Construction stores	-	-
Others consumables (specify)	-	-
Less: allowance for impairment	-	-
Total inventories	-	-

Notes to the financial statements

20. Prepayments

During the financial year to 30th June 2025, there were no Prepayments

Description	2024/25	1 st July 2024
	KShs '000'	Kshs '000'
Insurance	-	-
Rent	-	-
<i>Others specify</i>	-	-
Total inventories	-	-

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21. Property, Plant and Equipment

Cost	Motor vehicles	Office Equipments, Furniture and fittings	ICT Equipment	Computers and Laptops	Capital Work in progress	Total
	KShs '000'	KShs '000'	KShs '000'	KShs '000'	KShs '000'	KShs '000'
As At 1 July 2024 (opening balances)	94,096	-	-	-	-	94,096
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	-	-
As at June 2025	94,096	-	-	-	-	94,096
Depreciation And Impairment						
At 1 July 2024	1,411	-	-	-	-	1,411
Depreciation charge for the period	16,937	-	-	-	-	16,937
Impairment loss	-	-	-	-	-	-
Transfers/ Adjustments	-	-	-	-	-	0
As at June 2025	18,349	-	-	-	-	18,349
Net Book Values	75,747	-	-	-	-	75,747
As at 1st July 2024	92,684	-	-	-	-	92,684
As at June 2025	75,747	-	-	-	-	75,747

Notes to the financial statements

22. Intangible Assets

During the financial year to 30th June 2025, there were no Intangible Assets

Description	2024/25
	KShs '000'
Cost	
As at 1 st July 2024	-
Additions	-
As at 30th June 2025	-
Amortization and impairment	
As at 1 st July 2024	-
Amortization	-
Impairment loss	-
As at 31st March 2025	-
NBV as at 30th June 2025	-

23. Trade and Other Payables

During the financial year to 30th June 2025, KRA made had the following Trade Payables relating to:

- Kshs. 2 Million relates to payment erroneously made in Eastern Africa Trade and Transport Project for Horn of Africa Project funds reversed and refunded in July 2025 as disclosed in the table below:

Description	2024/25		1 st July 2024	
	KShs '000'		Kshs '000'	
Trade payables	1,505		-	
Employee payables	-		-	
<i>Other payables (specify)</i>	-		-	
Total trade and other payables	1,505		-	
Ageing analysis: (Trade and other payables)	Current Period	% of the Total	Comparative Period	% of the Total
Under one year	1,505	100%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total (tie to above total)	1,505	100%	-	

Notes to the financial statements

24. Third-Party Deposits

During the financial year to 30th June 2025, there were no Third-party deposits

Description	2024/25		1 st July 2024	
	KShs '000'		Kshs '000'	
Contractor's Retention	-		-	
Gratuity	-		-	
<i>Other deposits (specify)</i>	-		-	
Total deposits	-		-	
Ageing analysis: (Refundable deposits)	Current Period	% of the Total	Comparative Period	% of the Total
Under one year	-	%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total	-		-	

25. Deferred Income

During the financial year to 30th June 2025, the closing deferred income liability was Kshs 94,455,746 as disclosed in the table below:

Description	2024/25	1 st July 2024
	KShs '000'	Kshs '000'
International Development Agency-World Bank	94,456	13,728
<i>Others specify</i>	-	-
Total Deferred Income	94,456	13,728

Notes to the financial statements

Deferred Income Movement Schedule

Description	International Development Agency-World Bank	Others specify	Total
	Kshs '000'	Kshs '000'	Kshs '000'
Balance Brought Forward	13,728	-	13,728
Additions	65,250	-	65,250
Transfers To Performance Statement as Revenue	15,478	-	15,478
Balance as at 30th June 2025	94,456	-	94,456

26. Cash Generated from Operations

Description	2024/25 KShs '000'
Surplus/Deficit for the period	7,813
Adjusted for:	
Depreciation	16,937
Non-cash grants received	-
Impairment	-
Gains and losses on disposal of assets	-
Working capital adjustments	-
Increase in inventory	-
Increase in receivables	(10,629)
Increase in deferred income	15,478
Increase in payables	1,505
Increase in payments received in advance	-
Net cash flow from operating activities	15,478

27. Special Deposit Accounts

The balances in the Project’s Special Deposit Account(s) as at 30th June 2025 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	Jun-25 EURO ‘000’	1st July 2024 EURO ‘000’
Central Bank of Kenya- A/C No 1000243775		
Opening balance	799	-
Total amount deposited in the account	1,258	799
Total amount withdrawn (as per Statement of Receipts & Payments)	(1,960)	-
Closing balance (as per SDA bank account reconciliation attached)	96	799

28. Related Parties Disclosures

Nature of related party relationships

Entities and other parties related to the Horn of Africa Gateway Development Project include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Government of Kenya

KRA is a Government Agency under the National Treasury. Its ultimate parent is the Government of Kenya.

Notes to the financial statements

The project did not transaction with any related parties in the financial year as disclosed in the table below.

Description	2024/25 KShs '000'
Transactions with related parties	
a) Sales to related parties	
Sales of electricity to govt agencies	-
Rent income from govt. Agencies	-
Others (specify) e.g. interest and bank charges	-
Total	-
B) purchases from related parties	
Purchases of electricity from KPLC	-
Purchase of water from govt service providers	-
Rent expenses paid to govt agencies	-
Others (specify)	-
Total	-
b) Grants /transfers from the government	
Grants from national govt	-
Grants from county government	-
Donations in kind	-
Total	-
c) Expenses incurred on behalf of related party	
Payments of salaries and wages for xxx employees	-
Payments for goods and services for xxx	-
Total	
d) Key management compensation	
Directors' emoluments	-
Compensation to key management	-
Total	-

Notes to the financial statements

29. Events after the Reporting Period

There were no material adjusting and non-adjusting events after the reporting period.

30. Ultimate And Holding Entity

The Horn of Africa Gateway Development Project is established under the supervision of the National Treasury. The Project is wholly owned by the Government of Kenya and is domiciled in Kenya.

31. Currency

The financial statements are presented in Kenya Shillings (Kshs) rounded to the nearest Kshs.

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14. 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)
<p>Basis of conclusion</p> <p>No.1</p>	<p><u>Acquisition of Non-Financial Assets</u> The statement of receipts and payments reflects- expenditure on acquisition of non-financial assets of Kshs 96,132,000- as disclosed in Note 8 to the financial statements. The amount includes a balance of Kshs 94,096,000 in respect of purchase of seven (7) motor vehicles. Review of project records revealed that the project annual work plan included acquisition of seven (7) motor vehicles funded by counterpart funding (GOK) amount of Kshs 14,000,000 and donor funding of Kshs 86,000,000. However the counterpart funding of Kshs 14,000,000 from GOK was not received and the management utilised donor allocated designated for other project activities towards the purchase of motor vehicle without approval from the donor.</p> <p>Further, at the time of the audit. Five (5) of the vehicles have been deployed to other activities not related to the project.</p>	<p>Management Comments</p> <p>a) The donor funds cover 100% of eligible expenditure and GOK covers only operational expenditure. The project is exempt from VAT. Find attached letter from World Bank dated 13th March 2025 and the screenshot of the procurement approval reflecting 100% funded by IDA. Therefore, the vehicles were fully funded by IDA who gave a no objection.</p> <p>b) The financing agreement provides for strengthening of the cross-border management unit of KRA including enhancing its coordination with other border agencies. The motor vehicles procured have been deployed to enhance the border control and enforcement unit of the Department. The use of the vehicles, fully supported the objective of the project</p>	<p>Issue resolved</p>

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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>In addition, the project management entered into an agreement for supply of four (4) motor vehicles at a cost of Kshs 47,341,380. The motor vehicles had not been delivered at the time of the audit. Information provided by management indicated that the purchase costs had exceeded the approved values in the master list and management had sought approval for the new values. However, the management did not explain why procurement had initiated, processed and finalised for items whose costs exceeded the approved amounts leading to delay in delivery.</p> <p>In the circumstances, management was in breach of the law and value for money on cost of motor vehicle acquired could not be confirmed</p>	<p>which is as per Financing Agreement Schedule 1 Part B 1 (a), the vehicles are for use in the strengthening of the cross-border management unit which is a fully-fledged Division within the Customs and Border Control Department</p> <p>c) The 4 motor vehicles under PPRA were in the initial master list submitted to the National Treasury for exemption as attached. Submission of the supplementary master was to cater for the rise/change in cost for 2 of the 4 motor vehicles compared to the initial master list. The amounts quoted are normally estimates that are subject to changes in a Financial Year. In this case the master list was submitted in June 2023 which was before the Finance Act of 2023 that saw a change in the taxation of motor vehicles which in turn affected prices of the vehicles in question. Attached is the initial approved master list submitted in June 2023 and the request to approve supplementary master list.</p> <p>Currently, the exemption was given for the</p>	

HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT

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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)
		vehicles and the vehicles have been delivered and fully paid for.	
No 2	<p><u>Irregular purchase of goods and services</u> The statement of receipts and payments reflects expenditure on purchase of goods and services balance of Kshs. 35,247,000 as disclosed in Note 6 to the financial statements. The amount includes expenditure on domestic travel and subsistence balance of Kshs. 2,237,000, foreign travel and subsistence balance of Kshs.12,682,000 and other operating expenses balance of Kshs.2,463,000. Review of supporting documents revealed that officers with outstanding and un-accounted for imprests were issued with additional imprests before surrender of outstanding imprests for completed activities contrary to Regulation 93(4)(b) of the Public Finance Management (National Government) Regulations, 2015.</p> <p>Further, the balance includes foreign travel of Kshs 12,682,000 out of which Kshs 2,184,728 was paid as allowances to two (2) staff training on Rhetonic- The art of persuasion course at ESAMI Istabul Turkey. However, audit review of the No objection letter from the bank date 28th March 2028</p>	<p>Management Response a) Reference is made to the sampled Imprest issued. There were no overlapping Travel Imprests (Per Diem) from staff imprest data sampled as per attached Appendix 10.</p> <p>The Accountable Imprest were issued for a specific official purpose and given to respective KRA officers who were going in the same trip. Accountable Imprest is to be surrendered when the activity is complete as per KRA finance manual.</p> <p>Imprest analysis was send to auditor together with the respective comments on the status of the accountability of the imprests and the supporting reports on completion of activities for Accountable imprest.</p>	Issue resolved

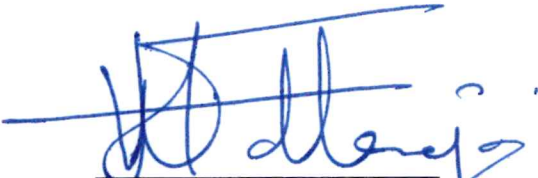
HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Timeframe: (Put a date when you expect the issue to be resolved)																				
	<p>indicated that the approved training was to be Oxford Management Center which was changed without communication or approval of the bank. I circumstance management was in breach of the law.</p>																						
<p>No. 3</p>	<p>Unapproved Over Expenditure Review of detailed project expenditure records revealed over expenditure</p> <table border="1" data-bbox="416 871 1003 1230"> <thead> <tr> <th>Expenditure Item</th> <th>Final Budget (Kshs)</th> <th>Actual Expenditure (Kshs)</th> <th>Over Expenditure (Kshs)</th> </tr> </thead> <tbody> <tr> <td>Training and bank Charges</td> <td>0</td> <td>32,834,000</td> <td>32,834,000</td> </tr> <tr> <td>Land acquisition stakeholder engagement</td> <td>0</td> <td>2,037,000</td> <td>2,037,000</td> </tr> <tr> <td>Purchase of seven vehicles</td> <td>73,841,000</td> <td>94,096,000</td> <td>20,255,000</td> </tr> <tr> <td>TOTAL</td> <td></td> <td></td> <td>55,126,000</td> </tr> </tbody> </table>	Expenditure Item	Final Budget (Kshs)	Actual Expenditure (Kshs)	Over Expenditure (Kshs)	Training and bank Charges	0	32,834,000	32,834,000	Land acquisition stakeholder engagement	0	2,037,000	2,037,000	Purchase of seven vehicles	73,841,000	94,096,000	20,255,000	TOTAL			55,126,000	<p>Management Response. At the time of audit, this had not been requested. However, this was a result of reduction in budget by the National Treasury after we already made commitments.</p> <p>a) The original budget allocation for the project in FY 2023/2024 was Kshs 65,000,000 which was revised upwards upon KRA request in Supplementary I to Kshs 441,310,000 following additional funding allocation of Kshs 376,310,000 (Donor –Kshs 366,310,000 and GOK – Kshs 10,000,000). The budget was later reduced to Kshs 83,841,411 in Supplementary II in June 2024 (See National Treasury Budget Schedules Vote 1071 at Appendix 2).</p> <p>b) The reduction came when we had already incurred expenditure of Kshs 131,379,000 as reported and explained in our financial statement as at 30th June 2024 (Statement of Budget And Actual Amount and Annex 2</p>	<p>Issue resolved</p>
Expenditure Item	Final Budget (Kshs)	Actual Expenditure (Kshs)	Over Expenditure (Kshs)																				
Training and bank Charges	0	32,834,000	32,834,000																				
Land acquisition stakeholder engagement	0	2,037,000	2,037,000																				
Purchase of seven vehicles	73,841,000	94,096,000	20,255,000																				
TOTAL			55,126,000																				

HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT

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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)
		Variance Explanations Comparable Budget And Actual as at 30 th June 2024 was provided to the auditor)	



 Commissioner General
 Mr. Humphrey Wattanga



 Project Coordinator
 Dr. Lilian Nyawanda

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Annex 2 - Variance Explanations - Comparative Budget And Actual Amounts


	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 %	
Budget Carry Overs from previous periods	-	-	-	0%	Budget for FY 2023/24 lapsed at year-end. However, project account closing balances as at 30 th June 2024 is disclosed as opening balance.
Revenue					
Opening Balance	13,728	13,728	-	100%	1) KRA to request for disbursements of the remaining funds Kshs 99M as we complete implementation of the on-going current activities.
Transfers	323,741	224,416	99,325	69%	
Total Receipts	337,469	238,144	99,325	71%	
Payments					
Employee costs	-	-	-	0%	
Use of goods and services	212,092	119,367	92,725	56%	Below are the status of Implementation:- 1) Received No objection approval for ATP for FY 2024/5 Procurement process for all activities completed as at 30th June 2025 2) KRA Consulting Study of Trade contract, final report already submitted and fully paid 3) KRA already delivered and fully paid 4) Body Worn Cameras and associated system procurement completed and contract signed in June 2025 payment expected to be done in Qrt 1 FY 2025/26 5) Annual Training Plan FY 2024/25 for KRA completed with only two training still ongoing expected to be completed in Qrt 2
Transfer to other Government Entities	125,377	89,571	35,805	71%	1) PPRA Motor Vehicles already delivered and fully paid 2) PPRA MAP consultancy Implementation completed for 1st to 3rd Milestones, 4th milestone expected to be completed and paid in Qrt 1 FY 2025/26 3) Annual Training Plan FY 2024/25 for PPRA completed
Certified Works	-	-	-	0%	
Total Payments	337,469	208,938	128,531	62%	Activities of budget Kshs 166M relates to PPRA consultancy activities that are at the 4th milestone of implementation expected to be completed and paid in Qrt 1 FY 2025/26 and Body Worn Cameras procurement which the contract was signed in June 2025 expected to be delivered and paid in Qrt 2 FY 2025/26.


HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT

Annual Reports and Financial Statements for the Period ended June. 30, 2025

Annex 3: Reconciliation Of Inter-Entity Transfers

PROJECT NAME: HORN OF AFRICA GATEWAY DEVELOPMENT 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 Number: 3473


 Project Coordinator
 Dr. Lilian Nyawanda

HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT
Annual Reports and Financial Statements for the Period ended June. 30, 2025

Annex 3: Fixed Assets Register

Asset class	Historical Cost b/f	Additions during the year	Disposals during the year	Transfers in/(out) during the year	Historical Cost c/f
	KShs '000'	KShs '000'	KShs '000'		KShs '000'
	2024-25				2024-25
Land					
Buildings and structures					
Transport equipment: Motor Vehicles KRA	94,096	-	-	-	94,096
Office equipment, furniture and fittings					
ICT Equipment					
Machinery and Equipment					
Biological assets					
Infrastructure Assets- Roads, Rails					
Heritage and cultural assets					
Intangible assets					
Work in Progress					
Total	94,096	-	-	-	94,096

Annex 4: Other Support Documents

- i. Bank Reconciliations statement as at 30th June 2025
- ii. Board of Survey Report
- iii. Special Deposit Account(s) reconciliation statement(s)

HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT

Annual Reports and Financial Statements for the Period ended June. 30, 2025

APPENDIX i: BANK RECONCILIATION PROJECT ACCOUNT NATIONAL BANK OF KENYA AS AT 30TH JUNE 2025.

MINISTRY:	FINANCE		
IMPLEMENTING AGENCY	KENYA REVENUE AUTHORITY		
PROJECT NAME:	HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT		
IDA CREDIT:	No. 6768-KE		
REPORT:	Bank Reconciliation Statement		
Bank and Branch	National Bank of Kenya Ltd - Times Tower Nairobi		
Account No.	1071233555600		
PERIOD OF REPORT:	Year ending 30th June 2025		
CURRENCY:	Kenya shilling		

	<u>Note.</u>	<u>Kshs</u>	<u>Kshs</u>
01/07/2024	Balance b/fwd		13,728,095
	Receipts	224,415,526	
	Interest		<u>224,415,526</u>
	Total Receipts		<u>238,143,620</u>
Less:			
	Bank charges as at 30/06/2025	49,080	
	Payments as at 30/06/2025	<u>208,888,875</u>	<u>208,937,955</u>
Add:	Unpresented cheque		
30/06/2025	Balance as per bank statement		<u>29,205,666</u>

		<u>Kshs</u>	<u>Kshs</u>
KENYA REVENUE AUTHORITY			
PROJECT A/C 01020014867900			
30/06/2025	Balance per Bank Statements		<u>36,828,482</u>
	Add:		
30/06/2025	Receipts in cash book not yet credited by Bank		
30/06/2025	Payments in Bank statement and not in the cash book		
	Deduct:		
30/06/2025	Cheques not debited by Bank (Unpresented cheques)	-7,622,816	<u>7,622,816</u>
30/06/2025	Payments in cash book and not in the Bank Statement		
	Balance per Cash Book		<u>29,205,666</u>

Notes:

CPA. Josephat Omondi
Project Accountant - ICPAK Member No. 3473

Dr. Lilian Nyawanda
Project Coordinator

Mr. Humphrey Wattanga
Project Sponsor
Commissioner General

HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT
Annual Reports and Financial Statements for the Period ended June. 30, 2025
APPENDIX ii: BOARD OF SURVEY REPORT

Bank Reconciliation-21

MINISTRY: THE NATIONAL TREASURY
 IMPLEMENTING AGENCY: KENYA REVENUE AUTHORITY
 PROJECT NAME: HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT
 IDA CREDIT: NO. 6258KE
 REPORT: Bank Reconciliation Statement
 Bank and Branch: National Bank of Kenya Ltd - Times Tower Nairobi
 Account No.: 7700596670
 PERIOD OF REPORT: 30TH JUNE, 2025

		Kshs	Kshs
01/06/2025	Balance b/fwd		67,603,941.79
	Receipts	859,709.00	
	Interest		859,709.00
	Total Receipts		68,553,650.79
Less:			
	Bank charges as at 30/06/2025	6,300.00	
	Payments as at 30/06/2025	31,725,709.15	31,725,709.15
Add:			
	Unpresented cheques		
30/06/2025	Balance as per bank statement		36,828,481.55
KENYA REVENUE AUTHORITY			
PROJECT A/C 0197123355690			
		Kshs	Kshs
30/06/2025	Balance per Bank Statements		36,828,481.55
	Add:		
30/06/2025	Receipts in cash book not yet credited by Bank		
30/06/2025	Payments in Bank statement and not in the cash book		
	Deduct:		
30/06/2025	Cheques not debited by Bank (unpresented cheques)	7,677,819.05	
30/06/2025	Receipts in bank statement not in the cash book		7,022,819.05
	Balance per Cash Book		29,205,665.50
NOTE:			
1. Kshs 7,831,870.55 relates to payments made on 20.06.2025			

	NAME	DESIGNATION	SIGNATURE	DATE
Prepared by:	George Ouya	Supervisor	<i>[Signature]</i>	01/07/2025
Approved by:	Alex Kagira	Asst. Manager	<i>[Signature]</i>	01/07/2025

Board of Survey
 1. Isaac Mutunga P/no 6292 Date 1st July, 2025
 2. Tony Muma P/no 7626 Date 01/07/2025

HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT
Annual Reports and Financial Statements for the Period ended June. 30, 2025
APPENDIX ii: BOARD OF SURVEY REPORT CONTINUATION



National Bank of Kenya Limited
Head Office, National Bank Building
Harambee Avenue,
P.O. Box 72895 - 00200, Nairobi, Kenya
Tel: +254 (0) 20 - 2828000
Cell: +254 (0) 711 - 038000
Email: msca@nationalbank.co.ke
Website: www.nationalbank.co.ke

01 JULY 2025

KCA 30

CERTIFICATE OF BALANCE

Certified that the balance of Account of KRA HOAGD

A/C NO. 01071233555600 as at 30.06.2025 is KSH 36,828,481=55

Read: *KES. Thirty-six million, eighty hundred twenty-eight thousand, four hundred eighty-one, cent fifty-five only*

Examined by: _____

Customer service

Branch Operations Manager

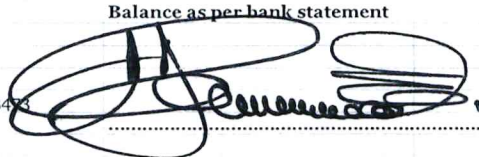

Board of Survey
1. Lenon Kivoni Mutunga p/no 6292 Date 01/07/2025
2. Tonny Muma p/no 7626 dated 01/07/2025

Public Data

Regulated by the Central Bank of Kenya

HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT
Annual Reports and Financial Statements for the Period ended June. 30, 2025

APPENDIX iii: BANK RECONCILIATION SPECIAL DEPOSIT ACCOUNT CENTRAL BANK OF KENYA FOR YEAR ENDED 30th JUNE 2025

MINISTRY:	KENYA REVENUE AUTHORITY			
IMPLEMENTING AGENCY:	HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT			
PROJECT NAME:	No. 6768-KE			
IDA CREDIT:	Interim Financial Report (IFR)			
REPORT:	Bank Reconciliation Statement			
Bank and Branch:	Central Bank of Kenya LTD			
Account No.:	1000474831			
PERIOD OF REPORT:	Year ending 30th June 2025			
CURRENCY:	EURO			
		Note.	EURO	EURO
01/07/2025	Balance b/fwd			798,537
Add:	Receipts		1,257,726	
	Interest			1,257,726
	Total Receipts			2,056,264
Less:	Payments as at 30/06/2024		1,960,038	1,960,038
	Unpresented cheque			
30/06/2025	Balance as per bank statement			96,226
CPA. Josephat Omondi Project Accountant - ICPAK Member No. 3474				
Dr. Lilian Nyawanda Project Coordinator				
Mr. Humphrey Wattanga Project Sponsor Commissioner General	