

REPORT

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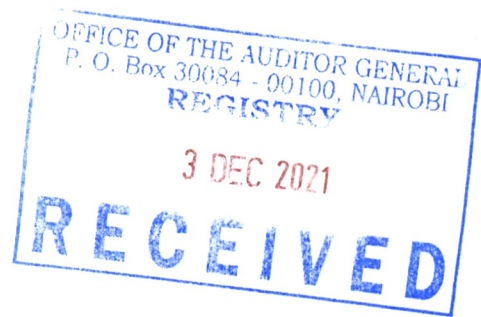
THE AUDITOR-GENERAL

ON

**HORN OF AFRICA GATEWAY
DEVELOPMENT PROJECT
LOAN NO. 6768-KE**

**FOR THE YEAR ENDED
30 JUNE, 2021**

**KENYA NATIONAL HIGHWAYS
AUTHORITY**



**MINISTRY OF TRANSPORT, INFRASTRUCTURE, HOUSING, URBAN DEVELOPMENT &
PUBLIC WORKS**



Kenya National Highways Authority

Quality Highways, Better Connections

PROJECT NAME: HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)

IMPLEMENTING ENTITY: KENYA NATIONAL HIGHWAYS AUTHORITY

**PROJECT CREDIT NUMBER: LOAN ID 6768-KE
PROJECT NO P-161305**

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2021**

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

HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)
Reports and Financial Statements For the financial year ended June 30, 2021

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1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name: Horn of Africa Gateway Development Project (HoAGDP)

Objective:

The overarching objective of the HoA Program, which the proposed project will contribute to, is “enhancing connectivity among the HoA countries and access to seaports; facilitation of domestic and regional trade and economic integration, and road safety”. This will be achieved through a sequential improvement in physical and institutional infrastructure and promoting trade and investing in development facilitation interventions.

It is envisaged that this project will unlock existing potential and productivity, promote completeness by improving access to public services within the Horn of Africa Region in a bid to enhance the growth of the Country’s Gross Domestic Product. The project will also contribute to the reduction of transport cost that will in turn help lower the cost of economic development, services delivery, and ease of doing business.

The main objectives of the initiative 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.
- b) The capacity of selected transport related institutions in Kenya.
- c) Enhancing connectivity among the HoA countries and access to seaports; facilitation of domestic and regional trade and economic integration, and road safety a contribution towards the HoA program objective.

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

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

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1.2 Project Information

Project Start Date:	16 th February, 2017
Financing Agreement Effectiveness Date:	22 nd December 2020 The Government received a Project Preparation Advance (PPA) for the preparation of North Eastern Transport Improvement Project (NETIP) However, the project name changed to Horn of Africa Gateway Development Project (HoAGDP). This was necessitated by the virtue of the project changing its scope into a regional project under the Horn of Africa initiative. Further, the PPA was refinanced & recouped from the proceeds of the HoAGDP loan upon its becoming effective.
Project Closing Date	30 th June 2028
Project Engineer	Eng Paul Omondi
Project Sponsor:	International Development Agency (IDA) and The Government of Kenya

HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)
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1.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the Ministry of Transport, Infrastructure, and Housing, Urban Development & Public Works
Project number	P-161305
Strategic goals of the project	<p>The strategic goals of the project are as follows</p> <ul style="list-style-type: none"> • Road construction of a 350KM section of the road corridor • • Development of social and economic infrastructure in some sections of the road • • Installation of fibre optic cable along the 740KM road
Achievement of strategic goals	<ul style="list-style-type: none"> • Reduction in travel time; • Reduction in transport cost to users; • Reduction in cost of ICT access in area served • Road in good and fair condition; and • Improved processing time at border crossings
Other important background information of the project	<p>The total Financing cost of the HoAGDP program is US\$750 million.</p> <p>Part of the project amount is to be expended through KeNHA as one of the six (6) designated implementing agencies in accordance with the Project Appraisal Document (PAD). The amount shall be utilized in the following project components to be undertaken by KeNHA</p> <ul style="list-style-type: none"> ➤ Component A: Improving the movement of people and goods, and digital connectivity: Sub-component A1: Upgrading Selected Critical Road Infrastructure – USD 642.54 ➤ Component B: Facilitation of Regional Trade and Transport: Sub-component B2: Regional Transport Facilitation by KeNHA - USD 46.58 ➤ Component C: Improve Access to Selected Basic Social Services at Designated location along the road corridor – USD 36.98 ➤ Component D: Institutional Strengthening of Selected Transport and Related Institutions: Subcomponent D1: Strengthening the capacity of KeNHA and associated Institutions – USD 42.93 <p>The total Counterpart funding for KeNHA components is USD 642.87 Million equivalent and GoK USD 126.14 Million</p>
Project Closing Date	30 th June 2028

HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)
Reports and Financial Statements For the financial year ended June 30, 2021

1.4 Bankers NIC Bank Ltd
 NIC House Branch
 Po Box 44599
 Nairobi

1.5 Auditors Auditor General
 Office of the Auditor General
 Kenya National Audit Office
 P.o Box 30084-0100
 Nairobi

1.6 Roles and Responsibilities

Names	Title designation	Key qualification	Responsibilities
Eng. David A. Muchilwa	Director- Development	Qualified	Team Leader
Eng. Paul Omondi	Deputy Director	Qualified	Team Coordinator & Construction Specialist
Mr Walter Nyatwanga	Deputy Director	Qualified	Safeguards Specialist
Mr Isaac Kamotho	Assistant Director	Qualified	Financial Specialist
Mr R Kilel	Assistant Director	Qualified	Procurement Specialist

1.7 Funding summary

The Project duration runs from 2017 to 2028 with an approved budget of Euro. 573,700,000 equivalent to Kshs 73,232,977,110 at the Exchange rate of Kshs. 127.6503 and Kshs 55,099,103.

A. Source of Funds

Source of funds	Donor Commitment- (30th June 2021)		Amount received to date – (30th June 2021)		Undrawn balance to date - (30th June 2021)	
	Donor currency (EURO)	Kshs	Donor currency(E URO)	Kshs	Donor currency (EURO)	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Loan						
International Development Association (IDA)	573,700,000	73,232,977,110	6,317,463	806,426,019	567,382,537	72,426,551,091
(ii) Counterpart funds						
Government of Kenya (GOK)	-	60,099,103	-	60,099,103	-	-
Total	573,700,000	73,293,076,213	6,317,463	866,525,122	567,382,537	72,426,551,091

HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)
Reports and Financial Statements For the financial year ended June 30, 2021

B. Application of Funds

Application of Funds	Amount received to date - (30th June 2021)		Cumulative Amount paid to date - (30th June 2021)		Unutilised balance to date -(30Th June 2021)	
	(EURO)	Kshs	(EURO)	Kshs	(EURO)	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Loan						
International Development Association (IDA)	6,317,463	806,426,019	4,794,774	612,054,280	1,522,689	194,371,739
(ii) Counterpart funds						
Government of Kenya (GOK)	-	60,099,103	-	55,099,103	-	5,000,000
Total	6,317,462.78	866,525,122	4,794,774	667,153,383	1,522,689	199,371,739

1.8 Summary of Overall Project Performance:

Budget performance against actual amounts for current year and for cumulative to-date

Budget 2020/21	Current Year	
	Actual 2020/21	Performance %
760,000,000	140,941,956	19%

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Status of the Project

Road Section	Name of Recommended Bidder	PROGRESS REPORTED TO DATE
1. Isiolo – Kula Mawe 77kms Contract type: Design Review Consultancy Contract Signed: 19 th July, 2017 Commencement Date 19 th July, 2017 Projected Completion date: 19 th July, 2018 Contract amount: 59,510,967.00	Howard Humphreys (East Africa) Ltd/Atkins Ltd	<ul style="list-style-type: none"> • Services complete and Cleared by the World Bank • Works advertised on 1st December 2020 and Bids Received on 11th March 2021 • Evaluation of Works Contract on-gong • Works Financed by World Bank
2. Kula Mawe – Modogashe 113 kms Contract type: Design Review Consultancy Commencement Date 19 th July, 2017 Projected Completion date: 19 th July, 2018 Contract amount: 69,222,398.00	Howard Humphreys (East Africa) Ltd/ Atkins Ltd	<ul style="list-style-type: none"> • Services complete and Cleared by the World Bank • Works advertised on 1st December 2020 and Bids Received on 11th March 2021 • Evaluation of Works Contract on-gong • Works Financed by World Bank
3. Modogashe – Samatar 90kms Contract type: Design Review Consultancy Contract Signed: 18 th July, 2017 Commencement Date : 18 th July, 2018 Projected Completion date: Contract amount: 120,039,940.00	Intercontinental Consultants and Technocrats Pvt Ltd in Joint venture with ITEC Engineering Ltd, Kenya	<ul style="list-style-type: none"> • Design Review complete • Works proposed Financing under Annuity Program
4. Samatar – Wajir Contract type: Design Review Consultancy Contract Signed: January 2018 Projected Completion date: January 2019 Contract amount: 75,954,470.00	Intercontinental Consultants and Technocrats Pvt Ltd in Joint venture with ITEC Engineering Ltd, Kenya	<ul style="list-style-type: none"> • Design Review complete • Works proposed Financing by BADEA
5. Wajir – Kutulo 119kms Contract type: Design Review Consultancy Contract Signed: 18 th July, 2017 Projected Completion date: : 18 th July, 2018 Contract amount: 104,892,380.00	GIBB Africa Limited	<ul style="list-style-type: none"> • Design Review Complete submitted to the World Bank for Review • Works to be financed by the World Bank

HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)
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Road Section	Name of Recommended Bidder	PROGRESS REPORTED TO DATE
6. Kutulo – Elwak 56kms Contract type: Design Review Consultancy Contract Signed: 18 th July, 2017 Projected Completion date: 18 th July, 2018 Contract amount: 96,706,439.00	GIBB Africa Limited	<ul style="list-style-type: none"> • Design Review Complete submitted to the World Bank for Review • Works to be financed by the World Bank
7. Elwak - Rhamu 142kms Contract type: Design Review Consultancy Contract Signed: Not yet Commencement Date: N/A Contract amount: 102,118,024.00	GIBB Africa Limited	<ul style="list-style-type: none"> • Design Review Complete submitted to the World Bank for Review • Works proposed to be Financed by ADB
8. Social Assessment Contract Signed: January 2018 Projected Completion date: January 2019 Contract amount: 29,970,000.00	Research Sound	<ul style="list-style-type: none"> • Assignment Complete • Reports cleared & disclosed by World bank

1.9 Summary of Project Compliance:

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

2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETRMINED OBJECTIVES

The proposed project development objectives are to improve the movement of goods and people along Isiolo-Wajir-Mandera part of the Mombasa-Garissa- Wajir- Mandera- Mogadishu road corridor and to enhance connectivity between Kenya and Somalia and Ethiopia. The project will comprise upgrading road infrastructure and associated roadside social amenities including designing and establishing facilities and marketing system for pilot pastoralist road side markets and provision of market shades, milk cooler, slaughter houses, veterinary posts, livestock holding area in selected locations.

The objectives, Outcome, indicator and performance of the project are highlighted in the table below;

Objective	Outcome	Indicator	Performance
To open up North Eastern Kenya and provide Gateway to the Horn of Africa through Ethiopia and Somalia. Facilitate Trade and Transport & Communication through provision of fibre Optic Cable, Boost economic growth in North Eastern Region,	<ul style="list-style-type: none"> • Improved Trade, Transport and Communication • Efficient Transport system • Improved livelihood for communities • Economic growth 	<ul style="list-style-type: none"> • Average Travel time between Isiolo to Modogashe; and Wajir to Elwak, disaggregated by passengers and freight; • Number of public transport service providers along Isiolo-Modogashe and Wajir-Elwak; • Number of road crash fatalities between Isiolo-Mandera road section (per 1,000 vehicles) • Average processing time at border crossing for freight trucks and passenger vehicles. • Number of online public services used by communities along the corridor per month; • Number of women and children utilizing the improved social services (Social/Gender disaggregated) • Road Management Information System utilized for decision making and setting performance targets; and • Number of non-Kenyans trained in new skills in Kenyan institutions. 	Procurement of a Monitoring and Evaluation Entity for the project is ongoing.

3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTANBILITY REPORTING

1. Sustainability strategy and profile

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

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

2. Environmental performance

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

3. Employee welfare

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

4. Market place practices

The Authority strives to ensure responsible competition practices through undertaking annual governance audits in projects, monitoring the implementation of policies and further promotes ethical conduct in projects. The Authority equally sensitizes staff on corruption and integrity. The Authority undertakes to be actively involved in the negotiations during budget sector hearings in

HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)
Reports and Financial Statements For the financial year ended June 30, 2021

order to increase budgetary allocations for projects thus honouring contracts by paying its liabilities on time.

5. Community Engagements

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

The Authority is committed to provide CSR activities geared towards improving the lives of local residents and since the project is in design stage, a Consultant is undertaking needs assessment in the Region to come up with desirable list for CSR activities

HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)
Reports and Financial Statements For the financial year ended June 30, 2021

4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Director General and the Project Implementation Team Leader for Horn of Africa Gateway Development Project (HoAGDP) 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, 2021. This responsibility includes: (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

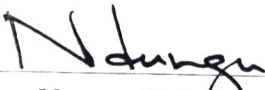
The Director General and the Project Implementation Team Leader for Horn of Africa Gateway Development Project (HoAGDP) accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

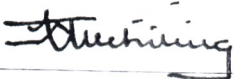
The Director General and the Project Implementation Team Leader for Horn of Africa Gateway Development Project (HoAGDP) are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year/period ended June 30, 2021, and of the Project's financial position as at that date. The Director General and the Project Implementation Team Leader for Horn of Africa Gateway Development Project (HoAGDP) further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.


The Director General and the Project Implementation Team Leader for Horn of Africa Gateway Development Project (HoAGDP) confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project financial statements

The Project financial statements were approved by the Director General and the Project Implementation Team Leader for Horn of Africa Gateway Development Project (HoAGDP) on 17 AUG 2021 2021 and signed by them.

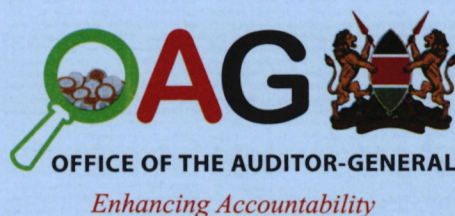

Eng. Kungu Ndungu
Director General


Eng. David A. Muchilwa
Director -Development


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

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT LOAN NO.6768-KE FOR THE YEAR ENDED 30 JUNE, 2021 – KENYA NATIONAL HIGHWAYS AUTHORITY

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Horn of Africa Gateway Development Project set out on pages 1 to 18, which comprise the statement of financial assets and liabilities as at 30 June, 2021, and the statement of receipts and payments,

Report of the Auditor-General on Horn of Africa Gateway Development Project Loan No. 6768-KE for the year ended 30 June, 2021 - Kenya National Highways Authority

statement of cash flows and statement of comparative budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Horn of Africa Gateway Development Project Loan No. 6768-KE as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Financing Agreement between the International Development Association (IDA) and the Republic of Kenya dated 07 October, 2020 and the Public Finance Management Act, 2012.

In addition, the special account statement presents fairly, the special account transactions and the ending balance has 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 Horn of Africa Gateway Development Project Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

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

Other Matter

1. Unsupported Budget Amounts

The approved budget provided for audit shows that the Project's total budget which was classified under accommodation allowance and tuition fees allowance was Kshs.105,001,521. However, the statement of comparative budget and actual amounts reflects a final budget after adjustments for the combined components of purchase of goods and services, research, studies, project preparation and supervision and miscellaneous charges of Kshs.760,000,000.

In the circumstances, it was not possible to trace the latter amount to the approved budget under the budget line items of purchase of goods and services, research, studies, project preparation and supervision and miscellaneous charges.

2. Budgetary Control and Performance

The statement of comparative budget and actual amounts reflects total budgeted receipts of Kshs.760,000,000 against actual receipts of Kshs.290,853,551 thereby resulting in an under-collection of Kshs.469,146,449 or 62% of the budgeted receipts.

Further, the statement reflects total budgeted expenditure of Kshs.760,000,000 against actual payments of Kshs.140,941,956 resulting in an under-expenditure of Kshs.619,058,044 or 81% of the budgeted expenditure.

The under-collection of receipts and under-expenditure is an indication that the Project may not have achieved the planned objectives.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Lack of an Asset Register

Annex 3 to the financial statements – summary of fixed assets, reflects a balance of Kshs.603,292,589 as the closing cost of the road asset. However, contrary to Section 143(1) of the Public Finance Management Regulations, 2015 the Project's Management did not maintain a register of assets.

In the circumstances, the accuracy and completeness of the fixed asset balance of Kshs.603,292,589 as at 30 June, 2021 could not be confirmed.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by International Development Agency (IDA), I report based on my audit, that:

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

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

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

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


- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi


10 December, 2021

HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)
Reports and Financial Statements For the financial year ended June 30, 2021

6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED 30TH JUNE 2021


RECEIPTS	NOTES	2020/21			2019/20			Cummulative to date Kshs
		Receipts & Payments Controlled by the Entity	Receipts & Payments made by the Third Party	Total	Receipts & Payments Controlled by the Entity	Receipts & Payments made by the Third Party	Total	
		Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	
Transfer from Government entities	1	25,303,983	-	25,303,983	14,953,209	-	14,953,209	60,099,103
Proceeds from domestic and foreign Loans	2	198,084,575	66,502,989	264,587,564	99,334,118	130,574,533	229,908,651	806,426,019
Miscellaneous Income	3	962,004	-	962,004	688,743	-	688,743	2,667,135
Total receipts		224,350,562	66,502,989	290,853,551	114,976,070	130,574,533	245,550,603	869,192,257
PAYMENTS								
Purchase of goods and services	4	25,578,429	-	25,578,429	18,440,454	-	18,440,454	63,860,794
Acquisition of non-financial assets	5	48,856,098	66,502,989	115,359,087	51,568,336	130,574,533	182,142,869	603,292,589
Miscellaneous Payments	6	4,440	-	4,440	1,680	-	1,680	7,907
TOTAL PAYMENTS		74,438,967	66,502,989	140,941,956	70,010,470	130,574,533	200,585,003	667,161,290
SURPLUS/DEFICIT FOR THE YEAR		149,911,595	-	149,911,595	44,965,600	-	44,965,600	202,030,967

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


 Eng. Kungu Ndubisi
 Director General


17 AUG 2021

Date


 Eng. David A. Muchilwa
 Director -Development

17 AUG 2021

Date


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

17 AUG 2021

Date

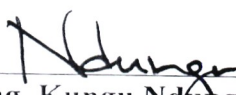
HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)
Reports and Financial Statements For the financial year ended June 30, 2021

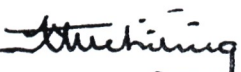
7. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES AS AT 30TH JUNE 2021


	Note	2020/21	2019/20
		Kshs	Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	7	202,030,967	52,119,372
TOTAL FINANCIAL ASSETS		202,030,967	52,119,372
FINANCIAL LIABILITIES			
Payables - Retentions		21,155,637	20,739,577
NET ASSETS		180,875,330	31,379,795
REPRESENTED BY:			
Fund balance b/fwd	10	31,379,795	386,854
Surplus/Deficit for the year		149,495,535	30,992,941
NET FINANCIAL POSITION		180,875,330	31,379,795

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on _____ 2021 and signed by:

17 AUG 2021


 Eng. Kungu Ndungu
 Director General


 Eng. David A. Muchilwa
 Director -Development

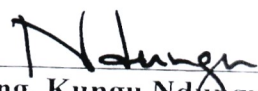

 CPA Chanje Kera
 Director Director (F&A)
 ICPAK No.8279

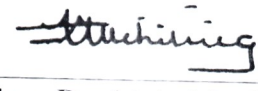
HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)
Reports and Financial Statements For the financial year ended June 30, 2021


8. STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2021

Receipts for operating income		2020/21	2019/20
		Kshs	Kshs
Transfer from Government entities	1	25,303,983	14,953,209
Payments for operating expenses			
Purchase of goods and services	4	(25,578,429)	(18,440,454)
Miscellaneous Expense	6	(4,440)	(1,680)
Miscellaneous Income	3	962,004	688,743
Net cash flow from operating activities		683,118	(2,800,182)
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	5	(115,359,087)	(182,142,869)
Net cash flows from Investing Activities		(115,359,087)	(182,142,869)
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Foreign Borrowings	2	264,587,564	229,908,651
Net cash flow from financing activities		264,587,564	229,908,651
NET INCREASE IN CASH AND CASH EQUIVALENT		149,911,595	44,965,600
Cash and cash equivalent at BEGINNING of the year		52,119,372	7,153,772
Cash and cash equivalent at END of the year		202,030,967	52,119,372

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 _____ 2021 and signed by:


 Eng. Kungu Ndungu
 Director General


 Eng. David A. Muchilwa
 Director -Development


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

17 AUG 2021

HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)
Reports and Financial Statements For the financial year ended June 30, 2021

9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Variance	% of Utilisation
	a	b	c=a+b	d	e=d-c	f=d/c %
Receipts						
Transfer from Government entities	60,000,000	-	60,000,000	25,303,983	34,696,017	42%
Proceeds from borrowings	300,000,000	400,000,000	700,000,000	264,587,564	435,412,436	38%
Miscellaneous Income	-	-	-	962,004	(962,004)	
Total Receipts	360,000,000	400,000,000	760,000,000	290,853,551	469,146,449	38%
Payments						
Purchase of goods and services						
Research, studies, project preparation, design & supervision	360,000,000	400,000,000	760,000,000	25,578,429		
Miscellaneous Charges				115,359,087	619,058,044	19%
Total Payments	360,000,000	400,000,000	760,000,000	140,941,956	619,058,044	19%

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


Eng. Kungu Ndungu
 Director General

17 AUG 2021


Date



Eng. David A. Muchilwa
 Director -Development

17 AUG 2021

Date


CPA Chanje Kera
 Deputy Director (F&A)
 ICPAK No. 8279
 17 AUG 2021

Date

10. SIGNIFICANT ACCOUNTING POLICIES

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

10.1 Basis of Preparation

10.2 Statement of compliance and basis of preparation

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

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

10.3 Reporting entity

The financial statements are for the **Horn of Africa Gateway Development Project (HoAGDP)** under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012 .

10.3.1 Reporting currency

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

10.4 Significant Accounting Policies

a) Recognition of receipts

The Project recognises all receipts from the various sources when the event occurs, and the related cash has actually been received by the Government.

i) Transfers from the Exchequer

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

ii) External Assistance

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

Significant Accounting Policies (Continued)

iii) Other receipts

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

b) Donations and grants

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

c) Proceeds from borrowing

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

d) Undrawn external assistance

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

e) Recognition of payments

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

i) Compensation of employees

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

ii) Use of goods and services

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

Significant Accounting Policies (Continued)

iii) Interest on borrowing

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

iv) Repayment of borrowing (principal amount)

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

v) Acquisition of fixed assets

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

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

f) In-kind donations

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

g) Cash and cash equivalents

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

Significant Accounting Policies (Continued)

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

Restriction on cash

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

h) Accounts receivable

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

i)Contingent Liabilities

A contingent liability is:

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

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

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

j) Contingent Assets

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent

Significant Accounting Policies (Continued)

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.

k) Pending bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the Project at the end of the year. When the pending bills are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

l) Budget

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

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

m) Third party payments

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

During the year **Kshs 264 Million** being loan disbursements were received in form of direct payments from third parties.

n) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the Project operates, Kenya Shillings. Transactions in foreign currencies during the year/period are converted into the functional currency using the exchange rates

Significant Accounting Policies (Continued)

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

o) Comparative figures

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

p) Subsequent events

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended June 30, 2021.

q) Errors

Material prior period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by: i. Restating the comparative amounts for prior period(s) presented in which the error occurred; or ii. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)
Reports and Financial Statements For the financial year ended June 30, 2021

11. NOTES TO THE FINANCIAL STATEMENTS

1. RECEIPTS FROM GOVERNMENT OF KENYA

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

	2020/21	2019/20	Cumulative
	Kshs	Kshs	to-date
Counterpart funds Quarter 1	2,665,253	11,732,796	15,328,149
Counterpart funds Quarter 2	2,323,364	1,032,271	8,308,258
Counterpart funds Quarter 3	7,968,096	1,108,874	19,277,703
Counterpart funds Quarter 4	12,347,270	1,079,268	17,184,993
Total	25,303,983	14,953,209	60,099,103

2. LOAN FROM EXTERNAL DEVELOPMENT PARTNERS

Name of Donor	Amount in loan currency	Loans received in cash	Loans received as direct payment	Total amount in Kshs	
				2020/21	2019/20
	EURO	Kshs	Kshs	Kshs	Kshs
Loans Received from Bilateral Donors (IDA)	2,072,753	198,084,575	66,502,989	264,587,564	229,908,651
Total	2,072,753	198,084,575	66,502,989	264,587,564	229,908,651

3. MISCELLANEOUS RECEIPTS

	2020/21	2019/20	Cumulative
	Kshs	Kshs	to-date
Bank Interest	962,004	688,743	2,667,135
Total	962,004	688,743	2,667,135

4. PURCHASE OF GOODS AND SERVICES

	2020/21			2019/20	Cumulative to date
	Receipts & Payments Controlled by the Entity	Receipts & Payments made by the Third Party	Total	Receipts & Payments Controlled by the Entity & Third party	
	Kshs	Kshs	Kshs	Kshs	
Domestic travel and subsistence	24,723,741	-	24,723,741	18,440,454	63,006,106
Advertisement	854,688	-	854,688	-	854,688
Total	25,578,429	-	25,578,429	18,440,454	63,860,794

HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)
Reports and Financial Statements For the financial year ended June 30, 2021

5. ACQUISITION OF NON-FINANCIAL ASSETS

	2020/21			2019/20	Cumulative to-date
	Payments made by the Entity	Payments Made by Third Party	Total	Payments made by the Entity	
	Kshs	Kshs	Kshs	Kshs	
Research, studies, project preparation, design & supervision	48,856,098	66,502,989	115,359,087	182,142,869	603,292,589
Rehabilitation of Roads	-	-	-	-	-
Acquisition of land	-	-	-	-	-
Total	48,856,098	66,502,989	115,359,087	182,142,869	603,292,589

6. MISCELLANEOUS PAYMENTS

	2019/20	2019/20	Cumulative to-date
	Kshs	Kshs	
	Bank Charges	4,440	
Total	4,440	1,680	7,907

7. CASH AND CASH EQUIVALENTS C/FWD

	2020/21	2019/20
	Kshs	Kshs
	Bank accounts (Note 11.7A)	202,030,967
	202,030,967	52,119,372

7A Bank Accounts

	2020/21	2019/20
	KShs	KShs
	Local Currency Accounts	
NCBA [A/c No 01001032662501]	180,875,330	31,379,795
National Bank of Kenya [A/c No 01001-327332-00]	21,155,637	20,739,577
Total bank account balances	202,030,967	52,119,372

HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)
Reports and Financial Statements For the financial year ended June 30, 2021

8. Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as at 30th June 2021 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

	2020/21	2019/20
	KShs	KShs
HoAGDP PROJECTCREDIT NO.6768 KE ACCOUNT NO .1000474815 CENTRAL BANK OF KENYA		
Opening balance	-	-
Total amount deposited in the account	1,277,965,000	50,578,598
Cash in Transit as at 30th June, 2021	-	-
Total amount withdrawn (as per statement of Receipts & Payments)	198,084,575	50,578,598
Closing balance (as per SDA bank account reconciliation attached)	1,079,880,425	-

9. ACCOUNTS PAYABLE

Description	2020-2021	2019-2020
	Kshs	Kshs
Retention - Payments controlled by the entity	21,155,637	20,739,577
Total	21,155,637	20,739,577

Prior year retention of Kshs. 20,739,577 has been reclassified from fund balance b/fwd to financial liabilities (Payables – Retention) in the statement of assets as required by IPSAS reporting template for FY 2020/21

HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)
Reports and Financial Statements For the financial year ended June 30, 2021

10. FUND BALANCE BROUGHT FORWARD

	2020/21	2019/20
	KShs	KShs
Bank accounts	31,379,795	386,854
Total	31,379,795	386,854

Prior year retention of Kshs. 20,739,577 has been reclassified from fund balance b/fwd to financial liabilities (Payables – Retention) in the statement of assets as required by IPSAS reporting template for FY 2020/21

11. CHANGES IN ACCOUNTS PAYABLE – RETENTIONS – PAYMENTS CONTROLLED BY THE ENTITY

Description	2020-2021	2019 - 2020
	KShs	KShs
Deposit and Retentions as at 1 st July 2020	20,739,577	6,766,918
Deposit and Retentions as at 30th June 2021	21,155,637	20,739,577
Change in Payables	416,060	13,972,659

12. OTHER IMPORTANT DISCLOSURES

1. PENDING ACCOUNTS PAYABLE (SEE ANNEX 3A)

	Balance b/f FY 2020/2021	Additions for the period	Paid during the year	Balance c/f FY 2020/2021
Description	Kshs	Kshs	Kshs	Kshs
Supply of services	39,979,158	100,958,358	140,937,516	-
Total	39,979,158	100,958,358	140,937,516	-

2. CHANGES IN ACCOUNTS PAYABLE – RETENTIONS PAYMENTS MADE BY THIRD PARTY

Description of the error	2020-2021	2019-2020
	KShs	KShs
Deposit and Retentions as at 1 st July 2020	2,734,615	-
Deposit and Retentions as at 30th June 2021	2,734,615	2,734,615
Change in Payables	-	2,734,615

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3. EXTERNAL ASSISTANCE

Description	FY 2020/2021 Kshs	FY 2019/2020 Kshs
External assistance received as loans	264,587,564	229,908,651
Total	264,587,564	229,908,651

a. External assistance relating loans and grants

Description	FY 2020/2021 Kshs	FY 2019/2020 Kshs
External assistance received as loans	264,587,564	229,908,651
Total		

b. Undrawn external assistance

Description	Purpose for which the undrawn external assistance may be used	FY 2020/2021 Kshs	FY 2019/2020 Kshs
Undrawn external assistance - loans		72,426,551,091	97,295,945
Total		72,426,551,091	97,295,945

c. Classes of providers of external assistance

Description	FY 2020/2021 Kshs	FY 2019/2020 Kshs
Multilateral donors	264,587,564	229,908,651
Total	264,587,564	229,908,651

d. Purpose and use of external assistance

Payments Made by Third Parties	FY 2020/2021 Kshs	FY 2019/2020 Kshs
Acquisition of Assets	66,502,989	130,574,533
TOTAL	66,502,989	130,574,533

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

Description	FY 2020/2021 Kshs	FY 2019/2020 Kshs
Multilateral donors	66,502,989	130,574,533
Total	66,502,989	130,574,533

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4. PROJECT INFORMATION

The Government received a Project Preparation Advance (PPA) for the preparation of North Eastern Transport Improvement Project (NETIP) However, the project name changed to Horn of Africa Gateway Development Project (HoAGDP). This was necessitated by the virtue of the project changing its scope into a regional project under the Horn of Africa initiative. Further, the PPA was refinanced & recouped from the proceeds of the HoAGDP loan upon its becoming effective.

HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)
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13. PROGRESSES ON FOLLOW-UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

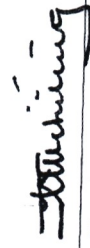
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
	<p>a) Amount Withdrawn but Unclaimed The statement of receipts and payments reflects proceeds from domestic and foreign grants of Kshs. 229,908,651 and as disclosed under Note 10.4 to the Financial Statements. However, this excludes amounts withdrawn but unclaimed of USD 718,463.07 equivalent to Kshs. 75,444,958 as at 30th June, 2020 reflected in the Project Special Account Statement. The amount represents cumulative funds transferred to the Project Bank account, but whose expenditure returns had not been submitted to the National Treasury by the close of the Financial year. Management has not reconciled nor explained the form or where the funds held.</p>	<p>Amounts withdrawn from Special Deposit Account(SDA) Account but not expended as at close of Financial Year were included in the Project Accounts</p>	<p>Eng. Paul Omondi</p>	<p>Resolved</p>	<p>Resolved</p>
Note 11.1	<p>b) Pending Bills Note 11.1 to the Financial Statements disclosed pending bills amount of Kshs. 39,979,158 as at 30th June 2020. Although Management has committed to liaising with the line Ministry and The National Treasury</p>	<p>It is true that the bills remained outstanding as at 30th June, 2020. This was as a result of; i. Insufficient exchequer</p>	<p>Eng. Paul Omondi</p>	<p>Resolved</p>	<p>Resolved</p>

HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)
Reports and Financial Statements For the financial year ended June 30, 2021

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
	<p>for adequate budgetary allocation and timely Exchequer releases for prompt payments in the subsequent Financial year, the project is at risk of incurring significant interest costs and penalties with the continued delay in making payments</p>	<p>funding ii. Inadequate budgetary allocation However, it is worth to note that all the pending bills were settled in the current financial year thus leaving no pending bills as of close of Financial year 2020/21.</p>			


 Eng. Kungu Ndung'u
 Director General

17 AUG 2021
 Date


 Eng. David A. Muchilwa
 Director Development

17 AUG 2021
 Date

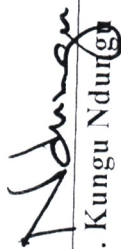
ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

	Final Budget	Actual on Comparable Basis	Budget Utilisation Variance	% of Utilisation Variance to Final Budget	Comments on Variance
	a	b	c=a-b	d=b/a %	
RECEIPTS DURING THE YEAR/PERIOD					
Government of Kenya	60,000,000	25,303,983	34,696,017	42%	Project on mobilisation stage hence low costs
External financing	700,000,000	264,587,564	435,412,436	38%	
Miscellaneous receipts	-	962,004	(962,004)	-	Interest earned during the year
Total receipts	760,000,000	290,853,551	469,146,449		
PAYMENTS DURING THE YEAR/PERIOD					
Miscellaneous Payments		4,440			
Research, studies, project preparation, design & supervision	760,000,000	115,359,087	619,058,044	19%	Bank charges for the year Project on mobilisation stage hence low costs
Purchase of Goods and Services		25,578,429			
Total payments	760,000,000	140,941,956	619,058,044		


Reports and Financial Statements For the financial year ended June 30, 2021
ANNEX 2 - RECONCILIATION OF INTER-ENTITY TRANSFERS

PROJECT NAME; HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (H0AGDP)			
BREAK DOWN OF TRANSFERS FROM THE MINISTRY OF TRANSPORT, INFRASTRUCTURE, HOUSING, URBAN DEVELOPMENT AND PUBLIC WORKS			
Government Counterpart Funding			
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>FY</u>
Counterpart funds Quarter 1	23.08.2020	2,665,253	2020/21
Counterpart funds Quarter 2	23.09.2020	2,323,364	2020/21
Counterpart funds Quarter 3	19.02.2021	7,968,096	2020/21
Counterpart funds Quarter 4	23.04.2021	12,347,270	2020/21
Total		25,303,983	

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


Eng. Kungu Ndung'u
 Director General

17 AUG 2021
 Date


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

17 AUG 2021
 Date

HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)
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ANNEX 3A - ANALYSIS OF PENDING BILLS

IPC/Fee Note No	Supplier of Goods or Services	Project	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance	Outstanding Balance
			a	b	c	2020/21	2019/20
A	Supply of services					d=a-c	
	Total		-			-	39,979,158

ANNEX 3 SUMMARY OF FIXED ASSET

Asset class	Opening Cost	Purchases/Additions in the Year	Disposals in the Year	Closing Cost
	(KShs) 2020/21 (a)	(KShs) 2020/21 (b)	(KShs) 2020/21 (c)	(KShs) 2020/21 (d)= (a)+ (b)-(c)
Road Asset	487,933,502	115,359,087	-	603,292,589
Land Acquisition	-	-	-	-
Total	487,933,502	115,359,087	-	603,292,589

HORN OF AFRICA GATEWAY DEVELOPMENT PROJECT (HoAGDP)
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Appendices

- 1. Bank Reconciliation**
- 2. Special Deposit Account Reconciliation Statements**