

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 22 MAR 2023

DAY.

WEDNESDAY

OF

TABLED
BY:

Hon. Owen Bayo, MP
Deputy leader of Majority Party

CLERK-AT
THE-TABLE:

A. Shibusko

THE AUDITOR-GENERAL

ON

**SAFE ROADS/USALAMA
BARABARANI PROGRAMME
(EU GRANT NO. KE/FED/037-778)**

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

**NATIONAL TRANSPORT AND
SAFETY AUTHORITY**



PROJECT NAME: SAFE ROADS/USALAMA BARABARANI

IMPLEMENTING ENTITY: NATIONAL TRANSPORT AND SAFETY AUTHORITY

PROJECT GRANT/CREDIT NUMBER: No KE/FED/037-778

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2022

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

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1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name: SAFE ROADS / USALAMA BARABARANI PROGRAMME

Objective: The overall objective of the grant is to contribute towards enhancing road traffic safety in Kenya through road safety programmes and projects that will see a reduction in the number of fatalities per inhabitant due to road traffic crashes by 15%.

Address: The project headquarters offices are Nairobi, Kenya.

The address of its registered office is:

**NATIONAL TRANSPORT AND SAFETY AUTHORITY (NTSA)
316, Upper Hill Chambers, 2nd Ngong Avenue**

Contacts: The following are the project contacts

Telephone: (254) MOBILE NO: +254 722 477 704

E-mail: george.njao@ntsa.go.ke

Website: www.ntsa.go.ke

1.2 Project Information

Project Start Date:	The project start date is 1 st March 2020
Project End Date:	The project end date is 31 st August 2024
Project Manager:	The project manager is Dr Duncan Kibogong
Project Sponsor:	The project sponsor is European Delegation to the Republic of Kenya P.O. Box 45119-00100 Nairobi, Kenya

1.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the Ministry of Interior & Coordination of National Government Harambee House, Harambee Avenue P.O Box 30510,00100 Nairobi. Tel: +254-20-2227411
Project number	No KE/FED/037-778
Strategic goals of the project	The strategic goal of the project is:



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	Contribute to strengthen the National Transport and Safety Authority in implementing policies related to road safety and ensuring the provision of safe, reliable and efficient road transport services
Achievement of strategic goals	<p>The project management aims to achieve the goals through the following means:</p> <ul style="list-style-type: none"> • Improved capacity of NTSA; • Established County Transport and Safety Committees (CTSCs) to enhance road safety management; • Increased public awareness on road safety; • Improved driver training and testing; • Developed road safety engineering and road safety audits.
Other important background information of the project	The project pilot counties are Makueni, Nairobi, Nakuru, Kericho, Kisumu and Kakamega
Current situation that the project was formed to intervene	The project was formed to intervene in the following areas: <ul style="list-style-type: none"> (i) Road Safety Management; including Capacity Building of NTSA, County Transport & Safety Committees and Road safety research and audits; (ii) Safer Road Users; including driver training and testing and Road Safety Awareness/Public Education.
Project duration	The project started on 1 st March 2020 and is expected to run until 31 st August 2024

1.4 Bankers

The following are the bankers for the current year:

Kenya Commercial Bank
Kencom House, Moi Avenue
Nairobi City Center
P.o Box 4360-00100
Nairobi

1.5 Auditors

Office of the Auditor General
Anniversary Towers
P. o. Box 30084-00100
Nairobi

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**Safe Roads/Usalama Barabarani
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Expenditure verification

Deloitte Kenya
Deloitte Place
Waiyaki Way, Muthangari
P. O Box 40092 GPO. 00100
Nairobi, Kenya
Phone +254 719 039 00. Email admin@deloitte.co.ke

1.6 Roles and Responsibilities

The following key people will be working on the project;

Names	Title designation	Key qualification	Responsibilities
Mr. George Njao	Director General	Bachelor of Science degree	Overall accountability
Dr. Duncan Kibogong	Deputy Director –Road safety	Master’s Degree in Strategic Management Master’s in Public Health	Head - Project management team (PMT)
Michael Chege	Grant Manager	Bachelor of Commerce degree, ACCA	Budget and reporting

1.7 Funding summary

The Project is for duration of 4.5 years from March 2020 to August 2024 with an approved budget of EUR 5,375,000 equivalent to Kshs 676,135,096 as highlighted in the table below:

A. Source of Funds

Source of funds	Donor Commitment-		Amount received to date – (30th June 2022)		Undrawn balance to date (30th June 2022)	
	Donor currency	KShs	Donor currency	KShs	Donor currency	KShs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant						
European Commission	4,300,000	540,908,077	2,087,241	266,320,188	2,212,759	274,587,888
(ii)Counterpart funds						
Government of Kenya	1,075,000	135,227,019	79,030	10,052,969	995,970	125,174,050
Total	5,375,000	676,135,096	2,166,271	276,373,158	3,208,729	399,761,938

B. Application of Funds

Application of funds	Amount received to date – (30 th June 2022)		Cumulative Amount paid to date – (30 th June 2022)	Unutilised balance to date (30 th June 2022)	
	<i>EUR</i>	<i>Kshs</i>	<i>Kshs</i>	<i>EUR</i>	<i>Kshs</i>
	(A)	(A')	(B')	(A)-(B)	(A')-(B')
(i) Grant					
European Commission	2,087,241	266,320,188	88,856,878	1,390,840	177,463,310
(ii) Counterpart funds					
Government of Kenya	79,030	10,052,969	10,052,969	-	-
Total	2,166,271	276,373,158	98,909,848	1,390,840	177,463,310

1.8 Summary of Overall Project Performance:

The project is in the second year of implementation and activities undertaken during the period under review were targeted towards the achievement and performance of outputs, outcomes, and impacts.

During the period under review the budget performance was 65% for both counterpart funding and foreign grants. The cumulative performance to date is 41% where foreign grants stood at 49% whereas counterpart funding was 7%.

During the period under review, the project undertook various media campaigns aimed at educating and creating public awareness on road safety. The campaigns included radio, TV and digital campaigns over different periods during the Financial Year such as the festive and back to school periods. Various sensitization workshops targeting vulnerable groups such as school children and motorcyclists were also undertaken in the six pilot counties under the project.

The procurement process for various consultancies under the project was also initiated during the period and are ongoing with a view to onboarding most of the consultants during the first quarter of the next Financial Year.

Five road safety audits were also conducted during the period under review. The reports were also finalized and submitted to the respective road agencies for corrective action with an aim to reduce road fatalities and crashes.

The absorption rate for the project was 1% for FY 2019/20, 64% for the FY 2020/21 and 21% for the FY 2021/22.

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1.8.1 Project Implementation Challenges

- (i) Delayed approval of the project addendum that changed the mode of implementation of the project. This meant that the consultancies under the project could not commence until the addendum was fully approved and signed.

1.8.2 Way Forward

- (i) Ensure project is adequately provided for in the Budget through early engagement with the State Department for Interior and The National Treasury.

1.9 Summary of Project Compliance:

In the period under review there were no cases of non-compliance with applicable laws and regulations, and essential external financing agreements/covenants,



2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETRMINED OBJECTIVES

Introduction

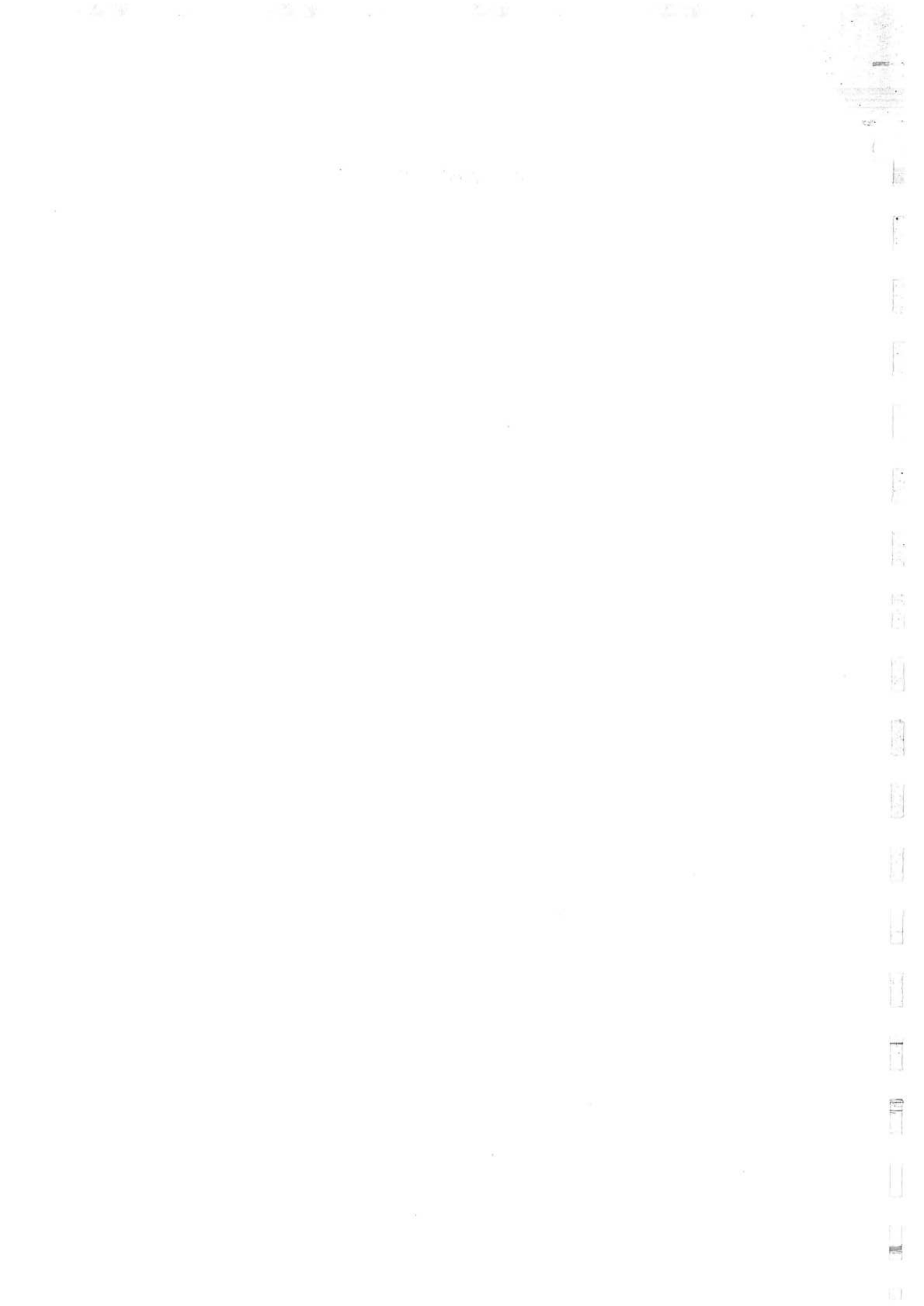
Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer when preparing financial statements of each National Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards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

The key development objective of the grant is to contribute to strengthen the National Transport and Safety Authority in implementing policies related to road safety and ensuring the provision of safe, reliable and efficient road transport.

Progress on attainment of Strategic development objectives

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

Project	Objective	Outcome	Indicator	Performance
Safe Roads/Usalama Barabarani	contribute to strengthen the National Transport and Safety Authority in implementing policies related to road safety and ensuring the provision of safe, reliable and efficient road transport.	Improved capacity of the NTSA staff as a solid foundation for sustainable Road Transport system in Kenya	% of trained staff	During the FY no staff were trained. The procurement process for the consultancy to carry out the skills gap analysis and training needs assessment commenced during the last quarter of the FY.



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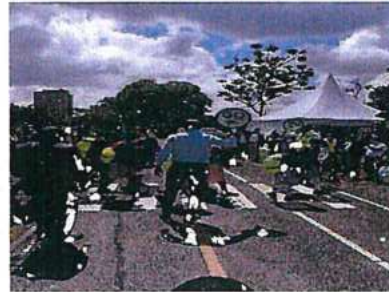
Project	Objective	Outcome	Indicator	Performance
		Enhanced operations of County Transport and Safety Committees (CTSCs) in the 6 pilot counties	% progress of equipping CTSCs	In the FY 2021/22 furniture to support the pilot counties was procured
			No. of draft County Road Safety Action Plans completed	4 draft CRSAPs complete.
		Increased public education and awareness on road safety	% of school curriculum on road safety developed	Approval on direct award to KICD issued by development partner and procurement process is ongoing.
			No. of road safety campaigns conducted	Three main campaigns were conducted during the FY.
			No of sensitization workshops held	6 workshops held in the pilot counties
		Improved driver training and testing	% completion of automation for driver testing and training	Procurement process initiated during the FY. Target to be implemented in the next FY
		Road safety audits and road safety	No. of road safety audits conducted	During the FY five RSAs were conducted.



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Project	Objective	Outcome	Indicator	Performance
		improvement programmes		

Sensitization/Launch Events



The Director General NTSA, Senator Johnson Sakaja and the EU Deputy Ambassador Katrin Hagemann during the Nairobi sensitization event and launch at the Children's Park on 9th December, 2021.



Kakamega County, Kakoyi Primary school children sensitization and distribution of safety materials on 16th November 2021.



Demonstration by NTSA Director Christopher Wanjau on children safety and crossing on 16th November, 2021.



Bodaboda sensitization in Kakamega 16th November 2021



Lions primary School Nakuru County sensitization on 16th Novemebr 2021



3. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Below is a brief highlight of our activities that drive towards sustainability.

3.1 Sustainability strategy and profile

The action targets to initially cover and support six pilot counties out of 47 counties in the country. NTSA will continue with the implementation of interventions and road safety enhancement strategies identified through the project in all the remaining counties to ensure that the programme achieves a sustained positive effect.

3.2 Environmental Performance

The Authority is a responsible entity and is committed to ensuring a safe and clean environment devoid of all forms of pollution. During the period ended 30th June 2022, the Authority undertook a tree planting exercise in selected regional offices and regions to promote tree planting and inculcate the culture of afforestation among its key player commonly known as Public Service vehicle.

To address reduction of carbon emission by unroadworthy vehicles, the Authority with support from key development partners which include the World bank and the European Union has commenced and partially rolled out within its inspection centres, a component of assessing the level of carbon emission for vehicles under inspection. It is anticipated that as this initiative will go a long way in mitigating the air pollution and in effect contribute to environmental preservation and sustainability.

3.3 Employee welfare

The Authority's hiring process is guided by the Human Resource Policies & Procedure manual which in itself is aligned to the Public Service Polices and Employment Act,2007. Moreover, the Authority has in place the Gender & Disability Mainstreaming policies and committees which is used to promote affirmative action on matters Gender and disability in recruitment.

Members of staff are eligible and are in fact trained as part of career progression and capacity building. The Authority has put in place a Career Progression Manual which informs actions taken under staff progression and rewards system. Further, appraisals are done semi-annual and the same has continuously been used as basis for promotion.



As a matter of compliance, the Authority has in place a fully trained committee to deal with matters occupational safety & health at the workplace in accordance with the Occupational Safety and Health Act of 2007, (OSHA.)

The hiring process under the project is guided by the NTSA Human Resources manual and procedures. Staff under the project are also appraised periodically in line with Government procedure, this is undertaken at least twice a year.

3.4 Market place practices-

The organisation should outline its efforts to:

a) Responsible Supply chain and supplier relations-

Through adherence to the Public Procurement & Disposals Act, Regulations, the project ensures it maintains responsible supplier relations and payment practices by ensuring compliance to credit terms as set out in the various engagements/contracts.

b) Responsible ethical practices

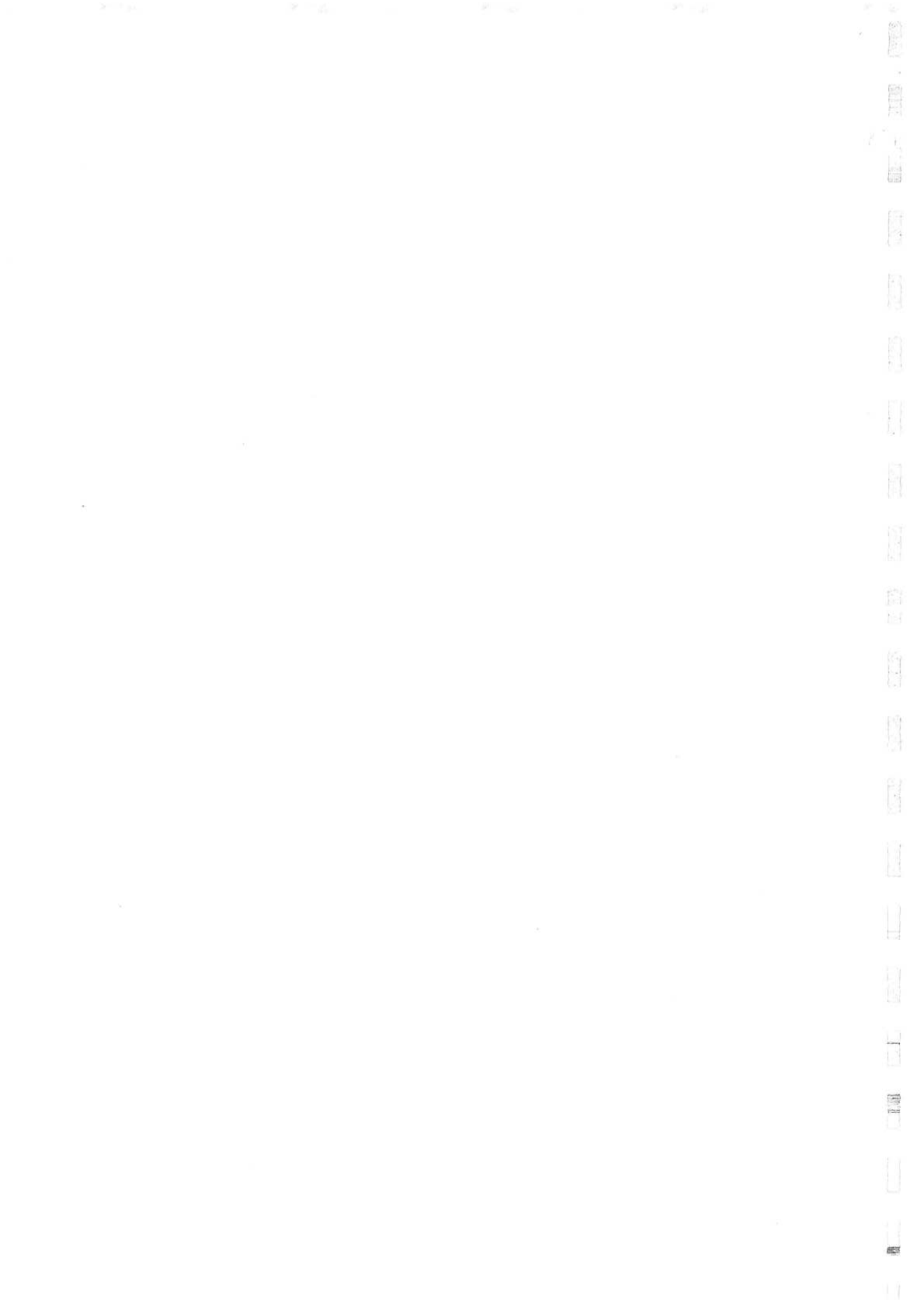
The project ensures and maintains ethical and anti- corruption practices and responsible political involvement through adherence to set laws and regulations. In addition the Authority has Integrity Assurance Officers and a Corruption Prevention Committee that reports to the Ethics and Anti-Corruption Commission on a quarterly basis.

c) Regulatory impact assessment

The project ensures the rights of citizens and stakeholders are safeguarded during its implementation.

3.5 Community Engagements

The project targets to improve the livelihoods of the community through public education and awareness on road safety. This involves distribution of IEC materials to the targeted groups under the project that includes pedestrians, youth, school children, motorcyclists amongst other key groups.



4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Director General for the National Transport and Safety Authority (NTSA) and the Head-Project Management team for Safe Roads / Usalama Barabarani programme 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 (period) ended on June 30, 2022.

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

The Director General for the National Transport and Safety Authority and the Head-Project management team for Safe Roads / Usalama Barabarani programme 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 for the National Transport and Safety Authority and the Head- Project management team for Safe Roads / Usalama Barabarani programme are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year/period ended June 30, 2022, and of the Project's financial position as at that date. The Director General for National Transport and Safety Authority and the Head of Project management team for Safe Roads / Usalama Barabarani programme 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.

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The Director General for the National Transport and Safety Authority and the Head-Project management team for Safe Roads / Usalama Barabarani programme 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 for National Transport and Safety Authority and the Head-Project management team for Safe Roads / Usalama Barabarani programme on 30th June, 2022 and signed by them



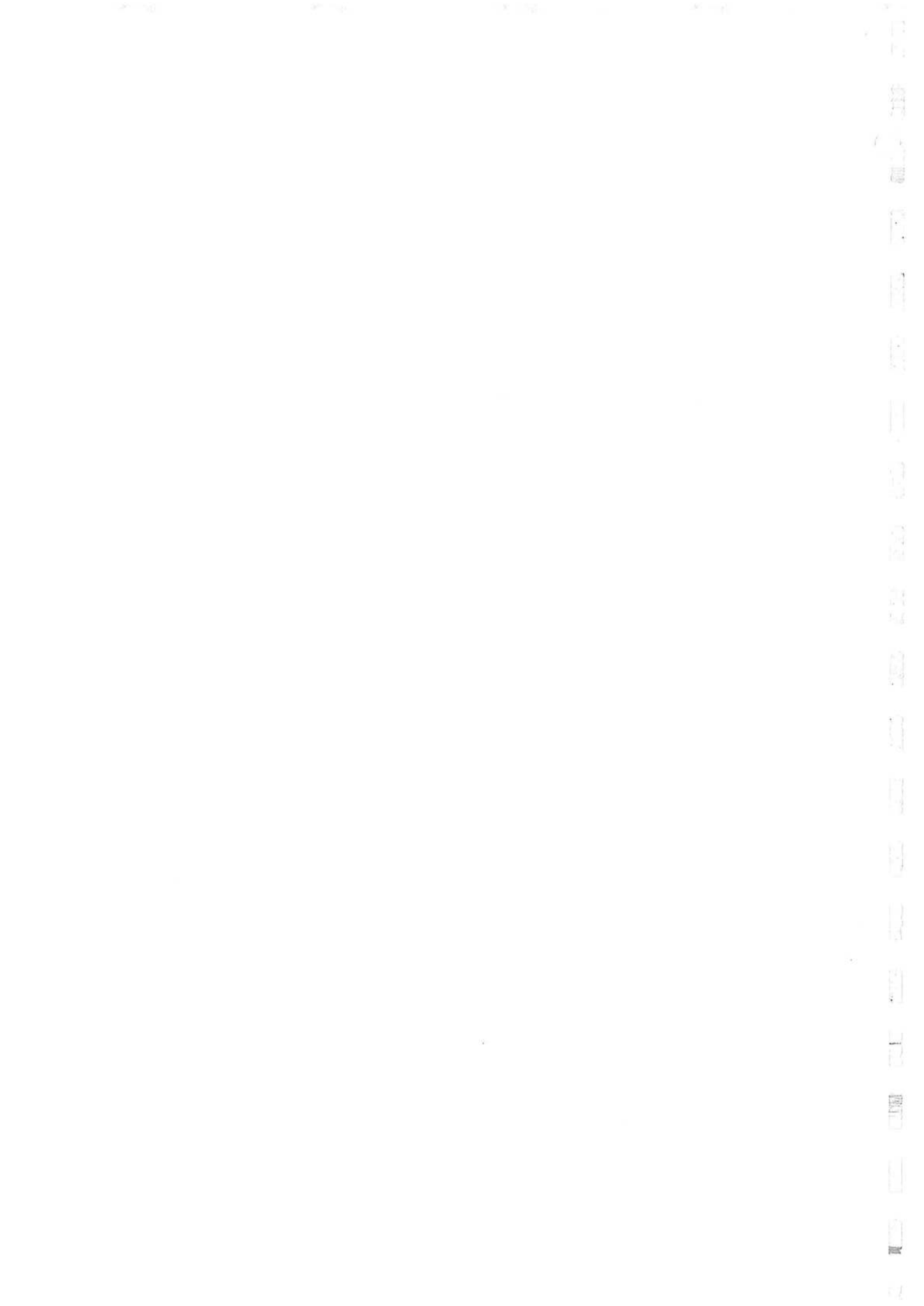
Director General
George Njao



Head- Project Management Team
Duncan Kibogong



Grants Manager
Michael Chege
ACCA 1721196



REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON SAFE ROADS/USALAMA BARABARANI PROGRAMME (EU GRANT NO. KE/FED/037-778) FOR THE YEAR ENDED 30 JUNE, 2022 - NATIONAL TRANSPORT AND SAFETY AUTHORITY

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Safe Roads/Usalama Barabarani Programme set out on pages 1 to 19, which comprise of the statement of

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

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Safe Roads/Usalama Barabarani Programme as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and the Public Finance Management Act, 2012 and comply with the Financing Agreement Grant No. KE/FED/037-778 dated 25 April, 2016 and Grant Contract No. KE/FED/2019/406-074 dated 25 April, 2019 between the European Commission and the Republic of Kenya.

Basis for Qualified Opinion

Undisclosed Receipts

The statement of receipts and payments reflects an amount of Kshs.190,542,679 which, as disclosed in Note 2 to the financial statements, includes Kshs.185,857,973 relating to proceeds from domestic and foreign grants. However, review of the bank statements for the Programme's bank account reveals that, an amount of Kshs.48,650,000 was credited by State Department of Interior and Citizen services in April, 2022. However, the amount is not included in the statement of receipts and payments for the period ended 30 June, 2022.

In the circumstances, the accuracy and completeness of the receipts amount of Kshs.185,857,973 in respect of proceeds from domestic and foreign grants could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Safe Roads /Usalama Barabarani Programme Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audit of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

Key audit matters are those that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

1. Programme Performance and Sustainability

Article 3 of the signed grant contract for Safe Roads/Usalama Barabarani Programme outlined that, the total eligible costs for the Programme was estimated at EUR5,375,000 (an equivalent of Kshs.676,135,096). The grant is limited to 80% of the total cost of the action. The Government of Kenya (GoK) is required to contribute counterpart funds equivalent to 20% of the action, that is, EUR1,075,000 (equivalent to Kshs.135,227,019). However, as at 30 June, 2022 (twenty-seven months later), the total amount received as GoK counterpart financing was Kshs.10,052,969 equivalent to 7.4% of the expected contribution.

In the circumstances, it is not possible to ascertain whether the Government of Kenya will meet its contractual obligation within the stipulated Programme period.

2. Under-Utilized Funds

The statement of receipts and payments reflects total receipts of Kshs.190,542,679 which, as disclosed in Notes 1 and 2 to the financial statements, includes receipts of Kshs.4,684,706 and Kshs.185,857,973 from Government of Kenya and European Union respectively.

However, the Programme expenditure for the year amounted to Kshs.62,377,536 resulting to unutilized balance of Kshs.128,165,143 or 67% of the funds received during the year under review.

In the circumstances, the slow absorption of the funds may affect the achievement of the intended deliverables and the planned objectives of the programme may not be met in time.

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

Use of Funds for Unintended Purpose

The statement of receipts and payments reflect a total expenditure of Kshs.62,377,536. Examination of the bank statements for the Programme's bank account reveals two payments of Kshs.34,765,200 and Kshs.18,077,904, all totalling to Kshs.52,843,104,

made in favor of Prison Industries Revolving Funds, on 10 March, 2022 and 22 April, 2022 respectively in respect of supply of number plates which is part of the Authority's core-business and hence not related to the Programme.

As stipulated in the grant contract, donor funds are to be utilized for the set Programme objectives. It was thus not possible to ascertain whether payments for supply of materials used in normal business operations of the National Transport and Safety Authority was within the set objectives and conditions for utilization of the grant funds.

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, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

Lack of Annual Audit Work Plan and Internal Audit Reports

Examination of records of Safe Roads/Usalama Barabarani Programme revealed that there was no signed written internal audit report for the Financial Year 2021/2022. Further, review of internal audit function revealed that, there was no evidence that an annual audit plan for Safe Roads/Usalama Barabarani Programme was developed and approved by the audit committee. It was therefore, not possible to establish how the internal audit for the Programme was to be carried out in the year under review without an approved internal audit work plan incorporating the Programme.

Further, it was not possible to ascertain whether the internal audit function reviewed and evaluated the budgetary performance, financial management, transparency and accountability mechanisms so as to give reasonable assurance on state of risk management, internal control and governance of the Project as required by Regulation 160(1) of the Public Finance Management (National Government) Regulations, 2015.

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.

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Programme's ability to continue to sustain its 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 Programme 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 Programme's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report which 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 on whether, in all material respects, 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, in accordance with the provisions of Article 229(6) of the Constitution, and submit the audit report in compliance with Article 229(7) of the Constitution

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and overall 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 controls would not necessarily disclose all matters in the internal controls which 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 which would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Programme'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 which 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 controls.
- 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 which may cast significant doubt on the Programme'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 Programme to cease to sustain its services.

- Evaluate the overall presentation structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner which achieves fair presentation
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Programme to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

07 November, 2022

Safe Roads/Usalama Barabarani
Reports and Financial Statements
For the financial period ended June 30th, 2022 (KShs)

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

	Note	Receipts and payments controlled by the entity	Payments made by third parties	Total	Receipts and payments controlled by the entity	Payments made by third parties	Total	Cumulative to-date (From inception)
		2021/2022			2020/2021			
		KShs	KShs	KShs	KShs	KShs	KShs	KShs
RECEIPTS								
Transfer from Government entities	1	4,684,706		4,684,706	4,641,010		4,641,010	10,052,969
Proceeds from domestic and foreign grants	2	185,857,973		185,857,973	49,213,907		49,213,907	266,320,188
TOTAL RECEIPTS		190,542,679		190,542,679	53,854,917		53,854,917	244,397,596
PAYMENTS								
Compensation of employees	3	13,895,091		13,895,091	10,149,941		10,149,941	24,672,285
Purchase of Goods and Services	4	46,755,541		46,755,541	4,160,034		4,160,034	50,316,339
Acquisition of non-financial assets	5	1,726,904		1,726,904	21,461,483		21,461,483	23,188,387
TOTAL PAYMENTS		62,377,536		62,377,536	35,771,458		35,771,458	98,177,010
SURPLUS/(DEFICIT)		128,165,143		128,165,143	18,083,459		18,083,459	146,220,586

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

Director General
George Njao

Head Project Management Team
Dr. Duncan Kibogong

Grants Manager
Michael Chege
ACCA 1721196

Date

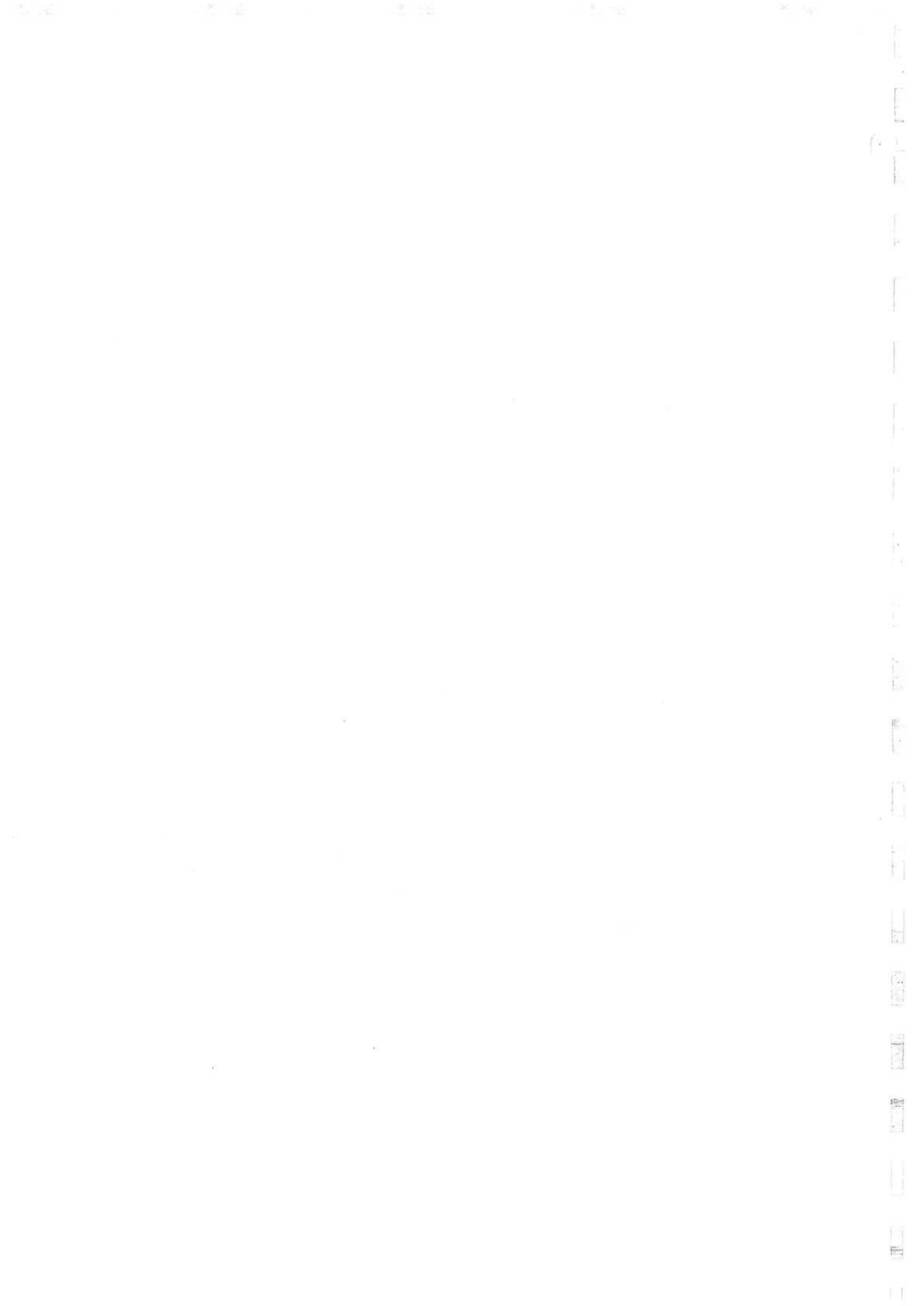
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**Safe Roads/Usalama Barabarani
Reports and Financial Statements
For the financial period ended June 30th, 2022 (KShs)**

7. STATEMENT OF FINANCIAL ASSETS AS AT JUNE 30th, 2022

Description	Note	2021-2022	2020-2021
		KShs	KShs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	6	164,478,749	49,006,924
Total Cash and Cash Equivalents		164,478,749	49,006,924
Imprests and Advances	7	13,118,161	424,843
TOTAL FINANCIAL ASSETS		177,596,910	49,431,767
REPRESENTED BY			
Fund balance b/fwd	8	49,431,767	31,348,308
Surplus/(Deficit) for the year		128,165,143	18,083,459
NET FINANCIAL POSITION		177,596,910	49,431,767

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 29/9/ 2022 and signed by:

Director General
George Njao

Head-Project Management Team
Dr. Duncan Kibogong

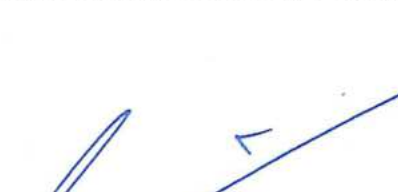
Grants Manager
Michael Chege
ACCA 1721196


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8. STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30TH JUNE, 2022

Description	Note	2021-2022 KShs	2020-2021 KShs
Receipts from operating activities			
Transfer from Government entities	1	4,684,706	4,641,010
Proceeds from domestic and foreign grants	2	185,857,973	49,213,907
Payments from operating activities			
Compensation of employees	3	13,895,091	10,149,941
Purchase of Goods and Services	4	46,755,541	4,160,034
Adjustments during the year			
Decrease/(Increase) in Accounts Receivable	9	- 12,693,318	- 424,843
Net cash flow from operating activities		117,198,729	39,120,098
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	5	1,726,904	21,461,483
Net cash flows from Investing Activities		1,726,904	21,461,483
CASHFLOW FROM BORROWING ACTIVITIES			
Net cash flow from financing activities			-
NET INCREASE IN CASH AND CASH EQUIVALENT		115,471,825	17,658,616
Cash and cash equivalent at BEGINNING of the year		49,006,924	31,348,308
Cash and cash equivalent at END of the year		164,478,749	49,006,924

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 29/9/ 2022 and signed by:


Director General
George Njao


Head-Project Management Team
Dr. Duncan Kibogong


Grants Manager
Michael Chege
ACCA 1721196

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**9. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE
YEAR ENDED 30TH JUNE, 2022**

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 %
Receipts						
Transfer from Government entities	30,284,040	-	30,284,040	4,684,706	25,599,334	15%
Proceeds from domestic and foreign grants	261,136,159	-	261,136,159	185,857,973	75,278,186	71%
Total Receipts	291,420,199	-	291,420,199	190,542,679	100,877,520	65%
Payments						
Compensation of employees	30,000,000	-	30,000,000	13,895,091	16,104,909	46%
Purchase of goods and services	254,420,199	-	254,420,199	46,755,541	207,664,658	18%
Acquisition of non-financial assets	7,000,000	-	7,000,000	1,726,904	5,273,096	25%
Total Payments	291,420,199	-	291,420,199	62,377,536	229,042,663	21%
Surplus or Deficit	-		-	128,165,143	-128,165,143	

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

Director General
George Njao

Head-Project Management Team
Dr. Duncan Kibogong

Grants Manager
Michael Chege
ACCA 1721196

Date

Date

Date



10. SIGNIFICANT ACCOUNTING POLICIES

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

10.1 Statement of compliance and basis of preparation

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

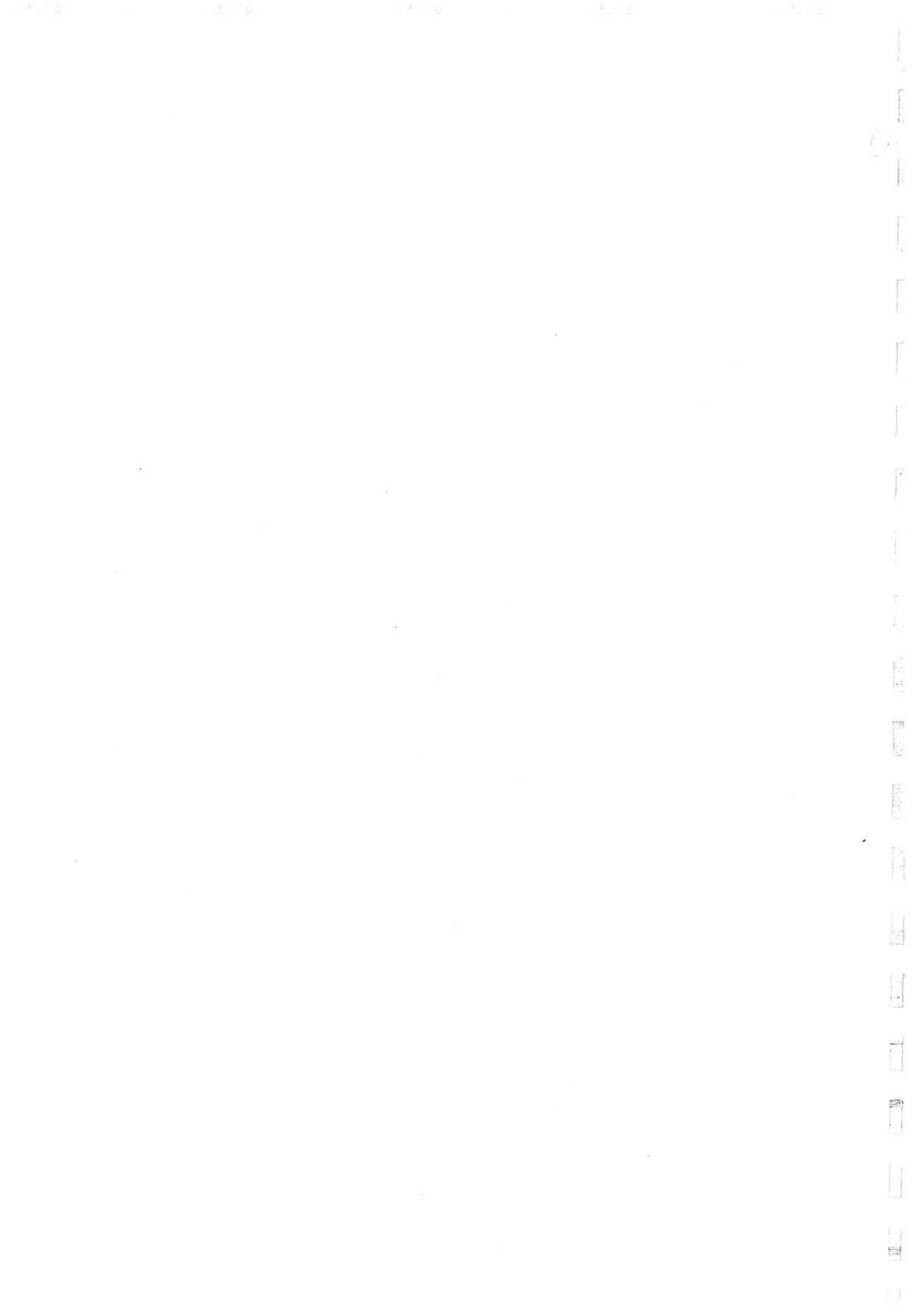
The accounting policies adopted have been consistently applied to all the years presented.

10.2 Reporting entity

The financial statements are for the Project Safe Roads/Usalama Barabarani under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012 .

10.3 Reporting currency

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



Significant Accounting Policies (Continued)

10.4 Recognition of receipts

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

i) Transfers from the Exchequer

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

ii) External Assistance

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

iii) Other receipts

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

a) 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.



Significant Accounting Policies (Continued)

b) 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.

c) Undrawn external assistance

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

10.5 Recognition of payments

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

i) Compensation of employees

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

ii) Use of goods and services

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

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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.

10.6 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



Significant Accounting Policies (Continued)

receipts and as payments in equal and opposite amounts; otherwise, the contribution is not recorded.

10.7 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

10.8 Restriction on cash

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

10.9 Imprests and Advances

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



Significant Accounting Policies (Continued)

10.10 Contingent Liabilities

A contingent liability is:

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

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities.

Letters of comfort/ support, insurance, Public Private Partnerships,

The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Annex 5 of this financial statement is a register of the contingent liabilities in the year.

10.11 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 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.

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Significant Accounting Policies (Continued)

10.12 Pending bills

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

10.13 Budget

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

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

Significant Accounting Policies (Continued)

10.14 Third party payments

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

and are disclosed in the payment to third parties' column in the statement of receipts and payments. During the year, no direct payments from third parties were made.

10.15 Exchange rate differences

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

10.16 Comparative figures

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

10.17 Subsequent events

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

10.18 Prior period adjustments

Prior period adjustments relate to errors and other adjustments noted arising from previous year(s). There were no prior period adjustments made.

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11. NOTES TO THE FINANCIAL STATEMENTS

1. TRANSFERS FROM GOVERNMENT ENTITIES

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

	2021/22	2020/21	Cumulative to-date(from inception)
	KShs	KShs	
<i>Counterpart funding through National Transport and Safety Authority</i>			
Counterpart funds Quarter 1	1,211,047	994,515	2,205,562
Counterpart funds Quarter 2	1,094,760	1,893,693	2,988,453
Counterpart funds Quarter 3	1,145,850	1,156,649	2,302,499
Counterpart funds Quarter 4	1,233,049	596,152	2,556,454
Total	<u>4,684,706</u>	<u>4,641,010</u>	<u>10,052,969</u>

The above represents counterpart funding from the National Transport and Safety Authority. This was mainly used to finance personnel costs.

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*Safe Roads/Usalama Barabarani
Reports and Financial Statements
For the financial period ended June 30th, 2022 (KShs)*

NOTES TO THE FINANCIAL STATEMENTS (Continued)

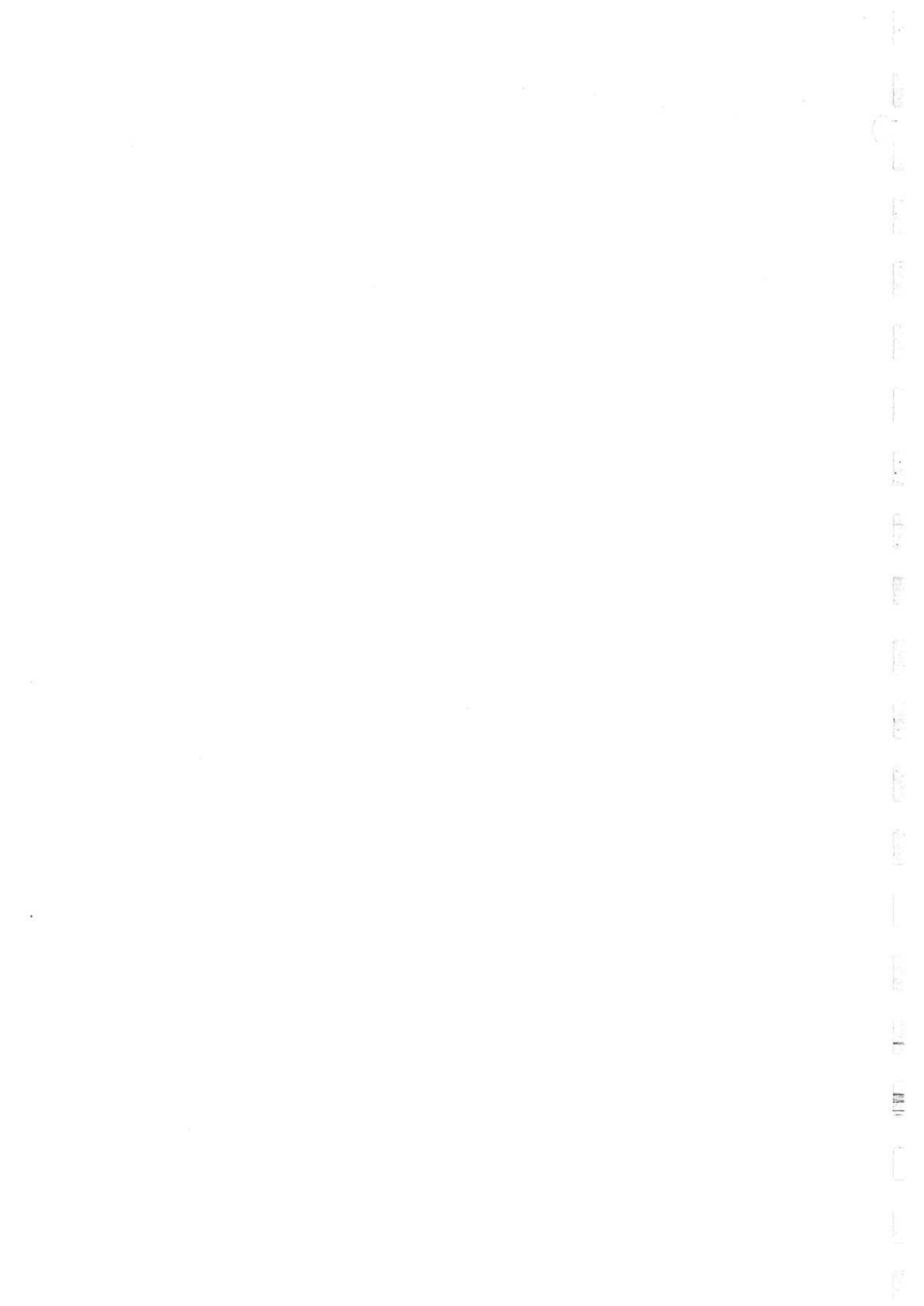
2. PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

During the period to June, 30th 2022 we received grants from donors as follows:

Name of Donor	Date received	Amount received in donor currency	Grants received in cash	Grants received as direct payment*	Grants received in kind	Total amount in KShs	
						2021/22	2020/21
		EUR	KShs	KShs	KShs	KShs	KShs
Grants Received from Bilateral Donors (Foreign Governments)							
European Union	27.5.2021	379,642	49,213,907	-	-		49,213,907
	10.3.2022	1,456,632	185,857,973			185,857,973	
Total						185,857,973	49,213,907

3. COMPENSATION OF EMPLOYEES

	2021/22			2020/21	Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
-	KShs	KShs	KShs	KShs	KShs
Basic salaries of permanent employees	6,453,374		6,453,374	4,610,379	11,691,006
Personal allowances paid as part of salary	6,400,550		6,400,550	4,587,463	10,988,013
Pension and other social security contributions	1,041,167		1,041,167	952,099	1,993,266
Total	<u>13,895,091</u>	=	<u>13,895,091</u>	<u>10,149,941</u>	<u>24,672,285</u>



*Safe Roads/Usalama Barabarani
Reports and Financial Statements
For the financial period ended June 30th, 2022 (KShs)*

4. PURCHASE OF GOODS AND SERVICES

	2021/22			2020/21	Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	KShs	KShs	KShs	KShs	KShs
-					
Printing, advertising and information supplies	42,576,970		42,576,970	2,157,264	44,734,234
Hospitality supplies and services	599,237		599,237		
Domestic travel and subsistence	2,294,975		2,294,975	1,390,600	3,685,575
Routine maintenance – vehicles and other transport equipment	1,244,962		1,244,962	594,710	1,839,673
Bank Charges	39,397		39,397	17,460	56,857
Total	<u>46,755,541</u>	=	<u>46,755,541</u>	<u>4,160,034</u>	<u>50,316,339</u>

5. Acquisition of non-financial assets

	2021/22			2020/21	Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	KShs	KShs	KShs	KShs	KShs
-					
Purchase of vehicles & other transport equipment	-		-	21,333,724	21,333,724
Purchase of office furniture & general equipment	1,726,904		1,726,904	127,759	1,854,663
Total	<u>1,726,904</u>	=	<u>1,726,904</u>	<u>21,461,483</u>	<u>23,188,387</u>

The total expenditure for the period under acquisition of non-financial assets was Kshs. 1,726,904 which relates to expenses incurred in the purchase of office furniture aimed at enhancing the operations in the 6 pilot counties.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 CASH AND CASH EQUIVALENTS

	2021/22	2020/21
	KShs	KShs
Bank Accounts	164,478,749	49,006,924

The project has one project account within the project implementation area and one foreign currency designated accounts managed by the National Treasury as listed below:

6 A. Bank Accounts

	2021/22	2020/21
	KShs	KShs
<u>Foreign Currency Accounts</u>	-	-
Central Bank of Kenya [A/c No. 1000426896]	-	-
Total Foreign Currency balances	=	=
<u>Local Currency Accounts</u>		
Kenya Commercial Bank [A/c No 1266570756]	164,478,749	49,006,924
Total Local Currency balances	<u>164,478,749</u>	<u>49,006,924</u>
Total bank account balances	<u>164,478,749</u>	<u>49,006,924</u>

Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as at 30th June 2022 are not included in the Statement of Financial Assets since they are below the line items and are yet to be drawn into the Exchequer Account as a voted provision.

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



*Safe Roads/Usalama Barabarani
Reports and Financial Statements
For the financial period ended June 30th, 2022 (KShs)*

Special Deposit Accounts Movement Schedule

	2021/22	2020/21
	EUR	EUR
Central Bank of Kenya [A/c No. 1000426896]		
Opening balance	0	379,642
Total amount deposited in the account	1,456,632	-
Total amount withdrawn (as per Statement of Receipts & Payments)	<u>- 1,456,632</u>	<u>- 379,642</u>
Closing balance (as per SDA bank account reconciliation attached)	<u>0</u>	<u>0</u>

The Special Deposit Account(s) reconciliation statement(s) has (have) been attached as *Annex 3* support these closing balances.

7 IMPRESTS AND ADVANCES

	2021/22	2020/21
	KShs	KShs
National Transport and Safety Authority	12,756,561	424,843
NTSA Officers	361,600	
Total Accounts Receivable	<u>13,118,161</u>	<u>424,843.00</u>

7b. Breakdown of Imprests and Advances

Name of Officer or Institution	Amount Taken	Due Date of Surrender	Amount Surrendered	Balance 2022	Balance 2021
National Transport and Safety Authority	12,756,561	30.6.22	-	12,756,561	-
Patrick Mbugua	33,600	1.7.22		33,600	
George Kutto	328,000	30.6.22	-	328,000	-
Total	<u>13,118,161</u>			<u>13,118,161</u>	

8 FUND BALANCE BROUGHT FORWARD

	2021/22	2020/21
	KShs	KShs
Bank Accounts	49,006,924	31,348,308
Imprests and Advances	424,843	
Total Balance Brought Forward	<u>49,431,767</u>	<u>31,348,308</u>

*Safe Roads/Usalama Barabarani
Reports and Financial Statements
For the financial period ended June 30th, 2022 (KShs)*

**9. CHANGE IN ACCOUNTS
RECEIVABLE**

	2021/22	2020/21
	KShs	KShs
Opening Receivables as at 1 st July 2021	-424,843	-
Closing account receivables as at 30 th June 2022	-13,118,161	424,843.00
<u>Change in Receivables</u>	<u>12,693,318</u>	<u>424,843.00</u>



12. PRIOR YEAR AUDITOR-GENERAL'S RECOMMENDATIONS

There were no issues raised by the Auditor General in the prior year.

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***Safe Roads/Usalama Barabarani
Reports and Financial Statements
For the financial period ended June 30th, 2022 (KShs)***

13. ANNEXES

ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS FOR FY 2021/2022

Revenue/Expense Item	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance(below 90% and over 100%)
	a	b	c=a-b	d=b/a %	
Receipts					
Transfer from Government entities	30,284,040	4,684,706	25,599,334	15%	
Proceeds from domestic and foreign grants	261,136,159	185,857,973	75,278,186	71%	
Total Receipts	291,420,199	190,542,679	100,877,520	65%	
Payments			-		
Compensation of employees	30,000,000	13,895,091	16,104,909	46%	Low funds absorption as a result of late funds disbursement.
Purchase of goods and services	254,420,199	46,755,541	207,664,658	18%	
Acquisition of non-financial assets	7,000,000	1,726,904	5,273,096	25%	
Total Payments	291,420,199	62,377,536	229,042,663	21%	



ANNEX 2: RECONCILIATION OF INTER-ENTITY TRANSFERS

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Annex 2: Reconciliation of inter-entity transfers


Project Name:				
Break down of transfers from the State Department of Interior and coordination of National Government				
a.	Government Counterpart funding			
		Bank Statement Date	Amount (Kshs)	
			-	
			-	
			-	
		Total	-	
B.	Direct payments			
		Bank Statement Date	Amount (Kshs)	
			-	
		Total	-	
C	Others			
		Bank Statement Date	Amount (Kshs)	FY 2021/22
		10.03.2022	185,857,973.35	
		Total	185,857,973.35	
		Total (A+B+C)	185,857,973.35	

The above amounts have been communicated to and reconciled with the Parent Ministry/
State Department

Finance Specialist
NTSA - Usalama Barabarani

Sign 

Head of Accounting Unit
Ministry of Interior and
Coordination of National Government

Sign 

DEPUTY ACCOUNTANT GENERAL
STATE DEPARTMENT FOR INTERIOR
P O Box 30510 - 00100
NAIROBI



Safe Roads/Usalama Barabarani
Reports and Financial Statements
For the financial period ended June 30th, 2022 (KShs)

ANNEX 3 – SUMMARY OF FIXED ASSETS REGISTER

Asset class	Opening Cost	Donations in form of assets	*Purchases/ Additions in the Year	**Disposals in the Year	Transfers in/(out)	Closing Cost
	(KShs)	(KShs)	(KShs)	(KShs)	(KShs)	(KShs)
	2021/22	2021/22	2021/22	2021/22	2021/22	2021/22
	(a)	(b)	(c)	(d)	(d)	(e)= (a)+ (b)+c)-(d)+(-)d
Motor Vehicles	21,708,000.00	-	-	-	-	21,708,000.00
Office equipment, furniture and fittings	129,999.99	-	1,726,904.00	-	-	1,856,903.99
Total	21,837,999.99	-	1,726,904.00	-	-	23,564,903.99

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ANNEX 4 – OTHER SUPPORTING DOCUMENTS

**SUPPORT TO KENYA ENERGY AND TRANSPORT SECTOR - NTSA
STATEMENT OF SPECIAL (DESIGNATED) ACCOUNT
FOR THE YEAR ENDED 30TH JUNE 2022**

EU Grant No.KE/FED/2019/406-074

Bank Account No.1000426896 Held with CENTRAL BANK

	NOTES	MOUNT	AMOUNT
		EURO	EURO
1	Amount advanced by EU		2,096,128.78
	Less:		
2	Total amount justified to EU		-
3	Outstanding amount advanced to be justified		2,096,128.78
	Represented by:		
4	Ending Designated Account Balance at 30.06.2022		-
5	Amount claimed but not credited at 30.06.2022		-
6	Amount withdrawn and not claimed as at 30.06.2022		2,096,128.78
7	Service charges (if not included in 5 & 6 above)		-
	Less:		
8	Interest earning (if included in Designated Account)		-
9	Total advance to Designated Account year ended 30.06.2022		2,096,128.78

Discrepancy between total appearing on lines 3 and 9

-

Notes:

- 1 Explain the discrepancy between totals appearing on lines 3 and 9 above (e.g amount due to be refunded ineligible expenditures paid from the Special/Designated Account)
- 2 Indicate if amount appearing on line 6 is eligible for financing by AFD and provide reasons for not claimed expenditures

The amount appearing on line 6 is eligible for financing by European Union and shall be documented in subsequent IFRs

S. Mutitu

**AUTHORIZED REPRESENTATIVE
RESOURCES MOBILISATION DEPARTMENT
THE NATIONAL TREASURY**

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13

SPECIAL ACCOUNT STATEMENT

For period ending **30TH JUNE, 2022**
Account No. **1000426896**
Depository Bank **CENTRAL BANK OF KENYA**
Address
Related Loan **SUPPORT TO KENYA ENERGY AND TRANSP**
Credit Agreement
Currency **EUR**

Account Activity

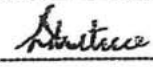
Beginning balance of 1ST July, 2021 as per C.B.K. Ledger Account	-
Add:	
Total Amount deposited by World Bank	<u>1,456,575.18</u>
Total Interest earnings if deposited in account	-
Total amount refunded to cover ineligible expenditure	-
Deduct:	
Total amount withdrawn	<u>1,456,575.18</u>
Total service charges if not included above in amount withdrawn	-
Ending balance on 30th June,2022	-

**AUTHORISED REPRESENTATIVE
CENTRAL BANK OF KENYA**

SIGNATURE: 

DATE 13.07.2022

**AUTHORISED REPRESENTATIVE
EXTERNAL RESOURCES
DEPARTMENT-TREASURY**

SIGNATURE: 

DATE 02-08-2022

NOTE: The ending balance as per Central Bank of Kenya Ledger Account and the off-shore Special Account as at 30th June,2022 have been reconciled and a copy of the supporting Reconciliation Statement is attached.



Results 1 - 2 of 2

Run Date: 13/07/2022 Run Time: 07:51:29
 CENTRAL BANK OF KENYA
 BANKI KUU YA KENYA
 P.O.BOX 60000-0100
 NAIROBI
 STATEMENT PERIOD: From 01/07/2021 To

STATEMENT OF ACCOUNT

PAGE NO: 1

ACCOUNT NUMBER: 1000426896

ACCOUNT TITLE: SUPPORT TO KENYA ENERGY AND TRANSF.
 30/06/2022

NO.	DATE	REFERENCE NO	DETAILS	DEBIT	CREDIT BALANCE
OPENING BAL:			0.00		
NO.	Value Date	Reference.No	Details	Debit	Credit
1	23/02/2022	FT22053BGWGW	FUNDING	0.00	1,456,575.18
2	01/03/2022	FT2206073V0P	PA127828	-1,456,575.18	0.00
				CLOSING BALANCE: 0	

END OF ACCOUNT STATEMENT

Favourites | TAM.E.STMT.OF.ACCT.EPRM | [More Options](#) | [Clear Selection](#) | [Find](#)

Account	equals	1000426896
Statement From	equals	20210701
Statement To	equals	20220630

TAM.E.STMT.OF.ACCT.EPRM

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1. Contract No. FED/2019/406-074 'SAFE ROADS / USALAMA BARABARANI PROGRAMME' implemented by National Transport and Safety Authority (NTSA)

Total pre-financing paid by the European Commission: EUR 2,096,273.28

See bank value dates below:

Payments (incl. PF)		Invoice Local Key		Pay User Reference		Pay Bank Value Date	Curr	Paid Amount (EUR)
Pay Local Key (Link to ABAC)	Pay Type Code	Invoice Local Key	Invoice Local Key	Pay User Reference	Pay User Reference	Pay Bank Value Date	Curr	Paid Amount (EUR)
AID.123244	PF - Pre-Financing	AID.125961	AID.125961	FED2019/406-074-SAFE ROADS / USALAMA BARABARANI PROGRAMME - REQUEST FOR 1ST PRE-FINANCING	FED2019/406-074-SAFE ROADS / USALAMA BARABARANI PROGRAMME - REQUEST FOR 1ST PRE-FINANCING	10/02/2020	EUR	639,641.60
AID.134128	PF - Pre-Financing	AID.143820	AID.143820	FED2019/406-074-SAFE ROADS / USALAMA BARABARANI PROGRAMME - FURTHER PRE-FINANCING PAYMENT 01/09/2021 TO 31/08/2023	FED2019/406-074-SAFE ROADS / USALAMA BARABARANI PROGRAMME - FURTHER PRE-FINANCING PAYMENT 01/09/2021 TO 31/08/2023	26/01/2022	EUR	1,456,631.68
								2,096,273.28

REPUBLIC OF KENYA



Enhancing Accountability

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 22 MAR 2023	DAY: WEDNESDAY
TABLED BY: Hon. Owen Bata MP Deputy leader of Majority Party	
CLERK-AT THE TABLE: A. Shubiko	

REPORT

OF

THE AUDITOR-GENERAL

ON

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

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

**STATE DEPARTMENT FOR
INFRASTRUCTURE**



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

STATE DEPARTMENT OF INFRASTRUCTURE

CREDIT NUMBER: 5638-KE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2022

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

Eastern Africa Regional Transport, Trade and Development Facilitation Project (EARTTDFP)
Reports and Financial Statements
For the financial year ended June 30, 2022

**Eastern Africa Regional Transport, Trade and Development Facilitation Project (EARTTDFP)
Reports and Financial Statements
For the financial year ended June 30, 2022**

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**Eastern Africa Regional Transport, Trade and Development Facilitation Project (EARTTDFP)
Reports and Financial Statements
For the financial year ended June 30, 2022**

1. Project Information and Overall Performance

1.1 Name and registered office

The project's official name is Eastern Africa Regional Transport, Trade and development Facilitation Project (EARTTDFP).

Objective

The key objective of the project is to strengthen institutional capacities in the State Department of Infrastructure and all beneficiary entities/institutions involved within the project.

Address

The project headquarters offices are Transcom Building (Nairobi), Nairobi County, Kenya.

The project offices are housed under;

State Department of Infrastructure

P.O. Box 30260-00100

Nairobi.

Contacts: The following are the project contacts

Telephone: (254)020 2723232

E-mail: ps@infrastructure.go.ke

Website: www.transport.go.ke

**Eastern Africa Regional Transport, Trade and Development Facilitation Project (EARTTDFP)
Reports and Financial Statements
For the financial year ended June 30, 2022**

Project information and overall performance (continued)

1.2 Project Information

Project Start Date:	The project start date is 12th June 2015
Project End Date:	The project end date is 31 st December,2023
Project Manager:	The project manager is Eng. Sospeter Gitonga
Project Sponsor:	The project sponsor is World Bank(IDA)

1.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the State Department of Infrastructure.
Project number	5638-KE
Strategic goals of the project	The strategic goals of the project are as follows: (i) Improve the movement of goods and people along the Lokichar Nadapal/Nakodok part of the Eldoret-Nadapal road in the North Western part of Kenya, in particular and to enhance connectivity between Kenya and South Sudan in general.
Other important background information of the project	To facilitate Regional Transport, Trade and Development through harmonization of customs and other management, risk management and control procedures.
Current situation that the project was formed to intervene	The project was formed to support activities designed to strengthen the institutional capacities of implementing entities involved in project implementation and to support monitoring and evaluation of road projects
Project duration	The project started on 12 th June, 2015 and is expected to run until 31 st Dec, 2023

Eastern Africa Regional Transport, Trade and Development Facilitation Project (EARTTDFP)
Reports and Financial Statements
For the financial year ended June 30, 2022

1.4 Bankers

The following are the bankers for the current year:

- (i) Project Account
 1000284579
 Central Bank of Kenya
 Haile Selassie Avenue
 P.O. Box 60000-0200
 Nairobi, Kenya

1.5 Auditors

The project is audited by:

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

1.6 Roles and Responsibilities

List of the different officers who will be working on the project. This list would include the project manager and all the key stakeholders who will be involved with the project. Also, record their role, their positions, and their contact information.

Names	Title designation	Key qualification	Responsibilities
Eng. Sospeter Gitonga	Project Team Leader	Msc. (Civil Engineering)	Proper Management of the implementation
Eng. Boniface Maithya	Deputy Team Leader	Msc. (Civil Engineering)	Technical Coordination and management of entities on project
Elvis Kandie	Procurement officer	BBM (Purchasing and Supplies)	Procurement planning and implementation
Cyrus Njau	Project Accountant	MBA, CPA-K, CPS-K	Proper funds flow and timely financial reports

1.7 Funding summary

The Project was intended to end in December 2021 with an entire budget of USD 11 million. The project was however restructured and subsequently extended for 2 years to end in December 2023 with a cumulative budget of USD 13.9 million equivalent to KShs 1,652,015,000.00 as highlighted in the table below:

*Eastern Africa Regional Transport, Trade and Development Facilitation Project (EARTTDFP)
Reports and Financial Statements
For the financial year ended June 30, 2022*

Project information and overall performance (continued)

B. Application of Funds

Application of funds	Amount received to date – (30 th June 2022)		Cumulative Amount paid to date – (30 th June 2022)	Unutilised balance to date (30 June 2022)	
	Donor currency (A)	Kshs (A')		Donor currency (A)-(B)	Kshs (A')-(B')
(i) Loan					
World Bank (IDA)	6,400,163.31	760,659,410	715,097,913	383,352.94	45,561,497
(ii) Counterpart funds					
Government of Kenya	-	-	-	-	-
Total	6,400,163.31	760,659,410	715,097,913	383,352.94	45,561,497

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Project information and overall performance (continued)

Below is the funding summary:

A. Source of Funds

Source of funds	Donor Commitment-		Amount received to date – (30.06. 2022)		Undrawn balance to date	
	Donor currency	KShs	Donor currency	KShs	Donor currency	KShs
(i) Loan (World Bank – IDA)	(A)	(A')	(B)	(B')	(A)-(B)	(A)-(B)
Revenue	1Usd=Ksh 118.85					
Direct Payment	13,900,000	1,652,015,000	6,116,191.92	726,909,410	7,783,808.08	925,105,590
			283,971.39	33,750,000		
Totals	13,900,000	1,652,015,000	6,400,163.31	760,659,410	7,499,836.69	891,355,590
(ii) Counterpart funds						
Government of Kenya	-	-	-	-	-	-
Total	13,900,000	1,652,015,000	6,400,163	760,659,410	7,499,837	891,355,590

Project information and overall performance (continued)

1.8 Summary of Overall Project Performance:

- i. Budget performance against actual amounts for current year and for cumulative to-date.* Already provided as part of the Financial Statements
- ii. Physical progress based on outputs, outcomes and impacts since project commencement*
 - Progress of activities under the department is good however, there is slow progress for activities under beneficiary entities.
 - Activities been undertaken in the department are geared towards institutional strengthening of the department in oversight of roads development and maintenance, impacts might not be felt immediately as most of the activities are under procurement or procurement has just been completed
 - Capacity building program already undertaken or ongoing has helped the Project Implementation Team in understanding and implementation of donor funded projects thus ensuring efficiency in the delivery of the projects
- iii. Comment on value-for-money achievements*
 - The department has ensured procurement of most of activities is competitive to ensure value for money is achievement
 - The department has an inspection and acceptance committee which ensures that all goods and services delivered/offered are as per required standards and specifications
 - The department has been working within the approved budget during procurement of the various activity where applicable
- iv. List the implementation challenges and recommended way forward.*
 - a) List of implementation challenges**
 - Price escalations – There has been change in prices of goods and services in the global market due to strengthening of US dollar against local currency thus affecting approved budgets
 - Some of the beneficiaries under the department implementing World Bank financed projects lack knowledge on the procedures and processes in the implementation of these projects because of regular changes of office staff
 - Lengthy internal processes and procedures which has delayed implementation of activities
 - Request for “No Objection” from the Government on procurement of vehicles has delayed procurement of some activities due to period it takes to receive approval from the Government.

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a) Way forward

- Proper market survey to be undertaken before commencement of the implementation of projects i.e. inclusion of risk based planning.
- Capacity building of the Project Implementation Team from the Department/Beneficiary entities on implementation of World bank financed projects is necessary
- Integrating Government and World Bank procurement procedures where possible to reduce time taken in internal delays within department.

1.9 *Summary of Project Compliance:*

- i) Include significant cases of non-compliance with applicable laws and regulations, and essential external financing agreements/covenants,
- ii) Include consequences suffered on account of non-compliance or likely to be suffered.
- iii) Indicate mitigation measures taken or planned to be taken to alleviate the adverse effects of actual or potential consequences of non-compliance.

There is no non-compliance on the projects

2. 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.

Project Development Objective (PDO)

The objective of the Eastern Africa Regional Transport, Trade and Development Facilitation Project, Second Phase of Program (SOP2) is to improve the movement of goods and people along Lokichar – Nadapal/Nakodok part of the Eldoret-Nadapal/Nakodok road in the north western part of Kenya, in particular, and to enhance connectivity between Kenya and South Sudan, in general.

This project contributes to the principal PDO, improving access to the north western part of Kenya and between Kenya and South Sudan, through improving road infrastructure and ICT links, reducing transport and ICT costs, and facilitating the reduction of non-fiscal trade barriers, which help reduce the cost of doing business and development. The project also improves South Sudan's access to sea ports by improving the Nadapal/Nakodok – Eldoret part of the Juba- Nadapal – Eldoret (South Sudan – Kenya regional link) corridor that connects to the Northern Corridor serving the landlocked countries in the sub region to Mombasa sea port. The project provides the most cost-efficient transit corridor for South Sudan that crosses only one border post.

The project help boost export oriented agricultural development in the north western part of Kenya, which is endowed with agricultural land, animal resources, fishery and minerals. It also facilitates the extraction of the recent discovery of oil, and the development of tourism potential in the project area. In addition, the trade facilitation measures deployed under this project help integrate the poor, including the pastoralist women living along the corridor, into the national and sub-regional economy through the development of pastoralist road side markets. The project contributes significantly to the improvement of the livelihood of the population living in Turkana and West Pokot counties of Kenya, currently living under extreme poverty, where development indicators, including education, life expectancy and sanitation, are far below the national average

Project Implementation

The Project is implemented by Kenya National Highways Authority (KeNHA), Kenya Revenue Authority (KRA), State Department of Infrastructure (SDoI) and Information, Communication and Technology Authority (ICTA). The implementing entities establish Project Management Teams assigning staff from within. SDoI is responsible for the overall coordination and implementation of the project in Kenya, as well as the implementation of the development facilitation interventions such as designing the export processing zones in conjunction with other relevant government departments and the ministry responsible for commerce. SDoI appoints and maintain throughout the project life a project coordinator for overall coordination. KeNHA focuses on road corridor upgrading. KRA have the overall responsibility of implementing the trade facilitation measures on the Kenyan side while ICTA is responsible for the ICT component. SDoI, KeNHA, KRA and ICTA all have experience in managing Bank supported projects and further TA to strengthen project implementation capacity is provided under the project.

The tasks under the State Department of Infrastructure are captured unerringly in the sub components extracted from the Project Appraisal Document (PAD) below:

Sub-component 2 (c): Support to MoTI (US\$3.5 million). This sub-component includes a program of activities designed in conjunction with the ministry responsible for commerce, to implement transport, trade and development facilitation measures. It will include such activities as: (i) identifying and designing potential sites and providing services to facilitate the development of export processing zones, storage facilities and rest stops; (ii) certifying export products; and (iii) simplifying the process for import-export.

Sub-component 3 (a): Strengthen the institutional capacities of entities involved in Project implementation including: (i) the capacity of KeNHA in road design review as well as contract management, value engineering, road maintenance, safeguards and procurement management; (ii) project management capacity, maintenance management and engineering capabilities in the transport sector through supporting the Kenyan Roads Board; Engineers Board of Kenya; MoTI, Resource Mobilization Department under the National Treasury, and State Law Office; (iii) supporting the MoTI in the monitoring and evaluation of the projects; and (iv) strengthening project management capacity of Information and Communication Technology Authority (ICTA)

Sub-component 3 (b): Support to strengthen the National Transport and Safety Authority to implement the “Safe System”, program to include such activities as: (i) conducting needs assessment, vehicle safety inspection and safety audits; (ii) strengthening enforcement capability of the Authority and post-impact care; and (iii) assessing road safety on Lokichar-Eldoret section of the Eldoret-Nadapal/ Nakodok Corridor as well as developing and carrying out of a pilot road safety action plan along the corridor.

Sub-component 3 (c): (i) Provision of advisory services, training and operating costs to Ministry of Transport and Infrastructure as required to sustain the management and

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coordination of Project implementation activities, including audits, and the monitoring and evaluation of progress achieved in the execution of the Project; (ii) Provision of advisory services, training and operating costs to KeNHA as required to sustain the management and coordination of Project implementation activities,

Sub-component 3 (d): Provision of technical assistance (TA) to carryout preparatory studies to support the preparation of the next phase of the Program and develop follow-on regional transport and trade facilitations projects as well as bidding documents for long term performance-based road maintenance contracting

Metrics met

The project is in its 7th year of implementation with one year left to closure, (December 2023).

Multitude achievements and milestones have been met amidst various challenges in implementation.

These achievements have both been evidenced in both the overall project sphere as well as in the tasks for the State Department of Infrastructure.

Including audits, and the monitoring and evaluation of progress achieved in the execution of the Project.

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Project	Objective	Outcome	Indicator	Performance
Eastern Africa Regional Transport, Trade, Development & Facilitation Project (EARTTDFP)	Support to MoTI to implement transport, trade and development facilitation measures	facilitate the development of export processing zones, storage facilities and rest-stops and ease the process of exporting and importing goods	% increase in imports and exports for the country	This activity was dropped after restructuring of the project
	Strengthen the institutional capacities of entities involved in Project implementation	Capacity building to Kenya Roads Board, Engineers Board of Kenya, State Department of Infrastructure, State Law Office, Resource Mobilization under National Treasury	Well trained officers as well as equipped offices to enable officers undertake their duties and responsibilities as set out in the various organizations	In the FY 21/22 the project was able to train 21 number of officers from various institutions
	Support to strengthen the National Transport and Safety Authority to implement the "Safe System", program	Vehicle safety inspection and safety audits, strengthening enforcement capability of the Authority and post-impact care and assessing road safety on Lokichar-Eldoret section of the Eldoret-Nadapal/ Nakodok Corridor as well as developing and carrying out of a pilot road safety action plan along the corridor.	Increase road safety in the country	This activity had been completed in the previous year and no further payment was made
Provision of advisory services, training and operating costs to Ministry of Transport and Infrastructure as required to sustain the management and coordination of Project implementation activities	acquiring technical assistance (TA) to entities involved in Project implementation as well as Monitoring and coordination of the project	Efficiency and effectiveness in meeting project objectives	In the FY 21/22 the project continued receiving services from consultants in the Project Management Office for monitoring and coordination.	

3. Environmental and Sustainability reporting

Currently the State Department is not involved in any corporate social responsibility since the activities under the department are not interactive with any society.

4. Statement of Project Management responsibilities

The Principal Secretary for the State department of Infrastructure and the Project Coordinator for Eastern Africa Regional Transport, Trade and Development Facilitation Project (Chief Engineer Roads) 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 (period) ended on June 30, 2022.

This responsibility includes (i) Maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the project; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the project; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

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

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

**Eastern Africa Regional Transport, Trade and Development Facilitation Project (EARTTDFP)
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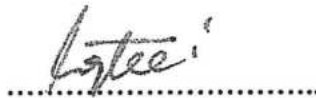
The Principal Secretary for the State department of Infrastructure and the Project Coordinator for Eastern Africa Regional Transport, Trade and Development Facilitation Project confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project Financial Statements


The Project financial statements were approved by the Principal Secretary for the State department of Infrastructure and the Project Coordinator for Eastern Africa Regional Transport, Trade and Development Facilitation Project on 27.10 2022 and signed by them.



Principal Secretary
Prof. Arch. Paul M. Maringa,
(PhD), CBS, F.A.A.K, MKIP



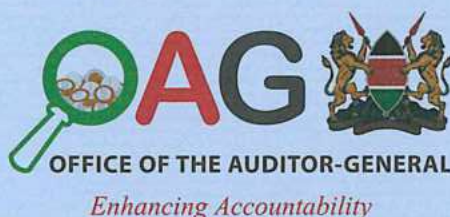
Project Coordinator
Eng. S.W Gitonga



Project Accountant
Cyrus Njau
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ICPAK Member NO 19592

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON EASTERN AFRICA REGIONAL TRANSPORT, TRADE AND DEVELOPMENT FACILITATION PROJECT CR NO. 5638-KE IDA FOR THE YEAR ENDED 30 JUNE, 2022 - STATE DEPARTMENT FOR INFRASTRUCTURE

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Eastern Africa Regional Transport, Trade and Development Facilitation Project Cr. No. 5638 set out on pages 1 to 22, which

Report of the Auditor-General on Eastern Africa Regional Transport, Trade and Development Facilitation Project Cr No. 5638-KE IDA for the year ended 30 June, 2022 - State Department for Infrastructure

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report the financial statements present fairly, in all material respects, the financial position of the Eastern Africa Regional Transport, Trade and Development Facilitation Project as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012 and the Financing Agreement No.5638-KE dated 20 July, 2015 between the Republic of Kenya and International Development Association.

Basis for Qualified Opinion

1. Unsupported Prior Year Adjustment

As disclosed under Note 8 to the financial statements, the statement of financial assets reflects prior year adjustments balance of Kshs.2,831,556 made up of adjustment for outstanding imprest receivables balance of Kshs.1,336,335 and retention accounts payables balance of Kshs.4,167,891. Management has however not supported the movement in these balances with relevant documentation. In addition, the prior year adjustment movement schedule on Note 8 of the financial statement shows an adjusted balance brought forward of Kshs.1,780,720 for accounts payables which has not been reflected on the statement of financial assets.

In the circumstances, the accuracy of prior year adjustments balance of Kshs.2,831,556 as at 30 June, 2022 could not be confirmed.

2. Unsupported Expenditure

The statement of receipts and payments reflects expenditure totalling to Kshs.49,532,918 comprising of compensation of employees amounting to Kshs.6,137,438, training expenses of Kshs.9,645,480 and purchase of three (3) motor vehicles amounting to Kshs.33,750,000. However, there was no approved workplan and budget provided in support of this expenditure. Further, there was no evidence that the activities undertaken relate to the project.

In the circumstances, the accuracy and validity of the expenditure totalling to Kshs.49,532,918 for the year ended 30 June, 2022 could not be confirmed.

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

statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts indicates that the project had budgeted to receive an amount of Kshs.150,000,000 during the year. The project however received a total of Kshs.11,279,289 resulting in total underfunding of Kshs.138,720,711 or 92% of the budget. Similarly, the project had budgeted to spend an amount of Kshs.150,000,000 but only spent Kshs.15,782,918 resulting in total under expenditure of Kshs.134,217,082.

In the circumstances, the under-funding and under-expenditure affected the planned activities and impacted negatively on service delivery to the public.

2. Undrawn Loan Balance

Article II (2.03) of the financing agreement provides for a charge rate payable by the recipient on unwithdrawn financing balance at 0.5% per annum. Further, review of the funding summary at paragraph 1.7 of the annual report indicates that the project started in June, 2015 and is expected to end by 31 December, 2023. Donor commitment for the project translates to Kshs.1,652,015,000. However, for the seven years the project has been implemented, a total of Kshs.760,659,410 has been drawn from the donor commitment, leaving an undrawn balance of Kshs.891,355,590 for the remaining one-year period.

The absorption rate of funds is slow, an indication that the project may not be completed within the one-year remaining period. Further, and as per Article II (2.03) of the financing agreement, the loan will continue to attract penalty on the undrawn balance.

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, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

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 Association, 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 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 overall governance.

In preparing the financial statements, Management is responsible for assessing the Project's ability to continue to sustain its 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 Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

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

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional scepticism 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

18 November, 2022

*Eastern Africa Regional Transport, Trade and Development Facilitation Project (EARTTDFP)
Reports and Financial Statements
For the financial year ended June 30, 2022*

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

	Note	2021/2022			2020/2021			Cumulative to-date (From inception)
		Receipts and payments controlled by the entity	Payments made by third parties	Total	Receipts and payment controlled by the entity	Payments made by third parties	Total	
RECEIPTS		KShs	KShs	KShs	KShs	KShs	KShs	
Loan from external development partners	1	11,279,289	33,750,000	45,029,289	77,128,596	134,732,860	211,861,456	
Miscellaneous receipts		-	-	-	-	-	760,659,410.00	
TOTAL RECEIPTS		11,279,289	33,750,000	45,029,289	77,128,596	134,732,860	211,861,456	
PAYMENTS		KShs	KShs	KShs	KShs	KShs	KShs	
Compensation of employees	2	6,137,438	-	6,137,438	40,799,514	-	40,799,514	
Purchase of goods and services	3	9,645,480	-	9,645,480	23,378,900	134,732,860	158,111,760	
Acquisition of Non-Financial Assets	3	-	33,750,000	33,750,000	-	-	33,750,000	
TOTAL PAYMENTS		15,782,918	33,750,000	49,532,918	64,178,414	134,732,860	198,911,274	
SURPLUS/ (DEFICIT)		(4,503,629)		(4,503,629)	12,950,182		12,950,182	
							45,561,497.00	

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



Principal Secretary
Prof. Arch. Paul M. Maringa (PhD),
CBS, F.A.A.K, MKIP



Project Coordinator
Eng. S.W Gitonga



Project Accountant
Cyrus Njau
MBA, CPA-K, CPS-K
ICPAK Member NO 19592

Eastern Africa Regional Transport, Trade and Development Facilitation Project (EARTTDFP)
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For the financial year ended June 30, 2022


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

Description	Note	2021-2022 Kshs	2020-2021 Kshs
Financial Assets			
Cash and Cash equivalents			
Bank Balances	11	45,561,497	50,065,126
Total Cash and Cash equivalents		45,561,497	50,065,126
Imprests and Receivables	5	-	1,336,335
Total Financial Assets		45,561,497	51,401,461
Financial Liabilities			
Payables- Deposits and Retentions	6	-	(4,167,891)
Net Assets		45,561,497	47,233,570
Represented By			
Fund Balance B/fwd.	7	47,233,570	36,064,108
Prior Year adjustments	8	2,831,556	(1,780,720)
Surplus/(Deficit) for the Year		(4,503,629)	12,950,182
Net Financial Position		45,561,497	47,233,570

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 27.10 2022 and signed by:



Project Coordinator
Eng. S.W Gitonga


Principal Secretary
Prof. Arch. Paul M. Maringa (PhD),
CBS, F.A.A.K, MKIP



Project Accountant
Cyrus Njau
MBA, CPA-K, CPS-K
ICPAK Member NO 19592

Eastern Africa Regional Transport, Trade and Development Facilitation Project (EARTTDFP)
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8. Statement of Cash flow for the year ended 30th June 2022

Description	Notes	2021-2022	2020-2021
		Kshs	Kshs
Cashflow from operating activities			
Compensation of employees	2	(6,137,438.35)	(40,799,514.00)
Purchase of goods and services	3	(9,645,480.00)	(158,111,760.00)
Adjustments during the year			
Prior year adjustments	8	2,831,556.00	(1,780,720.00)
Decrease/(increase) in accounts payables	6	(4,167,891.00)	
Decrease/(increase) in accounts receivable	9	1,336,335.00	1,780,720.00
Net cash flow from operating activities		(15,782,918.35)	(198,911,274.00)
Cash flow from financing activities			
Proceeds from foreign borrowings	1	11,279,288.70	211,861,456.00
Net cash flow from financing activities		11,279,288.70	211,861,456.00
Net increase in cash and cash equivalents		(4,503,629.65)	12,950,182.00
Cash and cash equivalent at beginning of the year	11	50,065,126.10	37,114,944.00
Cash and cash equivalent at end of the year	11	45,561,496.45	50,065,126.00

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 27.10 2022 and signed by:



Principal Secretary
 Prof. Arch. Paul M. Maringa (PhD),
 CBS, F.A.A.K, MKIP



Project Coordinator
 Eng. S. W Gitonga



Project Accountant
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Eastern Africa Regional Transport, Trade and Development Facilitation Project (EARTTDFP)
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9. Statement of Comparison of Budget and Actual amounts for the year ended 30th June 2022

Receipts/Payments Item	Original Budget A	Adjustments B	Final Budget c=a+b	Actual on Comparable Basis D	Budget Utilization Difference e=c-d	% of Utilization f=d/e %
Receipts						
Proceeds from borrowings	550,000,000.00	(400,000,000.00)	150,000,000.00	11,279,289.00	138,720,711.00	8%
Total Receipts	550,000,000.00	(400,000,000.00)	150,000,000.00	11,279,289.00	138,720,711.00	8%
Payments						
Compensation of employees	6,137,438.00	-	6,137,438.00	6,137,438.00	-	100%
Purchase of goods and services	543,862,562.00	(400,000,000)	143,862,562.00	9,645,480.00	134,217,082.00	6.70%
Total Payments	550,000,000.00	(400,000,000.00)	150,000,000.00	15,782,918.00	134,217,082.00	11%

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



Principal Secretary
 Prof. Arch. Paul M. Maringa (PhD),
 CBS, F.A.A.K, MKIP



Project Coordinator
 Eng. S.W Gitonga



Project Accountant
 Cyrus Njau
 MBA, CPA-K, CPS-K
 ICPAK Member NO 19592

10. Significant Accounting Policies

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

10.1 Statement of compliance and basis of preparation

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

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

10.2 Reporting entity

The financial statements are for EARTTDFP under the State Department of Infrastructure. The financial statements are for the reporting entity as required by Section 81 of the PFM Act, 2012 .

10.3 Reporting currency

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

10.4 Recognition of receipts

EARTTDFP recognises all receipts from the various sources when the event occurs, and the related cash has actually been received.

i) Transfers from the Exchequer

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

ii) External Assistance

External assistance is monies 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 at the time associated cash is received.

iv) Donations and grants

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

v) Proceeds from borrowing

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

vi) Undrawn external assistance

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

10.5 Recognition of payments

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

i) Compensation to employees

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

Significant Accounting Policies (Continued)

ii) Use of goods and services

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

iii) Interest on borrowing

Borrowing costs that include interest are recognized as payment in the period in which they incur 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.

10.6 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.

Significant Accounting Policies (Continued)

10.7 Cash and cash equivalents

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

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

10.8 Restriction on cash

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

10.9 Imprests and Advances

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

10.10 Contingent Liabilities

A contingent liability is:

- a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b) A present obligation that arises from past events but is not recognised because:

Significant Accounting Policies (Continued)

**Eastern Africa Regional Transport, Trade and Development Facilitation Project (EARTTDFP)
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- i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
- ii) The amount of the obligation cannot be measured with sufficient reliability.

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

Annex 5 of this financial statement is a register of the contingent liabilities in the year.

10.11 Contingent Assets

EARTTDFP 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.

10.12 Pending bills

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

**Eastern Africa Regional Transport, Trade and Development Facilitation Project (EARTTDFP)
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Significant Accounting Policies (Continued)

10.13 Budget

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

10.14 Third party payments

Included in the receipts and payments, are payments made on its behalf by to third parties in form of loans and grants. These payments do not constitute cash receipts and payments. And are disclosed in the payment to third parties' column in the statement of receipts and payments. During the year, Kshs 33,750,000 loan disbursements were received in form of direct payments from third parties.

10.15 Exchange rate differences

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

**Eastern Africa Regional Transport, Trade and Development Facilitation Project (EARTTDFP)
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Significant Accounting Policies (Continued)

10.16 Comparative figures

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

10.17 Subsequent events

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended June 30, 2022.

10.18 Prior period adjustments

Prior period adjustments relate to errors and other adjustments noted arising from previous year(s). Explanations and details of these prior period adjustments are presented *in note 8 of these financial statements*

11. Notes to the Financial Statements

Eastern Africa Regional Transport, Trade and Development Facilitation Project (EARTTDFP)
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1. Loan from External Development Partners

During the financial period to 30 June 2022, we received funding from development partners in form of loans negotiated by the National Treasury as detailed in the table below:

Name of Donor	Date received	Amount in loan currency	Loans received in cash	Loans received as direct payment*	Total amount in KShs	
					2021/2022	2020/2021
Loans Received from World Bank						
World Bank (IDA)	09/11/2021	11,279,288.70		33,750,000	11,279,288.70	211,861,456
Total		11,279,288.70		33,750,000	11,279,288.70	211,861,456

2. Compensation to Employees

	2021/2022		2020/2021	
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Cumulative to-date
-	KShs	KShs	KShs	KShs
Basic salaries of permanent employees	6,137,438.35		6,137,438.35	164,659,770.00
Other personnel payments	-	-	-	-
Total	6,137,438.35		6,137,438.35	164,659,770.00

Eastern Africa Regional Transport, Trade and Development Facilitation Project (EARTTDFP)
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Notes to the Financial Statements (Continued)

3. Purchase of Goods and Services

	2021/2022			2020/2021	
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	Cumulative to-date
	KShs	KShs	KShs	KShs	KShs
Utilities, supplies and services	-	-	-	-	8,272,969
Training payments	9,645,480.00	-	9,645,480.00	23,378,900	107,117,973.00
Acquisition of non-financial assets	-	33,750,000.00	-	-	398,330,981
Other operating payments	-	-	-	-	2,966,220
Total	9,645,480.00	33,750,000.00	9,645,480.00	23,378,900	516,688,143.00

Eastern Africa Regional Transport, Trade and Development Facilitation Project (EARTTDFP)
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Notes to the Financial Statements (Continued)

4. Cash And Cash equivalents

Description	2021-2022	2020-2021
	Kshs	Kshs
Bank accounts (Note 11)	45,561,497	50,065,126
Cash in hand (Note		
Cash equivalents (short-term deposits)		
Total	<u>45,561,497</u>	<u>50,061,126</u>

EARTTDFP has one1 project account spread within the project implementation area and one foreign currency designated accounts managed by the National Treasury.

Eastern Africa Regional Transport, Trade and Development Facilitation Project (EARTTDFP)
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For the financial year ended June 30, 2022

Notes to the Financial Statements (Continued)

Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as at 30th June 2022 are not included in the Statement of Financial Assets since they are below the line items and are yet to be drawn into the Exchequer Account as a voted provision.

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

Special Deposit Accounts Movement Schedule

	2021/2022	2020/2021
	KShs	KShs
(i) A/C Name [A/c No1000243759]		
Opening balance	0	-
Total amount deposited in the account (1Usd=Kshs118.85)	21,138,429.24	-
Total amount withdrawn (as per Statement of Receipts & Payments) (1Usd=Kshs111.33)	11,279,288.70	77,128,596
Closing balance (as per SDA bank account reconciliation attached) (1Usd=Kshs118.85)	<u>9,097,259.15</u>	<u>77,128,596</u>

(The Special Deposit Account(s) reconciliation statement(s) has (have) been attached as Appendix xx support these closing balance.

The exchange rate used for both "Total amount deposited in the account" and "Closing balance" is that of the date of preparing this financial statement, while that of the "Total amount drawn" is that of the date which the funds were transferred from the Special Deposit Account to the exchequer account for onward transfer to the Ministry.

Eastern Africa Regional Transport, Trade and Development Facilitation Project (EARTTDFP)
 Reports and Financial Statements
 For the financial year ended June 30, 2022

Notes to the Financial Statements (Continued)

5. Accounts Receivable; Imprests and Advances

<i>Description</i>	2021-2022	2020-2021
	Kshs	Kshs
Government Imprests	-	-
Advances	-	1,336,335
Total	-	1,336,335

6. Accounts Payables

<i>Description</i>	2021-2022	2020-2021
	Kshs	Kshs
Payables	-	4,167,891
Total	-	4,167,891

7. Fund Balance Brought Forward

	2021/22	2020/21
	KShs	KShs
Bank accounts	50,065,126	37,114,944
Outstanding imprests and advances	1,336,335	(1,050,836)
Accounts payables	(4,167,891)	
Total	47,233,570	36,064,108

Eastern Africa Regional Transport, Trade and Development Facilitation Project (EARTTDFP)
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 For the financial year ended June 30, 2022

Notes to the Financial Statements (Continued)

8. Prior Year adjustment

	Balance b/f FY (2020/2021 audited financial statements)	Adjustments	Adjusted balance b/f FY 2020/2021
Description of the error	Kshs	Kshs	Kshs
Bank account Balances	-	-	-
Cash in hand	-	-	-
Receivables	1,336,335	1,336,335	-
Accounts Payables	(4,167,891)	(4,167,891)	(1,780,720)
Others (<i>specify</i>)	-	-	-
Total	(2,831,556)	(2,831,556)	(1,780,720)

9. Changes in Receivable

Description	2021-2022	2020-2021
	Kshs	Kshs
Opening Receivables as at 1 st July 2021	1,336,335	3,117,055
Closing account receivables as at 30 th June 2022	-	1,336,335
Change in Receivables	(1,336,335)	1,780,720

10. Changes in Accounts Payable

Description	2021-2022	2020-2021
	Kshs	Kshs
Deposit and Retentions as at 1 st July 2021	4,167,891	4,167,891
Closing accounts payables as at 30 th June 2022	-	4,167,891
Change in payables	(4,167,891)	-

Eastern Africa Regional Transport, Trade and Development Facilitation Project (EARTTDFP)
Reports and Financial Statements
For the financial year ended June 30, 2022

11. A Bank Accounts

	2021/2022	2020/2021
	KShs	KShs
Local Currency Accounts		
Central Bank of Kenya [A/c No1000284579]	45,561,496	50,065,126
Total bank account balances	45,561,496	50,065,126

**Eastern Africa Regional Transport, Trade and Development Facilitation Project (EARTTDFP)
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12. Other Important Disclosures

1. External Assistance

	2021-2022	2020-2021
Description	Kshs	Kshs
External assistance received as loans	-	-
External assistance received in kind- as payment by third parties (Direct Payments)	33,750,000	134,732,860
Total	33,750,000	134,732,860

a). External assistance relating loans and grants

	FY 2021/2022	FY 2020/2021
Description	Kshs	Kshs
External assistance received as loans – World Bank (Direct Payment)	33,750,000	134,732,860
Total	33,750,000	134,732,860

b) Undrawn external assistance

	Purpose for which the undrawn external assistance may be used	FY 2021/2022	FY 2020/2021
Description		Kshs	Kshs
Undrawn external assistance - loans		-	-
Total		-	-

(The Project receives external assistance in the form of Direct payments. This is usually an option of payment that is available under World Bank funded projects. However, it does not have a fixed amount/allocation so one cannot determine the undrawn external balance.)

Eastern Africa Regional Transport, Trade and Development Facilitation Project (EARTTDFP)
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Other Important Disclosures (Continued)

c) Purpose and use of external assistance

Payments made by third parties	FY 2021/2022	FY 2020/2021
	Kshs	Kshs
Compensation to employees	-	-
Use of goods and services	-	-
Subsidies	-	-
Transfers to other Government entities	-	-
Other grants and transfers	-	-
Social Security benefits	-	-
Acquisition of non-financial assets	33,750,000	134,732,860
Finance Costs including loan interest	-	-
Repayment of principal on domestic and foreign borrowing	-	-
Other payments	-	-
Total	33,750,000	134,732,860

(N/B The above sub-classification should be adopted based on the purpose of the external assistance and how it was used).

Eastern Africa Regional Transport, Trade and Development Facilitation Project (EARTTDFP)
Reports and Financial Statements
For the financial year ended June 30, 2022

Other Important Disclosures (Continued)

d). External Assistance paid by third parties on behalf of EARTTDFP by Source

This relates to external assistance paid directly by third parties to settle obligations on behalf of (the entity).

	FY 2021/2022	FY 2020/2021
Description	Kshs	Kshs
World Bank	33,750,000	134,732,860
Total	33,750,000	134,732,860

Eastern Africa Regional Transport, Trade and Development Facilitation Project (EARTTDFP)
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For the financial year ended June 30, 2022

13. Prior Year Auditor-General's Recommendations

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Accounts receivable/payables	PAC Recommendation	Resolved	

Guidance Notes:

1. Use the same reference numbers as contained in the external audit report;
2. Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;
3. Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
4. Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.



Prof. Paul M. Maringa (PhD), CBS, F.A.A.K, MKIP
Principal Secretary



Name
Project Coordinator

*Eastern Africa Regional Transport, Trade and Development Facilitation Project (EARTDFP)
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For the financial year ended June 30, 2022*

14. Annexes

Annex1 - Variance explanations - Comparative Budget and Actual amounts for FY 2021-2022

Receipts/Payments Item	Final Budget c=a+b	Actual on Comparable Basis D	Budget Utilization Difference e=c-d	% of Utilization f=d/c %	Comments on Variance (below 90% and over 100%)
Receipts					
Proceeds from borrowings	150,000,000.00	11,279,289.00	138,720,711.00	8%	
Miscellaneous receipts					
Total Receipts	150,000,000.00	11,279,289.00	138,720,711.00	8%	
Payments					
Compensation of employees	6,137,438.00	6,137,438.00	-	100%	
Training	143,862,562.00	9,645,480.00	134,217,082.00	6.70%	Some of the training programmes were postponed due to various reasons
Total Payments	150,000,000.00	15,782,918.00	134,217,082.00	11%	Procurement processes of some activities were not completed in good time.

Eastern Africa Regional Transport, Trade and Development Facilitation Project (EARTTDFP)
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 For the financial year ended June 30, 2022

Annex 2: Reconciliation of inter-entity transfers

Project Name: Break down of transfers from the State Department of infrastructure			
	Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
a. Government Counterpart funding		00	
	Total	00	
B. Direct payments			
	Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
		33,750,000	2021/22
	Total	33,750,000	
C. Others			
	Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
		00	
	Total	00	
	Total (A+B+C)	33,750,000	

The above amounts have been communicated to and reconciled with the Parent Ministry/ State Department

Project Coordinator
 EARTTDFP

Sign -----
Logtee

Project Accountant
 State Department of Infrastructure

Sign-----
Sullivan

Eastern Africa Regional Transport, Trade and Development Facilitation Project (EARTTDFP)
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For the financial year ended June 30, 2022

Annex 3 – Summary of Fixed Assets Register

Asset class	Opening Cost (KShs) 2021/22 (a)	Donations in form of assets (KShs) 2021/22 (b)	*Purchases/ Additions in the Year (KShs) 2021/22 (c)	** Disposals in the Year (KShs) 2021/22 (d)	Transfers in/(out) KShs 2021/22 (d)	Closing Cost (KShs) 2021/22 (e)= (a)+ (b)+c)- (d)+(c)-d
Acquisition of non-financial assets	0	0	33,750,000	0	0	33,750,000
Total	0	0	33,750,000	0	0	33,750,000

Notes

* Purchases/Additions in the year reconciled to the amount in Statement of Receipts and Payments

** The disposal amount to be disclosed in this register is the cost that the asset was acquired at and not the price at which it has been sold. The balance as at the end of the year is the cumulative cost of all assets bought and inherited by the Ministry, Department or Agency. Additions during the year should tie to note 18 on acquisition of assets during the year. Ensure this section is complete covering all the entities assets. Ensure the complete fixed asset register is separately prepared as per circular number 5/2020 and follow up reminder of circular No. 23/2020 of The National Treasury

*Eastern Africa Regional Transport, Trade and Development Facilitation Project (EARTTDFP)
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Annex 4: Other Support Documents

- i. Signed confirmations from beneficiaries in Transfers to Other Government Entities
- ii. Bank Reconciliations statement as at 30th June 2022
- iii. Board of Survey Report
- iv. Special Deposit Account(s) reconciliation statement(s)
- v. GOK IFMIS comparison Trial Balance