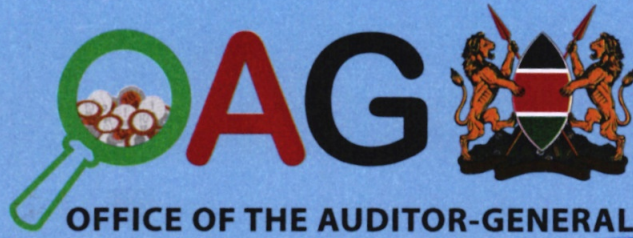


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REPORT

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 04 DEC 2024	DAY: WEDNESDAY
TABLED BY: Hon. SILVANUS OSORO	MAJORITY PARTY WHIP
CLERK-AT-TABLE: HAILE HUSSEIN.	

OF

THE AUDITOR-GENERAL

ON

**NAIROBI INTELLIGENT TRANSPORTATION
SYSTEM ESTABLISHMENT AND JUNCTIONS
IMPROVEMENT PROJECT PHASE I (ECDF
LOAN AGREEMENT NO. KEN-6)**

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

KENYA URBAN ROADS AUTHORITY

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

25 OCT 2024

RECEIVED



NAIROBI INTELLIGENT TRANSPORTATION SYSTEM (ITS) ESTABLISHMENT AND JUNCTIONS IMPROVEMENT PROJECT - PHASE I

IMPLEMENTING ENTITY:

**KENYA URBAN ROADS AUTHORITY
(KURA)**

PROJECT CREDIT NUMBER: KEN-6

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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



***Nairobi Intelligent Transportation System Establishment and Junctions Improvement Project – Phase I
Annual Report and Financial Statements for the financial year ended June 30, 2024***

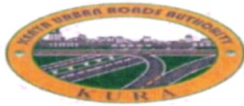
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*Nairobi Intelligent Transportation System Establishment and Junctions Improvement Project – Phase I
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1. Acronyms and Glossary of Terms

CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
NT	National Treasury
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
WB	World Bank
Comparative FY	Financial year preceding the current financial year.
KURA	Kenya Urban Roads Authority
ITS	Intelligent Transportation System
KEXIM	Export Import Bank of Korea
GoK	Government of Kenya



*Nairobi Intelligent Transportation System Establishment and Junctions Improvement Project – Phase I
Annual Report and Financial Statements for the financial year ended June 30, 2024*

2. Project Information and Overall Performance

2.1 Name and registered office

Name

Nairobi Intelligent Transportation System Implementation and Junction Improvement Project – Phase I.

Objective

Harness technology and data to create a smarter, safer, and more efficient transportation system that meets the needs of travellers' while minimizing negative impacts on the environment and society.

Address

The project headquarters offices are:

Block D, Barabara Plaza

Mazao Road, Off Airport South Road

Nairobi, Kenya

Contacts: The following are the project contacts

P.O. Box: 41727 – 00100 Nairobi

Telephone: (254) 020 8013844

E-mail: dg@kura.go.ke

Website: www.kura.go.ke



*Nairobi Intelligent Transportation System Establishment and Junctions Improvement Project – Phase I
Annual Report and Financial Statements for the financial year ended June 30, 2024*

Project information and overall performance (continued)

2.2 Project Information

Project Start Date:	17 th May 2022
Project End Date:	17 th May 2026
Project Employer:	Director General, Kenya Urban Roads Authority
Project Sponsor:	Government of Kenya

2.3 Project Overview

Line Ministry/State Department of the project	Ministry of Roads and Transport / State Department of Roads
Project number	KEN-6
Strategic goals of the project	The strategic goals of the project are as follows: (i) Improved traffic flow efficiency of up to 40% from survey analysis, (ii) Reduced waiting time to less than 30 seconds at intersections, (iii) Traffic enforcement (E-Police) system eliminates the need to have physical presence of police at intersections, (iv) Real-time traffic data collection provides accurate information for forecasting and engineering design, (v) Centralized traffic infrastructure and network management.
Summary of Project Strategies for	The project management aims to achieve the goals through the following means:



*Nairobi Intelligent Transportation System Establishment and Junctions Improvement Project – Phase I
Annual Report and Financial Statements for the financial year ended June 30, 2024*

achievement of strategic goals	<p>(i) Traffic Management and Control: ITS aims to optimize the flow of traffic by using real-time data, sensors, and communication technologies to monitor and manage traffic conditions. This includes adjusting traffic signal timings, managing lane usage, and rerouting traffic to alleviate congestion and improve overall traffic flow.</p> <p>(ii) Congestion Reduction: By implementing technologies such as dynamic route guidance, real-time traffic updates, and predictive modelling, ITS helps reduce congestion on roadways and minimizes delays for travellers.</p> <p>(iii) Enhanced Safety: ITS technologies contribute to safer roads by providing real-time information about accidents, hazards, and road conditions. This information can be used to alert drivers and emergency services, reducing response times and preventing potential accidents.</p> <p>(iv) Environmental Sustainability: ITS can help reduce the environmental impact of transportation by optimizing traffic flow, reducing idling times, and promoting the use of alternative transportation modes. This contributes to lower emissions and improved air quality.</p>
---------------------------------------	--



***Nairobi Intelligent Transportation System Establishment and Junctions Improvement Project – Phase I
Annual Report and Financial Statements for the financial year ended June 30, 2024***

	<p>(v) Improved Transportation Efficiency: Through data analysis and predictive modelling, ITS enables transportation agencies to make informed decisions about infrastructure investments, maintenance schedules, and traffic management strategies, leading to more efficient use of resources.</p> <p>(vi) Traveler Information and Convenience: ITS provides travellers with real-time information about traffic conditions, alternative routes, parking availability, and public transportation schedules. This improves the travel experience and allows individuals to make more informed decisions about their routes.</p> <p>(vii) Emergency Response: ITS technologies play a crucial role in emergency situations by providing quick and accurate information to emergency services. This helps expedite response times and assists in managing traffic during emergencies.</p>
<p>Areas that the project was formed to intervene</p>	<p>The project was formed to intervene in the following problems/gaps:</p> <ul style="list-style-type: none"> (i) Limited and expensive real estate to expand road infrastructure. (ii) Traffic congestion (iii) Inadequate road safety measures



***Nairobi Intelligent Transportation System Establishment and Junctions Improvement Project – Phase I
Annual Report and Financial Statements for the financial year ended June 30, 2024***

	(iv) Air pollution because of traffic congestion (v) Inefficient traffic enforcement procedures
Project duration	Four (4) Years

2.4 Bankers

Project bank accounts is domiciled in the funding country.

2.5 Independent Auditor

Office of the Auditor General (OAG)

2.6 Roles and Responsibilities

List the different people who are 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. Merin Koitalek	Assistant Director – Design (Roads)	Civil Engineer	Project Engineer/ Team Leader
Lenah Mutheu	Engineer (Planning & Design)	Civil Engineer	Deputy Project Engineer
Mwinyi Bwika	Assistant Director (ITS)	IT Expert	Project ITS Analyst



***Nairobi Intelligent Transportation System Establishment and Junctions Improvement Project – Phase I
Annual Report and Financial Statements for the financial year ended June 30, 2024***

Jared Owuor	Assistant Director (Research & Innovation)	Economist	Project Transport Economist
Paul Odak	Assistant Director (Survey)	Surveyor	Project Surveyor
Aggrey Lukale	Assistant Director Finance	Accountant & Finance Expert	Project Accountant
Festus Ivou	Senior Assistant Accountants Officer	Accountant	Project Assistant Accountant
Evelyne Kutata	Senior Supply Chain Management Officer	Procurement Expert	Project Procurement Officer
Wilson Tikwa	Assistant Director (Road Safety)	Urban Planning & Road Safety Expert	Project Safety Officer
Lawrence Wachira	Environmentalist	Environmental Expert	Project Environmentalist
Elsie Ngendo	Senior Sociologist	Social Expert	Project Sociologist
Benson Wanjiku	Electrical Superintendent	Electrical Engineer	Project Services Relocation Officer



*Nairobi Intelligent Transportation System Establishment and Junctions Improvement Project – Phase I
Annual Report and Financial Statements for the financial year ended June 30, 2024*

2.7 Funding Summary

The Project is for duration of four (4) years from 2022 to 2026 with an approved budget of US\$ 61,000,000.00 equivalent to **Kshs 6,718,790,100** as highlighted in the table below:



*Nairobi Intelligent Transportation System Establishment and Junctions Improvement Project – Phase I
Annual Report and Financial Statements for the financial year ended June 30, 2024*

Project Information and Overall Performance (continued)

Below is the funding summary:

A. Source of Funds

Source of funds	Donor Commitment		Amount received to date (30th June, 2024)		Undrawn balance to date	
	Donor currency (USD)	Kshs	Donor currency (USD)	Kshs	Donor currency (USD)	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Loan						
Export & Import Bank of Korea	61,000,000	6,718,790,100	1,370,938	158,815,021	59,629,063	6,559,975,079
(ii) Counterpart funds (GoK)						
Government of Kenya	219,350	25,410,403	219,350	25,410,403	-	-
Total	61,219,350	6,744,200,503	1,590,288	184,225,424	59,629,063	6,559,975,079

Project information and overall performance (continued)



*Nairobi Intelligent Transportation System Establishment and Junctions Improvement Project – Phase I
Annual Report and Financial Statements for the financial year ended June 30, 2024*

B. Application of Funds

Source of funds	Amount received to date – (30th June, 2024)		Cumulative amount paid to date – (30 th June 2024)		Unutilised balance to date (30th June 2024)	
	Donor currency (USD)	Kshs	Donor currency (USD)	Kshs	Donor currency (USD)	Kshs
	(B)	(B')	(A)-(B)	(A')-(B')	(A)	(A')
(i) Loan						
Export & Import Bank of Korea	1,370,938	158,815,021	1,370,938	158,815,021	-	-
(ii) Counterpart funds (GoK)						
Government of Kenya	219,350	25,410,403	219,350	25,410,403	-	-
Total	1,590,288	184,225,424	1,590,288	184,225,424	-	-



***Nairobi Intelligent Transportation System Establishment and Junctions Improvement Project – Phase I
Annual Report and Financial Statements for the financial year ended June 30, 2024***

Project Information and Overall Performance (continued)

2.8 Summary of Overall Project Performance:

- i) The Nairobi Intelligent Transportation System Establishment and Junctions Improvement Project – Phase I overall budget absorption was 90% with GoK Counterpart funding at 57% and the development partner component at 100%.
- ii) The project low absorption of the GoK Counterpart Budget was due to works component which is expected to consume the highest amount of the loan facility not commencing in the FY 2023/2024. The available budget was however adequate to cover the ongoing consultancy services in the period
- iii) The procurement of the works component commenced in the period under review and was still awaiting the No Objection for award and commencement of the works.
- iv) The project Consultant is still carrying out project design review activities as they await for the commencement of the works component for their supervision.
- v) The Nairobi Intelligent Transportation System Establishment and Junctions Improvement Project – Phase I project is expected to face the following challenges:

a) Heavy Traffic During Work

Due to its location, the project site has heavy traffic and therefore will require coordination with other relevant bodies such as the traffic police to control the traffic.



***Nairobi Intelligent Transportation System Establishment and Junctions Improvement Project – Phase I
Annual Report and Financial Statements for the financial year ended June 30, 2024***

b) Relocation of Services

The project site is expected to have utilities including those underground which require timely coordination with the service providers for relocation.

2.9 Summary of Project Compliance:

The Project has ensured that all its activities carried out are within the laws of the Republic of Kenya and that all regulations and procedures have been followed.



*Nairobi Intelligent Transportation System Establishment and Junctions Improvement Project – Phase I
Annual Report and Financial Statements for the financial year ended June 30, 2024*

3. Statement of Performance against Project's Predetermined Objectives

Introduction

The key development objective of the project is to Harness technology and data to create a smarter, safer, and more efficient transportation system that meets the needs of travellers' while minimizing negative impacts on the environment and society.

The project will primarily serve to enhance economic efficiency through improved mobility and accessibility to businesses thereby supporting economic development and fostering inclusive growth. To achieve the overall objective the project has two components:

- a) **Project Works**
- b) **Consultancy Services**

Progress on Attainment of Strategic Development Objectives

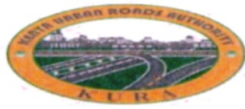
For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Performance indicators were identified for reasons of tracking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



**Nairobi Intelligent Transportation System Establishment and Junctions Improvement Project – Phase I
Annual Report and Financial Statements for the financial year ended June 30, 2024**

The statement of performance against the predetermined project objectives:

Project	Objective	Outcome	Indicator	Performance
Nairobi Intelligent Transportation System Implementation and Junction Improvement Project – Phase I.	Harness technology and data to create a smarter, safer, and more efficient transportation system that meets the needs of travellers’ while minimizing negative impacts on the environment and society.	<p>(i) Improved traffic flow efficiency of up to 40% from survey analysis,</p> <p>(ii) Reduced waiting time to less than 30 seconds at intersections,</p> <p>(iii) Traffic enforcement (E-Police) system eliminates the need to have physical presence of police at intersections,</p> <p>(iv) Real-time traffic data collection provides accurate information for forecasting and engineering design,</p> <p>(v) Centralized traffic infrastructure and network management.</p>	<p>(i) Junction Capacity (Maximum Number of vehicles a junction can accommodate)</p> <p>(ii) Travel Time (The time taken from origin to destination)</p> <p>(iii) Waiting Time (Time taken between arrival and exit at an intersection)</p> <p>(iv) Air Pollution levels/ air quality</p> <p>(v) Construction of ITS Center</p>	<p>Consultancy services at 30%</p> <p>Works Under Procurement</p>



*Nairobi Intelligent Transportation System Establishment and Junctions Improvement Project – Phase I
Annual Report and Financial Statements for the financial year ended June 30, 2024*

4. Environmental and Sustainability Reporting

1. Sustainability Strategy and Profile

Kenya Urban Roads Authority aims at enhancing sustainable urban road transportation and mobility. Our Urban Roads Planning, Development and Maintenance strategy mainstreams the global 2030 Agenda for sustainable Development in our operations. The urban road network remains the key enabler for the realization of the objectives of Kenya Vision 2030 and any other agenda and guidelines established overtime. In the implementation of our Strategic Plan, we mainstream sustainability principles by complying with the local policies, legislations as well as international safeguard requirements. The Authority continues to foster Strategic partnerships with stakeholders for effective delivery of our services. To mitigate on the impact of any emerging disruption on the economy and our operations, we have been implementing a business continuity plan.

2. Environmental Performance

Our operations pose different degrees of risks to the environment. KURA has a functional Environment, Safety and Health Policy that outlines commitment to efficient use of resources, reducing and preventing pollution, and product stewardship. We conduct Environmental and Social Impact Assessment for all new projects prior to construction so as to control environmental risks and hazards. All contractors are required to adhere with the Environmental Management Plans and waste control measures, among others. Periodic Environmental Monitoring and Audit Reports are prepared to demonstrate compliance with legal requirements. The Authority takes in consideration biodiversity conservation efforts during the project lifecycle through avoidance of destructive extractive activities. Materials sites are subjected to environmental impact assessment as



*Nairobi Intelligent Transportation System Establishment and Junctions Improvement Project – Phase I
Annual Report and Financial Statements for the financial year ended June 30, 2024*

well as site restoration plans. Tree planting and growing is done within the road reserves to provide carbon sinks as an approach for climate mitigation and adaptation. Collaborative efforts with the private sector, resident associations as well as with government agencies have enabled the planting and maintenance of tree seedlings. In order to address the social risks associated with the construction and maintenance of urban roads, the authority undertakes social impact assessment and resettlement action plans.

3. Employee Welfare

The Authority has instituted measures to provide a conducive working environment for the well-being of staff and enhanced productivity. We have a comprehensive staff medical cover for both outpatient and inpatient services. This is in addition to group life policy WIBA contributory pension scheme and staff mortgage scheme. Annual staff appraisals are promptly undertaken and forms the basis for promotions and competency development through appropriate training for career development and personal growth. During the period of the project's implementation continuous training of various professional skills and competencies is to be carried out in addition Continuous Development Programs offered by various professional bodies. During the period of implementation of the project, the Authority will ensure compliance by submitting all the returns to the relevant regulatory institutions within the prescribed timelines. The Authority has put in place measures for compliance with the provisions of the Occupational Safety and Health Act, 2007. We undertake occupational health and safety assessment and risk assessment for improvement of the work environment for employees and customers.



*Nairobi Intelligent Transportation System Establishment and Junctions Improvement Project – Phase I
Annual Report and Financial Statements for the financial year ended June 30, 2024*

4. Market Place Practices-

a) Responsible Supply Chain and Supplier Relations-

The Authority has aligned the Supply Chain processes to the Public Procurement and Disposal Act and the Public Procurement & Disposal Regulations, 2020. We continue to build the Capacity of our Suppliers through awareness creation on best practices, Fair procurement practices and on time payment. The Authority's Service Charter Guides Service Delivery standards detailing payment requirements and set timeframes for turnaround time for supplier payments. KURA has utilized innovation and technology in handling supplier payment to ensure application of the first in first out principle this is enabled by the Enterprise Resource Management System currently in use by the Authority. Effectiveness of all these measures is also monitored from time to time through internal audits and external checks to ensure continuous improvement.

b) Responsible Ethical Practices

The Authority has established responsible ethical practises by having an anti-corruption policy in place and ensuring all Staff commit to the Authority's code of conduct and declare conflict of interest. Also the Authority ensures that staff working in the projects receive competitive wage bearing in mind the minimum allowed wage in the country, ensuring employees general well-being is well catered for, guaranteeing that all materials are sourced within the available guidelines and are sourced in competitive environment to provide equal opportunities to different suppliers and in compliance with the Laws of the Republic of Kenya and ensuring that all employees receive comprehensive benefits as well as treated with respect.



*Nairobi Intelligent Transportation System Establishment and Junctions Improvement Project – Phase I
Annual Report and Financial Statements for the financial year ended June 30, 2024*

c) Regulatory Impact Assessment

The Project will ensure that all its activities carried out are within the laws of the Republic of Kenya and that all regulations and procedures have been followed. Among the regulations include the Environmental and Social Impact Assessment (ESIA) for which authority has to be in place for the implementation of the project. In cases of inconsistency between the GOK Regulations and those of the development partner the latter have been applied.

The Authority ensures compliance by submitting all the returns to the relevant regulatory institutions within the prescribed timelines. The Authority has put in place measures for compliance with the provisions of the Occupational Safety and Health Act, 2007. We undertake occupational health and safety assessment and risk assessment for improvement of the work environment for employees and customers.

5. Community Engagements

The Authority has established a functional Stakeholder Engagement policy that is continuously applied in engaging interested and affected persons in urban road planning and implementation. The feedback obtained from these activities is used to inform decision making for continual improvement. The urban road infrastructure is designed bearing all users in mind and ensuring that it caters for all persons including those with disability as well as non-motorized road users, through construction of ramps and walkways. The Authority also engages communities by providing job opportunities to people working around the national urban road project areas.



***Nairobi Intelligent Transportation System Establishment and Junctions Improvement Project – Phase I
Annual Report and Financial Statements for the financial year ended June 30, 2024***

5. Statement of Project Management Responsibilities

The *Director General, Kenya Urban Roads Authority* and the *Project Coordinator* for *entity*, are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year ended on June 30, 2024.

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 (v) Making accounting estimates that are reasonable in the circumstances.

The *Director General, Kenya Urban Roads Authority* and the *Project Coordinator* for *Nairobi Intelligent Transportation System Implementation and Junction Improvement Project – Phase I*, 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, Kenya Urban Roads Authority* and the *Project Coordinator* for *Nairobi Intelligent Transportation System Implementation and Junction Improvement Project – Phase I*, 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



***Nairobi Intelligent Transportation System Establishment and Junctions Improvement Project – Phase I
Annual Report and Financial Statements for the financial year ended June 30, 2024***

financial year ended June 30, 2024, and of the Project's financial position as at that date. The *Director General, Kenya Urban Roads Authority* and the *Project Coordinator for Nairobi Intelligent Transportation System Implementation and Junction Improvement Project – Phase I*, further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

The *Director General, Kenya Urban Roads Authority* and the *Project Coordinator for Nairobi Intelligent Transportation System Implementation and Junction Improvement Project – Phase I*, 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 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, Kenya Urban Roads Authority* and the *Project Coordinator for Nairobi Intelligent Transportation System Implementation and Junction Improvement Project – Phase I* on 30th September 2024 and signed by:

.....
Eng. Silas M. Kinoti, MBS
Director General

.....
Eng. Merin Koitalek
Project Coordinator

.....
Aggrey Lukale
Project Accountant
ICPAK M. No. 4409

REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON NAIROBI INTELLIGENT TRANSPORTATION SYSTEM ESTABLISHMENT AND JUNCTIONS IMPROVEMENT PROJECT PHASE I (ECDF LOAN AGREEMENT NO. KEN-6) FOR THE YEAR ENDED 30 JUNE, 2024 - KENYA URBAN ROADS 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 that the Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on the Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, 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 of the Auditor-General on Nairobi Intelligent Transportation System Establishment and Junctions Improvement Project-Phase I (ECDF Loan Agreement No.KEN-6) for the year ended 30 June, 2024- Kenya Urban Roads Authority

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Nairobi Intelligent Transportation System Establishment and Junctions Improvement Project-Phase I (ECDF Loan Agreement No.KEN-6) set out on pages 1 to 18 which comprise the statement of financial assets as at 30 June, 2024, and the statement of receipts and payments, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Nairobi Intelligent Transportation System Establishment and Junctions Improvement-Phase I as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012 and the Financing Agreement ECDF Loan Agreement No.KEN-6 dated 29 January, 2021 between the Republic of Kenya and the Export-Import Bank of Korea.

Basis for Opinion

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Nairobi Intelligent Transportation System Establishment and Junctions Improvement Project-Phase I Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing 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 opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects budget receipts and actual on a comparable basis of Kshs.83,526,008 and Kshs.74,936,412 respectively, resulting in an under-funding of Kshs.8,589,957. The shortfall is attributed to counterpart-funding in form transfer from Government entities indicating actual receipts of Kshs.11,410,403 compared to the budgeted amount of Kshs.20,000,000, resulting to an under-funding of Kshs.8,589,597 or 43% of the budget. Similarly, the Project Management spent an amount of Kshs.74,936,412 against an expenditure budget of Kshs.83,526,008 resulting to an under-expenditure of Kshs.8,589,957. The counterpart

Report of the Auditor-General on Nairobi Intelligent Transportation System Establishment and Junctions Improvement Project-Phase I (ECDF Loan Agreement No.KEN-6) for the year ended 30 June, 2024- Kenya Urban Roads Authority

under-funding points to potential weaknesses in meeting donor conditions and enforcing project controls.

In the circumstances, the under-funding and the under-expenditure may have negatively impacted service delivery and the implementation of planned programs for the project.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under Emphasis of Matter and Report on Lawfulness and Effectiveness in Use of Public Resources. However, Project Management has not resolved the issue or given any explanation for failing to adhere to the provisions of the Public Sector Accounting Standards Board template.

Other Information

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

In connection with my audit on the Nairobi Intelligent Transportation System Establishment and Junctions Improvement Project-Phase I financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion, Lawfulness in use of Public Resources Section of my report I confirm that, nothing else has come to my

Report of the Auditor-General on Nairobi Intelligent Transportation System Establishment and Junctions Improvement Project-Phase I (ECDF Loan Agreement No.KEN-6) for the year ended 30 June, 2024- Kenya Urban Roads Authority

attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Delay in Implementation of the Project

As reported previously, the Project duration is four (4) years, running from 17 May, 2022 to 17 May, 2026 with an approved loan budget of US\$ 61,000,000 equivalent to Kshs.6,718,790,100. However, by 30 June,2024, only an amount of Kshs.158,815,021 or 2.4% of the Development Partner's commitment of Kshs.6,718,790,100 had been received by the Project.

Further, review of contract documents revealed that project was behind as the phases for selection of contractor, review of the bidding document and the supporting the bidding procedure had not been completed while detailed design phase had yet to begin. These project components were originally scheduled to be completed within the first twelve (12) months of the project. As at 30 June, 2024 the project was behind schedule by over fourteen (14) months and was still implementing components relating for the first (12) twelve months.

In addition, the statement of receipts and payments reflects an amount of Kshs.184,225,424 in respect of acquisition of non-financial assets which as disclosed in Note 3 to the financial statements, pertains to the design review and supervision of systems works. However, delays have been noted in the commencement of the project's works. Management attributed the low absorption of the Development Partner's loan budget to the failure to commence the works component in the financial year 2023/2024, which was expected to consume the highest portion of the loan facility.

In the circumstances, there is a risk that the Project delivery will be delayed due to the delay in commencement of works which may have an impact on service delivery to the public.

2. Lack of Clarity of Contract Terms on Additional Payments to Contractor

Paragraph 1.2 of Part A of the contract document for consultancy services between the Kenya Urban Roads Authority and the Project Consultant, dated May 5, 2022, outlines the improvement of twenty-five junctions and the installation of Intelligent Transportation System (ITS) field equipment at these intersections, as well as the construction of a Traffic Management Center in Nairobi City County. The total duration of the consulting services contract is expected to be thirty-four and a half months. However, in the event of work suspension or delays due to external factors not attributable to the consultant, any necessary extensions to the construction supervision period will be accommodated. These could include changes in the scope of work and additional assignments for the extended period will be accepted and added to the contract amount, including related

Report of the Auditor-General on Nairobi Intelligent Transportation System Establishment and Junctions Improvement Project-Phase I (ECDF Loan Agreement No.KEN-6) for the year ended 30 June, 2024- Kenya Urban Roads Authority

reimbursable expenses. However, the contract does not clearly specify how the contract sum would be affected in such circumstances.

In the circumstances, the Project may incur an indeterminate amount in penalties and additional costs if unforeseen events occur.

3. Irregular Clause on Financing Agreement and Non-Compliance with the Public Procurement and Asset Disposal Act, 2015

As previously reported, the Government entered into a contract with an international Company for consultancy services for Nairobi ITS (Intelligent Transportation System) Establishment and Junctions Improvement Project on 05 May, 2022 for thirty-four and a half (34.5) months from the date of commencement.

However, review of Part IV and Schedule 4 of the Project's Financing Agreement revealed that only suppliers who are nationals of the Republic of South Korea or juridical persons incorporated and registered there could bid for the consultancy services. This is contrary to Section 60(1) of the Public Procurement and Asset Disposal Act, 2015 which requires that an Accounting Officer of a procuring entity shall prepare specific requirements relating to the goods, works or services being procured that are clear, that give a correct and complete description of what is to be procured and that allow for fair and open competition among those who may wish to participate in the procurement proceedings.

In the circumstances, the Project Management and The National Treasury were in breach of the law.

The audit was conducted in accordance with ISSAIs 3000 and 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAIs 2315 and 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective

Report of the Auditor-General on Nairobi Intelligent Transportation System Establishment and Junctions Improvement Project-Phase I (ECDF Loan Agreement No.KEN-6) for the year ended 30 June, 2024- Kenya Urban Roads Authority

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 the 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 as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements 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

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the INTOSAI Framework of Professional Pronouncements (IFPP). The Framework requires that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with IFPP will always detect a


Report of the Auditor-General on Nairobi Intelligent Transportation System Establishment and Junctions Improvement Project-Phase I (ECDF Loan Agreement No.KEN-6) for the year ended 30 June, 2024- Kenya Urban Roads Authority

material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I also consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

05 November, 2024





**Nairobi Intelligent Transportation System Establishment and Junctions Improvement Project – Phase I
Annual Report and Financial Statements for the financial year ended June 30, 2024**


7. Statement of Receipts and Payments for the year ended 30th June 2024.

	Note	2023/2024			2022/2023			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	
		KShs	KShs		KShs	KShs	KShs	
RECEIPTS								
Transfer from Government entities	1	11,410,403	-	11,410,403	14,000,000	-	14,000,000	25,410,403
Proceeds from domestic and foreign grants		-	-	-	-	-	-	-
Loan from external development partners	2		63,526,008	63,526,008		95,289,013	95,289,013	158,815,021
TOTAL RECEIPTS		11,410,403	63,526,008	74,936,412	14,000,000	95,289,013	109,289,013	184,225,424
PAYMENTS								
Acquisition of non-financial assets	3	11,410,403	63,526,008	74,936,412	14,000,000	95,289,013	109,289,013	184,225,424
TOTAL PAYMENTS		11,410,403	63,526,008	74,936,412	14,000,000	95,289,013	109,289,013	184,225,424
SURPLUS/ (DEFICIT)		-	-	-	-	-	-	-

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


.....
Eng. Silas M. Kinoti, MBS
Director General


.....
Eng. Merin Koitalek
Project Coordinator


.....
Aggrey Lukale
Project Accountant
ICPAK M. No. 4409



**Nairobi Intelligent Transportation System Establishment and Junctions Improvement Project – Phase I
Annual Report and Financial Statements for the financial year ended June 30, 2024**

8. Statement of Financial Assets and Liabilities as at 30th June 2024

	2023-2024 KShs	2022-2023 KShs
FINANCIAL ASSETS		
Cash and Cash Equivalents		
Bank Balances	-	-
TOTAL FINANCIAL ASSETS	-	-
REPRESENTED BY		
Fund balance b/fwd	-	-
Surplus/(Deficit) for the year	-	-
NET FINANCIAL POSITION	-	-

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on **30th September 2024** and signed by:

.....
Eng. Silas M. Kinoti, MBS
Director General

.....
Eng. Merin Koitalek
Project Coordinator

.....
Aggrey Lukale
Project Accountant
ICPAK M. No. 4409



**Nairobi Intelligent Transportation System Establishment and Junctions Improvement Project – Phase I
Annual Report and Financial Statements for the financial year ended June 30, 2024**

9. Statement of Cashflow for the year ended 30th June 2024

Description	Notes	FY	FY
		2023/2024	2022/2023
		Kshs	Kshs
Cashflow from operating activities			
Receipts			
Transfer from government entities	1	11,410,403	14,000,000
Total receipts		11,410,403	14,000,000
Payments			
Total Payments		-	-
Net receipts/(payments)		11,410,403	14,000,000
Adjustments during the year			
Prior year adjustments			
Decrease/(increase) in accounts receivable			
Increase/(decrease) in accounts payable:			
Net cash flow from operating activities		11,410,403	14,000,000
Cashflow from investing activities			
Acquisition of non-financial assets	3	(74,936,412)	(109,289,013)
Net cash flows from investing activities		(74,936,412)	(109,289,013)
Cash flow from financing activities			
Proceeds from foreign borrowings	2	63,526,008	95,289,013
Net cash flow from financing activities		63,526,008	95,289,013
Net increase in cash and cash equivalents		-	-
Cash and cash equivalent at beginning of the year			-
Cash and cash equivalent at end of the year		-	-

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 **30th September 2024** and signed by:

.....
Eng. Silas M. Kinoti, MBS
Director General

.....
Eng. Merin Koitalek
Project Coordinator

.....
Aggrey Lukale
Project Accountant
ICPAK M. No. 4409



*Nairobi Intelligent Transportation System Establishment and Junctions Improvement Project – Phase I
Annual Report and Financial Statements for the financial year ended June 30, 2024*

10. Statement of Comparison of Budget and Actual amounts for year ended 30th June 2024

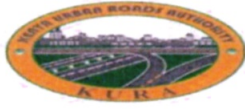
Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
Receipts						
Transfer from Government entities	50,000,000	(30,000,000)	20,000,000	11,410,403	8,589,597	57%
Proceeds from domestic and foreign Loans	1,500,000,000	(1,436,473,992)	63,526,008	63,526,008	-	100%
Total Receipts	1,550,000,000	(1,466,473,992)	83,526,008	74,936,412	8,589,597	90%
Payments						
Acquisition of non-financial assets	1,550,000,000	(1,466,473,992)	83,526,008	74,936,412	8,589,597	90%
Total Payments	1,550,000,000	(1,466,473,992)	83,526,008	74,936,412	8,589,597	90%
Surplus or Deficit	-	-	-	-	(0)	

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

.....
Eng. Silas M. Kinoti, MBS
Director General

.....
Eng. Merin Koitalek
Project Coordinator

.....
Aggrey Lukale
Project Accountant
ICPAK M. No. 4409



*Nairobi Intelligent Transportation System Establishment and Junctions Improvement Project – Phase I
Annual Report and Financial Statements for the financial year ended June 30, 2024*

11. Significant Accounting Policies

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

a) Statement of Compliance and Basis of Preparation

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

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

b) Reporting Entity

The financial statements are for Nairobi Intelligent Transportation System Establishment and Junctions Improvement Project – Phase I under Kenya Urban Roads Authority. The financial statements are for the reporting entity Nairobi Intelligent Transportation System Establishment and Junctions Improvement Project – Phase I as required by Section 81 of the PFM Act, 2012 .

c) Reporting Currency

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



***Nairobi Intelligent Transportation System Establishment and Junctions Improvement Project – Phase I
Annual Report and Financial Statements for the financial year ended June 30, 2024***

d) Recognition of Receipts

Nairobi Intelligent Transportation System Establishment and Junctions Improvement Project – Phase I recognises all receipts from the various sources when the event occurs, and the related cash has 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

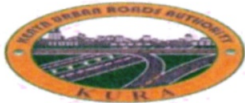
External assistance is monies received through grants and loans from multilateral and bilateral development partners.

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.



***Nairobi Intelligent Transportation System Establishment and Junctions Improvement Project – Phase I
Annual Report and Financial Statements for the financial year ended June 30, 2024***

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.

e) Recognition of Payments

The Project recognises all payments when the event occurs, and the related cash has 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.

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.



*Nairobi Intelligent Transportation System Establishment and Junctions Improvement Project – Phase I
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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.

f) In-kind Donations

In-kind contributions are donations that are made to the Project in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Project includes such value in the statement of receipts and payments both as receipts and as



*Nairobi Intelligent Transportation System Establishment and Junctions Improvement Project – Phase I
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payments in equal and opposite amounts; otherwise, the contribution is not recorded.

g) Cash and Cash Equivalents

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

h) Restriction on Cash

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

i) 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



***Nairobi Intelligent Transportation System Establishment and Junctions Improvement Project – Phase I
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the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

j) Contingent Liabilities

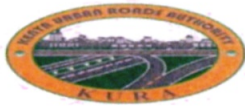
A contingent liability is:

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

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities. Letters of comfort/ support, insurance, Public Private Partnerships, The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. The project for Nairobi Intelligent Transportation System Establishment and Junctions Improvement Project – Phase I did not have contingent liabilities in the year.

k) Contingent Assets

The Nairobi Intelligent Transportation System Implementation and Junction Improvement Project – Phase I project does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of The Nairobi Intelligent Transportation System Implementation and Junction Improvement Project – Phase I project in the notes to the financial



***Nairobi Intelligent Transportation System Establishment and Junctions Improvement Project – Phase I
Annual Report and Financial Statements for the financial year ended June 30, 2024***

statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

l) Pending Bills

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

m) Budget

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



*Nairobi Intelligent Transportation System Establishment and Junctions Improvement Project – Phase I
Annual Report and Financial Statements for the financial year ended June 30, 2024*

n) Third Party Payments

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

o) Exchange Rate Differences

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

p) Comparative Figures

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

q) Subsequent Events

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

r) Prior Period Adjustments

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



***Nairobi Intelligent Transportation System Establishment and Junctions Improvement Project – Phase I
Annual Report and Financial Statements for the financial year ended June 30, 2024***

12. Notes to the Financial Statements

1. Transfers from Government Entities

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

	2023/24	2022/23	Cumulative to-date (from inception)
	KShs	KShs	
Counterpart funds Quarter 1	-	-	-
Counterpart funds Quarter 2	-	3,750,000	3,750,000
Counterpart funds Quarter 3	11,410,403	-	11,410,403
Counterpart funds Quarter 4	-	10,250,000	10,250,000
Total	11,410,403	14,000,000	25,410,403



***Nairobi Intelligent Transportation System Establishment and Junctions Improvement Project – Phase I
Annual Report and Financial Statements for the financial year ended June 30, 2024***

2. Loan from External Development Partners

During the financial period to 30 June 2024, 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 (USD)	Loans received in cash	Loans received as direct payment*	Total amount in KShs	
			KShs	KShs	2023/24	2022/23
Export Import Bank of Korea (KEXIM)		1,370,937.50	-	63,526,008	63,526,008	95,289,013
Total	-	1,370,937.50	-	63,526,008	63,526,008	95,289,013

3. Acquisition of Non-Financial Assets

	2023/24			2022/23	Cumulative to-date KShs
	Payments made by the Entity in Cash KShs	Payments made by third parties KShs	Total Payments KShs	Total Payments KShs	
Nairobi Intelligent Transportation System Works		-	-	-	-
Design Review & Supervision of Works	11,410,403	63,526,008	74,936,412	109,289,013	184,225,424
Relocation of Services	-	-	-	-	-
Total	11,410,403	63,526,008	74,936,412	109,289,013	184,225,424



Nairobi Intelligent Transportation System Establishment and Junctions Improvement Project – Phase I

Annual Report and Financial Statements for the financial year ended June 30, 2024

13. Other Important Disclosures

1. Pending Accounts Payable (See Annex 4a)

Description	2023-2024	2022-2023
	Kshs	Kshs
Construction of Civil Works	-	
Consultancy Services	-	1,246,242
Relocation of Services		
Total	-	1,246,242

2. External Assistance

Description	FY 2023/2024	FY 2022/2023
	Kshs	Kshs
External assistance received as loans	63,526,008	95,289,013
Total	63,526,008	95,289,013

a). External assistance relating loans and grants

Description	FY 2023/2024	FY 2022/2023
	Kshs	Kshs
External assistance received as loans	63,526,008	95,289,013
Total	63,526,008	95,289,013

b) Undrawn external assistance

Description	Purpose for which the undrawn external assistance may be used	FY 2023/2024	FY 2022/2023
		Kshs	Kshs
Undrawn external assistance - loans	Works and Consultancy Services	6,559,975,079	6,623,501,087
Total		6,559,975,079	6,623,501,087



**Nairobi Intelligent Transportation System Establishment and Junctions Improvement Project –
Phase I
Annual Report and Financial Statements for the financial year ended June 30, 2024**

c) Classes of Providers of External Assistance

Description	FY 2023/2024 Kshs	FY 2022/2023 Kshs
Multilateral donors	63,526,008	95,289,013
Total	63,526,008	95,289,013

e. Purpose and use of external assistance

Payments Made by Third Parties:	FY 2023/2024 Kshs	FY 2022/2023 Kshs
Other Payments - Acquisition of Non-Financial Assets	63,526,008	95,289,013
TOTAL	63,526,008	95,289,013

f. External Assistance paid by third parties on behalf of KURA by Source

This relates to external assistance paid directly by third parties to settle obligations on behalf of (the entity This note should tie to line 3 of note 4 on external assistance)).

Description	FY 2023/2024 Kshs	FY 2022/2023 Kshs
Bilateral donors	63,526,008	95,289,013
Total	63,526,008	95,289,013

g. Related Party Disclosures

Related party disclosure is encouraged under non-mandatory section of the Cash Basis IPSAS. The comprise of related parties to the Project.

- i) The National Treasury/ State department of roads

Related party transactions:

	FY2023/2024 Kshs	FY2022/2023 Kshs
Transfers from related parties		
Transfers from the State Department of Roads (SDO)	11,410,403	14,000,000
Total Transfers from related parties	11,410,403	14,000,000



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14. Annexes

Annex 1: Prior Year Auditor-General’s Recommendations

Reference No. on the external audit Report	Issue / Observations from Auditor	Management Comments	Status:	Timeframe: (Date when you expect the issue to be resolved)
1	Delayed Commencement of Works	<i>Delay on procurement of the works component has been attributed to long turnaround time in the obtaining of No-Objection / approval to proceed to tendering of works by the Financier as per their Procedures and Regulations for Procurement of Works and Services. Procurement of works contractor was done in the financial year ended 30-June-2024. Currently a No Objection is awaited to sign the contract and thereafter commencement of the works</i>	Not Resolved	30-June-2025
2	Irregular clause on Financing Agreement and non-compliance with the Public Procurement and Asset Disposal Act, 2015	<i>The Financing agreements is a form of bilateral agreement made between the Kenyan Government and other foreign countries and or agencies and contains mutually agreed terms, conditions and obligations for each of the parties with regard to the project to be financed. The agreement was approved by the cabinet Secretary, The National Treasury in accordance with Section 58 of the Public Finance Management Act 2012 based on the legal opinion of the Attorney General as prescribed in regulation 203 of the Public Finance Management Regulations 2015. Section 4(2) of the Public Procurement and Disposal Act 2015 lists exemptions to the Act and stipulates that the Act does not apply to “procurement and disposal of assets</i>	Resolved	



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Reference No. on the external audit Report	Issue / Observations from Auditor	Management Comments	Status:	Timeframe: (Date when you expect the issue to be resolved)
		<p><i>under bilateral or multilateral agreements between the Government of Kenya and any other foreign government, agency, entity or multilateral agency unless as otherwise prescribed in the Regulations”</i></p> <p><i>To this extent, the Authority has not breached any law in the implementation of this project..</i></p>		

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Eng. Silas M. Kinoti, MBS
 Director General

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Eng. Merin Koitalek
 Project Coordinator



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Annex 2: Variance explanations - Comparative Budget and Actual amounts for FY 2022/2023

	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	20,000,000	11,410,403	8,589,597	57%	(i)
Proceeds from domestic and foreign loans	63,526,008	63,526,008	-	100%	
Total Receipts	83,526,008	74,936,412	8,589,597	90%	
Payments					
Acquisition of non-financial assets	83,526,008	74,936,412	8,589,597	90%	(i)
Total payments	83,526,008	74,936,412	8,589,597	90%	

(i) The amount funded out of the exchequer was adequate to cover the pending bills for the project in the Financial Year Ended 30-Jun-24




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Annex 3: Reconciliation of Inter-entity transfers

Nairobi Intelligent Transportation System Establishment and Junctions Improvement Project – Phase I				
Break down of Transfers from the State Department of Roads				
a.	Government Counterpart Funding	Bank Statement Date	Amount (KShs)	Financial Year
	Nairobi ITS Establishment & Junctions Improvement Project - Invoice 01 Part 2	11-Mar-24	1,246,242	FY 2023/2024
	Nairobi ITS Establishment & Junctions Improvement Project - Invoice 02 Withholding VAT	11-Mar-24	1,270,520	FY 2023/2024
	Nairobi ITS Establishment & Junctions Improvement Project - Invoice 02	11-Mar-24	8,893,641	FY 2023/2024
		Total	11,410,403	
b.	Direct Payments			
	Nairobi ITS Establishment & Junctions Improvement Project - Invoice 01		63,526,008	FY 2023/2024
		Total	63,526,008	
		TOTAL (a+b+c)	74,936,412	

The above amounts have been communicated to and reconciled with the Parent Ministry.

Project Coordinator
Kenya Urban Roads Authority

Sign 

Head of Accounting Unit
State Department of Roads

Sign 



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Annex 4: Analysis of Pending Bills

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2023/24	Outstanding Balance 2022/23	Comments
	a	b	c	d=a-c		
Construction of Nairobi ITS -civil works						
Nairobi ITS Works	-		-	-	-	
Sub-Total	-	-	-	-	-	
Supply of services						
Consultancy Services- Inv 01-Advance	110,535,255		110,535,255	-	1,246,242	
Consultancy Services- Inv 02	73,690,170		73,690,170	-	-	
Relocation of Services						
Sub-Total	184,225,424	-	184,225,424	-	1,246,242	
Relocation of Services						
Relocation of Services	-		-	-	-	
Sub-Total	-	-	-	-	-	
Grand Total	184,225,424	-	184,225,424	-	1,246,242	