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**OFFICE OF THE AUDITOR-GENERAL**

*Enhancing Accountability*

**REPORT**

 THE NATIONAL ASSEMBLY PAPERS L AID	
DATE: 14 MAR 2023	
DAY: TUESDAY	
TABLED BY:	DEPUTY LEADER OF MAJORITY PARTY
CLERK-AT THE-TABLE:	IMRSPU MWALE

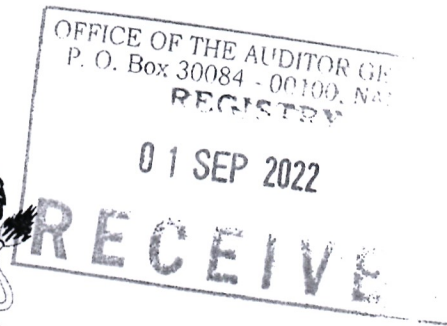
**THE AUDITOR-GENERAL**

**ON**

**NAIROBI WESTERN BYPASS**

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

**KENYA NATIONAL  
HIGHWAYS AUTHORITY**



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



**Kenya National Highways Authority**

*Quality Highways, Better Connections*

**PROJECT NAME: NAIROBI WESTERN BYPASS**

**IMPLEMENTING ENTITY: KENYA NATIONAL HIGHWAYS AUTHORITY**

**PROJECT CREDIT NUMBER: CHINA EXIM BANK GCL NO. (2017) 28 TOTAL  
NO. (633)**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

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

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***NAIROBI WESTERN BYPASS PROJECT***  
***Annual Report and Financial Statements for the financial year ended June 30, 2022***

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**NAIROBI WESTERN BYPASS PROJECT**

**Annual Report and Financial Statements for the financial year ended June 30, 2022**

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## **1. PROJECT INFORMATION AND OVERALL PERFORMANCE**

### **1.1 Name and registered office**

Nairobi Western Bypass Project

#### **Objective:**

The project starts from Gitaru main town and mainly follows the existing road connecting into Southern Bypass towards the northeast and then turns to the southeast near Ndenderu town. The Road ends at Ruaka town connecting the starting point of the Northern Bypass. The road passes through several centres such as Gitaru, Wangige, Kihara, Ndenderu, Rumingi and Ruaka (Banana).

The specific objective of the Project is to increase efficiency of road transport in Nairobi County and neighbouring counties and countries to facilitate trade and regional intergration.

**Address:** Barabara Plaza  
Jomo Kenyatta International Airport (JKIA) off Mazao Road  
Nairobi Kenya

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

### **1.2 Project Information**

Project Start Date:	April, 2019
Project End Date:	June, 2022
Project Engineer	Eng. George Amingh
Project Sponsor:	EXIM Bank of China Government of Kenya

## **NAIROBI WESTERN BYPASS PROJECT**

**Annual Report and Financial Statements for the financial year ended June 30, 2022**

### **PROJECT INFORMATION AND OVERALL PERFORMANCE(Continued)**

#### **1.3 Project Overview**

Line Ministry/State Department of the project	The project is under the supervision of the Ministry of Transport, Infrastructure, Housing, Urban Development & Public Works
Project number	
Strategic goals of the project	The strategic goals of the project are as follows: (i) Improve trade and regional integration and contribute to the Government of Kenya's social and economic development. (ii) Enhance social economic development of the people along the project road.
Achievement of strategic goals	Implementation of the project in timely, efficient and effective manner.
Other important background information of the project	The length of the main alignment of the project is 16.793 km with approximately 17.31 km of service roads. It starts from Gitaru town and ends at Ruaka. The Bypass mainly follows along the existing road (Gitaru Road) towards the Northeast and then turns to the Southeast near Ndenderu town (Limuru Road). The Western Bypass passes several towns such as Gitaru, Wangige, Ndenderu and Ruaka. The end of the road is at the Two Rivers Mall round about on the Northern Bypass at Ruaka.
Project duration	The project is for duration of 39 months.

#### **1.4 Bankers**

Co-operative Bank of Kenya  
Upper Hill Branch  
Po Box  
Nairobi.

#### **1.5 Auditors**

Auditor General  
Office of the Auditor General  
Po Box 30084-0100,  
Nairobi.

**PROJECT INFORMATION AND OVERALL PERFORMANCE(Continued)**

**1.6 Roles and Responsibilities**

List of the people who are working on the project.

<b>Names</b>	<b>Title designation</b>	<b>Key qualification</b>	<b>Responsibilities</b>
Eng. Charles Obuon	Director-Development	Qualified	Project Implementing Team Leader
Eng. George Amingh	Deputy Director-Special Projects	Qualified	Project Engineer
Mr. Walter B. Nyatwang'a	Deputy Director Environment & Social Interests	Qualified	Project Safeguards Specialist
Ms. Norah Odingo	Deputy Director-Legal Services	Qualified	Project Legal Specialist
Ms. Levina K. Wanyonyi	Deputy Director-Supply Chain Management	Qualified	Project Procurement Specialist
Ms. Rose Oloo	Assistant Director-Social Interests	Qualified	Project Social Development Specialist
Mr. Chanje Kera	Deputy Director-Finance & Accounts	Qualified	Project Financial Specialist

**1.7 Funding summary**

The Project is for a duration of 39 months from April 2019 to June 2022. The Project's approved budget is Yuan 1,190,253,600 equivalent to Kshs. 20,947,868,233 as highlighted in the table below

**A. Sources of Funds**

<b>Source of funds</b>	<b>Donor Commitments</b>		<b>Amount received to date (30th June 2022)</b>		<b>Undrawn balance to date (30th June 2022)</b>	
	Yuan (A)	Kshs (A')	Yuan (B)	Kshs (B')	Yuan (A)-(B)	Kshs (A') – (B')
<b>(i) Loan</b>						
China Exim Bank	1,190,253,600	20,947,868,233	730,036,022	12,848,268,967	460,217,578	8,099,599,266
<b>(ii) Counterpart Funds</b>						
	-	602,378,230	-	602,378,230	-	-
<b>Total</b>	<b>1,190,253,600</b>	<b>21,550,246,463</b>	<b>730,036,022</b>	<b>13,450,647,197</b>	<b>460,217,578</b>	<b>8,099,599,266</b>

NB. Exchange rate as at 30<sup>th</sup> June, 2022-Kshs.17.5995.

**NAIROBI WESTERN BYPASS PROJECT**

**Annual Report and Financial Statements for the financial year ended June 30, 2022**

**PROJECT INFORMATION AND OVERALL PERFORMANCE(Continued)**

**B. Applications of Funds**

Application of funds	Amount received to date- (30th June 2022)		Cumulative Amount paid to date-(30th June 2022)		Unutilised balance to date	
	Donor currency	Kshs	Donor currency	Kshs	Donor currency	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A') – (B')
	Yuan	Kshs	Yuan	Kshs	Yuan	Kshs
<b>i) Loan</b>						
China Exim Bank	730,036,022	12,848,268,967	730,036,022	12,848,268,967	-	-
<b>(ii) Counterpart Funds</b>						
Government of Kenya	-	602,378,230	-	602,378,230	-	-
<b>Total</b>	<b>730,036,022</b>	<b>13,450,647,197</b>	<b>730,036,022</b>	<b>13,450,647,197</b>	<b>-</b>	<b>-</b>

**1.8 Summary of Overall Project Performance:**

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

	2021/2022		
	Actual	Budget	%
Counterpart Funds - Gok	74,973,580	112,500,000	67%
Loan from External Development Partners	5,139,307,587	5,150,000,000	100%
<b>Total</b>	<b>5,214,281,167</b>	<b>5,262,500,000</b>	<b>99%</b>

Physical progress based on outputs, outcome and impacts since project commencement: -

The project has reached substantial completion as at 30<sup>th</sup> June,2022

**Comment on value for money achievements.**

- The project procurement process is conducted through International Competitive Bidding (ICB) which results in excellent value for money.
- The authority (KeNHA) has put in place adequate checks & balances on appointment of the works consultant supervision who oversees the project implementation on daily basis on consultation and subsequent approvals from the employer and the bank.
- In addition to works supervision, the consultant undertakes design review before commencement of roads construction works to reduce uncertainties.
- Regular auditing of the project by Internal Auditors, External Auditors and Quality Assurance Departments.
- Monthly site meetings that involve the employer, the consultant and the contractor.

**1.9 Summary of Project Compliance:**

There are no significant cases of non-compliance with applicable laws and regulations, and essential external financing agreements/covenants, which has been reported.

**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.

The key development objectives of the project's implementation plan are to:

1. To improve mobility in the transport for goods and passengers within Kenya and the neighbouring countries such as South Sudan, Uganda, Eastern Congo, Rwanda, Burundi and Northern Tanzania;
2. To improve mobility of traffic within the wider Nairobi metropolitan area. The Western Bypass is one of the major trunk road links in the Nairobi Road Network Master Plan. Its construction will complete the circuit of bypasses around Nairobi which will improve accessibility and improve the running speed of vehicles.

**Progress on attainment of Strategic development objectives**

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

<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
To improve mobility in the transport for goods and passengers within Kenya and the neighbouring countries such as South Sudan, Uganda, Eastern Congo, Rwanda, Burundi and	Increased efficient transportation of people, goods and services within the wider Nairobi metropolitan area as well as between Kenya and the neighbouring countries	35 % reduction in travel time between Gitaru (Nakuru-Nairobi highway) and Ruaka (Limuru Road)	The project has reached substantial completion.
To improve mobility of traffic within the wider Nairobi metropolitan area	Reduction of traffic congestion within Nairobi metropolitan.	Better traffic movements and less emission.	The project has reached substantial completion.

### **3. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

Nairobi Western Bypass Project exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy. Below is a brief highlight of our activities that drive towards sustainability.

#### **3.1. Sustainability strategy and profile**

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

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

#### **3.2. Environmental performance**

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

## **ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Continued)**

### **3.3. Employee welfare**

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

### **3.4. Market place practices**

The Authority strives to ensure responsible competition practices through undertaking annual governance audits in projects, monitoring the implementation of policies and further promotes ethical conduct in projects. The Authority equally sensitizes staff on corruption and integrity.

The Authority undertakes to be actively involved in the negotiations during budget sector hearings in order to increase budgetary allocations for projects thus honouring contracts by paying its liabilities on time.

### **3.5. Community Engagements**

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

The Contractor has been involved in various CSR activities geared towards providing the local residents through construction of water kiosks along the project road, improvement of access roads and enhancing learning and playing environment in schools along the project road. To enhance social safeguards in projects, the Authority undertakes Resettlement Action Plan (RAP) studies and implements its recommendations, carries out Social Impact Assessments (SIA), undertakes gender mainstreaming and conduct stakeholders' forum to sensitize the public in several cross-cutting issues

**ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Continued)**

Some of the CSR activities carried out by the project are highlighted in the table below;

<b>NO.</b>	<b>Stakeholder</b>	<b>Date</b>	<b>Venue</b>	<b>Activity</b>
1.	Wangige Market	November 29 <sup>th</sup> 2019	Wangige Market	CRBC donated Refreshments, T-shirts and Caps with key messaging on HIV/AIDS Awareness was also given to participants as part of our CSR.
2.	Lusingiti/Karai community.	December,2019	Lusingiti Karai	Rehabilitation of Karai – Lusigiti road, Rurii, and installation of drainage culverts channels.
3.	Kabete Community	December,2019	Ndurarua	Donation of branded footballs team uniforms for winners, 1st runners up and 2 <sup>nd</sup> runners up. And hosting a match on Jamhuri Day
4.	Rungiri Community	January, 2020	Rungiri Community	Donation of Gardening equipment (pangas, slashers, Jembes, wheelbarrows and CRBC branded Overalls.
5.	Karai Residents	February,2020	Karai	Maintenance works to Karai Quarry
6.	Gitaru and Wangige Residents	March, 2020	Gitaru, Wangige	Provision of sanitary installations with running water
7.	Member Karai community	April, 2020	Karai	Medical assistance to Samuel Gichuru
8.	Karai Residents	April/May/2020	Karai	Maintenance of Karai Road
9.	Link Road Residents	05/May/2020	Link Road	Donated Gardening/ Environmental Cleanup Equipment.
10.	Kenya Forest Service	June/2020	Kenya Forest service grounds	Donated 4 houses built by CRBC for KFS Rangers at Ngong Forest
11.	Kenya Railways	June/2020	Dandora Railway Station	Assisted Kenya Railways rescue a derailed cargo train that lasted 23hours.

**4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES**

The Director General, KeNHA and the Project Implementation Team Leader for Nairobi Western Bypass Project are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year ended on June 30, 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.

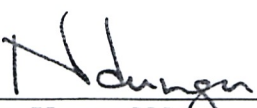
The Director General, KeNHA and the Project Implementation Team Leader for Nairobi Western Bypass Project accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

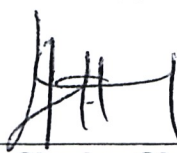
The Director General, KeNHA and the Project Implementation Team Leader for Nairobi Western Bypass Project are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year ended June 30, 2022, and of the Project's financial position as at that date. The Director General, KeNHA and the Project Implementation Team Leader for Nairobi Western Bypass Project further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.


The Director General, KeNHA and the Project Implementation Team Leader for Nairobi Western Bypass 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 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, KeNHA and the Project Implementation Team Leader for Nairobi Western Bypass Project on 30 AUG 2022 2022 and signed by them.

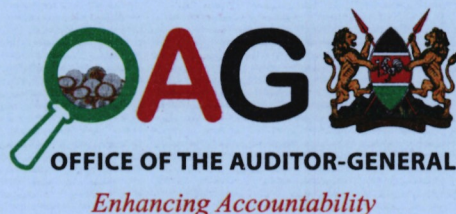
  
\_\_\_\_\_  
**Eng. Kungu Ndungu**  
**Director General**

  
\_\_\_\_\_  
**Eng. Charles Obuon**  
**Director-Development**

  
\_\_\_\_\_  
**CPA Chanje Kera**  
**Deputy Director-(F&A)**  
**ICPAK Member No. 8279**

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NAIROBI

## REPORT OF THE AUDITOR-GENERAL ON NAIROBI WESTERN BYPASS FOR THE YEAR ENDED 30 JUNE, 2022 - KENYA NATIONAL HIGHWAYS AUTHORITY

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### 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 Nairobi Western Bypass set out on pages 1 to 21, which comprise 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 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 Nairobi Western Bypass as at 30 June, 2022, and 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 Loan Agreement No. China Exim Bank GCL No.(2017) 28 Total No.633.

## **Basis for Qualified Opinion**

### **1. Unverifiable Land Compensation**

The statement of receipts and payments as also shown in Note 4 to the financial statements reflects acquisition of land expenditure of Kshs.73,983,440 paid to the Commissioner of Lands to cater for land compensation.

The payment was made on the strength of schedules attached to payment vouchers. However, no evidence of determination of acreage, boundaries, ownership and value was provided for audit verification. This is contrary to Section 119 of the Land Act, 2012 which provides that compensation shall be made only upon the exercise of due diligence which shall include verification of final survey and the determination of acreage, boundaries, ownership and value. Further, the three parcels of land whose corresponding compensation amounted to a total of Kshs.3,342,490, did not disclose the intended beneficiaries of the payments which were done through the National Land Commission.

In the circumstances, it was not possible to confirm the accuracy and propriety of the payments made for land compensation.

### **2. Unsupported Receipts and Payments**

The statement of receipts and payments reflects transfers from Government entities amounting to Kshs.74,973,580, as disclosed in Note 1 to the financial statements, all of which were received during quarter four (4). However, the Project Management did not provide supporting documents indicating the specific dates on which these receipts were received, but instead provided an exchequer confirmation of the entire amount issued to Kenya National Highways Authority (KeNHA), amounting to Kshs.58,719,787,682. This is contrary to Regulation 76 of the Public Finance Management (National Government) Regulations, 2015 which provides that for the purpose of disbursement of project funds, there shall be opened and maintained a project account for every project at Central Bank of Kenya, unless it is exempted by the Cabinet Secretary, in writing, into which all funds

shall be kept and such an account shall be known by the name of the project for which it is opened and each project shall maintain only one bank account.

However, the project cash book was not provided for audit, contrary to the provisions of Regulation 77 of the Public Finance Management (National Government) Regulations, 2015 which requires that the Accounting Officer of a project shall compile and maintain a record showing all receipts, disbursements and actual expenditure on a monthly basis in respect of every project and subproject.

Further, the statement of receipts and payments reflects total receipts and payments of Kshs.5,214,281,167 which includes an amount of Kshs.5,139,307,587 received from external development partners paid directly to the contractors in respect of construction of roads however, no documentation was provided for audit review.

In the circumstances, it was not possible to confirm the accuracy of receipts as reported in the financial statements.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Nairobi Western Bypass 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 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**

#### **1. Unimplemented Road Interchanges and Service Lanes**

Audit review of records provided for audit revealed that the road project commenced in April, 2019 and covers a distance of approximately 16.7Km. The project entailed construction of a dual carriage way, two (2) lanes on each direction measuring seven (7) meters wide. The information further indicated that there were six (6) interchanges to be implemented at six (6) shopping centers along the road, all of which are evidently not done. According to Variation of Contract Ref. KeNHA/RD/EPC/2074/2017, Addendum No.2, dated 14 January, 2022, the Management provided justification for lack of implementation for the interchanges referred to above, as detailed below:

- i. Omission of the first interchange was informed by the necessity to contain the cost of the project within the contract sum, and the savings made would be channeled to cover the cost of additional 1.384m of reinforced earth retaining walls and part of the 725m additional gravity retaining walls along the alignment.

- ii. Construction of the second interchange ramps and slip roads were to be limited to available space due to difficulty in acquisition of land and need to reduce the cost of the interchange.
- iii. The tunnel initially proposed to connect two overpasses at the third interchange was omitted in order to avoid the cost of the project going over the budget and instead an additional crossing at the site was constructed, instead of one (1 No.) of crossing proposed at the preliminary design.
- iv. In order to contain the cost of the project within the contract sum, the scope in fourth interchange was scaled down in the interim, so as to free financial resources to cater for additional works including box under-passes and other necessary enhancements. Considering that the land for the interchange was still not available, the construction works were to be done in stages, the first being an at-grade round about to cater for the current traffic.
- v. The fifth junction, which was initially meant to be a simple underpass, was now to be completed as a diamond type interchange, due to the high cost of acquiring the land.

However, Management did not explain the circumstances under which the contracting for the project was done before acquiring and securing the rights of way for the construction project. Further, no explanation was provided detailing the circumstances under which the specifications of the project were changed with the aim of not exceeding the contract sum, considering that the contractor bid and won the tender for construction of the project at the contract sum of USD170,998,693.24, which included the cost of all the components which were removed from the scope.

In the circumstances, it was not possible to confirm that the full scope of the project was implemented as envisaged in the original design of the project. Further, it was not possible to confirm that the road was constructed to quality and cost effectiveness, resulting in value for money to the beneficiaries of the project.

## **2. Pending Bills**

Note 12 to the financial statements reflects other important disclosures which includes pending bills totalling to Kshs.3,926,892,951 as at 30 June, 2022 The project end date was 30 June, 2022 however, it was not clear how and when these pending bills would be paid since the delayed payment of the pending bills may result in significant penalties and interest.

The delays in the payment of pending bills referred to above may result in significant penalties and interest costs with the continued delay in payment.

## **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 effect of the matters 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**

#### **Corporate Social Responsibility Activities Outside the Affected Road Locality**

The project environmental and sustainability report section indicate that the international Supplier has been involved in various Community Social Responsibility (CSR) activities geared towards providing residents with water kiosks, improvement of access roads and enhancing learning and playing environment in schools along the project. There was a total of nine CSR activities carried out by the project which were undertaken outside the locality of the road.

However, correspondences and documents in support of initiation and public participation on the said CSR activities including quantity and amount spent on the activity have not been provided for audit verification. The activities were undertaken far from the locality in which the project was being implemented contrary to the environmental and sustainability reporting sub-paragraph 3.5 which indicate that the activities are geared towards benefiting the local residents.

In the circumstances, it was not possible to confirm the beneficial value to the local residents.

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.

### **Responsibilities of Management and those Charged with Governance**

The Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards

(Cash Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

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

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

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

Those charged with governance are responsible for overseeing the Project's financial reporting process, reviewing the effectiveness of how 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 controls may not prevent or detect misstatements and instances of noncompliance. 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 skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of 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 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 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


24 November, 2022

**NAIROBI WESTERN BYPASS PROJECT**  
**Annual Report and Financial Statements for the financial year ended June 30, 2022**


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

	Note	2021/22			2020/21			Cumulative to date
		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	
		Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
<b>RECEIPTS</b>								
Transfer from Government entities	1	74,973,580	-	74,973,580	525,000,000	-	525,000,000	602,378,230
Loan from external Development Partners	2	-	5,139,307,587	5,139,307,587	-	5,139,307,587	5,139,307,587	12,848,268,967
<b>TOTAL RECEIPTS</b>		<b>74,973,580</b>	<b>5,139,307,587</b>	<b>5,214,281,167</b>	<b>525,000,000</b>	<b>5,139,307,587</b>	<b>5,664,307,587</b>	<b>13,450,647,197</b>
<b>PAYMENTS</b>								
Purchase of Goods & Services	3	990,140	-	990,140	4,583,700	-	4,583,700	7,978,490
Acquisition of non-financial assets	4	73,983,440	5,139,307,587	5,213,291,027	520,416,300	5,139,307,587	5,659,723,887	13,442,668,707
<b>TOTAL PAYMENTS</b>		<b>74,973,580</b>	<b>5,139,307,587</b>	<b>5,214,281,167</b>	<b>525,000,000</b>	<b>5,139,307,587</b>	<b>5,664,307,587</b>	<b>13,450,647,197</b>
<b>SURPLUS/DEFICIT</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>


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

  
**Eng. Kungu Ndungu**  
**Director General**  
 30 AUG 2022

\_\_\_\_\_  
 Date

  
**Eng. Charles Obuon**  
**Director-Development**  
 30 AUG 2022

\_\_\_\_\_  
 Date

  
**CPA Chanje Kera**  
**Deputy Director-(F&A)**  
**ICPAK Member No. 8279**  
 30 AUG 2022

\_\_\_\_\_  
 Date

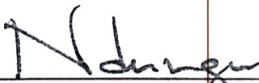
**NAIROBI WESTERN BYPASS PROJECT**

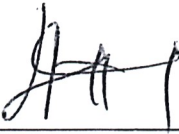
**Annual Report and Financial Statements for the financial year ended June 30, 2022**


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

	Note	2021/22	2020/21
		Kshs	Kshs
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances		-	-
<b>TOTAL FINANCIAL ASSETS</b>		-	-
<b>FINANCIAL LIABILITIES</b>			
Payables- Retentions	5	-	-
<b>NET ASSETS</b>		-	-
<b>REPRESENTED BY:</b>			
Cash and cash equivalents b/fwd		-	-
Surplus/Deficit for the year		-	-
<b>NET FINANCIAL POSITION</b>		-	-

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 30 AUG 2022 2022 and signed by:

  
\_\_\_\_\_  
**Eng. Kungu Ndungu**  
Director General

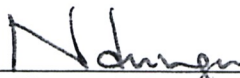
  
\_\_\_\_\_  
**Eng. Charles Obuon**  
Director-Development

  
\_\_\_\_\_  
**CPA Chanje Kera**  
Deputy Director-(F&A)  
ICPAK Member No. 8279


**NAIROBI WESTERN BYPASS PROJECT****Annual Report and Financial Statements for the financial year ended June 30, 2022****8. STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30TH JUNE 2022**

	Notes	2021/22 Kshs.	2020/21 Kshs.
<b>RECEIPTS</b>			
Transfers from Government entities	1	74,973,580	525,000,000
<b>Net Receipts for operating income</b>		<b>74,973,580</b>	<b>525,000,000</b>
Purchase of Goods and Services	3	(990,140)	(4,583,700)
<b>Net Payments for operating expenses</b>		<b>(990,140)</b>	<b>(4,583,700)</b>
<b>Net cash flow from operating activities</b>		<b>73,983,440</b>	<b>520,416,300</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of road assets	4	(5,213,291,027)	(5,659,723,887)
<b>Net cash flows from Investing Activities</b>		<b>(5,213,291,027)</b>	<b>(5,659,723,887)</b>
<b>CASHFLOW FROM BORROWING ACTIVITIES</b>			
Proceeds from Foreign Borrowings	2	5,139,307,587	5,139,307,587
<b>Net cash flow from financing activities</b>		<b>5,139,307,587</b>	<b>5,139,307,587</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>		-	-
<b>Cash and cash equivalent at Beginning of the year</b>		-	-
<b>Cash and cash equivalent at End of the year</b>		-	-

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 30 AUG 2022 2022 and signed by:

  
 Eng. Kungu Ndungu  
 Director General

  
 Eng. Charles Obuon  
 Director-Development

  
 CPA Chanje Kera  
 Director-Corporate Services  
 ICPAK Member No. 8279

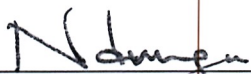
**NAIROBI WESTERN BYPASS PROJECT**

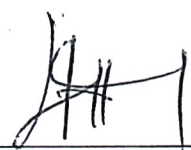
**Annual Report and Financial Statements for the financial year ended June 30, 2022**


**9. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30<sup>TH</sup> 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 %
<b>Receipts</b>						
Transfers from Government entities	250,000,000	(137,500,000)	112,500,000	74,973,580	37,526,420	67%
Proceeds from foreign borrowings	3,500,000,000	1,650,000,000	5,150,000,000	5,139,307,587	10,692,413	100%
<b>Total Receipts</b>	<b>3,750,000,000</b>	<b>1,512,500,000</b>	<b>5,262,500,000</b>	<b>5,214,281,167</b>	<b>48,218,833</b>	<b>99%</b>
<b>Payments</b>						
Purchase of goods and services	3,750,000,000	1,512,500,000	5,262,500,000	990,140	48,218,833	99%
Acquisition of non-financial assets				5,213,291,027		
<b>Total Payments</b>	<b>3,750,000,000</b>	<b>1,512,500,000</b>	<b>5,262,500,000</b>	<b>5,214,281,167</b>	<b>48,218,833</b>	<b>99%</b>
<b>Surplus or Deficit</b>	-	-	-	-	-	

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

  
**Eng. Kungu Ndungu**  
**Director General**

  
**Eng. Charles Obuon**  
**Director-Development**

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

30 AUG 2022  
**Date**

30 AUG 2022  
**Date**

30 AUG 2022  
**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 Public Sector Accounting Standards Board (PSASB)

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 Nairobi Western Bypass Project 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 (KSh), 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**

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

#### **i. Transfers from the Exchequer**

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

#### **ii. External Assistance**

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

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**iii. Other receipts**

These include Appropriation-in-Aid and relates to receipts such as proceeds from disposal of assets and sale of tender documents. These are recognised in the financial statements 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 on-going 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.

**iii. Interest on borrowing**

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

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**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

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 are 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:
  - 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

**10.11. Contingent Assets**

The Nairobi Western Bypass 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 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.

**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.

**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 **KSh 5,139,307,587** being 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.

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**10.16. Comparative figures**

Where necessary comparative figures for the previous financial year 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 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). There were no prior year adjustments as at June, 30,2022.

**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
	Kshs	Kshs	to-date
Counterpart funds Quarter 1	67,896,731	10,500	67,907,231
Counterpart funds Quarter 2	-	3,135,500	3,135,500
Counterpart funds Quarter 3	-	357,338,969	358,541,169
Counterpart funds Quarter 4	7,076,849	164,515,031	172,794,330
<b>TOTAL</b>	<b>74,973,580</b>	<b>525,000,000</b>	<b>602,378,230</b>

**2. LOAN FROM EXTERNAL DEVELOPMENT PARTNERS**

During the 12 months to 30th June 2022, we received loans from Donor(s) as detailed in the table below;

Name of Donor	Date Received	Loans Received as Direct payments	Total amounts in Kshs.	
			FY 2021/22	FY 2020/21
		Kshs	Kshs	Kshs
Exim Bank of China	2021/22	5,139,307,587	5,139,307,587	5,139,307,587
<b>Total</b>		<b>5,139,307,587</b>	<b>5,139,307,587</b>	<b>5,139,307,587</b>

**3. PURCHASE OF GOODS AND SERVICES**

	FY 2021/22			FY 2020/21	Cumulative
	Receipts and payments controlled by the entity	Payments made by third parties	Total Payments	Total Payments	
	Kshs	Kshs	Kshs	Kshs	
Domestic travel and subsistence	983,300	-	983,300	4,583,700	7,971,650
Advertising and services	6,840	-	6,840	-	6,840
<b>Total</b>	<b>990,140</b>	<b>-</b>	<b>990,140</b>	<b>4,583,700</b>	<b>7,978,490</b>

**NAIROBI WESTERN BYPASS PROJECT****Annual Report and Financial Statements for the financial year ended June 30, 2022****NOTES TO THE FINANCIAL STATEMENTS (Continued)****4. ACQUISITION OF NON-FINANCIAL ASSETS**

	FY 2021/22			FY 2020/21	Cumulative
	Receipts and payments controlled by the entity	Payments made by third parties	Total Payments	Total Payments	
	Kshs	Kshs	Kshs	Kshs	
Construction of roads	-	5,139,307,587	5,139,307,587	5,139,307,587	12,848,268,967
Acquisition of land	73,983,440	-	73,983,440	520,416,300	594,399,740
<b>Total</b>	<b>73,983,440</b>	<b>5,139,307,587</b>	<b>5,213,291,027</b>	<b>5,659,723,887</b>	<b>13,442,668,707</b>

**5. ACCOUNTS PAYABLES – RETENTIONS**

There were no accounts payable-Retention as at 30<sup>th</sup> June,2022.

**NAIROBI WESTERN BYPASS PROJECT***Annual Report and Financial Statements for the financial year ended June 30, 2022***12. OTHER IMPORTANT DISCLOSURES****12.1. PENDING ACCOUNTS PAYABLE (See Annex 3)**

	Balance b/f FY 2021/2022	Additions for the period	Paid during the year	Balance c/f FY 2021/2022
Description	Kshs	Kshs	Kshs	Kshs
Construction of Roads	2,574,282,080	5,302,455,731	5,139,307,587	2,737,430,224
Acquisition of Land	1,352,610,871	-	73,983,440	1,278,627,431
Supply of Services	-	990,140	990,140	-
<b>Total</b>	<b>3,926,892,951</b>	<b>5,303,445,871</b>	<b>5,214,281,167</b>	<b>4,016,057,655</b>

**12.2. EXTERNAL ASSISTANCE***a) External assistance relating to loans and grants*

	FY 2021/2022	FY 2020/2021
Description	Kshs	Kshs
External assistance received as loans	5,139,307,587	5,139,307,587
<b>Total</b>	<b>5,139,307,587</b>	<b>5,139,307,587</b>

*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	Road works & consultancy services	8,099,599,266	12,137,089,096
<b>Total</b>		<b>8,099,599,266</b>	<b>12,137,089,096</b>

*c) Classes of providers of external assistance*

	FY 2021/2022	FY 2020/2021
Description	Kshs	Kshs
Bilateral donors	5,139,307,587	5,139,307,587
<b>Total</b>	<b>5,139,307,587</b>	<b>5,139,307,587</b>

*External assistance for road rehabilitation works, studies, design & supervision consultancy services.*

**NAIROBI WESTERN BYPASS PROJECT***Annual Report and Financial Statements for the financial year ended June 30, 2022***OTHER IMPORTANT DISCLOSURES (Continued)***d) Non-monetary external assistance*

	<b>FY 2021/2022</b>	<b>FY 2020/2021</b>
<b>Description</b>	<b>Kshs</b>	<b>Kshs</b>
Goods	-	-
Services	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

*e) Purpose and use of external assistance*

	<b>FY 2021/2022</b>	<b>FY 2020/2021</b>
<b>Description</b>	<b>Kshs</b>	<b>Kshs</b>
Acquisition of Assets	5,139,307,587	5,139,307,587
<b>Total</b>	<b>5,139,307,587</b>	<b>5,139,307,587</b>

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

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

	<b>FY 2021/2022</b>	<b>FY 2020/2021</b>
<b>Description</b>	<b>Kshs</b>	<b>Kshs</b>
Bilateral donors	5,139,307,587	5,139,307,587
<b>Total</b>	<b>5,139,307,587</b>	<b>5,139,307,587</b>

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:(Date when the issue is expected to be resolved)
1	<p><b>Basis for Qualified Opinion</b></p> <p><b>Unsupported Transfer from Government Entities</b></p> <p>The statement of receipts and payments shows transfer from Government entities of Kshs. 525,000,000 as at 30 June, 2021. The amount was however, not reflected in the cash book and the bank statements. Exchequer notifications were also not provided for audit review.</p> <p>In the circumstances, the transfer from Government entities of Kshs. 525,000,000 could not be confirmed.</p>	<p>All exchequer funds received are all channeled to a single exchequer bank account which is in line with provisions of the PFM Act of a Treasury single Account.</p> <p>The exchequer confirmation for all exchequer received in the financial year were availed to the auditors during the audit exercise.</p>	Resolved	Continuous
2	<p><b>Unsupported Land Compensation</b></p> <p>Note 11.4 to the financial statements reflects an expenditure of Kshs. 520,416,300 on land compensation to Project Affected Persons (PAPs). However, the following anomalies were noted;</p> <ol style="list-style-type: none"> <li>i. The identification of PAPs through searches at public land office and gazettelement of these were not provided for audit review.</li> <li>ii. Although Kshs. 520,416,300 had been transferred to the National Land</li> </ol>	<p>Identification of PAPs to be paid compensation is the mandate of National Land Commission (NLC) and once this was done, they then forward a compensation schedule to KeNHA for processing of payment.</p> <p>The searches proving ownership are therefore with NLC. Gazettelement for the land acquisition were done as</p>	Resolved	Continuous

**NAIROBI WESTERN BYPASS PROJECT**

**Annual Report and Financial Statements for the financial year ended June 30, 2022**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:(Resolved/Not Resolved)	Timeframe:(Date when the issue is expected to be resolved)
	<p>Commission for payment to the PAPs, the schedule of beneficiaries was however not provided for Audit.</p> <p>iii. Out of the total amount due to PAPs of Kshs. 1,571,282,009 as per the letter Ref: NLC/VAL.1593/18 dated 23 November, 2020 a balance of Kshs. 1,050,865,709 was yet to be paid to the beneficiaries. There were no correspondences between the implementing Agency and National Lands Commission to indicate the progress of compensation process in order to have the project completed on schedule.</p>	<p>required in law via the following gazette notices:</p> <ol style="list-style-type: none"> <li>1259 dated 14th February, 2020</li> <li>5271/5272 dated 28th July, 2020</li> <li>10258 dated 4th December, 2020</li> <li>1703 dated 19th February, 2021</li> <li>7888 dated 30th July, 2021</li> </ol> <p>We disagree, the total amount due to Project Affected Persons (PAPs) is Kshs.1,873,027,171 as per the two (2No) compensation payment schedules received from National Land Commission (NLC) as follows:</p> <ol style="list-style-type: none"> <li>Ksh 1,571,282,009 – forwarded via letter ref: NLC/VAL.1593/18 dated 23<sup>rd</sup> November, 2020</li> <li>Ksh 301,745,151 – forwarded via letter ref: NLC/VAL.1593/20 dated 27<sup>th</sup> April, 2021</li> </ol> <p>As at 30<sup>th</sup> June, 2021, KeNHA had transferred three payments to NLC for disbursement to the PAPs as follows:</p> <ol style="list-style-type: none"> <li>Ksh 6,349,869 – NLC notified via letter ref: KeNHA/F/NLC/6/Vol.3/3329 dated 18<sup>th</sup> January, 2021</li> </ol>		

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Reference No. on the external audit Report	Issue / Observations from Auditor Report	Management comments	Status: (Resolved/Not Resolved)	Timeframe: (Date when the issue is expected to be resolved)
	<p>iv. Review of the project progress report indicated that the road was later redesigned and there ought therefore, to have been a revised list of PAPs to be compensated which however was not done.</p> <p>A schedule forwarded to the Director- General - Kenya National Highways Authority (KeNHA) by the Ag. Secretary/ CEO of the National Land Commission vide letter Ref: NLC/VAL.1593/18 dated 23 November, 2020 revealed that there were parcels of land which did not have the names of the registered owners for an amount Kshs. 83,357,966.</p>	<p>2. Ksh 350Million – NLC notified of the transfer via letter ref: KeNHA/F/NLC/6/Vol.3/333 dated 3<sup>rd</sup> March, 2021</p> <p>3. Ksh 164,066,431 – NLC notified via letter ref: KeNHA/F/NLC/6/Vol.3/3338 dated 29<sup>th</sup> April, 2021</p> <p>The balance of Ksh 1,352,610,871 is yet to be availed by the National Treasury. The revisions to the list of PAPs were done (as addendum, corrigendum and deletions) as indicated in the gazette notices 5271 and 5272 dated 28th July, 2020 and 10258 dated 4th December, 2020.</p> <p>This usually happens when NLC are unable, for one reason or another to get the ownership details of the affected parcels or there is nobody competent to receive the compensation. Such situations are covered under section 115 of the Land Act, (No. 6 of 2012) which provides that compensation shall be deposited in a special compensation account held by NLC</p>		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved/Not Resolved)	Timeframe: (Date when the issue is expected to be resolved)
3	<p><b>Irregular Payment of Allowances</b></p> <p>Note 11.3 to the financial statements reflects purchase of goods and services of Kshs. 4,583,700 relating to domestic travel and substance. Review of the expenditure records on domestic travel and subsistence allowance s revealed that an amount of Kshs. 2,450,800 was issued to KeNHA staff on behalf of National Land Commission employees, being allowance paid during site visits to the project.</p> <p>The expenditure was therefore irregularly incurred since National Land Commission employees should draw their allowances from Commission.</p>	<p>NLC being the government body mandated to value the properties of Project Affected Persons (PAPs), do inquiries and issue notices of possession, the Authority is obligated to engage their services.</p> <p>The nature of the assignments necessitated issuing them with facilitation as they are required to work out of their duty stations.</p> <p>In compliance to PFM Act regulation <i>Sec 93(5)</i>, that stipulates surrender of imprest timelines, the Authority's control mechanism to address the same necessitates an officer engaged in the assignment at hand to carry the allowances for NLC officers.</p> <p>This aids in ensuring that only officers who've turned up are given their facilitation monies. This in turn ensures that there is value for monies advanced and adequate accountability to the said monies.</p>	Resolved	Continuous
1	<p><b>Other Matters</b></p> <p><b>Pending Accounts Payable</b></p> <p>Note 12.1 to the financial statements reflects pending accounts payable of Kshs. 3,926,892,951 as at 30<sup>th</sup> June, 2021. The balance includes Kshs.</p>	<p>We agree with the observation, that the project had an accumulated pending bill amounting to Kshs. 3,926,892,951. This is as a result of budget constraints in the current Financial year.</p>	Not Resolved	Continuous

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved/Not Resolved)	Timeframe: (Date when the issue is expected to be resolved)
	2,574,282,080 being balance brought forward from the previous year, out of which Kshs. 4,628,287 is interest accrued due to delayed payments.			
2	<p><b>Failure to Prepare Itemised Budget</b>                      The project had an overall approved budget for the year. The itemised budget was, however, not provided for audit to show the amount approved for each of the project's components.                      In the absence of the itemised budget, funds may not be accounted for accurately leading to Project Implementation challenges.</p> <p><b>Conclusion</b></p> <p><b>Hindrance of Traffic Passage</b>                      During physical inspection conducted on 8 October, 2021 on the project, it was noted that the contractor had not provided road traffic signs and lights for traffic diversion at Karura Kamurimo and Road users faced difficulties in identifying the diversion.                      In the circumstances, road accidents may occur, and users were being inconvenienced due to lack of proper road signage.</p>	The overall approved budget was availed during the audit exercise.	Resolved	Continuous
1		The Contractor will be appropriately advised to put up and institute the necessary traffic control, signage and safety measures.	Resolved	Continuous
2	<p><b>Failure to erect Publicity Signboards</b>                      Field inspection conducted on 8<sup>th</sup> October 2021, revealed that there are no publicity signboards throughout the stretch of the road under construction, yet funds had been allocated for erecting the signboards. Failure to erect publicity</p>	Publicity signs will be erected at strategic locations along the construction corridor for effective conveyance of information.	Resolved	Continuous

**NAIROBI WESTERN BYPASS PROJECT**  
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:(Resolved/Not Resolved)	Timeframe:(Date when the issue is expected to be resolved)
	signboards may lead to disputes arising from failure to identify the Project with the employer.			
3	<p><b>Failure to implement the Project as per the Contract Terms</b></p> <p>Field inspection conducted on 8<sup>th</sup> October 2021 revealed that the interchange at KM 00 was not constructed although the project has progressed beyond km 12 and this component was not among the project's components the contractor intended to implement.</p> <p>In the circumstances, the Project may not have achieved the intended objectives of decongestion and smooth flow of traffic along the constructed road in the absence of an interchange.</p>	<p>The Gitaru Interchange will be implemented under the James Githuru Rironi Project. The savings generated by re-scoping of works will be used to ensure that the NWBP terminates at a logical point (Round-about with Northern Bypass). This was discussed in the 1<sup>st</sup> negotiation minutes</p>	Resolved	Continuous
4	<p><b>Unlawful Engagement of Foreigners in the Project</b></p> <p>Review of records revealed that foreigners working in the Project did not have temporary work permits as required by section 4 of the Kenya Citizenship and Immigration Act, 2011. The foreigners may not be qualified for the jobs since their particulars had not been verified by the Government of Kenya.</p> <p>Further they may also pose security risk since they had not been subjected to the required clearance by the Immigration Department.</p>	<p>The Employer has made applications to immigration office for key Contractors staff.</p>	Resolved	Continuous
5	<p><b>Failure to Hold Site Meetings</b></p> <p>Review of project documents revealed that site meetings did not take place during the year under</p>	<p>In line with the Covid-19 advisory by the MoH, physical site meetings were limited. However, several virtual</p>	Resolved	Continuous


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**Annual Report and Financial Statements for the financial year ended June 30, 2022**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved/Not Resolved)	Timeframe: (Date when the issue is expected to be resolved)
	<p>review despite the fact that this is a requirement during project implementation.</p> <p>In absence of site, issues arising from the project implementation may not be addressed in time since forum for deliberations was lacking and the Project's success could face a risk in addressing important concerns.</p>	<p>meetings were held to review progress, respond to progress issues and approve preliminary and construction designs.</p>		
6	<p><b>Complaints by Some Plot Owners</b></p> <p>The audit revealed the existence of a Letter dated 17 May, 2021 written by a local resident on his behalf and two other plot owners, addressed to the Director General of Kenya National Highways Authority complaining that the design of the road along their plots in Kiamba/Ruaka area denying them easy access to the road.</p> <p>Complaints by the plot owners is an indication of lack of public participation before the commencement of the project resulting in redesign which may inconvenience some of the intended beneficiaries.</p>	<p>The Employers' representative replied to Mr. Peter vide letter Ref. KeNHA/05.B/EXIM/2074/ Vol.17/8277 dated 12<sup>th</sup> July, 2021. Copy attached</p> <p>He was informed that the old Government Road touching on the three plots to be affected will be upgraded and connected to service road no. 23 to ensure adequate connectivity of residents.</p>	Resolved	Continuous

  
**Eng. Kungu Ndungu**  
**Director General**

30 AUG 2022

Date

  
**Eng. Charles Obuon**  
**Director-Development**

30 AUG 2022

Date

**14. ANNEXES**

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

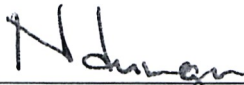
	Final Budget	Actual on Comparable Basis	Budget Utilisation Variance	% of Utilisation Variance to Final Budget	Comments on Variance
	a	b	c=a-b	d=b/a %	
<b>RECEIPTS DURING THE YEAR/PERIOD</b>					
Government of Kenya	112,500,000	74,973,580	37,526,420	67%	Delay in release of exchequer.
External financing	5,150,000,000	5,139,307,587	10,692,413	100%	
<b>Total receipts</b>	<b>5,262,500,000</b>	<b>5,214,281,167</b>	<b>48,218,833</b>	<b>99%</b>	
<b>PAYMENTS DURING THE YEAR/PERIOD</b>					
Purchase of goods and services		990,140			
Acquisition of non-financial assets	5,262,500,000	5,213,291,027	48,218,833	99%	
<b>Total Payments</b>	<b>5,262,500,000</b>	<b>5,214,281,167</b>	<b>48,218,833</b>	<b>99%</b>	

**NAIROBI WESTERN BYPASS PROJECT**

**Annual Report and Financial Statements for the financial year ended June 30, 2022**

**ANNEX 2 - RECONCILIATION OF INTER -ENTITY TRANSFERS**

	<b>PROJECT NAME:</b>	<b>NAIROBI WESTERN BYPASS</b>		
<b>Breakdown of Transfers from the State Department of Infrastructure</b>				
<b>a. Government Counterpart Funding</b>				
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>FY to which the amounts relate</u>
	Quarter 1	08-Jul-21	67,896,731	FY 2021/22
	Quarter 4	26-Apr-22	7,076,849	FY 2021/22
	<b>Total</b>		<b>74,973,580</b>	



**Eng. Kungu Ndungu**  
**Director General**



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

**NAIROBI WESTERN BYPASS PROJECT**  
**Annual Report and Financial Statements for the financial year ended June 30, 2022**  
**ANNEX 3A - ANALYSIS OF PENDING BILLS**

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2021/2022	Outstanding Balance 2020/2021	Comments
	a	b	c	d=a-c		
<b>Land Compensation</b>						
Land Compensation	1,873,027,171		594,399,740	1,278,627,431	1,352,610,871	
<b>Sub Total</b>				<b>1,278,627,431</b>		
<b>Construction of roads</b>						
China Road & Bridge Corp	4,628,287	30/06/2020	-	4,628,287	4,628,287	1A
China Road & Bridge Corp	2,569,653,793	28//06/2021	2,569,653,793	-	2,569,653,793	4
China Road & Bridge Corp	2,569,653,793	08/06/2022	-	2,569,653,793	-	6
China Road & Bridge Corp	163,148,144	27/05/2022	-	163,148,144	-	1-Adendum 3
<b>Sub Total</b>				<b>2,737,430,224</b>		
<b>Grand Total</b>	<b>7,180,111,188</b>		<b>3,164,053,533</b>	<b>4,016,057,655</b>	<b>3,926,892,951</b>	

**NAIROBI WESTERN BYPASS PROJECT**  
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**ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER**

<b>Asset class</b>	<b>Opening Cost (KShs) 2021/22</b>	<b>Purchases/Additions in the Year (KShs) 2021/22</b>	<b>Disposals in the Year (KShs) 2021/22</b>	<b>Closing Cost (KShs) 2021/22</b>
	<b>(a)</b>	<b>(b)</b>	<b>(c)</b>	<b>(d)= (a)+ (b)-(c)</b>
Construction of Roads	7,708,961,380	5,139,307,587	-	12,848,268,967
Land	520,416,300	73,983,440	-	594,399,740
<b>Total</b>	<b>8,229,377,680</b>	<b>5,213,291,027</b>	-	<b>13,442,668,707</b>