

REPUBLIC OF KENYA



*Enhancing Accountability*



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**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**NAIROBI METROPOLITAN SERVICES  
IMPROVEMENT PROJECT  
(IDA CREDIT NO.5102-KE)**

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

**STATE DEPARTMENT FOR  
HOUSING AND URBAN DEVELOPMENT**

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

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**PROJECT NAME: NAIROBI METROPOLITAN SERVICES IMPROVEMENT  
PROJECT (NaMSIP)**

**IMPLEMENTING ENTITY: STATE DEPARTMENT FOR HOUSING AND URBAN  
DEVELOPMENT**

**PROJECT CREDIT NUMBER: 5102-KE**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2024**

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

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## **1. Acronyms and Glossary of Terms**

NaMSIP	Nairobi Metropolitan Services Improvement Project
CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
TNT	The National Treasury
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
WB	World Bank
Comparative FY	Financial year preceding the current financial year.
MDA	Ministries, Departments and Agencies

## **2. Project Information and Overall Performance**

### **2.1 Name and registered office**

#### **Name**

Nairobi Metropolitan Services Improvement Project

#### **Objective**

The key objective of the project is to establish and strengthen urban institutions to deliver improved infrastructure and services in participating counties in Kenya.

#### **Address**

The project headquarters is located in Nairobi County, Kenya.

Project Coordinator

Nairobi Metropolitan Services Improvement Project

Prism Building 3<sup>rd</sup> Ngong Avenue

P O Box 30130 0100

Nairobi -Kenya

**Contacts:** The following are the project contacts

Project Co-ordinator

Telephone: (254-20)317224/35

E-mail Benjamin **Njenga** <[faimacon@yahoo.com](mailto:faimacon@yahoo.com)>

Website: [www.nairobimetro.go.ke](http://www.nairobimetro.go.ke)

## Project information and overall performance (continued)

### 2.2 Project Information

Project Start Date:	The project start date is 17 December 2012
The Project End Date:	The project IDA credit end date was 30 September 2020. However the GoK Counterpart Funds has budgetary provision for the Construction of Mitubiri Sanitary Landfill
Project Manager:	The Programme Coordinator is Eng. Benjamin K. Njenga
Project Sponsor:	The project sponsor is World Bank and the Government of Kenya

### 2.3 Project Overview

Line Ministry/State Department of the project	The project is under the Supervision in the Ministry of lands, Public Works, Housing and Urban Development
Project number	P107314
Strategic goals of the project	The strategic goals of the project are as follows: (i) Strengthen Urban Services (ii) Infrastructure development
Summary of Project Strategies for achievement of strategic goals	The project management aims to achieve the goals through the following means: (i) Provision of transport (NMT, Roads and traffic Management) (ii) Storm water drainage (iii) Sewerage (Waste water collection and disposal). (iv) Facilities (Fire Fighting Equipment, Construction of Fire Stations) (v) Provision of Infrastructure (Street/Security Lighting, Public Markets and Public Parks.

<p>Other important background information of the project</p>	<p>The NaMSIP project started through Project Preparation Advance (PPA) Financing Agreement NoQ759 which was signed between the Government of Kenya (GOK) and the International Development Association (IDA- “World Bank”) on 21<sup>st</sup> June, 2012.</p> <p>The advance was to the tune of USD2,700,000.00  The Refinancing date was set for 30<sup>th</sup> June 2012  The project effective date is 17<sup>th</sup> December 2012  The project extension date was 16<sup>th</sup> May 2017  The project extension date revised to 30<sup>th</sup> September 2020</p> <p><b>The Project Component costs is USD330 million as follows:</b></p> <table border="0"> <tr> <td>1. Institutional Reforms and Planning</td> <td style="text-align: right;">USD 15 million</td> </tr> <tr> <td>2. Critical local government infrastructure and services.</td> <td style="text-align: right;">USD 60 million</td> </tr> <tr> <td>3. Critical Metropolitan Infrastructure Services.</td> <td style="text-align: right;">USD250 million</td> </tr> <tr> <td>4. Project Management, Monitoring and Evaluation</td> <td style="text-align: right;">USD 5 million</td> </tr> <tr> <td></td> <td style="text-align: right;"><b>USD 330million</b></td> </tr> </table>	1. Institutional Reforms and Planning	USD 15 million	2. Critical local government infrastructure and services.	USD 60 million	3. Critical Metropolitan Infrastructure Services.	USD250 million	4. Project Management, Monitoring and Evaluation	USD 5 million		<b>USD 330million</b>
1. Institutional Reforms and Planning	USD 15 million										
2. Critical local government infrastructure and services.	USD 60 million										
3. Critical Metropolitan Infrastructure Services.	USD250 million										
4. Project Management, Monitoring and Evaluation	USD 5 million										
	<b>USD 330million</b>										
<p>Areas that the project was formed to intervene</p>	<p>The project was formed to intervene in the following areas</p> <ul style="list-style-type: none"> <li>(i) Rapid Urbanisation.</li> <li>(ii) Lack of infrastructure</li> </ul>										
<p>Project duration</p>	<p>The project became effective on 17 December 2012 and the IDA credit closed 30 September 2020.</p> <p>The Government of Kenya is providing the project Counterpart Funding for the Construction of Mitubiri Sanitary Landfill</p>										

## **Project Information and Overall Performance (Continued)**

### **2.4 Bankers**

The following are the bankers for the project:

#### **(i) Special Account –B**

Account No.0810299949176

Depository Bank: Equity Bank of Kenya

P. O. Box. H/Q, Equity Centre, Hospital Road

#### **(ii) Account (IDA)**

Account No.10003966954

Depository Bank: Central Bank of Kenya

P. O. Box. 60000- 00100 Nairobi, Kenya

#### **(iii) Project Counterpart Fund Account (GOK)**

Account No.1000396938

Depository Bank: Central Bank of Kenya

P.O. Box. 60000- 00100 Nairobi, Kenya

### **2.5 Independent Auditor**

The project is audited by:

The Office of Auditor General,

P.O Box 30084 – 00100 Nairobi.

## 2.6 Roles and Responsibilities

Names	Title designation	Key qualification	Responsibilities
Charles M Hinga, <i>CBS,CA(SA)</i>	Principal Secretary	Principal Secretary	The Accounting officer
Eng Benjamin K Njenga	Program Coordinator	Civil Engineer	The Project Co-ordination
Everline Nyagwara	Senior Chief Finance Officer	Senior Chief Finance Officer	Budgetary, Supervision and Control
Charles Liyayi	Head of Accounting Unit	CPAK B.Com MBA	Financial Supervision Accounting and Reporting
John Maina	Head of Supply Chain Management	Procurement Management	Procurement
Ann Mugo	Director Metropolitan Development	MBA Planner	Planning and supervision
Elizaban Kibe	Deputy Director	Planner	Quantity Surveyor
Eng. James Mbaabu	Principal Superintendent Engineer	Mechanical Engineer	Supervisory
Arch. Lawrence Muchama	Social Infrastructure & Architectural Services SAD	Architecture	Supervisory
Peter Gota	Senior Ass Director P & E	Planner	Supervisory
Peter Muriithi	Ag Ass.Director GIS	Cartographer	Supervisory
Eng. Stephen N. Muigai	Electrical Engineer	Electrical Engineer	Supervisory
Ephantus H. Wamugunda	Chief Economist	Economist	Monitoring and Evaluation
Purity Kananu	Principal Accountant	Certified Public Accountant (K)	Financial Supervision Accounting and Reporting
Lawrence K. Nyaga	Senior Accountant	Certified Public Accountant	Project Accountant

## 2.7 Funding summary

The Project duration covered 8 years from 2012 to 2020 with an approved budget of **USD**

**330M** equivalent to **Kshs. 27.347B** as highlighted in the next table:

The project loan credit received in full as allocated in **SDR.192,800** million equivalent to **USD300M**. The USD currency is the floating against SDR currency.

### Project information and overall performance (continued)

Below is the funding summary:

#### A. Source of Funds

Source of funds	Donor Commitment		Amount received to date – (30 <sup>th</sup> June 2024)		Undrawn balance to date 30 <sup>th</sup> June 2024	
	Donor currency USD	Kshs	Donor currency USD	Kshs	Donor currency Kshs	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
<b>(i) Loan</b>						
World Bank IDA	300,000,000	24,860,909,091	273,749,008	27,077,877,922	-	-
<b>Total Loan</b>	<b>300,000,000</b>	<b>24,860,909,091</b>	<b>273,749,008</b>	<b>27,077,877,922</b>	<b>-</b>	<b>-</b>
<b>(ii) Counterpart funds</b>						
Government of Kenya	30,000,000	2,486,090,909	27,484,645	2,919,081,119	-	80,918,881
<b>Total</b>	<b>330,000,000</b>	<b>27,347,000,000</b>	<b>301,233,653</b>	<b>29,996,959,041</b>	<b>-</b>	<b>80,918,881</b>

*Nairobi Metropolitan Services Improvement Project  
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:**

**LIST OF PROJECTS FUNDED USING EXTERNAL LOAN (IDA)**

**1. Transport - Roads.**

NO	PROJECT	CONTRACT SUM	STATUS
1	Rehabilitation and Improvement of Ruiru Hospital Road	Ksh.233,930,773.60	Complete
2	Construction of the Access Roads to Kikuyu Railway Station	Ksh 270,500,722.77	Complete
3	Construction of Ngong Bus Terminus, Kajiado County	Ksh.86,941,825.00	Complete
4	Construction of Access Road to Limuru Railway Station.	Ksh.132,327,490.70	Complete
5	Construction of Access Road to Imara Daima Railway Station	Ksh.406,065,371.22	Complete
6	Rehabilitation of Kenol Hospital Road	Ksh.163,192,195.32	Complete
7	Juja Circuit Road and Access to Juja Railway Station	Ksh.395,507,034.69	Complete
8	Rehabilitation of outfall drain and drainage infrastructure in Manyani Estate Roads	Ksh.217,879,807.20	Complete
9	Rehabilitation and Construction of access Road to Thika Railway Station	Ksh168,655,619	Complete
10	Rehabilitation and Construction of access Road to Embakasi Railway Station	Ksh.261,197,065.27	Complete
11	Construction of Kangundo Road – Kenol, Kenol – Koma & Katumani – Mombasa Road and Rehabilitation of Kenol – Machakos Town – Katumani Link Road.	Ksh4,392,444,988.44	Complete
12	Rehabilitation and improvement of Quarry Road - Mlolongo	Ksh.116,628,285.00	Complete
13	Construction of selected Roads in Kangundo Township	Ksh.200,512,072.60	Complete
14	Rehabilitation and Construction of Old Nakuru Road	Ksh.121,516,874.16	Complete
15	Construction of Kitengela Bus Terminus Kajiado County	Ksh.94,319,204.00	Complete
16	Construction of Githurai Railway Station Access Roads in Kiambu County.	Ksh.376,402,351.00	Complete
17	Rehabilitation and construction of Access Road to Mitubiri Landfill site, Muranga county	Ksh.814,300,193.19	Complete
18	Construction of Parking Bays in Ngong Township	Ksh.86,310,719.88	Complete
19	Construction of Parking Bays in Ongata Rongai Township	Ksh.49,477,300.00	Complete
20	Construction of Parking Bays in Kitengela Township	Ksh.60,530,602.06	Complete
21	Kikuyu Tunnel	Ksh.90,508,105.13	Complete
22	Tala Township Roads	Ksh.98,300,791.05	Complete
23	Construction of Kitengela Railway Access Road in Kajiado County	Ksh.196,260,112.14	Complete

**2. Transport - Commuter Rail Stations.**

No	Project	Contract Sum (Kshs)	Status
1	Improvement of Commuter Rail Stations - Kikuyu and Kahawa Stations	Ksh.573,510,206.10	Complete
2	Improvement of Commuter Rail Stations - Ruiru Station	Ksh.298,833,979.92	Complete
3	Improvement of Commuter Rail Stations - Mwiki Stations	Ksh.273,625,287.53	Complete
4	Improvement of Commuter Rail Stations - Pipeline and Embakasi Village Stations	Ksh.536,629,457.88	Complete
5	Improvement of Commuter Rail Stations - Athi River Station	Ksh.434,389,565.20	Complete

No	Project	Contract Sum (Kshs)	Status
6	Improvement of Commuter Rail Stations - Githurai and Dandora Stations	Ksh.920,318,320.48	Complete
7	Improvement of Commuter Rail Stations - Donholm Stations	Ksh.279,817,500.00	Complete
8	Lot 1: Supply, Installation, Testing and Commissioning of ICT, Turnstiles, Barriers and Ticketing/Fare Collection System for Kenya Railways Corporation	Ksh.405,295,265.84	Complete
9	Lot 2: Supply, Installation, Testing and Commissioning of Structured Cabling, Public Address, CCTV and Access Control Systems for Commuter Railway Stations	Ksh.164,246,880.60	Complete

### 3. Sewerage and Storm Water Projects

No	Project	Contractor	Contract Sum	Status
1	Ruiru Sewerage works	Sinohydro Corporation	Ksh.2,042,497,777	Complete
2	Construction of Sewerage System for Juja Urban Areas and Thika South	Nanchang Foreign Engineering Company	Ksh.2,936,598,559	Complete
3	Construction of storm water Drainage in Nairobi City (Dagoretti, Langata, CBD and Embakasi), Thika (CBD and west of CBD), Mavoko and Ongata Rongai township)	Jiangxi Water and Hydropower Construction Kenya Ltd	Ksh.512,469,561	Complete

### 4. Solid Waste Management.

No	Project	Contractor	Contract Sum	Status
1	Construction of Mitubiri Sanitary Landfill Site, Muranga County	Concordia Building & Civil Engineering Co. Ltd	Ksh.1,056,478,730	83%

### 5. Disaster & Emergency Preparedness

No	Project	Contract Sum	Status
1	Fire stations – Construction of Waithaka Fire Station	Ksh.132,596,607.80	Complete
2	Fire stations – Construction of Kangundo Road Fire Station	Ksh.166,447,872.12	Complete
3	Rehabilitation of 2 No fire station along Tom Mboya and Enterprise Road	Ksh.32,549,900.00	Complete
4	Purchase of fire fighting equipment 7 No 5,000lts	EUR 1,918,747.98	Delivered and handed over
5	Purchase of fire fighting equipment 7 No -10,000lts	EUR 2,581,182.45	Delivered and handed over
6	Purchase of 3 No Water Bowsers for Nairobi County	Ksh.19,608,200.00	Delivered and handed over
7	Purchase of Exhauster Trucks for Kikuyu and Kiamba	Ksh.14,400,000.00	Delivered and handed over
8	Supply and deliver of flush water supply unit and 2 No Backhoe for Nairobi City County	Ksh.58,568,700.00	Delivered and handed over
9	Drilling and Equipping of Three (3) number Boreholes and Construction of Three (3) number Elevated Steel Water Tanks in Nairobi City County	Ksh.33,341,357.00	Complete

## **6. Markets**

<b>No</b>	<b>Project</b>	<b>Contract Sum (Ksh)</b>	<b>Status</b>
1	Construction of Market in Mwariro	389,592,337.20	Complete
2	Rehabilitation of Market in Karandini	294,314,487.76	Complete
3	Construction for Kikuyu market in Kiambu County	326,500,373.00	Complete
4	Construction for Kihara market in Kiambu County	179,763,274.80	Complete
5	Construction of Ruiru Market in Kiambu County	276,963,268.23	Complete
6	Construction of Juja Market in Kiambu County	200,980,681.00	Complete
7	Construction of Ngong Market in Kajiado County	699,135,541.00	Complete
8	Construction of Kenya-ini Market Sheds	31,977,837.50	Complete

## **7 Integrated Urban Water Management (IUWM)**

<b>NO</b>	<b>Project</b>	<b>Contract Sum (Kshs)</b>	<b>Status</b>
1	IUWM Projects Lot 1: Rehabilitation of Nairobi City Park & Lenana School Urban Agriculture Pilot Project	127,893,828.00	Complete
2	IUWM Projects Lot 2: Roof Catchment for Kiambu District Hospital and Muranga: Level 5 Hospital, Kiambu & Madaraka Parks Urban Parks	158,053,201.60	Complete
3	IUWM Projects Lot 3: Roof Catchment and Water Pan Kitengela and Machakos	41,946,584.14	Complete

### **2.9 Summary of Project Compliance:**

There were no cases of non-compliance both in the year under review and previous project life

### **3. Statement of Performance against Project's Predetermined Objectives**

#### **Introduction**

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer shall prepare 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 agreement/* plan are to:

- a) Institutional Reform and Planning
- b) Local Government Infrastructure and services
- c) Metropolitan Infrastructure and services.
- d) Project Management, Monitoring and Evaluation

#### **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.

#### **4. Environmental and Sustainability reporting**

NaMSIP exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on three pillars: putting the customer/citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar:

##### **4.1 Sustainability strategy and profile**

NaMSIP is being implemented in the Nairobi Metropolitan Region whose core is Kenya's national capital city and the seat of National Government which has witnessed fastest growth among all other regions and urban areas in the country. The region has also which has witnessed increased number of people living and working within municipalities, towns and urban areas within the region. Nairobi City is leading among five major urban areas per population and contribution to the GDP. Others are: Mombasa, Kisumu, Eldoret and Nakuru. Nairobi Metropolitan Region comprises of five Counties – Nairobi City, Kiambu, Machakos, Kajiado and Muranga. Kiambu is the fastest growing County and houses the fastest growing municipality in Kenya, ie Ruiru. Ruiru sewerage works were completed and handed over on 5th January 2017. Other Works in the other Counties have also been completed. As a result of NaMSIP, 1,389,980 people are currently benefitting from NaMSIP interventions, of which 694,990 are females. The urban transition is well under way in Kenya and urbanization is projected to continue to grow at a rapid pace. Devolution will further speed up the rate of urbanization for the country. Due to the growth and entrenchment of devolution, Nakuru has assumed city status, which has increased Kenyan cities from three to four: Nairobi, Mombasa, Kisumu and Nakuru. NaMSIP has intervened in all the five Counties and hence supporting efforts aimed at sustainable urbanization within the metropolitan region. The urban transition in Kenya will play an important role in determining the country's growth prospects and social stability. NaMSIP was formulated to strengthen urban services and infrastructure, formulated to bridge and contribute to improved livelihoods of people living within the metropolitan region and make the urban areas more liveable.

#### **4.2 Environmental performance**

The project developed and implements Strategic, Environmental and Social Assessments (SESAs) as well as Environmental Impact Assessments (EIAs) for specific projects, in compliance with the environmental policies and concerns to ensure sustainability of the NaMSIP projects.

#### **4.3 Employee welfare**

NaMSIP Projects have been implemented to ensure adherence to the provisions of the Occupational Safety and Health Act of 2007, (OSHA) and has enforced the same in construction and office environments in collaboration with the relevant agencies. Contractors are instructed to adhere to its provisions and also show evidence of compliance with the same.

The Public Service Commission of Kenya, PSC (K) is in charge of hiring staff on behalf of MDA's. All staff are appraised on a yearly basis. Training is given especially for courses required for promotion or career progression.

The State Department conducts training projections at the beginning of every financial year to guide the Human resource department in nominating and selecting officers for training. Additionally, due to the dynamic nature of the economy the department undertook steps to proactively engage staff in training to ensure their skills conforms to the current needs. Staff performance appraisal is done annually to ensure that productivity meets the required standards upon which employee with exemplary performance are given priority for promotions.

#### **4.4 Market place practices-**

##### **a) Responsible competition practice.**

The State Department for Housing and Urban Development ensured fair competition among the bidders while issuing the tenders. The bidders are evaluated on set guidelines and given equal opportunity.

The State Department has a Corruption Prevention Committee in place whose functions amongst others include:

- Setting priorities in the prevention of corruption within the State Department

- Planning and coordinating corruption prevention strategies
- Integrating all corruption prevention initiatives in the State Department
- Receiving and reviewing reports on corruption reports made by staff and other stakeholder. Evidence of concrete measures taken must be made available and referrals to other agencies well documented.
- Spearheading corruption prevention campaigns within the State Departments
- Monitoring and evaluating the impact of corruption prevention campaigns within the State Department.

**b) Responsible Supply chain and supplier relations-**

The State Department proactively engaged stakeholders to ensure vital flow of information regarding payments. This ensures that accountability and transparency in procurement of goods and services is maintained between the involved parties. Upon completion of a project, the department ensures timely issuance of the completion certificate.

**c) Responsible marketing and advertisement-**

Open advertisement is done in forums easily accessible to the public like newspapers, websites and government notices.

**d) Product stewardship-**

The State Department ensures the customers have the right to quality and prompt services, accurate and balanced information, respect and courteous treatment by the staff, timely payments for goods delivered and services rendered and access to our offices and officers within the official working hours.

**4.5 Community Engagements**

The communities were greatly involved throughout the year through existing structures such as market committees, resident's associations, community groups such as women groups and youth groups and faith based organisations, by being engaged to participate in planning and infrastructure development.

## **5. Statement of Project Management responsibilities**

The Principal Secretary for State Department for Housing and Urban Development and the Project Coordinator for Nairobi Metropolitan Services Improvement 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, 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 Principal Secretary for State Department for Housing and Urban Development and the Project Coordinator for Nairobi Metropolitan Services Improvement project for accepting responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The Principal Secretary for State Department for Housing and Urban Development and the Project Coordinator for Nairobi Metropolitan Services Improvement 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, 2024, and of the Project's financial position as at that date. The Principal Secretary for State Department for Housing and Urban Development and the Project Coordinator for Nairobi Metropolitan Services Improvement 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 Principal Secretary for State department for housing and urban development and the Project Coordinator for Nairobi Metropolitan Services Improvement 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 Principal Secretary for State department for housing and urban development and the Project Coordinator for Nairobi Metropolitan Services Improvement project on 24/10/2024 2024 and signed by:



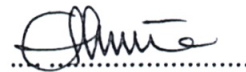
.....  
**Charles M.Hinga,CBS,CA(SA)**

**Principal Secretary**



.....  
**Eng. Benjamin K. Njenga**

**Project Coordinator**



.....  
**Purity K Tharamba**

**Project Accountant**

**ICPAK Member No: 32054**

# REPUBLIC OF KENYA

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*Enhancing Accountability*

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

## **REPORT OF THE AUDITOR-GENERAL ON NAIROBI METROPOLITAN SERVICES IMPROVEMENT PROJECT (IDA CREDIT NO.5102-KE) FOR THE YEAR ENDED 30 JUNE, 2024 – STATE DEPARTMENT FOR HOUSING AND URBAN DEVELOPMENT**

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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 the Government achieves value for money and that such funds are applied for the intended purpose; and,
- 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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Opinion**

I have audited the accompanying financial statements of Nairobi Metropolitan Services Improvement Project set out on pages 1 to 20, which comprise of the statement of

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*Report of the Auditor-General on Nairobi Metropolitan Services Improvement Project (IDA Credit No.5102-KE) for the year ended 30 June, 2024 – State Department for Housing and Urban Development*

financial assets and liabilities as at 30 June, 2024 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, the financial statements present fairly, in all material respects, the financial position of Nairobi Metropolitan Services Improvement Project 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 No.5102-KE dated 21 June, 2012 between the Republic of Kenya and the International Development Association (IDA).

In addition, the special account statement presents fairly, the special account transactions and the ending balance has been reconciled with the books of account.

### **Basis for Opinion**

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

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. 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 the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. Although Management had indicated the issues as resolved as at 30 June, 2024, no evidence was provided to support the position.

### **Other Information**

The Management is responsible for the other information set out on page iii to xvii which comprise of Project Information and Overall Performance, Statement of Performance Against 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 Project's financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

## REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

### Conclusion

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

#### Delay in Completion of Project

The statement of receipts and payments reflects an amount of Kshs.162,190,820 in respect of acquisition of non-financial assets which, as disclosed in Note 12.5 to the financial statements includes an amount Kshs.124,058,454 relating to part payment for construction of Mitubiri Sanitary Landfill Site Project. Review of the Project's file revealed that the contracts for construction works was awarded to a Contractor at a contract sum of Kshs.1,056,478,730. The contract agreement was signed on 30 May, 2017 with a contract period of three hundred and fifty (350) days, and the Project was expected to be completed on 7 April, 2020. However, the Project completion date has been revised eleven (11) times with the latest revised completion date of 22 December, 2024 with completion of defect liability period of 22 December, 2025. Further, the Project's status report as at 30 June, 2024 revealed that 83% of work was complete and the Project was 1,713 days behind scheduled time.

In the circumstances, the value for money on the delayed completion of the Project could not be confirmed.

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

## REPORT ON 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 overall governance were not effective.

### **Basis for Conclusion**

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

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal 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 applicable 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 International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

  
FCPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

**Nairobi**

**14 November, 2024**

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

	Note	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	Cumulative to-date (From inception)
		<b>FY 2023/2024</b>			<b>FY 2022/2023</b>			
		<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>
<b>Receipts</b>								
Transfer from Government entities	12.1	192,750,000	-	192,750,000	90,000,000	-	90,000,000	2,919,081,119
Loan from external development partners	12.2	-	-	-	-	-	-	27,077,877,922
Miscellaneous receipts	12.3	-	-	-	2,000,550	-	2,000,550	68,457,480.00
<b>Total receipts</b>		<b>192,750,000</b>	<b>-</b>	<b>192,750,000</b>	<b>92,000,550</b>	<b>-</b>	<b>92,000,550</b>	<b>30,065,416,521</b>
<b>Payments</b>								
Purchase of goods and services	12.4	-	-	-	5,497,932	-	5,497,932	1,223,119,497
Acquisition of non-financial assets	12.5	162,190,820	-	162,190,820	87,915,528	-	87,915,528	28,809,461,971
Transfer of unspent balance		-	-	-	-	-	-	1,885
<b>Total payments</b>		<b>162,190,820</b>	<b>-</b>	<b>162,190,820</b>	<b>93,413,460</b>	<b>-</b>	<b>93,413,460</b>	<b>30,032,583,353</b>
<b>Surplus/ (deficit)</b>		<b>30,559,180</b>	<b>-</b>	<b>30,559,180</b>	<b>(1,412,910)</b>	<b>-</b>	<b>(1,412,910)</b>	<b>32,833,168</b>

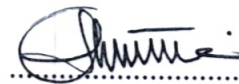
The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements.



Charles M. Hinga, CBS, CA(SA)  
Principal Secretary



Eng. Benjamin K Njenga  
Project Coordinator




Purity K Tharamba  
Project Accountant  
ICPAK Member No: 32054

*Nairobi Metropolitan Services Improvement Project  
Annual Report and Financial Statements for the financial year ended June 30, 2024*

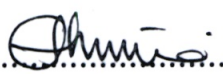
**8. Statement of Financial Assets as at 30<sup>th</sup> June 2024**

Description	Note	FY 2023/2024	FY 2022/2023
		Kshs	Kshs
<b>Financial Assets</b>			
<b>Cash and Cash equivalents</b>			
Bank Balances	12.6	32,833,168	2,273,988
<b>Total Cash and Cash equivalents</b>		<b>32,833,168</b>	<b>2,273,988</b>
<b>Total Financial Assets</b>		<b>32,833,168</b>	<b>2,273,988</b>
<b>Financial Liabilities</b>			
<b>Net Assets</b>		<b>32,833,168</b>	<b>2,273,988</b>
<b>Represented By</b>			
Fund Balance B/fwd.	12.7	2,273,988	3,686,898
Surplus/(Deficit) for the Year		30,559,180	(1,412,910)
<b>Net Financial Position</b>		<b>32,833,168</b>	<b>2,273,988</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 24<sup>th</sup> Oct 2024 and signed by:

  
.....  
**Charles M.Hinga,CBS,CA(SA)**  
**Principal Secretary**

  
.....  
**Eng. Benjamin K. Njenga**  
**Project Coordinator**


  
.....  
**Purity K Tharamba**  
**Project Accountant**  
**ICPAK Member No: 32054**


*Nairobi Metropolitan Services Improvement Project  
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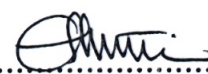
**9. Statement of Cash flow for the year ended 30 June 2024**

Description	Notes	FY 2023/2024	FY 2022/2023
		Kshs	Kshs
<b>CASHFLOW FOR OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Transfer from government entities	12.1	192,750,000	90,000,000
Miscellaneous receipts	12.3	-	2,000,550
<b>Total receipts</b>		<b>192,750,000</b>	<b>92,000,550</b>
<b>PAYMENT FOR OPERATING ACTIVITIES</b>			
Purchase of goods and services	12.4	-	5,497,932
<b>Total Payments</b>		<b>-</b>	<b>(5,497,932)</b>
<b>NET CASHFLOW FROM OPERATING ACIVITIES</b>		<b>-</b>	<b>86,502,618</b>
Net cash flow from operating activities		-	-
Cash flow from investing activities		-	-
Acquisition of non-financial assets	12.5	(162,190,820)	87,915,528
<b>Net cash flow from investing activities</b>		<b>(162,190,820)</b>	<b>(87,915,528)</b>
<b>NET INCREASE INCASH AND CASH EQUIVALENT</b>		<b>30,559,180</b>	<b>(1,412,910)</b>
Cash and cash equivalent at beginning of the year	12.6	2,273,988	3,686,898
Cash and cash equivalent at end of the year	12.6	32,833,168	2,273,988

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 24 Oct 2024 and signed by:

  
.....  
**Charles M.Hinga,CBS,CA(SA)**  
**Principal Secretary**


  
.....  
**Eng. Benjamin K. Njenga**  
**Project Coordinator**

  
.....  
**Purity K Tharamba**  
**Project Accountant**  
**ICPAK Member No: 32054**

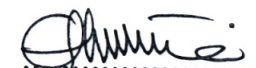
**10. Statement of Comparison of Budget and Actual amounts for year ended 30 June 2024**

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 %
<b>Receipts</b>						
Transfer from Government entities	195,000,000	-	195,000,000	192,750,000	2,250,000	99%
<b>Total Receipts</b>	<b>195,000,000</b>	<b>-</b>	<b>195,000,000</b>	<b>192,750,000</b>	<b>2,250,000</b>	<b>99%</b>
<b>Payments</b>						
Acquisition of non-financial assets	-	-	-	-	-	-
	195,000,000	-	-	162,190,820	32,809,180	83%
<b>Total Payments</b>	<b>195,000,000</b>		<b>195,000,000</b>	<b>162,190,820</b>	<b>32,809,180</b>	<b>83%</b>
<b>Surplus or Deficit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30,559,180</b>	<b>(30,559,180)</b>	

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

  
.....  
**Charles M. Hinga, CBS, CA(SA)**  
Principal Secretary

  
.....  
**Eng. Benjamin K. Njenga**  
Project Coordinator

  
.....  
**Purity K. Tharamba**  
Project Accountant  
ICPAK Member No: 32054

## **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 Metropolitan Services Improvement Project under the State Department for housing and urban development . The financial statements are for Nairobi Metropolitan Services Improvement Project 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.

### **d) Recognition of receipts**

Nairobi Metropolitan Services Improvement Project recognises all receipts from the various sources when the event occurs, and the related cash has been received.

### **Significant Accounting Policies (continued)**

#### **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) 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.

#### **v) 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.

### **Significant Accounting Policies (continued)**

#### **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) 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.

**ii) 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.

## **Significant Accounting Policies (continued)**

### **f) 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.

## **Significant Accounting Policies (Continued)**

### **g) Contingent Liabilities**

A contingent liability is:

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

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities. Letters of comfort/ support, insurance, Public Private Partnerships,

The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. Annex 6 of this financial statement is a register of the contingent liabilities in the year.

**h) Contingent Assets**

The NaMSIP 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)**

**i) 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.

**j) 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 recognized 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 under review has been *included in an annex to these financial statements*.

**k) 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.

**Significant Accounting Policies (Continued)**

**l) 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.

**m) 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.

**n) 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, 2024.

**o) Prior period adjustments**

Prior period adjustments relate to errors and other adjustments noted arising from previous year(s). There was no prior period adjustments in the current financial year.

## 12. Notes to the Financial Statements

### 12.1 Transfers from Government entities

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

Description	FY 2023/2024	FY 2022/2023	Cumulative to-date (from inception)
	Kshs	Kshs	Kshs
<i>Counterpart funding through Ministry</i>			
Counterpart funds Quarter 4	192,750,000	90,000,000	2,919,081,119
<b>Total (See Annex 3)</b>	<b>192,750,000</b>	<b>90,000,000</b>	<b>2,919,081,119</b>
<i>There was no counterpart funding in Q1, Q2 and Q3</i>			

**Notes to the Financial Statements (Continued)**

**12.2 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	FY 2023/2024						FY 2022/2023	Cumulative to date
	Date received	Amount received in donor currency	Loan received in cash	Loan received as direct payments	Loan received in kind	Total amount	Total Amount	
			Kshs	Kshs	Kshs	Kshs	Kshs	
Loan Received from Donors (International Organizations)	-	-	-	-	-	-	-	27,077,877,922
<b>Total</b>	-	-	-	-	-	-	-	<b>27,077,877,922</b>

*Nairobi Metropolitan Services Improvement Project  
Annual Report and Financial Statements for the financial year ended June 30, 2024*

Notes to the Financial Statements (Continued)

12.3 Miscellaneous receipts

Description	FY 2023/2024			Comparative FY 2022/2023	Cumulative to- date 30 <sup>th</sup> June2024
	Receipts controlled by the entity in Cash	Receipts controlled by third parties	Total receipts	Total receipts	
	Kshs	Kshs	Kshs	Kshs	Kshs
Other receipts being refunds	-	-	-	-	21,216,930
Other receipts: The additional funds from Kiambu County Government for construction of Kikuyu Market	-	-	-	-	45,240,000
Other receipts from Jiangxi Water Hydro refund of advance due	-	-	-	2,000,550	2,000,550
<b>Total</b>	-	-	-	<b>2,000,550</b>	<b>68,457,480</b>

*Nairobi Metropolitan Services Improvement Project  
Annual Report and Financial Statements for the financial year ended June 30, 2024*

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**Notes to the Financial Statements (Continued)**

**12.4 Purchase of Goods and Services**

Description	FY 2023/2024			Comparative FY 2022/2023	Cumulative to- date
	Payments made in Cash	Payments made by third parties	Total payments	Total payments	
	Kshs	Kshs	Kshs	Kshs	Kshs
Printing, advertising, and information supplies	-	-	-	1,133,786	113,914,879
Training payments	-	-	-	4,364,146	157,120,012.35
Other operating payments	-	-	-	-	106,832,517
Consultancy services	-	-	-	-	845,252,089
<b>Total</b>	=	=	=	<b><u>5,497,932</u></b>	<b><u>1,223,119,497</u></b>

**Notes to the Financial Statements (Continued)**

**12.5 Acquisition of Non-Financial Assets**

Description	FY 2023/2024			Comparative FY 2022/2023	Cumulative to-date
	Payments made in Cash	Payments made by third parties	Total payments	Total payments	
	Kshs.	Kshs.	Kshs	Kshs	
Construction of buildings	11,710,617	-	11,710,617	9,614,230	1,379,787,437
Construction of roads	-	-	-	-	8,518,468,651
Construction of civil works	124,058,454	-	124,058,454	35,099,510	13,325,090,148
Purchase of vehicles & other transport equipment	-	-	-	-	59,508,000
Purchase of office furniture & general equipment	-	-	-	-	21,226,139
Purchase of specialised plant, equipment and machinery	-	-	-	-	925,893,575
Research, studies, project preparation, design & supervision	26,421,749	-	26,421,749	43,201,787	3,659,877,862
Acquisition of land	-	-	-	-	919,610,160
Acquisition of other intangible assets	-	-	-	-	-
<b>Total</b>	<b>162,190,820</b>	<b>-</b>	<b>162,190,820</b>	<b>87,915,528</b>	<b><u>28,809,461,971</u></b>

**Notes to the Financial Statements (Continued)**

**12.6 Cash And Cash equivalents**

Description	FY 2024	Comparative 2022/2023	FY
	Kshs	Kshs	
Bank accounts (Note 11A)	32,833,168	2,273,988	
<b>Total</b>	<b><u>32,833,168</u></b>	<b><u>2,273,988</u></b>	

**12.6A Bank Accounts**

**Project Bank Accounts**

Details	FY 2023/2024	Comparative 2022/2023	FY
	Kshs	Kshs	
<u>Local Currency Accounts</u>			
Central Bank of Kenya [A/c No:1000396938]	32,833,168	2,273,988	
Central Bank of Kenya [A/c No:1000396954]	0	0	
Total local currency balances	32,833,168	<u>2,273,988</u>	
Total bank account balances	<b>32,833,168</b>	<b><u>2,273,988</u></b>	

*Nairobi Metropolitan Services Improvement Project  
Annual Report and Financial Statements for the financial year ended June 30, 2024*

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**Notes to the Financial Statements (Continued)**

**Special Deposit Accounts**

The balances in the Project's Special Deposit Account(s) as at 30<sup>th</sup> June 2024 are not included in the Statement of Financial Assets since they are below the line items and are yet to be drawn into the Exchequer Account as a voted provision.

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

**Special Deposit Accounts Movement Schedule**

Description	FY 2023/2024	Comparative FY 2022/2023
	Kshs	Kshs
(i) A/C Name [A/c No 0810299949176]		
Opening balance	-	5.00
<b>Closing balance (as per SDA bank account reconciliation attached)</b>	<b>=</b>	<b><u>5.00</u></b>

*Nairobi Metropolitan Services Improvement Project*  
*Annual Report and Financial Statements for the financial year ended June 30, 2024*

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**12.7 Fund Balance Brought Forward**

Description	FY 2023/2024	Comparative FY 2022/2023
	Kshs	Kshs
Bank accounts	32,833,168	2,273,988
Cash in hand	-	-
Cash equivalents (short-term deposits)	-	-
Outstanding imprests and advances	-	-
Deposits and retention	-	-
<b>Total</b>	<b>32,833,168</b>	<b>2,273,988</b>

*Nairobi Metropolitan Services Improvement Project  
Annual Report and Financial Statements for the financial year ended June 30, 2024*

**Other Important Disclosures**

**1. Pending Accounts Payable (See Annex 4a)**

	Balance B/F as Reported FY 2022/2023	Balance B/F FY 2022/2023 Restated	Additions for the year 2023/2024	Paid during the year 2023/2024	Balance C/F FY 2023/2024
Description	Kshs	Kshs	Kshs	Kshs	Kshs
Construction of buildings	2,736,440	2,736,440	-	2,736,440	-
Construction of civil works	11,860,666	11,860,666	42,680,776	11,860,666	42,680,776
Supply of goods	-	-	-	-	-
Supply of services	46,256,820	21,489,434	-	21,489,434	-
<b>Total</b>	<b>60,853,926</b>	<b>36,086,540</b>	<b>42,680,776</b>	<b>36,086,540</b>	<b>42,680,776</b>

**NB:** The prior year pending bills of Ksh 60,853,926 included Ksh 24,767,386 which should not have been included as pending bills. The Ksh24,767,386 relates to Geomaps LTD consultants. The Consultancy Services for Establishment of GIS based Mass Valuation for Nairobi City County. The Nairobi City County is the user. The approval for payment is upon the acceptance by the NCC.

**2. Deposit and Retention (see Annex 4b)**

Description	FY 2023/2024	FY 2022/2023
	Kshs	Kshs
Deposit and Retentions as at 1 <sup>st</sup> July 2023 (A)	80,134,392.20	92,319,184.00
Deposit and Retentions held during the year (B)	-	-
Deposit and Retentions paid during the Year (C)	78,908,129.35	12,184,791.20
Changes in deposit and retention D= A+B-C	<b>1,226,263.85</b>	<b>80,134,392.20</b>

*Nairobi Metropolitan Services Improvement Project  
Annual Report and Financial Statements for the financial year ended June 30, 2024*

13. Annexes

**Annex 1: Prior Year Auditor-General's Recommendations**

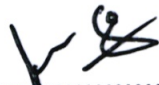
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Unsupported retention money	Retention money is supported and paid retention money deposit account.	Resolved	Resolved
2	Pending bills due	The prior year pending bills are now been paid.	Resolved	Resolved
3	Delays in completion of Mitubiri Sanitary Landfill.	The works are still in progress.	83% Resolved	Within the contract Period. Work is in Progress

**Guidance Notes**

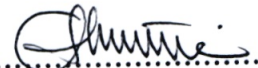
1. Use the same reference numbers as contained in the external audit report;
2. Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;
3. Before approving the report, discuss the timeframe with the appointed Focal Point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



.....  
**Charles M.Hinga, CBS, CA (SA)**  
**Principal Secretary**



.....  
**Eng. Benjamin K. Njenga**  
**Project Coordinator**



.....  
**Purity K Tharamba**  
**Project Accountant**  
**ICPAK Member No. 32054**

*Nairobi Metropolitan Services Improvement Project  
Annual Report and Financial Statements for the financial year ended June 30, 2024*

**Annex 2: Variance explanations - Comparative Budget and Actual amounts for FY 2023/2024**

	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 %	
<b>Receipts</b>					
Transfer from Government entities	195,000,000	192,750,000	2,250,000	99%	
<b>Total Receipts</b>	<b>195,000,000</b>	<b>192,750,000</b>	<b>2,250,000</b>	<b>99%</b>	
<b>Payments</b>					
Acquisition of non-financial assets	195,000,000	162,190,820	32,809,180	83%	Delays Exchequer slowed disbursement.
Transfers to other government entities					
Other grants and transfers					
<b>Total payments</b>	<b>195,000,000</b>	<b>162,190,820</b>	<b>32,809,180</b>	<b>83%</b>	83%

*Nairobi Metropolitan Services Improvement Project  
Annual Report and Financial Statements for the financial year ended June 30, 2024*

**Annex 3: Reconciliation of inter-entity transfers**

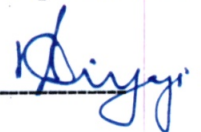
Project Name:				
Break down of transfers from the State Department of Housing and urban development				
<b>a.</b>	<b>Government Counterpart funding</b>			
		<b>Bank Statement Date</b>	<b>Amount (Kshs)</b>	FY 2023-2024
		23-05-2024	192,750,000	
			-	
		<b>Total</b>	<b>192,750,000</b>	
<b>B.</b>	<b>Direct payments</b>			Nil
		Bank Statement Date	Amount (Kshs)	
			-	
		<b>Total</b>	-	
<b>C.</b>	<b>Others</b>			Nil
		Bank Statement Date	Amount (Kshs)	
			-	
		<b>Total</b>	-	
		<b>Total (A+B+C)</b>	<b>192,750,000</b>	

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

**Eng. Benjamin K. Njenga**  
Project Coordinator  
Nairobi Metropolitan Services Improvement Project

Sign 

**Head of Accounting Unit**  
**State Department for Housing and Urban Development**

Sign 

*Nairobi Metropolitan Services Improvement Project  
Annual Report and Financial Statements for the financial year ended June 30, 2024*

**Annex 4a: Analysis of Pending Bills**

Supplier of Goods or Services	Date Contracted/ invoiced.	Original Amount	Amount Paid To-Date	Outstanding Balance Current FY 2023/2024	Outstanding Balance Previous FY 2022/2023	Comments
		<b>a</b>	<b>b</b>	<b>c=a-b</b>		
<b>Construction of civil works</b>						
China Wuyi Co. Limited	28-02-2023	42,680,776		42,680,776		
<b>Sub-Total</b>						
Grand Total		42,680,776		42,680,776		

**Annex 4b: Deposit and Retention**

	Retention and deposit	Balance as at 30 June 2023	Retention Paid FY 2023/2024	Balance as at 30 June 2024
No	Payee details	Amount in Kshs	Amount in Kshs	Amount in Kshs
1	Ashbro International LTD	108,000.00	-	108,000.00
2	Concordia Building and Construction LTD	19,225,756.00	19,225,756.00	-
3	Retention Deposit Account Min HQ	51,141,095.70	51,141,095.70	-
4	Duale Investment LTD	547,520.05	-	547,520.05
5	Kange Investment LTD	567,692.65	-	567,692.65
6	Rural Distributors Enterprises	3,000.00		3,000.00
7	Three ES Building Contractors	8,541,277.65	8,541,277.65	-
8	Link Soft Integrated Limited	50.00	-	50.00
9	Njuca Consolidated LTD	0.15		0.15
	<b>TOTAL</b>	<b>80,134,392.20</b>	<b>78,908,129.35</b>	<b>1,226,262.85</b>

**Nairobi Metropolitan Services Improvement Project**  
**Annual Report and Financial Statements for the financial year ended June 30, 2023**

**Annex 5: Summary of Fixed Assets Register**

Asset class	Opening Cost (Kshs) 2022/2023	Donations in form of assets (Kshs) 2023/2024	Purchases/ Additions in the Year (KShs) 2023/2024	Disposals in the Year (KShs) 2023/2024	Transfers in/(out) (Kshs) 2023/2024	Closing Cost (Kshs) 2023/2024
	(a)	(b)	(c)	(d)	(d)	(e)= (a)+ (b)+c)-(d)+(- )d
Land	919,610,160	-	-	-	-	919,610,160
Truck mounted storm water flushing bouncers	58,568,690	-	-	-	-	58,568,690
Motor vehicles	75,068,000	-	-	-	-	75,068,000.00
Water Browsers	19,020,000	-	-	-	-	19,020,000
Office equipment, furniture and fittings	12,489,000	-	-	-	-	12,489,000
ICT Equipment,	127,640,841	-	-	-	-	127,640,841
Other Machinery and Equipment	536,425,498	-	-	-	-	536,425,498
Geo information equipment	173,547,130	-	-	-	-	173,547,130
<b>Total</b>	<b>1,922,369,321</b>	-	-	-	-	<b>1,922,369,321</b>

**Notes**

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

\*\* The disposal amount to be disclosed in this register is the cost that the asset was acquired at and not the price at which it has been sold.

*Nairobi Metropolitan Services Improvement Project*  
*Annual Report and Financial Statements for the financial year ended June 30, 2024*

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**Annex 9: Other Support Documents**

- i. Signed confirmations from beneficiaries in Transfers to Other Government Entities
- ii. Bank Reconciliations statement as at 30<sup>th</sup> June 2024
- iii. Board of Survey Report
- iv. Special Deposit Account(s) reconciliation statement(s)
- v. GOK IFMIS comparison Trial Balance

Annex 9(i)



**MINISTRY OF LANDS, PUBLIC WORKS, HOUSING & URBAN DEVELOPMENT**

**STATE DEPARTMENT FOR HOUSING AND URBAN DEVELOPMENT**

Prism Towers  
3<sup>rd</sup> Ngong Avenue

Directorate of Urban &  
Metropolitan Development  
Tel: +254(0)20 340972  
Fax: +254 (0)20 2243067  
P.O. Box 34477-00100  
NAIROBI, KENYA

Ref: MLPWHUD/HUD/UD/2/5/IV/81

7<sup>th</sup> August, 2024

The Principal Secretary  
State Department for Housing and Urban Development  
P O Box 30119-00100  
**NAIROBI**

Attn: Head of Accounting Unit

**RE: CONFIRMATION OF AMOUNT DISBURSED TO NAIROBI METROPOLITAN SERVICES IMPROVEMENT PROJECT FOR FINANCIAL YEAR 2023/2024**

The Nairobi Metropolitan Services Improvement Project wishes to confirm the amounts received from you as at 30<sup>th</sup> June, 2024 as indicated in the table below.

Confirmation of amounts disbursed to Nairobi Metropolitan Services Improvement Project Counterpart fund as at 30 <sup>th</sup> June, 2024		
Reference number	Date received	Development(Kshs)
FT23144NLD3C	23 <sup>rd</sup> May , 2024	192,750,000
Total		192,750,000

I confirm that the amount shown above is correct as of the date indicated

Project Accountant

Name: Lawrence KITHIRI

signature

Date: 22/07/2024

Annex 9(ii)



REPUBLIC OF KENYA

FO 30

MINISTRY OF LAND,PUBLIC WORKS,HOUSING & URBAN DEVELOPMENT  
BANK RECONCILIATION STATEMENT  
JUNE 2024  
NaMSIP COUNTERPART FUND

BALANCE AS PER THE BANK STATEMENT

LESS: PAYMENT IN CASH BOOK NOT IN BANK STATEMENT  
RECEIPT IN BANK STATEMENT NOT IN CASH BOOK

ADD: PAYMENT IN BANK STATEMENT NOT IN CASH BOOK  
RECEIPT IN CASH BOOK NOT IN BANK STATEMENT

BALANCE AS PER THE CASH BOOK

	173,157,965.85
140,324,798.00	
-	140,324,798.00
-	
-	
	32,833,167.85

Prepared by Lawrence Kithinji

I Certify that I have verified the Bank balance in the cash Book with the bank Statement and that the above reconciliation is correct.

Signature

AAG  
Designation

30TH JUNE 2024

**APPEDIX 1****PAYMENT IN CASH BOOK NOT IN BANK STATEMENT JUNE 2024**

<u>DATE</u>	<u>PV NO</u>	<u>DETAILS</u>	<u>AMOUNT KSH</u>
30-06-2024	03	KRA WHTax Concordia building and Civil Engineering	6,876,897.55
30-06-2024	04	KRA VAT Concordia building and Civil Engineering	3,952,239.65
30-06-2024	07	WHTax for Seureca Consultant Engineers	735,627.00
30-06-2024	08	WHTax for Developmenr Environergy Services	1,166,656.50
30-06-2024	08	Concordia building and Civil Engineering	1,031,528.00
30-06-2024	09	Fairdeal Terrazzo	463,459.90
30-06-2024	10	2% VAT Fairdeal Terrazzo	8,386.90
30-06-2024	10	3% WHTAX Fairdeal Terrazzo	14,593.20
30-06-2024	10	Rural Distributors	412,449.20
30-06-2024	014	2% VAT Rural Distributors	7,463.80
30-06-2024	014	3% WHTAX Rural Development	12,987.00
30-06-2024	014	Chirchi githinji & associates	4,573,729.65
30-06-2024	015	2% VAT Chirchi Githinji & Partners	84,542.15
30-06-2024	015	3% WHTAX Chirchi Githinji & Partners	245,172.20
30-06-2024	015	Three Es Building contractors	8,541,277.00
30-06-2024	017	Concordia building and Civil Engineering	4,668,953.45
30-06-2024	018	2% VAT Concordia building and Civil Engineering	84,490.65
30-06-2024	018	3% VAT Concordia building and Civil Engineering	147,013.75
30-06-2024	019	Concordia building and Civil Engineering	13,940,690.75
30-06-2024	020	Concordia building and Civil Engineering	40,221,223.50
30-06-2024	020	2% VAT Concordia building and Civil Engineering	727,854.20
30-06-2024	020	3% VAT Concordia building and Civil Engineering	1,266,466.30
30-06-2024	021	PS Concordia Construction Retention money	51,141,095.70
30-06-2024		<b>TOTAL</b>	<b>140,324,798.00</b>

REPUBLIC OF KENYA

Date 23/07/2024

Report of the Board of Survey on the Cash and Bank Balances 30/6/2024 as at the close of business

The Board, consisting of - (Names and official titles)

- 1. Ann Wamuyu Chairperson
- 2. Josephine Mjombone (Secretary)
- 3. ELIZABETH BOS+BOR

assembled at the office of SACUD/NMSP 10.00 (time) on the 23/07/2024

and the following cash was produced :-

Notes	.. .. .	Sh. NIL
Silver	.. .. .	Sh. NIL
Copper	.. .. .	Sh. NIL
Cheques (as per details on reverse)	.. .. .	Sh. NIL

NIL

It was observed that cheques amounting to Sh. NIL cts.

had been on hand for more than 14 days prior to the date of the survey.

The Cash consists of East African currency and does not contain any demonetized coin or notes.

The Cash Book reflected the following balances as at the close of business on the.....

Cash on hand	.. .. .	Sh. NIL
Bank Balance	.. .. .	Sh. 32,823,167.85
		<u>32,833,167.85</u>

The Bank Certificate of Balance showed a sum of Sh.....

172,157,965.85 Cts (Sh. .... Cts. ....)

standing to the credit of the account on.

The difference between this figure and the Bank Balance as shown by the Cash Book is accounted for in the Bank Reconciliation Statement (F.O.30) attached.

*[Signature]*

Chairman.

DATE 23/07/2024 SECRETARY *[Signature]*

MEMBER.....

Annex 9(v)

VOTE D1094 STATE DEPARTMENT FOR HOUSING & URBAN DEVELOPMENT											
Development Expenditure VOTE BOOK STATUS REPORT - FOR THE PERIOD FROM JUL-23 TO JUN-24											
Head	Sub Head	ITEM-SOURCE-PROGRAMME- GEOGRAPHICAL	TITLE AND DETAILS	Printed Estimate	Reallocation/ Transfer	Supplementary Estimates	Approved Estimates (Net)	Cumulative Expenditure	Outstanding Commitments	Total Payment Commitments	Balance
				Kes	Kes	Kes	Kes	Kes	Kes	Kes	Kes
1018			Nairobi Metropolitan Services Improvement Project (NAMSIP)								
	01		NAMSIP - Headquarters								
		3110504-00001001-0105029999-00000001	Other Infrastructure and Civil Works	195,000,000	0	0	195,000,000	162,190,819	0	162,190,819	32,809,181
			GROSS EXPENDITURE	195,000,000	0	0	195,000,000	162,190,819	0	162,190,819	32,809,181
			Net Expenditure Sub Head 101801 .....	195,000,000	0	0	195,000,000	162,190,819	0	162,190,819	32,809,181
			Net Expenditure Head 101800 .....	195,000,000	0	0	195,000,000	162,190,819	0	162,190,819	32,809,181
			Total Net Expenditure vote D1094	195,000,000	0	0	195,000,000	162,190,819	0	162,190,819	32,809,181