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**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**NAIROBI OUTERING ROAD  
IMPROVEMENT PROJECT**

**FOR THE YEAR ENDED  
30 JUNE, 2023**

**KENYA URBAN ROADS AUTHORITY**





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# NAIROBI OUTERING ROAD IMPROVEMENT PROJECT

IDENTIFICATION NUMBER: P-KE-DB0-020

LOAN NUMBER. 2100150030144

GRANT NUMBER. 2100155026117

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**For the Financial year ended  
June 30, 2023**

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

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***Nairobi Outer Ring Road Improvement Project -Reports and Financial Statements  
For the financial year ended June 30, 2023***

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**1. Acronyms and Glossary of Terms**

CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
NT	National Treasury
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
WB	World Bank
Comparative FY	Financial year preceding the current financial year.



**Nairobi Outer Ring Road Improvement Project -Reports and Financial Statements  
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**2. Project Information and Overall Performance**

**2.1 Name and registered office**

**Name**

Nairobi Outer Ring Road Improvement Project, Project Identification Number: P-KE-DB0-020)

**Objective**

- a) To enhance economic efficiency through improved mobility and accessibility to business thereby supporting economic and social development of Nairobi City County.
- b) Improve the road transport infrastructure network by expanding traffic capacity of Nairobi Outer Ring Road to address congestion and enhancement of economic activities along the road corridor.

**Address**

Nairobi, Nairobi County, Kenya.

**Registered office:**

Kenya Urban Roads Authority  
P.O Box 41727-00100  
Barabara Plaza, Mazao Road –off South Airport Road, JKIA  
**NAIROBI.**

**Contacts:**

Telephone: (254) (02) 8013844

E-mail: [info@kura.go.ke](mailto:info@kura.go.ke)

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



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**2.2 Project Information**

<b>Project Start Date:</b>	17 <sup>th</sup> September, 2014
<b>Expected Project End Date:</b>	30 <sup>th</sup> September, 2019
<b>Revised project completion date:</b>	25 <sup>th</sup> April 2020
<b>Project Manager:</b>	Eng. J. M. Onyinkwa
<b>Project Sponsor:</b>	African Development Bank

**2.3 Project Overview**

<b>Line Ministry</b>	The project is under the supervision of the Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works
<b>Project number</b>	Works Contract No. KURA/AfDB/006/2013-2014 Consultancy Contract No. KURA/AfDB/007/2013-2014



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<b>Strategic goals</b>	<p>The strategic goals of the project are reduction of road transport costs within the Nairobi Metropolitan Region. This is manifested through the following anticipated outcomes: -</p> <ul style="list-style-type: none"><li>(i) Shorter travel time at off peak hours;</li><li>(ii) Security, safety and convenience of pedestrians and bicycle users due to construction of Non- Motorised Transport facilities</li><li>(iii) Improved accessibility of logistics contributing to the growth of regional economy;</li><li>(iv) Addressing the traffic congestion problem, both motorized and non-motorized traffic</li><li>(v) Provide for improvement of social and environmental issues along the project roads</li></ul>
<b>Achievement of strategic goals</b>	<p>The project management aims to achieve the goals through the following means:</p> <ul style="list-style-type: none"><li>a) Dualling of the initial two-lane road to four lanes</li><li>b) Construction of service roads</li><li>c) Construction of grade separated junctions to improve traffic operations and alleviate congestion within the city and its outskirts.</li></ul>



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<p><b>Other important background information of the project</b></p>	<p>Total Project size Civil works contract including Fresh Produce Market - Kshs. 11.74 Billion Consultancy Service contract - USD: 6,209,955.05 and Kshs: 3,930,500.00</p> <p><b>Project Categories</b></p> <ol style="list-style-type: none"> <li>1. Civil Works for Nairobi Outer Ring Road improvement project</li> <li>2. Consultancy Services             <ol style="list-style-type: none"> <li>a. Construction supervision</li> <li>b. Technical Assistance for Traffic management</li> <li>c. Baseline data collection, HIV/AIDS and safety awareness</li> <li>d. Urban roads maintenance strategy</li> <li>e. Technical Audit</li> <li>f. Consultancy for 2nd Runway Detailed Design JKIA and its Upgrade and Rehabilitation of Aircraft Pavements at JKIA</li> </ol> </li> <li>3. Capacity Building through Training for Youth Empowerment</li> </ol>
<p><b>Areas that the project was formed to intervene</b></p>	<p>The project was formed to intervene in the following areas: (i) Traffic congestion (ii) social and environmental issues along the project roads</p>
<p><b>Project duration</b></p>	<p>The project loan and grant components started on 17<sup>th</sup> September, 2014 and were expected to run until September, 2017. The loan component was extended to end on 30<sup>th</sup> September, 2019 while the Grant component was extended to end in December, 2023</p>

**2.4 Bankers**



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The following are the bankers for the project:

**(i) Special Accounts**

Account No. : 01-01268945650  
Bank : Standard Chartered Bank, London  
IBAN No. : GB29 SCBL 6091 0412 6894 56  
Account No. : 1000213515  
Bank : Central Bank of Kenya, NAIROBI

**(ii) Other accounts**

National Bank of Kenya,  
A/C No. 01001032626600,  
Hill Branch.

Kenya Commercial Bank  
A/C No. 1205083235  
Moi Avenue Branch

**2.5 Independent Auditor**

The project is audited by: -

Office of the Auditor General  
Anniversary Towers, University Way  
P.O. Box 49384-00100  
Nairobi, GPO

**2.6 Roles and Responsibilities**



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<b>Name</b>	<b>Title/ Designation</b>	<b>Key qualification</b>	<b>Responsibilities</b>
Eng. Silas M. Kinoti, MBS	Director General	BSc. (Civil Engineering) Member-IEK	Director General and Accounting officer
Eng. J.M. Onyinkwa	Deputy Director- Construction	BSc. Civil Eng., Reg. Eng. ERB/ EBK, MIEK	Project Manager
Mr. Erastus Chepkwony	Design Engineer	BSc. Civil Eng.	Resident Engineer
Eng. Jeniffer Korir	Design Engineer	BSc. Civil Eng., Reg. Eng. ERB/EBK, MIEK	Design Engineer
Saadia H Adan Khalif	Deputy Director- Supply Chain Management	MBA, B.B.A, MCPIs, MKISMS	Procurement Specialist
Mr. Seth Odera Omondi	Deputy Director, Environment & Social Safeguards	MPhil. Environmental Studies (Planning and Management), B.A Sociology, NEMA Lead Expert.	Project Environmentalist
Eric Injenga	Deputy Director- Finance and Accounts	BBA (Finance & Accounts) CPA (K)	Project Accountant

## **2.7 Funding summary**

The Project was originally for duration of 36 Months (3 years) from September, 2014 to September, 2017 however the same was revised to end on 30th September, 2019 for the loan component with an approved budget of UA 86.40 million equivalent to Kshs. 11.03 billion as highlighted in the table below.



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Project Categories	Cost	AfDB Financing		GOK	
	Amount UA (M)	Amount UA (M)	Percent (%)	Amount UA (M)	Percent (%)
<b>1. Civil Works</b>					
1.1 Nairobi Outer Ring Road	72.12	69.60	96.5	2.52	3.5
Sub-Total Civil Works	72.12	69.60	96.5	2.52	3.5
<b>2. Consulting Services</b>					
2.1 Construction supervision	3.75	3.75	100	-	-
2.2 Technical Assistance for Traffic	0.35	0.35	100	-	-
2.3 Baseline data collection, HIV/AIDS and safety awareness	0.40	0.40	100	-	-
2.4 Urban roads maintenance strategy	1.12	1.12	100		
2.5 Technical Audit	0.16	0.16	100	-	-
Sub-Total Consultancies	5.78	5.78	100		
<b>3. Capacity Building</b>					
3.1 Training for Youth Empowerment	0.21	0.21	100	-	-
Sub-Total Capacity Building	0.21	0.21	100		
<b>4. Compensation and Resettlement</b>					
4.1 Comp. & Resettlement	6.28	-	-	8.80	100
Sub-Total Compensation	6.28	-	-	8.80	
<b>Total (UA)</b>	<b>86.40</b>	<b>77.60</b>	<b>89.8%</b>	<b>8.80</b>	<b>10.2%</b>



**Nairobi Outer Ring Road Improvement Project - Reports and Financial Statements-For the financial year ended June 30, 2023**

Below is the funding summary:

**A. Source of Funds**

Source of funds	Donor Commitment-		Amount received to date – (20 June 2023)		Exchange Rate differences	Undrawn balance to date	
	UA	KShs	UA	KShs		UA	KShs
	(A)	(B)	(A)-(B)	(B')	(A)-(B)	(A)-(B)	
<b>(i) Grant</b>							
African Development Bank	560,000	79,600,000	541,519	78,918,303	-	18,481	681,697
<b>(ii) Loan</b>							
African Development Bank	77,040,000	11,030,000,000	77,038,502	9,816,965,320	1,213,034,680	1,498	-
<b>(iii) Counterpart funds</b>							
Government of Kenya	50,482,739	7,175,574,914	53,236,727	7,567,024,495	-	-	-
<b>Total</b>	<b>128,082,739</b>	<b>18,285,174,914</b>	<b>130,816,748</b>	<b>17,462,908,119</b>	<b>1,213,034,680</b>	<b>19,979</b>	<b>681,697</b>



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**Project information and overall performance (continued)**

**B. Application of Funds**

Source of funds	Amount received to date – (20 June 2023)		Cumulative amount paid to date – (30th June 2023)	Unutilised balance to date – (30th June 2023)
	UA (B)	KShts (B')		
<b>(i) Grant</b>				
African Development Bank	541,519	78,918,303	541,519	-
<b>(ii) Loan</b>				
African Development Bank	77,038,502	9,816,965,320	77,038,502	-
<b>(iii) Counterpart funds</b>				
Government of Kenya	53,236,727	7,567,024,495	53,236,727	-
<b>Total</b>	<b>130,816,748</b>	<b>17,462,908,119</b>	<b>7,567,024,495</b>	



***Nairobi Outer Ring Road Improvement Project - Reports and Financial Statements-For the financial year ended June 30, 2023***

**Project information and overall performance (continued)**

**2.8 Summary of Overall Project Performance:**

***i) Budget performance***

The Nairobi Outer Ring Road Improvement project was completed in the FY ending 30<sup>th</sup> June 2021. The only ongoing component during the financial year ending 30<sup>th</sup> June 2023 was final artisan training for the Youth which is funded through the project Grant by African Development Bank (AfDB).

The project however has outstanding bills in the 12 months to 30<sup>th</sup> June, 2023 which consumed 100% of GoK counterpart budget.

The project did not have development partner budget allocation as all donor resources were fully consumed.

***ii) Physical progress***

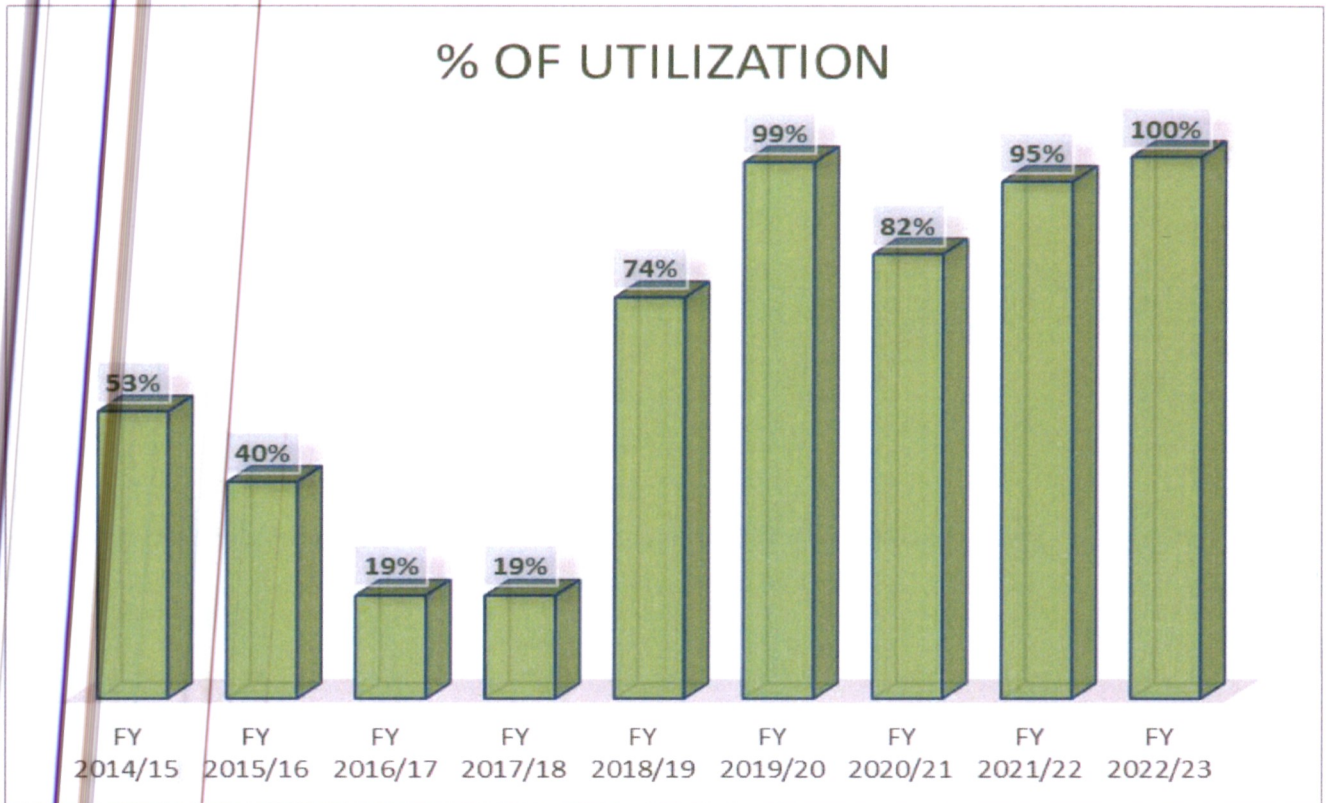
The Nairobi Outer Ring Road Improvement Project main components were completed in the Financial Year ended 30<sup>th</sup> June 2021 and the overall progress was at 100%. The only outstanding component was the artisan training for the Youth where the training of the final batch was ongoing.

***iii) Budget Absorption rate***

The project budgetary absorption over the years it has been under implementation is as illustrated below:



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iv) **List the implementation challenges and recommended way forward.**

i. **Relocation of services and presence of underground utilities such as KPC pipeline**

The project was being carried in a highly populated area within Nairobi County which is the capital of Kenya. Therefore, presence of underground services was a necessity for the huge population bordering the project road. In some instances, the actual location of the services was not clear. The locations were identified through liaison with the concerned agencies such as Nairobi Water and Sewerage Company so as to identify the exact locations.

ii. **Land acquisition**

In some sections, the road was required to pass through some private properties and due to bureaucracy in the Ministry of Lands and other concerned institutions, there was longer delays in the implementation of the project. In some instances, the road was to be redesigned and rerouted to the available land.



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**iii. Institutional cooperation**

The road required to pass through or over other services owned by different institutions such as Kenya Railways Corporation, Kenya Pipeline Company and Nairobi water and Sewerage Company. The KPC company came up with the requirement for the protection of their pipes before any construction could be allowed as these pipes carried hazardous materials which if broken could cause death. These pipes also required relocation which also had an impact on contractor's finance and program and any construction on this pipe required their supervision. The Kenya railways on the other hand had their requirements in relation to the rail tracks running parallel to the road. In places like Tajmall where the road passes over their tracks, the flyover support structures.

**iv. Site space and legal battles.**

The road was to be constructed in a highly populated region and therefore creating challenges of availability of space to carry out the works. In some instances, cases of land grabbing of the construction corridor existed. The contractor experienced several legal battles in courts due to the grabbed land. This caused a lot of delays in the project impacting on the finance and time on the side of the contractor. To enable works proceed on the project, the project team engaged other government agencies to remove the illegal structures.

**v. Heavy traffic during work**

Since the project started, it attracted heavy traffic from the city environs and therefore movement of construction materials was very challenging. It required continuous presence of traffic police to control this but eventually this could not solve the problem which further delayed the project as it was not in the original scope.

**vi. Damages to completed work and vandalism**

Since the project was being undertaken and at the same time being used by traffic, on several occasions there were damages to the road structures especially the guard rails and traffic signs due to accidents. In addition, the highly populated region thus high vandalism. By the time the project ended almost all the small metallic structures had been replaced at least twice.



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All the project challenges have been resolved through enhanced co-ordination between the project Implementation Team and other government agencies and also through continuous community engagements. Resolving of the challenges has enabled achievement of the intended project road and other components.

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

The Project has ensured that all its activities carried out are within the laws of the Republic of Kenya and that all regulations and procedures have been followed. Among the regulations include the Environmental and Social Impact Assessment (ESIA) for which authority was issued for the implementation of the project.

In cases of inconsistency between the GOK Regulations and those of the development partner, the latter have been applied.



***Nairobi Outer Ring Road Improvement Project -Reports and Financial Statements  
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### **3. Statement of Performance against Project's Predetermined Objectives**

#### **Introduction**

The key development objective of the project's 2014-2020 plan is to improve existing Outer Ring Road in the city of Nairobi into a dual carriage way in a bid to expand its traffic carrying capacity to address congestion and to provide social infrastructure such as market stalls for informal traders and wellness centres to address HIV/ AIDS and related illnesses.

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

- a) Road construction Civil Works
- b) Consulting Services
- c) Technical Assistance
- d) Training of Youth
- e) Compensation and resettlement

#### **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:



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Below we provide the progress on attaining the stated objectives:

Objective	Outcome	Indicator	Performance
To enhance economic efficiency through improved mobility and accessibility to business thereby supporting economic and social development of Nairobi City County.	Free flow of traffic leading to Shorter travel time at peak hours;	Dualling of the roads including construction of service roads and Non- Motorised Transport facilities	In the 12 months to 30th June, 2023 the component of artisan training for youths was ongoing under Nairobi Outer Ring project.
Improve the road transport infrastructure network by expanding traffic capacity of Nairobi Outer Ring road to address congestion and enhancement of economic activities along the road corridor.	Security, safety and convenience of pedestrians and bicycle users due to construction of Non-Motorised Transport facilities	Construction of grade separated junctions to improve traffic operations and alleviate congestion within the city and its outskirts.	The implemented components include works, supervision services, Technical Audit Services, Traffic Management Technical Assistance, Baseline Data Collection, Road Safety Awareness & Auditing Services, Road Maintenance strategy and artisan training for the Youth.
	Improved accessibility of logistics contributing to the growth of regional economy;	Trained youth within the project life.	Rehabilitation of Kariobangi Market and construction of Nairobi Fresh produce market was complete
	Provide for improvement of social and environmental issues along the project roads	Construction of market stalls	



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

##### **1. Sustainability strategy and profile**

Kenya Urban Roads Authority aims at enhancing sustainable urban road transportation and mobility. Our Urban Roads Planning, Development and Maintenance strategy mainstreams the global 2030 Agenda for sustainable Development in our operations. The urban road network remains the key enabler for the realization of the objectives of Kenya Vision 2030 as well as the Big '4' Agenda. In the implementation of our Strategic Plan (2018-2022), we mainstream sustainability principles by complying with the local policies, legislations as well as international safeguard requirements. The Authority continues to foster Strategic partnerships with stakeholders for effective delivery of our services. To mitigate on the impact of any emerging disruption on the economy and our operations, we have been implementing a business continuity plan.

##### **2. Environmental performance**

Our operations pose different degrees of risks to the environment. KURA has a functional Environment, Safety and Health Policy that outlines commitment to efficient use of resources, reducing and preventing pollution, and product stewardship. We conduct Environmental and Social Impact Assessment for all new projects prior to construction so as to control environmental risks and hazards. All contractors are required to adhere with the Environmental Management Plans and waste control measures, among others. Periodic Environmental Monitoring and Audit Reports are prepared to demonstrate compliance with legal requirements. The Authority takes in consideration biodiversity conservation efforts during the project lifecycle through avoidance of destructive extractive activities. Materials sites are subjected to environmental impact assessment as well as site restoration plans. Tree planting and growing is done within the road reserves to provide carbon sinks as an approach for climate mitigation and adaptation. Collaborative efforts with the private sector, resident associations as well as with government agencies have enabled the planting and maintenance of tree seedlings. In order to address the social risks associated with the construction and maintenance of urban roads, the authority undertakes social impact assessment and resettlement action plans.



## ***Nairobi Outer Ring Road Improvement Project -Reports and Financial Statements For the financial year ended June 30, 2023***

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### **3. Employee welfare**

The Authority has instituted measures to provide a conducive working environment for the well-being of staff and enhanced productivity. We have a comprehensive staff medical cover for both outpatient and inpatient services. This is in addition to group life policy WIBA contributory pension scheme and staff mortgage scheme. Annual staff appraisals are promptly undertaken and forms the basis for promotions and competency development through appropriate training for career development and personal growth. During the period under review, a total of 79 employees were trained on various professional skills and competencies in addition Continuous Development Programs offered by various professional bodies. During the period of implementation of the project, the Authority ensured compliance by submitting all the returns to the relevant regulatory institutions within the prescribed timelines. The Authority has put in place measures for compliance with the provisions of the Occupational Safety and Health Act, 2007. We undertake occupational health and safety assessment and risk assessment for improvement of the work environment for employees and customers.

### **4. Market place practices-**

#### **a) Responsible Supply chain and supplier relations-**

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

#### **b) Responsible ethical practices**

The Authority has established responsible ethical practises by having an anti-corruption policy in place and ensuring all Staff commit to the Authority's code of conduct and



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declare conflict of interest. Also the Authority ensures that staff working in the projects receive competitive wage bearing in mind the minimum allowed wage in the country, ensuring employees general well-being is well catered for, guaranteeing that all materials are sourced within the available guidelines and are sourced in competitive environment to provide equal opportunities to different suppliers and in compliance with the Laws of the Republic of Kenya and ensuring that all employees receive comprehensive benefits as well as treated with respect.

**c) Regulatory impact assessment**

The Project has ensured that all its activities carried out are within the laws of the Republic of Kenya and that all regulations and procedures have been followed. Among the regulations include the Environmental and Social Impact Assessment (ESIA) for which authority was issued for the implementation of the project. In cases of inconsistency between the GOK Regulations and those of the donors, the latter have been applied.

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

**5. Community Engagements**

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



***Nairobi Outer Ring Road Improvement Project -Reports and Financial Statements  
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**5. Statement of Project Management responsibilities**

The *Director General, Kenya Urban Roads Authority* and the *Project Manager* for *Nairobi Outer Ring Road 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, 2023.

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.

*Director General, Kenya Urban Roads Authority* and the *Project Manager* for *Nairobi Outer Ring Road Improvement 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.



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The *Director General, Kenya Urban Roads Authority* and the *Project Manager* for *Nairobi Outer Ring Road 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, 2023, and of the Project's financial position as at that date. The *Director General, Kenya Urban Roads Authority* and the *Project Manager* for *Nairobi Outer Ring Road 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 *Director General, Kenya Urban Roads Authority* and the *Project Manager* for *Nairobi Outer Ring Road 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 *Director General, Kenya Urban Roads Authority* and the *Project Manager* for *Nairobi Outer Ring Road Improvement Project* on **29<sup>th</sup> September 2023** and signed by:

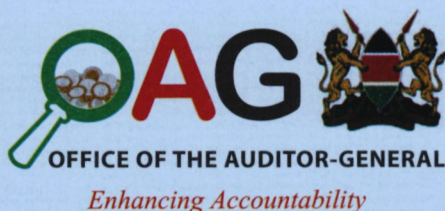
Eng. Silas M. Kinoti, MBS  
Director General

Eng Justus M. Onyinkwa  
Project Manager

Eric Rubia  
Project Accountant  
ICPAK Member No: 12829

# REPUBLIC OF KENYA

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Website: www.oagkenya.go.ke



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

## REPORT OF THE AUDITOR-GENERAL ON NAIROBI OUTERING ROAD IMPROVEMENT PROJECT FOR THE YEAR ENDED 30 JUNE, 2023 – KENYA URBAN ROADS 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 the Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on the Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

### REPORT ON THE FINANCIAL STATEMENTS

#### Opinion

I have audited the accompanying financial statements of Nairobi Outer Ring Road Improvement Project set out on pages 1 to 23, which comprise of the statement of financial assets as at 30 June, 2023, 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 Outer Ring Road Improvement Project as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Financing Agreement Loan No.2100150030144 and Grant No.2100155026117 dated 27 January, 2014 between the African Development Bank(ADF) and the Government of the Republic of Kenya and the Public Finance Management Act, 2012.

### **Basis for Opinion**

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Nairobi Outer Ring Road 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 judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

### **Other Matter**

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

### **Conclusion**

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

### **Basis for Conclusion**

#### **Failure to Settle Pending Accounts Payable**

Annex 4a of the financial statements reflects pending accounts payable of Kshs.846,198,623 which includes Kshs.839,433,031 and Kshs.6,765,591 payable for construction of civil works and consultancy services respectively. The amount for construction of civil works decreased by Kshs.39,000,000 being part payment during the year, from Kshs.891,965,054 reported as at 30 June, 2022. However, the amount payable for consultancy services remained the same as reported in the 2021/2022 financial statements.

In the circumstances, the project was at risk of incurring additional cost in form of interest and penalties for failure to settle the pending bills which may lead to loss of public funds.

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

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

### Conclusion

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

### Basis for Conclusion

The audit was conducted in accordance with 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.

As required by the Financing Agreement Loan No.2100150030144 and Grant No.2100155026117, I report based on my audit, that:

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

### Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Project's ability to continue to sustain 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 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 controls in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal controls 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 non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Projects' policies and procedures may deteriorate.

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

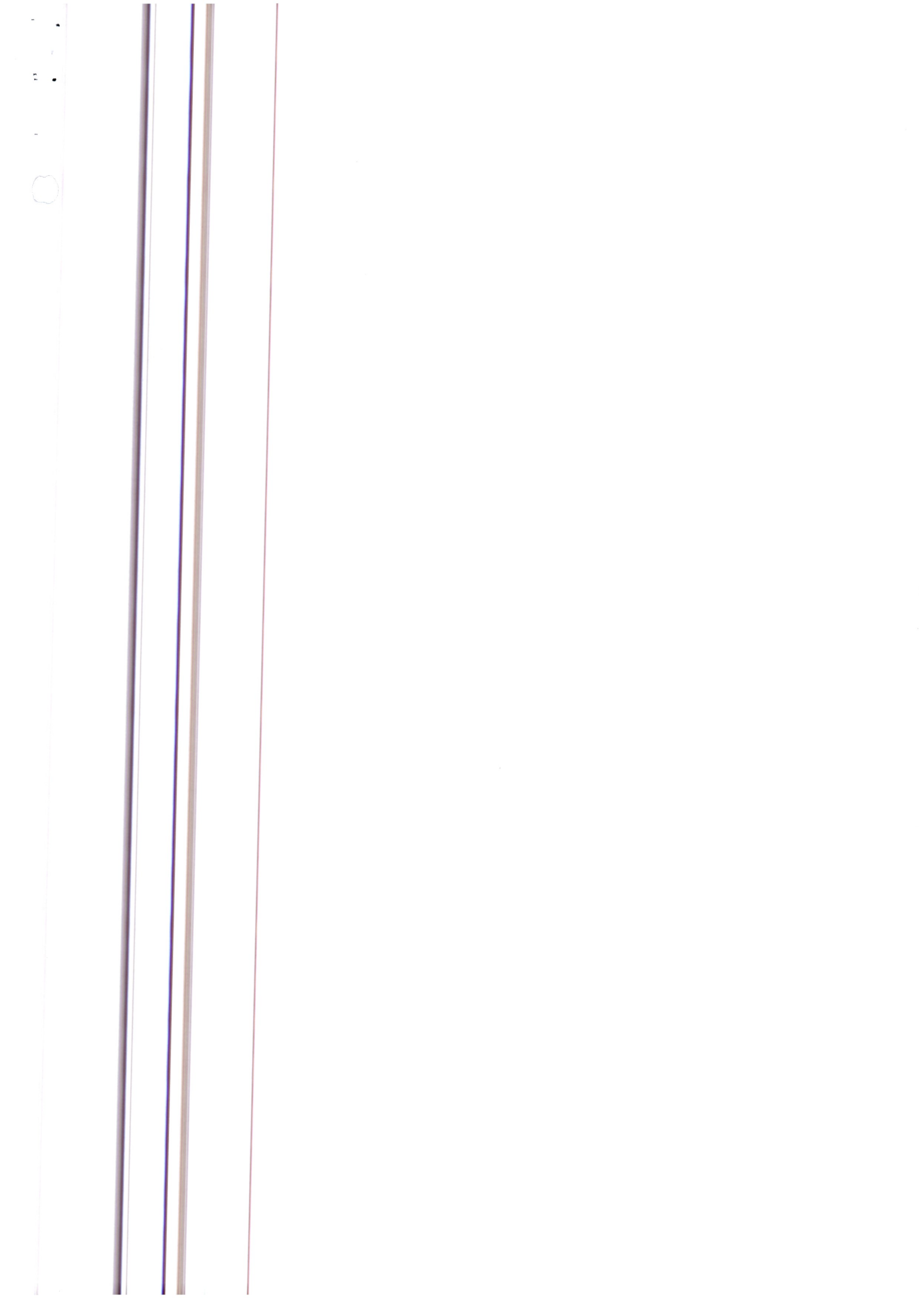
I communicate with Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that are identified during the audit.

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

**Nairobi**

**01 November, 2023**







**Nairobi Outer Ring Road Improvement Project - Reports and Financial Statements-For the financial year ended June 30, 2023**


**7. Statement of Receipts and Payments for the year ended 30th June 2023.**

Note	2022/2023		2021/2022		Cumulative to-date (From inception)
	Receipts and payments controlled by the entity	Payments made by third parties	Receipts and payment controlled by the entity	Payments made by third parties	
	KShs	KShs	KShs	KShs	
<b>RECEIPTS</b>					
1	39,000,000	-	80,000,000	-	7,567,024,494
2	-	6,766,430	-	-	78,918,303
Loan from external development partners	-	-	-	-	9,816,965,321
<b>TOTAL RECEIPTS</b>	<b>39,000,000</b>	<b>6,766,430</b>	<b>80,000,000</b>	<b>-</b>	<b>17,462,908,119</b>
<b>PAYMENTS</b>					
3	-	6,766,430	3,006,240	-	38,922,467
4	39,000,000	-	80,000,000	-	17,423,985,651
<b>TOTAL PAYMENTS</b>	<b>39,000,000</b>	<b>6,766,430</b>	<b>83,006,240</b>	<b>-</b>	<b>17,462,908,119</b>
<b>SURPLUS/(DEFICIT)</b>	<b>-</b>	<b>-</b>	<b>(3,006,240)</b>	<b>(3,006,240)</b>	<b>-</b>

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

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

  
 .....  
 Eng. Justus M. Onyinkwa  
 Project Manager

  
 .....  
 Eric Rubia  
 Project Accountant

ICPAK Member No: 12829



**Nairobi Outer Ring Road Improvement Project - Reports and Financial Statements-For the financial year ended June 30, 2023**

**8. Statement of Financial Assets as at 30<sup>th</sup> June 2023**

	2022-2023 KShs	2021-2022 KShs
<b>FINANCIAL ASSETS</b>		
<b>Cash and Cash Equivalents</b>		
Bank Balances	5	-
<b>TOTAL FINANCIAL ASSETS</b>	-	-
<b>REPRESENTED BY</b>		
Fund balance b/fwd	6	3,006,240
Surplus/(Deficit) for the year	-	(3,006,240)
<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 [29th September 2023](#) and signed by:

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

.....  
Eng Justus M. Onyinkwa  
Project Manager

.....  
Eric Rubia  
Project Accountant  
ICPAK Member No: 12829




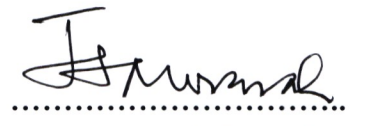
**Nairobi Outer Ring Road Improvement Project - Reports and Financial Statements-For the financial year ended June 30, 2023**


**9. Statement of Cashflow for the year ended 30<sup>th</sup> June 2023**

	Note	2022-2023 KShs	2021-2022 KShs
<b>Cash flow from operating activities</b>			
<b>Receipts from operating activities</b>			
Transfer from Government entities		-	-
<b>Payments from operating activities</b>			
Purchase of goods and services	3	(6,766,430)	(3,006,190)
<b>Net cash flow from operating activities</b>		<b>(6,766,430)</b>	<b>(3,006,190)</b>
<b>Cash flows from Investing Activities</b>			
Acquisition of Non Financial Assets	4	(39,000,000)	(80,000,000)
<b>Net cash flows from Investing Activities</b>		<b>(39,000,000)</b>	<b>(80,000,000)</b>
<b>Cash flow from financing activities</b>			
Proceeds from Foreign Borrowings	2	6,766,430	-
Proceeds from GOK	1	39,000,000	80,000,000
<b>Net cash flow from financing activities</b>		<b>45,766,430</b>	<b>80,000,000</b>
<b>Net Increase in cash and cash equivalents</b>		<b>-</b>	<b>(3,006,240)</b>
<b>Cash and cash equivalent at beginning of the year</b>		<b>-</b>	<b>3,006,240</b>
<b>Cash and cash equivalent at end of the year</b>		<b>-</b>	<b>-</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 **29<sup>th</sup> September 2023** and signed by:

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

  
.....  
Eng Justus M. Onyinkwa  
Project Manager

  
.....  
Eric Rubia  
Project Accountant  
ICPAK Member No: 12829



**Nairobi Outer Ring Road Improvement Project - Reports and Financial Statements-For the financial year ended June 30, 2023**  
**10. Statement of Comparison of Budget and Actual amounts for year ended 30<sup>th</sup> June 2023**

Receipts/Payments Item	Original Budget		Adjustments		Final Budget		Actual on		Budget	
	a	b	c=a+b	d	e=c-d	f=d/c %	Utilization	Difference	% of Utilization	
<b>Receipts</b>										
Transfer from Government entities	40,000,000	(1,000,000)	39,000,000	39,000,000	-	100%				
Proceeds from domestic and foreign grants	-	-	-	6,766,430	(6,766,430)					
<b>Total Receipts</b>	<b>40,000,000</b>	<b>(1,000,000)</b>	<b>39,000,000</b>	<b>45,766,430</b>	<b>(6,766,430)</b>	<b>117%</b>				
<b>Payments</b>										
Purchase of goods and services	-	-	-	6,766,430	-	0%				
Acquisition of non-financial assets	40,000,000	(1,000,000)	39,000,000	39,000,000	-	100%				
<b>Total Payments</b>	<b>40,000,000</b>	<b>(1,000,000)</b>	<b>39,000,000</b>	<b>45,766,430</b>	<b>-</b>	<b>117%</b>				

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

  
 Eric Rubia  
 Project Accountant

  
 Eric Rubia  
 Project Accountant

  
 Eric Rubia  
 Project Accountant

Eng. Silas M. Kinoti, MBS  
 Director General

Eric Rubia  
 Project Accountant  
 ICPAK Member No: 12829



***Nairobi Outer Ring Road Improvement Project -Reports and Financial Statements  
For the financial year ended June 30, 2023***

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## **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 Outer Ring Road Improvement Project under Kenya Urban Roads Authority. The financial statements are for the reporting entity Nairobi Outer Ring Road 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 Outer Ring Road Improvement Project -Reports and Financial Statements  
For the financial year ended June 30, 2023***

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

**i) Transfers from the Exchequer**

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

**ii) External Assistance**

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

**iii) Other receipts**

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

**iv) Donations and grants**

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

**v) Proceeds from borrowing.**



***Nairobi Outer Ring Road Improvement Project -Reports and Financial Statements  
For the financial year ended June 30, 2023***

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

**vi) Undrawn external assistance**

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

**e) Recognition of payments**

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

**i) Compensation to employees**

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

**ii) Use of goods and services**

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

**iii) Interest on borrowing**

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

**iv) Repayment of borrowing (principal amount)**



***Nairobi Outer Ring Road Improvement Project -Reports and Financial Statements  
For the financial year ended June 30, 2023***

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

**v) Acquisition of fixed assets**

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment. A fixed asset register is maintained by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the consolidated financial statements.

**f) In-kind donations**

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

**g) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are



***Nairobi Outer Ring Road Improvement Project -Reports and Financial Statements  
For the financial year ended June 30, 2023***

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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.

**h) Restriction on cash**

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

**i) Imprests and Advances**

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

**j) Contingent Liabilities**



***Nairobi Outer Ring Road Improvement Project -Reports and Financial Statements  
For the financial year ended June 30, 2023***

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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.

**k) Contingent Assets**

Kenya Urban Roads Authority 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 Kenya Urban Roads Authority 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



***Nairobi Outer Ring Road Improvement Project -Reports and Financial Statements  
For the financial year ended June 30, 2023***

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be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

**l) Pending bills**

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

**m) Budget**

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



***Nairobi Outer Ring Road Improvement Project -Reports and Financial Statements  
For the financial year ended June 30, 2023***

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**n) Third Party payments**

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

and are disclosed in the payment to third parties' column in the statement of receipts and payments.

**o) Exchange rate differences**

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

**p) Comparative figures**

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

**q) Subsequent events**

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



***Nairobi Outer Ring Road Improvement Project -Reports and Financial Statements  
For the financial year ended June 30, 2023***

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**r) Prior period adjustments**

Prior period adjustments relate to errors and other adjustments noted arising from previous year(s). There wer no prior year adjustments under this project..



**Nairobi Outer Ring Road Improvement Project -Reports and Financial Statements  
For the financial year ended June 30, 2023**

**12. Notes to the Financial Statements**

**1. Transfers from Government entities**

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

	2022/23	2021/22	Cumulative to-date (from inception)
	KShs	KShs	
Counterpart funds Quarter 1	-	40,000,000	2,182,803,507
Counterpart funds Quarter 2	-	40,000,000	1,921,598,605
Counterpart funds Quarter 3	-	-	1,968,474,257
Counterpart funds Quarter 4	39,000,000	-	1,494,148,125
<b>Total</b>	<b>39,000,000</b>	<b>80,000,000</b>	<b>7,567,024,494</b>



**Nairobi Outer Ring Road Improvement Project - Reports and Financial Statements-For the financial year ended June 30, 2023**  
**Notes to the Financial Statements (Continued)**

**2. Proceeds From Domestic and Foreign Grants**

During the financial period to 30 June 2023, we received grants from donors as detailed in the table below:

Name of Donor	Date received	Amount received in donor currency	Grants received in cash	Grants received as direct payment*	Grants received in kind	Total amount in KShs	
						2020/21	2019/20
			KShs	KShs	KShs	KShs	KShs
Grants Received from Bilateral Donors (Foreign Governments)							
African Development Bank	21-Nov-22	-	-	6,766,430	-	-	-
<b>Total</b>		-	-	<b>6,766,430</b>	-	-	-



**Nairobi Outer Ring Road Improvement Project - Reports and Financial Statements-For the financial year ended June 30, 2023**

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

**3. Purchase of Goods and Services**

Details	FY 2022/2023			FY 2021/2022	
	Payments made in Cash	Payments made by third parties	Total payments	Total payments	Cumulative to- date
	Kshs	Kshs	Kshs	Kshs	Kshs
Training payments	-	6,766,430	6,766,430	3,005,220	38,905,800
Bank Charges	-	-	-	1,020	16,667
<b>Total</b>	<b>-</b>	<b>6,766,430</b>	<b>6,766,430</b>	<b>3,006,240</b>	<b>38,922,467</b>



*Nairobi Outer Ring Road Improvement Project - Reports and Financial Statements-For the financial year ended June 30, 2023*

Notes to the Financial Statements (Continued)

4. Acquisition of Non-Financial Assets

Details	FY 2021/22			FY 2020/21	
	Payments made by the Entity in Cash KShs	Payments made by third parties KShs	Total Payments KShs	Total Payments KShs	Cumulative to-date KShs
Supervision of Road Works	-	-	-	-	823,539,498
Consultancy Services - Technical Audit, Baseline Data & Road Safety, Traffic Management Study, JKIA Runway Design	-	-	-	-	373,515,397
Construction of roads	39,000,000	-	39,000,000	55,222,532	11,720,793,974
Acquisition of land/ Relocation of Services	-	-	-	24,777,468	4,506,136,784
<b>Total</b>	<b>39,000,000</b>	<b>-</b>	<b>39,000,000</b>	<b>80,000,000</b>	<b>17,423,985,653</b>



**Nairobi Outer Ring Road Improvement Project - Reports and Financial Statements-For the financial year ended June 30, 2023**

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

**5. Cash And Cash equivalents**

Details	2022-2023	2021-2022
	KShs	KShs
Bank accounts	-	-
<b>Total</b>	-	-

(The Project) had one (1) number of project accounts spread within the project implementation area and one (1) number of foreign currency designated accounts managed by the National Treasury as listed below:

**5. A Bank Accounts**

**Project Bank Accounts**

Details	2022-2023	2021-2022
	Kshs	Kshs
<b><u>Foreign Currency Accounts</u></b>		
Standard Chartered Bank, Outer Ring Road Project Account [A/c No. 01-01268945650]	-	-
<b>Total Foreign Currency balances</b>	<u>-</u>	<u>-</u>
<b><u>Local Currency Accounts</u></b>		
Central Bank of Kenya [A/c No. 1000213515]	-	-
Kenya Commercial Bank [A/c No. 1205083235]	-	-
<b>Total local currency balances</b>	<u>-</u>	<u>-</u>
<b>Total bank account balances</b>	<u>-</u>	<u>-</u>



**Nairobi Outer Ring Road Improvement Project - Reports and Financial Statements-For the financial year ended June 30, 2023**

**Special Deposit Accounts**

The balances in the Project's Special Deposit Account(s) as at 30<sup>th</sup> June 2023 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**

	2022/23 KShs	2021/22 KShs
<b>(i) Central Bank of Kenya [A/c No. 1000213515]</b>		
Opening balance		
Total amount deposited in the account		
Total amount withdrawn (as per Statement of Receipts & Payments)	-	-
<b>Closing balance (as per SDA bank account reconciliation attached)</b>	-	-
<b>(i) Standard Chartered Bank, Outer Ring Road Project Account [A/c No. 01-01268945650]</b>		
Opening balance		
Total amount deposited in the account		
Total amount withdrawn (as per Statement of Receipts & Payments)	-	-
<b>Closing balance (as per SDA bank account reconciliation attached)</b>	-	-
<b>Kenya Commercial Bank [A/c No. 1205083235]</b>		
Opening balance (as per the SDA reconciliation)	-	3,006,240
Total amount deposited in the account		
Total amount withdrawn (as per Statement of Receipts & Payments)	-	(3,006,240)
<b>Closing balance (as per SDA bank account reconciliation attached)</b>	-	-



**Nairobi Outer Ring Road Improvement Project - Reports and Financial Statements-For the financial year ended June 30, 2023**

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

**6. Deposits and Retention Monies**

Description	2022-2023	2021-2022
	Kshs	Kshs
Retention	-	84,106,227
Deposits	-	-
<b>Total</b>	<b>-</b>	<b>84,106,227</b>

**7. Changes in Accounts Deposits and Retention**

Description	2022-2023	2021-2022
	Kshs	Kshs
Deposit and Retentions as at 1 <sup>st</sup> July	84,106,227	84,106,227
Closing accounts payables as at 30 <sup>th</sup> June	-	84,106,227
Change in payables	<b>(84,106,227)</b>	-



**Nairobi Outer Ring Road Improvement Project - Reports and Financial Statements-For the financial year ended June 30, 2023**

**13. Other Important Disclosures**

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

Description	2022-2023	2021-2022
	Kshs	Kshs
Construction of Civil Works	839,433,031	878,433,031
Consultancy Services	6,765,592	6,765,592
Youth Training	-	6,766,430
<b>Total</b>	<b>846,198,623</b>	<b>891,965,054</b>

**2. External Assistance**

Description	FY 2022/2023	FY 2021/2022
	Kshs	Kshs
External assistance received as Grants	6,766,430	-
<b>Total</b>	<b>6,766,430</b>	<b>-</b>

**a). External assistance relating loans and grants**

Description	FY 2022/2023	FY 2021/2022
	Kshs	Kshs
External assistance received as Grants	6,766,430	-
<b>Total</b>	<b>6,766,430</b>	<b>-</b>



**Nairobi Outer Ring Road Improvement Project - Reports and Financial Statements-For the financial year ended June 30, 2023**

**Other Important Disclosures (Continued)**

**b) Undrawn external assistance**

Description	Purpose for which the undrawn external assistance may be used	FY 2022/2023	FY 2021/2022
		Kshs	Kshs
Undrawn external assistance - loans	Works and Consultancy Services	187,342	187,342
Undrawn external assistance - grants	Consultancy Services and Youth Training	681,697	7,448,127
<b>Total</b>		<b>869,039</b>	<b>7,635,469</b>

*(This is a disclosure of the assistance not yet received as per donor agreements)*

**c) Classes of providers of external assistance**

Description	FY 2022/2023	FY 2021/2022
	Kshs	Kshs
Multilateral donors	6,766,430.40	-
<b>Total</b>	<b>6,766,430.40</b>	<b>0</b>

**d) Purpose and use of external assistance**

Payments Made by Third Parties:	FY 2022/2023	FY 2021/2022
	Kshs	Kshs
Other Payments - Acquisition of Non-Financial Assets	6,766,430	-
<b>TOTAL</b>	<b>6,766,430</b>	<b>-</b>



**Nairobi Outer Ring Road Improvement Project - Reports and Financial Statements-For the financial year ended June 30, 2023**

**14. Annexes**

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

Reference No. on the external audit Report	Issue	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	<b>Pending Bills</b>	<i>The pending bills arose from the works undertaken by the contractor, the settlement of which solely depends on the exchequer release by the National Treasury.</i>	Not Resolved	By 30 <sup>th</sup> June 2024
2	<b>Interest on Late Payments</b>	<i>Interest on late payment arises from inadequate budgetary allocations. The late payment interest is in accordance with the contract provisions.</i>	O/S	By 30 <sup>th</sup> June 2024

**Eng. S. Kinoti, MBS**  
Director General

**Eng. Justus M. Onyinkwa**  
Project Manager



**Nairobi Outer Ring Road Improvement Project - Reports and Financial Statements-For the financial year ended June 30, 2023**

**Annex 2: Variance explanations - Comparative Budget and Actual amounts for Current FY**

	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	39,000,000	39,000,000	-	100%	
Proceeds from domestic and foreign grants	-	6,766,430	(6,766,430)		(i)
<b>Total Receipts</b>	<b>39,000,000</b>	<b>45,766,430</b>	<b>(6,766,430)</b>	<b>117%</b>	<b>(i)</b>
<b>Payments</b>					
Purchase of goods and services	-	6,766,430	(6,766,430)		(i)
Acquisition of non-financial assets	39,000,000	39,000,000	-	100%	
<b>Total payments</b>	<b>39,000,000</b>	<b>45,766,430</b>	<b>(6,766,430)</b>	<b>117%</b>	<b>(i)</b>

(i) A request for direct payment by the Bank amounting to Kshs. 6,766,430.40 submitted in FY 2021/22 was settled in Financial Year ending 30<sup>th</sup> June, 2023 (FY 2022/23)



**Nairobi Outer Ring Road Improvement Project - Reports and Financial Statements-For the financial year ended June 30, 2023**  
**Annex 3: Reconciliation of inter-entity transfers**

Nairobi Outer Ring Road Improvement Project			
Break down of Transfers from the State Department of Roads/ Direct Payment by African Development Bank			
a. Government Counterpart Funding	Bank Statement Date	Amount (KShs)	Financial Year
Nairobi Outer Ring Works - IPC 45 part 5 (Unpaid Donor Component)	23-May-23	9,900,000	FY 2022/2023
Nairobi Outer Ring Works - IPC 45 part 6 (Unpaid Donor Component)	30-Jun-23	29,100,000	FY 2022/2023
	<b>Total</b>	<b>39,000,000</b>	
b. Direct Payments			
Youth Training - Railways Training Institute	21-Nov-22	6,766,430	
	<b>Total</b>	<b>6,766,430</b>	
	<b>TOTAL(a+b+c)</b>	<b>45,766,430</b>	

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

Project Manager  
Kenya Urban Roads Authority

Head of Accounting Unit  
Ministry of Roads Transport

Sign -----

Sign-----



**Nairobi Outer Ring Road Improvement Project – Reports and Financial Statements-For the financial year ended June 30, 2023**

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

Supplier of Goods or Services	Original Amount a	Date Contracted b	Amount Paid To-Date c	Outstanding Balance 2022/23 d=a-c	Outstanding Balance 2021/22	Comments
<b>Construction of civil works</b>						
Nairobi Outer Ring Road -Civil Works - Stocol Corporation	878,433,031		39,000,000	839,433,031	878,433,031	
<b>Sub-Total</b>	<b>878,433,031</b>	<b>-</b>	<b>39,000,000</b>	<b>839,433,031</b>	<b>878,433,031</b>	
<b>Supply of goods</b>						
Youth Training - Kenya Railways	6,766,430		6,766,430	-	6,766,430	
<b>Sub-Total</b>	<b>6,766,430</b>	<b>-</b>	<b>6,766,430</b>	<b>-</b>	<b>6,766,430</b>	
<b>Supply of services</b>						
Consultancy Services - TA & VfM	628,208		-	628,208	628,208	
Consultancy Services - Maintenance Strategy	5,612,984			5,612,984	5,612,984	
Consultancy Services - Baseline Data Collection	524,400			524,400	524,400	
<b>Sub-Total</b>	<b>6,765,592</b>	<b>-</b>	<b>-</b>	<b>6,765,592</b>	<b>6,765,592</b>	
<b>Grand Total</b>	<b>891,965,054</b>		<b>45,766,430</b>	<b>846,198,623</b>	<b>891,965,054</b>	

**Annex 9: Other Support Documents**

- i. Confirmation of Status of Bank Operations Account as at 30<sup>th</sup> June 2023
- ii. Special Deposit Account reconciliation statement

NAIROBI OUTER RING ROAD IMPROVEMENT PROJECT  
STATEMENT OF SPECIAL (DESIGNATED) ACCOUNT RECONCILIATION  
FOR THE YEAR ENDED 30TH JUNE 2023  
PART B: ACCOUNT RECONCILIATION STATEMENT

PROJECT No. 2100155026117  
Bank Account No.1000213515 Held with Central Bank of Kenya

	NOTES	AMOUNT USD	AMOUNT USD
1 Amount advanced by ADB			316,051.45
Less			
2 Total amount justified to ADB			286,458.98
3 Outstanding amount advanced to Designated Account			29,592.47
<b>Represented by:</b>			
4 Ending Designated Account Balance at 30.06.2023			-
5 Amount claimed but not credited at 30.06.2023			-
6 Amount withdrawn and not claimed as at 30.06.2023			29,592.47
7 Service charges (if not included in 5 & 6 above)			-
Less			
8 Interest earning (if included in Designated Account)			-
9 Total advance to Designated Account year ended 30.06.2023			29,592.47

Discrepancy between total appearing on lines 3 and 9 \_\_\_\_\_

Notes:

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

The amount appearing on line 6 is eligible for financing by ADB and shall be documented in subsequent IFRs/SOEs

AUTHORIZED REPRESENTATIVE

RESOURCES MOBILIZATION DEPARTMENT - TREASURY DATE: 24-08-2023

**SPECIAL ACCOUNT STATEMENT**

For period ending	<b>30th JUNE, 2023</b>
Account No.	<b>1000213515</b>
Depository Bank	<b>CENTRAL BANK OF KENYA.</b>
Address	<b>CENTRAL BANK OF KENYA.</b>
Related Loan	<b>NBI OUTER RING RD GR 2100155026117</b>
Credit Agreement	
Currency	<b>USD</b>

**Part A - Account Activity**

Beginning balance of 1st July, 2022 as per C.B.K. Ledger Account	0.00
---	------

**Add:**

Total Amount deposited by World Bank	0.00
--------------------------------------	------

Total Interest earnings if deposited in account	-----
---	-------

Total amount refunded to cover ineligible expenditure	-----
--	-------

**Deduct:**

Total amount withdrawn	0.00
------------------------	------

Total service charges if not included above in amount withdrawn	-----
--	-------

Ending balance on 30th June,2023	0.00
----------------------------------	------

**AUTHORISED REPRESENTATIVE  
CENTRAL BANK OF KENYA**

SIGNATURE: \_\_\_\_\_

DATE

24.07.2023

**AUTHORISED REPRESENTATIVE  
EXTERNAL RESOURCES  
DEPARTMENT-TREASURY**

SIGNATURE: \_\_\_\_\_

DATE

24-08-2023

NOTE: The ending balance as per Central Bank of Kenya Ledger Account and the off-shore Special Account as at 30th June,2023 have been reconciled and a copy of the supporting Reconciliation Statement is attached.

Run Date:  
CENTRAL BANK OF KENYA  
BANKI KUU YA KENYA  
P.O. BOX 60000-0200  
NAIROBI  
STATEMENT PERIOD: From 01/07/2022

Run Time:  
To

STATEMENT OF ACCOUNT

ACCOUNT NUMBER :

ACCOUNT TITLE : NBI OUTER RING RD GR 2100155026117  
30/06/2023

NO.	DATE	REFERENCE NO	DETAILS	DEBIT	CREDIT BALANCE	
OPENING BAL :				0.00		
NO.	Value Date	Reference.No	Details	Debit	Credit	Balance
1				0.00	0.00	0
				CLOSING BALANCE : 0		

END OF ACCOUNT STATEMENT

Favourites

TAM.E.STMT.OF.ACCT.EPRM

[More Options](#)  
[Clear Selection](#)

Find

- Account equals ▼ 1000213515
- Statement From equals ▼ 20220701
- Statement To equals ▼ 20230630

TAM.E.STMT.OF.ACCT.EPRM

African Development Fund  
 Summary of Revolving Funds By Loan ( In Paid Currency )  
 Public sector As at 14.06.2023  
 Loan Number : 2100155026117  
 Project ID : P-RE-DBO-020  
 Project Title : NAIROBI OUTER RING ROAD IMPROVEMENT PROJ  
 Borrower : GOVERNMENT OF KENYA

Printing Date : 14.06.2023  
 Page : 1  
 System : PRD / 400  
 Loan Contract Currency : UAC  
 Closing Date : 31.12.2023  
 Commitment Capital : 550,000.00  
 Available Balance : 0.00

LDV Number	Reference	Curr	Amount Approved Approval Currency	Amount Justified Approval Currency	Balance to Justify Approval Currency	Amount Disbursed UAC	Amount Justified UAC	Balance to Justify UAC	Disburs. Value Date	Last Just. Date
(A)	(B)		(X)	(Y)	(Z) = (X) - (Y)	(C)	(D)	(E) = (C) - (D)	F = D / C	(H)
2100155026117										
1 All activities										
1/RE/2016/12593	RF N00001	USD	161,414.45	161,414.45	0.00	117,660.57	117,660.57	0.00	100.00	28.01.2016
1/RE/2018/41625	RF N00002A	USD	154,637.00	125,044.53	29,592.47	106,591.07	86,193.02	20,398.05	80.86	10.04.2018
Total 2100155026117 All activities						224,251.64	203,853.59	20,398.05	90.90	
						224,251.64	203,853.59	20,398.05	90.90	

316,051.45      286,452.98      29,592.47