

REPUBLIC OF KENYA



*Enhancing Accountability*



**REPORT**



**OF**

**THE AUDITOR-GENERAL**

**ON**

**NAIROBI SOUTHERN BYPASS ROAD PROJECT  
- LOAN AGREEMENT NO.CHINA EXIM BANK  
PBC NO.(2011)32 TOTAL NO.(183)  
NO. 14203030520112115528**

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

**KENYA NATIONAL HIGHWAYS AUTHORITY**



MINISTRY OF ROADS & TRANSPORT



**Kenya National Highways Authority**

Quality Highways, Better Connections

**PROJECT NAME – NAIROBI SOUTHERN BYPASS ROAD PROJECT**

**IMPLEMENTING ENTITY – KENYA NATIONAL HIGHWAYS AUTHORITY**

**PROJECT LOAN NO: –CHINA EXIMBANK PBC NO. (2011) 32 TOTAL NO. (183)  
NO. 1420303052011211528**

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**ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS**

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

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

**NAIROBI SOUTHERN BYPASS ROAD PROJECT**  
***Annual Report and Financial Statements for the financial year ended June 30, 2023***

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<b>Contents</b>	<b>Page</b>
1 Acronyms and Glossary of Terms .....	ii
2 Project Information and Overall Performance.....	iii
3 Statement of Performance against Project’s Predetermined Objectives.....	viii
4 Environmental and Sustainability reporting .....	ix
5 Statement of Project Management responsibilities.....	xi
6 Report of the Independent Auditors on Financial Statements for Nairobi Southern Bypass Road Project.....	xii
7 Statement of Receipts and Payments for the year ended 30th June 2023.....	1
8 Statement of Financial Assets as at 30th June 2023 .....	2
9 Statement of Cashflow for the year ended 30th June 2023 .....	3
10 Statement of Comparison of Budget and Actual amounts for year Ended 30th June 2023.....	4
11 Significant Accounting Policies .....	5
12 Notes to the Financial Statements.....	11
13 Annexes .....	15

***NAIROBI SOUTHERN BYPASS ROAD PROJECT***  
***Annual Report and Financial Statements for the financial year ended June 30, 2023***

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**1 Acronyms and Glossary of Terms**

CBD	Central Business District
CBK	Central Bank of Kenya
CPA	Certified Public Accountant
EIA	Environmental Impact Assessment
ESIA	Environmental Social Impact Assessment
ESMP	Environment and Social Management Plan
EXIM	Export – Import
FY	Financial Year
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
KeNHA	Kenya National Highways Authority
Kshs.	Kenya Shillings
MoRT	Ministry of Roads and Transport
NEMA	National Environment Management Authority
TNT	National Treasury
PAPs	Project Affected Persons
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
SDG	Sustainable Development Goals
UA	Unit of Account

## **NAIROBI SOUTHERN BYPASS ROAD PROJECT**

**Annual Report and Financial Statements for the financial year ended June 30, 2023**

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

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

Project Name	Nairobi Southern Bypass Road Project
Project Objectives	The loan will contribute to improve the accessibility, affordability and reliability of the transport infrastructure system to promote economic growth and socio-economic development in Kenya.
Project Registered Office and Physical Location:	The project headquarters offices are at Barabara Plaza, Jomo Kenyatta International Airport, Nairobi, Off Mazao Road (Opposite KCAA Headquarters)
Project Address	Barabara Plaza, Jomo Kenyatta International Airport (JKIA) Off Mazao Road Nairobi Kenya P.O. Box 49712-00100 Nairobi
Contacts:	Telephone: 020-8013842; Email dg@kenha.co.ke; Website www.kenha.co.ke

#### **2.2 Project Information**

Project Start Date:	1st December, 2011
Project End Date:	30 <sup>th</sup> June, 2016
Project Manager:	Eng. H. Gakuru – Ag. Director, Development Eng. P. Omondi – Project Engineer.
Project Sponsor:	Import Bank of China Government of Kenya

#### **2.3 Project Overview**

Line Ministry/State Department of the project	The project is under the supervision of the State Department of Roads on behalf of Ministry of Roads & Transport.
Project number	N/A
Strategic goals of the Project	The project strategic goals were to: - (i) Increase efficiency of road transport along the

**NAIROBI SOUTHERN BYPASS ROAD PROJECT**

*Annual Report and Financial Statements for the financial year ended June 30, 2023*

	<p>Nairobi and Central Region and neighbouring countries to facilitate trade and regional integration.</p> <p>(ii) Promote private sector participation in the management, financing and maintenance of roads assets.</p> <p>(iii) Reduce transit time and costs incurred in cross-border movement</p>																					
<p>Achievement of strategic goals</p>	<p>Implementation of the project in timely, efficient and effective manner</p>																					
<p>Other important background information of the project</p>	<p><b>PROJECT COMPONENTS AND COSTS - LOAN</b></p> <table border="1" data-bbox="592 622 1398 943"> <thead> <tr> <th colspan="3" style="text-align: center;">Million USD</th> </tr> <tr> <th></th> <th style="text-align: center;">Foreign Exchange Cost</th> <th style="text-align: center;">Total Cost</th> </tr> <tr> <th></th> <th style="text-align: center;">USD</th> <th style="text-align: center;">(USD)</th> </tr> </thead> <tbody> <tr> <td colspan="3"><b>A. Civil Works</b></td> </tr> <tr> <td>Export – Import Bank of China</td> <td style="text-align: right;">183,600,000</td> <td style="text-align: right;">183,600,000</td> </tr> <tr> <td>Government of Kenya</td> <td style="text-align: right;">77,495,369</td> <td style="text-align: right;">77,495,369</td> </tr> <tr> <td><b>TOTAL</b></td> <td style="text-align: right;"><b>261,095,369</b></td> <td style="text-align: right;"><b>261,095,369</b></td> </tr> </tbody> </table> <p>Contract No. KeNHA/Works/01/2010-2011 – China Roads &amp; Bridges Corporation</p> <p>The project is financed by the Peoples’ Republic of China through the Export – Import Bank of China at 85% on Civil Works Construction inclusive of works consultancy supervision while 15% is financed by the Government of Kenya.</p> <p><b>PROJECT BACKGROUND:-</b></p> <p>China Road and Bridge Corporation (K) on the basis of their preliminary design, were contracted in November 2010 by the Government of Kenya through the implementing agency, Kenya National Highways Authority, KeNHA to carry out design and construction of the Nairobi Southern Bypass Road. The works were carried out through EPC Contract (FIDIC 1999) and consist of the construction of dual carriageway with length of 28.6 kilometres with 12 kilometre slip roads and 8.5 kilometre service roads in design and an extra 8 kilometre service roads whose location was to be decided in the course of construction by the employer.</p> <p><b>LOCATION AND EXTENT OF WORKS</b></p> <p>The proposed new dual carriageway is a Class A International Trunk Road, approximetly 28.6 kms long, situated in the city of Nairobi and in Kikuyu sub-county of Kiambu county.</p> <p>The project road started at the junction of Mombasa Road where an interchange was constructed at SK 0+ 397.500 and ends at SK 28+600 linking with the Kabete Limiru Road</p>	Million USD				Foreign Exchange Cost	Total Cost		USD	(USD)	<b>A. Civil Works</b>			Export – Import Bank of China	183,600,000	183,600,000	Government of Kenya	77,495,369	77,495,369	<b>TOTAL</b>	<b>261,095,369</b>	<b>261,095,369</b>
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## **NAIROBI SOUTHERN BYPASS ROAD PROJECT**

### **Annual Report and Financial Statements for the financial year ended June 30, 2023**

	(A104) at Kikuyu town. The road crosses the Nairobi National Park then goes through Langata Road (C58), Ngong Road (C60), Motoine River, Dagoretti Road (C63), Thogotho Road (D11) thereafter passes over to Ondiri River and Railway Line towards Kikuyu town
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#### **2.4 Bankers**

Co-operative Bank of Kenya Ltd  
Upper Hill Branch, Nairobi

National Bank of Kenya Ltd  
Hill Branch, Nairobi

#### **2.5 Independent Auditor**

Auditor General  
Office of the Auditor General  
P.O Box 30084-00100 GPO  
Nairobi

#### **2.6 Roles and Responsibilities**

<b>Names</b>	<b>Title designation</b>	<b>Key qualification</b>	<b>Responsibilities</b>
Eng Henry Gakuru	Ag. Director Development	Registered Civil Eng.	Oversight
Eng.P. Omondi	Deputy Director, Development	Registered Civil Eng.	Project Co-Ordinator
Mr W Nyatwanga	Deputy Director, Environment & Social	Environmental & Social Specialist	Safeguard Specialist
Mr Chanje Kera	Deputy Director, Finance & Accounts	CPA (K)	Financial Specialist
Mr R Kilel	Assistant Director, Supply Chain Services	Registered KISM	Procurement Specialist

**NAIROBI SOUTHERN BYPASS ROAD PROJECT**  
**Annual Report and Financial Statements for the financial year ended June 30, 2023**

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

**2.7 Funding summary**

The project was for duration of three years with an approved budget of USD 183,600,000 equivalent to Kshs. 14,622,050,880 at an exchange rate of 79.6408 by the donor component and amount of Ksh. 7,110,489,230 by GoK as highlighted in the table below:

**A. Source of Funds**

Source of funds	Donor Commitments		Amount received to date (30.06.2023)		Undrawn balance to date (30.06.2023)	
	USD	Kshs	USD	Kshs	USD	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
<b>(i) Loan</b>						
China Exim Bank	183,600,000	14,622,050,880	183,598,870	14,621,960,879	1,130	90,001
<b>(ii) Counterpart Funds</b>						
Counterpart Funds	-	7,110,489,230	-	7,110,489,230	-	-
<b>Total</b>	<b>183,600,000</b>	<b>21,732,540,110</b>	<b>183,598,870</b>	<b>21,732,450,109</b>	<b>1,130</b>	<b>90,001</b>

**NOTE.**

The undrawn amount of USD 1,130 was the difference between the donor commitment amount and the total amount claimed through IPCs by the completion of the project.

**B. Application of Funds**

Application of funds	Amount received to date- (30th June 2023)		Cumulative Amount paid to date-(30th June 2023)		Unutilised balance to date	
	USD	Kshs	USD	Kshs	USD	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
<b>i) Loan</b>						
China Exim Bank	183,598,870	14,621,960,879	183,598,870	14,621,960,879	-	-
<b>(ii) Counterpart Funds</b>						
Government of Kenya	-	7,110,489,230	-	7,110,489,230	-	-
<b>Total</b>	<b>183,598,870</b>	<b>21,732,450,109</b>	<b>183,598,870</b>	<b>21,732,450,109</b>	<b>-</b>	<b>-</b>

**NAIROBI SOUTHERN BYPASS ROAD PROJECT**  
**Annual Report 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 against actual amounts for current year: -

	2022/2023			Cumulative		
	Budget	Actual	%	Budget	Actual	%
Counterpart Funds - Gok	-	-	-	7,381,944,905	7,110,489,230	96%
Loan from External Development Partners	-	-	-	26,795,859,760	14,621,960,879	55%
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>34,177,804,665</b>	<b>21,732,450,109</b>	<b>64%</b>

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

The project was successfully completed and taken over by the employer.

- iii. Absorption rate for each year since the commencement of the project.

FY	Budget	Actual	%
2022/23	-	-	-
2021/22	-	-	-
2020/21	-	-	-
2019/20	300,000,000	298,706,897	100%
2018/19	350,000,000	141,402,338	40%
2017/18	510,625,000	498,586,799	98%
2016/17	3,000,000,000	2,649,248,104	88%
2015/16	5,085,137,191	4,177,681,563	82%
2014/15	4,059,493,615	3,983,458,555	98%
2013/14	8,196,689,099	3,315,062,446	40%
2012/13	6,827,929,880	2,282,355,996	33%
2011/12	5,847,929,880	4,385,947,411	75%
<b>TOTAL</b>	<b>34,177,804,665</b>	<b>21,732,450,109</b>	<b>64%</b>

**Comment on value-for-money achievements.**

- The authority (KeNHA) had put in place adequate checks & balances on appointment of the works supervision consultant who oversaw the project implementation on daily basis in consultation and subsequent approvals from the employer and the bank.
- In addition to works supervision, the consultant undertook design review prior to the commencement of roads construction works to reduce conflict during the project implementation.
- Regular auditing of the project by Internal Auditors, External Auditors and Quality Assurance Departments.
- Monthly site meetings that involve the employer, the consultant and the contractor.

**2.9 Summary of Project compliance: -**

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

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**NAIROBI SOUTHERN BYPASS ROAD PROJECT**  
**Annual Report and Financial Statements for the financial year ended June 30, 2023**

**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 when preparing financial statements of each National Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the national government entity's performance against predetermined objectives.

The key development objectives of the project are to:

- a) Provide an alternative route along the Northern Corridor directly from Ole Sereni to Kikuyu hence avoiding heavy traffic at the city centre.
- b) Reduce transit time for food and passengers transversing between Mombasa and Kisumu/Malaba on the Northern Corridor.

**Progress on attainment of Strategic development objectives**

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

<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
Provide an alternative route along the Northern Corridor directly from Ole Sereni to Kikuyu hence avoiding heavy traffic at the city centre.	Reduced traffic congestion in CBD.	30% reduction of traffic congestion in Nairobi CBD.	The total of 48 km of dual carriageway is 100% completed and in use by public.
Reduce transit time for food and passengers transversing between Mombasa and Kisumu/Malaba on the Northern Corridor.	Increased efficiency in Transportation through traffic along the Northern Corridor.	Reduced travel time from Ole Sereni to Kikuyu from 2hrs through the city to 30 minutes through the Bypass	The total of 48 km of dual carriageway is 100% completed and in use by public.

## **4 Environmental and Sustainability reporting**

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

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

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

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

### **4.2 Environmental performance**

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

## **Environmental And Sustainability Reporting (Continued)**

### **4.3 Employee welfare**

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

### **4.4 Market place practices**

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

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

### **4.5 Community Engagements**

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

To enhance social safeguards in projects, the Authority undertakes Resettlement Action Plan (RAP) studies and implements its recommendations, carries out Social Impact Assessments (SIA), undertakes gender mainstreaming and conduct stakeholders' forum to sensitize the public in several cross-cutting issues.

Some of the CSR carried out by the project are Construction of Bulbul access roads around government veterinary land quarry, improvement of roads within Langata Women's Prison and rehabilitation of Langata Barracks main access road. However, no CSR was done in the current financial year given the project was completed.

**NAIROBI SOUTHERN BYPASS ROAD PROJECT**

**Annual Report and Financial Statements for the financial year ended June 30, 2023**

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**5 Statement of Project Management responsibilities**

The Director General, KeNHA and the Project Management for Nairobi Southern Bypass Road 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 (vi) making accounting estimates that are reasonable in the circumstances.

The Director General, KeNHA and the Project Management for Nairobi Southern Bypass Road 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 the International Public Sector Accounting Standards.

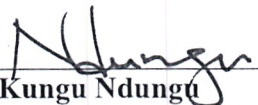
The Director General, KeNHA and Project Management for Nairobi Southern Bypass Road Project are of the opinion that the Project financial statements give a true and fair view of the state of the Project's transactions during the financial year ended June, 30, 2023 and the Project's financial position as at that date.

The Director General, KeNHA and the Project Implementation Team Leader for Nairobi Southern Bypass Road Project further confirm that 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 on the adequacy of the systems of internal financial control.


The Director General, KeNHA and the Project Implementation Team Leader for Nairobi Southern Bypass Road 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 are used for the eligible purposes for which they were intended and were properly accounted for.

**Approval of the Project financial statements**

The project financial statements were approved by the Director General, KeNHA and Project Management for Nairobi Southern bypass on 26 SEP 2023 and signed by them.

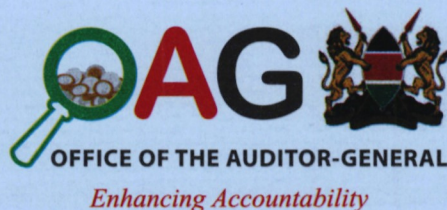
  
Eng. Kungu Ndungu  
Director General

  
Eng. Henry Gakuru  
Ag. Director, Development

  
CPA Chanje Kera  
Deputy Director (F&A)  
ICPAK Member No: 8279

# REPUBLIC OF KENYA

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NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON NAIROBI SOUTHERN BYPASS ROAD PROJECT - LOAN AGREEMENT NO.CHINA EXIM BANK PBC NO.(2011)32 TOTAL NO.(183) NO. 14203030520112115528 FOR THE YEAR ENDED 30 JUNE, 2023 - KENYA NATIONAL HIGHWAYS AUTHORITY**

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### PREAMBLE

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

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

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

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

## REPORT ON THE FINANCIAL STATEMENTS

### Opinion

I have audited the accompanying financial statements of Nairobi Southern Bypass Road Project set out on pages 1 to 15, which comprise 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 the Nairobi Southern Bypass Road Project as at 30 June, 2023, and its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012 and Loan Agreement No.14203030520112115528 between Export Import Bank of China and the Government of the Republic of Kenya dated 23 September, 2015.

### Basis for Opinion

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

### 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.

## 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 effects of 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**

### **Long Outstanding Pending Bills**

Annex 4 to the financial statements reflects opening pending bills payable in respect of road contractors and acquisition of land amounting to Kshs.3,623,386,920. Management explained that accumulation of pending bills was due to low Government of Kenya (GoK) development budget ceilings. However, during the year under review, Management did not budget any amount for payment of the outstanding pending bills. This is in contravention to Regulation 23(1) (a) and (b) of the Public Finance Management (National Government) Regulations, 2015 which states that Accounting Officers shall, in accordance with Article 226(2) of the Constitution ensure that management of their departments public finances ensures that sufficient resources have been allocated to a particular program; and for ensuring that most effective means of achieving desired program outcomes are used.

In the circumstances, the project management has not initiated effective mechanism to ensure discharge of the outstanding balance and avert probable litigation by creditor and the resultant cost and in liquidated damages.

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 control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

As required by Financier and Financing Agreement 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 which are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, 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 to cease operations.

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

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

Those charged with governance are responsible for overseeing the Project's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

### **Auditor-General's Responsibilities for the Audit**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and 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 control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue to sustain its services. If I conclude that a material uncertainty exists,

I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease to sustain its services.

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

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

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi


13 October, 2023

**NAIROBI SOUTHERN BYPASS ROAD PROJECT**  
**Annual Report and Financial Statements for the financial year ended June 30, 2023**

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


	Receipts and payments controlled by the entity	Payments made by third parties	Total	Receipts and payments controlled by the entity	Payments made by third parties	Total	Payments made by third parties	Total
	Kshs.	Kshs.		Kshs.	Kshs.		Kshs.	Kshs.
<b>RECEIPTS</b>								
Transfer from Government entities	1	-	-	-	-	-	-	7,110,489,230
Loan from external Development Partners	2	-	-	-	-	-	-	14,621,960,879
<b>TOTAL RECEIPTS</b>		-	-	-	-	-	-	<b>21,732,450,109</b>
<b>PAYMENTS</b>								
Purchase of Goods & Services	3	-	-	-	-	-	-	101,584,623
Acquisition of non-financial assets	4	-	-	-	-	-	-	21,630,865,486
<b>TOTAL PAYMENTS</b>		-	-	-	-	-	-	<b>21,732,450,109</b>
<b>SURPLUS/DEFICIT FOR THE YEAR</b>		-	-	-	-	-	-	-

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

  
**Eng. Kungu Ndungu**  
 Director General


26 SEP 2023

Date

  
**Eng. Henry Gakuru**  
 Ag. Director, Development

26 SEP 2023

Date

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

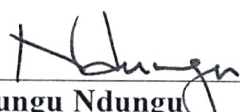
26 SEP 2023

Date

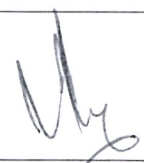
**8 Statement of Financial Assets as at 30th June 2023**

	Note	2022-2023	2021-2022
		Kshs.	Kshs.
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances		-	-
<b>TOTAL FINANCIAL ASSETS</b>		-	-
<b>FINANCIAL LIABILITIES</b>			
Payables- Retentions		-	-
<b>NET ASSETS</b>		-	-
<b>REPRESENTED BY</b>			
Cash and Cash Equivalent b/fwd		-	48,706,897
Surplus for the Year		-	(48,706,897)
<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 20 SEP 2023 and signed by:

  
 Eng. Kungu Ndungu  
 Director General

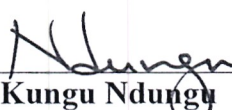
  
 Eng. Henry Gakuru  
 Ag. Director, Development

  
 CPA Chanje Kera  
 Deputy Director (F&A)  
 ICPAK Member No: 8279


**9 Statement of Cashflow for the year ended 30th June 2023**

	Notes	2022/23 Kshs.	2021/22 Kshs.
<b>RECEIPTS</b>			
Receipts for operating income			
Transfers from Government entities	1	-	-
<b>Net Receipts for operating income</b>		-	-
Payment for operating expenses			
Purchase of Goods and Services	3	-	-
<b>Net Payments for operating expenses</b>		-	-
<b>Net cash flow from operating activities</b>		-	-
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of road assets	4	-	(48,706,897)
<b>Net cash flows from Investing Activities</b>		-	(48,706,897)
<b>CASHFLOW FROM BORROWING ACTIVITIES</b>			
Proceeds from Foreign Borrowings		-	-
<b>Net cash flow from financing activities</b>		-	-
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>		-	(48,706,897)
<b>Cash and cash equivalent at Beginning of the year</b>		-	48,706,897
<b>Cash and cash equivalent at End of the year</b>		-	-

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 26 SEP 2023 and signed by:

  
 Eng. Kungu Ndungu  
 Director General

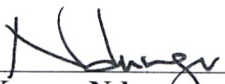
  
 Eng. Henry Gakuru  
 Ag. Director, Development

  
 CPA Chanje Kera  
 Deputy Director (F&A)  
 ICPAK Member No: 8279

**10 Statement of Comparison of Budget and Actual amounts for year Ended 30th June 2023**

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Variance	% Var
	a	b	c=a+b	d	e=c-d	f=d/c %
<b>Receipts</b>						
Transfers from Government entities	-	-	-	-	-	-
<b>Total Receipts</b>	-	-	-	-	-	-
<b>Payments</b>						
Acquisition of non-financial assets	-	-	-	-	-	-
<b>Total Payments</b>	-	-	-	-	-	-
<b>Surplus or Deficit</b>	-	-	-	-	-	-

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

  
 Eng. Kungu Ndungu  
 Director General


26 SEP 2023

Date

  
 Eng. Henry Gakuru  
 Ag. Director, Development

26 SEP 2023

Date

  
 CPA Chanje Kera  
 Deputy Director (F&A)  
 ICPAK Member No: 8279

26 SEP 2023

Date

## **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 the Nairobi Southern Bypass Road Project under Kenya National Highways Authority. The financial statements encompass the reporting for Nairobi Southern Bypass Road Project as specified in the relevant legislation 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**

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

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

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

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

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

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

### **iii. Other receipts**

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

### **iv. Donations and grants**

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

### **v. Proceeds from borrowing**

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

### **vi. Undrawn external assistance**

These are loans and grants at reporting date as specified in a binding agreement and relate to funding for the Project currently under development where conditions have been satisfied or their 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 actually been paid out by the Project.

### **i. Compensation of employees**

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

### **ii. Use of goods and services**

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

### **iii. Interest on borrowing**

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

**Significant Accounting Policies (Continued)**

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

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

**v. Acquisition of fixed assets**

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

A fixed asset register is maintained by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the consolidated financial statements.

**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 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.

**Significant Accounting Policies (Continued)**

**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**

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

Section 89 (2) (i) of the PFM Act requires the National Government to report on the payments made, or losses incurred, by the county government to meet contingent liabilities as a result of loans during the financial year, including payments made in respect of loan write-offs or waiver of interest on loans

**k) Contingent Assets**

Nairobi Southern Bypass Project does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Nairobi Southern Bypass Project in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

**Significant Accounting Policies (Continued)**

**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' items to provide a sense of the overall net cash position of the Project at the end of the year. When the pending bills are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

**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.

**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.

During the year, no loan disbursements were received in form of direct payments from third parties.

**Significant Accounting Policies (Continued)**

**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.

**r) Prior periods adjustment**

Prior period adjustments relate to errors and other adjustments noted arising from previous year(s). There were no prior year adjustments as at June, 30,2023.

**12 Notes to the Financial Statements**

**1. Receipts from Government Entities**

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

	2022/23	2021/22	Cumulative
	Kshs	Kshs	to-date
<b>Counterpart Funding through Ministry of Roads &amp; Transport</b>			
Counterpart funds Quarter 1	-	-	1,172,701,061
Counterpart funds Quarter 2	-	-	2,897,533,365
Counterpart funds Quarter 3	-	-	1,530,449,316
Counterpart funds Quarter 4	-	-	1,509,805,488
<b>TOTAL (See Annex 3)</b>	-	-	<b>7,110,489,230</b>

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

During the 12 months to 30 June 2023, we received no funding from development partners in form of loans since the project was completed. The financing agreement lapsed in the FY ending 30<sup>th</sup> June 2016. However, cumulatively an amount of **Kshs.14,621,960,879** has been utilised.

**3. Purchase of Goods and Services**

	FY 2022/23			FY 2021/22	Cumulative
	Receipts and payments controlled by the entity	Payments made by third parties	Total Payments	Total Payments	
	Kshs	Kshs	Kshs	Kshs	
Domestic travel and subsistence	-	-	-	-	11,580,070
Advertising and services	-	-	-	-	55,520,961
Other operating expenses-Bush clearing	-	-	-	-	34,483,592
<b>Total</b>	-	-	-	-	<b>101,584,623</b>

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

**4. Acquisition of Non-Financial Assets**

	FY 2022/23			FY 2021/22	Cumulative
	Receipts and payments controlled by the entity	Payments made by third parties	Total Payments	Total Payments	
	Kshs	Kshs	Kshs	Kshs	
Construction of roads	-	-	-	48,706,897	19,451,531,448
Acquisition of land	-	-	-	-	2,179,334,038
<b>Total</b>	-	-	-	<b>48,706,897</b>	<b>21,630,865,486</b>

**5. Cash and Cash Equivalents**

	2022/23	2021/22
	Kshs.	Kshs
Bank accounts (A/c No 01141160979900)	-	-
<b>Total</b>	-	-

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

**6. Prior year adjustment**

There were no prior year adjustment as at 30th June, 2023.

**7. Accounts Payables-Retention**

<b>Description</b>	<b>FY 2022/23</b>	<b>FY 2021/22</b>
	<b>Kshs</b>	<b>Kshs</b>
Retention controlled by the entity	-	-
Retention controlled by the Third parties	-	-
<b>Total</b>	-	-

**Other Important Disclosures**

**1) Pending Accounts Payable (Annex 4)**

	<b>Balance b/f FY 2022/23</b>	<b>Additions for the period</b>	<b>Paid during the year</b>	<b>Balance c/f FY 2022/23</b>
<b>Description</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
Construction of Roads	1,148,676,920	-	-	1,148,676,920
Acquisition of Land	2,474,710,000	-	-	2,474,710,000
<b>Total</b>	<b>3,623,386,920</b>	<b>-</b>	<b>-</b>	<b>3,623,386,920</b>

**2) External Assistance**


During the 12 months to 30 June 2023, we received no external assistance as the project is substantially complete and taken over by the employer and the Financing Agreement has lapsed. (30<sup>th</sup> June, 2022- NIL)

13 Annexes

Annex 1-Prior Year Auditor- General's Recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

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	<p><u>Other Matters</u></p> <p><b>Pending bills</b> According to other important disclosures at Note 12.5 to the financial statements, the project had pending bills of Kshs.3,623,386,920. The Project end date was 30 June,2016 and the approved funding was Kshs.21,732,540,110 all of which has been received and spent as at 30<sup>th</sup> June, 2022. It was not clear and when these pending bills would be paid, considering that all the budgeted funding for the project had been received and utilized in full, as at 30<sup>th</sup> June 2022. As previously reported, the delayed payment of the pending bills amounted to breach of the Public Finance Management Act and regulations as well as the loan covenants. Further, the delayed payment of the pending bills may result in significant penalties and interest. Penalties and interest are costs which could have been avoided had management paid the pending bills without delay.</p>	<p>We agree with the observation that the Project had a pending bill amount of Kshs 3,623,386,920 as at 30 June 2022. Pending bills are as a result of inadequate or reductions in budgetary allocations and or exchequer receipts to the Authority. The project will therefore be fully funded once the Government budgets and releases all the funds relating to the project outstanding amounts.  The Authority shall endeavor to allocate adequate budget, subject to the provided ceiling, in the subsequent years until the pending bills are fully settled.</p>	Resolved	Continuous

  
Eng. Kungu Ndung'u  
Director General

26 SEP 2023

Date

  
Eng. Henry Gakuru  
Ag. Director, Development

26 SEP 2023

Date

**NAIROBI SOUTHERN BYPASS ROAD PROJECT**  
**Annual Report and Financial Statements for the financial year ended June 30, 2023**

**Annex 2 - Variance Explanations - Comparative Budget and Actual amounts for FY 2022-2023**

The project did not have a budget hence we did not receive funding for the period ending 30<sup>th</sup> June, 2023

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

As at 30<sup>th</sup> June, 2023, no funds were received in relation to this project since the project is substantially complete and taken over by the employer.

**Annex 4 - Analysis of Pending Bills**

Supplier of Goods or Services	Date Contracted	Original Amount	Amount Paid To-Date	Outstanding Balance 2023	Outstanding Balance 2022	Comments
		a	b	c=a-b		
<b>Land Compensation</b>						
Land Compensation		4,655,405,487	2,180,695,487	2,474,710,000	2,474,710,000	
<b>Sub Totals</b>		<b>4,655,405,487</b>	<b>2,180,695,487</b>	<b>2,474,710,000</b>	<b>2,474,710,000</b>	
<b>Construction of roads</b>						
CHINA ROAD & BRIDGE CORP	05/09/2014	149,042,037	74,459,961	74,582,076	74,582,076	3A
CHINA ROAD & BRIDGE CORP	17/06/2015	68,997,723	-	68,997,724	68,997,724	4B
CHINA ROAD & BRIDGE CORP	08/10/2015	39,733,856	-	39,733,856	39,733,856	5A
CHINA ROAD & BRIDGE CORP	20/02/2016	28,625,263	-	28,625,263	28,625,263	5C
CHINA ROAD & BRIDGE CORP	31/03/2017	142,576,916	-	142,576,916	142,576,916	6D
CHINA ROAD & BRIDGE CORP	24/07/2017	5,444,372	-	5,444,372	5,444,372	6F
CHINA ROAD & BRIDGE CORP	31/05/2018	32,654,039	-	32,654,039	32,654,039	6(H)
CHINA ROAD & BRIDGE CORP	09/02/2021	756,062,674	-	756,062,674	756,062,674	6I
<b>Sub Totals</b>		<b>1,223,136,881</b>	<b>74,459,961</b>	<b>1,148,676,920</b>	<b>1,148,676,920</b>	
<b>Grand Total</b>		<b>5,878,542,368</b>	<b>2,255,155,448</b>	<b>3,623,386,920</b>	<b>3,623,386,920</b>	

***NAIROBI SOUTHERN BYPASS ROAD PROJECT***  
***Annual Report and Financial Statements for the financial year ended June 30, 2023***

**Annex 5 – Summary of Fixed Asset Register**

<b>Asset class</b>	<b>Opening Cost (KShs) 2022/23</b>	<b>Purchases/Additions in the Year (KShs) 2022/23</b>	<b>Disposals in the Year (KShs) 2022/23</b>	<b>Closing Cost (KShs) 2022/23</b>
	<b>(a)</b>	<b>(b)</b>	<b>(c)</b>	<b>(d)= (a)+ (b)-(c)</b>
Construction of Roads	19,451,531,445	-	-	19,451,531,448
Land	2,179,334,038	-	-	2,179,334,038
<b>Total</b>	<b>21,630,865,483</b>	-	-	<b>21,630,865,486</b>