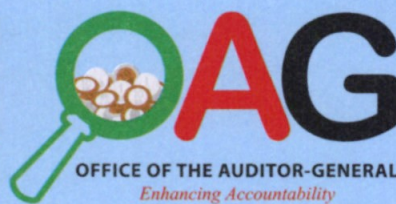


REPUBLIC OF KENYA



REPORT	
THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 24 FEB 2026	DAY: Tuesday
OF	Deputy Leader Majority Party:
TABLED BY:	Hon. Owen Baya, MP
CLERK-AT-THE-TABLE:	Mr. Benson Inzofu

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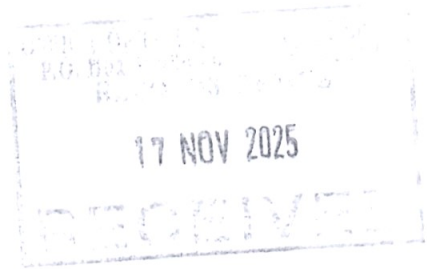
THE AUDITOR-GENERAL

ON

**NAIROBI METROPOLITAN SERVICE
IMPROVEMENT PROJECT IDA
CREDIT NO. 5102-KE**

**FOR THE YEAR ENDED
30 JUNE, 2025**

**STATE DEPARTMENT FOR HOUSING
AND URBAN DEVELOPMENT**



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

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

PROJECT CREDIT NUMBER: 5102-KE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2025

**Transitional IPSAS Financial Statements/Prepared in accordance with the Accrual Basis of Accounting
Method under the International Public Sector Accounting Standards (IPSAS)**

Nairobi Metropolitan Services Improvement Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

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1. Acronyms and Glossary of Terms

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

2. Project Information and Overall Performance

2.1 Name and registered office

Name

Nairobi Metropolitan Services Improvement Project

Objective

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

Address

The project headquarters is located in Nairobi County, Kenya.

Project Coordinator

Nairobi Metropolitan Services Improvement Project
Prism Building 3rd Ngong Avenue

P O Box 30130 0100

Nairobi -Kenya

Contacts: The following are the project contacts

Project Co-ordinator

Telephone: (254-20)317224/35

E-mail. **Ann M Mugo** <amutmugo@yahoo.com>

Website: www.nairobimetro.go.ke

Project information and overall performance (continued)

2.2 Project Information

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

2.3 Project Overview

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

*Nairobi Metropolitan Services Improvement Project
Annual Report and Financial Statements for the financial year ended June 30, 2025*

<p>Other important background information of the project</p>	<p>The NaMSIP project started through Project Preparation Advance (PPA) Financing Agreement NoQ759 which was signed between the Government of Kenya (GOK) and the International Development Association (IDA- “World Bank”) on 21st June, 2012.</p> <p>The advance was to the tune of USD2,700,000.00 The Refinancing date was set for 30th June 2012 The project effective date is 17th December 2012 The project extension date was 16th May 2017 The project extension date revised to 30th September 2020</p> <p>The Project Component costs is USD330 million as follows:</p> <table data-bbox="544 1025 1342 1249"> <tr> <td>1. Institutional Reforms and Planning</td> <td>USD 15 million</td> </tr> <tr> <td>2. Critical local government infrastructure and services.</td> <td>USD 60 million</td> </tr> <tr> <td>3. Critical Metropolitan Infrastructure Services.</td> <td>USD250 million</td> </tr> <tr> <td>4. Project Management, Monitoring and Evaluation</td> <td>USD 5 million</td> </tr> <tr> <td></td> <td>USD 330million</td> </tr> </table>	1. Institutional Reforms and Planning	USD 15 million	2. Critical local government infrastructure and services.	USD 60 million	3. Critical Metropolitan Infrastructure Services.	USD250 million	4. Project Management, Monitoring and Evaluation	USD 5 million		USD 330million
1. Institutional Reforms and Planning	USD 15 million										
2. Critical local government infrastructure and services.	USD 60 million										
3. Critical Metropolitan Infrastructure Services.	USD250 million										
4. Project Management, Monitoring and Evaluation	USD 5 million										
	USD 330million										
<p>Areas that the project was formed to intervene</p>	<p>The project was formed to intervene in the following areas</p> <ul style="list-style-type: none"> (i) Rapid Urbanisation. (ii) Lack of infrastructure 										
<p>Project duration</p>	<p>The project became effective on 17 December 2012 and the IDA credit closed 30 September 2020.</p> <p>The Government of Kenya is providing the project Counterpart Funding for the Construction of Mitubiri Sanitary Landfill</p>										

Project Information and Overall Performance (Continued)

2.4 Bankers

The following are the bankers for the project:

(i) Special Account –B

Account No.0810299949176

Depository Bank: Equity Bank of Kenya

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

(ii) Account (IDA)

Account No.10003966954

Depository Bank: Central Bank of Kenya

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

(iii) Project Counterpart Fund Account (GOK)

Account No.1000396938

Depository Bank: Central Bank of Kenya

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

2.5 Independent Auditor

The project is audited by:

The Office of Auditor General,

P.O Box 30084 – 00100 Nairobi.

*Nairobi Metropolitan Services Improvement Project
Annual Report and Financial Statements for the financial year ended June 30, 2025*

2.6 Roles and Responsibilities

List the different people who are working on the project. This list would include the project coordinator and all the key officers involved.

Names	Title designation	Key qualification	Responsibilities
Charles M Hinga, <i>CBS, CA(SA)</i>	Principal Secretary	Principal Secretary	The Accounting officer
Ann M. Mugo	Director Metropolitan Development	MA Planning	The Project Co-ordinator
Alex Njue	Senior Chief Finance Officer	Senior Chief Finance Officer	Budgetary, Supervision and Control
Nelson M. Osioru	Head of Accounting Unit	CPAK B.Com MBA	Financial Supervision Accounting and Reporting
John Maina	Head of Supply Chain Management	Procurement Management	Procurement
Eng. James Njomo	SPSE	Civil Engineer	Project Engineer
Eng. Thomas Karatai	SPSE	Civil Engineer	Resident Engineer
Eng. James Mbaabu	Principal Superintendent Engineer	Mechanical Engineer	Supervisory
Peter Gota	Senior Ass Director P & E	Planner	Supervisory
Peter Muriithi	Ag Ass. Director GIS	Cartographer	Supervisory
Eng. Stephen N. Muigai	Electrical Engineer	Electrical Engineer	Supervisory
Ruth Mutai	Chief Economist	Economist	Monitoring and Evaluation
Purity Kananu	Assistant Accountant G	Certified Public Accountant (K)	Financial Supervision Accounting and Reporting
Lawrence K. Nyaga	Principal Accountant	Certified Public Accountant	Project Accountant

*Nairobi Metropolitan Services Improvement Project
Annual Report and Financial Statements for the financial year ended June 30, 2025*

2.7 Funding summary

The Project duration covered 8 years from 2012 to 2020 with an approved budget of USD 330M equivalent to **Kshs. 27.347B** as highlighted in the next table:

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

Project information and overall performance (continued)

Below is the funding summary:

A. Source of Funds

Source of funds	Donor Commitment		Amount received to date – (30 th June 2025)		Undrawn balance to date 30 th June 2025	
	Donor currency USD	Kshs	Donor currency USD	Kshs	Donor currency Kshs	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Loan						
World Bank IDA	300,000,000	24,860,909,091	273,749,008	27,077,877,922	-	-
Total Loan	300,000,000	24,860,909,091	273,749,008	27,077,877,922	-	-
(ii) Counterpart funds						
Government of Kenya	30,000,000	2,486,090,909	27,484,645	2,919,081,119	-	80,918,881
Total	330,000,000	27,347,000,000	301,233,653	29,996,959,041	-	80,918,881

*Nairobi Metropolitan Services Improvement Project
Annual Report and Financial Statements for the financial year ended June 30, 2025*

Project information and overall performance (continued)

2.8 Summary of Overall Project Performance:

LIST OF PROJECTS FUNDED USING EXTERNAL LOAN (IDA)

1. Transport - Roads.

NO	PROJECT	CONTRACT SUM	STATUS
1	Rehabilitation and Improvement of Ruiru Hospital Road	Ksh.233,930,773	Complete
2	Construction of the Access Roads to Kikuyu Railway Station	Ksh 270,500,722	Complete
3	Construction of Ngong Bus Terminus, Kajiado County	Ksh.86,941,825	Complete
4	Construction of Access Road to Limuru Railway Station.	Ksh.132,327,490	Complete
5	Construction of Access Road to Imara Daima Railway Station	Ksh.406,065,371	Complete
6	Rehabilitation of Kenol Hospital Road	Ksh.163,192,195	Complete
7	Juja Circuit Road and Access to Juja Railway Station	Ksh.395,507,034	Complete
8	Rehabilitation of outfall drain and drainage infrastructure in Manyani Estate Roads	Ksh.217,879,807	Complete
9	Rehabilitation and Construction of access Road to Thika Railway Station	Ksh168,655,619	Complete
10	Rehabilitation and Construction of access Road to Embakasi Railway Station	Ksh.261,197,065	Complete
11	Construction of Kangundo Road – Kenol, Kenol – Koma & Katumani – Mombasa Road and Rehabilitation of Kenol – Machakos Town – Katumani Link Road.	Ksh4,392,444,988	Complete
12	Rehabilitation and improvement of Quarry Road - Mlolongo	Ksh.116,628,285	Complete
13	Construction of selected Roads in Kangundo Township	Ksh.200,512,072	Complete
14	Rehabilitation and Construction of Old Nakuru Road	Ksh.121,516,874	Complete
15	Construction of Kitengela Bus Terminus Kajiado County	Ksh.94,319,204	Complete
16	Construction of Githurai Railway Station Access Roads in Kiambu County.	Ksh.376,402,351	Complete
17	Rehabilitation and construction of Access Road to Mitubiri Landfill site, Muranga county	Ksh.814,300,193	Complete
18	Construction of Parking Bays in Ngong Township	Ksh.86,310,719	Complete
19	Construction of Parking Bays in Ongata Rongai Township	Ksh.49,477,300	Complete
20	Construction of Parking Bays in Kitengela Township	Ksh.60,530,602	Complete
21	Kikuyu Tunnel	Ksh.90,508,105	Complete
22	Tala Township Roads	Ksh.98,300,791	Complete
23	Construction of Kitengela Railway Access Road in Kajiado County	Ksh.196,260,112	Complete

2. Transport - Commuter Rail Stations.

No	Project	Contract Sum (Kshs)	Status
1	Improvement of Commuter Rail Stations - Kikuyu and Kahawa Stations	Ksh.573,510,206	Complete
2	Improvement of Commuter Rail Stations - Ruiru Station	Ksh.298,833,979	Complete
3	Improvement of Commuter Rail Stations - Mwiki Stations	Ksh.273,625,287	Complete
4	Improvement of Commuter Rail Stations - Pipeline and Embakasi Village Stations	Ksh.536,629,457	Complete
5	Improvement of Commuter Rail Stations - Athi River Station	Ksh.434,389,565	Complete

*Nairobi Metropolitan Services Improvement Project
Annual Report and Financial Statements for the financial year ended June 30, 2025*

No	Project	Contract Sum (Kshs)	Status
6	Improvement of Commuter Rail Stations - Githurai and Dandora Stations	Ksh.920,318,320	Complete
7	Improvement of Commuter Rail Stations - Donholm Stations	Ksh.279,817,500	Complete
8	Lot 1: Supply, Installation, Testing and Commissioning of ICT, Turnstiles, Barriers and Ticketing/Fare Collection System for Kenya Railways Corporation	Ksh.405,295,265	Complete
9	Lot 2: Supply, Installation, Testing and Commissioning of Structured Cabling, Public Address, CCTV and Access Control Systems for Commuter Railway Stations	Ksh.164,246,880	Complete

3. Sewerage and Storm Water Projects

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

4. Solid Waste Management.

No	Project	Contractor	Contract Sum	Status
1	Construction of Mitubiri Sanitary Landfill Site, Muranga County	Concordia Building & Civil Engineering Co. Ltd	Ksh.1,056,478,730	90%

5. Disaster & Emergency Preparedness

No	Project	Contract Sum	Status
1	Fire stations – Construction of Waithaka Fire Station	Ksh.132,596,607	Complete
2	Fire stations – Construction of Kangundo Road Fire Station	Ksh.166,447,872	Complete
3	Rehabilitation of 2 No fire station along Tom Mboya and Enterprise Road	Ksh.32,549,900	Complete
4	Purchase of fire fighting equipment 7 No 5,000lts	EUR 1,918,747.98	Delivered and handed over
5	Purchase of fire fighting equipment 7 No -10,000lts	EUR 2,581,182.45	Delivered and handed over
6	Purchase of 3 No Water Bowsers for Nairobi County	Ksh.19,608,200	Delivered and handed over
7	Purchase of Exhauster Trucks for Kikuyu and Kiamba	Ksh.14,400,000	Delivered and handed over
8	Supply and deliver of flush water supply unit and 2 No Backhoe for Nairobi City County	Ksh.58,568,700	Delivered and handed over
9	Drilling and Equipping of Three (3) number Boreholes and Construction of Three (3) number Elevated Steel Water Tanks in Nairobi City County	Ksh.33,341,357	Complete

*Nairobi Metropolitan Services Improvement Project
Annual Report and Financial Statements for the financial year ended June 30, 2025*

6. Markets

No	Project	Contract (Ksh)	Sum	Status
1	Construction of Market in Mwariro	389,592,337		Complete
2	Rehabilitation of Market in Karandini	294,314,487		Complete
3	Construction for Kikuyu market in Kiambu County	326,500,373		Complete
4	Construction for Kihara market in Kiambu County	179,763,274		Complete
5	Construction of Ruiru Market in Kiambu County	276,963,268		Complete
6	Construction of Juja Market in Kiambu County	200,980,681		Complete
7	Construction of Ngong Market in Kajiado County	699,135,541		Complete
8	Construction of Kenyanya-ini Market Sheds	31,977,837		Complete

7 Integrated Urban Water Management (IUWM)

NO	Project	Contract (Kshs)	Sum	Status
1	IUWM Projects Lot 1: Rehabilitation of Nairobi City Park & Lenana School Urban Agriculture Pilot Project	127,893,828		Complete
2	IUWM Projects Lot 2: Roof Catchment for Kiambu District Hospital and Muranga: Level 5 Hospital, Kiambu & Madaraka Parks Urban Parks	158,053,201		Complete
3	IUWM Projects Lot 3: Roof Catchment and Water Pan Kitengela and Machakos	41,946,584		Complete

2.9 Summary of Project Compliance:

- i) *Include significant cases of non-compliance with applicable laws and regulations, e.g., treasury circulars on project investment management, PFM Act 2012 and Kenya Vision 2030 flagship projects, and essential external financing agreements/covenants,*
- ii) *Include consequences suffered on account of non-compliance or likely to be suffered.*
- iii) *Indicate mitigation measures taken or planned to alleviate the adverse effects of actual or potential consequences of non-compliance.*

Summary of Project Compliance:

There were no non-compliance cases both in the year under review and the project period.

3. Statement of Performance against Project's Predetermined Objectives

Introduction

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer shall prepare financial statements of each National Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the national government entity's performance against predetermined objectives.

The key development objectives of the *project's agreement/* plan are to:

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

Progress on attainment of strategic development objectives

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

4. Environmental and Sustainability reporting

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

4.1 Sustainability strategy and profile

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

4.2 Environmental performance

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

4.3 Employee welfare

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

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

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

4.4 Market place practices-

a) Responsible competition practice.

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

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

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

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

b) Responsible Supply chain and supplier relations-

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

c) Responsible marketing and advertisement-

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

d) Product stewardship-

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

4.5 Community Engagements

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

5. Statement of Project Management responsibilities

The Principal Secretary for State Department for Housing and Urban Development and the Project Coordinator for Nairobi Metropolitan Services Improvement Project are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year ended on June 30, 2025. 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 Principal Secretary for State Department for Housing and Urban Development and the Project Coordinator for Nairobi Metropolitan Services Improvement project for accepting responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

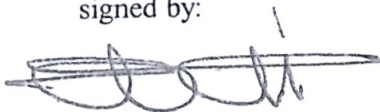
The Principal Secretary for State Department for Housing and Urban Development and the Project Coordinator for Nairobi Metropolitan Services Improvement Project are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year ended June 30, 2025, and of the Project's financial position as at that date. The Principal Secretary for State Department for Housing and Urban Development and the Project Coordinator for Nairobi Metropolitan Services Improvement project further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

*Nairobi Metropolitan Services Improvement Project
Annual Report and Financial Statements for the financial year ended June 30, 2025*

The Principal Secretary for State department for housing and urban development and the Project Coordinator for Nairobi Metropolitan Services Improvement project confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project Financial Statements

The Project financial statements were approved by the Principal Secretary for State department for housing and urban development and the Project Coordinator for Nairobi Metropolitan Services Improvement project on _____ 2025 and signed by:



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

Principal Secretary



.....
Ann M.Mugo

Project Coordinator

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
Email: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON NAIROBI METROPOLITAN SERVICE IMPROVEMENT PROJECT IDA CREDIT NO. 5102-KE FOR THE YEAR ENDED 30 JUNE, 2025 – STATE DEPARTMENT FOR HOUSING AND URBAN DEVELOPMENT

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying transitional IPSAS financial statements of Nairobi Metropolitan Service Improvement Project set out on pages 1 to 30, which comprise of

Report of the Auditor-General on Nairobi Metropolitan Service Improvement Project Ida Credit No. 5102-KE for the year ended 30 June, 2025 – State Department for Housing and Urban Development

the statement of financial position as at 30 June, 2025, and the statement of financial performance, statement of changes in net assets, 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 transitional IPSAS financial statements present fairly, in all material respects, the financial position of Nairobi Metropolitan Service Improvement Project as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) including the transitional provisions permitted under IPSAS 33 and comply with the Financing Agreement No. 5102-KE between the Republic of Kenya and International Development Association dated 21 June, 2012 and the Public Finance Management Act, 2012; and The National Treasury and Economic Planning Circular No.3 of 14 April, 2025.

Basis for Opinion

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

Emphasis of Matter

1. Long Outstanding Third-Party Deposits

The statement of financial position and as disclosed in Note 24 to the financial statement reflects third party deposit balance of Kshs.655,520 as at 30 June, 2025 relating to contractor's retention monies. Review of the contract details and performance of the Projects revealed that the defect liability period for the Project ended during the financial year 2019/2020 but retention money has not yet been claimed to date though there were no pending contractual obligations.

Further, the Project was not provided with budget in the financial year 2024/2025 but had an amount of Ksh.32,833,168 in the Project's bank account which The National Treasury instructed that the funds be refunded to the Exchequer account. This is despite the fact that the Project status was at 90% complete and extension up to 22 December, 2024 and a Defect Liability Period of 22 December, 2025. The Project is at risk of incurring additional costs in form of interest and penalties for failure to settle the Project's third-party deposits. The unclaimed monies should also be surrendered to the Unclaimed Financial Assets Authority (UFAA) in compliance with the Unclaimed Financial Assets Act, 2011.

2. Lack of Project Closure Report

Paragraph 2.7 on Funding Summary indicates that the Project was for a duration of eight (8) years with Project start date of 17 December, 2012 and project end date of 30 September, 2020.

The statement of source of funds indicates that the Project had an approved Development Partner Commitment budget of USD.300,000,000 equivalent to Kshs.24,860,909,091 and Government of Kenya counterpart funds of Kshs.2,486,090,909 all totalling Kshs.27,347,000,000. The total Donor Commitment and GoK counterpart fund was fully received and the total amount received to date amounted to Kshs.29,996,959,041 which was in excess of the total commitment by Kshs.80,918,881. The excess commitment was from the GoK counterpart funds and had not been drawn.

Further, Paragraph 2.8 on summary of overall Project performance indicates that, all the Project components had been completed except the construction of Mitubiri sanitary landfill site in Murang'a County which was 90% complete. Correspondences from The National Treasury indicates that the Project lapsed and was not in existence in their books. However, Project closure report by the Project implementor was not provided for audit. Management did not provide an explanation for the failure to close the Project.

My opinion is not modified in respect of these matters.

Key Audit Matters

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

Other Matter

Prior Year Unresolved Matter

In the prior year audit report, one issue was raised under the Report on Lawfulness and Effectiveness in Use of Public Resources. This includes delay in completion of Project. Review of the status during audit of the Project in 2024/2025 revealed that the matter remained unresolved.

Other Information

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

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

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Delay in Completion of Project

Paragraph 2.7 on Funding Summary indicates that the Project was for a duration of eight (8) years from 2012 to 2020 with a total budget of Kshs.27,347,000,000 comprising of Donor (World Bank -IDA) commitment of Kshs.24,860,909,091 and Government of Kenya Counterpart Funding of Kshs.2,486,090,909. The statement of source of fund indicates that all the Donor Commitment had been received and no amount remained undrawn. The Project Status Report dated June, 2025, indicated that only 90% of work was done despite the lapse of the completion date.

Further, The National Treasurer records indicated that the Project had lapsed. However, the Project closure report was not provided for audit. Management did not provide an explanation for the failure to close the project.

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

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

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

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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

As required by Financing Agreement No. 5102-KE between the Republic of Kenya and International Development Association dated 21 June, 2012, 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. 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.

Basis for Conclusion

The Financing Agreement requires that I report on the legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate opinion as to the Project's compliance with laws and regulations. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of the Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Transitional International Public Sector Accounting Standards (Accrual 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 governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

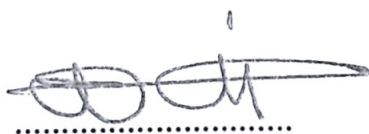
Nairobi

25 November, 2025

6. Statement of Financial Performance for the Year Ended 30th June 2025

	Notes	2024/2025
		Kshs
Revenue		
Revenue Transfers	6	-
Miscellaneous Revenue	7	-
Total revenue		-
Expenses		
Use of goods and services	9	-
Depreciation and amortization expense	10	-
Transfer to other Government Entities	11	32,833,168
Other Transfers/Subsidies/Grants	12	-
Certified Works	13	-
Total expenses		32,833,168
Other gains/(losses)		
Gain/Loss on sale of assets	14	-
Gain/Loss on foreign exchange transactions	15	-
Impairment loss	16	-
Surplus/ (deficit)		(32,833,168)

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



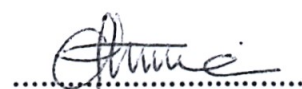
Charles M.Hinga, CBS,CA)(SA)

Principal Secretary



Ann M. Mugo

Project Coordinator



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

*Nairobi Metropolitan Services Improvement Project
Annual Report and Financial Statements for the financial year ended June 30, 2025*

7. Statement of Financial Position as at 30th June 2025

	Note	30 th June 2025	1 st July 2024
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash equivalents	17	-	32,833,168
Receivables	18	-	-
Inventories	19	-	-
Prepayments	20		
Total Current Assets		-	32,833,168
Non-Current Assets			
Property, Plant and Equipment	21	-	-
Intangible Assets	22	-	-
Total Non- Current Assets		-	-
Total Assets (a)		-	32,833,168
Liabilities			
Current Liabilities			
Trade and Other Payables	23	-	-
Third Party Deposits	24	655,520	-
Total Current Liabilities		655,520	-
Total Liabilities (b)		655,520	-
Net Assets (a-b)		(655,520)	32,833,168
Represented By:			
Fund Balance B/fwd.		32,833,168	2,273,988
Accumulated Surplus		(32,833,168)	30,559,180
Total Net Assets		(655,520)	32,833,168

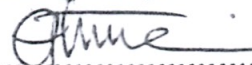
The financial statements were approved on _____ 2025 and signed by:



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



Name
Ann M. Mugo
Project Coordinator



Name
Purity K Tharamba
Project Accountant
ICPAK Member No.32054

8. Statement of Changes in Net Assets

Description	Accumulated Surplus
	Kshs
As at 30 th June 2024 (Cash Basis)	32,833,168
Adjustments:	
Assets Recognition	
Liabilities Recognition	(655,520)
As at 1 st July 2024	32,177,648
Surplus/(Deficit) for the year	(32,833,168)
As at 30 th June 2025	(655,520)

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

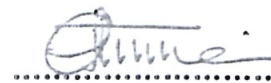
The financial statements were approved on _____ 2025 and signed by:



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



Name
Ann M. Mugo
Project Coordinator

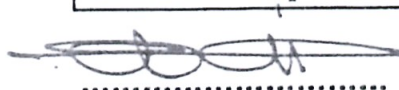


Name
Purity K Tharamba
Project Accountant
ICPAK Member No.32054

*Nairobi Metropolitan Services Improvement Project
Annual Report and Financial Statements for the financial year ended June 30, 2025*

Statement of Cash flow for the year ended 30th June 2025

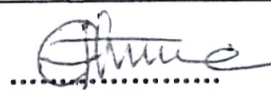
Description	Notes	2024-2025	
		KSh's	
Cash flow from operating activities			
Receipts			
Revenue Transfers			-
Miscellaneous Revenue			-
Total receipts			-
Payments			
Employee costs			-
Use of goods and services			-
Transfer to other Government Entities	11		32,833,168
Other Transfers/Subsidies/Grants			-
Certified Works			-
Total payments	11		32,833,168
Net cash flow from operating activities	26		(32,833,168)
Cash flow from investing activities			
Acquisition of non-financial assets			-
Proceeds from sale of Assets			-
Acquisition of Intangible assets			-
			-
Net cash flows from investing activities			-
Cash flow from financing activities			
<i>Specify the activity</i>			-
Net cash flow from financing activities			-
Net increase/Decrease in cash and cash equivalents	11		(32,833,168)
Cash and cash equivalent at 1st July 2024			32,833,168
Cash and cash equivalent at end June 2025			-



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



Name
Ann M. Mugo
Project Coordinator



Name
Purity K Tharamba
Project Accountant
ICPAK Member No.32054

*Nairobi Metropolitan Services Improvement Project
Annual Report and Financial Statements for the financial year ended June 30, 2025*

9. Statement of Comparison of Budget and Actual Amounts for the Year ended 30th June 2025

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	
	-	-	-	-	-	-
Revenue Transfers	-	-	-	-	-	-
Miscellaneous Revenue	-	-	-	-	-	-
Total Revenue	-	-	-	-	-	-
	-	-	-	-	-	-
Payments	-	-	-	-	-	-
Employee costs	-	-	-	-	-	-
Use of goods and services	-	-	-	-	-	-
Depreciation and amortization expense	-	-	-	-	-	-
Transfer to other Government Entities	-	-	-	-	-	-
Other Transfers/Subsidies/Grants	-	-	-	-	-	-
Certified Works	-	-	-	-	-	-
Total Payments	-	-	-	-	-	-
Surplus or Deficit	-	-	-	-	-	-

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

10. Notes to the Financial Statements

1. General Information

Nairobi Metropolitan Services Improvement Project became effective 17th December 2012 under the then Ministry of Nairobi Metropolitan Development. The project is under the State Department for Housing and Urban Development.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared in accordance with the Public Finance Management Act, 2012 and with the International Public Sector Accounting Standards (IPSAS).

Guiding note during the transition period:

The financial statements have been prepared in accordance with the PFM Act, and International Public Sector Accounting Standards (IPSAS), or the entity has taken advantage of the transitional provisions under IPSAS 33, and therefore these 1st/ 2nd/ 3rd/year financial statements are transitional financial statements and the following elements of the financial statements have not been recognized as the entity has taken advantage of the transition provisions outlined in IPSAS 33. (entity to state the transitional provisions it has applied and the steps being towards full compliance with IPSAS Accrual).

These financial statements were authorized for issue by the accounting officer

3. Adoption of New and Revised Standards

i) *New and amended standards and interpretations in issue effective in the year ended 30 June 2025.*

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
IPSAS 44: Non- Current Assets Held for	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p>

Nairobi Metropolitan Services Improvement Project

Annual Reports and Financial Statements for the year ended June 30, 2025

Standard	Effective date and impact:
Sale and Discontinued Operations	<p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
IPSAS 45- Property Plant and Equipment	<p><i>Applicable 1st January 2025</i></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
IPSAS 46 Measurement	<p><i>Applicable 1st January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ol style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>

ii) *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025*

Standard	Effective date and impact:
IPSAS 47- Revenue	<i>Applicable 1st January 2026</i>

Nairobi Metropolitan Services Improvement Project
Annual Reports and Financial Statements for the year ended June 30, 2025

Standard	Effective date and impact:
	<p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
<p>IPSAS 48- Transfer Expenses</p>	<p><i>Applicable 1st January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
<p>IPSAS 49- Retirement Benefit Plans</p>	<p><i>Applicable 1st January 2026</i></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>

iii) Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year or *the entity adopted the following standards early (state the standards, reason for early adoption and impact on entity's financial statements.)*

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that have been acquired using such funds.

ii) Revenue from exchange transactions

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

b) Budget information

The original budget for FY 2024/2025 was approved by the Council or Board on xxx. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals to conclude the final budget. Accordingly, the entity recorded additional appropriations of xxx on the FY 2024/2025 budget following the Council/ Board's approval. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on page xx under section xxx of these financial statements.

c) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition or construction of the item of property appropriately according to the acronyms you use in your financial statements plant and equipment. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance

Nairobi Metropolitan Services Improvement Project
Annual Reports and Financial Statements for the year ended June 30, 2025

costs are recognized in surplus, or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Notes to the financial statements

d) Leases

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

e) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite. Intangible assets with an indefinite useful life are assessed for impairment at each reporting date.

f) Research and development costs

The Entity expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Entity can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale.
- Its intention to complete and its ability to use or sell the asset.
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset.
- The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

Notes to the financial statements

g) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. (amend as appropriate).* A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial assets

Classification

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity, or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made an irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Notes to the financial statements

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year-end.

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in *Note xx*.

Financial liabilities

Classification

The entity classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

h) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method.
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Notes to the financial statements

Inventories (Continued)

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the *Entity*.

i) Provisions

Provisions are recognized when the *Entity* has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the *Entity* expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

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.

Contingent assets

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

j) Nature and purpose of reserves

The *Entity* creates and maintains reserves in terms of specific requirements. (*Entity to state the reserves maintained and appropriate policies adopted*).

k) Changes in accounting policies and estimates

The *Entity* recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

Notes to the financial statements

l) Employee benefits

Retirement benefit plans

The *Entity* provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation. *(the entity to retain information relating to defined benefits or contributions, where both schemes are managed full policy applies)*

m) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

n) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

o) Related parties

The *Entity* regards a related party as a person or an entity with the ability to exert control individually or jointly or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the Principal and senior managers.

Notes to the financial statements

p) Service concession arrangements

The *Entity* analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the *Entity* recognizes that asset when, and only when, it controls or regulates the services. The operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the *Entity* also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

q) 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.

r) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2025.

Notes to the financial statements

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the project financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the *Entity*.
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- The nature of the processes in which the asset is deployed.
- Availability of funding to replace the asset.
- Changes in the market in relation to the asset

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note xxx.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

(Include provisions applicable for your organization e.g. provision for bad debts, provisions of obsolete stocks and how management estimates these provisions).

Notes to the financial statements

6. Revenue Transfers

Description	2024/2025
	KShs
Unconditional Transfers	
GoK Counter Part funding	-
Transfers from Development partners	-
<i>Other unconditional transfers (Specify)</i>	-
Total Unconditional Transfers (a)	-
Conditional Transfers	
Transfers from Development partners 1	-
Transfers from Development partner 2	-
<i>Other conditional transfers (specify)</i>	-
Total Conditional Transfers (b)	-
Total Transfers for the Year (a + b)	-

(Explain the purpose of funding)

a) Details to Revenue Transfers

Name of The Entity Transferring	Amount recognized to Statement of Financial performance	Amount deferred under deferred income.	Amount moved to Capital fund	Total transfers (Current FY)
	Kshs	Kshs	Kshs	Kshs
GOK Funding	-	-	-	-
Development Partner 1	-	-	-	-
Development Partner 2	-	-	-	-
Subtotal	-	-	-	-
Deferred Income realized	-	-	-	-
Transfers in Kind	-	-	-	-
Total	-	-	-	-

Notes to the financial statements

7. Miscellaneous revenue

Description	FY 2024-2025
	<u>Kshs</u>
Interest Income	-
Others (specify)	-
Total	-

8. Employees Costs

Description	FY 2024-2025
	<u>Kshs</u>
Basic salaries of permanent employees	-
Basic wages of temporary employees	-
Personal allowances paid as part of salary	-
Personal allowances paid as reimbursements	-
Personal allowances provided in kind	-
Pension and other social security contributions	-
Compulsory national social security schemes	-
Compulsory national health insurance schemes	-
Other specify	-
Total	-

9. Use of Goods and Services

Description	FY 2024-2025
<u>c</u>	<u>Kshs</u>
Utilities, supplies and services	-
Bank charges	-
Communication, supplies and services	-
Domestic travel and subsistence	-
Foreign travel and subsistence	-
Fuel and lubricants	-
General office supplies	-
Stationery, Printing, advertising, and information supplies	-
Office rent	-
Training payments	-
Hospitality supplies and services	-
Insurance costs	-
Specialized materials and services	-
Other operating payments(specify)	-
Routine maintenance – vehicles and other transport equipment	-
Routine maintenance- other assets	-
Total	-

Notes to the financial statements

10. Depreciation and Amortization expense

Description	FY 2024-2025
	Kshs
Property, Plant and Equipment	-
Intangible Assets	-
Total	-

11. Transfer to Other Government Entities

Description	FY 2024-2025
	Kshs
Transfer to National Treasury	32,833,168
	-
	-
	-
Total	32,833,168

12. Other Transfers/Subsidies/Grants

Description	FY 2024-2025
	Kshs
Transfers to Non-Government Organizations	-
Subsidies	-
<i>Others Specify</i>	-
Total	-

13. Certified Works

Description	FY 2024-2025
	Kshs
Road Works	-
Water Works	-
Energy Infrastructure	-
<i>Others Specify</i>	-
Total	-

Notes to the financial statements

14. Gain/Loss on Sale of Assets

Description	FY 2024-2025
	Kshs
Property, plant and equipment	-
Intangible assets	-
Other assets not capitalised	-
Total gain/loss on sale of assets	-

Provide brief explanation on gains on sale of fixed assets)

15. Gain/Loss on foreign exchange transactions

Description	FY 2024-2025
	Kshs
Gain on foreign exchange transactions	-
Loss on foreign exchange transactions	-
Total Gain/Loss	-

16. Impairment Loss

Description	FY 2024-2025
	Kshs
Property, Plant and Equipment	-
Intangible Assets	-
<i>Others specify</i>	-
Total Impairment Loss	-

17. Cash and Cash Equivalents

Description	FY 2024-2025	1 st July 2024
	Kshs	Kshs
Cash in Bank	-	32,833,168
Cash on hand	-	-
<i>Others (Specify)</i>	-	
11. Total Cash and Cash Equivalents	-	32,833,168

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Notes to the financial statements

Project Bank Accounts

Details	FY 2024-2025	1st July 2024
	Kshs	Kshs
Foreign Currency Accounts		
Central Bank of Kenya A/c No:1000396938	-	32,833,168
Total bank account balances	-	32,833,168

Notes to the Financial Statements (Continued)

18. Receivables

Description	FY 2024-2025	1 st July 2024
	Kshs	Kshs
Counter Part Funding	-	-
Contractor's Advance payments	-	-
<i>Other Receivables (specify)</i>	-	-
Total Receivables	-	-

(Provide brief explanation on current receivables)

Ageing analysis for Receivables

Description	FY 2024-2025		1 st July 2024	
	Kshs		Kshs	
	FY 2024/2025	% of the total	Comparative FY	% of the total
Less than 1 year	-	%	-	%
Between 1- 2 years	-	%	-	%
Between 2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total (a+b)	-	%	-	%

19. Inventories

Description	Insert Current FY 2024-2025	1 st July 2024
	Kshs	Kshs
Consumable stores	-	-
Construction stores	-	-
<i>Others consumables (specify)</i>	-	-
Less: allowance for impairment	-	-
Total inventories	-	-

(Provide brief explanation on inventories)

20. Prepayments

Description	Insert Current FY 2024-2025	1 st July 2024
	Kshs	Kshs
Insurance	-	-
Rent	-	-
<i>Others specify</i>	-	-
Total inventories	-	-

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Notes to the financial statements

21. Property, Plant and Equipment

Cost	Motor vehicles	Furniture and fittings	ICT Equipment	Other Assets (specify)	Capital Work in progress	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Depreciation rate	X%	X%	X%	X%		
As At 1July 2024 (opening balances)	-	-	-	-	-	-
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	-	-
As at 30th June 2025	-	-	-	-	-	-
Depreciation And Impairment						
As at 1July 2025	-	-	-	-	-	-
Depreciation charge for the year	-	-	-	-	-	-
Impairment loss	-	-	-	-	-	-
Transfers/ Adjustments	-	-	-	-	-	-
As At 30th June 2025	-	-	-	-	-	-
Net Book Values						
As at 1st July 2024	-	-	-	-	-	-
As at 30th June 2025	-	-	-	-	-	-

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Notes to the financial statements

22. Intangible Assets

Description	1 st July 2024
	Kshs
Cost	
As at 1 st July 2024	-
Additions	-
As At 30 th June 2025	-
Amortization and impairment	
As at 1 st July 2024	-
Amortization	-
Impairment loss	-
As At 30 th June 2025	-
NBV as at 1 st July 2024	-
NBV as at 30 th June 2025	-

23. Trade and Other Payables

Description	FY 2024-2025		1 st July 2024	
	Kshs		Kshs	
Trade payables	-		-	
Employee payables	-		-	
<i>Other payables (specify)</i>	-		-	
Total trade and other payables	-		-	
Ageing analysis: (Trade and other payables)	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	-	%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total (tie to above total)	-		-	

(Provide brief explanation)

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Notes to the financial statements

24. Third-Party Deposits

Description	DLP	2024-2025		1 st July 2024	
	Date	Kshs		Kshs	
Contractor's Retention:				1,226,263.85	
Duale Investment Limited	10-04-2019	547,520			
Ashbro International Limited	27-09-2020	108,000			
Gratuity		-		-	
Total deposits		655,520		1,226,263.85	
Ageing analysis: (Refundable deposits)		Current FY	% of the Total	Comparative FY	% of the Total
Under one year		-	%	-	%
2-3 years		-	%	-	%
Over 3 years		-	%	-	%
Total		-		-	

(Provide brief explanation)

The amount for third party deposit was reviewed and established that the correct outstanding amount for third party deposit is Ksh655,520.00 and not Ksh1,226,263.85 as previously reported. Duale Investment Limited, contractor failed to respond to online procurement request for quotation (RFQ) No.160841 for payment of Ksh 547,520.00 in the month of June 2024. In the FY2024/2025 the project was not provided with GoK counterpart budget despite availability of Ksh 32,833,168.00 at CBK project account which was recalled to Exchequer by the National Treasury.

25. Deferred Income

Description	FY 2024-2025	1 st July 2024
	Kshs	Kshs
Development partner 1	-	-
<i>Others specify</i>	-	-
Total Deferred Income	-	-

(Provide brief explanation)

Deferred Income Movement Schedule

	Development Partner 1	Development Partner 2	Others specify	Total

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	Kshs	Kshs	Kshs	Kshs
Balance as at 1 st July 2024	-	-	-	-
Additions	-	-	-	-
Transfers To Performance Statement as Revenue	-	-	-	-
Balance as at 30 th June 2025	-	-	-	-

Notes to the financial statements

26. Cash Generated from Operations

Description	2024-2025
	Kshs
Surplus/Deficit for the year	(32,833,168)
Adjusted for:	
Depreciation	-
Non-cash grants received	-
Impairment	-
Gains and losses on disposal of assets	-
Working capital adjustments	
Increase in inventory	-
Increase in receivables	-
Increase in deferred income	-
Increase in payables	-
Increase in payments received in advance	-
Net cash flow from operating activities	(32,833,168)

(The total of this statement should tie to the cash flow section on net cash flows from/ used in operations)

27. Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as of 30th June 2025 are not included in the Statement of Financial Assets since the line items 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 voted in the year. These funds have been reported as loans/grants received in the year under the Statement of Receipts and Payments.

Special Deposit Accounts Movement Schedule

Description	Insert Current FY 2024-2025	1 st July 2024
	Kshs	Kshs
(i) A/C Name [A/c No.....]		
Opening balance	-	-
Total amount deposited in the account	-	-
Total amount withdrawn	-	-
Closing balance (as per SDA bank account reconciliation attached)	-	-
(ii) A/c Name [A/c No.....]		
Opening balance (as per the SDA reconciliation)	-	-
Total amount deposited in the account	-	-
Total amount withdrawn	-	-
Closing balance (as per SDA bank account reconciliation attached)	-	-

(The Special Deposit Account(s) reconciliation statement(s) has (have) not been attached. The credit closed on 30th September 2020

28.Related Party Disclosures

Nature of related party relationships

Entities and other parties related to the *Entity* include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Government of Kenya

The Government of Kenya is the principal shareholder of the *Entity*, holding 100% of the *Entity's* equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the *Entity*, both domestic and external.

*Nairobi Metropolitan Services Improvement Project
Annual Report and Financial Statements for the financial year ended June 30, 2025*

Notes to the financial statements

Other related parties include:

- i) The Parent Ministry.
- ii) County Governments
- iii) Other SCs and SAGAs
- iv) Key management.
- v) Board of Directors.

Description	2024-2025
	Kshs
Transactions with related parties	
a) Sales to related parties	
Sales of electricity to government agencies	-
Rent income from govt. Agencies	-
Others (specify) e.g. interest and bank charges	-
Total	-
B) purchases from related parties	
Purchases of electricity from KPLC	-
Purchase of water from government service providers	-
Rent expenses paid to government agencies	-
Others (specify)	-
Total	-
b) Grants /transfers from the government	
Grants from national government	-
Grants from county government	-
Donations in kind	-
Total	-
c) Expenses incurred on behalf of related party	
Payments of salaries and wages for employees	-
Payments for goods and services	-
Total	-
d) Key management compensation	
Directors' emoluments	-
Compensation to key management	-
Total	-

Nairobi Metropolitan Services Improvement Project
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Notes to the financial statements

29.Events after the Reporting Period

There were no material adjusting and non-adjusting events after the reporting period.

30.Ultimate And Holding Entity

The Entity is a State Corporation/ or a Semi-Autonomous Government Agency under the state department for housing and urban development.

31.Currency

The financial statements are presented in Kenya Shillings (Kshs) rounded to the nearest Kshs.

13. Annexes

Annex 1: Prior Year Auditor-General’s Recommendations

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1071	Delay in completing Mitubiri Sanitary Landfill	Project is 90% complete and partially handed over	Partially Resolved	Expected completion within the DLP period 22 nd December 2025

Guidance Notes:

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



.....
Name
Principal Secretary



.....
Name
Project Coordinator

*Nairobi Metropolitan Services Improvement Project
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Annex 2: Reconciliation of inter-entity transfers

Project Name:				
Break down of transfers from the State Department of Housing and Urban Development:				
a.	Government Counterpart funding			
		Bank Statement Date	Amount (Kshs)	
			-	
			-	
		Total	-	
B.	Direct payments			
		Bank Statement Date	Amount (Kshs)	
			-	
		Total	-	
C.	Others			
		Bank Statement Date	Amount (Kshs)	
			-	
			-	
		Total	-	
		Total (A+B+C)	-	

The above amounts have been communicated to and reconciled with the state department for Housing and urban Development.

Project Coordinator
NaMSIP

Sign 

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

Sign 

Annex 3: Other Support Documents

- i. Signed confirmations from beneficiaries in Transfers to Other Government Entities
- ii. Bank Reconciliations statement as at 30th June 2025
- iii. Board of Survey Report.
- iv. Special Deposit Account(s) reconciliation statement(s)