

REPUBLIC OF KENYA



# REPORT

OF



## THE AUDITOR-GENERAL

ON

### NATIONAL URBAN TRANSPORT IMPROVEMENT PROJECT LOAN NO.5150-KE

### FOR THE YEAR ENDED 30 JUNE, 2025

## KENYA NATIONAL HIGHWAYS AUTHORITY

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 24 FEB 2026	DAY: Tuesday
TABLED BY:	Deputy leader Majority Party Hon. Owen Baya, MP
SECRETARY:	Mr. Benson Inzoga



**MINISTRY OF ROADS & TRANSPORT**



**Kenya National Highways Authority**

Quality Highways, Better Connections

**PROJECT NAME: NATIONAL URBAN TRANSPORT IMPROVEMENT PROJECT**

**IMPLEMENTING ENTITY: KENYA NATIONAL HIGHWAYS AUTHORITY**

**PROJECT CREDIT NUMBER: LOAN ID 5140-KE  
PROJECT NO P-126321**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2025**

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

***National Urban Transport Improvement Project***  
***Annual Report and Financial Statements for the financial year ended June 30, 2025***

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***National Urban Transport Improvement Project***  
***Annual Report and Financial Statements for the financial year ended June 30, 2025***

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***National Urban Transport Improvement Project  
Annual Report and Financial Statements for the financial year ended June 30, 2025***

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<b>Contents</b>	<b>Page</b>
1. Acronyms and Definition of Terms .....	ii
2. Project Information and Overall Performance .....	iii
3. Statement of Performance against Project's Predetermined Objectives .....	viii
4. Environmental and Sustainability Reporting .....	ix
5. Statement of Project Management Responsibilities .....	xii
6. Report of the Independent Auditors on Financial Statement for the National Urban Transport Improvement Project .....	xiii
7. Statement of Financial Performance for the Year Ended 30th June 2025 .....	1
8. Statement of Financial Position as at 30th June 2025 .....	2
9. Statement of Changes in Net Assets .....	3
10. Statement of Cashflow for the Year ended 30th June 2025 .....	4
11. Statement of Comparison of Budget and Actual Amounts for the Year ended 30th June 2025 .....	5
12. Notes to the Financial Statements .....	7
13. Annexes .....	24

***National Urban Transport Improvement Project***  
***Annual Report and Financial Statements for the financial year ended June 30, 2025***

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**1. Acronyms and Definition of Terms**

CBK	Central Bank of Kenya
CPA	Certified Public Accountant
EIK	Environment Institute of Kenya
EXIM	Export – Import
FY	Financial Year
GK	Government of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IDA	International Development Association
IPC	Interim Payment Certificate
IPSAS	International Public Sector Accounting Standards
KeNHA	Kenya National Highways Authority
Kshs.	Kenya Shillings
MoRT	Ministry of Roads and Transport
NUTRIP	National Urban Transport Improvement Project.
PAPs	Project Affected Persons
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
RMB	Renminbi
SDG	Sustainable Development Goals
SDR	Special Drawing Right
TNT	National Treasury
UA	Unit of Account
XDR	Special Drawing Rights

***National Urban Transport Improvement Project***  
***Annual Report and Financial Statements for the financial year ended June 30, 2025***

**2. Project Information and Overall Performance**

**2.1 Name and registered office**

<b>Project Name</b>	National Urban Transport Improvement Project
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<b>Project Objectives</b>	<ul style="list-style-type: none"> <li>a. Improve the efficiency of road transport along the Northern Corridor</li> <li>b. Improve the institutional capacity and arrangements in the urban transport Subsector</li> <li>c. Promote private sector participation in operation, Financing and Management of transport sector</li> </ul>
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<b>Project Registered Office and Physical Location:</b>	The project headquarters offices are at Barabara Plaza, Jomo Kenyatta International Airport, Nairobi, Off Mazao Road (Opposite KCAA Headquarters)
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<b>Project Address</b>	P.O. Box 49712-00100 Nairobi
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<b>Contacts:</b>	Telephone: 020-8013842; Email dg@kenha.co.ke; Website www.kenha.co.ke
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**2.2 Project Information**

<b>Project Start Date:</b>	24 <sup>th</sup> December, 2012
<b>Project End Date:</b>	3 <sup>rd</sup> August, 2020 revised to 24 <sup>th</sup> May 2025
<b>Project Coordinator</b>	Eng. Mutii Kivoto.
<b>Project Development Partner:</b>	<ul style="list-style-type: none"> <li>1. International Development Agency (IDA)</li> <li>2. Government of Kenya</li> </ul>

***National Urban Transport Improvement Project***  
***Annual Report and Financial Statements for the financial year ended June 30, 2025***

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

**2.3 Project Overview**

<b>Line Ministry/State Department</b>	The project is under the supervision of the State Department of Roads under Ministry of Roads & Transport.
<b>Project number</b>	P-126321
<b>Strategic goals of the Project</b>	The strategic goals of the project are as follows: <ol style="list-style-type: none"> <li>1. To Connect Kenya and other Part of East &amp; Central Africa</li> <li>2. Facilitate Trade and movement of people in East and Central Africa by improving the transit time</li> </ol>
<b>Achievement of strategic goals</b>	The project management aims to achieve the goals through the following means: <ol style="list-style-type: none"> <li>1. The Implementation of policy and Institutional reforms in transport Particularly urban Public Transport</li> <li>2. Financing infrastructure improvements to decongest major towns necessary to support Kenya's long-term Development strategy.</li> <li>3. Creation of Institutional capacity to provide oversight and regulatory functions to support the delivery of urban Public the delivery of urban Public Transport Services</li> <li>4. The Preparation of appropriate investment interventions that would promote urban public mass transit systems</li> </ol>
<b>Other important background information of the project</b>	Upgrade the Urban Road Transport Infrastructure (total cost US\$311.15 million, of which IDA US\$223.26 million). Infrastructure (total cost US\$311.15 million, of which IDA US\$223.26 million). This component will involve: <ol style="list-style-type: none"> <li>a. Expanding and upgrading the Northern Corridor Road section through Nairobi from JKIA turnoff to Rironi.</li> <li>b. Constructing and rehabilitating non-motorized transport facilities including foot paths, cycle tracks, pedestrian bridges, and underpasses.</li> </ol>
<b>Current situation that the project was formed to intervene</b>	<ol style="list-style-type: none"> <li>1. Kenya's economic development strategy.</li> <li>2. Address the mounting pressures on the major urban centres, mainly Nairobi, road and related transport infrastructure and laying the foundation for developing an efficient urban public transport system.</li> <li>3. prepare a model mass transport system aimed at providing affordable and efficient public transport services in urban areas particularly for serving the low-income populations, especially in the CBD of Nairobi and along the developed high-density corridors.</li> <li>4. Build the operational and managerial capacity and efficiency of urban transport agencies in dealing with urbanization and transportation.</li> </ol>
<b>Project duration</b>	The project started on 24 <sup>th</sup> December 2012 and was expected to run until 3 <sup>rd</sup> August 2020 with a revised completion date of 24 <sup>th</sup> May 2025.

***National Urban Transport Improvement Project  
Annual Report and Financial Statements for the financial year ended June 30, 2025***

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

**2.4 Bankers**

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

National Bank of Kenya Ltd  
Hill Branch, Nairobi

Kenya Commercial Bank  
JKIA

**2.5 Independent Auditor**

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

**2.6 Roles and Responsibility**

No	Names	Title Designation	Key Qualification	Responsibilities
1	Eng. Henry Gakuru	Director-Development	Registered Civil Engineer	Project Implementing Team Leader
2	Eng. Mutii Kivoto	Deputy Director-Development	Registered Civil Engineer	Team Coordinator & construction Specialist
3	Mr. Walter B. Nyatwang'a	Deputy Director Environment & Social Interests	Registered NEMA Lead expert. Member EIK	Environmental Social Safeguards Specialist
4	CPA Chanje Kera	Deputy Director-Finance	Certified Public Accountant	Project Financial Specialist
5	Ms. Levina K. Wanyonyi	Deputy Director-Supply Chain Management	Registered KISM	Project Procurement Specialist

**National Urban Transport Improvement Project**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**

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

**2.7 Funding summary**

The Project was for duration of 6 years from 24<sup>th</sup> December 2012 to 31<sup>st</sup> December 2018. Revised completion date is on 24<sup>th</sup> May 2025 with an approved budget of XDR 143,990,000 equivalent to Kshs 22,098,145,300 at exchange rate of 153.47 and Kshs.29,862,488,597 payable by the counterpart GoK. The Development Partner was financing 80% of the total sum as highlighted in the table below:

**A. Source of Funds**

Source of funds	Donor Commitment-		Amount received to date (30th June 2025)		Undrawn balance to date	
	XDR	Kshs	XDR	Kshs	XDR	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
<b>(i) Loan</b>						
International Development Association-IDA	143,990,000	22,098,145,300	20,381,065	3,127,882,038	-	-
<b>(ii) Counterpart funds</b>						
Government of Kenya (GOK)	-	29,862,488,597	-	26,983,169,319	-	2,879,319,278
	<b>143,990,000</b>	<b>51,960,633,897</b>	<b>20,381,065</b>	<b>30,111,051,357</b>	<b>-</b>	<b>2,879,319,278</b>

The undrawn balance from the Development Partner was not utilized since the Financing agreement lapsed in the FY 2018/19 prior to project completion.

**B. Application of Funds**

Application of funds	Amount received to date – (30 <sup>th</sup> June 2025)		Cumulative Amount paid to date – (30 <sup>th</sup> June 2025)		Unutilised balance to date (30 <sup>th</sup> June 2025)	
	XDR	Kshs	XDR	Kshs	XDR	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
<b>(i) Loan</b>						
International Development Association - IDA	20,380,780	3,127,882,038	20,380,780	3,127,882,038	-	-
<b>(ii) Counterpart funds</b>						
Government of Kenya	-	26,983,169,319	-	26,666,937,793	-	316,231,526
<b>Total</b>	<b>20,380,780</b>	<b>30,111,051,357</b>	<b>20,380,780</b>	<b>29,794,819,831</b>	<b>-</b>	<b>316,231,526</b>

**National Urban Transport 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:**

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

	2024/2025			cumulative		
	Budget	Actual	%	Budget	Actual	%
	Kshs	Kshs		Kshs	Kshs	
Counterpart Funds-GOK	3,646,708,146	3,613,201,928	99%	32,170,598,221	26,666,937,793	83%
Loan from external Development Partners	-	-		3,127,882,038	3,127,882,038	100%
<b>Total</b>	<b>3,646,708,146</b>	<b>3,613,201,928</b>	<b>99%</b>	<b>35,298,480,259</b>	<b>29,794,819,831</b>	<b>84%</b>

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

The physical progress as at 30<sup>th</sup> June, 2025; The main road and Feeder roads had been taken over which stands at 78.7% of total works. The pending works of 21.3% includes service roads, interchanges, Footbridges, 'drainages, footpaths and street lighting.

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

Financial Year	Budget	Actual	Percentage (%)
FY 2024/25	3,646,708,146	3,613,201,928	99%
FY 2023/24	1,852,689,534	1,766,151,555	95%
FY 2022/23	599,706,956	578,862,597	97%
FY 2021/22	3,179,312,384	3,125,165,761	98%
FY 2020/21	3,469,500,000	3,018,744,042	87%
FY 2019/20	12,869,214,643	12,171,940,286	95%
FY 2018/19	2,290,120,517	2,183,509,920	95%
FY 2017/18	1,421,979,229	937,188,158	66%
FY 2016/17	2,575,190,845	2,005,617,301	78%
FY 2015/16	1,876,020,000	99,005,286	5%
FY 2014/15	178,000,000	121,467,516	68%
FY 2013/14	964,038,005	121,761,932	13%
FY 2012/13	376,000,000	52,203,549	14%
<b>Total</b>	<b>35,298,480,259</b>	<b>29,794,819,831</b>	<b>84%</b>

- iv. The project the following challenges.

- i. Lack of right of way due to inadequate budget
- ii. Delayed funding of GoK component due to inadequate budget

**2.9 Summary of Project compliance: -**

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

**National Urban Transport Improvement Project**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**

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

**Introduction**

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that the Accounting Officer include statement of the national government entity's performance against predetermined objectives at the end of each financial year.

The key development objectives of the project are to:

- a) Improve road transport services along the corridor by reducing travel time and vehicle operating costs.
- b) Mitigating traffic congestion and associated emissions.
- c) Improving road safety along the road.

**Progress on the attainment of Strategic development objectives**

To implement and cascade 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 to track progress and performance measurement: Below we provide the progress on attaining the stated objectives:

Project	Objective	Outcome	Indicator	Performance
National Urban Transport Improvement Project	Improve road transport services along the corridor by reducing travel time and vehicle operating costs.	Reduction in average travel time, vehicle operation cost and accidents between Junction Jomo Kenyatta International Airport (JKIA)- Rironi road.	Time taken to travel from JKIA – Rironi Average vehicle operating costs	The Project is at 78.7% progress.
	Mitigating traffic congestion and associated emissions.	Reduction in average travel time from Junction Jomo Kenyatta International Airport (JKIA)	Reduction in average time taken from JKIA to Rironi	The Project is at 78.7% progress.
	Improving road safety along the road.	Number of road accidents reduced along Junction JKIA-Rironi Road;	Reduction in number of accidents reported	The Project is at 78.7% progress.

#### **4. Environmental and Sustainability Reporting**

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

##### **i. Sustainability strategy and profile**

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

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

##### **ii. Environmental performance**

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

**Environmental and Sustainability reporting (Continued)**

**iii. Employee welfare**

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

**iv. Marketplace practices**

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

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

**b) Responsible ethical practices**

The Authority equally sensitizes staff on anticorruption and integrity issues.

**c) Regulatory impact assessment**

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

Further, the Authority endeavours to honour its contractors and vendors payments through paying within the set payment timelines in the contracts and agreements.

**v. Community Engagements**

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

***National Urban Transport Improvement Project***  
***Annual Report and Financial Statements for the financial year ended June 30, 2025***

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**Environmental and Sustainability reporting (Continued)**

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

The Project has undertaken some CSR activities such as training of unemployed youth, institutional capacity building, monitoring and evaluation, sensitization and awareness and tree planting.

***National Urban Transport Improvement Project***  
***Annual Report and Financial Statements for the financial year ended June 30, 2025***

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**5. Statement of Project Management Responsibilities**

The Director General, KeNHA and the Project Management team leader 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 the financial year ended on June 30, 2025. This responsibility includes (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Director General, KeNHA and the Project Management team leader accept responsibility for the project's Financial Statements, which have been prepared on the accrual Basis Method of Financial Reporting, using appropriate accounting policies in accordance with the International Public Sector Accounting Standards.

The Director General, KeNHA and the Project Management team leader are of the opinion that the Project financial statements give a true and fair view of the state of the Project's transactions during the financial year ended June, 30, 2025 and the Project's financial position as at that date. The Director General, KeNHA and the Project Implementation Team Leader further confirm that completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial Statements as well as on the adequacy of the systems of internal financial control.


The Director General, KeNHA and the Project Implementation Team Leader confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year under audit are used for the eligible purposes for which they were intended and were properly accounted for.

**Approval of the Project financial statements**

The project financial statements were approved by the Director General, KeNHA and the Project Implementation Team Leader 27 June 2025 and signed by:



Eng. Luka Kimeli  
Ag. Director General



Eng. Henry Gakuru  
Director, Development

# REPUBLIC OF KENYA

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NAIROBI

## REPORT OF THE AUDITOR-GENERAL ON NATIONAL URBAN TRANSPORT IMPROVEMENT PROJECT LOAN NO.5150-KE FOR THE YEAR ENDED 30 JUNE, 2025 – KENYA NATIONAL HIGHWAYS AUTHORITY

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### PREAMBLE

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

- A. Report on 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 National Urban Transport Improvement project-KENHA set out on pages 1 to 27, which comprise of the statement of financial position as at 30 June, 2025, and the statement of

performance, statement of changes in net assets, statement of cash flows and the 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 National Urban Transport 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 between the International Development Agency (IDA) and the Republic of Kenya dated 26 September, 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 National Urban Transport 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 Account Payables**

The statement of financial position and as disclose in Note 9 to the financial statements reflects an amount of Kshs.2,472,242,309 in respect of trade and other payables. The pending bills included an amount of Kshs.302,395,889 which has been outstanding for a long time some dating back to September, 2022.

Delayed settlement of the pending bills may result to loss of public funds due to accrued penalties and interest costs on long outstanding amounts. Further, failure to clear pending bills in the year to which they relate distorts the budget of the following year as they constitute a first charge on that budget.

#### **2. Low Absorption of Project Funds**

I draw your attention to paragraph 2.7 on Funding Summary which showed that the Project was for a six (6) year period and with total funding commitments amount of Kshs.22,098,145,300 and Kshs.29,862,488,597 from the development partner (Donor)

and Government of Kenya (GOK) respectively, all totaling to Kshs.51,960,633,897. However, the Project had drawn only an amount of Kshs.3,127,882,038 or 16 % of the total donor funding as 30 June, 2025 compared to 100% project period lapse an indication of very low project funds absorption.

In the circumstances, the credit lapsed without being fully utilized and the project's planned deliverables earmarked for completion had not been realized.

### **Key Audit Matters**

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

### **Other Matter**

#### **Unresolved Prior Year Matters**

In the prior year audit report, three issues were raised under the Emphasis of Matter and Report on Report on Lawfulness and Effectiveness in Use of Public Resources. These include long outstanding pending bill, low absorption of Project funds and delayed Project implementation. Review of the status during audit of the Project in 2024/2025 revealed that the matters remained unresolved.

### **Other Information**

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

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

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 conclusion 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 matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

## **Basis for Conclusion**

### **1. Delayed Project Implementation**

Management entered into a contract between Kenya National Highways Authority and a contractor for rehabilitation and capacity enhancement of James Gichuru Road Junction to Rironi Highway (A104) at a cost of Kshs.16,366,586,563 (inclusive of taxes) for a period of thirty-six (36) with a twelve (12) months defect liability period (DLP) commencing on 03 August, 2017 and original expected completion date was 03 August, 2021. The contract sum was later varied to a sum of Kshs.20,414,794,998 and the contract period extended several times by fifty-four (54) months to an expected completion date of 19 February, 2026. However, review of monthly progress report for June, 2025, revealed that works completed (physical progress) was at 78% against time elapsed of 94% indicating that the project implementation is behind schedule.

Field inspection carried out in September, 2025 revealed that the contractor was on site and major works were confirmed ongoing. However, the following unsatisfactory issues were noted; Major pending works on (service roads, street lighting and foot bridges), sustainability issues as the donor credit was terminated, poor coordination between County Government of Kiambu and the Authority whereby land marked for the road by the Authority is also targeted for construction of a level 3 hospital by the County Government at Gichuru Zambezi and trader road encroachment at Kangemi interchange.

### **2. Delayed Payments to Persons Affected by the Project (PAPs)**

The statement of financial position and as disclosed in Note 9 to the financial statements reflects amount of Kshs.2,472,242,309 in respect of trade and other payables. Include in the amount is long outstanding balance of Kshs.85,485,483 relating to compensation of persons affected by implementation of the project (PAPs). Delayed settlement of this amount contravenes section 111 of the Land Act, 2012 that states that If land is acquired compulsorily under this Act, just compensation shall be paid promptly in full to all persons whose interests in the land have been determined.

In the circumstances, Management was in breach of the law.

### **3. Avoidable Interest Cost**

The statement of financial position and as disclosed in Note 9 to the financial statements reflects trade and other payables balance of Kshs.2,472,242,309. The trade and other payables balance includes an amount of Kshs.555,004,119 in respect of interest on delayed settlement of pending bills amounting to Kshs.2,472,242,309. The claims on interest accrued on delayed payments could have been avoided if outstanding bills was settled when due.

Further, trade and other payables includes an amount of Kshs.582,691,256 in respect of Interim Certificate number 55 dated 05 March, 2025 resulting from foreign exchange loss due to exchange rate fluctuations over time and delayed implementation of the Project which resulted to increase of avoidable costs in form of interest and exchange loss thus denying the public benefits that could have accrued from the avoidable expenditure. In the circumstances, value for money was not realized on the interest charge incurred.

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

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

##### **Conclusion**

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

##### **Basis for Conclusion**

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

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

##### **Conclusion**

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

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;

- ii. In my opinion, adequate accounting records have been kept by the Project, so far as appears from the examination of those records; and,
- iii. The Projects 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 Management and those Charged with Governance**

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

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

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 57 of the Public Audit Act, 2015.

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

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

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

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards 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 also 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/>. This description forms part of my auditor's report.

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

**Nairobi**

**26 November, 2025**

**National Urban Transport Improvement Project**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**

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

	2024/25	2023/24
<b>Revenue</b>		
Revenue Transfers	6	-
Miscellaneous Revenue		-
<b>Total revenue</b>		-
<b>Expenses</b>		
Employee costs		-
Use of goods and services		-
Depreciation and amortization expense		-
Transfer to other Government Entities		-
Other Transfers/Subsidies/Grants		-
Certified Works		-
<b>Total expenses</b>		-
Other gains/Losses		-
Gain/Loss on sale of Assets		-
Gain/Loss on foreign exchange transactions		-
<b>Impairment Loss</b>		-
<b>Surplus/ (deficit)</b>		-

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

  
 Eng. Luka Kimeli  
 Ag. Director General

  
 Eng. Henry Gakuru  
 Director, Development

  
 CPA Isaac Kimani Karumba  
 Ag. Deputy Director (F&A)  
 ICPAK Member No: 3321

27 AUG 2025  
 Date

27 AUG 2025  
 Date

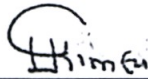
27 AUG 2025  
 Date

**National Urban Transport Improvement Project**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**

**8. Statement of Financial Position as at 30th June 2025**

	Note	30/06/2025	30/06/2024
		Kshs	Kshs
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash equivalents	7	357,252,002	123,412,955
Prepayment		-	-
<b>Total Current Assets</b>		<b>357,252,002</b>	<b>123,412,955</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	8	32,091,459,682	30,591,069,910
<b>Total Non- Current Assets</b>		<b>32,091,459,682</b>	<b>30,591,069,910</b>
<b>Total Assets (a)</b>		<b>32,448,711,684</b>	<b>30,714,482,865</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and Other Payables	9	2,472,242,309	4,585,054,465
Third Party Deposits	10	41,020,476	57,181,429
<b>Total Current Liabilities</b>		<b>2,513,262,785</b>	<b>4,642,235,894</b>
<b>Total Liabilities (b)</b>		<b>2,513,262,785</b>	<b>4,642,235,894</b>
<b>Net Assets (a-b)</b>		<b>29,935,448,899</b>	<b>26,072,246,971</b>
<b>Represented By:</b>			
Accumulated Surplus		66,231,526	66,231,526
Capital Grant		29,869,217,373	26,006,015,445
<b>Total Net Assets</b>		<b>29,935,448,899</b>	<b>26,072,246,971</b>

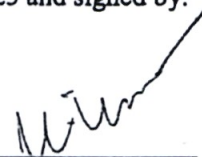
The financial statements were approved on 27 AUG 2025 2025 and signed by:



Eng. Luka Kimeli  
 Ag. Director General



Eng. Henry Gakuru  
 Director Development



CPA Isaac Kimani Karumba  
 Ag. Deputy Director (F&A)  
 ICPAK Member No: 3321

**National Urban Transport Improvement Project**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**

**9. Statement of Changes in Net Assets**

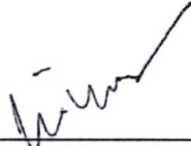
Description	Capital Grant	Accumulated Surplus	Total
	Kshs	Kshs	Kshs
As at 30 <sup>th</sup> June 2024 (Cash Basis)	-	66,231,526	66,231,526
Adjustments:			
Asset Recognition	30,591,069,910	-	30,591,069,910
Liabilities recognition	(4,585,054,465)	-	(4,585,054,465)
As at 1 <sup>st</sup> July 2024	26,006,015,445	66,231,526	26,072,246,971
Capital Grant for the year	3,863,201,928	-	3,863,201,928
Surplus/(Deficit) for the year	-	-	-
	3,863,201,928	-	3,863,201,928
As at 30 <sup>th</sup> June 2025	29,869,217,373	66,231,526	29,935,448,899

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

The financial statements were approved on 27<sup>th</sup> June 2025 2025 and signed by:

  
 Eng. Luka Kimeli  
 Ag. Director General

  
 Eng. Henry Gakuru  
 Director Development

  
 CPA Isaac Kimani Karumba  
 Ag. Deputy Director (F&A)  
 ICPAK Member No: 3321

**National Urban Transport Improvement Project**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**

**10. Statement of Cashflow for the Year ended 30th June 2025**

Description	Note	FY 2024-25 Kshs
<b>Cashflow from operating activities</b>		
<b>Receipts</b>		
Revenue Transfers	6	-
<b>Total receipts</b>		-
<b>Payments</b>		
Use of goods and services		-
<b>Total payments</b>		-
<b>Net cash flow from operating activities</b>		-
<b>Cashflow from investing activities</b>		
Acquisition of non-financial assets		(3,629,362,881)
Proceeds from sale of Assets		-
Acquisition of Intangible assets		-
<b>Net cash flows from investing activities</b>		(3,629,362,881)
<b>Cash flow from financing activities</b>		
Capital Fund-Gok Counter funding	6 (a)	3,863,201,928
<b>Net cash flow from financing activities</b>		<b>3,863,201,928</b>
Net increase/Decrease in cash and cash equivalents		233,839,047
<b>Cash and cash equivalent at 1<sup>st</sup> July 2024</b>	<b>7</b>	<b>123,412,955</b>
<b>Cash and cash equivalent at end June 2025</b>	<b>7</b>	<b>357,252,002</b>

**11. 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 %
	Kshs	Kshs	Kshs	Kshs	Kshs	
<b>Budget Carry Overs from previous periods</b>	-	66,231,526	66,231,526	66,231,526	-	100%
<b>Receipts</b>						
Revenue Transfers -GoK	675,000,000	2,971,708,146	3,646,708,146	3,863,201,928	(216,493,782)	106%
Revenue Transfers -Direct	-	-	-	-	-	-
<b>Total Revenue</b>	<b>675,000,000</b>	<b>3,037,939,672</b>	<b>3,712,939,672</b>	<b>3,929,433,454</b>	<b>(216,493,782)</b>	<b>-</b>
<b>Payments</b>						
Use of goods and services				-		
Acquisition of non-financial assets	675,000,000	3,037,939,672	3,712,939,672	3,613,201,928	99,737,744	97%
<b>Total Payments</b>	<b>675,000,000</b>	<b>3,037,939,672</b>	<b>3,712,939,672</b>	<b>3,613,201,928</b>	<b>99,737,744</b>	<b>97%</b>
<b>Surplus</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>316,231,526</b>	<b>(316,231,526)</b>	

**Notes**

**1. Final Budget vs. 3rd Supplementary Budget**

The revenue transfers reflected in the GOK Final Budget are higher than the 3rd Supplementary Budget due to the receipt of **Kshs. 2,940,214,364** during the financial year. These funds were specifically allocated for bridge settlement to offset long-standing outstanding bills

**2. Utilization Rate Exceeding 100% (106%)**

The 106% utilization rate is attributed to the fact that the entity had received the full allocation as per the 2nd Supplementary Budget. Subsequently, the 3rd Supplementary Budget—which was approved later—revised the budget downwards. Since the funds had already been received and utilized based on the earlier budget, the utilization appears to exceed 100%.

*National Urban Transport Improvement Project*  
*Annual Report and Financial Statements for the financial year ended June 30, 2025*

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**Budget Reconciliation**

	<b>Description of Particulars</b>	<b>Amount in Kshs</b>
	<b>Actual Surplus Amounts as per the statement of Budget</b>	<b>316,231,526</b>
1	Retention monies held in the bank as at 30 <sup>th</sup> June 2025	41,020,476
	<b>Closing Cash and Cash Equivalent as per the statement of Cash flows</b>	<b>357,252,002</b>

**National Urban Transport Improvement Project**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**

**12. Notes to the Financial Statements**

**1. General Information**

Kenya National Highways Authority is established by and derives its authority and accountability from Kenya Roads Act of 2007. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is the development, rehabilitation, management and maintenance of all National Trunk Roads comprising of Class S, A, and B roads.

**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).

These financial statements were authorized for issue by the accounting officer on 27 AUG 2025

**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><b>Applicable 1<sup>st</sup> January 2025</b></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 cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p><i>The project does not anticipate that the standard will have any impact on the operations and reporting.</i></p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The Standard requires,</p> <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>The project does not anticipate that the standard will have any impact on the operations and reporting.</i></p>

**National Urban Transport Improvement Project**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**

Standard	Effective date and impact:
IPSAS 45- Property Plant and Equipment	<p><b>Applicable 1<sup>st</sup> January 2025</b></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>The project does not anticipate that the standard will have any impact on the operations and reporting.</i></p>
IPSAS 46 Measurement	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ol style="list-style-type: none"> <li>i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.</li> <li>ii. Clarifying transaction costs guidance to enhance consistency across IPSAS;</li> <li>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</li> </ol> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> <p><i>The project does not anticipate that the standard will have any impact on the operations and reporting.</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	<p><b>Applicable 1<sup>st</sup> January 2026</b></p>

**National Urban Transport Improvement Project**  
**Annual Report and Financial Statements for the financial 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>The project does not anticipate that the standard will have any impact on the operations and reporting.</i></p>
<p>IPSAS 48- Transfer Expenses</p>	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b></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>The project does not anticipate that the standard will have any impact on the operations and reporting.</i></p>
<p>IPSAS 49- Retirement Benefit Plans</p>	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b></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>The project does not anticipate that the standard will have any impact on the operations and reporting.</i></p>
<p>IPSAS 50: Exploration For &amp; Evaluation of</p>	<p><b><i>Applicable 1<sup>st</sup> January 2027</i></b></p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ol style="list-style-type: none"> <li>i. Limited improvements to existing accounting practices for exploration and evaluation expenditures.</li> </ol>

***National Urban Transport Improvement Project  
Annual Report and Financial Statements for the financial year ended June 30, 2025***

Standard	Effective date and impact:
Mineral Resources	<ul style="list-style-type: none"> <li data-bbox="459 394 1335 501">ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26.</li> <li data-bbox="459 501 1335 689">iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.</li> </ul> <p data-bbox="459 696 1335 768"><i>The project does not anticipate that the standard will have any impact on the operations and reporting.</i></p>

***iii. Early adoption of standards***

The project did not early – adopt any new or amended standards in the financial year .

***National Urban Transport Improvement Project***  
***Annual Report and Financial Statements for the financial year ended June 30, 2025***

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**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 National Assembly on 28th January 2024. 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 ***Kshs.3,294,433,454*** 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 5 under section *II* of these financial statements.

***National Urban Transport Improvement Project***  
***Annual Report and Financial Statements for the financial year ended June 30, 2025***

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**Notes to the 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 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.

**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

**Notes to the financial statements**

**f) Research and development costs**

The Project expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Project 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.

**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 Project and a financial liability or equity instrument of another Project. At initial recognition, the Project 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 Project 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 cashflows and selling.

***National Urban Transport Improvement Project***  
***Annual Report and Financial Statements for the financial year ended June 30, 2025***

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**Notes to the financial statements**

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.

**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 Project 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 Project 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 Project recognizes a loss allowance for such losses at each reporting date. The project did not have any impairment during the financial year.

***National Urban Transport Improvement Project***  
***Annual Report and Financial Statements for the financial year ended June 30, 2025***

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**Notes to the financial statements**

***Financial liabilities***

***Classification***

The Project 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.

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 Project.

**i) Provisions**

Provisions are recognized when the Project 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 Project 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 *Project* 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.

***National Urban Transport Improvement Project***  
***Annual Report and Financial Statements for the financial year ended June 30, 2025***

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**Notes to the financial statements**

***Contingent assets***

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

**j) Nature and purpose of reserves**

The Authority creates and maintains reserves in terms of specific requirements. The Authority maintains grants and surplus reserves. The grant reserves are exchequer and donor funds received from the Government and Development Partners for development of roads. The surplus reserve represents the surplus or deficit of internally generated funds against the project operation expenses and transfers. The exchequer and Development partner funds are capitalized in the statement of financial position. However, the portion of exchequer and Development Partner funds spent on non-capital items or project expenses is transferred to recurrent transfers and treated as recurrent government grants and development partner grants and expenditures accordingly

**k) Changes in accounting policies and estimates**

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

**l) Employee benefits**

**Retirement benefit plans**

The project does not employ project specific employees hence does not maintain retirement benefit Plans.

**m) Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. At each reporting date, foreign currency monetary items are translated using the closing rate. Non-monetary items measured in historical cost are translated using the exchange rate at the date of the transaction, and those measured at fair value are translated using the exchange rates at the date when the fair value was determined. Exchange differences arising from the settlement of monetary items or translation of monetary/non-monetary items at rates different from those at which they were initially reported are recognized in surplus or deficit in the period.

***National Urban Transport Improvement Project***  
***Annual Report and Financial Statements for the financial year ended June 30, 2025***

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**Notes to the financial statements**

**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 Project 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

**p) Service concession arrangements**

The Project 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 project 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 Project 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.

***National Urban Transport Improvement Project***  
***Annual Report and Financial Statements for the financial year ended June 30, 2025***

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**Notes to the financial statements**

**5. Significant Judgments and Sources of Estimation Uncertainty**

The preparation of the Project's 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 Project 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 Project. 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 Project
- 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. There were no additional provisions made in the financial year.

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.

**National Urban Transport Improvement Project**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**

**Notes to the Financial Statements**

**6. Revenue Transfers**

Description	FY 2024/25
	KShs
<b>Unconditional Transfers</b>	
GoK Counter Part funding	922,987,564
Transfers from Development partners	-
<i>Other unconditional transfers (Bridge Settlement Financing)</i>	2,940,214,364
<b>Total Unconditional Transfers (a)</b>	<b>3,863,201,928</b>
<b>Conditional Transfers</b>	
Transfers from Development partners (AfDB)	-
Transfers from Development partner 2	-
<i>Other conditional transfers (specify)</i>	-
<b>Total Conditional Transfers (b)</b>	<b>-</b>
<b>Total Transfers for the Year (a + b)</b>	<b>3,863,201,928</b>

**a) Details to Revenue Transfer**

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
State Department of Roads GOK Funding	-	-	3,863,201,928	3,863,201,928
African Development Bank	-	-	-	-
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>3,863,201,928</b>	<b>3,863,201,928</b>
Deferred Income realized	-	-	-	-
Transfers in Kind	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>3,863,201,928</b>	<b>3,863,201,928</b>

**7. Cash and Cash Equivalent**

Description	FY 2024/25	1 <sup>st</sup> July
	Kshs	Kshs
Cash in Bank	357,252,002	123,412,955
<b>Total Cash and Cash Equivalent</b>	<b>357,252,002</b>	<b>123,412,955</b>

**National Urban Transport Improvement Project**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**

**Notes to the Financial Statements**

**Project Bank Accounts**

Details	FY 2024/25	1 <sup>st</sup> July 2024
	Kshs	Kshs
<b>Local Currency Accounts</b>		
Co-operative Bank of Kenya [A/c No.01141160979900]	316,231,526	66,231,526
National Bank of Kenya Ltd. [A/c No. 0100132733200]	41,020,476	57,181,429
KCB Revenue [A/c No.1274695775]	-	-
<b>Total bank account balances</b>	<b><u>357,252,002</u></b>	<b><u>123,412,955</u></b>

**8. Property, Plant & Equipment**

Cost	Other Assets	Capital	Total
	Land	Work in progress	
	Kshs	Kshs	Kshs
<b>Depreciation rate</b>			
<b>As At 1 July 2024 (opening balances)</b>	<b>12,575,575,637</b>	<b>18,015,494,273</b>	<b>30,591,069,910</b>
Additions	29,744,970	1,806,994,456	1,836,739,426
Disposals	-	-	-
Transfers/Adjustments	156,919,491	(493,269,145)	(336,349,653.77)
<b>As at 30<sup>th</sup> June 2025</b>	<b>12,762,240,098</b>	<b>19,329,219,584</b>	<b>32,091,459,682</b>
<b>Depreciation And Impairment</b>			
<b>As at 1 July 2025</b>	-	-	-
Depreciation charge for the year	-	-	-
Impairment loss	-	-	-
Transfers/ Adjustments	-	-	-
<b>As At 30<sup>th</sup> June 2025</b>	-	-	-
<b>Net Book Values</b>			
<b>As at 1<sup>st</sup> July 2024</b>	<b>12,575,575,637</b>	<b>18,015,494,273</b>	<b>30,591,069,910</b>
<b>As at 30<sup>th</sup> June 2025</b>	<b>12,762,240,098.00</b>	<b>19,329,219,584</b>	<b>32,091,459,682</b>

**National Urban Transport Improvement Project**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**

**Notes to the Financial Statements**

**9. Trade and Other Payable**

Description	FY 2024/25		1 <sup>st</sup> July 2024	
	Kshs		Kshs	
Trade payables	2,472,242,309		4,585,054,465	
<b>Total trade and other payables</b>	<b>2,472,242,309</b>		<b>4,585,054,465</b>	
<b>Ageing analysis: (Trade and other payables)</b>	<b>Current FY</b>	<b>% of the Total</b>	<b>Comparative FY</b>	<b>% of the Total</b>
Under one year	2,169,846,420	88%	-	0%
1-2 years	103,316,143	4%	-	0%
2-3 years	143,339,233	6%	-	0%
Over 3 years	55,740,513	2%	4,585,054,465	100%
<b>Total (tie to above total)</b>	<b>2,472,242,309</b>		<b>4,585,054,465</b>	

**10. Third -Party Deposits**

Description	FY 2024/25		1 <sup>st</sup> July 2024	
	Kshs		Kshs	
Contractor's Retention	41,020,476		57,181,429	
<b>Total deposits</b>	<b>41,020,476</b>		<b>57,181,429</b>	
<b>Ageing analysis: (Refundable deposits)</b>	<b>Current FY</b>	<b>% of the Total</b>	<b>Comparative FY</b>	<b>% of the Total</b>
<b>Under one year</b>	-	0%	16,160,956	28%
1-2 years	-	0%	1,964,779	4%
2-3 years	1,964,779	5%	39,055,697	68%
Over 3 years	39,055,697	95%	-	0%
<b>Total</b>	<b>41,020,476</b>		<b>57,181,432</b>	

**National Urban Transport Improvement Project**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**

**Notes to the Financial Statements**

**11. Cash Generated from Operations**

Description	FY 2024/25
	Kshs
<b>Surplus/Deficit for the year</b>	-
<b>Adjusted for:</b>	
Depreciation	-
Non-cash grants received	-
Impairment	-
Gains and losses on disposal of assets	-
<b>Working capital adjustments</b>	
Increase in inventory	-
Increase in receivables	-
Increase in deferred income	-
Increase in payables	-
Increase in payments received in advance	-
<b>Net cash flow from operating activities</b>	-

**12. Related Party Disclosures**

Description	FY 2024/2025
	Kshs
<b>Transactions with related parties</b>	
<b>a) Sales to related parties</b>	
Sales of electricity to govt agencies	-
<b>Total</b>	-
<b>B) purchases from related parties</b>	
Purchases of electricity from KPLC	-
<b>Total</b>	-
<b>b) Grants /transfers from the government</b>	
Grants from national govt	3,863,201,928
Grants from county government	-
Donations in kind	-
<b>Total</b>	<b>3,863,201,928</b>
<b>c) Expenses incurred on behalf of related party</b>	
Payments of salaries and wages for xxx employees	-
Payments for goods and services for FY 2024/2025	3,613,201,928
<b>Total</b>	<b>3,613,201,928</b>
<b>d) Key management compensation</b>	
Directors' emoluments	-
Compensation to key management	-
<b>Total</b>	-

***National Urban Transport Improvement Project***  
***Annual Report and Financial Statements for the financial year ended June 30, 2025***

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**13. Events after the Reporting Period**

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

**14. Ultimate and Holding Entity**

The Entity is a State Corporation under the Ministry of Roads and Transport. Its ultimate parent is the Government of Kenya.

**15. Currency**

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

**National Urban Transport Improvement Project**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**

**13. Annexes**

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

Ref No.	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
1	<p><b><u>Emphasis of Matter</u></b></p> <p><b>Long Outstanding Pending Bills</b>            Note 12 under other important disclosures to the financial statements reflects pending accounts payables balance of Kshs.4,585,054,465 as analyzed in Annex 4 which comprises of Kshs.2,789,191,279 for construction of civil works and Kshs.1,795,863,186 for land compensation. The pending bills have been outstanding for long some dating back to May, 2019. No explanation was given on why the pending bills did not form first charge in the subsequent years as provided for in Regulation 42(1)(a) of Public Finance Management (National Government) Regulations, 2015. Delayed settlement of the pending bills may result to loss of public funds due to accrued penalties and interest costs on unpaid amounts. Further, failure to clear pending bills in the year to which they relate distorts the budget of the following year as they constitute a first charge on that budget</p>	<p>We note the audit observation that as at 30 June 2024 the pending bills amounted to Kshs.4,585,054,465 and that they are long outstanding.</p> <p>We wish to clarify that the pending bills are as a result of inadequate GoK budgetary allocations in the current and prior financial years.</p> <p>The Authority has, however, managed to reduce the pending bill from Kshs. 4,585,054,465 to Kshs.2,472,242,310 in FY 2024/2025.</p> <p>The Authority will continue to closely liaise</p> <p>In addition, the Authority has managed to secure budget allocation and settle pending bills amounting to Kshs. 245,225782 in the current FY 2024/2025.</p> <p>We wish to further clarify that the pending bills have formed first charge to the budget allocated in the subsequent financial years. However, the budget allocation has not been sufficient to settle the cumulative outstanding pending bills with more billing added as works progress.</p>	Not Resolved	Continuous

**National Urban Transport Improvement Project**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**

Ref No.	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
2	<p><b><u>Low Absorption of Project Funds</u></b></p> <p>Review of the financial statements and as disclosed under project information and overall performance in Note 2.7 on Funding Summary indicates that the Project was for a six (6) year period and funding commitments of Kshs.19,140,160,545 and Kshs.29,862,488,597 from the development partner (Donor) and Government of Kenya (GOK) respectively, all totalling Kshs.49,002,649,142. However, the Project had drawn only an amount of Kshs.3,127,882,038 or 16 % of the total donor funding as 30 June, 2024 compared with 100% project period elapsed an indication of very low project funds absorption. In the circumstances, the credit may lapse without being fully utilized and the Project's planned deliverables earmarked for completion with the funding may not be realized</p>	<p>We note the audit observation that the financial statements disclose in Note 2.7 on Funding Summary that the Project was for a six (6) year period and funding commitments of Kshs.19,140,160,545 and Kshs.29,862,488,597 from the development partner (Donor) and Government of Kenya (GOK) respectively, all totalling Kshs.49,002,649,142 yet the Project had drawn only an amount of Kshs.3,127,882,038 or 16 % of the total donor funding as 30 June, 2024 compared with 100% project period elapsed an indication of very low project funds absorption. We wish to clarify that this is because the credit facility by the World Bank had been cancelled on 21 December 2018.</p>	Not Resolved	Continuous
3	<p><b>Other Matter</b></p> <p><b>Unresolved Prior Year Matters</b></p> <p>In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resource, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management had not resolved the issues as at 30 June, 2024.</p>	<p>We note the audit observation.</p> <p>We wish to clarify that the Authority has appeared before the Public Accounts Committee and made its submissions on all matters raised by the Auditor General on the Project financial statements up to FY 2021/22.</p>	Not Resolved	Continuous


**National Urban Transport Improvement Project**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**

Ref No.	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
4	<p><b>Basis for Conclusion</b></p> <p><b>Delayed Project Implementation</b></p> <p>Management entered into a contract between Kenya National Highways Authority and a contractor for rehabilitation and capacity enhancement of James Gichuru Road Junction to Rironi Highway (A104) at a cost of Kshs.16,366,586,563 (inclusive of taxes) and for a period of thirty-six (36) months plus twelve (12) months defect liability period. The contract sum was later revised to a sum of Kshs.20,414,794,998 and contract period was extended by four (4) years and nine (9) months ending 24 March, 2024. However, review of monthly progress report for June, 2024, revealed that works completed (physical progress) was at 74% against the planned physical progress of 100%. Further, the amount of works certified to date is Kshs.15,754,005,980 or 77% of the total contract sum while an amount of Kshs.12,871,647,971 had been paid. The time elapsed was eighty-three (83) months or 101.4% of the contract period.</p> <p>Further, field inspection carried out on 13 September, 2024 revealed that the contractor was on site but the following works were still pending four (4) months after the set completion date; structural works - Kangemi bridge (km 323+505); approximately 32km of service roads; 20.5km of interchange slip roads; 20no. foot bridges; approximately 30km of u-drains; 50km of footpaths and streetlighting; 4km Nairobi School internal access road network; 250 metres Kenya Forestry Research Institution (KEFRI) Muguga</p>	<p>We note the audit observation that the physical progress of the project is at 74% against planned progress of 100% as at June 2024.</p> <p>We wish to clarify that this was majorly occasioned by the cancellation of credit facility on the 21 December 2018 thereby transferring the sole responsibility of financing the project to the Government of Kenya.</p> <p>Further to this, the project has experienced inadequate GoK resources as a result of inadequate budget allocations to the project over the years.</p> <p>The Authority will continue to closely liaise with the Parent Ministry and the National Treasury for additional budgetary allocation and timely release of Exchequer to complete the pending works.</p> <p>We note the audit observation.</p> <p>We clarify that as at September, 2024 some works were yet to be completed however as at May 2025 the status was as below</p> <ul style="list-style-type: none"> <li>i. Approximately 32km of service roads:</li> <li>ii. 20.5km of interchange slip roads</li> <li>iii. 20no. foot bridges</li> <li>iv. Approximately 30km of u-drains</li> <li>v. 50km of footpaths and streetlighting</li> </ul>	Not Resolved	Continuous

**National Urban Transport Improvement Project**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**

Ref No.	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
	<p>station internal access road network and parking; improvement of Kangemi and Kinoo markets in conjunction with the County Governments of Kiambu and Nairobi as proposed in the resettlement action plan prepared for the project.</p> <p>In addition, as at time of physical verification, September, 2024, the project had accumulated Interest on delayed Payments amounting to Kshs.1,247,395,801 that could have otherwise been avoided. Delay in completion of the road projects will lead to increase in avoidable costs of interest and penalties on delayed payments as well as deny the public the benefits that would have accrued from the completed project.</p> <p>In the circumstances, value for money of Kshs.12,871,647,971 already incurred could not be confirmed</p>	<p>vi. 4km Nairobi School internal access road network;</p> <p>vii. 250 meters Kenya Forestry Research Institution (KEFRI) Muguga station internal access road network and parking;</p> <p>viii. Improvement of Kangemi and Kinoo markets in conjunction with the County Governments of Kiambu and Nairobi as proposed in the resettlement action plan prepared for the project</p> <p>We note the audit observation</p> <p>We however wish to note that interest on delayed payment is a contractual obligation provided for in the contract agreement which the contractor opted to raise as a result of delays in settling the pending bills.</p> <p>The Authority will continue to closely liaise with the Parent Ministry and the National Treasury for additional budgetary allocation and timely release of Exchequer.</p>		

  
**Eng. Luka Kimeli**  
**Ag. Director General**

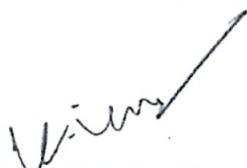
  
**Eng. Henry Gakuru**  
**Director, Development**

**National Urban Transport Improvement Project**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**

**Annex 2: Reconciliation of Inter -Entity Transfers.**

	<b>Project Name:</b>	<b>National Urban Transport Improvement Project</b>		
<b>Break down of Transfers from the State Department of Roads</b>				
<b>A.</b>	<b>Government Counterpart Funding</b>			
		<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>	<u>FY to which the amounts relate</u>
		1-Jul-24	922,987,564	FY 2024/25
	<b>Total</b>	<b>Total</b>	<b>922,987,564</b>	
<b>B.</b>	<b>Direct Payments</b>			
			-	
			-	
		<b>Total</b>	<b>-</b>	
<b>C.</b>	<b>Others</b>			
	Bridge Financing		2,940,214,364	
			-	
		<b>Total</b>	<b>2,940,214,364</b>	
		<b>Total (A+B+C)</b>	<b>3,863,201,928</b>	

  
**Eng. Luka Kimeli**  
**Ag. Director General**

  
**CPA Isaac Kimani Karumba**  
**Ag. Deputy Director (F&A)**  
**ICPAK No.3321**

**Annex 4 – Summary of Fixed Asset Register**

Asset class	Historical Cost b/f	Additions during the year	Disposals during the year	Transfers in/(out) during the year	Historical Cost c/f
	(KSh)	(KSh)	(KSh)	(KSh)	(KSh)
	2023-2024	2024-2025	2024-2025	2024-2025	2024-2025
	(a)	(c)	(d)	(e)	(f)= (a)+ (b)+(c)-(d)+(-)e
Land	12,575,575,637	-	-	336,349,654	12,239,225,983
Work in Progress	18,015,494,273	1,836,739,426	-	-	19,852,233,699
<b>Total</b>	<b>30,591,069,910</b>	<b>1,836,739,426</b>	<b>-</b>	<b>336,349,654</b>	<b>32,091,459,682</b>

**Annex 5– Analysis of Pending Bills**

Supplier of Goods/Services	Date Invoiced	Original Amount	Amount Paid To-Date	Outstanding Balance	Outstanding Balance	Comments
				2024-2025	2023-2024	
		a	b	c=a-b		
<b>Sub-total</b>		-	-	-	-	
<b>Civil Works</b>						
China Wu Yi	13-May-19	274,970,290	274,970,290	-	10,807,346	13
China Wu Yi	10-Mar-20	246,877,905	246,877,905	-	32,658,141	21
China Wu Yi	10-Feb-20	220,048,438	220,048,438	-	54,744,157	22
China Wu Yi	14-Aug-20	458,625,512	458,625,512	-	72,961,359	23
China Wu Yi	30-Oct-21	377,068,167	377,068,167	-	51,079,691	37
China Wu Yi	29-Jan-22	622,746,556	622,746,556	-	224,704,448	40
China Wu Yi	21-Apr-22	412,242,311	412,242,311	-	342,161,118	41
China Wu Yi	23-May-22	550,003,726	550,003,726	-	464,635,343	42
China Wu Yi	30-Sept-22	231,990,443	88,651,210	143,339,233	231,990,443	43
China Wu Yi	19-Jan-23	113,686,749	113,686,749	-	113,686,749	44
China Wu Yi	19-Jan-23	91,146,855	91,146,855	-	91,146,855	45
China Wu Yi	22-Oct-23	161,312,684	161,312,684	-	161,312,684	46

***National Urban Transport Improvement Project***  
***Annual Report and Financial Statements for the financial year ended June 30, 2025***

China Wu Yi	09-Dec-23	93,901,380	52,375,508	41,525,872	93,901,380	47
China Wu Yi	19-Feb-24	510,294,570	448,504,299	61,790,271	510,294,570	48
China Wu Yi	24-Aug-24	188,852,462	-	188,852,462	188,852,462	49
China Wu Yi	02-Jul-24	144,254,533	-	144,254,533	144,254,533	50
China Wu Yi	03-Oct-24	109,592,727	-	109,592,727	-	51
China Wu Yi	03-Oct-24	544,383,731	-	544,383,731	-	52
China Wu Yi	18-Jun-25	70,778,475	-	70,778,475	-	53
China Wu Yi	6 Feb 2025	415,451,794	-	415,451,794	-	54
China Wu Yi	13 Mar 2025	582,691,256	-	582,691,256	-	55
China Wu Yi	9 May 2025	30,693,374	-	30,693,374	-	56
China Wu Yi	9 May 2025	53,403,098	-	53,403,098	-	57
<b>Sub-total</b>		<b>6,505,017,036</b>	<b>4,118,260,210</b>	<b>2,386,756,827</b>	<b>2,789,191,279</b>	
<b>Land Compensation</b>						
National Land Commission		12,762,240,098	12,676,754,615	85,485,483	1,795,863,186	
<b>Grand-Total</b>		<b>19,267,257,134</b>	<b>16,795,014,824</b>	<b>2,472,242,310</b>	<b>4,585,054,465</b>	