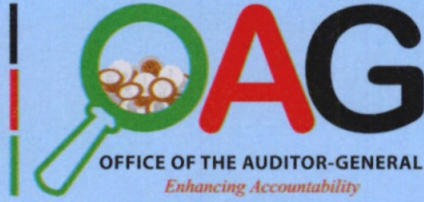


REPUBLIC OF KENYA



REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

# REPORT

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ON

NAIROBI OUTERING ROAD IMPROVEMENT  
PROJECT (AFDB)

FOR THE YEAR ENDED  
30 JUNE, 2025

**KENYA URBAN ROADS AUTHORITY**

|   |  |                 |
|---|--|-----------------|
| <br>NATIONAL ASSEMBLY<br>PAPERS LAID |  |                 |
| DATE:   | 24 FEB 2026  | DAY:<br>Tuesday |
| TABLED BY:  | Deputy leader Majority Party<br>Hon. Owen Baya, MP |                 |
| CLERK-AT-TABLE:   | Mr. Benson Inzofu                                  |                 |



AFRICAN DEVELOPMENT BANK GROUP

# NAIROBI OUTER RING ROAD IMPROVEMENT PROJECT

KENYA URBAN ROADS AUTHORITY

IDENTIFICATION NUMBER: P-KE-DB0-020

LOAN NUMBER. 2100150030144  
GRANT NUMBER. 2100155026117

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

3 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)

***Nairobi Outer Ring Road 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                                |
| ICPAK          | Institute of Certified Public Accountants of Kenya   |
| IMF            | International Monetary Fund                          |
| IPSAS          | International Public Sector Accounting Standards     |
| CT             | County Treasury                                      |
| NT             | National Treasury                                    |
| PFM            | Public Finance Management.                           |
| PSASB          | Public Sector Accounting Standards Board             |
| WB             | World Bank   |
| Comparative FY | Financial year preceding the current financial year. |
| KURA           | Kenya Urban Roads Authority                          |
| ITS            | Intelligent Transportation System                    |
| GoK            | Government of Kenya                                  |
| AfDB           | African Development Bank                             |
| KRB            | Kenya Roads Board                                    |



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

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

#### **Name**

The project's official name is Nairobi Outer Ring Road Improvement Project, Project Identification Number: P-KE-DB0-020)

#### **Objective**

The key objectives of the project are:

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

#### **Address**

The project headquarters offices are:

**Block D, Barabara Plaza  
Mazao Road, Off Airport South Road  
Nairobi, Kenya**

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

P.O. Box: 41727 – 00100 Nairobi

Telephone: (254) 020 8013844

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

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



## Project information and overall performance (continued)

### 2.2 Project Information

|                              |                                  |
|------------------------------|----------------------------------|
| Project Start Date:          | 17 <sup>th</sup> September, 2014 |
| Project End Date:            | 30 <sup>th</sup> September, 2019 |
| Project Coordinator:         | Eng. J. M. Onyinkwa              |
| Project Development Partner: | African Development Bank         |

### 2.3 Project Overview

|  |   |
|--|---|
| Line Ministry/<br>State departments                              | Ministry of Roads and Transport /<br>State Department of Roads  |
| Project Number   | Loan Number. 2100150030144<br>Grant Number. 2100155026117   |
| Strategic goals of the project                                   | <p>The strategic goals of the project are reduction of road transport costs within the Nairobi Metropolitan Region. This is manifested through the following anticipated outcomes: -</p> <ul style="list-style-type: none"> <li>(i) Shorter travel time at off peak hours;</li> <li>(ii) Security, safety and convenience of pedestrians and bicycle users due to construction of Non- Motorised Transport facilities</li> <li>(iii) Improved accessibility of logistics contributing to the growth of regional economy;</li> <li>(iv) Addressing the traffic congestion problem, both motorized and non-motorized traffic</li> <li>(v) Provide for improvement of social and environmental issues along the project roads</li> </ul> |
| Summary of Project Strategies for achievement of strategic goals | <p>The project management aims to achieve the goals through the following means:</p> <ul style="list-style-type: none"> <li>(i) <b>Construction, Civil Works:</b><br/>The project works component for dualling of Outer Ring Road, construction of fresh produce market and</li> </ul>  |



|  |   |
|--|---|
|  | <p>traffic flow enhancement works at Thika Road and Eastern Bypass.</p> <p>(ii) <b>Consultancy Supervision Services:</b><br/>Project design review and supervision services.</p> <p>(iii) <b>Utility Relocation and Shifting:</b><br/>Relocation of electricity supply lines, telecom systems, relocation of water and sewage and water pipelines to align with the new road layout.</p> <p>(iv) <b>Traffic Management:</b><br/>Phased traffic diversion plans to minimize disruptions during construction and Installation of temporary pedestrian crossings and reflective tapes on hoarding for safety.</p> <p>(v) <b>Quality Assurance and Testing:</b><br/>Carrying out tests for materials and the works and compliance with environmental regulations.</p> <p>(vi) <b>Technical Assistance for Traffic management:</b><br/>Consultancy for provision of Technical Assistance on Traffic Management.</p> <p>(vii) <b>Baseline data collection, HIV/AIDS and safety awareness:</b><br/>Services for Baseline Data Collection, Road Safety Awareness and Auditing Services</p> <p>(viii) <b>Urban roads maintenance strategy:</b><br/>Provision of consultancy services for development of Urban Roads Maintenance Strategy</p> <p>(ix) <b>Technical Audit:</b><br/>Provision of Consultancy services for Technical Audit and Value for Money on the project.</p> |
| <p>Other important background information of the project</p> | <p>Total Project size<br/>Civil works contract including Fresh Produce Market - Kshs. 11.74 Billion<br/>Consultancy Service contract - USD: 6,209,955.05 and Kshs: 3,930,500.00</p> <p>Project Categories<br/>1. Civil Works for Nairobi Outer Ring Road improvement project<br/>2. Consultancy Services<br/>a. Construction supervision<br/>b. Technical Assistance for Traffic management<br/>c. Baseline data collection, HIV/AIDS and safety awareness</p>  |



|  |   |
|--|---|
|  | <p>d. Urban roads maintenance strategy<br/>e. Technical Audit<br/>f. Consultancy for 2nd Runway Detailed Design JKIA and its Upgrade and Rehabilitation of Aircraft Pavements at JKIA<br/>3.Capacity Building through Training for Youth Empowerment</p>    |
| Areas that the project was formed to intervene | <p>The project was formed to intervene in the following areas:</p> <ul style="list-style-type: none"> <li>• Traffic congestion</li> <li>• social and environmental issues along the project roads</li> </ul>  |
| Project duration                               | <p>The project loan and grant components started on 17th September, 2014 and were expected to run until September, 2017. The loan component was extended to end on 30th September, 2019 while the Grant component was extended to end in December, 2023</p> |

## 2.4 Bankers

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

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

} *Account closed in FY 2022/2023*

## 2.5 Independent Auditor

Office of the Auditor General (OAG)



## 2.6 Roles and Responsibilities

This is the list of the different people who are working on the project. This list includes the project coordinator and all the key officers involved.

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



## 2.7 Funding summary

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

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



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

Below is the funding summary:

**A. Source of Funds**

| Source of funds                | Donor Commitment-  |                       | Amount received to date –<br>(20 June 2025) |                       | Exchange<br>Rate<br>differences | Undrawn balance<br>to date |                |
|--------------------------------|--------------------|-----------------------|---|-----------------------|---------------------------------|----------------------------|----------------|
|                                | <i>UA</i>          | <i>KShs</i>           | <i>UA</i>                                   | <i>KShs</i>           |                                 | <i>UA</i>                  | <i>KShs</i>    |
|                                | <i>(A)</i>         |                       | <i>(B)</i>                                  | <i>(B')</i>           |                                 | <i>(A)-(B)</i>             | <i>(A)-(B)</i> |
| <b>(i) Grant</b>               |                    |                       |   |                       |                                 |                            |                |
| African Development Bank       | 560,000            | 79,600,000            | 541,519                                     | 78,918,303            | -                               | 18,481                     | 681,697        |
| <b>(ii) Loan</b>               |                    |                       |   |                       |                                 |                            |                |
| African Development Bank       | 77,040,000         | 11,030,000,000        | 77,038,502                                  | 9,816,965,320         | 1,213,034,680                   | 1,498                      | 187,342        |
| <b>(iii) Counterpart funds</b> |                    |                       |   |                       |                                 |                            |                |
| Government of Kenya            | 54,299,805         | 7,718,129,549         | 54,299,805                                  | 7,718,129,549         | -                               | -                          | -              |
| <b>Total</b>                   | <b>131,899,805</b> | <b>18,827,729,549</b> | <b>131,879,826</b>                          | <b>17,614,013,172</b> | <b>1,213,034,680</b>            | <b>19,979</b>              | <b>869,039</b> |



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

**B. Application of Funds**

| Source of funds                | Amount received to date –<br>(20 June 2025) |                       | Cumulative amount paid to<br>date – (30th June 2025) |                       | Unutilised balance<br>to date<br>– (30th June 2025) |          |
|--------------------------------|---|-----------------------|--|-----------------------|---|----------|
|                                | <i>UA</i>                                   | <i>KShs</i>           |  |                       |   |          |
|                                | <i>(B)</i>                                  | <i>(B')</i>           |  |                       |   |          |
| <b>(i) Grant</b>               |   |                       |  |                       |   |          |
| African Development Bank       | 541,519                                     | 78,918,303            | 541,519  | 78,918,303            | -   | -        |
| <b>(ii) Loan</b>               |   |                       |  |                       |   |          |
| African Development Bank       | 77,038,502                                  | 9,816,965,320         | 77,038,502   | 9,816,965,320         | -   | -        |
| <b>(iii) Counterpart funds</b> |   |                       |  |                       |   |          |
| Government of Kenya            | 54,299,805                                  | 7,718,129,549         | 54,299,805   | 7,718,129,549         | -   | -        |
| <b>Total</b>                   | <b>131,879,826</b>                          | <b>17,614,013,172</b> | <b>131,879,826</b>                                   | <b>17,614,013,172</b> | <b>0</b>  | <b>0</b> |



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

### **2.8 Summary of Overall Project Performance:**

#### ***i) Budget performance***

All project components under the Nairobi Outer Ring Road Improvement project have been completed. The works component which was the major component was completed in the FY ending April, 2021.

The project however has outstanding bills in the 12 months to 30<sup>th</sup> June, 2025 which are to be fully financed by the GoK counterpart budget.

The project's development partner funding was exhausted and therefore there were no budgetary provisions in ended June 2025. The GoK counterpart funding had an initial budgetary allocation of 90 million which was later revised to 46 million.

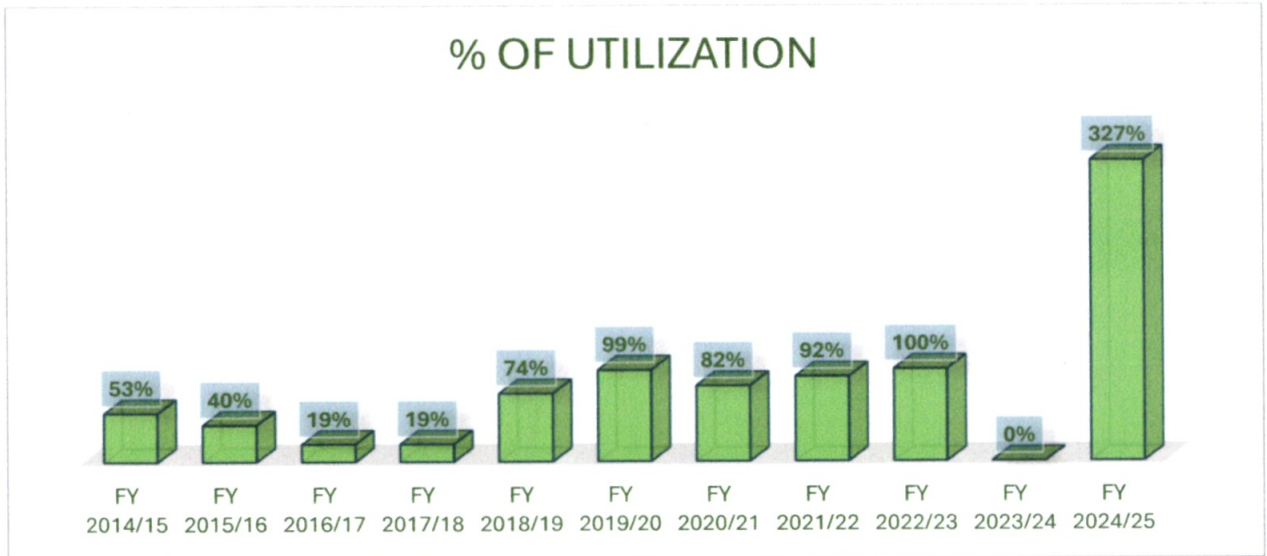
The government through Kenya Roads Board (KRB) raised funds through the securitization program towards settlement of pending bills accumulated as at 31<sup>st</sup> December, 2024. The project received Kshs. 151,105,054 towards settlement of part of the outstanding payments which were duly settled.

#### ***ii) Physical progress***

All the components for the Nairobi Outer Ring Road Improvement Project main components were completed in previous Financial Year ended 30<sup>th</sup> June 2021 and the overall progress was at 100%.

#### ***iii) Budget Absorption rate***

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



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

**a) Relocation of services and presence of underground utilities such as KPC pipeline**

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

**b) Land acquisition**

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

**c) Institutional co-operation**

The road required to pass through or over other services owned by different institutions such as Kenya Railways Corporation, Kenya Pipeline Company and Nairobi water and Sewerage Company. The KPC company came up with the



requirement for the protection of their pipes before any construction could be allowed as these pipes carried hazardous materials which if broken could cause death. These pipes also required relocation which also had an impact on contractor's finance and program and any construction on this pipe required their supervision. The Kenya railways on the other hand had their requirements in relation to the rail tracks running parallel to the road. In places like Tajmall where the road passes over their tracks, the flyover support structures.

**d) Site space and legal battles.**

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

**e) Heavy traffic during work**

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

**f) Damages to completed work and vandalism**

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

All the project challenges have been resolved through enhanced co-ordination between the project Implementation Team and other government agencies and also through



continuous community engagements. Resolving of the challenges has enabled achievement of the intended project road and other components.

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

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



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

#### **Introduction**

*Section 81(2)(f) /Section 164 (2)(f)* of the Public Finance Management Act, 2012, requires that the Accounting Officer include a statement of the national government entity's performance against predetermined objectives at the end of each financial year.

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

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

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

Progress on attainment of strategic development objectives

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

Below, we provide the progress on attaining the stated objectives identified to track progress and performance measurement:

*Nairobi Outer Ring Road Improvement Project  
Annual Report and Financial Statements  
For the financial year ended June 30, 2025*



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



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

##### **1. Sustainability Strategy and Profile**

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

##### **2. Environmental Performance**

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



### **3. Employee Welfare**

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

### **4. Market Place Practices-**

#### **a) Responsible Supply Chain and Supplier Relations-**

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

#### **b) Responsible Ethical Practices**

The Authority has established responsible ethical practises by having an anti-corruption policy in place and ensuring all Staff commit to the Authority's code of conduct and declare conflict of interest. Also the Authority ensures that staff working in the projects receive competitive wage



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

### **c) Regulatory Impact Assessment**

The Project will ensure that all its activities carried out are within the laws of the Republic of Kenya and that all regulations and procedures have been followed. Among the regulations include the Environmental and Social Impact Assessment (ESIA) for which authority has to be in place for the implementation of the project. In cases of inconsistency between the GOK Regulations and those of the development partner the latter have been applied.

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

## **5. Community Engagements**

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



## 5. Statement of Project Management Responsibilities

The **Director General, Kenya Urban Roads Authority** and the **Project Coordinator** for **Nairobi Outer Ring Road Improvement Project**, are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for the Year 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 (v) Making accounting estimates that are reasonable in the circumstances.

The **Director General, Kenya Urban Roads Authority** and the **Project Coordinator** for **Nairobi Outer Ring Road Improvement Project**, 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 International Public Sector Accounting Standards.

The **Director General, Kenya Urban Roads Authority** and the **Project Coordinator** for **Nairobi Outer Ring Road Improvement Project**, are of the opinion that the Project's financial statements give a true and fair view of the state of the Project's transactions during the Year ended June 30, 2025, and of the Project's financial position as at that date. The **Director General, Kenya Urban Roads Authority** and the **Project Coordinator** for **Nairobi Outer Ring Road Improvement Project**, further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements and the adequacy of the systems of internal financial control.

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The **Director General, Kenya Urban Roads Authority** and the **Project Coordinator** for **Nairobi Outer Ring Road Improvement Project**, confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants and that Project funds received during the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

**Approval of the Project Financial Statements**

The Project financial statements were approved by the **Director General, Kenya Urban Roads Authority** and the **Project Coordinator** for **Nairobi Outer Ring Road Improvement Project** on 12<sup>th</sup> August, 2025 and signed by:

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

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

# REPUBLIC OF KENYA

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**HEADQUARTERS**  
Anniversary Towers  
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NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON NAIROBI OUTERING ROAD IMPROVEMENT PROJECT (AFDB) FOR THE YEAR ENDED 30 JUNE, 2025 - KENYA URBAN ROADS AUTHORITY**

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### **PREAMBLE**

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

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

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

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

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

#### **Opinion**

I have audited the accompanying transitional IPSAS financial statements of Nairobi Outering Road Improvement Project (AfDB)- KURA set out on pages I to 26, which

comprise of the statement of financial position as at 30 June, 2025 and the statement of statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the transitional IPSAS financial statements present fairly, in all material respects, the financial position of Nairobi Outer Ring Road 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 and comply with the Public Finance Management Act, 2012 and the Financing Agreement No.2100150030144 dated 27 January, 2014 between the Republic of Kenya and the African Development Fund; The National Treasury Circular No. 3 of 14 April, 2025.

### **Basis for Opinion**

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

### **Emphasis of Matter**

#### **1. Long Outstanding Pending Accounts Payables**

The statement of financial position and as disclosed in Note 10 to the financial statements reflects an amount of Kshs.695,093,569 in respect of accounts payables. Included in the balance are amounts of Kshs.694,569,169 and Kshs.524,400 in respect of construction of civil works and consultancy services, respectively. Although the statement of financial position showed a decrease in payables from Kshs.846,198,623 by an amount of Kshs.151,105,054, the balance of Kshs.695,093,569 has been outstanding for a long time and the Project is at risk of incurring additional costs in form of interest and penalties due to failure to settle Project costs as when due.

#### **2. Lack of Project Closure Report**

Paragraph 2.2 on Project Information in the financial statements indicates that the Project start date was 17 September, 2014 and Project end date was 30 September, 2019 and the completion date was revised to 25 April, 2020 which has also lapsed.

Further, Paragraph 2.7A on Funding Summary (Source of Funds) indicates that the Project had an approved budget of UA 560,000 equivalent to Kshs.79,600,000 to be

financed by African Development Bank as a Grant and UA 77,040,000 equivalent to Kshs.11,030,000,000 to be financed by the African Development Bank as a loan while an amount of UA 54,299,805 equivalent to Kshs.7,718,129,549 was to be financed as counterpart fundings by the Government of Kenya. The paragraph further indicated that the project period lapsed with undrawn amounts of Kshs.681,697 and Kshs.187,342 totaling to Kshs.869,039 from Africa Development Bank grants and loan respectively.

In addition, Paragraph 2.8 on Summary of Overall Project indicates that all the components of the Project were completed in the financial year ended 30 June, 2021 and the overall progress was at 100%. However, the Project closure report was not provided for audit. Management did not provide an explanation for the failure to close the Project, over three (4) years after the completion date.

### **3. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis amounts of Kshs.46,250,000 and Kshs.151,105,054 respectively, resulting to an over-funding of Kshs.104,855,054 or 227% of the budget. However, the Project spent Kshs.151,105,054 against actual receipt Kshs.151,105,054 or 100% of the total receipt.

My opinion is not modified in respect of this matter.

#### **Key Audit Matters**

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

#### **Other Matter**

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

In the prior year audit report, two issues were raised under the Emphasis of Matter. These include long outstanding pending accounts payable and lack of project closure report. Review of the status during the audit of the Project in 2024/2025 revealed that issues remained unresolved.

#### **Other Information**

The Management responsible for the Other Information set out on page iii to xxii 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, I confirm that nothing 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**

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

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

### **Conclusion**

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

### **Basis for Conclusion**

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

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### **Conclusion**

As required by the Financing Agreement No.2100150030144 between the Republic of Kenya and the African Development Fund, I report, based on my audit, that:

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

- ii. Adequate accounting records have been kept by the Project, so far as appears from the examination of those records; and,
- iii. The Project's financial statements are in agreement with the accounting records and returns.

### **Basis for Conclusion**

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

### **Responsibilities of 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 as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 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(5) 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 58 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

**Nairobi**

**28 November, 2025**

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

|  | Notes | FY 2024/2025<br>Kshs |
|--|-------|----------------------|
| <b>Revenue</b>                             |       |                      |
| Revenue Transfers                          | 6     | 151,105,054          |
| Miscellaneous Revenue                      |       |                      |
| <b>Total revenue</b>                       |       | <b>151,105,054</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                            | 7     | 151,105,054          |
| <b>Total expenses</b>                      |       | <b>151,105,054</b>   |
| <b>Other gains/(losses)</b>                |       |                      |
| Gain/Loss on sale of assets                |       |                      |
| Gain/Loss on foreign exchange transactions |       |                      |
| Impairment loss                            |       |                      |
| <b>Surplus/ (deficit)</b>                  |       | <b>-</b>             |

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

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

Eng Justus M. Onyinkwa  
**Project Manager**

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

*(Paragraph 79 of IPSAS 33 allows for the election by an entity to present one statement of financial performance, one statement of cash flow, one statement of net assets and the statement of financial position, and an opening statement of financial position at the time of adoption of the accrual basis of accounting. In preparing this financial reporting template, this election has been made; therefore, there are no comparatives in the first year of transition.)*

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**8. Statement of Financial Position as at 30<sup>th</sup> June 2025**

|                                  | Note | FY 2024/2025          | 1 <sup>st</sup> July 2024 |
|----------------------------------|------|-----------------------|---------------------------|
|                                  |      | Kshs                  | Kshs                      |
| <b>Assets</b>                    |      |                       |                           |
| <b>Current Assets</b>            |      |                       |                           |
| Cash and Cash equivalents        |      |                       |                           |
| Receivables                      | 8    | 695,093,569           | 846,198,623               |
| Inventories                      |      |                       |                           |
| Prepayment                       |      |                       |                           |
| <b>Total Current Assets</b>      |      | <b>695,093,569</b>    | <b>846,198,623</b>        |
| <b>Non-Current Assets</b>        |      |                       |                           |
| Infrastructure Work in Progress  | 9    | 18,270,184,276        | 18,270,184,276            |
| Intangible Assets                |      |                       |                           |
| <b>Total Non- Current Assets</b> |      | <b>18,270,184,276</b> | <b>18,270,184,276</b>     |
| <b>Total Assets (a)</b>          |      | <b>18,965,277,845</b> | <b>19,116,382,899</b>     |
| <b>Liabilities</b>               |      |                       |                           |
| <b>Current Liabilities</b>       |      |                       |                           |
| Trade and Other Payables         | 10   | 695,093,569           | 846,198,623               |
| Third Party Deposits             |      |                       |                           |
| Deferred Income                  |      |                       |                           |
| <b>Total Current Liabilities</b> |      | <b>695,093,569</b>    | <b>846,198,623</b>        |
| <b>Total Liabilities (b)</b>     |      | <b>695,093,569</b>    | <b>846,198,623</b>        |
| <b>Net Assets (a-b)</b>          |      | <b>18,270,184,276</b> | <b>18,270,184,276</b>     |
| <b>Represented By:</b>           |      |                       |                           |
| Accumulated Surplus              |      |                       |                           |
| Project Reserve fund             |      | 18,270,184,276        | 18,270,184,276            |
| <b>Total Net Assets</b>          |      | <b>18,270,184,276</b> | <b>18,270,184,276</b>     |

The financial statements were approved on 12<sup>th</sup> August, 2025 and signed by:

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

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

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



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

| Description                                   | Accumulated Surplus   |
|---|-----------------------|
|   | Kshs                  |
| As at 30 <sup>th</sup> June 2024 (Cash Basis) | -                     |
| Adjustments:                                  |                       |
| Asset Recognition                             | 18,965,277,845        |
| Liabilities recognition                       | (695,093,569)         |
| <b>As at 1<sup>st</sup> July 2024</b>         | <b>18,270,184,276</b> |
| Surplus/(Deficit) for the year                | -                     |
| <b>As at 30<sup>th</sup> June 2025</b>        | <b>18,270,184,276</b> |

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

The financial statements were approved on **12<sup>th</sup> August, 2025** and signed by:

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

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

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



**10. Statement of Cashflow for the Year ended 30<sup>th</sup> June 2025**

| Description   | Note | FY 2024/2025         |
|---|------|----------------------|
|   |      | Kshs                 |
| <b>Cashflow from operating activities</b>                   |      |                      |
| <b>Receipts</b>   |      |                      |
| Revenue Transfers   |      | 151,105,054          |
| Miscellaneous Revenue                                       |      |                      |
| <b>Total receipts</b>                                       |      | <b>151,105,054</b>   |
| <b>Payments</b>   |      |                      |
| Employee costs  |      |                      |
| Use of goods and services                                   |      |                      |
| Transfer to other Government Entities                       |      |                      |
| Other Transfers/Subsidies/Grants                            |      |                      |
| Certified Works   |      | 144,863,862          |
| Consultancy Services  |      | 6,241,192            |
| <b>Total payments</b>                                       |      | <b>151,105,054</b>   |
| <b>Net cash flow from operating activities</b>              |      | <b>-</b>             |
| <b>Cashflow from investing activities</b>                   |      |                      |
| infrastructure Work in Progress                             |      | (151,105,054)        |
| Proceeds from sale of Assets                                |      | -                    |
| Acquisition of Intangible assets                            |      | -                    |
| <b>Net cash flows from investing activities</b>             |      | <b>(151,105,054)</b> |
| <b>Cash flow from financing activities</b>                  |      |                      |
| Proceeds from <i>from Exchequer</i>                         |      | 151,105,054          |
| Proceeds from foreign borrowings                            |      | -                    |
| <b>Net cash flow from financing activities</b>              |      | <b>151,105,054</b>   |
| Net increase/Decrease in cash and cash equivalents          |      | -                    |
| <b>Cash and cash equivalent at 1<sup>st</sup> July 2024</b> |      | <b>-</b>             |
| <b>Cash and cash equivalent at end June 2025</b>            |      | <b>-</b>             |



11. Statement of Comparison of Budget and Actual Amounts for the Year ended 30<sup>th</sup> 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> | -                 | -                   | -                 | -                          | -                             |                  |
| <b>Receipts</b>                                 |                   |                     |                   |                            |                               |                  |
| Revenue Transfers                               | 96,765,592        | (50,515,592)        | 46,250,000        | 151,105,054                | (104,855,054)                 | 327%             |
| Miscellaneous Revenue                           | -                 | -                   | -                 | -                          | -                             |                  |
| <b>Total Revenue</b>                            | <b>96,765,592</b> | <b>(50,515,592)</b> | <b>46,250,000</b> | <b>151,105,054</b>         | <b>(104,855,054)</b>          | <b>327%</b>      |
| <b>Payments</b>                                 |                   |                     |                   |                            |                               |                  |
| Employee costs                                  | -                 | -                   | -                 | -                          | -                             |                  |
| Use of goods and services                       | -                 | -                   | -                 | -                          | -                             |                  |
| Transfer to other Government Entities           | -                 | -                   | -                 | -                          | -                             |                  |
| Other Transfers/Subsidies/Grants                | -                 | -                   | -                 | -                          | -                             |                  |
| Certified Works                                 | 96,765,592        | (50,515,592)        | 46,250,000        | 151,105,054                | (104,855,054)                 | 327%             |
| <b>Total Payments</b>                           | <b>96,765,592</b> | <b>(50,515,592)</b> | <b>46,250,000</b> | <b>151,105,054</b>         | <b>(104,855,054)</b>          | <b>327%</b>      |
| <b>Surplus</b>                                  | -                 | -                   | -                 | 0                          | (0)                           | 0%               |

Budget notes

1. The project received special funding towards settlement of outstanding amounts out of the securitization funding from Kenya Roads Board (KRB). The special funds were allocated additionally to the approved budget therefore creating the over-utilization.



**Budget Reconciliation**

|   | Description of Particulars  | Amount in Kshs |
|---|---|----------------|
|   | Actual Surplus Amounts as per the statement of Budget               | -              |
| 1 | Reason for differences  | N/A            |
|   | Closing Cash and Cash Equivalent as per the statement of Cash flows | -              |



## 12. Notes to the Financial Statements

### 1. General Information

Kenya Urban Roads 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 managing, developing, rehabilitating, and maintaining national urban 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 12<sup>th</sup> August, 2025

### 3. Adoption of New and Revised Standards

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

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

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| Standard                                     | Effective date and impact:  |
|--|---|
|  | 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.  |
| IPSAS 45-<br>Property Plant<br>and Equipment | <p><b><i>Applicable 1<sup>st</sup> January 2025</i></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> |
| IPSAS 46<br>Measurement                      | <p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul 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> </ul> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>  |

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

| <b>Standard</b>  | <b>Effective date and impact:</b>  |
|--|--|
| IPSAS 47-<br>Revenue   | <b>Applicable 1<sup>st</sup> January 2026</b><br><br>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.  |
| IPSAS 48-<br>Transfer<br>Expenses  | <b>Applicable 1<sup>st</sup> January 2026</b><br><br>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.  |
| IPSAS 49-<br>Retirement<br>Benefit Plans                                   | <b>Applicable 1<sup>st</sup> January 2026</b><br><br>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.   |
| IPSAS 50:<br>Exploration<br>For &<br>Evaluation of<br>Mineral<br>Resources | <b>Applicable 1<sup>st</sup> January 2027</b><br><br>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:<br><ul style="list-style-type: none"> <li>i. Limited improvements to existing accounting practices for exploration and evaluation expenditures.</li> <li>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>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> |



**iii) Early adoption of standards**

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

**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 25<sup>th</sup> June, 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 on the FY 2024/2025 budget following the National Assembly approval of three supplementary estimates and Board's budget approval including additional funding towards settlement of outstanding bills through securitization/ bridge facility. 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 6** under **Statement of Comparison of Budget and Actual Amounts for the Yearended 30th June 2025** of these financial statements.

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**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.

**Notes to the financial statements**

**d) Leases**

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

**e) Intangible assets**

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

**f) Research and development costs**

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



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

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

#### **g) Financial instruments**

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

#### **Financial assets**

##### **Classification**

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

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through net assets/ equity unless an entity has made an irrevocable election at initial recognition for particular investments in equity instruments.

**Subsequent measurement**

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

**Amortized cost**

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



## **Notes to the financial statements**

### **Fair value through net assets/ equity**

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

### **Fair value through surplus or deficit**

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

### **Trade and other receivables**

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

### **Impairment**

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date.

### **Financial liabilities**

#### **Classification**

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

#### **h) Inventories**

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

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

- Raw materials: purchase cost using the weighted average cost method.

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- 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 *Entity*.

**i) Provisions**

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

**Contingent liabilities**

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

**Contingent assets**

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



## Notes to the financial statements

### j) Nature and purpose of reserves

Kenya Urban Roads Authority creates and maintains reserves in terms of specific requirements. The project does not have reserves.

### k) Changes in accounting policies and estimates

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

### l) Employee benefits

#### Retirement benefit plans

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

### 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.

### n) Borrowing costs

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

**o) Related parties**

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

**p) Service concession arrangements**

Kenya Urban Roads Authority (KURA) 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, KURA 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, KURA 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 Yearended June 30, 2025.



## Notes to the financial statements

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

The preparation of the *Entity'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 Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

#### Useful lives and residual values

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

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

#### Provisions

Provisions 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.

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**Notes to the financial statements**

**6. Revenue Transfers**

| Description                                 | FY 2024/2025<br>KShs |
|---|----------------------|
| <b>Unconditional Transfers</b>              |                      |
| GoK Counter Part funding                    | -                    |
| Transfers from Development partners         | -                    |
| Special Funding-Bridge Settlement-KRB       | 151,105,054          |
| <b>Total Unconditional Transfers (a)</b>    | <b>151,105,054</b>   |
| <b>Conditional Transfers</b>                |                      |
| Transfers from Development partners 1       |                      |
| <b>Total Conditional Transfers (b)</b>      | -                    |
| <b>Total Transfers for the Year (a + b)</b> | <b>151,105,054</b>   |

The development partner funding was towards the advance payment for the project works component and also payment of the consultant's fee note. GoK Counterpart funding was towards the consultant's invoices.

**a) Details to Revenue Transfers**

| Name of The Entity Transferring                              | Amount recognized to Statement of Financial performance | Amount deferred under deferred income. | Amount moved to Capital fund | Total transfers (Current FY) |
|--|---|--|------------------------------|------------------------------|
|  | Kshs  | Kshs                                   | Kshs                         | Kshs                         |
| GOK Funding ( <i>Special Funding-Bridge Settlement-KRB</i> ) | 151,105,054   |  |                              | 151,105,054                  |
| Development Partner - ( <i>African Development Bank</i> )    | -   |  |                              | -                            |
|  |   |  |                              | -                            |
| <b>Subtotal</b>  | 151,105,054   | -                                      | -                            | 151,105,054                  |
| Deferred Income realized                                     |   |  |                              | -                            |
| Transfers in Kind  |   |  |                              | -                            |
| <b>Total</b>   | <b>151,105,054</b>                                      | -                                      | -                            | <b>151,105,054</b>           |

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**7. Certified Works**

| Description   | FY 2024/25         |
|---|--------------------|
|   | Kshs               |
| Supervision of Road Works   | -                  |
| Consultancy Serices -Technical Audit, Baseline Data & Road Safety, Traffic Management Study, JKIA Runway Design | 6,241,192          |
| Construction of roads   | 144,863,862        |
| Acquisition of land/ Relocation of Services   | -                  |
| <b>Total</b>  | <b>151,105,054</b> |

**8. Receivables**

| Description                   | FY 2024/2025       | 1 <sup>st</sup> July 2024 |
|-------------------------------|--------------------|---------------------------|
|                               | Kshs               | Kshs                      |
| Contractor's Advance payments | -                  |                           |
| GoK Revenue                   | 695,093,569        |                           |
| <b>Total Receivables</b>      | <b>695,093,569</b> | <b>-</b>                  |

The counterpart funding receivable relates to Exchequer funds requested in FY 2024/2025 and had not been received by the close of the FY.

The contractor receivable is advance paid against a bank guarantee issued by the project contractor.

**Ageing analysis for Receivables**

| Description        | FY 2024/2025       |                | 1 <sup>st</sup> July 2024 |                |
|--------------------|--------------------|----------------|---------------------------|----------------|
|                    | Kshs               |                | Kshs                      |                |
|                    | Current FY         | % of the total | Comparative FY            | % of the total |
| Less than 1 year   | -                  | 0%             | -                         | 0%             |
| Between 1- 2 years |                    | 0%             | -                         | 0%             |
| Between 2-3 years  |                    | 0%             |                           | 0%             |
| Over 3 years       | 695,093,569        | 100%           | 846,198,623               | 100%           |
| <b>Total (a+b)</b> | <b>695,093,569</b> | <b>100%</b>    | <b>846,198,623</b>        | <b>100%</b>    |

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

**9. Infrastructure Work in Progress**

| Cost  | Capital Work in progress | Total                 |
|---|--------------------------|-----------------------|
|   | Kshs                     | Kshs                  |
| <b>Depreciation rate</b>                    |                          |                       |
| <b>As At 1 July 2024 (opening balances)</b> | <b>18,270,184,276</b>    | <b>18,270,184,276</b> |
| Additions                                   |                          | -                     |
| Disposals                                   |                          | -                     |
| Transfers/Adjustments                       |                          | -                     |
| <b>As at 30<sup>th</sup> June 2025</b>      | <b>18,270,184,276</b>    | <b>18,270,184,276</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>-</b>                 | <b>-</b>              |
|   |                          |                       |
| <b>Net Book Values</b>                      |                          |                       |
| <b>As at 1<sup>st</sup> July 2024</b>       | <b>18,270,184,276</b>    | <b>18,270,184,276</b> |
| <b>As at 30<sup>th</sup> June 2025</b>      | <b>18,270,184,276</b>    | <b>18,270,184,276</b> |

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

**10. Trade and Other Payables**

| Description  | FY 2024/2025       |                       | 1 <sup>st</sup> July 2024     |                       |
|--|--------------------|-----------------------|-------------------------------|-----------------------|
|  | Kshs               |                       | Kshs                          |                       |
| Project Civil Works                                | 694,569,169        |                       | 839,433,031                   |                       |
| Project Consultancy Services                       | 524,400            |                       | 6,765,592                     |                       |
| <b>Total trade and other payables</b>              | <b>695,093,569</b> |                       | <b>846,198,623</b>            |                       |
|  |                    |                       |                               |                       |
| <b>Ageing analysis: (Trade and other payables)</b> | <b>Current FY</b>  | <b>% of the Total</b> | <b>Comparative FY 2023/24</b> | <b>% of the Total</b> |
| Under one year                                     |                    | 0%                    |                               | %                     |
| 1-2 years  |                    | %                     |                               | %                     |
| 2-3 years  |                    | %                     |                               | %                     |
| Over 3 years                                       | 695,093,569        | 100%                  | 846,198,623                   | 100%                  |
| <b>Total (tie to above total)</b>                  | <b>695,093,569</b> | <b>100%</b>           | <b>846,198,623</b>            | <b>100%</b>           |

The outstanding amount was incurred in the financial year under review and request for GoK counterpart funding from the exchequer was made but there was a delay in release of the funding which caused delay in settlement. The counterpart funding was received after the close of the financial year and the outstanding amount settled.

**11. Special Deposit Accounts**

The project special deposit account which was domiciled at KCB Bank was closed on March, 2023 after final development partner revenue disbursements.

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**Notes to the financial statements**

**Other related parties include:**

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

| Description  | FY 2024/2025       |
|--|--------------------|
|  | Kshs               |
| <b>a) Grants /transfers from the government</b>                              |                    |
| Grants from national govt - ( <i>Special Funding-Bridge Settlement-KRB</i> ) | 151,105,054        |
| <b>Total</b>   | <b>151,105,054</b> |

**6. Events after the Reporting Period**

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

**7. Ultimate And Holding Entity**

The Entity is a State Corporation/ or a Semi-Autonomous Government Agency under the Ministry of Roads and Transport. Its ultimate parent is the Government of Kenya.

**6. Currency**

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

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**13. Annexes**

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

| Reference No. on the external audit Report | Issue / Observations from Auditor  | Management comments   | Status:         | Timeframe:  |
|--|--|---|-----------------|-------------|
| Long Outstanding Pending Accounts Payables | Note 1 on other important disclosure and Annex 4a to the financial statements reflects an amount of Kshs.846,198,623 in respect of accounts payables which includes balances of Kshs.839,433,031 and Kshs.6,765,591 for construction of civil works and consultancy services, respectively. However, the statement of comparison of budget and actual amounts reflects amounts of Kshs. 30,000,000 on final budgeted receipts and payments resulting to inadequate budgetary provisions for the settlement of the pending accounts payables. Management did not provide details of the measures put in to settle the pending bills. The Project is at risk of incurring additional costs in form of interest and penalties for failure to settle Project costs as and when the amounts fall due. | <p>The project had funding challenges due to inadequate budgetary provision by the National Treasury and delays in exchequer funding. This has caused extended delays in settlement of the pending accounts.</p> <p>The government has resourced for funding through securitization by Kenya Roads Board towards settlement of pending bills existing as at 31<sup>st</sup> December, 2024. Part of the outstanding amounts were settled in the period ended 30 June 2025</p>   | Partly Resolved | 30-Jun-2026 |
| Lack of Project Closure Report             | Paragraph 2.2 on Project Information in the financial statements indicates that the Project start date was 17 September, 2014 and Project end date was 30 September, 2019 and the completion date was revised to 25 April, 2020.<br>Further, Paragraph 2.7 on Funding Summary (Source of Funds) indicates that the Project had an approved budget of UA 560,000 equivalent to Kshs. 79,600,000 to be financed by African Development Bank as a Grant and UA 77,040,000 equivalent to Kshs. 11,030,000,000 to be financed by the African Development Bank as a loan while an amount of UA 50,482,739 equivalent to Kshs. 7,175,574,914 was to be financed as counterpart fundings by the Government of Kenya.   | <p>The project implementation was completed and the main works handed over to the employer following the inspection carried out after end of the Defects Liability Period and consequently issuance of the Defects Liability Certificate to the contractor.</p> <p>The project is thus considered closed on the following basis.</p> <p><i>i) All the contracted work was completed, inspected and approved as required</i><br/><i>ii) The road and all other assets developed from the execution of the project have fully been taken over by the Authority and the public are utilizing the same through unrestricted access.</i></p> | Resolved        | N/A         |

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| Reference No. on the external audit Report | Issue / Observations from Auditor   | Management comments  | Status: | Timeframe: |
|--|---|--|---------|------------|
|  | <p>In addition, Paragraph 2.8 on Summary of Overall Project indicates that all the components of the Project were completed in the financial year ended 30 June, 2021 and the overall progress was at 100%. However, the Project closure report was not provided for audit. Management did not provide an explanation for the failure to close the Project, over three (3) years after the completion date.</p> | <p>iii) <i>A substantial and final inspection was undertaken and the necessary certificates issued to the contractor as per the contract requirements.</i></p> <p>iv) <i>The defects liability period elapsed, and the contractor was issued with the defect liability certificate following the inspection thereby relieving them of their obligations under the contract.</i></p> <p>v) <i>The retention related to the project has since been fully released to the contractor as per the contractor requirements.</i></p> <p>vi) <i>The development partner resources for the project were fully consumed in the project and adequately reported, audited and approved. The Development partner has not indicated any requirement for continual reporting on the project.</i></p> <p>From the foregoing, the project is no longer a going concern with the only outstanding matter being settlement of the account's payables under the project. The settlement of the project payables is currently a sole responsibility of the Government of Kenya through the normal development vote funding. The accounting for the pending bills is currently done in the main financial statements of the Authority.</p> |         |            |

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| Reference No. on the external audit Report    | Issue / Observations from Auditor   | Management comments   | Status:         | Timeframe:  |
|---|---|---|-----------------|-------------|
| Other Matter<br>Unresolved Prior Year Matters | In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. Although Management had indicated the issues as resolved as at 30 June, 2024, no evidence was provided to support the position. | On review the Audit Report for the Year 2022-2023, we have noted that the only issue raised in the report by the Auditor General under Report on Lawfulness and Effectiveness in Use of Public Resources related to the <b>Pending Accounts Payable</b> . We hereby confirm that the same issue has been comprehensively captured in the financial year ended June 30 2024 report and the management response provided above. | Partly Resolved | 30-Jun-2026 |

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

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

**Nairobi Outer Ring Road Improvement Project**  
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**Annex 2: Reconciliation of inter-entity transfers**

| <b>Project Name: Nairobi Outer Ring Road Improvement Project</b>  |   |                            |                      |  |
|---|---|----------------------------|----------------------|--|
| <b>Break down of transfers from the State Department of Roads</b> |   |                            |                      |  |
| <b>a.</b>   | <b>Government Counterpart funding</b>                 |                            |                      |  |
|   |   | <b>Bank Statement Date</b> | <b>Amount (Kshs)</b> | <b>Indicate the FY to which the amounts relate</b> |
| 1   |   |                            |                      |  |
|   |   | <b>Total</b>               | <b>-</b>             |  |
| <b>B.</b>   | <b>Direct payments</b>                                |                            |                      |  |
|   |   | <b>Bank Statement Date</b> | <b>Amount (Kshs)</b> | <b>Indicate the FY to which the amounts relate</b> |
| 1   | Works certification                                   |                            |                      |  |
|   |   | <b>Total</b>               | <b>-</b>             |  |
| <b>C.</b>   | <b>Others - Special Funding-Bridge Settlement-KRB</b> |                            |                      |  |
|   |   | <b>Bank Statement Date</b> | <b>Amount (Kshs)</b> | <b>Indicate the FY to which the amounts relate</b> |
| 1   | Kinconsult- Invoice 7 & 8                             |                            | 628,208              | FY 2020/2021                                       |
|   | Cardno IT Transport - Invoice 04                      |                            | 5,612,984            | FY 2020/2021                                       |
| 2   | Stecol -IPC 45 pt 4 & IPC 46 pt 3                     |                            | 144,863,862          | FY 2020/2021                                       |
|   |   | <b>Total</b>               | <b>151,105,054</b>   |  |
|   |   | <b>Total (A+B+C)</b>       | <b>151,105,054</b>   |  |

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

**Project Coordinator**  
**Kenya Urban Roads Authority**

**Head of Accounting Unit**  
**State Department of Roads**

  
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Sign-----