


REPUBLIC OF KENYA



Enhancing Accountability



REPORT

| | |
|-----------------------------------------------------------------------------------------------------------------------------------|----------------------------|
|  THE NATIONAL ASSEMBLY PAPERS LAID | |
| DATE: 02 FEB 2022 | DAY: wed |
| TABLED BY: Majority whip | THE AUDITOR-GENERAL |
| CLERK-AT THE-TABLE: Finlay M | |

OF

ON

**NAIROBI OUTERING ROAD IMPROVEMENT
PROJECT**

**FOR THE YEAR ENDED
30 JUNE, 2021**

KENYA URBAN ROADS AUTHORITY



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
MACHAKOS HUB.

24 NOV 2021

RECEIVED



KENYA URBAN ROADS AUTHORITY

NAIROBI OUTER RING ROAD IMPROVEMENT PROJECT

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2021

PROJECT IDENTIFICATION NUMBER: P-KE-DB0-020

LOAN NUMBER. 2100150030144

GRANT NUMBER. 2100155026117

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

*Nairobi Outer Ring Road Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2021*

TABLE CONTENTS

- 1 PROJECT INFORMATION AND OVERALL PERFORMANCEii
- 2 STATEMENT OF PERFORMANCE AGAINST PROJECT’S PREDETRMINED OBJECTIVES ix
- 3 CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING.....x
- 4 STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES xiii
- 5 REPORT OF THE INDENDENT AUDITOR xiv
- 6 STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2021...1
- 7 STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 20212
- 8 STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 20213
- 9 STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS4
- 10 SIGNIFICANT ACCOUNTING POLICIES5
- 11 NOTES TO THE FINANCIAL STATEMENTS..... 11
- OTHER IMPORTANT DISCLOSURES 14
- PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR’S RECOMMENDATIONS 16
- ANNEXES 17

1 PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 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 objective 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:

Project headquarters office is in Nairobi, Nairobi County, Kenya.

Registered office:

Kenya Urban Roads Authority

P.O Box 41727-00100

Barabara Plaza, Mazao Road –off South Airport Road, JKIA

NAIROBI.

Contacts:

The following are the project contacts

Telephone: (254) (02) 8013844

E-mail: info@kura.go.ke

Website: www.kura.go.ke

1.2 Project Information

Project Start Date : 17th September, 2014

Project End Date : 25th April, 2020

Project Manager : Eng. J. M Onyinkwa

Project Sponsor : African Development Bank

*Nairobi Outer Ring Road Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2021*

1.3 Project Overview

| | |
|-------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Line Ministry | The project is under the supervision of the Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works |
| Project number | Works Contract No. KURA/AfDB/006/2013-2014 Consultancy Contract No. KURA/AfDB/007/2013-2014 |
| Strategic goals | 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:- (i) Shorter travel time at off peak hours; (ii) Security, safety and convenience of pedestrians and bicycle users due to construction of Non- Motorised Transport facilities (iii) Improved accessibility of logistics contributing to the growth of regional economy; (iv) Addressing the traffic congestion problem, both motorized and non-motorized traffic (v) Provide for improvement of social and environmental issues along the project roads |
| Achievement of strategic goals | The project management aims to achieve the goals through the following means: a) Dualling of the initial two lane road to four lanes b) Construction of service roads c) Construction of grade separated junctions to improve traffic operations and alleviate congestion within the city and its outskirts. |
| Other important background information of the project | The Project had the following categories 1. Civil Works for Nairobi Outer Ring Road improvement project 2. Consultancy Services a. Construction supervision b. Technical Assistance for Traffic management c. Baseline data collection, HIV/AIDS and safety awareness d. Urban roads maintenance strategy e. Technical Audit f. Consultancy for 2nd Runway Detailed Design JKIA and its Upgrade and Rehabilitation of Aircraft Pavements at JKIA 3. Capacity Building through Training for Youth Empowerment 4. Relocation of services and Land Acquisition |
| Current situation that the project was formed to intervene | The project was formed to intervene in the following areas: (i) Traffic congestion (ii) social and environmental issues along the project roads |
| Project duration | The project started on 17th September, 2014 with a completion date of 25 th April, 2020 |

**Nairobi Outer Ring Road Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2021**

1.4 Bankers

The following are the bankers for the current year:

(i) Special Accounts

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

(ii) Other accounts

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

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

1.5 Auditors

The project is audited by the Office of the Auditor General

1.6 Roles and Responsibilities

| Name | Title/ Designation | Key qualification | Responsibilities |
|--------------------------|---------------------------------------------------|-------------------------------------------------------------------|-----------------------------------------------|
| Eng. Silas M. Kinoti | Director General | BSc. (Civil Engineering) Member-IEK | Director General and Accounting officer |
| Eng. J.M. Onyinkwa | Deputy Director- Construction | BSc. Civil Eng., Reg. Eng. ERB/EBK, MIEK | Project Manager |
| Mr. Erastus Chepkwony | Design Engineer | BSc. Civil Eng. | Resident Engineer |
| Eng. Jeniffer Korir | | 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 | MPhil. Environmental Studies (Planning and Management), B.A | Project Environmentalist |

Nairobi Outer Ring Road Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2021

| Name | Title/ Designation | Key qualification | Responsibilities |
|--------------|------------------------------------------------|-------------------------------------|--------------------|
| | & Social Safeguards | Sociology, NEMA Lead Expert. | |
| Eric Injenga | Deputy Director- Finance and Accounts | BBA (Finance & Accounts) CPA (K) | Project Accountant |

1.7 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 25th April, 2020. The project original approved budget was UA 86.40 Million equivalent to Kshs. 11.03 Billion as highlighted in the table below.

| Project Categories | Cost | AfDB Financing | | GOK | |
|----------------------------------------------------------------------------------------------------------------------|------------------|------------------|----------------|------------------|----------------|
| | Amount UA (M) | Amount UA (M) | Percent (%) | Amount UA (M) | Percent (%) |
| 1. Civil Works | | | | | |
| 1.1 Nairobi Outer Ring Road | 72.12 | 69.6 | 96.5% | 2.52 | 3.5% |
| Sub-Total Civil Works | 72.12 | 69.6 | 96.5% | 2.52 | 3.5% |
| 2. Consulting Services | | | | | |
| 2.1 Construction supervision | 4.48 | 4.48 | 100% | - | - |
| 2.2 Technical Assistance for Traffic management | 0.35 | 0.35 | 100% | - | - |
| 2.3 Baseline data collection, HIV/AIDS and safety awareness | 0.4 | 0.4 | 100% | - | - |
| 2.4 Urban roads maintenance strategy | 1.12 | 1.12 | 100% | | |
| 2.5 Technical Audit | 0.16 | 0.16 | 100% | - | - |
| 2.6 Consultancy for 2nd Runway Detailed Design JKIA and its Upgrade and Rehabilitation of Aircraft Pavements at JKIA | 0.93 | 0.93 | 100% | - | - |
| Sub-Total Consultancies | 7.44 | 7.44 | 100% | | |
| 3. Capacity Building | | | | | |
| 3.1 Training for Youth Empowerment | 0.56 | 0.56 | 100% | - | - |
| Sub-Total Capacity Building | 0.56 | 0.56 | 100% | | |
| 4. Compensation and Resettlement | | | | | |
| 4.1 Comp. & Resettlement | 6.28 | - | - | 6.28 | 100% |
| Sub-Total Compensation | 6.28 | 0 | 0 | 6.28 | 100% |
| Total (UA) | 86.4 | 77.6 | 89.80% | 8.8 | 10.20% |

A. Source of Funds

Nairobi Outer Ring Road Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2021

| Source of funds | Donor Commitment-ORIGINAL | | Donor Commitment-REVISED | | Amount received to date – (20 June 2021) | | Exchange Rate Difference | Undrawn balance to date | |
|--------------------------|---------------------------|-----------------------|--------------------------|-----------------------|---------------------------------------------|-----------------------|-----------------------------|-------------------------|------------------|
| | Donor currency | KShs | Donor currency | KShs | Donor currency | KShs | | Donor currency | KShs |
| | | | (A) | (A') | (B) | (B') | Kshs. | (A)-(B) | (A)-(B) |
| (i) Grant | | | | | | | | | |
| African Development Bank | 560,000 | 79,600,000 | 560,000 | 79,600,000 | 498,062 | 72,151,873 | | 61,938 | 7,448,127 |
| (ii) Loan | | | | | | | | | |
| African Development Bank | 77,040,000 | 11,030,000,000 | 77,040,000 | 11,030,000,000 | 77,038,502 | 9,816,965,320 | 1,212,847,337 | 1,498 | 187,343 |
| (iii) Counterpart funds | | | | | | | | | |
| Government of Kenya | 8,800,000 | 1,250,824,742 | 52,399,519 | 7,448,024,495 | 52,399,519 | 7,448,024,495 | | - | - |
| Total | 86,400,000 | 12,360,424,742 | 129,999,519 | 18,557,624,495 | 129,936,083 | 17,337,141,688 | 1,212,847,337 | 63,436 | 7,635,470 |

Notes:

During implementation of the project there was increase in the project cost due to relocation of services and land acquisition costs which were not part of the estimated overall project cost during conceptualization and funding formulation. GoK is obligated to provide the construction corridor free of any encumbrances. The Donor Loan Facility was exhausted during the period ended 30 June 2021 leaving a balance of Kshs. 187,343.

B. Application of Funds

| Application of funds | Amount received to date – (30th June 2021) | | Cumulative Amount paid to date – (30th June 2021) | Unutilised balance to date 30 06 2021 | |
|--------------------------|-----------------------------------------------|-----------------------|---------------------------------------------------------|------------------------------------------|------------------|
| | Donor currency | Kshs | | Donor currency | Kshs |
| | (A) | (A') | (B') | (A)-(B) | (A)-(B) |
| (i) Grant | | | | | |
| African Development Bank | 498,062 | 72,151,873 | 69,145,633 | 20,752 | 3,006,240 |
| (i) Loan | | | | | |
| African Development Bank | 77,038,502 | 9,816,965,320 | 9,816,965,320 | - | - |
| (ii) Counterpart funds | | | | | |
| Government of Kenya | 52,399,519 | 7,448,024,495 | 7,448,024,495 | - | - |
| Total | 129,936,083 | 17,337,141,688 | 17,334,135,448 | 20,752 | 3,006,240 |

Note:

The Donor Grant funds received amount to Kshs. 72,151,873 of which Kshs. 3,006,240 is unutilised and is held in the projects Special Account as at 30 June 2021

1.8 Summary of Overall Project Performance:

1.8.1 Budget performance

The Nairobi Outer Ring Road Improvement project had a number of ongoing components during the financial year ending 30th June 2021 which include works, supervision services, Technical Audit Services, Traffic Management Technical Assistance, Baseline Data Collection, Road Safety Awareness & Auditing Services, Road Maintenance strategy and artisan training

*Nairobi Outer Ring Road Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2021*

for the Youth. In the 12 months to 30th June, 2021 the ongoing components consumed 74% of the allocated donor Loan budget, and 100% of GoK counterpart budget

1.8.2 Physical progress

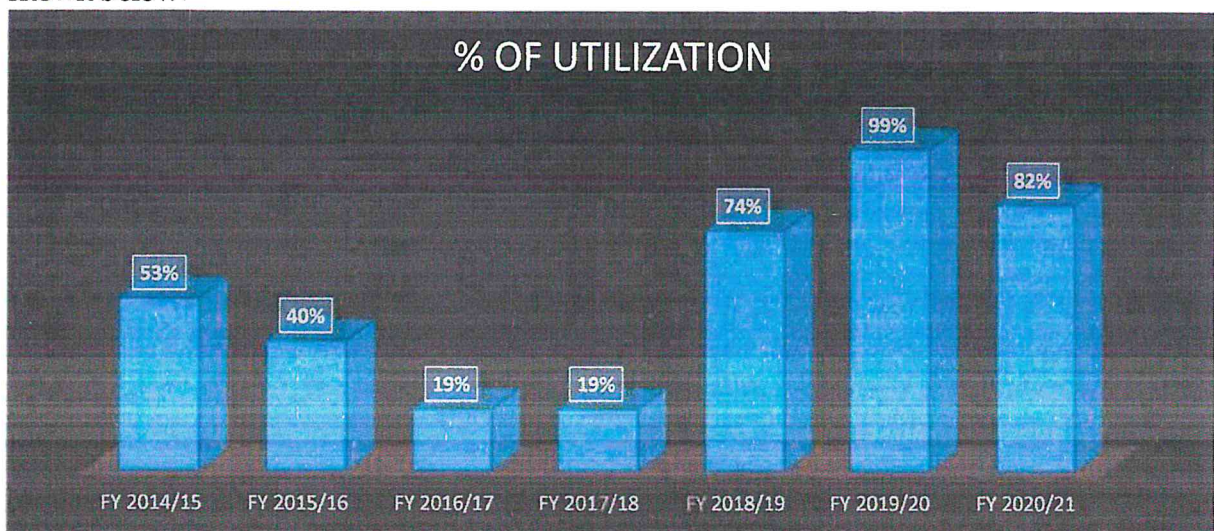
The overall Physical progress for the civil works is estimated at 99% as of 30th June, 2021.

1.8.3 Value-for-money achievements

All the project components have been implemented as intended with the project road being substantially complete and in use by traffic. All the components are being carried out within the approved cost.

1.8.4 Budgetary Absorption

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



1.8.5 Project implementation challenges

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 cooperation

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

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.

1.9 Summary of Project Compliance:

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

2 STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETERMINED OBJECTIVES

2.1 Introduction

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

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

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

2.2 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:

| Objective | Outcome | Indicator | Performance |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| To enhance economic efficiency through improved mobility and accessibility to business thereby supporting economic and social development of Nairobi City County. 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. | Free flow of traffic leading to Shorter travel time at peak hours; Security, safety and convenience of pedestrians and bicycle users due to construction of Non-Motorised Transport facilities Improved accessibility of logistics contributing to the growth of regional economy; Provide for improvement of social and environmental issues along the project roads | Dualing of the roads including construction of service roads and Non-Motorised Transport facilities Construction of grade separated junctions to improve traffic operations and alleviate congestion within the city and its outskirts. Trained youth within the project life. Construction of market stalls | In the 12 months to 30th June, 2021 a number of components were ongoing under Nairobi Outer Ring project. The ongoing components include works, supervision services, Technical Audit Services, Traffic Management Technical Assistance, Baseline Data Collection, Road Safety Awareness & Auditing Services, Road Maintenance strategy and artisan training for the Youth. Rehabilitation of Kariobangi Market and construction of Nairobi Fresh produce market ongoing |

3 CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

3.1 Sustainability Strategy & Profile

Kenya Urban Roads Authority aims at enhancing sustainable urban road transportation and mobility. Our Urban Roads Planning, Development and Maintenance strategy mainstreams the global 2030 Agenda for sustainable Development in our operations. The urban road network remains the key enabler for the realization of the objectives of Kenya Vision 2030 as well as the Big Four Agenda. In the implementation of our Strategic Plan (2018-2022), we mainstream sustainability principles by complying with the local policies, legislations as well as international safeguard requirements. The Authority continues to foster Strategic partnerships with stakeholders for effective delivery of our services. To mitigate on the impact of Covid-19 on the economy and our operations, we have been implementing a business continuity plan.

3.2 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.

3.3 Employee Welfare

The Authority has instituted measures to provide a conducive working environment for the well-being of staff and enhanced productivity. We have a comprehensive staff medical cover for both outpatient and inpatient services. This is in addition to group life policy WIBA contributory pension scheme and staff mortgage scheme. Annual staff appraisals are promptly undertaken and forms the basis for promotions and competency development through appropriate training for career development and personal growth. During the period under review, a total of 79 employees were trained on various professional skills and competencies in addition Continuous Development Programs offered by various professional bodies. During the financial year 2020-2021, the Authority ensured compliance by submitting all the returns to the relevant regulatory institutions within the prescribed timelines. The Authority has put in

place measures for compliance with the provisions of the Occupational Safety and Health Act, 2007. We undertake occupational health and safety assessment and risk assessment for improvement of the work environment for employees and customers.

3.4 Market Place Practices

3.4.1 Ethics and Integrity

The Authority has an updated anti-corruption policy in place as well as trained Integrity officers who serve as the Authority's anti-corruption champions. Staff are required to commit to the Authority's code of conduct and declare conflict of interest. Wealth declaration forms are filled by all staff and directors every two years as per the existing government policy.

3.4.2 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.

3.4.3 Responsible Marketing and advertisement

The Authority continues to implement policies on urban roads management in partnership with Strategic Partners such as County Governments to ensure continued expansion of the National Urban Road Network. We advocate for safe road use practices by use of media platforms for behavior and social change and advocacy on safe road use and sharing of the road to create a safe environment for both motorized and non-motorized traffic. The Authority also uses public fora to create stakeholder awareness on the Authority mandate.

3.4.4 Product stewardship and Quality control

The Authority delivers her mandate on the principle of quality assurance and control. We are committed to adhering to quality standards and ensures value for money in all its expenditure. The Authority has developed ERP system for implementation of projects and operations as a whole. The ERP system covers all the Authority's activities from policy and regulations, to construction norms and standards, contract supervision and workmanship. The Authority is ISO 9001:2015 certified, maintains the standard and continually improves its processes in compliance with the requirements. The Authority has embraced the ISO/IEC 27001 Standard for the management of information security. Most KURA staff have been trained on the ISO/IEC 27001 standard as part of the certification process.

3.5 Community Engagement and Welfare

The Authority has established a functional Stakeholder Engagement policy that is 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. A total of Forty-Nine Stakeholder and community engagement forums were conducted during the reporting period. The design of urban road infrastructure 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. During the period under review a total of Eight Thousand, Three Hundred and Seventy-Five (8,375) jobs were created.

4 STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Director General, Kenya Urban Roads Authority and the Project Manager for *Nairobi Outer Ring Road Improvement Project* are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year ended on June 30, 2021.

This responsibility includes (i) Maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the project; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the project; (v) Selecting and applying appropriate accounting policies; and (v) Making accounting estimates that are reasonable in the circumstances.

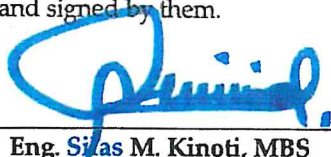
The Director General and the Project Manager accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The Director General and the Project Manager are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year/period ended June 30, 2021, and of the Project's financial position as at that date. The Director General and the Project Manager further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

The Director General and the Project Manager 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/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project financial statements

The Project financial statements were approved by the Director General, Kenya Urban Roads Authority and the Project Manager for *Nairobi Outer Ring Road Improvement Project* on 28-09-2021 and signed by them.



Eng. Silas M. Kinoti, MBS
Director General



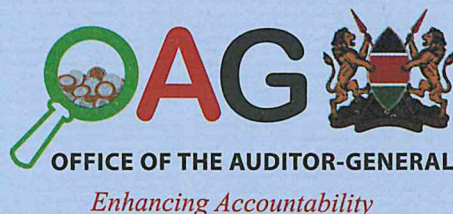
Eng Justus .M. Onyinkwa
Project Manager



Eric Rubia
Project Accountant
ICPAK No.12829

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON NAIROBI OUTERING ROAD IMPROVEMENT PROJECT FOR THE YEAR ENDED 30 JUNE, 2021 - KENYA URBAN ROADS AUTHORITY

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Nairobi Outering Road Improvement Project set out on pages 1 to 15, which comprise the statement of financial assets as at 30 June, 2021 and the statement of receipts and payments, statement of cash flows and statement of comparative budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Nairobi Outering Road Improvement Project (AfDB)- KURA as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Financing Agreement Loan No. 2100150030144 and Grant No. 2100155026117 dated 27 January, 2014 between the African Development Bank (ADF) and the Government of the Republic of Kenya and the Public Finance Management Act 2012.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. I have determined that there are no key audit matters to communicate in my report.

Other Matter

1. Interest on Late Payments

Review of interim payment certificate (IPC) No.48 approved in December, 2020 revealed that an amount of Kshs.34,715,982 had been charged by the contractor as interest on delayed payments. This charge arose due failure by the Authority to settle contractor's dues within the timelines stipulated in the contract agreement and has no commensurate benefit to the citizens.

Interest on delayed payments is a nugatory cost which is avoidable and is not a proper charge to public resources.

2. Pending Bills

Note 6 to the financial statements reflects pending bills totalling Kshs.418,926,708 and as analyzed under Annex 3. Although this was a decrease from an amount of Kshs.710,123,917 reported in the previous year, the Project is at risk of incurring additional costs in form of interest and penalties for failure to settle project related costs as and when they fall due.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, 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 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal 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 control, risk management and governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a

basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi


06 December, 2021


Nairobi Outer Ring Road Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2021

6 STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2021

| Note | 2020/2021 | | 2019/2020 | | Cumulative to-date (From inception) |
|--------------------------|--------------------------------------------------------|----------------------------------------|-------------------------------------------------------|----------------------------------------|-------------------------------------|
| | Receipts and payments controlled by the entity KShs | Payments made by third parties KShs | Receipts and payment controlled by the entity KShs | Payments made by third parties KShs | |
| RECEIPTS | | | | | |
| 1 | 272,449,581 | - | 863,980,062 | - | 7,448,024,494 |
| 2 | - | 420,601,935 | - | 877,179,659 | 72,151,873 |
| TOTAL RECEIPTS | 272,449,581 | 420,601,935 | 863,980,062 | 877,179,659 | 9,816,965,321 |
| | | | | | |
| PAYMENTS | | | | | |
| 3 | 6,105 | - | 14,572,960 | - | 29,149,797 |
| 4 | 272,449,581 | 420,601,935 | 863,980,062 | 877,179,659 | 17,304,985,651 |
| TOTAL PAYMENTS | 272,455,686 | 420,601,935 | 878,553,022 | 877,179,659 | 17,334,135,448 |
| SURPLUS/(DEFICIT) | (6,105) | | (14,572,960) | | 3,006,240 |

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 R. Injenga
 Project Accountant
 ICPAK No.12829

*Nairobi Outer Ring Road Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2021*

7 STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2021

| | | 2020-2021 KShs | 2019-2020 KShs |
|----------------------------------|---|-------------------|-------------------|
| FINANCIAL ASSETS | | | |
| Cash and Cash Equivalents | | | |
| Bank Balances | 5 | 3,006,240 | 3,012,345 |
| TOTAL FINANCIAL ASSETS | | 3,006,240 | 3,012,345 |
| REPRESENTED BY | | | |
| Fund balance b/fwd | 7 | 3,012,345 | 17,585,305 |
| Surplus/(Deficit) for the year | | (6,105) | (14,572,960) |
| NET FINANCIAL POSITION | | 3,006,240 | 3,012,345 |

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 28/09/2021 2021 and signed by:



Eng. Silas M. Kinoti, MBS
Director General



Eng Justus .M. Onyinkwa
Project Manager



Eric R. Injenga
Project Accountant
ICPAK No.12829

*Nairobi Outer Ring Road Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2021*

8 STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2021

| | Note | 2020-2021 KShs | 2019-2020 KShs |
|----------------------------------------------------------|------|----------------------|------------------------|
| Cash flow from operating activities | | | |
| Receipts from operating activities | | | |
| Transfer from Government entities | 1 | 272,449,581 | 863,980,062 |
| Payments from operating activities | | | |
| Purchase of goods and services | | (6,105) | (14,572,960) |
| Net cash flow from operating activities | | 272,443,476 | 849,407,102 |
| Cash flows from Investing Activities | | | |
| Acquisition of Non Financial Assets | | (693,051,516) | (1,741,159,721) |
| Net cash flows from Investing Activities | | (693,051,516) | (1,741,159,721) |
| Cash flow from financing activities | | | |
| Proceeds from Foreign Borrowings | 2 | 420,601,935 | 877,179,659 |
| Net cash flow from financing activities | | 420,601,935 | 877,179,659 |
| Net Increase in cash and cash equivalents | | (6,105) | (14,572,960) |
| Cash and cash equivalent at beginning of the year | | 3,012,345 | 17,585,305 |
| Cash and cash equivalent at end of the year | | 3,006,240 | 3,012,345 |

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 28/09/2021 2021 and signed by:



Eng. Silas M. Kinoti, MBS
Director General



Eng Justus .M. Onyinkwa
Project Manager




Eric R. Injenga
Project Accountant
ICPAK No.12829

**Nairobi Outer Ring Road Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2021**


9 STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

| Receipts/Payments Item | a | b | c=a+b | d | e=c-d | f=d/c % |
|-------------------------------------------|--------------------|-------------------|--------------------|----------------------------|-------------------------------|------------------|
| | Original Budget | Adjustments | Final Budget | Actual on Comparable Basis | Budget Utilization Difference | % of Utilization |
| Receipts | | | | | | |
| Transfer from Government entities | 200,000,000 | 72,449,581 | 272,449,581 | 272,449,581 | - | 100% |
| Proceeds from domestic and foreign grants | 570,000,000 | - | 570,000,000 | 420,601,935 | 149,398,065 | 74% |
| Total Receipts | 770,000,000 | 72,449,581 | 842,449,581 | 693,051,516 | 149,398,065 | 82% |
| Payments | | | | | | |
| Purchase of goods and services | | | | 6,105 | (6,105) | |
| Acquisition of non-financial assets | 770,000,000 | 72,449,581 | 842,449,581 | 693,051,516 | 149,398,065 | 82% |
| Total Payments | 770,000,000 | 72,449,581 | 842,449,581 | 693,057,621 | 149,391,960 | 82% |

Note: The significant budget utilisation/performance differences in the last column are explained in Annex 1 to these financial statements.


Eng. Silas M. Kinoti, MBS
Director General


Eng. Justus M. Onyinkwa
Project Manager


Eric R. Injenga
Project Accountant
ICPAK No.12829

10 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

10.1 Basis of Preparation

The financial statements have been prepared under the historical cost convention, unless otherwise stated. The Financial Statements are presented in Kenya Shillings which is the functional and reporting currency of the project.

10.2 Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with Cash-basis IPSAS financial reporting under the cash basis of accounting, as prescribed by the PSASB and set out in the accounting policy note below. This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions. The financial statements comply with and conform to the form of presentation prescribed by the PSASB. The accounting policies adopted have been consistently applied to all the years presented.

10.3 Reporting entity

The financial statements are for the Project Nairobi Missing Link Roads and Non-Motorised Transport Facilities –Kenya under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012 .

10.4 Reporting currency

The financial statements are presented in Kenya Shillings (KShs), which is the functional and reporting currency of the Project and all values are rounded to the nearest Kenya Shilling.

10.5 Significant Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Recognition of receipts

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

i) *Transfers from the Exchequer*

***Nairobi Outer Ring Road Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2021***

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

ii) External Assistance

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

iii) Other receipts

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

b) Donations and grants

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

c) Proceeds from borrowing

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

d) Undrawn external assistance

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

e) Recognition of payments

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

i) Compensation of employees

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

ii) Use of goods and services

***Nairobi Outer Ring Road Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2021***

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

iii) Interest on borrowing

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

iv) Repayment of borrowing (principal amount)

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

v) Acquisition of fixed assets

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

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

f) In-kind donations

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

g) Cash and cash equivalents

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

account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial

***Nairobi Outer Ring Road Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2021***

statements, cash and cash equivalents also include short term cash imprests and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

Restriction on cash

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

h) Accounts receivable

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

i) Contingent Liabilities

A contingent liability is:

- a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b) A present obligation that arises from past events but is not recognised because:
 - i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
 - ii) The amount of the obligation cannot be measured with sufficient reliability.

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities, Letters of comfort/ support, insurance, Public Private Partnerships,

The Authority does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. **Annex 5** of this financial statement is a register of the contingent liabilities in the year.

j) Contingent Assets

The Authority does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain

*Nairobi Outer Ring Road Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2021*

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.

k) Pending bills

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

l) Budget

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

A high-level assessment of the Project's actual performance against the comparable budget for the financial year/period under review has been included in an annex to these financial statements.

m) Third party payments

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

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

n) Exchange rate differences

***Nairobi Outer Ring Road Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2021***

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

o) Comparative figures

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

p) Subsequent events

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended June 30, 2021.

q) Errors

Material prior period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by: i. Restating the comparative amounts for prior period(s) presented in which the error occurred; or ii. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

*Nairobi Outer Ring Road Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2021*

11 NOTES TO THE FINANCIAL STATEMENTS

1. Receipts from Government of Kenya

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

i. Counterpart funding through Ministry Transport, Infrastructure, Housing & Urban Development

| | 2020/21 | 2019/20 | Cumulative to-date (from inception) | Cumulative to-2019/2020 |
|-----------------------------|--------------------|--------------------|-------------------------------------|-------------------------|
| | KShs | KShs | | |
| Counterpart funds Quarter 1 | - | 186,660,437 | 2,142,803,507 | 2,142,803,507 |
| Counterpart funds Quarter 2 | 180,833,717 | 210,000,000 | 1,881,598,605 | 1,700,764,888 |
| Counterpart funds Quarter 3 | - | 210,000,000 | 1,968,474,257 | 1,968,474,257 |
| Counterpart funds Quarter 4 | 91,615,864 | 257,319,625 | 1,455,148,125 | 1,363,532,261 |
| Total | 272,449,581 | 863,980,062 | 7,448,024,494 | 7,175,574,913 |

2. Loan from external from External Development Partners

i. Loans Received from Bilateral Donors (Foreign Governments)

| Name of Donor | Date received | Amount in loan currency | Loans received in cash | Loans received as direct payment* | | |
|--------------------------|---------------|-------------------------|------------------------|-----------------------------------|--------------------|--------------------|
| | | | | Total amount in KShs | 2020/21 | 2019/20 |
| | | | KShs | KShs | | |
| African Development Bank | Various Dates | | - | 420,601,935 | 420,601,935 | 877,179,659 |
| Total | - | - | - | 420,601,935 | 420,601,935 | 877,179,659 |

3. Purchase of Goods and Services

| | 2020/2021 | | | 2019/2020 | |
|-------------------|-------------------------------------|--------------------------------|-----------------|-------------------|---------------------|
| | Payments made by the Entity in Cash | Payments made by third parties | Total Payments | Total Payments | Cumulative to- date |
| | KShs | KShs | KShs | KShs | KShs |
| Training payments | | | - | 14,567,800 | 29,134,150 |
| Bank Charges | 6,105 | | 6,105.00 | 5,160 | 15,647 |
| Total | 6,105 | - | 6,105.00 | 14,572,960 | 29,149,797 |

**Nairobi Outer Ring Road Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2021**

4. Acquisition of non-financial assets

| | 2020/21 | | | 2019/20 | |
|-------------------------------------------------------------------------------------------------------------------|-------------------------------------|--------------------------------|--------------------|----------------------|-----------------------|
| | Payments made by the Entity in Cash | Payments made by third parties | Total Payments | Total Payments | Cumulative to-date |
| | KShs | KShs | KShs | KShs | KShs |
| Supervision of Road Works | - | - | - | 82,698,870 | 823,539,498 |
| Consultancy Services - Technical Audit, Baseline Data & Road Safety, Traffic Management Study, JKIA Runway Design | 7,667,621 | 75,484,695 | 83,152,316 | 144,302,190 | 373,515,397 |
| Construction of roads | 257,876,776 | 345,117,241 | 602,994,016 | 1,507,158,662 | 11,626,571,442 |
| Acquisition of land/ Relocation of Services | 6,905,184 | - | 6,905,184 | 7,000,000 | 4,481,359,316 |
| Total | 272,449,581 | 420,601,935 | 693,051,516 | 1,741,159,722 | 17,304,985,653 |

5. Cash and cash equivalents

| | 2020/21 | 2019/20 |
|---------------|------------------|------------------|
| | KShs | KShs |
| Bank accounts | 3,006,240 | 3,012,345 |
| Total | 3,006,240 | 3,012,345 |

(i) Project Bank Accounts

Local Currency Accounts

| | 2020/21 | 2019/20 |
|--------------------------------------------|------------------|------------------|
| | KShs | KShs |
| Kenya Commercial Bank [A/c No. 1205083235] | 3,006,240 | 3,012,345 |
| Total local currency balances | 3,006,240 | 3,012,345 |

(ii) Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as at 30th June 2021 are not included in the Statement of Financial Assets since they are below the line items and are yet to be drawn into the Exchequer Account as a voted provision.

Below is the Special Deposit Account (SDA) movement schedule which shows the flow of funds that were voted in the year. These funds have been reported as loans/grants received in the year under the Statement of Receipts and Payments.

*Nairobi Outer Ring Road Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2021*

Special Deposit Accounts Movement Schedule:

| Kenya Commercial Bank [A/c No. 1205083235] | | |
|--------------------------------------------------------------------------|------------------|------------------|
| Opening balance (as per the SDA reconciliation) | 3,012,345 | 17,585,305 |
| Total amount deposited in the account | | - |
| Total amount withdrawn (as per Statement of Receipts & Payments) | (6,105) | (14,572,960) |
| Closing balance (as per SDA bank account reconciliation attached) | 3,006,240 | 3,012,345 |

The Special Deposit Account reconciliation statement has been attached as *Appendix ii* to support these closing balances.

6. Accounts Payable

| Description | 2020-2021 | 2019-2021 |
|-----------------------------|--------------------|--------------------|
| | Kshs | Kshs |
| Construction of Civil Works | 405,768,688 | 710,123,917 |
| Supply of services | 3,386,370 | - |
| Youth Training | 9,771,650 | - |
| Total | 418,926,708 | 710,123,917 |

7. Fund Balance Brought Forward

| | 2019/20 | 2018/19 |
|---------------|------------------|-------------------|
| | KShs | KShs |
| Bank accounts | 3,012,345 | 17,585,305 |
| Total | 3,012,345 | 17,585,305 |

8. Changes in Accounts payable

| Description | 2020-2021 | 2019-2020 |
|------------------------------------------------------------|------------------|----------------------|
| | Kshs | Kshs |
| Deposit and Retentions as at 1 st July 2021 | 84,001,630 | 413,169,975 |
| Closing accounts payables as at 30 th June 2021 | 84,001,630 | 84,001,630 |
| Change in payables | - | (329,168,345) |

*Nairobi Outer Ring Road Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2021*

OTHER IMPORTANT DISCLOSURES

1. Pending Accounts payable

| Description | 2020-2021 | 2019-2021 |
|-----------------------------|--------------------|--------------------|
| | Kshs | Kshs |
| Construction of Civil Works | 405,768,688 | 710,123,917 |
| Supply of services | 3,386,370 | |
| Youth Training | 9,771,650 | - |
| Total | 418,926,708 | 710,123,917 |

2. External assistance

| | | |
|---------------------------------------|--------------------|--------------------|
| External assistance received as loans | 420,601,935 | 877,179,659 |
| Total | 420,601,935 | 877,179,659 |

a) External assistance relating to loans and grants

| | | |
|---------------------------------------|--------------------|--------------------|
| External assistance received as loans | 420,601,935 | 877,179,659 |
| Total | 420,601,935 | 877,179,659 |

b) Undrawn external assistance

| Description | Purpose for which the undrawn external assistance may be used | FY 2020/2021 | FY 2019/2020 |
|--------------------------------------|---------------------------------------------------------------|------------------|----------------------|
| | | Kshs | Kshs |
| Undrawn external assistance - loans | Works and Consultancy Services | 187,342 | 1,633,636,615 |
| Undrawn external assistance - grants | Counsultancy Services and Youth Training | 7,448,127 | 7,448,127 |
| Total | | 7,635,469 | 1,641,084,742 |

c) Classes of providers of external assistance

| Description | FY 2020/2021 | FY 2019/2020 |
|---------------------|--------------------|--------------------|
| | Kshs | Kshs |
| Multilateral donors | 420,601,935 | 877,179,659 |
| Total | 420,601,935 | 877,179,659 |

*Nairobi Outer Ring Road Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2021*

d) Purpose and use of external assistance

| Payments Made by Third Parties: | FY 2020/2021 | FY 2019/2020 |
|----------------------------------------------|---------------------|---------------------|
| | Kshs | Kshs |
| Other Payments - Acquisition of Non-Financiz | 420,601,935 | 877,179,659 |
| TOTAL | 420,601,935 | 877,179,659 |

e) External assistance paid by third parties on behalf of the entity by source

| | | |
|---------------------|--------------------|--------------------|
| Multilateral donors | 420,601,935 | 877,179,659 |
| Total | 420,601,935 | 877,179,659 |

Nairobi Outer Ring Road Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2021

PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS

| Reference No | Observation from Auditor | Management comments | Status | Time Frame |
|--------------|----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|------------|
| 1. | Slow absorption of project funds | The balance is attributed to the difference in initial exchange rate used and the various actual translation rates used during the project implementation. The undrawn facilities as at 30 June 2021 amounts to 1,498 UA which translates to Ksh 187,342.44 | Resolved | N/A |
| 2. | Pending bills of 710,123,917 | Pending bills are as a result of budget constraints. Amount to be prioritized in the next Financial year budget. | Balance has reduced to Ksh 418,926,708 | |


 Director General

Eng. S. Kinoti, MBS

28/09/2021

Date



Project Manager

Eng. Justus M. Onyinkwa

28/09/2021

Date

*Nairobi Outer Ring Road Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2021*

ANNEXES

ANNEX1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

| | Final Budget a | Actual on Comparable Basis b | Budget Utilization Difference c=a-b | % of Utilization d=b/a % | Comments on Variance(below 90% and over 100%) |
|-------------------------------------------|--------------------|---------------------------------------|----------------------------------------------|--------------------------------|----------------------------------------------------------------------------------|
| Receipts | | | | | |
| Transfer from Government entities | 272,449,581 | 272,449,581 | - | 100% | |
| Proceeds from domestic and foreign grants | 570,000,000 | 420,601,935 | 149,398,065 | 74% | The available donor loan funds were exhausted during the Financial Year |
| Total Receipts | 842,449,581 | 693,051,516 | 149,398,065 | 82% | - |
| Payments | | | | | |
| Acquisition of non-financial assets | 842,449,581 | 693,051,516 | 149,398,065 | 82% | The available donor loan funds were exhausted during the Financial Year |
| Total payments | 842,449,581 | 693,051,516 | 149,398,065 | 82% | - |

**Nairobi Outer Ring Road Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2021**

ANNEX 2: RECONCILIATION OF INTER-ENTITY TRANSFERS

| Break down of Transfers from the State Department of Infrastructure | | | | |
|----------------------------------------------------------------------------|----------------------------|----------------------|-----------------------|--|
| a. Government Counterpart Funding | Bank Statement Date | Amount (KShs) | Financial Year | |
| Relocation of Electricity supply lines - pipeline-Outer Ring | 01-Sep-20 | 6,905,184 | FY 2020/2021 | |
| Nairobi Outer Ring - Urban Rds Mtce Strategy- Inv 02 | 02-Oct-20 | 3,485,282 | FY 2020/2021 | |
| Nairobi Outer Ring - Urban Rds Mtce Strategy- Inv 03 | 02-Oct-20 | 4,182,339 | FY 2020/2021 | |
| Construction of Nairobi Outer Ring Rd- IPC 45 | 01-Sep-20 | 40,862,733 | FY 2020/2021 | |
| Nairobi Outer Ring Project- IPC22. A Part 13-Final settlement | 08-Sep-20 | 98,845,465 | FY 2020/2021 | |
| Nairobi Outer Ring Works IPC 46 | 28-Sep-20 | 26,552,714 | FY 2020/2021 | |
| Nairobi Outer Ring - KES Component of Donor Portion-IPC 45 | 26-Apr-21 | 55,531,407 | FY 2020/2021 | |
| Nairobi Outer Ring - KES Component of Donor Portion-IPC 46 | 26-Apr-21 | 36,084,457 | FY 2020/2021 | |
| | Total | 272,449,581 | | |
| b. Direct Payments | | | | |
| Nairobi Outer Ring-Devpment of Urban Rds Mtce Strategy-Inv 3 | 19-Oct-20 | 29,873,845 | FY 2020/2021 | |
| Nairobi Outer Ring-Devpment of Urban Rds Mtce Strategy-Inv 4 | 23-Feb-21 | 35,081,150 | FY 2020/2021 | |
| Nairobi Outer Ring-Baseline Data+ Rd Safety Awareness - Inv 3 | 12-Feb-21 | 6,042,500 | FY 2020/2021 | |
| Nairobi Outer Ring Works - IPC 42 part 2 | 03-Mar-21 | 44,674,767 | FY 2020/2021 | |
| Nairobi Outer Ring Works - IPC 43 | 12-Mar-21 | 206,586,578 | FY 2020/2021 | |
| Nairobi Outer Ring Works - IPC 44 part 1 | 25-Mar-21 | 78,992,474 | FY 2020/2021 | |
| Nairobi Outer Ring Works - IPC 44 part 2 | 25-Mar-21 | 14,863,421 | FY 2020/2021 | |
| Nairobi Outer Ring Works - VFM& TA Consultancy - Fee Note 07 | 08-Apr-21 | 2,243,600 | FY 2020/2021 | |
| Nairobi Outer Ring Works - VFM& TA Consultancy - Fee Note 08 | 19-May-21 | 2,243,600 | FY 2020/2021 | |
| | Total | 420,601,935 | | |
| | TOTAL(a+b+c) | 693,051,516 | | |

The above amounts have been communicated to and reconciled with the parent Ministry/ state department



Head of Accounting Unit MOTIHU&PW

Project Manager

*Nairobi Outer Ring Road Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2021*

ANNEX 3 - ANALYSIS OF PENDING BILLS

| Supplier of Goods or Services | Original Amount | Date Contracted | Amount Paid To-Date | Outstanding Balance 2020/21 | Outstanding Balance 2019/20 | Comments |
|------------------------------------------------------------|----------------------|-----------------|---------------------|-----------------------------|-----------------------------|----------|
| | a | b | c | d=a-c | | |
| Construction of civil works | | | | | | |
| Nairobi Outer Ring Road -Civil Works Stecol Corporation | 1,008,762,704 | | 602,994,016 | 405,768,688 | 710,123,917 | |
| Sub-Total | 1,008,762,704 | | 602,994,016 | 405,768,688 | 710,123,917 | |
| Supply of goods | | | | | | |
| Youth Training - Kenya Railways | 9,771,650 | | | 9,771,650 | | |
| Sub-Total | 9,771,650 | | - | 9,771,650 | - | |
| Supply of services | | | | | | |
| Consultancy Services | 83,152,316 | | 83,152,316 | 3,386,370 | | |
| Relocation of Services | 6,905,184 | | 6,905,184 | | | |
| Sub-Total | 90,057,500 | | 90,057,500 | 3,386,370 | - | |
| Grand Total | 1,108,591,854 | | 693,051,516 | 418,926,708 | 710,123,917 | |

**Nairobi Outer Ring Road Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2021**

ANNEX 4 – ANALYSIS OF CONVERSION OF PAYMENT TO UNIT OF ACCOUNT

| FY 2020-2021 | IPC/ Invoice No. | D.P No. | Payment Date | Foreign Currency | Foreign Component | Exc. Rate | Foreign Component Conversion to KES | KES Component | TOTAL [KES] | Unit of Account (UA) | | | Cumulative UA to date |
|--------------|-----------------------------------|---------|--------------|------------------|-------------------|-----------|-------------------------------------|----------------------|-----------------------|-------------------------------------|---------------------------------|---------------------|-----------------------|
| | | | | | | | | | | Unit of Account (UA) Amount Foreign | Unit of Account (UA) Amount KES | Total UA | |
| | Cumulative UA b/f | | | | | | | | | | | | 73,750,681 |
| | Cardno IT Transport Inv 03 | 201/202 | 19-Oct-20 | GBP | 129,041.40 | 135.107 | 17,434,396.43 | 12,439,448.40 | 29,873,844.83 | 118,825.14 | 80,686.18 | 199,511.32 | 73,950,192 |
| | Impulso Fee Note 03 | 203 | 23-Feb-21 | | - | | - | 6,042,500.00 | 6,042,500.00 | | 38,389.01 | 38,389.01 | 73,988,581 |
| | Cardno IT Transport Invoice 04 | 204/205 | 12-Feb-21 | GBP | 152,238.30 | 135.107 | 20,568,460.00 | 14,512,689.80 | 35,081,149.80 | 146,124.34 | 92,497.81 | 238,622.15 | 74,227,203 |
| | Kinconsult Associates Fee Note 07 | 206 | 3-Mar-21 | | - | | - | 2,243,600.00 | 2,243,600.00 | | 14,153.07 | 14,153.07 | 74,241,357 |
| | Kinconsult Associates Fee Note 08 | 207 | 12-Mar-21 | | - | | - | 2,243,600.00 | 2,243,600.00 | | 14,367.80 | 14,367.80 | 74,255,724 |
| | Stecol Corp IPC 42- Part 2 | 208 | 25-Mar-21 | USD | 514,041.34 | 86.9089 | 44,674,767.41 | | 44,674,767.41 | 359,713.47 | | 359,713.47 | 74,615,438 |
| | Stecol Corp IPC 43 | 209 | 25-Mar-21 | USD | 2,377,047.44 | 86.9089 | 206,586,578.26 | | 206,586,578.26 | 1,663,399.26 | | 1,663,399.26 | 76,278,837 |
| | Stecol Corp IPC 44 -Part 1 | 210 | 8-Apr-21 | USD | 908,911.22 | 86.9089 | 78,992,474.33 | | 78,992,474.33 | 640,791.32 | | 640,791.32 | 76,919,628 |
| | Stecol Corp IPC 44 -Part 2 | 211 | 19-May-21 | USD | 171,023.00 | 86.9089 | 14,863,420.80 | | 14,863,420.80 | 118,873.29 | | 118,873.29 | 77,038,502 |
| | Total | | | | | | 383,120,097.23 | 37,481,838.20 | 420,601,935.43 | 3,047,726.82 | 240,093.87 | 3,287,820.69 | |

Note:

The available donor Loan Facility was exhausted during the Financial Year ended 30th June, 2021

