

REPUBLIC OF KENYA



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REPORT

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Leader, majority party
A. Shibuko

THE AUDITOR-GENERAL

ON

ROAD MAINTENANCE LEVY FUND

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

KENYA RURAL ROADS AUTHORITY





KENYA RURAL ROADS AUTHORITY

ANNUAL FINANCIAL STATEMENTS FOR
ROAD MAINTENANCE LEVY FUND

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2023

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

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1. ABBREVIATIONS

AIA	Appropriation In Aid
FY	Financial Year
GIS	Geographical Information System
GoK	Government of Kenya
IPSAS	International Public Sector Accounting Standards
IPSASB	International Public Sector Accounting Standards Board
KeRRA	Kenya Rural Roads Authority (The Authority)
KeNHA	Kenya National Highways Authority
KM	Kilometres
KRA	Kenya Revenue Authority
KRB	Kenya Roads Board
KURA	Kenya Urban Roads Authority
MTEF	Medium Term Expenditure Framework
MoR&T	Ministry of Roads and Transport
RMLF	Road maintenance Levy Fund
RSIP	Road Sector Investment Programme

2. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

Kenya Rural Roads Authority (KeRRA) is a State Corporation established under the Kenya Roads Act 2007. The Authority is headed by a Board of Directors led by a Chairman with the Director General being the Chief Executive of the Authority.

At the cabinet level the Authority is represented by the Cabinet Secretary for the Ministry of Transport, Infrastructure, Housing, Urban Development and Public works, who is responsible for the general policy and strategic direction of the Authority.

The Authority begun its operations in September 2008 and is represented in the 47 counties through regional offices.

(b) Principal activities

The Kenya Roads Act 2007 provides for the mandate of the Authority to manage, develop, rehabilitate and maintain the rural road network within the Republic of Kenya. However, the Constitution of Kenya 2010 assigns the responsibility of managing National Trunk Roads to National Government and County Roads to County Governments under the Fourth Schedule Part 18(b). In line with this provision, the road network in Kenya was reclassified vide Kenya Gazette Notice of 22nd January 2016 by the State Department of Infrastructure. National trunk roads in Class C totaling 19,504 Km were vested to the Authority by the Cabinet Secretary. A further reclassification by the Cabinet Secretary on 8th May 2020 revised the KeRRA network to 18,662 Km of national trunk road network in Class C.

(c) Key Management

The Authority's day to day management is under the following key organs;

1. Board of Directors
2. Senior Management led by the Director General
3. Senior Management

(d) Fiduciary Management

The key Management personnel who held office during the financial year ended 30th June 2022 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Director General	Eng. Philemon Kiprop Kandie
2.	Director (Development)	Eng. Jackson K. Magondu.
3.	Director (Road Asset Management)	Eng. Peter Patu Gichohi
4.	Director (Planning, Design and Environment)	Eng. Enoch Ariga Kombo
5.	Director (Research, Strategy & Compliance)	Eng. Julius K. Gakubia
6.	Director (Corporate Services)	CPA. Dan Manyasi
7.	Deputy Director (Audit Services)	CPA. Judith Chepkemai Chumo.
8.	Deputy Director (Corporation Secretary/ Legal Affairs)	Mr. Justin Rapando.
9.	Deputy Director (Supply Chain Management)	Ms. Catherine Kangangi

(e) Fiduciary Oversight Arrangements

1. Ministry of Transport Infrastructure Housing and Urban Development & Public Works
2. Kenya Roads Board.
3. Public Investments Committee
4. Audit and Finance Board Committees.

(f) Authority Headquarters

Barabara Plaza Block B, Airport South road, Opp KCAA building.

(g) Authority Contacts

P.O Box 48151 – 00100,
Nairobi GPO
Tel. 0202710464
Email: kerra@kerra.go.ke
Website: www.Kerra.go.ke

(h) Principal Bankers

1. ***KCB Bank Limited,***
Moi Avenue Branch,
P.O. Box 48400-00100,
Nairobi GPO
2. ***NCBA Bank Limited,***
Upper Hill Branch,
P.O. Box 44599-00100 ,
Nairobi GPO
3. ***Equity Bank Limited,***
Equity Centre,
Hospital Road, Upper Hill.
P.O. Box 75104-00200,
Nairobi
4. ***Cooperative Bank Limited***
Co-operative House,
Haile Selassie Avenue,
P.O. Box 48231 - 00100,
Nairobi GPO

(i) Independent Auditors


Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 49384-00100
Nairobi, GPO

(j) Principal Legal Adviser

The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

3. THE BOARD OF DIRECTORS

The Board members are drawn from representatives from public and private sector as set out in section 8 of the Kenya Roads Act 2007. The members who held the office during the year under review were as follows:

 <p>Prof.(Eng) Oyuko Mbeche EBS Chairperson of Board</p>	<p>Prof (Eng) Oyuko. O. Mbeche was born in 1946. Prof.(Eng.) Mbeche is a holder of B.Eng. From Stevens Institute of Technology(USA), MSc from Polytechnic Institute of Brooklyn(USA)and PhD from the University of Nairobi. He is a Civil Engineer specializing in the field of Transportation Planning and Engineering.</p> <p>Prof. (Eng) Mbeche is a Nobel Peace Prize recipient bestowed on him by the International Panel on Climate Change (IPCC) in December, 2007, Member American Society of Civil Engineers, Member American Society of Engineering Education, Member Kenya National Academy of Sciences and Member Engineering Board of Kenya . He is a Professor of Civil Engineering at the University of Nairobi and has supervised various undergraduate and postgraduate projects and has published widely</p> <p>He is the Chairperson of the Board. He has written many research papers on matters touching on land use, planning, transport economics and urban planning. In his work experience, he has worked as a project coordinator, team leader, and project civil/structural engineer in various government organizations and trained in corporate governance</p>
 <p>Hon. Amb. Ukur Yatani. EGH Cabinet Secretary National Treasury Upto 27th October 2022</p>	<p>Hon. Amb. Ukur Yatani Kanacho was born in 1967 and holds Bachelor of Arts in Economics, Egerton University, Kenya, 1991 and Master of Arts in Public Administration and Public Policy, University of York, United Kingdom, 2005;</p> <p>He has over 27-year experience in public administration, politics, diplomacy and governance in public sector since 1992. Before his appointment as Cabinet Secretary for the National Treasury & Planning he served as the Cabinet Secretary for Labour and Social Protection since January 2018.</p> <p>Between the years 2006-2007 while Member of Parliament for North Horr constituency, served as an Assistant minister for science and technology. At the height of his career (March 2013-August 2017), he served as a pioneer Governor of Marsabit County, the largest County in the Republic of Kenya. Between June 2009 and October 2012, he served as Kenya’s Ambassador to Austria with Accreditation to Hungary and Slovakia and Permanent Representative to the United Nations in Vienna. In this position, he aggressively pursued and advanced Kenya’s foreign interests.</p> <p>He held senior leadership positions at various diplomatic and international agencies such as International Atomic Energy Agency (IAEA), United Nations Organization on Drugs and Crimes (UNODC), United Nations Industrial Development Organization (UNIDO), Vice Chairperson of United Nations Convention Against Transnational Organized Crime (UNTOC), Vice President of Convention on Crime Prevention and Criminal Justice (CCPJ), and chair of African Group of Ambassadors among others. Between 1992—2015, he served in different positions in Kenya’s Public Administration including a District Commissioner, where sharpened his management and administrative skills.</p>



Prof. Njuguna Ndung'u, CBS
 Cabinet Secretary National Treasury
 From 27th October 2022

Prof. Njuguna Ndung'u was born 1960. and a holder [Bachelor of Arts in Economics](#) degree , and [Master of Arts in Economics](#) both from the [University of Nairobi](#) and PhD in Economics from the [University of Gothenburg](#) , Sweden.

Prof Njuguna is an Associate Professor of Economics at the University of Nairobi, a former Governor of the Central Bank of Kenya. He has been a member of Global Advisory Council (GAC) of the World Economic Forum and a Visiting Fellow of Practice at the Blavatnik School of Government, Oxford University. Director of Training at AERC, Program specialist at IDRC and Team Leader in Macro-modelling at the Kenya Institute for Public Policy Research and Analysis. He is a Member of Brookings Africa Growth Initiative, Member of the Advisory Committee of the Alliance for Financial Inclusion, that coordinates financial inclusion policies in Africa, Asia and Latin America, and Senior Advisor for the UNCDF-based Better Than Cash Alliance.

Prior to the current appointment, Prof. Ndung'u was serving as the Executive Director of the African Economic Research Consortium (AERC), a Pan African premier capacity building network of researchers, trainers, students, universities, policy makers and international resource persons.



Zahra Mohamed Haji
 Alternate to Cabinet Secretary
 National Treasury
 Upto 5th June 2023

Ms. Zahra Mohamed Haji was born in 1981 and is a holder of B.Sc. Journalism from United States International University, Africa and a M.A. Journalism (International) from London University of Westminster.

She is a dynamic and highly motivated communications coordinator with 12 years of experience engaging members of diverse communities, government agencies and private organizations in strategic marketing ventures to develop cross-functional relationships that contribute to business growth and awareness raising. She has proven ability to promote mandates and services to consumers within the corporate and non-profit sectors through market trend analysis and detailed research and is trained in corporate governance

She was an Executive Assistant to the Cabinet Secretary, Ministry of Labour and Social Protection and the Executive Assistant to the Cabinet Secretary, Ministry of National Treasury and Planning. She has held senior leadership positions such as Senior Manager, Advocacy and Communication at Commission on Administrative Justice (Office of the Ombudsman) and also was a Managing Director at Radio Salaam Limited, Mombasa, Kenya.



Samson Palia Wangusi, OGW,
 Alternate to Cabinet Secretary
 National Treasury
 From 5th June 2023

Mr Samson Palia Wangusi was born in 1966 .He holds a Masters of Arts in Public Administration and a Bachelor's degree in Public Administration from Moi University and the University of Nairobi respectively.

Mr. Wangusi is a seasoned administrator with vast experience in Public Sector Management, spanning over 30 years and currently the Principal Administrative Secretary (PAS) at The National Treasury. Prior to his current appointment, Mr. Wangusi was the Director of Administration at the State Department for Immigration. He has served in a similar capacity at the State Departments for: Social Protection, Industrialisation, Trade and, Public Service, Youth & Gender. He is also trained in corporate governance.

Mr. Wangusi has also served on various Boards as an Alternate Director to the Principal Secretary. These include: Bukuru Agricultural College Board, Special Programme on the National Cereals and Produce Board, Micro Small Enterprises Authority and, Kenya Shipyard Limited.



Prof. Arch. Paul Mwangi Maringa
CBS

Principal Secretary - Principal
 Secretary -State Department of Roads
 -Ministry of Roads and Transport.
 Works
 Up to 2nd December 2022

Prof. Arch. Paul Mwangi Maringa, born in 1959, and holds Bachelor of Architecture Degree University of Nairobi 1979-1986, Masters of Arts in Planning-Urban & Regional planning University of Nairobi 1989-1990; and Doctor of Philosophy- Environmental Planning, Jomo Kenyatta University of Agriculture and Technology 1999-2005.

He was the Principal Secretary State Department of infrastructure -Ministry of Transport, Infrastructure, Housing & Urban Development and Public Works and previous Principal Secretary, State Department of Public Works having been appointed in December 2015.

Prof. Arch. Maringa is a Founder Associate Professor of Architecture and Planning of the FAED, Senior Expert, Planning & Project Management and Technical Expert & Master Trainer in Building Construction & Infrastructural Planning & Development.



Eng. Joseph Mbugua

Principal Secretary -State Department
 of Roads -Ministry of Roads and
 Transport.
 From 2nd December 2022

Eng. Joseph Mbugua was born in 1962 and is the immediate former Regional Director Kenya Rural Roads Authority. Eng. Mbugua is a registered professional Engineer with Engineers Board of Kenya (EBK) and a Corporate Member of the Institution of Engineers of Kenya (MIEK). He holds a BSC in Civil Engineering from University of Nairobi. He is a Strategic Manager who has successfully risen in ranks to be a highly capable change-agent consistently refining and revitalizing strategies, initiating changes and facilitating solutions driven by team collaboration within the Public Sector.

He is extensively trained in Strategic Leadership Development, Senior Management, Highway Development Management, Contract Management, Labour Based Road Construction and Maintenance, Quality Management Systems and Master Certificate in Project Management. He has valuable experience in policy formulation, planning, design, construction and management of projects and programs gained from his working experience in Public Service for over 30 years and trained in corporate governance

Eng Mbugua is a Non-Executive Member of the Board of Management for Thogoto Teachers College, Moi Girls Kamangu Secondary School and Kikuyu Township Primary School



Eng. Stephen Kogi

Alternate to Principal Secretary- State
 Department of Roads - Ministry of
 Roads and Transport.

Eng. Stephen K Kogi was born in 1964 and is the alternate to the the Principal Secretary, State Department of Infrastructure department in the Ministry of Roads and Transport from June 2020. He is currently the Chief Engineer in charge of infrastructure quality standards and research in the Ministry

He has extensive experience in professional and public administration, including strategic leadership and corporate governance gained from his training and responsibilities in the different programmes and mandates in government and as a graduate of Civil Engineering from the University of Nairobi and a Master's degree of Business Administration from Jomo Kenyatta University of Agriculture and Technology.

He has previously coordinated the improvement of roads under various development partners and the development of policies including the design guidelines in support of the Government agenda for the improvement of over 10,000Km road network under the Low Volume Sealed Roads Programme

He has been involved in various local and international forums and is the current President of the African Road and Transport Research Forum with a membership of the Sub Saharan African countries



Mr. Julius Korir EBS
 Principal Secretary, Ministry of
 Devolution.
 Upto 2nd December 2022

Mr. Julius Korir, CBS, was the Principal Secretary, Ministry of Devolution Prior to this appointment, he was the Principal Secretary in the State Department for Youth Affairs, Ministry of Information, Communication and Technology, Innovation and Youth Affairs.

Mr. Korir has also previously served as the Principal secretary in the State Department for Infrastructure, Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works, and in the Ministry of Health.

He was first appointed as a Principal Secretary on 18th December, 2015 to the State Department for Investment and Industry, Ministry of Industry, Trade and Cooperatives.

Mr. Korir has been instrumental in promoting improved livelihoods for the Youth by ensuring they have access to decent jobs, entrepreneurship and skills development and mentorship in addition to encouraging the youth to exploit their talents for economic gain.

His experience extends to managing Public/Private Partnership (PPP) initiatives, bringing together Public and Private Sector Stakeholders. His wealth of experience has seen him spearheading the Contractor Facilitated Road Development Mechanism. This entails Design-Finance-Build and Transfer PPP Framework of the Roads Annuity Programme.

He is keen on enterprise development and has vast experience in the fields of country promotion, particularly Foreign Direct Investment (FDI), exports and tourism with a view to enhancing economic growth in Kenya.

Mr. Korir has been involved in managing a large portfolio of Government and Development Partner Funded Projects that are spread throughout the Kenya.

Mr. Korir holds an MBA in International Business and a BSc. in Agricultural Economics



Ms. Teresia Mbaika
 Principal Secretary, Ministry of
 Devolution.
 From 2nd December 2022

Ms Teresia Mbaika Malokwe Was born in 1986. Ms Teresia holds a Master of Science degree in Health Economics, obtained from the University of Nairobi and a Bachelor of Science degree in Environmental Health from Kenyatta University

In June 2018, was appointed Teresia to the board of directors at the National Environment Management Authority of Kenya. Ms Teresia was a member of the eleven-person board of directors at the Kenya Nuclear Electricity Board. While there, she chairs the Finance and General Purpose committee.

In January 2014, she served as a board member at Beams Construction & Supplies Limited, a Nairobi-based construction company. She has also worked at the Kaiti Constituency NG-CDF since June 2013. Her duties included overseeing financial management, corporate governance and compliance at the government agency.



Mr. Kennedy Nyambati
 Alternate to Principal Secretary
 Ministry of Devolution
 Upto 4th June 2023

Mr. Kennedy Nyambati is a Director Capacity Building and Technical Assistance in the Ministry of Devolution. Mr. Nyambati was born in 1966 and hold a Bachelor of Arts (Sociology) from University of Nairobi and Master in Public Sector Management from the Africa University, Zimbabwe.

Director Nyambati is well versed in Public Sector Management, Governance and Leadership; Public Policy Analysis; Performance Management; Programme & Project Management; Diplomacy & Negotiations; Strategic Planning & Management; Human Resource Management; Regional Cooperation & Integration; Devolution Affairs; Inter-Governmental Relations; Capacity Building & Technical Assistance and trained in corporate governance.



Ms. Margaret Akiring Osilli
 Alternate to Principal Secretary
 Ministry of Devolution
 From 4th June 2023

Ms Margaret Osilli is an **Assistant Director Devolution Affairs** . She is an accounting professional with management skills and expertise in financial management. Ms Osilli was born in 1974.

Ms.Osilli is a Certified Public Accountant and holds a Certificate in Strategic Leadership Development Programme. She has over 20 years' experience in cash management, procurement, internal, controls, budgeting, financial reporting and analysis. She was the part of the secretariat of The 9th Africities Summit between 01/2022 - 05/2022 and Kenya Devolution Support Program between 01/2016 - 01/2021, member of the Inter – Agency Working Committee on County Own Source Revenue

She possesses exceptional interpersonal and management skills. She has worked for various institutions including Malaba Town Council, Busia County Council, Nairobi City Council, Kisumu City Council, and county government of Kisumu.



Ms.Nelly Mbugua OGW
 Institution of Surveyors
 Of Kenya
 Upto 2nd October, 2022

Ms. Nelly Mbugua was born in 1968 and holds Bachelor of Arts in Land Economics from the University of Nairobi, Master of Science in Project Management , a post-graduate diploma with the Institution of Surveyors of Kenya and currently pursuing her Post Graduate studies. Nelly has worked for top real estate companies in Kenya among them: Lloyd Masika Ltd and Kenya Valuers & Estate Agents Ltd where she has held senior management positions. She has trained in Corporate Governance.

She was the Chairperson of Board Human Resource and Administration Committee Ms. Nelly has vast experience in the real estate industry consultancy, with local and international Registration and licensing by the Valuers Registration Board (VRB) and the Royal Institution of Chartered Surveyors (RICS). Nelly is a full member of the Institution of Surveyors of Kenya (ISK) and has served the Institution as VEMS Chapter Chairperson and a member of the governing Council. Nelly is a registered estate agent and is the immediate past Chairperson of the Estate Agents Registration Board (EARB). As the Chairperson of EARB, Nelly worked tirelessly to improve professionalism and raise the profile of estate agency profession in Kenya. She is a Trustee of the Bible Society of Kenya (BSK), and a past Chairperson of the Board of BSK.

Ms.Nelly is a seasoned valuer, specializing in business and hospitality industry and oil and gas exploration valuation, as well sales, letting and property management. Ms Nelly is a director at Citiscap Valuers & Estate Agents Limited.



Prof. Lawrence Esho
 Kenya Institute of Planners.
 Upto 2nd October, 2022

Prof . Lawrence Esho was born in 1970 and is a holder of Bachelor of Arts (BA) Sociology Kenyatta University(Kenya) 1995, Master of Architecture (M.Arch) Human Settlement from Catholic University of Leuven(Belgium) 2003,Masters of Arts (MA Planning University Of Nairobi Kenya 1997 ,Doctor Of Engineering (Dr-Ing), Architecture/Spatial Planning From Catholic University of Leuven(Kul)(Belgium) 2008,

He was the Chairperson of the Board Audit Committee.

He is trained in sociology, planning and human settlements. He has worked as a planner and an academic. He is Chairman, Department of Urban and Regional Planning at the Technical University of Kenya.

Lawrence has researched various aspects of housing, transport and planning in the region and continues to collaborate in research with a number of institutions, including KU Leuven, HIS the Netherlands.



CPA Caroline Waithira Ndung'u
 Council of Governors
 From 20th June 2023

CPA Caroline Ndungu holds Bachelor of Arts in Economics degree from University of Nairobi , Advanced Management Programme, Strathmore Business School/IESE Business School, Barcelona, ES and a Member Institute of Certified Public Accountant of Kenya.(ICPAK) .CPA Caroline was born in 1971.

CPA Caroline is certified in Women Directors Leadership Programme, from Strathmore Business School/Cranfield University, 2018,Certificate of Strategic Analysis & Choices, Cranfield University, 2007 , Diageo Way of Brand Building (Trainer & Training), 2005

CPA Caroline has over 25years experience in the Corporate world in various capacities and is an expert in Strategic Planning ,Performance Management, Business Development , Training and Development, Financial Management, Stakeholder Management Project & Program Management .

Some of her selected achievements include the successfully transition of the Barclays brand to Absa over a period of three years, Define the Jubilee Insurance brand and create a strong affinity brand in the eyes of consumers.



Eng. Yego Kiprutto Shadrack
 Institution of Engineers of Kenya
 Upto 2nd October, 2022

Eng. Shadrack Yego was born in 1980 and he is registered with Engineers Board of Kenya as a professional engineer and a corporate member of the Institution of Engineers of Kenya (MIEK).

Eng. Shadrack Yego holds Bachelor of Science degree in Civil engineering from University of Nairobi. He has over fifteen (15) years of experience in carrying out engineering feasibility studies, infrastructure assessments, preliminary and detailed studies and designs, contracts administration and construction supervision of engineering projects in the field of roads, dams, water and sanitation and buildings.

Eng Shadrack was the Chairperson of Board Finance committee and Board Technical Committee and has passion in giving back to the community and a champion of corporate governance and continues to hold leadership mantle in various private institutions. Eng Shadrack has a good and strong blend of the Government of Kenya systems, private sector and United Nations working environment. In addition, Eng Shadrack has experience working in similar projects in ASAL and hardship areas in Kenya, Tanzania, Burundi and Somalia.



Eng. Dorcas Mutheu Musingi
 Institution of Engineers of Kenya
 From 20th June 2023

Eng Dorcas is holder of Bachelors of Technology (BTech) degree and a Master of Philosophy Degree in Civil Engineering both from Moi University and is Registered Member of Engineers Board of Kenya (EBK) and Institute of Engineers of Kenya(IEK) Eng. Dorcas Mutheu Musingi was born in 1978.

Eng. Dorcas has over 20 years experience in various capacities. Currently is a lecturer at Technical University of Mombasa (TUM) and is involved in developing curriculum, developing course material, conducting research and writing papers and Journals. Eng. Dorcas is also well versed in Corporate governance.

Eng. Dorcas has served as committee member for IEK as Coast Branch Vice Chairperson, Syllabus Review committee for TUM and organizing Secretary of coast Kamba Professionals.



Mr. Alvin Kibet Kirui MBS
Kenya Farmers Association

Mr Alvin Kirui was born in 1993 and holds a Bachelors of Business Information Technology Degree from Jomo Kenya University of Agriculture and Technology and has successfully completed the investing in Agribusiness Value Addition programme from Strathmore University. Mr. Alvin is a Member of the Micro and Small Enterprise Tribunal representing SME Sector under the Judiciary, whose mandate is settlement of commercial disputes. He is a Founding Director of Tekelbei Water Foundation, a non state actor with a goal of providing water storage facilities for rural farmers, providing farmers with market information, and climate adaptive farming strategies. Mr Alvin also leads the East Sotik Co-operative Society which deals with value addition to dairy farmers



Eng. Philemon K. Kandie MBS
Director General/Secretary to the Board

Eng. Philemon Kandie was born in 1971 and is a registered engineer with Engineers Board of Kenya and a member of the Institution of Engineers of Kenya (MIEK). Eng. Kandie holds BSc. Hons in Civil Engineering from Jomo Kenyatta University of Agriculture & Technology and Diploma in Transport Planning, Development & Management from Galilee Management Institute (Israel), Master of Science in Road Management & Engineering from the University of Birmingham in United Kingdom, He has been extensively trained in Management Infrastructure embracing Road Asset Management and has valuable experience in policy formulation, planning, design, construction and management of projects and programs gained from his working experience in Public Service for over 24 years. He worked in the Ministry of Roads and Kenya National Highways Authority as Regional Manager in various stations and promoted to Regional Network Coordinator in headquarters. He is a Registered Professional Engineer with Engineers Board of Kenya and a Corporate Member of Institution of Engineers of Kenya. Eng. Kandie holds leadership portfolios in and out of the Authority and a member of various committees amongst them, Road Sector Investment Plan, Review of Road Classification, Performance Based Contracts and Roads 2000 Strategy Implementation.

4. MANAGEMENT TEAM



Eng. Philemon K. Kandie MBS
P.Eng., BscHons, MIEK, MSc
Director General



Eng. Peter P. Gichohi
P.Eng., MSc BSc., MIEK, A(CIAB)
Director Road Asset Management.



CPA Dan Manyasi
MBA, BCom, CPA(K)
Director -Corporate Services



Eng. Jackson K. Magondu
P.Eng., M(IBL) BSc., MIEK, A(CIARB-UK)
Director Development



Eng. Julius K. Gakubia
P.Eng., BSc., MIEK
Ag Director- Research, Strategy & Compliance



Eng. Enock A. Kombo
P.Eng., MA(Planning), Bsc, MIEK
Director -Planning , Design & Environment



CPA Judith C. Chumo
Bcom, MBA, CPA(K), CISA, CIQA
Deputy Director - Internal Audit



Mr. Justin M. Rapando
LLM,LLB Msc,Dip(KSL),CPS(K),M(CI Arb)
Deputy Director - Legal Affairs



Ms.Catherine Kangangi
Msc(Proc.& Logistics), MKISM,MCIPS
**Ag. Deputy Director – Supply Chain
Management**

5. CHAIRMAN'S STATEMENT



It is my pleasure to present the Kenya Rural Roads Authority Financial Statements for the year ended 30th June 2023.

The Board during the period in review provided fiduciary oversight on all KeRRA road financing activities and operations. The accompanying financial statements have been prepared in accordance with the provisions of the International Public Sector Accounting Standards (IPSAS). Proper accounting and other records have been kept including records of all assets of the Authority. The receipts, expenditure, investment of funds and acquisition and disposal of assets during the financial year have been in accordance with the provisions of the Public Finance Management Act 2012, Public Procurement and Asset Disposal Act 2015 with their constituent regulations and requirements of any other written law applicable to all funds of or managed by the Authority.

Customer-centricity is significant in growing large customer base and improving the needs and preferences of customers. The Authority adopted client-centered approach in the organization to dissect the needs and preferences of its customers. This has enabled the Authority to excellently meet and exceed the demands and expectations of its customers. The Authority conducts customer satisfaction survey periodically online and verbally to foster customer satisfaction through dissection of customer feedbacks and making instant improvement.

The rapidly evolving technology has created increased demand of the Authority's services online. Consequently, the Authority created social media accounts to catch-up with the growing need of its customers. The Authority created, Website, Hotline Number, Twitter and Facebook account as central channels of communication to its large customer-base. This was as result of comparatively higher volume of users and frequency of interactions by stakeholders. The Authority uses these platforms to collect feedback, monitor trends and gather information for future planning, and proper service delivery.

The Authority is accelerating immense economic growth through "last mile connectivity" aimed at opening up rural Kenya. Among the various projects being undertaken by the Authority for economic transformation which are a boost to the primary growth sectors of the economy include upgrading/construction of new roads and bridges, periodic and routine maintenance of roads, road reconstruction and rehabilitation, road safety and axle load monitoring. The Authority therefore is a critical cornerstone facilitating the achievement of the Government's Bottom-Up Economic Transformation Agenda.

The recently concluded general elections have set the stage for Kenya's next development chapter. The country has made significant political and economic reforms that have contributed to sustained economic growth, social development, and political stability gains over the past decade. Political stability is crucial to foster investor confidence in Kenya's economy. However, key development challenges still remain among them poverty, inequality, youth unemployment, climate change, continued weak private sector investment, and the vulnerability of the economy to internal and external shocks.

There has been increased government's efforts to establish vocational training institutions to churn out a skilled labour force on a need basis. Further, there has been increased financing of

SMEs which are the driving force for Kenya's construction industry thereby fostering a successful construction industry.

Not only was our staff highly engaged in FY 2022/2023, they also delivered excellent customer service and operational performance for the Authority. The Management Team continued to put in extra effort to maintain the Authority's cultivated culture of high performance and high engagement, as evidenced by our continued strong scores in the FY 2021/2022 Performance Contract. Our unique vantage point at the intersection of finance, strategy, and performance, allowed us to fully support the management team in defining a suite of new measures and initiatives that reflect the Board's innovative and forward-looking priorities.

I wish to extend my sincere appreciation to the various Committees of the Board and the Board of Directors for rising to the occasion, individually and severally for abiding to sound corporate governance principles and providing policy guidance to Management with strict adherence to policies and standard operating procedures. I remain grateful to the Authority's Management and staff for their dedication and commitment in quality service delivery as I look forward to FY 2023/2024, that together the staff will deliver even greater performance.



Prof. (Eng.) Oyuko Mbeche, EBS

Chairperson - Board of Directors

6. REPORT OF THE DIRECTOR GENERAL



On behalf of the Kenya Rural Roads Authority, I am pleased to provide the financial year 2022/2023 Financial Statements. This culminates to our financial management for the year aiming at accurately tracking and disclosing our financial status, and to ensure that the Authority continues to act as a good steward of public funds. It's a presentation of the statements in relation to our mission and the resources entrusted to us.

Despite the inadequate budgetary allocations, the Authority remained resilient to achievement of its core activities. In particular routinely maintained 23,646kms against a target of 23,231kms, periodically maintained 128kms against a target of 127kms in the year under review.

Further, the Authority continued to implement all the presidential directives as issued from time to time and particularly on fast-tracking of implementation of ongoing road development projects and growing of 15,000No. trees at designated forests (Murinduko Hill, Njukine Forest in Kirinyaga County) in collaboration with Kenya Forest Service and in road camps, KeRRA Regional Offices and along edges of road reserves in conjunction with stakeholders.

The Authority takes cognizance of the legal requirement for women, youth and persons with disabilities to access 30% of Government Procurement opportunities being implemented within the context of the AGPO program. The aim of the AGPO program is to facilitate the enterprises owned by women, youth and persons with disabilities to be able to participate in Government opportunities. In particular, the Authority empowered this special category by awarding Kshs. 5,624,651,847 (against a target of Kshs. 5,390,685,648) worth of contracts for enterprises owned by these groups aimed at empowering them by giving them more opportunities to do business with Government.

Further, the Authority developed an Enterprise Resource Planning (ERP) System to integrate internal business processes towards enhancing accurate forward planning, data reliability and regulatory compliance. The following Modules were developed in the year: Finance, Human Resource, Payroll and Legal. In addition, the following ICT portals were developed: E-procurement portal, Employee service portal and roadside development approval E-service portal. The automation of internal audit process is ongoing.

Additionally, the Authority successfully rolled out a mechanism of handling visitors through a Visitors Management System in the year under review. This has enabled time saving and productivity improvement, better data collection, visitors privacy, organizational security and improved professional image.

Moreover, the Authority engaged 273No. industrial youth internships/attachments (against a target of 240No.) with a main aim of putting into practice the theory and technical skills learnt in the lecture room and expected to create useful linkages with captains of industry having a general feel of the industry. The students got an opportunity to gain industrial experience and workplace skill sets.

Increasingly, if a public institution isn't committed to fair and effective complaints resolution, it risks destroying clients value and lose customers confidence. The Authority handled amicably all 127No. complaints received in the year. At the Authority, customer resolution has become a more crucial measure of corporate worth and an instrument for winning and maintaining customer trust earning their loyalty.

The Authority faced numerous challenges resulting to low absorption levels. In the year under review, low absorption levels were as a result of delays in procurement and project implementation and frequent changes of workplans by Constituency Roads Committees (CRCs). Some of the challenges were exogenous to the Authority's control and particularly the late disbursement of exchequer releases. For Example the Authority received Ksh 18.3 Billion on the 29th June 2023 which was almost half of total receipts undermining anticipated 100% absorption levels.

Kenya economy remains resilient due to its diversification and low dependency on natural resources for export and positive outlook for constructions supported by the expectation of the government aggressively pushing for Public-Private-Partnership (PPPs) to attract private investment. The revised PPP Act 2021, is expected to accelerate investments through PPPs arrangements.

The achievements within the financial year can be attributed to the support, firm guidance and the positive direction given by the Board of Directors. Moreover, the dedication, innovation and commitment to duty by the Authority staff made it possible for Management to perform and achieve to the expectation of the Board and other stakeholders without difficulty.



Eng. Philemon K. Kandie, MBS
Director General



7. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

REVIEW OF PERFORMANCE FOR FY 2022/2023

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the national government entity's performance against predetermined objectives.

Kenya Rural Roads Authority has various strategic pillars and objectives within its Strategic Plan for the FY 2018/2019- 2022/2023. The strategic pillar that relates to RMLF is as follows:

Key Result Area	Performance Target	Planned Activities/Outcome	Outputs 2022-2023
Strategic Objective 1: To increase the national secondary trunk road network under bitumen			
1. Roads Maintained under (RMLF)-Routine	<ul style="list-style-type: none"> To Maintain 23,139.0km of rural road network 	<ul style="list-style-type: none"> Maintain roads to support accessibility to all production, market and social centers for enhanced economic growth 	<ul style="list-style-type: none"> 23,554.5 km
2. Roads Maintained (RMLF)-Periodic	<ul style="list-style-type: none"> To Maintain 127.0 km of rural road network. 	<ul style="list-style-type: none"> Maintain the current service potential of the road network. 	<ul style="list-style-type: none"> 128.1 km

8. CORPORATE GOVERNANCE STATEMENT

The Board provides oversight to management who are responsible for the day to day running of the organization and emphasizes on principles of good Corporate Governance in the discharge of its mandate. The Board has 4 committees through which it discharges its mandate and is evaluated annually by SCAC. The positions of Chairman and Director General are held by different persons, as stipulated in the Mwongozo Code of Corporate Governance for State Corporations. The Board and management have been trained on the Mwongozo Code of Corporate Governance for State Corporations.

Organization structure of the Authority

The Kenya Rural Roads Authority is governed by a Board of Directors as per Kenya Roads Act 2007. The day to day management of the Authority is carried out by the Director General who is also secretary to the board. The Authority carries its mandate through the following Directorates and Departments.

- a) Directorate of Development
- b) Directorate of Road Asset Management
- c) Directorate of Research, Strategy & Compliance
- d) Directorate of Planning, Design and Environment
- e) Directorate of Corporate Services
- f) Directorate of Audit Services.
- g) Corporation Secretary/ Legal Affairs Department
- h) Supply Chain Management Department.

Appointments to the Board

Appointments to the Board are carried out pursuant to section 8 of the Kenya Roads Act 2007. The Chairman of the Board is appointed by the President of the Republic of Kenya. Members of the Board are appointed by the Cabinet Secretary, Ministry of Roads and Transport on recommendation of the various nominating institutions provided for under the Kenya Roads Act 2007.

Board Organization and structure

The composition of the Board is as per the provisions of Section 8 of the Kenya Roads Act 2007. The Board is composed of representatives of relevant Government Ministries and private sector as represented by the various nominating bodies and is independent of management. The Board has set up Four standing committees to discharge its oversight role.

The role of the Board

The role of the Board is to provide strategic direction and oversight to management in the running of the Authority's affairs.

Activities of the Board

It is the responsibility of the Chairman and the Secretary to work closely together in planning the annual program and agendas for meetings. The Board is required to meet at least four times a year and the meetings are structured to allow open discussion. All substantive agenda items have comprehensive briefing papers, which are circulated well in advance.

In addition to regular Board meetings, there are a number of other meetings to deal with specific matters. When directors are unable to attend a meeting, they are advised of the matters to be discussed and given an opportunity to make their views known to the Chairman or the Director General prior to or after the meeting.

During the period under consideration, the Board had various meetings to deliberate on issues affecting the Authority. The Board also made several site visits to launch and inspect various

projects being undertaken by the Authority. An evaluation of the Board was also carried out during the period.

Board Effectiveness

The Board is sufficiently independent of management and performs its functions in a way to enhance Board effectiveness. To further enhance effectiveness, the directors have been trained on various issues on Corporate Governance and Mwogozo code of conduct

The table below indicates Board meeting attendance for the period 1.7.2022 - 30.6.2023

S/NO.	MEMBER	15 th July, 2022	5 th August, 2022	29 th September, 2022	30 th September, 2022	14 th October, 2022	30 th November, 2022	30 th January, 2023	16 th February, 2023	4 th May, 2023	23 rd May, 2023	29 th May, 2023	5 th June, 2023
1	Prof. (Eng.) Oyuko Mbeche, EBS	√	√	√	√	√	√	√	√	√	√	√	√
2	Eng. Stephen Kogi, OGW	√	√	√	√	√	√	√	√	√	√	√	√
3	Ms. Nelly Mbugua, OGW	√	√	√	√	-	-	-	-	-	-	-	-
4	Mr. Kennedy Nyambati	x	√	√	√	√	√	√	√	√	√	√	-
5	Prof. Lawrence Esho	√	√	√	√	-	-	-	-	-	-	-	-
6	Eng. Shadrack Kiprutto Yego	√	√	√	√	-	-	-	-	-	-	-	-
7	Mr. Alvin Kibet Kirui, MBS	√	√	√	√	√	√	√	√	x	x	√	√
8	Ms. Zahra Haji	x	x	x	x	√	√	√	√	√	√	√	√
9	CPA Margaret Osilli	-	-	-	-	-	-	-	-	-	-	-	√

*The tenure for Directors Ms. Nelly Mbugua, OGW, Prof. Lawrence Esho and Eng. Shadrack Kiprutto Yego ended on 2nd October, 2022.

*Director CPA Margaret Osilli took office in June, 2023 replacing Director Mr Kennedy Nyambati.

Board Committees

In line with the provisions of the Kenya Roads Act 2007, the Board established four Standing Committees. These are Board Finance Committee, Board Human Resources Committee, Board Audit, Risk & Governance Committee and Board Technical Committee. The committees are provided with all necessary resources to enable them to undertake their duties in an effective manner.

Board Audit, Risk & Governance Committee

The Board Audit Committee was established in accordance with the provisions of Treasury Circular No 16. of 25. The Board receives reports from the Audit Committee. The Internal Audit function reports directly to the Board Audit Committee and is independent of management operations. The Board has a responsibility of ensuring the Authority has adequate systems and processes of accountability, risk management and internal controls and the Internal Audit does provide an enterprise assurance of the functional areas in reference to responsibility attributed to the Board.

Board Finance Committee

The committee meets on Quarterly basis. The committee assists the Board in its oversight role of the Authority relating to Authority's finance matters. This is as per the committees Terms of Reference.

Board Human Resource Committee

The committee assists the Board in its oversight role of the Authority relating to Authority's human resource matters. This is as per the committees Terms of Reference.

Board Technical Committee

The committee assists the Board in its oversight role of the Authority's function relating to the technical issues relating to the Authority's mandate. This is in terms of the design, construction and maintenance of roads under the Authority's mandate.

Board and Member Performance

The Board undertakes a self-performance evaluation every year. The performance evaluation is facilitated by the oversight body (State Corporations Advisory Committee). The evaluation helps in improving the performance of the Board.

Board Remuneration

Members of the Board are remunerated in accordance with the policy of the Government of Kenya as communicated from time to time.

Conflict of interest

Directors are required to disclose to the Board any real or potential conflict of interest that comes to the attention of the Directors. This requirement was observed during the reporting period.

Ethics and governance audit

The Board subjects the organization to a Governance audit by a member regulated by the Institute of Certified Public Secretaries of Kenya and accredited for the purpose.



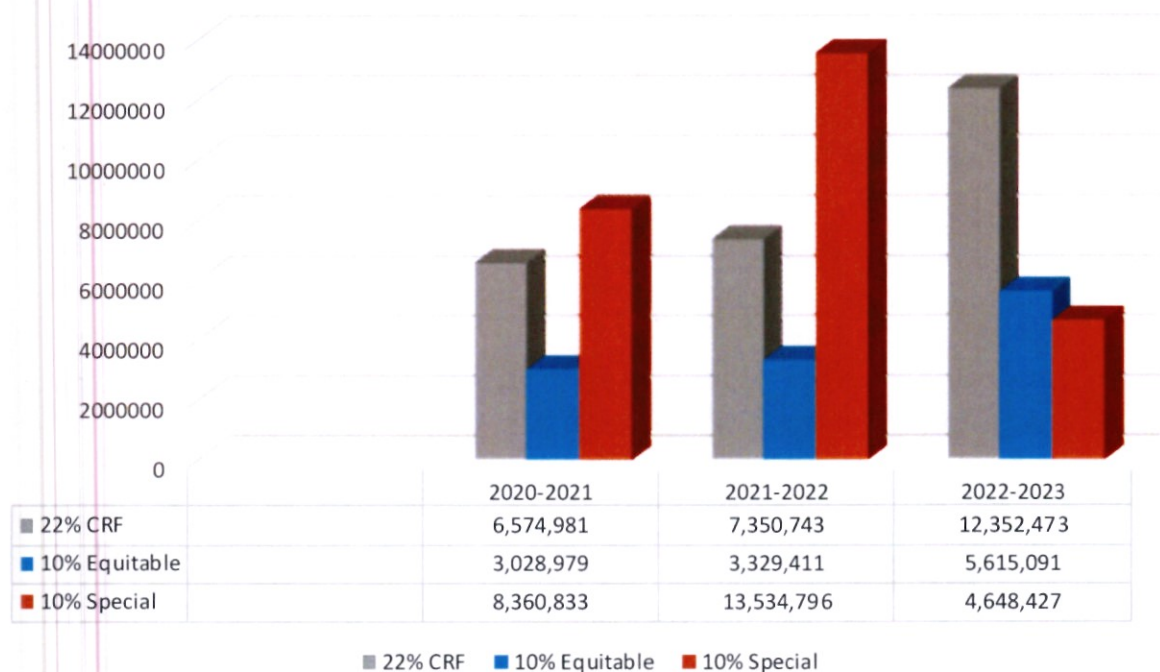
DIRECTOR

9. MANAGEMENT DISCUSSION AND ANALYSIS

The entity's operational and financial performance

The National Government's commitment continues to be seen through the improved budgetary allocation to the road sector. In the period under review, the Authority received a total of 26.4 Billion against a budget allocation 26.4 Billion for the full financial year. The graph below indicates our funding over the last five financial periods.

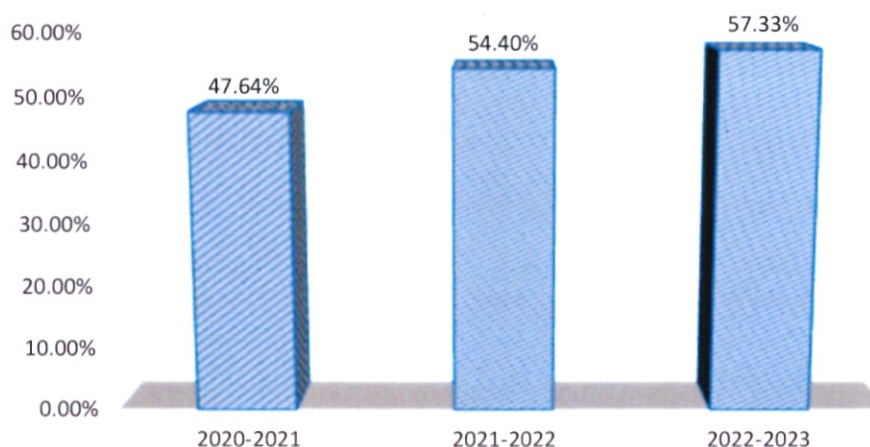
Funding History



Funds Absorption.

In this financial year the Authority achieved a funds absorption rate of 63.12% of all the funds available at its disposal. This is a decline of 3% compared to the previous financial period. This was due Delays in formation of CRC Committees, Late Exchequer disbursements from National Treasury, Executive order of transactions of above Ksh 50 Million

FUNDS ABSORPTION RATE



*Funds Absorption is based on cash balances available for the period. It is calculated by adding Opening Cash Balance and total Receipts less closing cash Balance and compared total funds available.

Entity's compliance with statutory requirements

The Authority has complied with all statutory requirements externally imposed throughout the Period. There are no major noncompliance issues that may expose the authority to potential contingent liabilities.

Key projects and investment decisions the entity is planning/implementing

The Authority upgraded to bitumen standards 292Kms against a target of 273 kms, routinely maintained 23,646 kms against a target of 23,231 kms, periodically maintained 128 kms against a target of 127km and reconstructed/ rehabilitated 57 kms of roads I the year under review.

Major risks facing the entity

The major risks that the authority is exposed to are reported on the note 28 of this report.

Material arrears in statutory/financial obligations

The Authority is not in arrears in the payment of statutory obligations. The Authority continues to settle its bills relating to RMLF fund as and when the fall due.

The entity's financial probity and serious governance issues

There has been no reports of financial improbity by the internal audit, external audit nor Other Government agencies.

10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

i) Sustainability strategy and profile

A broad Political, Economic, Social, Technological, Environmental and Legal (PESTEL) scan was undertaken with a view to describing the circumstances under which the Authority operates so as to be able to appreciate the factors that will either support or impede the process of implementing the Strategic Plan.

Factor	Strategic implication	Strategic Response
Political Factors		
1. Political Interference	<ul style="list-style-type: none"> • Interference with project planning and implementation • Cost inflation due variation 	<ul style="list-style-type: none"> • Adherence to project implementation guidelines • Public participation • Adherence to Annual Road Works Program (ARWP)
2. Funding to the Authority affected by political dynamics	<ul style="list-style-type: none"> • Low funding level in comparison to increased demand for better roads • Additional funding 	<ul style="list-style-type: none"> • Lobby parliament and cabinet • Stakeholder engagement
3. Multiplicity of players in policy development	<ul style="list-style-type: none"> • Interference with policy implementation • Conflicting directives leading to risk of non-compliance 	<ul style="list-style-type: none"> • Lobby parliament and cabinet • Stakeholder engagement
4. Prolonged political activity	<ul style="list-style-type: none"> • Interference with project implementation • Gaps in leadership and direction 	<ul style="list-style-type: none"> • Adherence to project implementation guidelines • Engagement with relevant stakeholders
Economic Factors		
1. Lack of adequate funds	<ul style="list-style-type: none"> • Maintenance backlog (increased road asset deterioration) • High vehicle operating costs • High road user costs • Reduced network improvement • High cost of interest payments 	<ul style="list-style-type: none"> • Increase RMLF allocations • Lobby for enhanced external funding • Explore alternative options of funding • Increased collaboration with external partners
2. Fiscal and Monetary Policies	<ul style="list-style-type: none"> • High taxation • Inflation • High cost of fuel and road works materials • Limitations to line budgetary items 	<ul style="list-style-type: none"> • Monitoring and review of policies and strategies • Macroeconomic stability • Adaptation to changes in fiscal policy
3. Regional economic disparities	<ul style="list-style-type: none"> • Discrepancies in economic empowerment among counties (Marginalized areas) 	<ul style="list-style-type: none"> • Increased Equalization fund • Increased Equitable 10% RMLF

Factor	Strategic implication	Strategic Response
	<ul style="list-style-type: none"> • Skewed regional competitive advantage. 	<ul style="list-style-type: none"> • Standardization and harmonization
Social Factors		
1.Road Reserve Encroachment	<ul style="list-style-type: none"> • Increased accidents • Loss of livelihoods • Increased project costs • Hostility • Interference with project implementation 	<ul style="list-style-type: none"> • Road reserve demarcation • Public sensitization • Stakeholder engagement
2.Poor adherence to axle load limits	<ul style="list-style-type: none"> • Costly maintenance of roads • Reduced road lifespan 	<ul style="list-style-type: none"> • Public sensitization • Enforcement of axle load limits • Periodic road design reviews • Stakeholder engagement
3.Meeting Societal Expectations	<ul style="list-style-type: none"> • Formulation and review of ARWP • Formulation and review of Corporate Social Responsibility (CSR) work plan 	<ul style="list-style-type: none"> • Effectively manage expectations • Public sensitization • Engagement with stakeholders • Upholding organizational core values
Technological Factors		
1.Automation and information security	<ul style="list-style-type: none"> • High investment in ICT systems and infrastructure • Effective information security management • Enhanced efficiency and operational interconnectivity 	<ul style="list-style-type: none"> • Develop suitable ERPs • Develop and implement information security strategies • Implement ISMS
2.Emerging technologies in road construction and ICT	<ul style="list-style-type: none"> • Incorporate usage of locally available materials and labour • High cost of transition • Need for matching staff knowledge and exposure with technology 	<ul style="list-style-type: none"> • Adaptation of technology and road construction concepts to emerging trends including R2000 & R10,000 • Monitor obsolescence of technology and approaches • Frequent updates • Plan for future technological improvements • Capacity building
Ecological factors/Environmental		
1.Adverse weather conditions (floods, mudslides, prolonged rainfall and draught)	<ul style="list-style-type: none"> • Partial or total cut-off of the road network • Increased frequency and costs of road and maintenance and rehabilitation work 	<ul style="list-style-type: none"> • Develop and implement annual disaster mitigation and management strategy

Factor	Strategic implication	Strategic Response
	<ul style="list-style-type: none"> • Delay in execution of projects in adverse weather and Cost overruns • Availability of manpower 	<ul style="list-style-type: none"> • Enhance works insurance to cover adverse weather
2. Availability of natural road construction material	<ul style="list-style-type: none"> • Depletion of natural resources • High construction costs • Damage to economically productive lands 	<ul style="list-style-type: none"> • Research on alternative road construction material • Embrace viable emerging technologies

ii) Environmental Performance

KeRRA is committed to continuous improvement of environmental performance by putting in place strategies and actions to ensure that potential negative impacts of its operations to the environment are minimized. It is therefore the Authority's commitment to improve human welfare through the protection of natural capital throughout its operations. An Environmental and Social Sustainability Policy is in place with its main aim being to guide the Authority in conforming to the prevailing Government strategies as highlighted in the National Environment Policy. In accordance with the Policy, the Performance Contracting guidelines and the requirements of the Environmental Management and Coordination Act, the Authority implemented the following activities during the 2022/2023 financial year: -

Measures to mitigate against water, air, noise and other forms of pollution

Environmental and Social Impact Assessment (ESIA) Studies were finalised and submitted to NEMA for 39No. Projects. Additionally, the Authority continues to monitor compliance to the Environmental & Social Management Plans and EIA Licence conditions for the various projects under implementation, and corrective measures have been employed whenever a non-conformity is noted. 5No. Environmental & Social Audits (ESA) were undertaken to check environment compliance level for recently completed projects.

Promoting Environmental Protection and Conservation through Stakeholder Partnerships

The Authority sponsored and participated in the Annual Environmental Conference on 24th – 25th November, 2022 in Nairobi, the World Wetlands Day (WWD) 2023 National Commemoration on 2nd February 2023 in Narok County, and the World Environment Day (WED) National Commemoration on 5th June, 2023 in Nakuru County.

As part of the Authority's efforts to mainstream Environmental & Social Sustainability, awareness trainings were conducted for Staff both from the Headquarters and the 47 KeRRA Regions.

Tree Planting Initiatives

The Authority through a Framework for Collaboration with the Kenya Forest Service (KFS) was allocated five (5) hectares of degraded forest site in Murinduko Hill under Njukini West Forest Station in Kirinyaga County for adoption and rehabilitation. A total of 10,000 tree seedlings were planted and are being nurtured through the framework. Further, 5,000 tree seedlings were planted across the various KeRRA Regions making a total of 15,000. The average Survival Rate is 80%.

The above initiatives are aimed at enhancing the Authority's efforts to manage biodiversity, ensure sustainable waste management and in the long run minimize the institution's

environmental footprint. Achievement of the Authority's full potential has nonetheless not been actualized due to limitations of funds and competing interests. The Authority is however committed to harmonization of infrastructural development and environmental objectives in the delivery of core business activities to maximize value.

iii) Employee welfare

The Authority recruitment process is guided by the following statutes

- a) The Employment Act 2007.
This ensures that the protection of the fundamental rights of employees, and provide basic conditions of employment of employees. It defines the contractual obligations of both parties. It ensures both the rights of employees are protected in terms of Terms and Relationships, Protection of Wages, Employment Relationship and termination and Dismissal
- b) The National Cohesion and integration Act 2008
That prohibits Discrimination in employment. It requires all public establishments to seek to represent the diversity of the people of Kenya in the employment of staff and to have no more than one third of its staff from the same ethnic community.
- c) The Public Service Commission Act 2017 and PSC Regulations 2020
Some of the staff working in KeRRA were originally from the Ministry and the provisions of the act pertaining to Appointments, Promotions, Redesignations, Transfers, Secondments and Deployments
- d) The KeRRA HR Policies and Procedures Manual
The Authority is an equal opportunity employer and does not in its recruitment and selection process, discriminate on the basis of gender, race, religion, ethnicity or any other form of discrimination. The constitutional requirement on mainstreaming of Gender and Persons with Disabilities as stipulated in Article 232 of the Constitution of Kenya, is observed alongside any policies issued by the National Cohesion and Integration Commission (NCIC).

Performance Appraisal

The performance management system of the Authority is designed to measure employee performance and ultimately the achievement of intended results for the organization. The Authority has an incentive scheme aimed at rewarding members of staff based on the value they are adding to the Authority in relation to their performance, approved experience and professional skills/competence. This framework therefore establishes a basis for rewarding exemplary performance and administering sanctions for poor performance, motivating employees to have positive attitude to work and to enhance productivity in the Authority.

Whilst the Authority recruits competent personnel, it endeavors to continuously improve the Knowledge, Skills and Attitudes of its employees to ensure that their performance meets and/or exceeds the minimum expectations and benchmarks best practices. It recognizes the need for training and development of all employees in order to ensure effective delivery of its broad mandate. Training opportunities are therefore offered to all its employees in order to improve their work performance and personal development. Funds allowing, all members of staff should have at least five (5) days training in a year.

The Authority's has a developed career progression guidelines which provides for a well defined career structure aimed at attracting, motivating and facilitating retention of qualified and experienced personnel in the Kenya Rural Roads Authority (KeRRA). It establishes distinct levels of responsibilities in the grading structure and sets standards for advancement to higher grades on the basis of professional competence, specialization, knowledge, experience, proven ability, diligence and drive as reflected in work performance and results.

The Authority has developed an Occupational Safety and Health Policy which guides its operations to ensure the safety of both Employees in the workplace and other stakeholders. It is further bound by the provisions of the occupational safety and health Act 2007.

iv) Market place practices-

a) Responsible Competition and Fair Practices

The Authority utilizes tender documents from PPRA. The User Department is tasked, in liaison with Supply Chain Department, to crafting the documents to reach a wide variety of suppliers, contractors and stakeholders. They are made easy to read and standardized across all Regional offices and Directorates and Departments. The documents have specific Declaration Forms under Standard Forms to be filled by bidders during bidding. The Authority has also ensured bidders have access to these opportunities via our website www.kerra.go.ke as well as www.tenders.go.ke. Bidders are also encouraged to engage the Authority via our customer service desk, contact numbers and emails.

The Authority through the Constituency Roads Committees (CRC) in the various regional offices engages the various stakeholders in prioritization of maintenance roads. The CRCs were created under the Finance Act 2009 to enhance openness and equity in public representation and decision-making process in procurement. The result is decentralisation in both economic and political relationships.

Our procurement plans consolidated by the Supply Chain Department uses the most preferred procurement method based on works, services and goods being procured. Open National tenders is used to encourage competition among suppliers. Special groups have also been allocated tenders.

The evaluation committee appointments are done within PPADA provisions to ensure transparency in all procurement process. Further evaluation committees are required to sign Confidentiality Declaration Form on conflict of interest.

b) Supplier Relationships in Supply Chain

The Authority trains the suppliers on what is expected of them in terms of the bidding process, ethical behavior and confidentiality of information. The bidders are debriefed on how they performed during the tendering process and notification to all participating bidders indicating the successful bidders.

These are aimed at respecting bidders' rights and inspire confidence in our procurement process. From time-to-time, the Authority has invited YAGPO groups to supplier conferences to train and inform of our procurement processes and modes include use of e-procurement. The trainings are unbundled to cluster regions hence reach by all prospective bidders.

c) Infusion of Technology in Procurement Process

The employment of ERP in our Authority has brought about simplicity and fast delivery of our core mandate. This is cemented by the Executive Orders requiring the Authority adhere to constitutional tenet of good governance, integrity, accountability and transparency. The Supply Chain Department in liaison with ICT Department piloted the automation of supplier prequalification process. The processes have been enhanced and automated the prequalification of contractors.

Further, KeRRA website has been revamped with various menus to include link to our e-services. This has maximized our visibility and minimized walk-ins.

d) Responsible Stewardship: Service Charter

The Authority takes pride in its "RESOLVED CITIZENS' SERVICE DELIVERY CHARTER". The Charter available on our website in both Swahili and English and also prominently displayed in all Regions and at the Head Office. The Public Relations Department has endeavored to reach the Persons with Disability by generating Braille

Charters. Members of staff and stakeholders are from time to time taken through the contents of the Charter.

v) Community Engagements-



Corporate Social Responsibility (CSR) gives an opportunity to contribute in giving back to the society. Therefore, the Authority allocated Kshs5 million towards Corporate Social Responsibility Programmes for FY 2022/2023.


In reporting period, the Authority received a high number of requests for support from various quarters, which led to the full utilization of the Kshs5 million provision.

In the reporting period, the programme has significantly touched the lives of vulnerable people in the society, promoting rights to education and embracing environmental responsibility through tree planting.


It is remarkable that the Authority initiated in new projects in the reporting period such as the support towards National Council for Persons with Disabilities, Tree planting in Maragoli hills and donation of furniture to Endarasha Primary School.


Some of the Authority most notable CSR activities carried out in the FY 2022/2023 includ


NO.	1	
PROJECT NAME	The Kenya Communication Sports Organization (KECOSO)	
PARTICIPANTS/SCOPE	KeRRA staff, government ministries and other parastatals participated	
DETAILS	KeRRA HQ in liaison with the ministry	
LOCATION	Kericho County	
DATE	Sep, 2022	
AMOUNT (Kshs)	691,000	
NO.	2	
PROJECT NAME	Dorothea Rescue Centre	
PARTICIPANTS/SCOPE	Request to support educational needs of street children	
DETAILS	Request to support educational needs of street children	
LOCATION	Machakos County	
DATE	December, 2022	
AMOUNT (Kshs)	304,100 -Sponsorship fee- 200,000 -Event expenses- 104,100	

NO.	3	 <p>Kenya Rural Roads Authority (KeRRA) @KeRRA_Ke</p> <p>KeRRA Director General Eng. Philemon Kandie engages with stakeholders and presents a cheque during the Baringo Cultural Fair in Kimalel.</p> <p>#stakeholderengagement #communitysupport</p> <p>12:52 · 22/12/2022 from Earth · 2,228 Views</p>
PROJECT NAME	Kimalel Goat Auction	
PARTICIPANTS/SCOPE	CSR Committee members represented the Authority, public, and other agencies supporting the cause	
DETAILS	Request for sponsorship	
LOCATION	Baringo County	
DATE	December,2022	
AMOUNT (Kshs)	705,800 -Sponsorship fee- 500,000 -Event expenses- 205,800	

NO.	4	
PROJECT NAME	National Council for Persons with Disabilities	
PARTICIPANTS/SCOPE	KeRRA staff and other agencies supporting the programme	
DETAILS	-Adopt a special School initiative -Nyamosense Primary Special School in Migori county was adopted -Ablution block was built	
LOCATION	Nairobi County	
DATE	Jan, 2023	
AMOUNT (Kshs)	350,000	
NO.	5	
PROJECT NAME	Nyeri Hospice Charity Tournament	

PARTICIPANTS/SCOPE	KeRRA staff, Regional Office, Associated Agencies	 <p>14:00 · 18/03/2023 from Earth · 2,100 Views</p>
DETAILS	-Charity event towards supporting the Hospice	
LOCATION	Nyeri County	
DATE	March, 2023	
AMOUNT (Kshs)	340,600 -Sponsorship fee- 200,000 -Event expenses- 140,600	

NO.	6	 <p>11:32 · 30/03/2023 from Earth · 1,931 Views</p>
PROJECT NAME	6th Annual International Engineering Students Conference (ESA)	
PARTICIPANTS/SCOPE	KeRRA staff, government Agencies and Student bodies	
DETAILS	-Support towards the annual conference for Associates of Engineering Student	
LOCATION	Nairobi County (UON)	
DATE	March, 2023	
AMOUNT (Kshs)	524,745 Sponsorship fee- 500,000 -Event expenses- 24,745	

NO.	7	
PROJECT NAME	Maragoli Hills Tree Planting and Reforestation Day	
PARTICIPANTS/SCOPE	KeRRA and other agencies supporting the government initiative	
DETAILS	-Invitation for a partnership and support -Adopt a section within the forest and plant tree seedlings -Three (3) thousand trees seedlings were planted	
LOCATION	Vihiga County	
DATE	April, 2023	
AMOUNT (Kshs)	723,200 -Sponsorship fee- 500,000 -Event expenses 223,200	

NO.	8	
PROJECT NAME	AIC Githumu Mission Hospital	
PARTICIPANTS/SCOPE	KeRRA staff	
DETAILS	-Request for financial assistance to attend the patients' needs -Donations included 7beds with mattresses for male wing	
LOCATION	Muranga County	
DATE	June 2023	
AMOUNT (Kshs)	496,000	

11. REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements for the year ended 30th June 2023, in accordance with the provisions of section of the 38 of Kenya Roads Act 2007 which disclose the state of affairs of the Authority.

Principal activities

The principal activity of the authority is the management, development, rehabilitation and maintenance of the Rural Road Network in Kenya classified as C and others.

Results

The results for the Authority for the year ended 30 June 2023 are set out on page 1.


Directors

The directors who held office during the year and to the date of this report are set out on pages v-xi.

Auditors

The Auditor General is responsible for the statutory audit of the Authority's books of account in accordance with the provisions of Article 229 of the Constitution of Kenya, Kenya Roads Act 2007 and the Public Audit Act, 2015

By order of the board

Name : Eng. Philemon Kandie MBS Signature  Date 28/09/2023

Corporate Secretary/Secretary to the Board

12. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, require the Directors to prepare financial statements in respect of that Authority, which give a true and fair view of the state of affairs of the Authority at the end of the financial year/period and the operating results of the Authority for that year/period. The Directors are also required to ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy the financial position of the Authority. The Directors are also responsible for safeguarding the assets of the Authority.

The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year (period) ended on June 30, 2023. 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 Authority.
- (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud.
- (iv) Safeguarding the assets of the Authority.
- (v) Selecting and applying appropriate accounting policies.
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the State Corporations Act. The Directors are of the opinion that the Authority's financial statements give a true and fair view of the state of Authority's transactions during the financial year ended June 30, 2023, and of the Authority's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Authority will not remain as a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

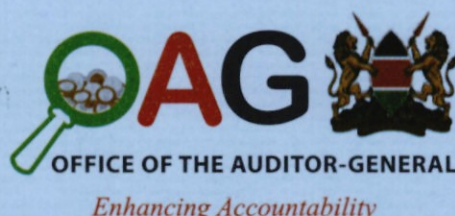
The Authority's financial statements were approved by the Board on 25th September 2023 and signed on its behalf by:

Signature:.....
Name: Eng. Philemon K. Kandie MBS
Director General

Signature
Name: Prof.(Eng) Oyuko Mbeche EBS
Chairperson of the Board

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
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HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON ROAD MAINTENANCE LEVY FUND FOR THE YEAR ENDED 30 JUNE, 2023 - KENYA RURAL 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, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure that the Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Road Maintenance Levy Fund set out on pages 1 to 19, which comprise of the statement of financial position as at 30 June, 2023, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual

Report of the Auditor-General on Road Maintenance Levy Fund for the year ended 30 June, 2023 - Kenya Rural Roads Authority

amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Road Maintenance Levy Fund as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Kenya Roads Act, 2007.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Road Maintenance Levy Fund 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.

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised. Although the issues have been discussed before the Special Funds Committee of the National Assembly, they have not been resolved.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Implementation of Road Maintenance Projects under RMLF

The audit verification of Roads Maintenance Levy Fund (RMLF) in respect to Kenya Rural Roads Authority regional offices namely Homabay, Kisii, Kericho, Busia, Bungoma,

Baringo, Turkana, Nandi and Narok for the year ended 30 June, 2023 was carried out in the month of July, 2023. The projects visited by the audit team and the observations are indicated in **Appendix 1** attached.

In the circumstances, the projects may not have been executed as scheduled which negatively impact realization of value for money to the public.

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 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.

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 controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund 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 Fund's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls 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 controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

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

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

- 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 Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue 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 Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

21 March, 2024

Appendix 1 - Road Maintenance Projects Inspections

Project Name	Funding Source	Contract Details	Contract sum Kshs.	Observations
Rodi-Opambo-Gogo Katuma	22%	KeRRA/HB/HBT/08/39/51/22%RMLF/22/23-052(Spot improvement)	2,287,288.00	Project is complete however there was no completion certificate and regret letters to unsuccessful bidders.
God Jope-Kamato Road	22%	KeRRA/HB/MBT/08/39/51/22%RMLF/22/23-61(Routine maintenance and Spot improvement)	4,567,558.00	Project is complete however there was no completion certificate and regret letters to unsuccessful bidders.
Kaoko 1 Box Culvert	10%	KeRRA/HB/HBT/08/39/51/10%RMLF/22/23-093	5,368,019.00	The project is ongoing past the completion date of 27 June, 2023. However, the contract has sought extension due to heavy rainfall at the region. The audit inspection of the project was carried out on 24 July, 2023, the contractor was on site, however no signage was verified.
Iranda-Nyanguro (E6224)	22%	KeRRA/08/24/KSI/KCS/2-46-2022/23-100 (Routine maintenance and Spot improvement)	3,341,252.00	The project duration has expired and no letter of extension from the contractor.
Nyambera Nyakongo-Nyanguru-Gesarra (E1929) Road	10%	KeRRA/08/24/KSI/KCS/2-46-2022/23-119 (Spot improvement)	2,344,422.00	The project is complete; however, we observed the encroachment by the Kenya power as witnessed by placement of electricity pole on the road thus hindering road works. No signage was verified.
Riabineri-Oroboti-Nyakeogio(D 1914)	10%	KeRRA/08/24/KSI/KCS/2-46-2022/23-118 (Spot improvement)	2,689,242.00	The project was verified on 26 July, 2023, there was no publicity signs and interaction with the locals, we were told it was vandalized by area MCA, Amos Mokaya for Nyatieko ward.
Nyamaonde-Metaburu-Bunyawro-Motonto (E6211)	22%	KeRRA/08/24/KSI/KCS/2-46-2022/23-003 (Spot improvement)	3,414,955.00	The audit inspection of the project was carried out on 26 July, 2023 and its ongoing, the contractor is behind schedule and has not requested for project extension. No publicity sign, contractor not on site and there are also encroachment by locals. There was a problem of road sand harvesting.

Project Name	Funding Source	Contract Details	Contract sum Kshs.	Observations
Kipelgutik-Kamarogo Road	22%	KeRRA/KCO/08/S OIN/22%/39/22/23-014 (Construction and Maintenance)	7,122,164.00	The audit inspection of the project was carried out on on 27 July, 2023. The project is ongoing. No Publicity sign, the backfilling of culverts at Kinorok and road compacting not done, however the contractor is on site.
Kadinda-Chebitet-Kaplelartet	10%	KeRRA/KCO/08/S OIN/22%/39/10%/22/23 (Construction and Maintenance)	4,395,008.00	The project is about 40% complete and is ongoing, The audit inspection of the project was carried out on 27 July, 2023 and there was no contractor on site, no publicity sign and generally the project was behind schedule.
Kaoko Box Culvert 2	10%	KeRRA/HB/HBT/08/39/51/10%RMLF/22/23-094	5,155,568.61	Contract period:3 months commencement date: March, 2023 Completion: June, 2023 Observation: No request for Extension of Time was seen in the file yet completion period already lapsed. No publicity sign seen, no works ongoing and contractor not on site.
Nyosia – Timani – Nyaguta Road	22%	KeRRA/08/24/39/KSI/NM/10%/2-46-22/23-083	3,297,098.00	No publicity sign seen, no culvert, no scour checks seen. Time has elapsed and there is no contractor on site, yet no communication as to reason for delay.
Nyanturago-Riamokwobe	10% CS	KeRRA/08/24/39/KSI/NC/22%/2-46-22123-150	9,859,908.65	Culverts seen, scour checks seen, no publicity sign seen, works ongoing
Routine Maintenance and spot improvement of Lwanyange – Malanga (C825) Road	22%	KeRRA /08/39/BSA/NBL/2 2%RMLF/2022/23-029 Road	6,484,052	No publicity sign boards observed. Culverts and other drainage works, grading and gravelling had been done as per the Bill of quantities.
Nambale – Lwanyange Road (C825)	22%	KeRRA/08/39/BSA/NBL/22%/22/23-030	6,444,269.80	The length of the road is 2.5 km. There were issues of blocked drainages
Igara –Lupida (E9022) Road	22%	KeRRA /08/39/BSA/NBL/2 2% RMLF /2022/23-032	5,964,866.16	No publicity sign boards seen. Further, there was visible erosion of some parts of approximate length of 8.5 km
Sio port Mugumu Agenga Dispensary road	22%	KeRRA/08/39/BSA/FYL/22% RMLF /22/23-065	4,091,552	It was observed that there was thin gravel washed away hence some rough patches. The width of the road not 5m on all parts as required in the Bills of Quantity.

Report of the Auditor-General on Road Maintenance Levy Fund for the year ended 30 June, 2023 - Kenya Rural Roads Authority

Project Name	Funding Source	Contract Details	Contract sum Kshs.	Observations
Upgrading to Bitumen Standards and Performance-Based Maintenance of Benga – Akobait – Papa Primary School Road	GOK	KeRRA/08/39/04/2020-21	108,871,200.40	During the field verification exercise, we noted that there was a delay in the progress of works as only 900m had been completed out of 3kms. The expected completion time had lapsed on 22 June, 2023 and the contractor had not requested for extension of time.
Mwibale – River Kuywa Road (C810)	22%	KERRA/08/39/BGM/KDY/22%RMLF/22/23-043	4,511,936	During the field verification, we observed that there were no publicity sign boards on the road. The length of the road was 6.5 km. the culverts were well installed as per the bill of quantities. There was sand harvesting done on some parts of the road hence damaging those sections.
Bungoma – River Kuywa Road (C811) Bungoma Ekitale Section	22%	KERRA/08/BGM/KDY/22%RMLF/22/23-041	5,866,450.60	There were no publicity sign boards on the road. Some sections of the road were damaged as a result of heavy rainfall.
Bungoma-River Kuywa Road	10%	KERRA/08/29/BGM/KDY/10%RMLF/22/23-051	3,672,931.20	There was heavy grading and gravelling works done on the road. The culverts were also cleaned.
Bumula – Nasianda Constituency Boundary Matungu (C782)	22%	KERRA/08/39/BGM/BML/22%RMLF/22/23-053	6,689,720	During the field verification exercise, we observed that the two publicity sign boards that had been previously erected at the start and the end of the road were missing.
Sango – Malakisi – Imani Intergrated Center (C816)	22%		8,141,460	During the field verification exercise, we observed that although heavy grading and gravelling works had been done there were some sections of the road that had potholes.
Kulisiru-Ndakharu (C814) Machakha (G9766)	22%	KERRA/08/39/BGM/SRS/22%RMLF/22/23-104	5,607,788	During the field verification exercise, we noted that only one publicity signed had been erected at 5 +800m. The culverts, scour checks and gabions had been installed as per the bill measurement sheets. Heavy grading and gravelling works had been done and completed.

Project Name	Funding Source	Contract Details	Contract sum Kshs.	Observations
Talia Rorobai Section (G83425)	22%	KeRRA/08/39/BARR/3/2022-23/21	4,400,900.80	The publicity sign boards were in place as specified on the bill measurement sheets. Grading, installation of culverts, gravelling and desilting of the culverts to allow free flow had been done and completed. However, there were parts that had been washed off /damaged.
Marigat kapkuikui (E8149) Marigat Miriman Section	22% Savings	KeRRA/08/39/BARR/164/2021-22/22%SAV/BRS	3,865,425.66	The site clearance activities had been done, culvert and other drainage works including installation of gabions had been done as per the bill measurement sheets. Grading and gravelling had been done. However, there was a section that had been eroded hence narrowing the road further and making it difficult to allow two-way traffic.
Koriema Bekibon Tinomoi JCT (Koriema Sabor-Bekibon Section)	22%	KeRRA/08/39/BARR/6/2022-23/22%/BRS	3,419,680	During the field verification exercise, we observed that culverts and drainage works had been done and completed as per the bill of quantities. We noted that the road was eroded kms 4+600 and at kms 5+700 there was river passing therefore making it impassable.
Arwos Kilobwoni Terige-KCC Section (0+000-5+000)	22%	KeRRA//008/39/N DI/EMGWEN/E80 25 (EE284J1)/22%R MLF/2-34-22/23-053	3,365,775.97	Project has been completed but there was no publicity signboard
Kapsabet Girls-IRMIS	22%	KeRRA/008/39/N DI/EGWEN/P22-KAPSABET/22%R MLF/2-34-22/23-055	3479146.47	Project has been completed but there were no publicity signboards

Other Observations on Road Maintenance Works

Project Name	Contract no.	Length	Contract Sum Kshs.	Observation
Matayos- Ganjala- Nakhasiko- Nangina Road(C830)- Gravel Standard	Contract no: KERRA/08/39/ BSA/22% RMLF/MATAY OS/2021/22- 047	2.7KM	21,986,999.60	<ul style="list-style-type: none"> The project commenced on 24 October, 2022 and was to be completed on 07 April, 2023 The contract period has elapsed and the contractor has not officially requested for extension of the contract The contractor is on site irregularly. No diversion is constructed as per the provisions of the contract and the road is closed The contractor should be penalized for lapse of contract period without any works i.e pay for liquidated damages of 5% of contract value as per the contract provisions
Amukur- Segero(C825)	KERRA/08/39/ BSA/22% RMLF/TS/202 2/23-002	8.2KM	5,265,687.76	<ul style="list-style-type: none"> No publicity sign board seen The road requires a new bridge or box culvert, the current one is hazardous to road users.
Simba Chai- Likoli (E9029)	KERRA/08/39/ BSA/22% RMLF/TS/202 2/23-006	9.2 KM	6,080,334.88	<ul style="list-style-type: none"> No publicity sign board Some sections of the road are too narrow and did not meet the recommended width of 5 meters. Bush has overgrown in some sections
Makhonge JCT- Major Bridge- Tongaren MKT(UG91545)	KeRRA/08/39/ BG/TGN/22% RMLF/22/23- 033	5.2KM	4,781,520.00	<ul style="list-style-type: none"> No publicity sign board Most sections of the road have potholes Require construction of new bridge, since the current one is hazardous to road users.

Project Name	Contract no.	Length	Contract Sum Kshs.	Observation
Boundary Minyali-E278NDALU (C622)	KeRRA/08/39/BG/TGN/22% RMLF/22/23-038	9KM	5,947,320.00	<ul style="list-style-type: none"> No publicity sign board seen There were visible problems with the drainage of the road Most sections of the road have potholes
Bunambo-Jct C622Ndalul (C627)	KeRRA/08/39/BG/TGN/10% RMLF/22/23-029	9KM	4,171,025.92	<ul style="list-style-type: none"> No publicity sign board seen There were visible problems with the drainage of the road Most sections of the roads have potholes
Nabuyole-E308Lugulu (R10)	KeRRA/08/39/BG/WBE/22% RMLF/22/23-003	10.8KM	8,288,130	<ul style="list-style-type: none"> On most sections of the road, the rocks are exposed due to washing away of the gravel.
Maraka-Webuye(C810)	KeRRA/08/39/BG/WBE/22% RMLF/22/23-001	13.4KM	8,059,564	<ul style="list-style-type: none"> Some sections of the road have potholes The actual Km done as per audit inspection is 6km while the contract payment made is for 13.4Km as indicated in certificate of completion
Muguyun-Jct Molo Sirwe- (E8054)	KeRRA/08/39/BAR/20/2022-23/22%/MGT	7KM	3,216,100	<ul style="list-style-type: none"> There were visible problems with the drainage of the road Some sections of the road have potholes
Kipsogon Centre Mogotio Kelelwa Jnct (G81059)	KeRRA/08/39/BAR/25/2022-23/22%/MGT	5.KM		<ul style="list-style-type: none"> There were visible problems with the drainage of the road Some sections of the road have potholes
Rehabilitation and Spot Improvement of Eldamaravine-Makutano (C687) Road	KeRRA/08/39/BAR/90/2021-22/GOK/ERV	17KM	120,664,458.68	<ul style="list-style-type: none"> The project commencement was on 27 September, 2022 and was to be completed 20 September, 2023 Amount Certified to date as per IPC No. 1 and 2: Kshs.67,491,172.53 Road shoulders have been eroded due to wear and tear Some sections have developed potholes

Report of the Auditor-General on Road Maintenance Levy Fund for the year ended 30 June, 2023 - Kenya Rural Roads Authority

Project Name	Contract no.	Length	Contract Sum Kshs.	Observation
				<ul style="list-style-type: none"> • Some sections have poor drainage system with water crossing over the road • Chippings have been washed away • Road furniture not yet done • Protection works not completed • No updated Status Report for the project as at July, 2023 • The contractor was not on site.

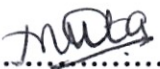
**Kenya Rural Roads Authority
Annual Financial Statements for Road Maintenance Levy Fund
For the year ended June 30, 2023.**

**14. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR
ENDED 30TH JUNE 2023**


		2022-2023 Jun-23 Shs'000	2021-2022 Jun-22 Shs'000
	Note		
REVENUE			
Revenue from Non Exchange Transactions			
Road Maintenance Levy Fund	3	26,409,596	27,725,667
Total Revenue		26,409,596	27,725,667
EXPENDITURE			
Road Works costs	4	24,733,987	23,295,330
Transfers to Operations	5	3,793,605	3,510,716
Total Expenditure		28,527,591	26,806,046
Operating Deficit /Surplus for the year		(2,117,995)	919,620

The notes on pages 6 to 19 form an integral part of these Financial Statements.

The Financial Statements on pages 1 to 5 were approved by the Board of Directors and signed on its behalf by:



.....
Deputy Director (F&A)
 CPA Matilda Wakere Ita
 ICPAK M. No:5469
 Date: 28/09/2023



.....
Director General
 Eng. Philemon Kandie MBS
 Date: 28/09/2023



.....
Director
 Date: 28/09/2023


Kenya Rural Roads Authority
Annual Financial Statements for Road Maintenance Levy Fund
For the year ended June 30, 2023.

15. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2023


		2022-2023	2021-2022
	Note	Jun-23 Shs'000	Jun-22 Shs'000
ASSETS			
Current Assets			
Cash and cash equivalents	6	20,719,185	22,148,716
Receivables	7a)	-	990,665
Total Assets		<u>20,719,185</u>	<u>23,139,381</u>
Total Assests		<u>20,719,185</u>	<u>23,139,381</u>
LIABILITIES			
Current liabilities			
Contracts Payable	7b)	303,870	606,071
		<u>303,870</u>	<u>606,071</u>
Non Current Liabilities			
Non Current Payables		-	-
		<u>-</u>	<u>-</u>
Total Liabilities		<u>303,870</u>	<u>606,071</u>
Net Assets		<u><u>20,415,315</u></u>	<u><u>22,533,310</u></u>
REPRESENTED BY:			
Accumulated(Deficit)/ Surplus	SCNA	<u>20,415,315</u>	<u>22,533,310</u>
Total Net Assets and Liabilities		<u><u>20,415,315</u></u>	<u><u>22,533,310</u></u>

The notes on pages 6 to 19 form an integral part of these Financial Statements.

The Financial Statements on pages 1 to 5 were approved by the Board of Directors and signed on its behalf by:



Deputy Director
 CPA Matilda Wakere Ita
 ICPAK M. No:5469
 Date 28/09/2023



Director General
 Eng. Philemon Kandie MBS
 Date 28/09/2023



Director
 Date 28/09/2023

16. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30TH JUNE 2023

	Accumulated Surplus	Total
	Shs'000	Shs'000
At 30th June 2022	<u>22,533,310</u>	<u>22,533,310</u>
At 1st July 2022	22,533,310	22,533,310
Funds received during the year	-	-
Surplus for the Period	<u>(2,117,995)</u>	<u>(2,117,995)</u>
At 30th June 2023	<u>20,415,315</u>	<u>20,415,315</u>

The notes on pages 6 to 19 form an integral part of these Financial Statements.

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17. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2023

	2022-2023	2021-2022
	Jun-23	Jun-22
	Shs'000	Shs'000
		Re-Stated
Cash flows from operating activities		
Receipts		
Transfers RMLF	27,400,262	27,745,002
Receipt from Finance Income	-	-
Other income		
Total receipts	<u>27,400,262</u>	<u>27,745,002</u>
Payments		
Certified Works	(25,036,188)	(22,913,274)
Transfer to Operation	(3,793,605)	(3,510,716)
Other Road works Expense		
Total payments	<u>(28,829,792)</u>	<u>(26,423,990)</u>
<i>Net cash flows from/(used in) operating activities</i>	<u>(1,429,531)</u>	<u>1,321,012</u>
Cash flows from investing activities	-	-
Net cash flows from/(used in) investing activities	-	-
Cash flows from financing activities	-	-
Net cash flows from financing Activities	-	-
Net increase/(decrease) in cash &	<u>(1,429,531)</u>	<u>1,321,012</u>
Cash equivalents		
Cash and cash equivalents at the Start of Year	22,148,716	20,827,705
Cash and cash equivalents at the End of the Period	<u>20,719,185</u>	<u>22,148,716</u>

Cash flow for previous year has been re-stated to comply with the requirement of direct method of presentation.

The notes on pages 6 to 19 form an integral part of these Financial Statements.

The Financial Statements on pages 1 to 5 were approved by the Board of Directors and signed on its behalf by:

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18. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2023

	Original Budget 2022-2023 Shs'000	Adjustments Shs'000	Final Budget 2022-2023 Shs'000	Actual on comparison Basis 2022-2023 Shs'000	Performance Difference 2022-2023 Shs'000
Revenue					
Road Maintenance Levy Fund	28,774,349	(2,364,753)	26,409,596	26,409,596	(0)
Total Revenue	<u>28,774,349</u>	<u>(2,364,753)</u>	<u>26,409,596</u>	<u>26,409,596</u>	<u>(0)</u>
EXPENDITURE					
Road Works Costs-Maintenance	27,184,952	(2,450,966)	24,733,987	24,733,987	0
Transfer Operations			3,793,605	3,793,605	
Total Expenditure	<u>27,184,952</u>	<u>(2,450,966)</u>	<u>28,527,592</u>	<u>28,527,591</u>	<u>0</u>
Operating Deficit for the year	<u>1,589,397</u>	<u>86,213</u>	<u>(2,117,995)</u>	<u>(2,117,995)</u>	<u>(0)</u>

NOTES TO THE FINANCIAL STATEMENTS

19. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

The RMLF Financial Statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The Financial Statements are presented in Kenya shillings, which is the functional and reporting currency of the Fund. The accounting policies have been consistently applied to all the years presented.

The Financial Statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The Financial Statements are prepared on accrual basis.

2. Adoption of new and revised standards

a) New and amended standards and interpretations in issue effective in the year ended 30th June 2022

IPSASB deferred the application date of standards from 1st January 2022 owing to covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023.

- i. New and amended standards and interpretations in issue effective in the year ended 30 June 2023.*

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity’s future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset’s cash flows and the objective for which the asset is held;

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Standard	Effective date and impact:
	<ul style="list-style-type: none"> • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the Entity. (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity’s financial performance, financial position and cash flows.
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guaranteed contracts which were inadvertently omitted when IPSAS 41 was issued. d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual

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Standard	Effective date and impact:
	basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.
Other improvements to IPSAS	<p><i>Applicable 1st January 2023</i></p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008). • <i>IPSAS 39: Employee Benefits.</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS. • IPSAS 29: Financial instruments: Recognition and Measurement. Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.

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b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022

c)

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

d) Early adoption of standards

The entity did not early – adopt any new or amended standards in Financial Year 2022/2023.

SIGNIFICANT ACCOUNTING POLICIES

3. Revenue Recognition

i) Revenue from Non-Exchange Transactions

Transfers from Other Government Entities/ Transfer of RMLF from KRB

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

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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. In particular, revenue from non- exchange transactions relates to the transfer of funds from KRB to RMLF for the Road Authorities.

	2022-2023	2021-2022
	12Months	12 Months
	Shs'000	Shs'000
3.i) Road Maintenance Levy Fund		
10% Critical Links Roads	5,615,091	3,329,411
10% Special allocation	4,648,427	13,534,796
22% Constituency Roads Fund	12,352,473	7,350,743
RMLF Operations	3,793,605	3,510,716
Total Road Maintenance Levy	<u>26,409,596</u>	<u>27,725,667</u>

ii) Revenue from exchange transactions (Finance income (from RMLF funds))

Finance income (from RMLF funds) is accrued using the effective yield method. Finance income (from RMLF funds) 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 finance income (from RMLF funds) each period.

This relates to interests earned on the RMLF Accounts as held in Commercial Banks. Finance income (from RMLF funds) is reported at gross as received in the bank statement of the Road Authority.

4. Certified Works

Certified works are recognized when the works can be measured reliably and/ or when certificates of work done are received by the Road Authority.

	2022-2023	2021-2022
	Jun-23	Jun-22
	Shs'000	Shs'000
Road Works Expenditure		
RMLF 10%-Critical Link Roads	3,647,667	3,994,932
RMLF 22%-Constituency Roads Fund	8,202,645	7,950,824
RMLF 10%-Special Allocation	12,883,674	9,232,669
Total Road Works Expenses	<u>24,733,987</u>	<u>21,178,425</u>

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Roadwork Commitments

Roadwork commitments arise from contracts entered into with contractors for road maintenance and development. These commitments are disclosed in notes of these financial statements.

5. Transfers to Operations

This relates to 5.5% of the RMLF amount allowable for use by the Road Authority for operational activities. Operating expenses are expenses incurred by the Road Authority in the normal day to day operation of the RMLF. This amount is determined by KRB based on projected revenue collections from RMLF. This amount was ksh 3.79 billion in this year under review.

6. 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 various commercial banks at the end of the financial year. For the purposes of these Financial Statements, cash and cash equivalents relates to bank balances in commercial banks for the RMLF as at the end of the financial year.

	2022-2023	2021-2022
	Jun-23	Jun-22
	Shs'000	Shs'000
Cash and Cash equivalents		
These represent cash held at various banks, as follows:		
Cash in hand and Bank	15,719,185	12,198,716
Fixed term deposits	5,000,000	9,950,000
Total Cash and Cash equivalents	<u>20,719,185</u>	<u>22,148,716</u>

The cash in hand and at bank is held with the following approved commercial banks in Kenya.

KCB Bank Kenya limited	20,407,756	21,967,648
Equity Bank Kenya Limited	193,360	125,044
Cooperative Bank Kenya Limited	118,069	56,024
Cash in Hand	-	341
Total cash in hand and bank	<u>20,719,185</u>	<u>22,148,716</u>

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7. Financial instruments

a) Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Impairment of financial assets

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or an entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or an entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

For the purposes of this financial statement, receivables will include:

- (i) **GoK Receivables:** Relates to RMLF that is receivable or refundable by GoK (RMLF that is utilized for development purpose by the Road Authority and is therefore refundable by the GoK)

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(ii) **Receivable from KRB:** Relates to RMLF amounts yet to be disbursed by KRB to the Road Authority.

(iii) **Advances to Contractors:** Relates to recoverable advances made by a Road Authority to the Contractor

	2022-2023	2021-2022
	12Months	12 Months
	Jun-23	Jun-22
	Shs'000	Shs'000
Receivables		
Receivables from Exchange transactions		
Contractors advances	-	-
Total Receivables from Exchange transactions	<u>-</u>	<u>-</u>
Receivables from Non Exchange transactions		
Other Receivables(Accrued Income)	-	990,665
Total Receivables from Non Exchange transactions	<u>-</u>	<u>990,665</u>
Total receivables	<u>-</u>	<u>990,665</u>

b) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

For the purposes of this financial statement, payables will include:

(i) **Certificate Payables:** Relates to amounts owed to Contractors with respect to road maintenance, rehabilitation and development arising from certified works. When a

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certificate of work is raised by the contractor, the Road Authority will debit contract payable and credit certificate payable. When the actual payment is done based of the raised certificates, the Road Authority will debit the Certificate Payables and credit RMLF Bank

	2022-2023	2021-2022
	Jun-23	Jun-22
Payables	Shs'000	Shs'000
Exchange Transactions		
Current:		
Due to Contractors	303,870	606,071
Other Payables(Accruals & provisions)	-	-
Total current	<u>303,870</u>	<u>606,071</u>

(ii) **Other Payables:** This relates to other payables to suppliers that is not part of road maintenance, rehabilitation and development. This may be in form of consultancies or normal office supplies relating to the RMLF that is not directly attributed to the road development.

(iii) **Retention Monies:** This relates to the percentage of the Contract amount that is retained by Road Authorities on every payment certificate raised awaiting the lapse of the defect period.

8. Budget information

The Annual Public Roads Programmed APRP (Original budget) for FY 2022/2023 was approved on 20th July, 2022. The entity's budget is prepared based work plans from the Roads Authorities which is on cash basis. 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 a cash basis. 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.

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9. Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements.

10. 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.

11. 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/Trustee, the Fund Managers and Fund Accountant.

12. Comparative figures

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

13. Events after the reporting period

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

14. Ultimate and Holding Entity

The Authority is a recipient of Road Maintenance Levy Fund established by Kenya Roads Act 2007

15. Currency

The Financial Statements are presented in Kenya Shillings (KShs).

16. 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.

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a) 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.

b) Provisions

Provisions are raised and management determines an estimate based on the information available. 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.

17. Financial risk management

The Fund's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Fund's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Fund does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history. The Fund's financial risk management objectives and policies are detailed below:

a) Credit risk

The Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the Financial Statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

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Period Ended 30th June 2023

	Fully Performing	Past Due Date but not Impaired	Past Due Date and impaired	Total
Receivables	-			-
Cash at Bank	20,719,185			20,719,185
	<u>20,719,185</u>	<u>-</u>	<u>-</u>	<u>20,719,185</u>

Year Ended 30th June 2022

	Fully Performing	Past Due Date but not Impaired	Past Due Date and impaired	Total
Other Receivables	990,665			990,665
Cash at Bank	22,148,716			22,148,716
	<u>23,139,381</u>	<u>-</u>	<u>-</u>	<u>23,139,381</u>

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the entity has recognized in the Financial Statements is considered adequate to cover any potentially irrecoverable amounts.

The board of trustees sets the Fund's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

b) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the RMLF Administrator/ Head of Finance, who has built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the RMLF under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

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Period Ended 30th June 2023

	Less Than 1Month	Between 1-3 Months	Between 3-12 Months	Over One Year
Due to contractors	303,870			
Other Trade Payables	-		-	-
	<u>303,869.97</u>	<u>-</u>	<u>-</u>	<u>-</u>

Year Ended 30th June 2022

	Less Than 1Month	Between 1-3 Months	Between 3-12 Months	Over One Year
Due to contractors	606,071			
Other Payables	-	-	-	-
	<u>606,071.00</u>	<u>-</u>	<u>-</u>	<u>-</u>

c) Capital risk management

The objective of the RMLF's capital risk management is to safeguard the RMLF's ability to continue as a going concern.

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For the year ended June 30, 2023.

20. Annexes

Annex I: Progress on Follow Up of Auditor's Recommendations

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	Inadequate Details in the Ledgers.	<i>System description of payee and details of payments in the various ledgers have now been reviewed and are available for audit.</i>	Resolved	




 DIRECTOR GENERAL



 DATE



 CHAIRPERSON



 DATE

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For the year ended June 30, 2023.**

Annex II: Inter-Entity Confirmation Letter

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Annex III: Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities					Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		
NIL									

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Annex IV: Reporting on Disaster Management Expenditure

Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments
Nil						



17

18

19

100 100
100 100