

REPUBLIC OF KENYA



*Enhancing Accountability*

**REPORT**

THE NATIONAL ASSEMBLY  
PAPERS LAID

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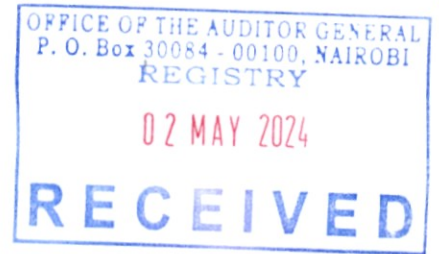
**THE AUDITOR-GENERAL**

**ON**

**KENYA RURAL ROADS AUTHORITY**

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





## KENYA RURAL ROADS AUTHORITY



## ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30TH 2023

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

*Connecting Devolved Kenya*

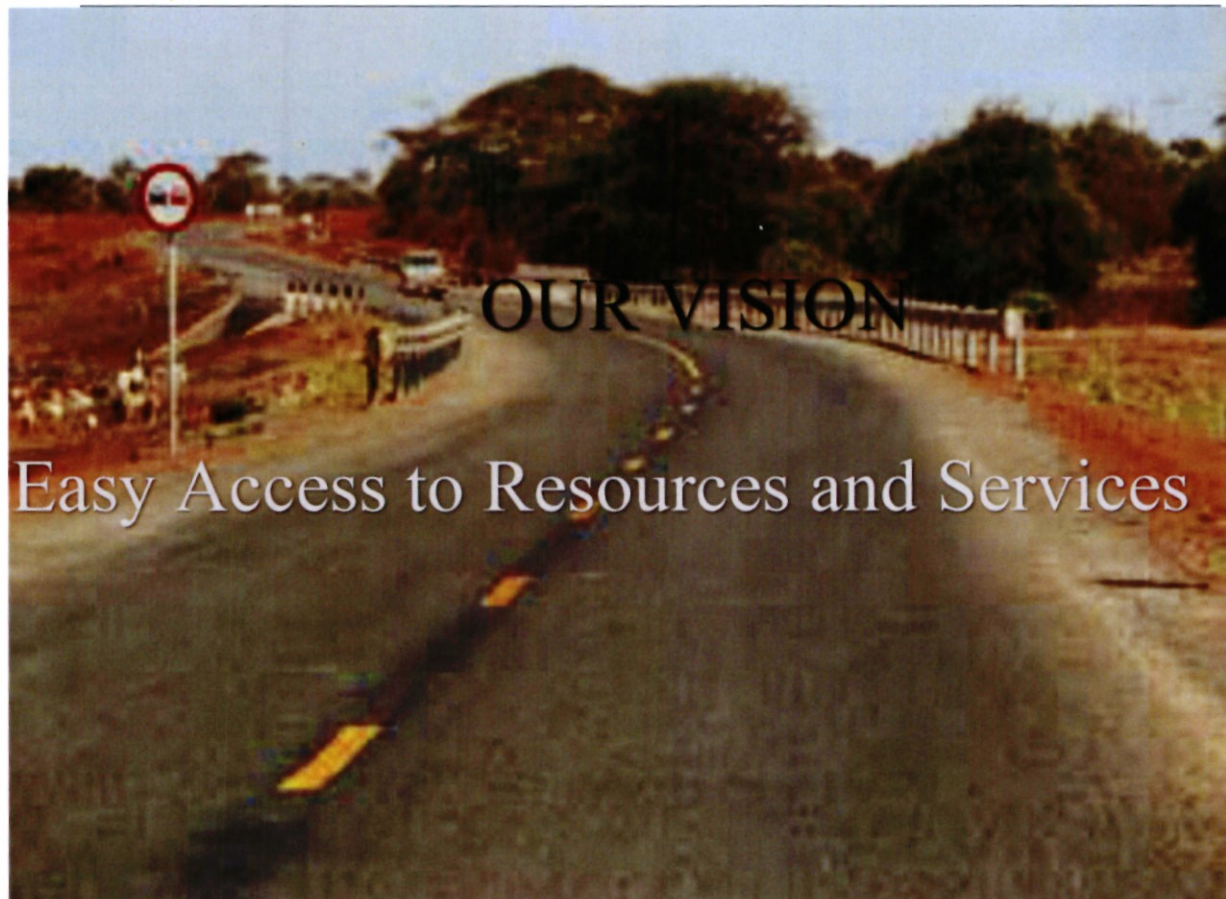


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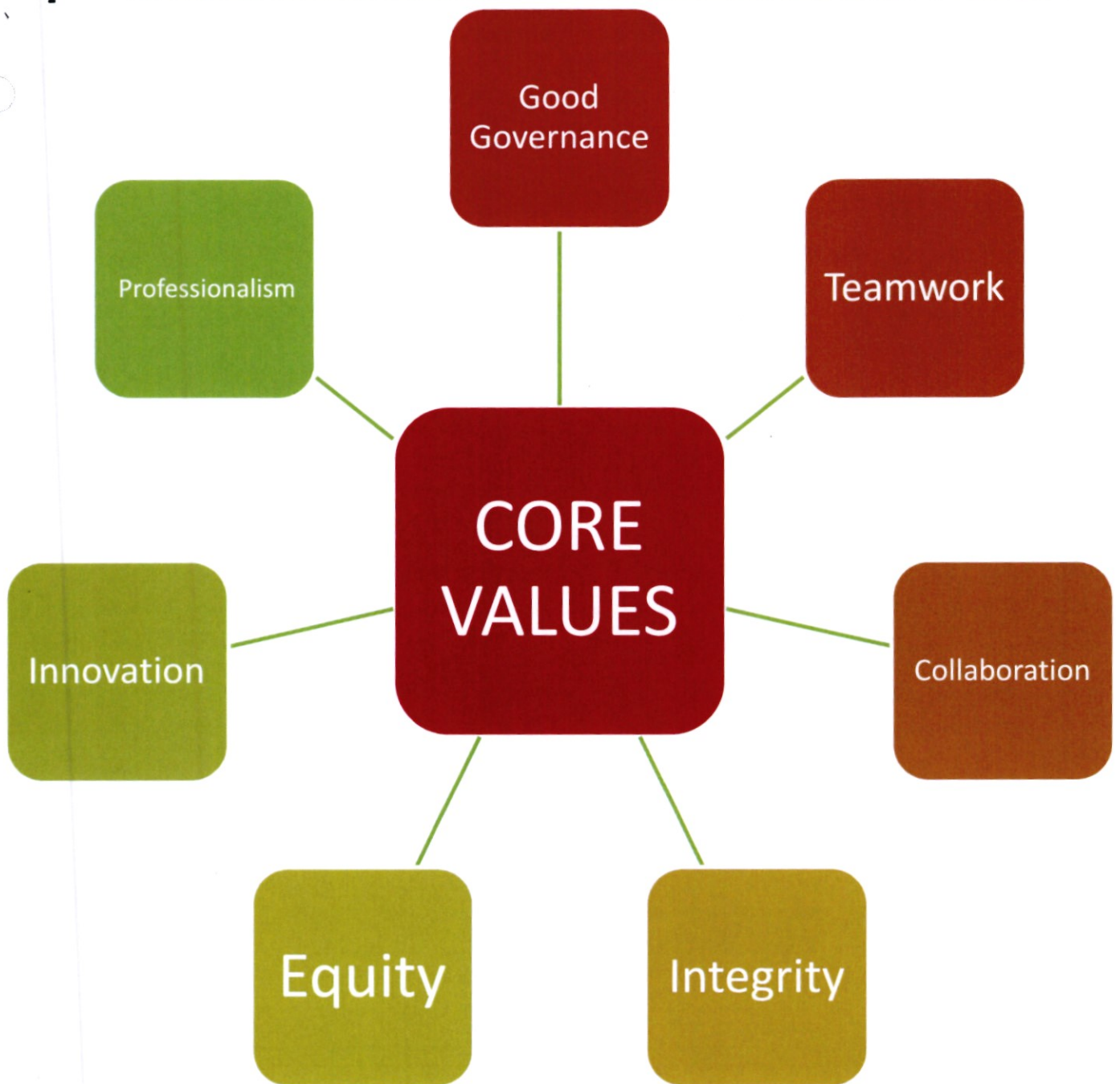
**ABBREVIATIONS**

AIA	Appropriation In Aid
AFD	Agence Francise De Development
BADEA	The Arab Bank for Economic Development In Africa
EU	European Union
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
KfW	Germany Development Bank
KM	Kilometres
KRA	Kenya Revenue Authority
KRB	Kenya Roads Board
KURA	Kenya Urban Roads Authority
MTEF	Medium Term Expenditure Framework
LVSR	Low Volume Seal Roads
MoR&T	Ministry of Roads and Transport
RMLF	Road maintenance Levy Fund
RSIP	Road Sector Investment Programme



## OUR MISSION

**To Develop, Manage and Maintain the  
National Secondary Trunk Road**



## KEY AUTHORITY'S 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 Roads and Transport who is responsible for the general policy and strategic direction of the Authority.

The Authority began 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 22<sup>nd</sup> 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 Authority's 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

### (d) Fiduciary Management

The key Management personnel who held office during the financial year ended 30<sup>th</sup> June 2023 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Director General	Eng. Philemon Kiprop Kandie
2.	Director (Development)	Eng. Jackson K. Magundu.
3.	Director (Road Asset Management)	Eng. Peter Patu Gichohi
4.	Director (Planning, Design and Environment)	Eng. Enock 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 Chepkemoi Chumo.
8.	Deputy Director (Corporation Secretary/ Legal Affairs)	Mr. Justin Rapando.
9.	Deputy Director (Supply Chain Management)	MCIPS. Ms. Catherine Kangangi

### (e) Fiduciary Oversight Arrangements



1. Public Investments Committee.
2. Transport Committee of Parliament.
3. Ministry of Roads and Transport.
4. Kenya Roads Board.
5. 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](mailto:kerra@kerra.go.ke)  
Website: [www.Kerra.go.ke](http://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**

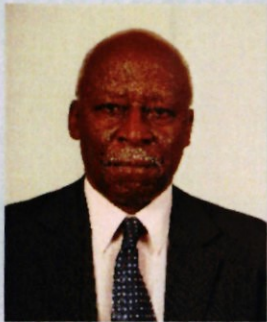

Office of the Auditor General  
Anniversary Towers, University Way  
P.O. Box 49384-00100  
Nairobi, GPO

**(j) Principal Legal Adviser**

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

## 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><b>Prof.(Eng) Oyuko Mbeche EBS</b> 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><b>Hon. Amb. Ukur Yatani. EGH</b> Cabinet Secretary National Treasury Upto 27<sup>th</sup> 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 &amp; 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 27<sup>th</sup> 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.

 <p><b>Prof. Arch. Paul Maringa Mwangi</b>          CBS          Principal Secretary -State Department          of Roads -Ministry of Roads and          Transport.          Up to 2<sup>nd</sup> December 2022</p>	<p>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 &amp; Regional planning University of Nairobi 1989-1990; and Doctor of Philosophy- Environmental Planning, Jomo Kenyatta University of Agriculture and Technology 1999-2005.</p> <p>He was the Principal Secretary State Department of infrastructure -Ministry of Transport, Infrastructure, Housing &amp; Urban Development and Public Works and previous Principal Secretary, State Department of Public Works having been appointed in December 2015.</p> <p>Prof. Arch. Maringa is a Founder Associate Professor of Architecture and Planning of the FAED, Senior Expert, Planning &amp; Project Management and Technical Expert &amp; Master Trainer in Building Construction &amp; Infrastructural Planning &amp; Development.</p>
 <p><b>Eng. Joseph Mbugua</b>          Principal Secretary -State Department          of Roads -Ministry of Roads and          Transport.          From 2<sup>nd</sup> December 2022</p>	<p>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.</p> <p>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</p> <p>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</p>
 <p><b>Eng. Stephen Kogi</b>          Alternate to Principal Secretary- State          Department of Roads - Ministry of          Roads and Transport.</p>	<p>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</p> <p>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.</p> <p>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</p> <p>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</p>



**Mr. Julius Korir EBS**  
Principal Secretary, Ministry of  
Devolution.  
Upto 2<sup>nd</sup> 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 2<sup>nd</sup> 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, Teresia was appointed 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 4<sup>th</sup> 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 4<sup>th</sup> 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 2<sup>nd</sup> 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 Citiscape Valuers & Estate Agents Limited.



**Prof. Lawrence Esho**  
 Kenya Institute of Planners.  
 Upto 2<sup>nd</sup> 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 20<sup>th</sup> 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 2<sup>nd</sup> 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 20<sup>th</sup> 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.



## KEY 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(CI Arb-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**

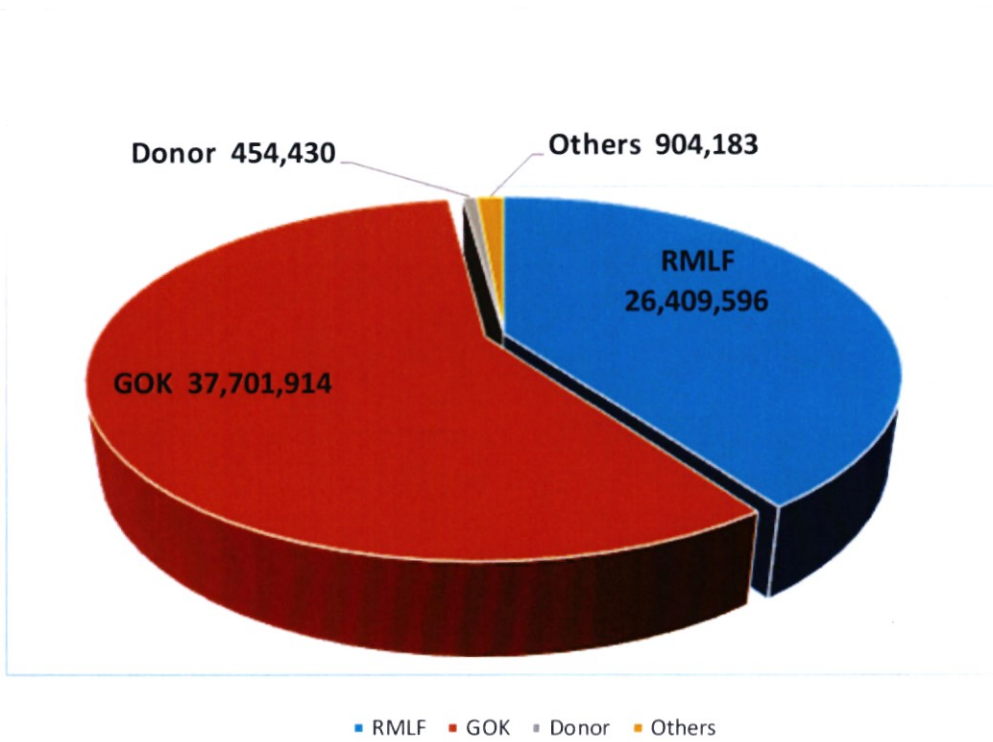


**Ms. Catherine Kangangi**  
Msc(Proc. & Logistics), MKISM, MCIPS  
**Ag. Deputy Director – Supply Chain  
Management**

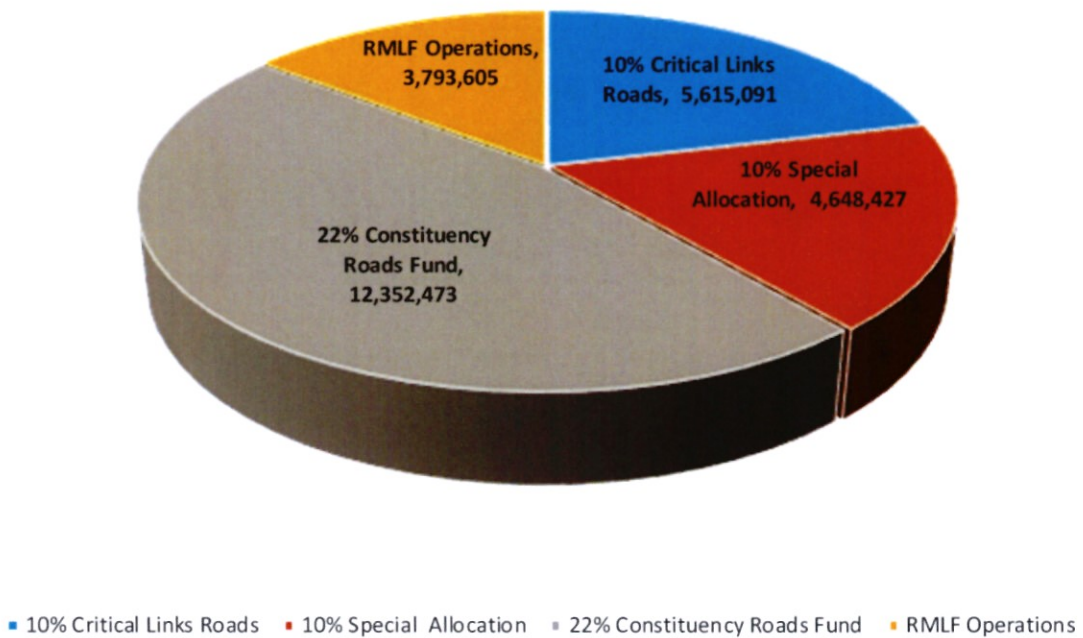
## FINANCIAL HIGHLIGHTS

### Revenues 2022-2023

Total Revenue: 65,470,123( KSh '000')



Total RMLF: 26,409,596(Ksh '000')



## CHAIRMAN'S STATEMENT



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

The Board during the period in review provided fiduciary oversight on all The Authority road financing activities and operations. 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 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 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 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.

Kenya has a robust PPP Act that helps in execution of mega projects in the country. Additionally, it has some of the best legal legislation aimed at enhancing businesses in the country. This has helped the country to rank favourably in the World Bank Ease of Doing Business. There has been increased government’s efforts to establish vocational training institutions to produce 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**

## **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, it upgraded 292kms against a target of 273kms, routinely maintained 23,646kms against a target of 23,231kms, periodically maintained 128kms against a target of 127kms and reconstructed/rehabilitated 57kms of roads 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, The Authority 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; late exchequer disbursements from the National Treasury; 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 Kshs 18.3Billion on 29<sup>th</sup> June, 2023 (tail-end of financial year) which was almost half of total receipts undermining anticipated 100% absorption levels.

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

GDP from Construction in Kenya increased to 146,784 Kshs. Million in the first quarter of 2023 from 145,649 Kshs. Million in the fourth quarter of 2022 (Source: Kenya National Bureau of Statistics). This also depicts a positive future outlook for the construction industry.

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 difficult.

The Authority also counted on the critical and invaluable cooperation and support from our stakeholders, the Ministry of Roads and Transport and The National Treasury and Planning for their distinguished role in helping us achieve our mandate through both policy and budgetary support. In addition, our appreciation goes to development partners (KfW, AfD, BADEA and EU) and related road agencies for their continued support and partnerships.



Eng. Philemon K. Kandie, MBS  
**Director General**

## 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 5 strategic pillars and objectives within its Strategic Plan for the FY 2018/2019- 2022/2023. The achievements of strategic pillars were as follows:

Key Result Area	Performance Target	Planned Activities/Outcome	Outputs 2022-2023
<b>Strategic Objective 1: To increase the national secondary trunk road network under bitumen</b>			
1. Roads designed	<ul style="list-style-type: none"> <li>To design 912.0 km of rural road network</li> </ul>	<ul style="list-style-type: none"> <li>Design roads to support accessibility to all production, market and social centres' for enhanced economic growth</li> </ul>	<ul style="list-style-type: none"> <li>962.0 km</li> </ul>
2. New roads constructed under Conventional approach (Km)	<ul style="list-style-type: none"> <li>To upgrade 22.0 km of rural roads network to bitumen standards</li> </ul>	<ul style="list-style-type: none"> <li>Open up rural roads to reduce transport cost and journey time.</li> </ul>	<ul style="list-style-type: none"> <li>16.6 km</li> </ul>
3. Maintenance of Roads under Annuity Program (Km)	<ul style="list-style-type: none"> <li>To upgrade 91.5 km of rural roads network to bitumen standards</li> </ul>	<ul style="list-style-type: none"> <li>Open up rural roads to reduce transport cost and journey time.</li> </ul>	<ul style="list-style-type: none"> <li>91.5 km</li> </ul>
4. New roads upgraded under Roads 2000 Program - LVSR (Km)	<ul style="list-style-type: none"> <li>To upgrade 5.0 km of rural roads network to bitumen standards</li> </ul>	<ul style="list-style-type: none"> <li>Open up rural roads to reduce transport cost and journey time.</li> </ul>	<ul style="list-style-type: none"> <li>5.0 Km</li> </ul>
5. New roads constructed under Roads 10,000 Program (Km)	<ul style="list-style-type: none"> <li>To upgrade 246.0 km of rural roads network to bitumen standards</li> </ul>	<ul style="list-style-type: none"> <li>Open up rural roads to reduce transport cost and journey time.</li> </ul>	<ul style="list-style-type: none"> <li>270.0 Km</li> </ul>
6. Bridges Constructed Program (Number)	<ul style="list-style-type: none"> <li>To construct 4 No. bridges</li> </ul>	<ul style="list-style-type: none"> <li>Design and construct bridges to support accessibility to all production, market and social centers' for enhanced economic growth</li> </ul>	<ul style="list-style-type: none"> <li>3 No. Constructed</li> </ul>
<b>Strategic Objective 2: To improve maintenance and rehabilitation of the national secondary trunk road network</b>			



Key Result Area	Performance Target	Planned Activities/Outcome	Outputs 2022-2023
7. Periodic maintenance (km)	<ul style="list-style-type: none"> <li>To carry out periodic maintenance of 127.0 km of rural road network</li> </ul>	<ul style="list-style-type: none"> <li>Well maintained roads</li> </ul>	<ul style="list-style-type: none"> <li>128.1 km</li> </ul>
8. Roads reconstructed and rehabilitated (km)	<ul style="list-style-type: none"> <li>To rehabilitate 57.0 km of rural road network</li> </ul>	<ul style="list-style-type: none"> <li>Well maintained rural roads</li> </ul>	<ul style="list-style-type: none"> <li>57.2 km</li> </ul>
9. Axle load monitoring	<ul style="list-style-type: none"> <li>To monitor 45 No. rural roads for axle loading</li> </ul>	<ul style="list-style-type: none"> <li>Safeguarding rural roads investment</li> </ul>	<ul style="list-style-type: none"> <li>69 No. rural roads monitored for axle loading.</li> </ul>
10. Roads Maintenance under RMLF-Routine	<ul style="list-style-type: none"> <li>To Maintain 23,139.0Km of rural road</li> </ul>	<ul style="list-style-type: none"> <li>Well maintained and Motorable rural roads</li> </ul>	<ul style="list-style-type: none"> <li>23,554.5 km Maintained</li> </ul>
11. Technical Audits	<ul style="list-style-type: none"> <li>Undertake 30.No. Technical Audits</li> </ul>	<ul style="list-style-type: none"> <li>Improve Quality of Roads</li> </ul>	<ul style="list-style-type: none"> <li>30 No. technical audits undertaken</li> </ul>
<b>Strategic Objective 3: To develop road Management plans and systems</b>			
12. Road Reserves Mapping	<ul style="list-style-type: none"> <li>To Map 1,246.0 Km of road reserves</li> </ul>	<ul style="list-style-type: none"> <li>Safeguard Road Asset from encroachment</li> </ul>	<ul style="list-style-type: none"> <li>1,246Km road reserve mapped.</li> </ul>
13. Traffic census	<ul style="list-style-type: none"> <li>Traffic count report at 100% census points.</li> </ul>	<ul style="list-style-type: none"> <li>Traffic census data for planning and design purposes</li> </ul>	<ul style="list-style-type: none"> <li>Report on traffic count at 100% census points.</li> </ul>
<b>Strategic Objective 4: To Enhance Service Delivery</b>			
14. Implementation of Citizens' Service Delivery Charter	<ul style="list-style-type: none"> <li>Carry Out customer Service Charter Surveillance Audit in 12 Regions</li> <li>Sensitized 300 No. Staff on the Customer Service Charter and the Service Charter.</li> </ul>	<ul style="list-style-type: none"> <li>Informed citizens</li> <li>Improved customer Care</li> </ul>	<ul style="list-style-type: none"> <li>Carried out customer Service Charter Surveillance Audit in 13 Regions</li> <li>342No.Staff sensitized on the Customer Service Charter and the Service Charter has been cascaded and circulated to all 47 Regional Offices as per the guidelines</li> </ul>

Key Result Area	Performance Target	Planned Activities/Outcome	Outputs 2022-2023
<b>15. Application of Service Delivery Innovations</b>	<ul style="list-style-type: none"> <li>Leverage on and enhance use of Information and Communications Technology (ICT) and other innovations in service delivery</li> </ul>	<ul style="list-style-type: none"> <li>Train at least 100 technical officers (Engineers &amp; CROs) on the iRMS module already developed in the ERP.</li> <li>Scaling up the regional internet connectivity from the current 4Mbps to 10Mbps for all the 47 regional offices</li> <li>Implement the virtual private network technology (VPN) to support remote working for at least 400 staff at the Authority.</li> </ul> <p>Upgrading both the primary and secondary data centres to ensure continuous availability of IT services to both internal and external Stakeholders</p>	<ul style="list-style-type: none"> <li>KeRRA Board of Directors, Senior Management and over 200 Engineers trained on the iRMS module in February and March 2023</li> <li>Wide Area Network and Internet Upgrade has been done for Head Office and the Regions</li> <li>411 No. users cumulatively have been provided VPN access (iv) Both Primary and Secondary Datacenter upgrades have been done and completed</li> </ul>
<b>16. Resolution of Public Complaints</b>	<ul style="list-style-type: none"> <li>Resolve all public complaints</li> </ul>	<ul style="list-style-type: none"> <li>Satisfied public</li> </ul>	<ul style="list-style-type: none"> <li>Resolved all public complaints for the quarter and forwarded report to CAJ in the prescribed format</li> </ul>
<b>• Strategic Objective 5: To enhance Corporate Governance</b>			
<b>17. Develop capacity of the Board</b>	<p>Five (5) trainings for the Board:</p> <ul style="list-style-type: none"> <li>Board Audit Risk and Governance Committee</li> <li>Board Human Resource Committee</li> <li>Board Technical Committee</li> <li>Full Board retreat</li> <li>Board Finance Committee.</li> </ul>	<ul style="list-style-type: none"> <li>Undertake Board trainings</li> </ul>	<ul style="list-style-type: none"> <li>Enhance capacity for the New Board. Undertook Four(4) Board Trainings.</li> </ul>

## **CORPORATE GOVERNANCE STATEMENT**

### **Overview**

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 Mwo gozo code of conduct

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

S/NO.	MEMBER	15 <sup>th</sup> July, 2022	5 <sup>th</sup> August, 2022	29 <sup>th</sup> September, 2022	30 <sup>th</sup> September, 2022	14 <sup>th</sup> October, 2022	30 <sup>th</sup> November, 2022	30 <sup>th</sup> January, 2023	16 <sup>th</sup> February, 2023	4 <sup>th</sup> May, 2023	23 <sup>rd</sup> May, 2023	29 <sup>th</sup> May, 2023	5 <sup>th</sup> 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 2<sup>nd</sup> 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.

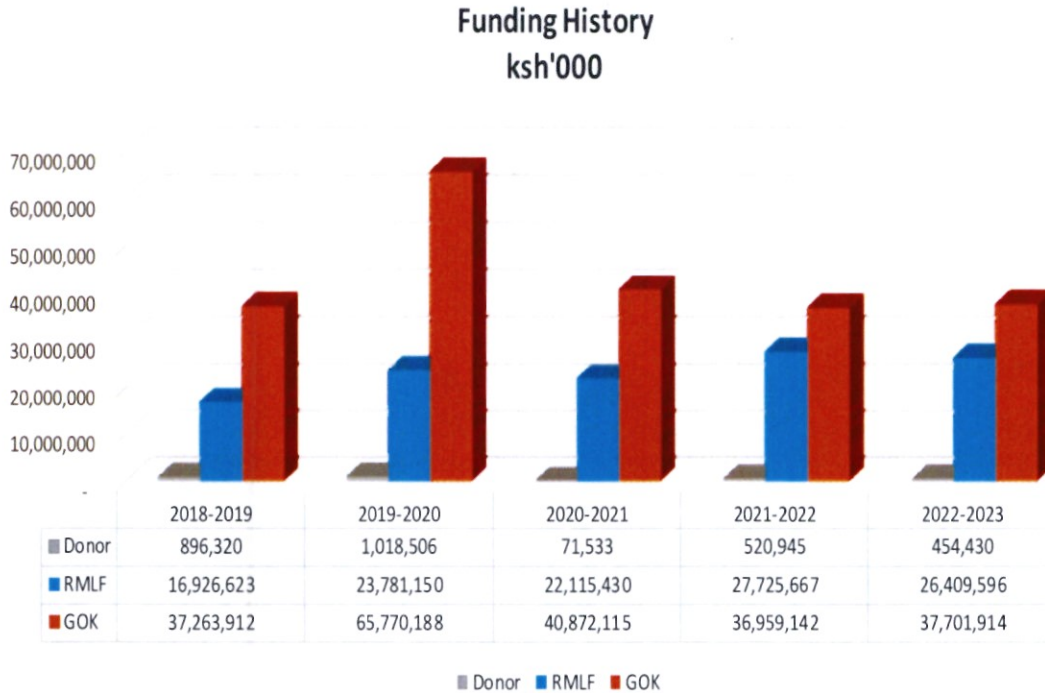
  
**DIRECTOR**

**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 64.34 Billion against a budget allocation 65.19 Billion for the full financial year.

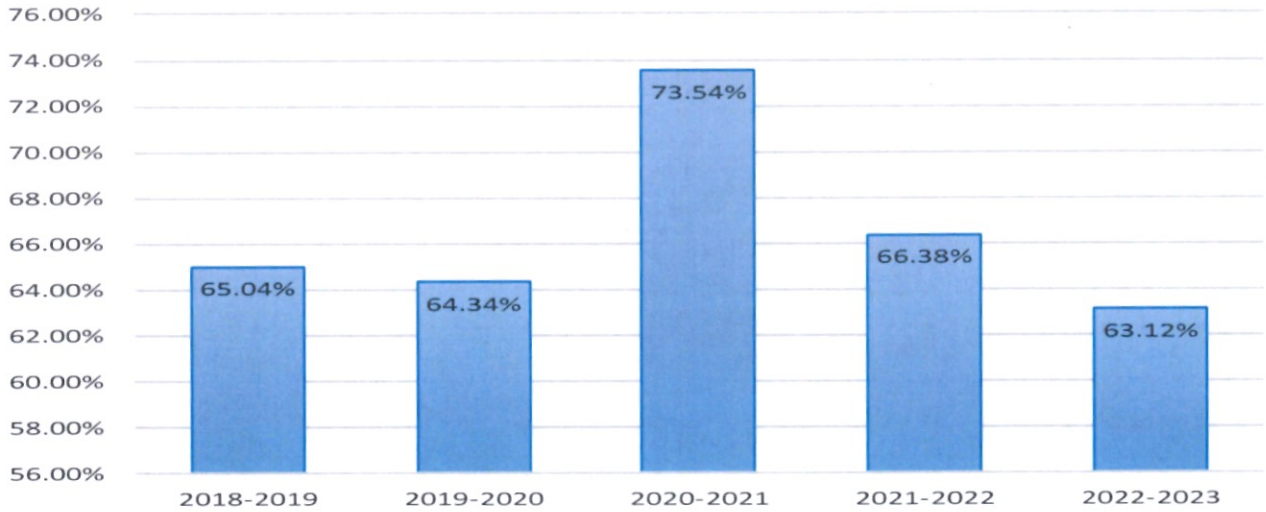
The graph below indicates our funding over the last five financial periods.



**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

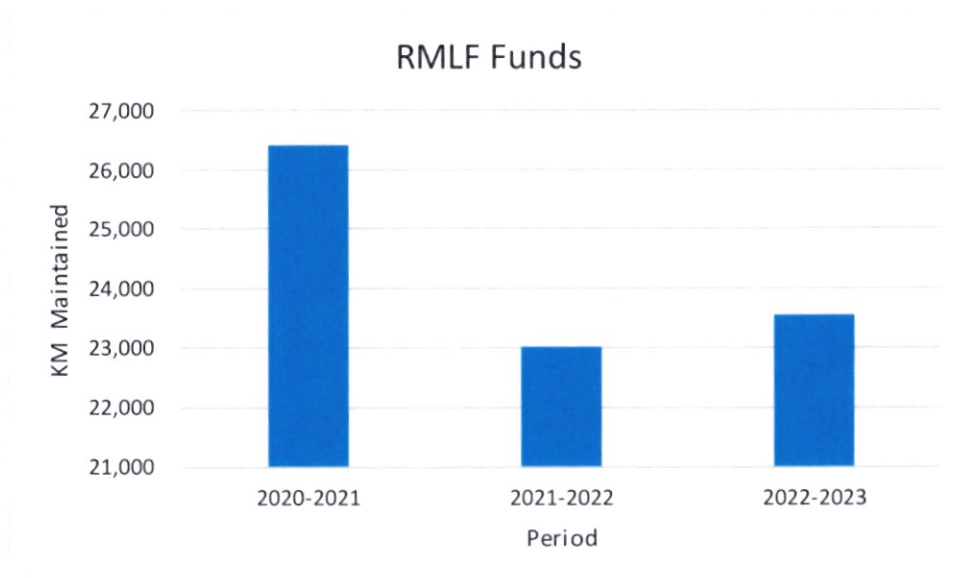
### Funds Absorption Rate



\*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.

### RMLF Fund Output Performance

In the period under review the Authority maintained 23,554.5 km of Roads. The table below indicates the performance of the RMLF over time



### 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 has an ongoing portfolio of 8,249 Kms of contracts under reconstruction and Upgrading worth Kshs. 362 Billion with 3501 Kms expected to be completed within the next three years at total cost of Kshs. 171 Billion. The bulk of the contracted works falls under the Roads 10,000 low volume sealed roads programme

**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 though it has pending bills of approximately Ksh 55 billion as at 30<sup>th</sup> June 2023. These have been included as part of Payables.

**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.



## CORPORATE SOCIAL RESPONSIBILITY STATEMENT/ SUSTAINABILITY

### 1. 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
<b>Political Factors</b>		
1.Stakeholder Engagement	<ul style="list-style-type: none"> <li>Challenges with project planning and implementation</li> <li>Cost inflation due variation</li> </ul>	<ul style="list-style-type: none"> <li>Adherence to project implementation Guidelines</li> <li>Public participation</li> <li>Adherence to Annual Road Works Program (ARWP)</li> </ul>
2.Funding to the Authority affected by political dynamics	<ul style="list-style-type: none"> <li>Low funding level in comparison to increased demand for better roads</li> <li>Additional funding</li> </ul>	<ul style="list-style-type: none"> <li>Lobby parliament and cabinet</li> <li>Stakeholder engagement</li> </ul>
3. Multiplicity of players in policy development	<ul style="list-style-type: none"> <li>Interference with policy implementation</li> <li>Conflicting directives leading to risk of non-compliance</li> </ul>	<ul style="list-style-type: none"> <li>Lobby parliament and cabinet</li> <li>Stakeholder engagement</li> </ul>
4. Weak institutional leadership	<ul style="list-style-type: none"> <li>Interference with institutional governance</li> <li>Partial or total Non-adherence to policies and guidelines</li> </ul>	<ul style="list-style-type: none"> <li>Uphold Corporate governance guidelines</li> <li>Develop assertive leadership</li> <li>Capacity building</li> </ul>
5. Prolonged political activity	<ul style="list-style-type: none"> <li>Interference with project implementation</li> <li>Gaps in leadership and direction</li> </ul>	<ul style="list-style-type: none"> <li>Adherence to project implementation guidelines</li> <li>Engagement with relevant stakeholders</li> </ul>
<b>Economic Factors</b>		
1.Lack of adequate funds	<ul style="list-style-type: none"> <li>Maintenance backlog (increased road asset deterioration)</li> <li>High vehicle operating costs</li> <li>High road user costs</li> <li>Reduced network improvement</li> <li>High cost of interest payments</li> <li></li> </ul>	<ul style="list-style-type: none"> <li>Increase RMLF allocations</li> <li>Lobby for enhanced external funding</li> <li>Explore alternative options of funding</li> <li>Increased collaboration with external partners</li> </ul>
2.Fiscal and Monetary Policies	<ul style="list-style-type: none"> <li>High taxation</li> <li>Inflation</li> <li>High cost of fuel and road works materials</li> <li>Limitations to line budgetary items</li> </ul>	<ul style="list-style-type: none"> <li>Monitoring and review of policies and strategies</li> <li>Macroeconomic stability</li> <li>Adaptation to changes in fiscal policy</li> </ul>
3.Regional economic disparities	<ul style="list-style-type: none"> <li>Discrepancies in economic empowerment among counties (Marginalized areas)</li> <li>Skewed regional competitive advantage.</li> </ul>	<ul style="list-style-type: none"> <li>Increased Equalization fund</li> <li>Increased Equitable 10% RMLF</li> <li>Standardisation and harmonisation</li> </ul>
<b>Social Factors</b>		
1.Road Reserve Encroachment	<ul style="list-style-type: none"> <li>Increased accidents</li> <li>Loss of livelihoods</li> <li>Increased project costs</li> </ul>	<ul style="list-style-type: none"> <li>Road reserve demarcation</li> <li>Public sensitization</li> <li>Stakeholder engagement</li> </ul>

Factor	Strategic implication	Strategic Response
	<ul style="list-style-type: none"> <li>• Hostility</li> <li>• Interference with project implementation</li> </ul>	
2.Poor adherence to axle load limits	<ul style="list-style-type: none"> <li>• Costly maintenance of roads</li> <li>• Reduced road lifespan</li> </ul>	<ul style="list-style-type: none"> <li>• Public sensitization</li> <li>• Enforcement of axle load limits</li> <li>• Periodic road design reviews</li> <li>• Stakeholder engagement</li> </ul>
3.Meeting Societal Expectations	<ul style="list-style-type: none"> <li>• Formulation and review of ARWP</li> <li>• Formulation and review of Corporate Social Responsibility (CSR) work plan</li> </ul>	<ul style="list-style-type: none"> <li>• Effectively manage expectations</li> <li>• Public sensitization</li> <li>• Engagement with stakeholders</li> <li>• Upholding organizational core values</li> </ul>
<b>Technological Factors</b>		
1.Automation and information security	<ul style="list-style-type: none"> <li>• High investment in ICT systems and infrastructure</li> <li>• Effective information security management</li> <li>• Enhanced efficiency and operational interconnectivity</li> </ul>	<ul style="list-style-type: none"> <li>• Develop suitable ERPs</li> <li>• Develop and implement information security strategies</li> <li>• Implement ISMS</li> </ul>
2.Emerging technologies in road construction and ICT	<ul style="list-style-type: none"> <li>• Incorporate usage of locally available materials and labour</li> <li>• High cost of transition</li> <li>• Need for matching staff knowledge and exposure with technology</li> </ul>	<ul style="list-style-type: none"> <li>• Adaptation of technology and road construction concepts to emerging trends including R2000 &amp; R10,000</li> <li>• Monitor obsolescence of technology and approaches</li> <li>• Frequent updates</li> <li>• Plan for future technological improvements</li> <li>• Capacity building</li> </ul>
<b>Ecological factors/Environmental</b>		
1.Adverse weather conditions (floods, mudslides, prolonged rainfall and drought)	<ul style="list-style-type: none"> <li>• Partial or total cut-off of the road network</li> <li>• Increased frequency and costs of road and maintenance and rehabilitation works</li> <li>• Delay in execution of projects in adverse weather and Cost overruns</li> <li>• Availability of manpower</li> </ul>	<ul style="list-style-type: none"> <li>• Develop and implement annual disaster mitigation and management strategy</li> <li>• Enhance works insurance to cover adverse weather</li> </ul>
2.Availability of natural road construction material	<ul style="list-style-type: none"> <li>• Depletion of natural resources</li> <li>• High construction costs</li> <li>• Damage to economically productive land</li> </ul>	<ul style="list-style-type: none"> <li>• Research on alternative road construction material</li> <li>• Embrace viable emerging technologies</li> </ul>

## 2. Environmental Performance Sustainability

### Environmental Performance

The Authority 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 24<sup>th</sup> – 25<sup>th</sup> November, 2022 in Nairobi, the World Wetlands Day (WWD) 2023 National Commemoration on 2<sup>nd</sup> February 2023 in Narok County, and the World Environment Day (WED) National Commemoration on 5<sup>th</sup> 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.

**3. 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 The Authority were originally from the Ministry and the provisions of the act pertaining to Appointments, Promotions, Redesignations, Transfers, Secondments and Deployments

d) The Authority 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 guideline 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.

#### **4. Market place practices**

*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](http://www.kerra.go.ke) as well as [www.tenders.go.ke](http://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.

#### *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.

#### *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.

#### *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.



## **5. 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 Enderasha Primary School.


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


<b>NO.</b>	1	 <p>Kenya Rural Roads Authority (KeRRA) @KeRRA_Ke</p> <p>KeRRA football team participating in the KECOSO games as part of the Ministry HQ team playing against Commission Authority Talanta FC in Kericho County. <a href="#">#connectingdevolvedkenya</a></p> <p>10:02 · 22/09/2022 from Earth</p>
<b>PROJECT NAME</b>	The Kenya Communication Sports Organization (KECOSO)	
<b>PARTICIPANTS/SCOPE</b>	KeRRA staff, government ministries and other parastatals participated	
<b>DETAILS</b>	KeRRA HQ in liaison with the ministry	
<b>LOCATION</b>	Kericho County	
<b>DATE</b>	Sep, 2022	
<b>AMOUNT (Kshs)</b>	691,000	
<b>NO.</b>	2	 <p>Kenya Rural Roads Authority (KeRRA) @KeRRA_Ke</p> <p>KeRRA golf team participating in a charity event at Muthaiga Golf course in support of Dorothea A.S.E Rescue centre. <a href="#">#supportingcommunity</a> <a href="#">#Bringingcheerandgoodwill</a></p> <p>14:56 · 16/12/2022 from Earth · 1,653 Views</p>
<b>PROJECT NAME</b>	Dorothea Rescue Centre	
<b>PARTICIPANTS/SCOPE</b>	Request to support educational needs of street children	
<b>DETAILS</b>	Request to support educational needs of street children	
<b>LOCATION</b>	Machakos County	
<b>DATE</b>	December, 2022	
<b>AMOUNT (Kshs)</b>	<b>304,100</b>  -Sponsorship fee- 200,000  -Event expenses- 104,100	


<b>NO.</b>	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>
<b>PROJECT NAME</b>	Kimalel Goat Auction	
<b>PARTICIPANTS/SCOPE</b>	CSR Committee members represented the Authority, public, and other agencies supporting the cause	
<b>DETAILS</b>	Request for sponsorship	
<b>LOCATION</b>	Baringo County	
<b>DATE</b>	December,2022	
<b>AMOUNT (Kshs)</b>	<b>705,800</b> -Sponsorship fee- 500,000 -Event expenses- 205,800	

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



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

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

<b>NO.</b>	7	
<b>PROJECT NAME</b>	Maragoli Hills Tree Planting and Reforestation Day	
<b>PARTICIPANTS/SCOPE</b>	KeRRA and other agencies supporting the government initiative	
<b>DETAILS</b>	<ul style="list-style-type: none"> <li>-Invitation for a partnership and support</li> <li>-Adopt a section within the forest and plant tree seedlings</li> <li>-Three (3) thousand trees seedlings were planted</li> </ul>	
<b>LOCATION</b>	Vihiga County	
<b>DATE</b>	April, 2023	
<b>AMOUNT (Kshs)</b>	<b>723,200</b> -Sponsorship fee- 500,000 -Event expenses 223,200	

<b>NO.</b>	8	
<b>PROJECT NAME</b>	AIC Githumu Mission Hospital	
<b>PARTICIPANTS/SCOPE</b>	KeRRA staff	
<b>DETAILS</b>	<ul style="list-style-type: none"> <li>-Request for financial assistance to attend the patients' needs</li> <li>-Donations included 7beds with mattresses for male wing</li> </ul>	
<b>LOCATION</b>	Muranga County	
<b>DATE</b>	June 2023	
<b>AMOUNT (Kshs)</b>	<b>496,000</b>	

<b>NO.</b>	9
<b>PROJECT NAME</b>	St. George Orthodox Church Kibera Parish
<b>PARTICIPANTS/SCOPE</b>	KeRRA staff
<b>DETAILS</b>	-Request for financial assistance to attend needy pupils  -Donations includes 170 chairs and tables
<b>LOCATION</b>	Nairobi County
<b>DATE</b>	June, 2023
<b>AMOUNT (Kshs)</b>	<b>204,000</b>



<b>NO.</b>	10
<b>PROJECT NAME</b>	Mater Heart Run
<b>PARTICIPANTS/SCOPE</b>	KeRRA staff, the Public and other agencies supporting the cause
<b>DETAILS</b>	Catholic Mission in support of Children with heart defects
<b>LOCATION</b>	Nairobi County
<b>DATE</b>	June, 2023
<b>AMOUNT (Kshs)</b>	<b>490,000</b>  Sponsorship fee- 250,000  Event expenses-240,000



## 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.


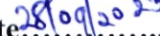
### Directors

The directors who held office during the year and to the date of this report are set out on page ix-xv.

### 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.....

Secretary to the Board

## 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.

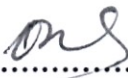
The Directors accept responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required 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.

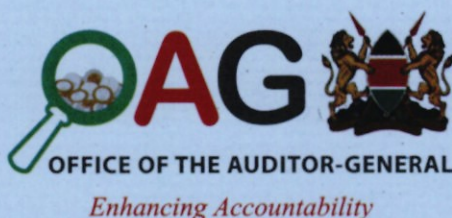
### Approval of the financial statements

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



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HEADQUARTERS  
Anniversary Towers  
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NAIROBI

## REPORT OF THE AUDITOR-GENERAL ON KENYA RURAL ROADS AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2023

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### 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

#### Qualified Opinion

I have audited the accompanying financial statements of Kenya Rural Roads Authority set out on pages 1 to 47, 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 statement of comparison of budget and actual

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

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kenya Rural Roads Authority 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 Qualified Opinion**

#### **Lack of Valuation for Fully Depreciated Assets**

The statement of financial position reflects property, plant and equipment balance of Kshs.225,073,000 as disclosed in Note 22 to the financial statements. Review of the fixed assets schedule provided for audit revealed that fixed assets with a total value of Kshs.989,846,468 which were fully depreciated had been included in the Authority's assets register and were still in use. However, the assets had not been revalued despite their use by the Authority for day to day operations. Further, Management did not disclose the registration details of the fully depreciated assets with a historical cost value of Kshs.512,443,162 in the fixed assets register.

In the circumstances, the fair value of the property, plant and equipment balance of Kshs.225,073,000 could not confirmed.

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

#### **Key Audit Matters**

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

#### **Other Matter**

#### **Unresolved Prior Year Audit Issues**

In the audit report of the previous year, several issues were raised in the Report on Financial Statements, Reports on Lawfulness and Effectiveness in the use of Public

Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved some of the issues.

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

### Basis for Conclusion

#### 1. Failure to Recover Staff Advances and Imprest

The statement of financial position reflects receivables from non-exchange transactions balance of Kshs.854,243,847. The balance comprised of advances to staff amounting to Kshs.25,806,179, deposits and prepayments amounting to Kshs.85,537,347 and other receivables (accrued income) totalling Kshs.742,900,321. The advances to staff amount of Kshs.25,806,179 consisted of two (2) supporting ledgers of staff imprest balance of Kshs.24,995,318 and staff advances of Kshs.810,861 which have been outstanding since 2021 financial year. Review of records revealed that as at 30 June, 2023 only three (3) staff had recoveries made on their monthly salaries. Further, the supporting schedule provided reflects imprest balance of Kshs.11,128,784 and advances balance of Kshs.875,975 all totalling Kshs.12,004,756 were outstanding for more than ninety (90) days.

This is contrary to Regulation 93(5) of the Public Finance Management (National Government) Regulations, 2015 which states that a holder of a temporary imprest shall account or surrender the imprest within seven (7) working days after returning to duty station. Further, Section C .6 (1) and (5) of the Human Resource Policies and Procedures Manual for the Public Service May, 2016 states that the recovery period for salary advance will be limited to a period of not more than twelve (12) months; and in respect of an officer who is due to leave the service before twelve (12) months, the advance must be fully recovered in equal instalments within the remaining period of the officer's service in the Government.

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

#### 2. Non-Compliance with a Third Rule of Basic Pay

Review of the Authority's monthly payrolls provided for audit revealed that some staff had overcommitted their salaries beyond the two-thirds of basic salary limit. It was observed that the officers' net pay for the various months was less than a third of their basic pay. This is contrary to Section 19(3)1 of the Employment Act, 2007 which states that "deduction may be made by an employer from the wages of his employee at any one time



shall not exceed two thirds of such wages or such additional or other amount as may be prescribed by the Minister either generally or in relation to a specified employer or employee or class of employers or employees or any trade or industry”.

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

### **3. Project Status on Road Works Expenditure**

The Authority has been undertaking a number of low volume seal roads across the urban centres in the country. However, review of the low volume seal roads records and information provided revealed the following anomalies;

- (i) Review of the records provided for audit revealed that there were fourteen (14) contracts for roads under newly awarded contracts at a contract cost of Kshs.15,602,935,891 with the contract start dates of between November, 2020 and October, 2022. A total of Kshs.2,870,187,602 certified works had been completed as at December, 2023, out of which Kshs.1,577,565,193 had been paid and Kshs.1,292,622,409 remained unpaid. Out of the fourteen (14) contracts, six (6) contracts did not have any work started and had total contract cost of Kshs.6,200,235,160. Management has not provided any explanation for this unsatisfactory situation.
- (ii) Further, eight (8) road contracts had been classified as projects terminated and retendered as at December, 2023. The contracts had a contract cost sum of Kshs.18,375,619,633. The works certified as at December, 2023 totalled Kshs.7,325,587,692 out of which Kshs.6,901,656,097 had been paid leaving a pending amount payable of Kshs.423,931,595. Management has not provided any explanation for this unsatisfactory situation.
- (iii) In addition, nineteen (19) contracts with a total contract sum of Kshs.29,042,065,250 with contract dates beginning between March, 2021 and March, 2022 and which were classified as contracts under contract mobilizing. The certified payments totalled Kshs.4,449,802,340 and payments made as at December, 2023 amounted to Kshs.2,163,865,716 thus leaving an amount of Kshs.2,285,936,624 as unpaid.
- (iv) Similarly, a total of thirty-six (36) contracts were under performance based routine maintenance period. All of these projects are at 100% completion and at a total contract sum of Kshs.76,055,037,424. It was observed that certified payments totalled Kshs.68,511,051,112 with Kshs.58,526,145,769 having been paid out as at December, 2023. Therefore, a total amount of Kshs.9,984,905,343 remained unpaid even though the contracts are at 100% completion. Management has not provided any explanation for this unsatisfactory situation.
- (v) A total of one hundred and five (105) contracts were classified as ongoing projects with a contract sum of Kshs.193,456,648,951. Out of this, a total number of thirty-two (32) projects with a total contract sum of Kshs.69,226,156,071 or 36% had slow progress due to delayed payments. Amounts of Kshs.85,837,446,006 and Kshs.36,516,983,360 had been certified for payments for all the ongoing

projects and those with slow progress respectively. Pending bills were at Kshs.26,946,615,960 and Kshs.11,705,241,394 for all ongoing contracts and those with slow progress respectively all totalling Kshs.38,651,857,354. Out of the contracts classified as slow due to delayed payments, there were five (5) contracts had been completed but had a total amount of Kshs.1,697,955,441 pending for payment. Management has not provided any explanation for this unsatisfactory situation.

In the circumstances, the effectiveness in the use of public resources on low volume seal roads could not be confirmed.

#### **4. Implementation of Low Volume Seal Road Projects by the Authority**

An audit inspection exercise carried out in February, 2024 on nineteen (19) low volume seal roads with a total contract sum of Kshs.31,426,015,932 revealed that for most of the projects, the contractors had abandoned the site due to delayed payments while the contractors who were on site were on a slow progress also due to delayed payments. Management has not provided any explanation for this unsatisfactory situation.

In the circumstances, the value for money for the expenditure on low volume seal roads of Kshs.31,426,015,932 could not be confirmed.

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, except for the matters described in the Basis for Conclusion on Effectiveness in use of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

#### **Basis for Conclusion**

##### **1. Long Outstanding Receivables from Exchange Transactions**

The statement of financial position reflects receivables from exchange transactions balance of Kshs.20,173,825,000 which as disclosed in Note 20 to the financial statements relates to contractors' advances. Further, the ageing analysis provided for audit reflects receivables amounting to Kshs.19,995,248,000 which had been due for more than one year. Management has not provided any explanation for the receivables held by various

contractors for long periods of time yet the Authority is also having pending accounts payable (pending bills) due to various contractors for road works already done.

In the absence of proper internal controls, the contractors' advances will continue to grow and may reach unsustainable levels with contractors holding huge substantial advances and with contracts stalled or slow in progress of implementation.

## **2. Long Outstanding Payables from Exchange Transactions (Pending Bills)**

The statement of financial position reflects payables from exchange transactions balance of Kshs.62,806,803,000 as disclosed in Note 25 to the financial statements which comprised of current and non-current payables amounts of Kshs.55,066,422,000 and Kshs.7,740,381,000 respectively. Further, the total payables balance has increased from Kshs.48,908,092,000 in the previous year to Kshs.62,806,803,000 representing an increase of Kshs.13,898,711,000 or 28.4%. The Authority has not provided an explanation on the measures put in place to facilitate payments of the outstanding certificates which have been raised for works done and the accrued interest if any, arising from delayed payments.

In the circumstances, the Authority faces the risk of avoidable costs of possible litigation and interest and penalties on delayed payments.

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

### **Responsibilities of Management and the Board of Directors**

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 governance.

In preparing the financial statements, Management is responsible for assessing the Authority'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 Authority 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.

The Board of Directors is responsible for overseeing the Authority'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 controls 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 control would not necessarily disclose all matters in the internal controls 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 controls 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 control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of 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 Authority'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 Authority 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 Authority 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 control that are identified during the audit.

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

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


**Nairobi**


**15 May, 2024**


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

		2022-2023	2021-2022
		Jun-23	Jun-22
	Note	Shs'000	Shs'000
<b>REVENUE</b>			
<b>Revenue from Non Exchange Transactions</b>			
Road Maintenance Levy Fund	6	26,409,596	27,725,667
Government Grants	7	15,060,064	17,799,054
Development partners' Grants	8	454,430	520,945
<b>Total Revenue from Non Exchange Transactions</b>		<u>41,924,090</u>	<u>46,045,666</u>
<b>Revenue from Exchange Transactions</b>			
Finance Income	9	899,756	1,225,481
Other income	10	3,302	51,311
Rental Revenue	11	1,125	1,075
<b>Total Revenue from Exchange Transactions</b>		<u>904,183</u>	<u>1,277,866</u>
<b>Total Revenue</b>		<u>42,828,273</u>	<u>47,323,532</u>
<b>EXPENDITURE</b>			
Road Works costs	12	37,991,235	40,197,725
Directors' Costs	13	20,549	32,085
Employment Costs	14	2,969,366	2,821,451
Repairs and maintenance	15	135,179	169,130
Other Operating Costs	16	729,221	760,812
Depreciation and amortization expense	17	87,465	120,152
<b>Total Expenditure</b>		<u>41,933,015</u>	<u>44,515,156</u>
<b>Taxation</b>	19	762,337	413,801
<b>Operating Surplus for the year</b>		<u>132,921</u>	<u>2,808,376</u>

The significant accounting policies on pages and the notes on pages 7 to 51 form an integral part of these financial statements.

  
 Deputy Director Finance & Accounts  
 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

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

		2022-2023	2021-2022
	Note	Jun-23 Shs'000	Jun-22 Shs'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	18	48,301,429	44,527,506
Receivables from exchange transactions	20	20,173,825	19,921,388
Receivables from non exchange transactions	20	854,244	1,665,795
Inventories	21	3,114	6,644
		69,332,612	66,121,333
<b>Non-Current Assets</b>			
Property Plant and Equipment	22	225,073	293,635
Road Infrastructure Assets	23	139,961,577	124,175,119
Capital Work In Progress	24	197,694,836	179,892,966
		337,881,486	304,361,721
<b>Total Assests</b>		407,214,098	370,483,054
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables from exchange transactions	25	55,066,422	40,922,940
Payables from Non-Exchange transactions	25	-	-
Employee benefit obligation	26	190,741	138,197
		55,257,163	41,061,138
<b>Non Current Liabilities</b>			
Payables from exchange transactions	25	7,740,381	7,985,152
		7,740,381	7,985,152
<b>Total Liabilities</b>		62,997,544	49,046,290
<b>Net Assets</b>		<b>344,216,554</b>	<b>321,436,765</b>
<b>REPRESENTED BY:</b>			
GOK Development Fund	SCNA	349,866,916	327,225,066
Staff Mortgage Fund	SCNA	546,960	541,941
Accumulated(Deficit)/ Surplus	SCNA	(6,197,321)	(6,330,242)
<b>Total Net Assets and Liabilities</b>		<b>344,216,554</b>	<b>321,436,765</b>

The significant accounting policies on pages and the notes on pages 7 to 51 form an integral part of these financial statements. The financial statements on pages 1 to 86 were approved for issue by the board of directors on 28/09/2023 and were signed on their behalf by:

 ..... <b>Deputy Director Finance &amp; Accounts</b> CPA Matilda Wakere Ita ICPAK M. No: 5469 Date: <u>28/09/2023</u>	 ..... <b>Director General</b> Eng. Philemon Kandie MBS Date: <u>28/09/2023</u>	 ..... <b>Director</b> Date: <u>28/09/2023</u>
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## STATEMENT OF CHANGES IN NET ASSETS

For the Year Ended 30 June 2023

	Note	Accumulated Surplus	GOK Development Fund	Staff Mortgage Fund	Total
		Shs'000	Shs'000	Shs'000	Shs'000
<b>At 1st July 2021</b>		(9,138,618)	308,064,979	537,022	299,463,383
Funds received during the year		-	19,160,087	4,919	19,165,006
Surplus for the Period		2,808,376	-	-	2,808,376
<b>At 30th June 2022</b>		<u>(6,330,242)</u>	<u>327,225,066</u>	<u>541,941</u>	<u>321,436,765</u>
<b>At 1st July 2022</b>		(6,330,242)	327,225,066	541,941	321,436,765
Funds received during the year		-	22,641,850	5,019	22,646,869
Surplus for the Period		132,921	-	-	132,921
<b>At 30th June 2023</b>		<u>(6,197,321)</u>	<u>349,866,916</u>	<u>546,960</u>	<u>344,216,555</u>

The significant accounting policies on pages and the notes on pages 7 to 51 form an integral part of these financial statements.




## STATEMENT OF CASH FLOWS


### FOR THE YEAR ENDED 30 JUNE 2023


	Note	2022-2023 Jun-23 Shs'000	2021-2022 Jun-22 Shs'000 Re-Stated
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from other governments entities		65,381,342	67,157,896
Rental revenue from facilities and equipment		1,125	1,075
Finance income		899,756	1,225,481
Other income		3,302	51,311
<b>Total receipts</b>		<u>66,285,525</u>	<u>68,435,763</u>
<b>Payments</b>			
Use of goods and services		(747,006)	(760,812)
Employee costs		(2,899,358)	(2,906,539)
Board Expenses		(20,549)	(32,085)
Repairs and maintenance		(135,179)	(169,130)
Contracted services		(24,344,961)	(33,776,447)
Taxes		(762,337)	(413,801)
<b>Total payments</b>		<u>(28,909,391)</u>	<u>(38,058,814)</u>
<i>Net cash flows from/(used in) operating activities</i>		<u>37,376,134</u>	<u>30,376,949</u>
<b>Cash flows from investing activities</b>			
Purchase of PPE and Intangible assets	22	(18,902)	(57,235)
Proceeds from sale of PPE		-	-
Investment in Road Infrastructure	24	(33,588,328)	(30,246,592)
Sale of investments		-	-
<b>Net cash flows from/(used in) investing activities</b>		<u>(33,607,230)</u>	<u>(30,303,827)</u>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Proceeds from Mortgage Fund	SCNA	5,019	4,919
<b>Net cash flows from financing Activities</b>		<u>5,019</u>	<u>4,919</u>
<b>Net increase/(decrease) in cash &amp;</b>		<b>3,773,922</b>	<b>78,041</b>
<b>Cash equivalents</b>			
Cash and cash equivalents at the Start of Year		44,527,506	44,449,465
Cash and cash equivalents at the End of the Period	18	<u>48,301,429</u>	<u>44,527,506</u>

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

The significant accounting policies on pages and the notes on pages 7 to 51 form an integral part of these financial statements.

  
.....  
**Deputy Director Finance & Accounts**  
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

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT

	Note	Original Budget		Final Budget	Actual on comparison		% Variance	Remarks/ Variance Explanation
		2022-2023	Adjustments		2022-2023	Performance		
		Shs'000	Shs'000	Shs'000	Basis	Difference	2022-2023	
					2022-2023	2022-2023	Shs'000	
<b>Revenue</b>								
Road Maintenance Levy Fund	6	28,774,349	(2,364,753)	26,409,596	26,409,596	(0)	0%	Prompt Releases by KRB
Government Grants	7	44,092,849	(5,482,977)	38,609,871	37,701,914	907,957	2%	Delayed Exchequer Releases
Development partners' Grants	8	2,076,000	(95,000)	1,981,000	454,430	1,526,570	77%	Delayed project Implementation
Finance Income	9	1,159,867	(279,001)	880,866	899,756	(18,890)	-2%	Reduced average Cash balances
Other income	10	10,000	-	10,000	3,302	6,699	67%	Suppressed level of economic activities
Rental Revenue	11	2,000	-	2,000	1,125	875	44%	Ministry of Housing Challenges
				-				
<b>Total Revenue</b>		<u>76,115,064</u>	<u>(8,221,731)</u>	<u>67,893,334</u>	<u>65,470,124</u>	<u>2,423,210</u>		
<b>EXPENDITURE</b>								
Road Works Costs-Maintenance	12	27,184,952	(374,001)	26,810,952	24,849,263	(1,961,689)	-7%	Transition of CRC committees
Directors' Costs	13	30,000	-	30,000	20,549	(9,451)	-32%	Delayed implementation of PC Targets
Employment Costs	14	2,858,314	130,000	2,988,314	2,969,366	(18,948)	-1%	Variance within range
Repairs and maintenance	15	103,431	32,000	135,431	135,179	(252)	0%	Variance within range
Other Operating Costs	16	1,540,018	-	740,018	729,221	(10,797)	-1%	Variance within range
Depreciation and amortization expense	17	305,500	-	305,500	87,465	(218,035)	-71%	Delayed acquisition of assets
Taxation				800,000	762,337	(37,663)	-5%	Variance within range
Exchequer Fund-Maintenance		44,092,849	(8,009,730)	36,083,119	13,141,972	22,941,147		Transfer to Fund
Transfer to GOK Fund		-	22,641,850	-	22,641,850	-		Transfer from Exchequer receipts
<b>Total Expenditure</b>		<u>76,115,065</u>	<u>(8,221,731)</u>	<u>67,893,334</u>	<u>65,337,203</u>	<u>20,684,312</u>		

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT  
DISCUSSION**

1. RMLF Revenue
  - Prompt Release by KRB. All funds were released by the end of 3<sup>rd</sup> Quarter
2. Governments Grants Shortfall-
  - This is due to delayed Exchequer of Release of Counterpart and regular Funding by National Treasury.
  - The Authority Received 49% of its Exchequer releases in June 2023.
3. Finance Income.
  - Targets Not achieved due to reduction in average cash balance during the period.
4. Other Income.
  - Sale of Tenders are no longer being charged.
5. Expenditure
  - Road works Maintenance-Transition of the CRC Committees.
  - Implementation of Executive order on 50 Million Procurement and Expenditure
6. Original Budget differs from Final Budget due to GOK Exchequer supplementary budget approved during the period and reallocation of overheads.
7. Directors cost not fully absorbed due to austerity measures.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. General 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.

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 22<sup>nd</sup> 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 Authority network to 18,662Km of national trunk road network in Class C.

### 2. Statement of compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying Kenya Rural Roads Authority accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 4

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of Kenya Rural Roads Authority. The financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) issued by International Public Sector Accounting Standards Board (IPSASB), the Public Financial Management Act, 2012, Public Audit Act, 2015 and Kenya Roads Act 2007.

### 3. Adoption of new and revised Standards

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

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<p><b>Applicable: 1<sup>st</sup> January 2023:</b></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>

Standard	Effective date and impact:
	<p>The Authority has not been significantly impacted by the standard</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• 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.</li> </ul> <p>The Authority has not been significantly impacted by the standard</p>
<p><b>IPSAS 42: Social Benefits</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></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> <ol style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the Entity.</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</li> </ol> <p>The Authority has not been significantly impacted by the standard</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1st January 2023:</b></p> <ol style="list-style-type: none"> <li>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.</li> </ol>

Standard	Effective date and impact:
	<p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guaranteed contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p>The Authority has not been significantly impacted by the standard</p>
Other improvements to IPSAS	<p><b>Applicable 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>• <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).</li> <li>• <i>IPSAS 39: Employee Benefits.</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</li> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement.</b> Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</li> </ul> <p>The Authority has not been significantly impacted by the standard</p>

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

*ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.*

Standard	Effective date and impact:
IPSAS 43	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</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><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p>The Authority does expect a significantly impacted by the standard.</p>

*iii. Early adoption of standards*

The entity did not early – adopt any new or amended standards in year 2023.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**(a) Basis of Preparation**

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

functional and reporting currency of the Authority and all values are rounded to the nearest thousand (Ksh 000).

**(b) Presentation of Financial Statements**

The financial statements comprise of statement of financial performance, statement of financial position, statement of changes in net assets/reserves, the statement of cash flows and statement of comparison of budget and actual amount and the notes to the financial statements.

The Authority classifies its expenditure by the nature of expense methodology.

The disclosure on risks are presented in the financial risk management objectives and policies contained in note 5.

**(c) Budget Information**

The original budget for FY 2022-2023 was approved by the National Assembly in June 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities.

The Authority's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

**(d) Taxation**

The Authority is an appointed tax agent for Kenya Revenue Authority with the mandate to withhold tax and remit to Kenya Revenue Authority. The withheld taxes are recognized as current liabilities until paid to the relevant Authority.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income.

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.



**(e) Translation of foreign currencies**

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

**(f) Revenue recognition**

Revenue comprises the fair value of consideration received or receivable in the ordinary course of business. In accordance with the Kenya Roads Act 2007, revenue comprises all proceeds from the Kenya Roads Board Fund, Grants, Loans and donations from Central Government and Development partners, and such moneys, sums or assets that may accrue to the Authority. The revenue is for specified purposes including maintenance, rehabilitation and development of the rural road network in Kenya.

The Authority recognizes revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Authority.

***i) Road Maintenance Levy Fund***

Receipts from the Road Maintenance Levy Fund comprise of 32% of collections from the Road Maintenance Levy Fund administered by the Kenya Roads Board in accordance with the Kenya Roads Board act 1999.

Proceeds from the Road Maintenance Levy Fund are generally recognized in the Statement of Financial Performance on accrual basis.

***ii) Agricultural Cess***

The Agricultural Cess comprises of 80% of all monies collected as Cess in respect of tea and coffee as per Agricultural Act. The fund is administered by Kenya Roads Board. Proceeds from agricultural Cess are recognized in the Statement of Financial Performance on accrual basis.

***iii) Transfers from Government and other entities***

The Kenya Roads Act 2007 provides the Authority may receive all monies from any other source provided for or donated or lent to the Authority. Such monies are recognized as they accrue in the period in which the transfer becomes binding at fair value, in the 'Statement of Financial Performance', unless the collectability is in doubt. The fair values can be determined by reference to the market rate.

Where a transfer is subject to conditions that if unfulfilled require a return of the transferred resources they are recognized as a liability until the condition is fulfilled.

***iv) Interest Income***

Interest income and expense, including interest income from non-derivative financial assets are recognized at fair value through the Statement of Financial Performance using the

effective interest method. Interest income is accrued on a time basis and is calculated on call and fixed deposits held with approved banking institutions.

**v) Rental Income**

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

**vi) Other income**

Other income arising from sale of tenders and fees levied by the Authority is accounted for on receipt

**(g) Financial Instruments**

**(i) Financial assets**

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

**Receivables**

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Authority provides money or services directly to a debtor with no intention of trading the receivable. Receivables mainly arise from non-exchange transactions which accrue in the ordinary course of business and there is no intention of trading the receivable.

Receivables are recognized initially at the fair value. They are subsequently measured at amortized costs using the effective interest method less provision for impairment.

A provision for impairment of receivables is made when there is objective evidence that the Authority will not be able to collect all amounts due according to the original terms of receivables.

The carrying value less discounts and any impairment provision of impairment is assumed to approximate their fair values. For financial instruments such as short term receivables, no disclosure of fair value is required when the carrying amount is a reasonable approximation of fair value.

The Authority is allocated funds by the Government and Kenya Roads Board in accordance with the approved budget and allocation criteria set out in the Kenya Roads Board Act, 1999. The amounts allocated are referred to as 'disbursements' and are released to the Authority based on the disbursement schedule. Any amounts not released at any time are recognized as receivables.

Receivables are classified as current assets if payment is due within one year or less. If not, they are presented as non-current assets.

**(ii) Financial Liabilities**

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 Authority determines the classification of its financial liabilities at initial recognition.

***Payables***

Payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Payables also include payments in respect social benefits where formal agreements for specific amounts exist.

Payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. The historical cost carrying amount of payables subject to the normal credit terms usually approximates fair value. Payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of business if longer). If not, they are presented as non-current liabilities.

**(h) Provisions**

Provisions are recognized when the Authority has a present obligation (legal or constructive) as a result of a past event, it is probable that the Authority will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting period end, taking into account the risks and uncertainties surrounding the obligation.

***Contingent Liabilities***

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

***Contingent assets***

The Authority does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Authority in the notes to the financial statements.

Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs

**(i) Operating leases**

Leases of assets where a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made/received under operating leases are charged/credited to the statement of financial performance on a straight

line basis over the lease period. Prepaid operating lease rentals are recognized as assets and are subsequently amortized over the lease period.

**(j) Provision for liabilities and charges**

Provisions are recognized when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

**(k) Property, plant and equipment**

All categories of property, plant and equipment are initially recognized at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure directly attributable to the acquisition of the assets. Computer software, including the operating system that is an integral part of the related hardware is capitalized as part of the computer equipment. All other items of property, plant and equipment are subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. Repairs and maintenance expenses are charged to the statement of financial performance in the year in which they are incurred.

Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value

Depreciation is calculated using the straight line method to write down the cost of each asset to its residual value over its estimated useful life, and 360 day calendar year adopted, using the following annual rates:

	<b>Rate - %</b>
Buildings	2.5%
Computers	33.3%
Furniture and Fittings & Fixtures	12.5%
Technical Equipment/Machinery	12.5%
Motor Vehicles	25.0%
Road Infrastructure Assets	-

As no parts of items of property, plant and equipment have a cost that is significant in relation to the total cost of the item, the same rate of depreciation is applied to the whole item.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating surplus.

**(l) Specialised Public Service Assets-Infrastructure Assets**

International Valuation Standards Committee defines specialized public asset as an asset, owned and/or controlled by a governmental or quasi-governmental entity, for the provision of some public service or good.

The authority deals in construction of roads infrastructure which falls in this category and constitutes part of property, plant and equipment within the meaning of IPSASs.

Like other assets, all specialized public service assets provide either service potential or future economic benefit. Service potential is a measure of the capacity of an asset to provide services or benefits to those that use that asset. Future economic benefit is a measure of the capacity of an asset to provide monetary benefits to those that hold or own that asset.

**(m) Construction contracts**

A construction contract is defined as a contract specifically negotiated for the construction of an asset. Contract costs are recognized as assets in the period in which they are incurred.

Where the outcome of a construction contract can be estimated reliably, costs are recognized by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its payment is considered probable.

The Authority uses the 'percentage-of-completion method' to determine the appropriate amount to recognize in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

Progress billings not yet paid to the contractors and retention are included within 'Payables' in the statement of financial position.

Costs incurred on maintenance contracts are charged in the statement of financial performance in the period in which they are incurred.

**(n) Impairment of Non-Financial Assets**

At each reporting period end, based on internal and external sources, the Authority reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the Authority estimates the recoverable value of the asset.

Impairment losses are recognized as an expense in the Statement of Financial Performance whenever the carrying amount of an asset exceeds its recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount. A reversal of impairment loss is limited to the assets carrying amount that would have been determined had no impairment loss been recognized in prior years. A reversal of an impairment loss is credited to the Statement of Financial Performance in the year reversals are recognized.

**(o) Inventories**

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

Costs incurred in bringing each product to its present location and condition is accounted for, based on purchase cost using the weighted average cost method.

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

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Authority

**(p) Cash and Cash Equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the various commercial banks at the end of the financial year.

**(q) Nature and purpose of reserves**

The Authority creates and maintains reserves in terms of specific requirements. The net assets are made of up of designated funds and accumulated reserve which are explained as follows:

***(i) Staff Mortgage Fund***

The Authority established independently managed staff Mortgage Scheme Funds for members of staff. The scheme is based on a minimum cash balance at the Kenya Commercial Bank account commensurate with the mortgage amount. This cash balance, built up for the scheme as a revolving fund.

***(ii) Capital Fund***

The Authority proposes to establish a Capital Fund in for the purpose of purchase of office property plant and equipment.

***(iii) Accumulated surpluses/Deficit***

Accumulated surpluses/ (deficit) represent excess operating revenue over expenditure which has accumulated over the years. These funds are available for utilization in the Authority's operations in the subsequent years.

***(iv) Development Fund***

Development fund represents the Authority's investment in infrastructure assets as funded by the exchequer development vote.

**(r) Changes in accounting policies and estimates**

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

**(s) Employee Benefits**

The Authority provides retirement benefits for its eligible employees. The Authority operates defined contributions provident fund administered by an independent administration company and trustees and which is funded by both the employee and employer.

The Authority and its employees also contribute to the statutory pension scheme, The National Social Security Funds (NSSF). Contributions are determined by the local statute. The Authority also sets aside on monthly basis the gratuity for its employees who are on contract basis.

The contributions to fund obligations for the payment of retirement benefits are charged to the statement of financial performance in the year in which they become payable.

The total expense recognized in the income statement of Shs Million (2021-2022: Shs 138.2 Million) represents contributions payable to the plan by the Authority at rates specified in the rules of the plan. The expense has been included within the staff pension costs under staff costs.

**(t) Comparatives**

Where necessary, comparative figures have been adjusted to conform to changes in presentation of the Financial Statements as required by International Public Sector Accounting Standards and any amendment whenever necessary in the current year

**(u) Subsequent Events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2022.

## **5. CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS**

In the process of applying the Authority's accounting policies, the directors have made estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although these estimates are based on the directors' knowledge of current events and actions, actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

### **(a) Critical Judgments in Applying the Authority's Accounting Policies**

In the process of applying the Authority's accounting policies, judgments have been made in determining:

- Whether the assets are impaired;
- The classification of financial assets;
- The going concern.

### **(b) Critical Accounting Estimates and Assumptions**

The key areas of judgments and sources of uncertainty in estimation are as set out below:

#### **(i) Contingent Liabilities**

As disclosed in these financial statements, the Authority is exposed to various contingent liabilities in the normal course of business. The directors evaluate the status of these exposures on a regular basis to assess the probability of the Authority incurring related liabilities. However, provisions are only made in the financial statements where, based on the directors' evaluation, a present obligation has been established.

#### **(ii) Provision for Doubtful Debts**

The Authority reviews its receivables to assess the likelihood of impairment. Provision for impairment of receivables is established when there is objective evidence that the Authority will not be able to collect all amounts due. Where necessary, an estimation of the amounts irrecoverable is made in that year. Provision for impairment shall be recognized upon approval by the Board of Directors.

#### **(iii) Other Provisions**

Other provisions are recognized when the Authority has legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.



**(iv) Impairment Losses**

At each reporting period end, the Authority reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the Authority estimates the recoverable value of the asset. Any impairment losses are recognized as an expense immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount. A reversal of an impairment loss is recognized as income immediately.

	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Shs'000</b>	<b>Shs'000</b>
<b>6. Road Maintenance Levy</b>		
10% Constituency 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>
<b>7. Other Government Grants</b>		
Development Projects	22,641,850	19,160,087
Spot Improvement Projects(Public Participation)	15,060,064	17,799,054
Administrative funds	-	-
Total Government Grants	<u>37,701,914</u>	<u>36,959,142</u>
Deferred Income	-	-
Transfer to Development Fund	<u>(22,641,850)</u>	<u>(19,160,087)</u>
	<u>15,060,064</u>	<u>17,799,054</u>
<b>8. Development Partners Grants</b>		
European Union	-	44,795
L'Agence Française de Développement(AFD)	-	-
German Development Bank(KFW)	-	-
AFD-Interest	3,047	-
BADEA	451,383	476,150
Total Development Partners'Grants	<u>454,430</u>	<u>520,945</u>
<b>9. Finance Income</b>		
Interest from deposits	<u>899,756</u>	<u>1,225,481</u>
Total Finance income	<u>899,756</u>	<u>1,225,481</u>
<b>10. Other Income</b>		
Receipts from sale of tenders	194	545
Disposal of Assets	-	571
Recall of Performance Guarantees	-	48,226
Other Levies	3,108	1,969
Total other income	<u>3,302</u>	<u>51,311</u>
<b>11. Rental Revenue</b>		
Receipts from operating lease rental	<u>1,125</u>	<u>1,075</u>
Total Rental revenue	<u>1,125</u>	<u>1,075</u>

Rental income is rent income received from various Regional Office camps. The properties were inherited from our Parent Ministry.

	2022-2023 Shs'000	2021-2022 Shs'000
<b>12. Road Works Expenditure</b>		
RMLF 10%-Critical Link Roads	3,647,667	3,994,932
RMLF 22%-Constituency Roads Fund	8,202,645	7,950,824
10%-Special Allocation	12,240,170	9,232,669
Donor Funded Projects	749,423	870,813
Refund Donor EU/KFW	-	-
GoK Spot Improvement Funds	13,141,972	18,072,580
Coffee Cess	-	-
Equilisation Fund	9,358	75,907
<b>Total Road Works Expenses</b>	<u>37,991,235</u>	<u>40,197,725</u>
<b>13. Directors' Costs</b>		
<b>a.Executive Directors</b>		
Emoluments	11,606	11,008
	<u>11,606</u>	<u>11,008</u>
<b>b.Non Executive Directors</b>		
Emoluments	4,798	6,184
Training and field activities	4,145	14,894
	<u>8,943</u>	<u>21,078</u>
<b>Total Directors Costs</b>	<u>20,549</u>	<u>32,085</u>
<b>14. Employment Costs</b>		
Salaries and Wages	2,024,046	1,881,261
Pension and Gratuity costs	233,208	218,502
Medical and Insurance	99,368	77,840
Training and Development	149,127	183,945
Travelling and accomodation	423,093	428,905
Other Staff welfare costs	40,524	30,999
<b>Total employment Costs</b>	<u>2,969,366</u>	<u>2,821,451</u>
<b>15. Repairs and maintenance</b>		
Office building	11,867	20,112
Furniture and equipment	74,209	99,249
Motor vehicles	49,104	49,769
<b>Total Repairs and Maintenance</b>	<u>135,179</u>	<u>169,130</u>

	2022-2023	2021-2022
	Shs'000	Shs'000
<b>16. Other Operating Expenses</b>		
Public relations and Corporate affairs	18,975	20,460
Audit Fees	3,000	3,000
Advertisement and publicity	29,224	10,690
Rent and Rates	19,704	16,817
Electricity and Water	10,911	10,825
Cleaning and sanitation	11,760	12,891
Fuel and other vehicle running expenses	179,715	173,468
Security	42,989	111,091
Consultancies	41,616	10,408
Legal Fees	15,731	4,755
Printing and Stationery	42,867	41,091
CRC and tender evaluation Expenses	178,236	216,437
Telephone, Internet and Postage	34,013	30,573
Bank Charges	23,181	15,304
Office expenses	13,393	19,616
Performance Contracting	63,907	63,386
<b>Total Other Operating expenses</b>	<u>729,221</u>	<u>760,812</u>

Taxes-The authority paid Corporation Tax on prior year Interest income .

**17. Depreciation and Amortization**

Property Plant and equipment	87,465	120,152
<b>Total Depreciation Expense</b>	<u>87,465</u>	<u>120,152</u>

**18. Cash and cash equivalents**

Cash in hand and Bank	37,106,058	23,542,103
Staff mortgage Fund	1,071	1,119
Fixed term deposits	11,194,300	20,984,284
<b>Total Cash and Cash equivalents</b>	<u>48,301,429</u>	<u>44,527,506</u>

The cash and bank balances as the funds are held with sound financial institutions approved by Central Bank of Kenya as follows:

	2022-2023	2021-2022
	Shs'000	Shs'000
KCB Bank Kenya limited	47,821,137	44,162,536
Equity Bank Kenya Limited	193,360	125,044
Cooperative Bank Kenya Limited	118,069	56,024
NCBA Bank Kenya Limited	168,863	183,805
Cash in Hand	-	97
Total cash in hand and bank	<u>48,301,429</u>	<u>44,527,506</u>

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash in hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months

#### 19. Taxation

Current Income Charge	-	-
Tax Charge on Rental Income	-	-
Tax Charge on Interest Income	762,337	413,801
Deferred Tax	-	-
Original and Reversal of Temporary Differences	-	-
Income Tax Expense Reported in the Statement	-	-
	<u>762,337.41</u>	<u>413,801.31</u>

#### 20. a) Receivables from Exchange

##### i) Receivables from Exchange transactions (Current)

Contractors advances	<u>20,173,825</u>	<u>19,921,388</u>
<b>Total Receivables from Exchange transactions</b>	<u><u>20,173,825</u></u>	<u><u>19,921,388</u></u>

##### ii) Receivables from Exchange transactions (Long Term)

Contractors advances	-	-
Total Receivables	<u>-</u>	<u>-</u>
Current Portion transferred to current Receivables	<u>-</u>	<u>-</u>
<b>Total Non Current Receivables</b>	<u>-</u>	<u>-</u>
<b>Total Receivables from Exchange transactions</b>	<u><u>20,173,825</u></u>	<u><u>19,921,388</u></u>

	2022-2023		2021-2022	
	Shs'000	Shs'000	Shs'000	Shs'000
<b>iii) Ageing Analysis for Receivables from Exchange Transactions</b>				
	Current	% of total	Comparative	% of total
<b>Contractors advances</b>				
Less Than 1 Year	178,577	1%	4,689,935	24%
Between 1-2 Years	4,760,016	24%	(858,421)	-4%
Between 2-3 Years	(854,643)	-4%	16,089,875	81%
Over 3 years	16,089,875	80%	-	0%
<b>Total</b>	<b>20,173,825</b>	<b>100%</b>	<b>19,921,388</b>	<b>100%</b>

**iv) Reconciliation for Impairment Allowance on Receivable from Exchange Transactions**

	2022-2023	2021-2022
	Jun-23	Jun-22
<b>Impairment Allowance / Provision</b>		
At The Beginning of the Year	-	-
Additional Provisions during the year	-	-
Recovered During the year	-	-
Written off during the Year	-	-
At the end of the Year	-	-

**20(b) Receivables from Non Exchange transactions**

Advances to Staff	25,806	43,271
Deposits and Prepayments	85,537	64,223
Other Receivables(Accrued Income )	742,900	1,558,302
<b>Total Receivables from Non Exchange transact</b>	<b>854,244</b>	<b>1,665,795</b>
<b>Total receivables</b>	<b>21,028,069</b>	<b>21,587,183</b>

**Ageing Analysis Receivables from Non-Exchange transactions**

Less Than 1 Year	852,032	99.74%	1,622,525	97.4%
Between 1-2 Years	-	0.00%	19,731	1.2%
Between 2-3 Years	-	0.00%	23,539	1.4%
Over 3 years	2,212	0.26%	-	0.0%
<b>Total</b>	<b>854,244</b>	<b>100%</b>	<b>1,665,795</b>	<b>100.0%</b>

Receivables constitute short term liquid assets which are recoverable within one year. Grants receivable represent development grants due from the National Government. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Authority does not hold any collateral as security. The aged analysis of receivables is as follows:

	<b>2022-2023</b> <b>Shs'000</b>	<b>2021-2022</b> <b>Shs'000</b>
<b>21. Inventories</b>		
Consumable stores	<u>3,114</u>	<u>6,644</u>
<b>Total Inventories</b>	<u>3,114</u>	<u>6,644</u>

**22. Property Plant and equipment**

Period ended 30th June 2023	Building	Furniture and Fittings	Motor Vehicles	Office Equipment	Computers and Software	Plant and Machinery	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
<b>Cost</b>							
At 1st July 2022	119,932	196,314	674,322	58,271	345,612	56,503	1,450,955
Additions	841	3,525	-	5,325	9,211	-	18,902
At 30th June 2023	<u>120,773</u>	<u>199,839</u>	<u>674,322</u>	<u>63,596</u>	<u>354,824</u>	<u>56,503</u>	<u>1,469,857</u>
<b>Depreciation</b>							
At 1st July 2022	26,210	150,664	599,894	37,904	288,956	53,693	1,157,319
Charge for the year	3,768	9,020	37,809	5,989	30,422	456	87,465
At 30th June 2023	<u>29,978</u>	<u>159,684</u>	<u>637,703</u>	<u>43,892</u>	<u>319,379</u>	<u>54,149</u>	<u>1,244,784</u>
<b>Net Book Value</b>							
At 30th June 2023	<u>90,795</u>	<u>40,155</u>	<u>36,619</u>	<u>19,704</u>	<u>35,445</u>	<u>2,354</u>	<u>225,073</u>

The gross carrying amount of fully depreciated property, plant and equipment amounted to Kshs 989,846,468



## 22. Property Plant and Equipment

Period ended 30th June 2022	Building	Furniture and Fittings	Motor Vehicles	Office Equipment	Computers and Software	Plant and Machinery	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
<b>Cost</b>							
At 1st July 2021	108,353	189,438	674,322	53,767	311,337	56,503	1,393,719
Additions	11,579	6,876	-	4,504	34,276	-	57,235
At 30th September 2021	<u>119,932</u>	<u>196,314</u>	<u>674,322</u>	<u>58,271</u>	<u>345,612</u>	<u>56,503</u>	<u>1,450,955</u>
<b>Depreciation</b>							
At 1st July 2021	23,531	141,390	536,753	33,590	248,666	53,236	1,037,167
Charge for the year	2,679	9,274	63,140	4,314	40,290	456	120,152
At 30th June 2022	<u>26,210</u>	<u>150,664</u>	<u>599,894</u>	<u>37,904</u>	<u>288,956</u>	<u>53,693</u>	<u>1,157,319</u>
<b>Net Book Value</b>							
At 30th June 2022	<u>93,722</u>	<u>45,651</u>	<u>74,428</u>	<u>20,367</u>	<u>56,656</u>	<u>2,811</u>	<u>293,635</u>

	2022-2023	2021-2022
	Shs'000	Shs'000
<b>23. Road Infrastructure Assets</b>		
At 1st July	124,175,119	118,640,409
Transfer from work in progress	15,786,458	<u>5,534,710</u>
	<u>139,961,577</u>	<u>124,175,119</u>
<b>24. Capital Work In Progress</b>		
At 1st July	179,892,966	155,181,085
Additions	33,588,328	30,246,592
Transfer to Road Infrastructure Asset	<u>(15,786,458)</u>	<u>(5,534,710)</u>
	<u>197,694,836</u>	<u>179,892,966</u>

Road Maintenance Levy Fund( RMLF) Contribution towards Work-In-Progress for Financial year was ksh 2,116,573.974.63 being its contribution towards co-financing of infrastructure projects.

## 25. Payables

### (a) Exchange Transactions

#### Current:

Due to Contractors	54,227,073	38,629,061
Other Trade payables(General Suppliers)	529,230	2,047,725
Staff Creditors	-	347
Other Payables(Accruals & provisions)	310,119	245,807
<b>Total current</b>	<u>55,066,422</u>	<u>40,922,940</u>

#### (b) Non Current:

Contract Retention	<u>7,740,381</u>	<u>7,985,152</u>
<b>Total Non Current</b>	<u>7,740,381</u>	<u>7,985,152</u>
	<u>62,806,803</u>	<u>48,908,092</u>

Current trade and other payables are expected to be settled in Authority's normal operating cycle and within twelve months after the reporting period and are not attached to an unconditional right to defer payment of the liability.

## 26. Employee Benefit obligations

	Ksh'000	Ksh'000	Ksh'000
As at 1st July 2022	69,108	69,090	138,197
Additional Provisions	52,543	-	52,543
Provision utilised	-	-	-
<b>As at 30th June 2023</b>	<u>121,651</u>	<u>69,090</u>	<u>190,741</u>

## 27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Authority has an integrated risk management framework/ strategy. The Authority's approach to risk management is based on risk governance structures, risk management policies, risk identification, measurement, monitoring and reporting. The risk management policies and systems are reviewed regularly to ensure they are in tandem with the micro and macro environment, regulatory guidelines, industry practice, market conditions as well as the services offered.

The Authority recognizes the critical role the risk management will continue to play in its endeavor to carry out its business in a dynamic environment. The Board is committed to ensure that corporate governance and risk management are deeply entrenched in the Authority's strategy and culture. An elaborate risk management strategy that will provide direction on matters of policy and guide the implementation and control has been developed.

The Authority core business involves major engagements with financial transactions and processes which pose certain risks. Three types of risks are reported as part of the risk profile namely operational, strategic and business continuity risks.

- (i) **Operational risks** are events, hazards, variances or opportunities which could influence the achievement of the Board's compliance and operational objectives.
- (ii) **Strategic risk** is a significant unexpected or unpredictable change or outcome beyond what was factored into the organization's strategy and business model which could have an impact on the entity's performance.
- (iii) **Business continuity risks** are those events, hazards, variances and opportunities which could influence the continuity of the entity.

The Members of the Board have the overall responsibility for the establishment and oversight of the Authority's risk management framework. The Authority has delegated its risk management to the Audit and Risk Committee. One of the responsibilities of this committee is to review risk management strategies to ensure that an effective efficient and transparent system of risk management is maintained for sustainable management of the Authority.

The Authority's exposure to risks, its objectives, policies and processes for managing the risk and the methods used to measure it have been consistently applied in the years presented, unless

otherwise stated. The Authority aims therefore to achieve an appropriate balance between the risk and return and minimize potential adverse effects on its financial performance.

The financial management objectives and policies are as outlined below:

**a) Liquidity Risk**

Liquidity risk is the risk that the Authority will not have sufficient financial resources to meet its obligations when they fall due or will have to do so at excessive costs. This risk can arise from mismatches in the timing of cash flows from revenue and capital/ operational outflows, assets and liabilities according to their maturity profiles and can occur where cash flow streams have been discontinued, etc. Funding risk arises when the necessary liquidity to fund illiquid asset positions cannot be met at expected terms and when required.

The objective of the liquidity and funding management is to ensure that all foreseeable operational and capital commitment expenditure can be met under both normal and stressed conditions and the mismatch is controlled in line with allowable risk levels.

The Authority's has adopted an overall balance sheet approach which consolidates all sources and uses of liquidity, while aiming to maintain a balance between liquidity, cash flows and interest rate considerations. The Authority's liquidity and funding management process includes:

- Projecting cash flows and considering the cash required and optimizing the short term requirements as well as the long term funding, maintaining balance sheet liquidity ratios,
  - Maintaining/soliciting for a diverse range of funding sources with adequate back up facilities,
- The Authority has an established corporate governance structure and process of managing risks regarding guarantees and contingent liabilities.

The primary sources of revenue for the Authority are receipts from the Kenya Roads Board, mainly receipts from Road Maintenance Levy Fund, and Grants from the central Government and Development Partners.

The table below summarizes the maturity analysis for financial liabilities to their remaining contractual maturities

**Period Ended 30th June 2023**

	<b>Less Than 1Month</b>	<b>Between 1-3 Months</b>	<b>Between 3- 12 Months</b>	<b>Over One Year</b>
Due to contractors			54,227,073	
Other Trade Payables	-	529,230	-	-
Staff Creditors	-	-	-	-
Contract Retention	-	-	-	7,740,381
Deferred Income	-	-	-	-
Other Payables	-	310,119	-	-
	<b>-</b>	<b>839,348.95</b>	<b>54,227,073</b>	<b>7,740,381</b>

**Year Ended 30th June 2022**

	<b>Less Than 1Month</b>	<b>Between 1-3 Months</b>	<b>Between 3- 12 Months</b>	<b>Over One Year</b>
Due to contractors			38,629,061	
Other Trade Payables	-	2,047,724.84	-	-
Staff Creditors	-	347.41	-	-
Contract Retention	-	-	-	7,985,151.98
Deferred Income	-	-	-	-
Other Payables	-	245,807.00	-	-
	<b>-</b>	<b>2,293,879.25</b>	<b>38,629,061</b>	<b>7,985,151.98</b>

**b) Market Risk**

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates, prices and interest rates. The objective of market risk management policy is to protect and enhance the Statements of Financial Position and performance by managing and controlling market risk exposures within acceptable parameters, and to optimize the funding of business operations and facilitate capital expansion. The Authority is exposed to the following market risks:

**(i) Currency Risk**

The currency risk is minimal as most of cash and cash equivalents held with banks are dominated in Kenya Shillings.

**(ii) Price Risk**

Kenya Roads Board collects Kshs. 18 per litre of diesel and petrol imported into the country, 32% of which is disbursed to the Authority. The Authority is exposed to the extent that the levy on diesel and petrol is reduced or eliminated due to changes in the international fuel prices, inflation or other macro indicators.

The Road Maintenance Levy Fund is backed up by an Act of Parliament and changes thereof require approval by Parliament.

**(iii) Interest Rate Risk**

The Authority's financial condition may be adversely affected as a result of changes in interest rate levels. The interest rate risk is minimal as the Authority does not have any borrowings.

**c) Credit Risk**

The maximum exposure of the Authority to credit risk as at the balance sheet date is as follows:

**Period Ended 30th June 2023**

	Fully Performing	Past Due Date but not Impaired	Past Due Date and impaired	Total
Advances to Staff	26,574			26,574
Contractors advances	20,173,825			20,173,825
Deposits and Prepayments	85,537			85,537
Other Receivables	742,900			742,900
Cash at Bank	48,310,770			48,310,770
	<b>69,339,606</b>	<b>-</b>	<b>-</b>	<b>69,339,606</b>

**Period Ended 30th June 2022**

	Fully Performing	Past Due Date but not Impaired	Past Due Date and impaired	Total
Advances to Staff	43,271			43,271
Contractors advances	19,921,388			19,921,388
Deposits and Prepayments	64,223			64,223
Other Receivables	1,558,302			1,558,302
Cash at Bank	44,527,506			44,527,506
	<b>66,114,690</b>	<b>-</b>	<b>-</b>	<b>66,114,690</b>

**d) Operational Risk**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Authority's processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risks such as legal and regulatory requirements and generally acceptable standards of corporate behavior.

The Authority seeks to ensure that key operational risks are managed in a timely and effective manner through a framework of policies, procedures and tools to identify, assess, monitor and report such risks.

The Authority's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Authority's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. The responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

- (i) Requirements for appropriate segregation of duties, including the independent authorization of transactions;
- (ii) Requirements for the reconciliation and monitoring of financial transactions;
- (iii) Compliance with regulatory and legal requirements;
- (iv) Documentation of controls and procedures;
- (v) Requirements for the yearly assessment of operational risks faced and the adequacy of controls and procedures to address the risks identified;
- (vi) Requirement for the reporting of operational losses and proposed remedial action;
- (vii) Training and professional development;
- (viii) Ethical and business standards; and
- (ix) Risk mitigation, including insurance where it is effective.

Operational risks are managed by the Internal Audit function established to spearhead and coordinate risk management activities. The measures taken include proactively identifying, analyzing and mitigating risks in all facets of the business.

#### **e) Compliance and Regulatory Risk**

Compliance and regulatory risk includes the risk of non-compliance with regulatory requirements. The Authority has complied with all externally imposed requirements throughout the year.

#### **f) Legal Risk**

Legal risks is the risk of unexpected loss, including reputational loss, arising from defective transactions or contracts, claims being made or some other event resulting in a liability or the loss for the authority, failure to protect the title to and inability to control the rights to assets of the Authority (including intellectual property right), changes in law, or jurisdictional risk.

The Authority manages legal risk through the legal function, legal risk policies and procedures and the effective use of internal controls and external lawyers.

## 28. Related Parties Balances and Transactions

The Authority 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 Authority, or vice versa. Members of key management are regarded as related parties and comprise the Director General and senior managers.

### (a) Related party transactions

The following transactions were carried out with related parties during the year.

	2022-2023 Shs'000	2021-2022 Shs'000
<b>(i) Receipt and Transfers</b>		
The Government of Kenya	37,701,914	36,959,142
Kenya Roads Board	26,409,596	27,725,667
	<u>64,111,510</u>	<u>64,684,808</u>
<b>(ii) Directors Emoluments</b>		
Emoluments - Executive directors	11,606	11,008
Emoluments - Non Executive directors	4,798	6,184
Training and filed activities	4,145	14,894
	<u>20,549</u>	<u>32,085</u>

### (b) Outstanding balances arising from non-exchange transactions

The following were outstanding balances with related parties as at 30<sup>th</sup> June 2023

Receivable from related parties	-	-
Payable to related parties	<u>69,090</u>	<u>69,090</u>
Receivables from related parties can be analysed as follows:		
The Government of Kenya	-	-
Kenya Roads Board	-	-
Key management personnel	-	-
	<u>-</u>	<u>-</u>
Payables to related parties can be analysed as follows:		
Key management personnel	<u>69,090</u>	<u>69,090</u>

## 29. Contingent Assets and liabilities

### i) Contingent Liabilities

Due to the uncertainty of the outcome of our Legal cases, it is not practically possible to estimate the resulting liabilities and the effect they are likely to have on the results of the Authority's



operations, financial position or liquidity. Therefore no provision has been made in the financial statements.

	2022-2023	2021-2022
	Shs'000	Shs'000
<b>ii) Contingent assets</b>		
<b>Contingent Assets</b>	<b>Shs'000</b>	<b>Shs'000</b>
Advance Guarantees	21,509,582	20,384,746
Performance Guarantee	27,108,035	23,308,035
	<u>48,617,618</u>	<u>43,692,782</u>

### 30. Capital Commitments

Authorised and contracted for

-	-
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Non-cancellable operating lease rentals are payable as follows:

	2022-2023	2021-2022
	Jun-22	Jun-21
	Shs'000	Shs'000
<b>Operating lease rentals</b>		
Non-cancellable operating lease rentals are payable as follows		
Within one year	-	-
Later than one year but within five years	-	-
	<u>-</u>	<u>-</u>

The Authority has leased office premises under an operating lease. The lease typically runs for 5 years with an option for renewal. Lease payments are increased accordingly to reflect market rentals. The Authority does not have an option to purchase the leased asset at the expiry of the lease period. There are no contingent rents recognized in the Statement of Financial Performance.

**31. Reconciliation of surplus as per Budget statement and statement of financial performance**

	2022-2023 Jun-23 Shs '000
Surplus as per statement of Budget and Actual amounts	132,921
Less: Taxation	(762,337)
Add: Transfer of Roadwork Costs to Infrastructure assets	-
Less: Transfer to Development Fund	-
Add: Transfer from Deferred Income	-
	<hr/>
<b>Surplus(Deficit) as per Statement of financial performance</b>	<b>(629,416)</b>

**32. Fair value**

The directors consider that there is no material difference between the fair value and carrying value of the Authority's financial assets and liabilities, where fair value details have not been presented.

**33. Events after the reporting period**

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

**34. Ultimate and holding entity**

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

**35. Currency**

The financial statements are presented in Kenya Shillings (Kshs.'000).

## APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITORS RECOMMENDATIONS

The following is the summary of issues that resulted in a qualified opinion of the external auditor on the financial statements for the year 2021/22, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Ref. No on Audit Report	Issue / Observation by the Auditor	Management Comments	Focal Person to resolve the Issue	Status: Resolved or Not Resolved	Time frame/ Reasons
1.	<p><b>Unreconciled Development Partner Grants</b> The Statement of financial performance and Note 8 of the financial statement reflects Development Partners Grant Totaling to ksh 520,945,000 in respect to Bank for Economic Development in Africa ( BADEA) ksh 476,150,000 and European Union ksh 44,795,000. Review of the project audited accounts revealed “ Gilgil Machinery” Road Project file funded by BADEA revealed that ksh 414,210,668 was disbursed to the Project and ksh 5,000, was disbursed towards German Development Bank (KFW) resulting to unexplained and unreconciled variances of ksh 61,939,332 and Ksh 5,000,000 respectively. In the circumstances, the accuracy of development partner grant amount of ksh 520,945,000 could not be confirmed.</p>	<p><i>Donor Funds are accounted on cash basis while the main accounts are on accrual. This creates timing differences in the treatment of transactions. A Reconciliation of the differences has been resubmitted</i></p>	Director General	Resolved	
2	<p><b>Road Maintenance Levy Fund ( RMLF)</b> The Statement of financial Performance and Note 12 to the financial statements reflects road works expenditure totaling to ksh 40,197,725,000. Included in this expenditure is RMLF 22% constituency Roads Fund of ksh 7,950,824,000 while the trial balance provided for audit review reflected an amount of ksh 7,892,511,000 resulting to a variance of ksh 58,313,000 which was not reconciled .</p>	<p>• <i>Auditors observations are noted. This difference of represented under Road Works Force Account GL 9000100 of ksh 58,312,969.97 Our Regional offices execute works under force account. This is normal reported as part of 22% Roads Works because the funding source in 22%.</i></p>	Director General	Resolved	

Ref. No on Audit Report	Issue / Observation by the Auditor	Management Comments	Focal Person to resolve the Issue	Status: Resolved or Not Resolved	Time frame/ Reasons
	<p>Further, the Expenditure of ksh 7,950,824,000 under constituency roads fund and ksh 3,994,932,000 on critical link roads against road maintenance levy of ksh 7,510,716,000 and ksh 3,329,411,000 respectively, resulting to over expenditure of ksh 440,108,000 and ksh 665,521,000 was not explained or supported. In addition, the basis for the allocation among the specific funds was not provided.</p> <p>In the circumstances , the accuracy of the RMLF 22% constituency Roads Fund amount of ksh 7,950,824,000 and road maintenance levy fund expenditure of ksh 870,813,000 could not be confirmed.</p>	<ul style="list-style-type: none"> <li>The Authority does roll over funds from the previous periods. Therefore the current periods expenditure may not match the current review.</li> </ul>			
3	<p><b>Donor Funded Projects</b></p> <p>The statement of financial performance and Note 12 to financial statement reflects road works expenditure totaling to ksh 40,197,725,0000. Included in the road works expenditure totaling to ksh 40,197,725,000 is an amount of ksh 870,813,000 under Donor Funded Projects. However ,review of financial records under the prjects revealed that ksh 4141,210,670., ksh 44,974,887 and Ksh 5,000,000 was disbursed to BADEA. EU and KFW projects respectively all totaling to ksh 464,627,443 resulting to an explained and unsupported variance of ksh 406,627,443 . In addition . the corresponding revenue for Gemran Developmet Bank (KFW) was not captured in the statement of financial performance.</p> <p>In the Circumstances, the accuracy of Donor funded projects of ksh 870,813,000 could not be confirmed.</p>	<p>Auditors comments are well noted. Management would like clarify that the main financial takes in to account accrued road works GOK counterpart portion not yet funded by GOK while the Donor funded Reports are accounted for on Cash Basis. Reconciliations for the Various General Ledger (GL) for the various funds have been attached.</p>	Director General	Resolved	
4	<p><b>GoK Spot Improvement Funds</b></p> <p>Included in the road works expenditure of Kshs.40,197,725,000 is an amount of Kshs.18,072.580,000 incurred under GoK Spot</p>	<p>Auditors comments are well noted. Appropriate analysis requested are</p>	Director General	Resolved	

Ref. No on Audit Report	Issue / Observation by the Auditor	Management Comments	Focal Person to resolve the Issue	Status: Resolved or Not Resolved	Time frame/ Reasons
	Improvement Funds. However, review of records revealed that Kshs.17,799,054,000 was received under this item resulting in an under funding of Kshs.273,526,000. Further, expenditure analysis provided resulted to an amount of Kshs.18,075,429,682 as analyzed below resulting to a variance of Kshs.2,849,682 which was not explained or supported	<i>hereby attached together with the schedules.</i>			
5.	<b>Expenditure of Overheads from Bill One Deductions</b> Analysis of expenditure shows that a total of Kshs.4,197,279,000 was spent on overheads out of which Kshs.804,082,000 was financed by Kenya Roads Board Overheads allocation and Kshs.3,393,197,000 financed by bill one deductions from contracts. It was further noted that Kshs.2,953,523,000 from bill one was used to finance office operational cost which were non-roads related expenditure. It was also noted that the Authority reported a surplus of Kshs.2,706,634,000 which was financed from bill one expenditure of Kshs.2,953,523 000 as shown in the table below;	<i>Auditors comments are noted. The authority has continued to utilize its allocation for operations appropriately and wish to clarify as follows: -The Authority's overhead/operations budget for the period was ksh 5,544,366 and Utilized 4,197,279,000 as indicated in our financials. This is within the budget estimates for operations. -Bill one for various projects are used for supervision purposes for the specific projects and expensed against roadworks because of inadequate overheads budget allocation from KRB.</i>	Director General	Resolved	
6.	<b>Unsupported Security Expenses</b> The statement of financial performance and Note 16 to the financial statements reflects other operating costs totalling to Kshs.1,174,613,000 . Included in this amount is an expenditure of Kshs.111,091,000 incurred on security of which an amount is Kshs.45,457,960 paid for arbitration proceedings between the Authority and a security firm. No explanation was provided on why the expenditure was not charged under legal fees. Review of records indicated that security services pending bill for security firm amounted to Kshs.27,500,000. The basis for the payment of Kshs.45,457,960 was not provided.	<i>-The Payment was for an arbitration decision in favour of Total Security for security services offered the Authority. -Total Security requested for the Payment to be made directly to the Lawyer Nyaanga and Mughisa Advocates ( Copy Attached) Babs Security- Payments were made under demand Notice copies attached for your review</i>	Director General	Resolved	

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For the year ended 30<sup>th</sup> June 2023

Ref. No on Audit Report	Issue / Observation by the Auditor	Management Comments	Focal Person to resolve the Issue	Status: Resolved or Not Resolved	Time frame/ Reasons
7.	<p>In addition, included in the security expenditure of Kshs.111,091,000 is a payment of Kshs.7,004,804 made to another security firm being claim as a result of reconciliation of previous payments. No analysis indicating previous payments was provided for audit verification as indicated in KeRRA Internal Memo Letter Ref. No: KeRRA/02/3/38/Vol.5(11) dated 16 November, 2021. The full contract agreement was also not provided for audit. Further, the security firm had no security pending bills as per the budget.</p> <p>In the circumstances, the validity of security payments totalling Kshs.52,462,764 could not be confirmed</p> <p><b>Unsupported Foreign Travel by Non -Executive Directors</b></p> <p>The statement of financial performance and Note 13 reflects Directors' costs amount of Kshs.32,085,000 This amount constitutes executive and non-executive directors' costs of Kshs.11,008,000 and Kshs.21,078,000 respectively. Included in the non-executive directors' costs of Kshs.21,078,000 is an amount of Kshs.9,483,878 incurred on foreign travel and subsistence but charged under subsistence local expenses. Further, the expenditure on foreign travel to Turkey of Kshs.2,969,007, South Africa of Kshs.1,625,912 and Israel of Kshs.4,888,958 was not supported with boarding passes and approved work plans as evidence that the journeys had been factored in the work plans. In addition, the expenditure exceeded the directors overseas travel budget of Kshs.1,198,000.</p> <p>In the Circumstances , the accuracy and validity of non-executive balance of ksh 21,078,000 could not be confirmed.</p>	<p><i>Management has provided the support for foreign Travel for your review</i></p>	Director General	Resolved	
8.	<p><b>Unreconciled Employment Costs</b></p>	<p><i>The actual payslips and amount paid were correct. There were however system</i></p>	Director General	Resolved	

Ref. No on Audit Report	Issue / Observation by the Auditor	Management Comments	Focal Person to resolve the Issue	Status: Resolved or Not Resolved	Time frame/ Reasons
	The statement of financial performance reflects employment costs totalling to Kshs.2,821,451,000 which includes salaries and wages totaling to Kshs.1,881,261,000. Included in the amount is Kshs.6,617,168 paid to interns engaged during the year. Scrutiny of the approved interns' payroll for the month of April, 2022 revealed inconsistencies between the interns' payroll and the payroll reconciliation	<i>inaccuracies in the reports generated which have since been corrected. A copy of the Intern Payroll summary report has been attached for your review</i>			
9.	<p><b>Cash and Cash Equivalents</b></p> <p>The statement of financial position and as disclosed in Note 18 to the financial statements reflects cash and cash equivalents balance of Kshs.44,527,506,000. Review of bank reconciliation statements in respect of RMLF Operations Account, Salaries Account and Roadworks account under Headquarters revealed unrepresented cheques which had gone stale amounting to Kshs.25,648,898, Kshs.1,308,690 and Kshs.736,145 respectively.</p> <p>Further, analysis provided under summary of cash and bank balances in KeRRA head office reflects 3 bank accounts with cumulative retention funds of Kshs.2,604,405,029 as at 30 June, 2022. However, Note 24 to the financial statements reflects contract retention totaling to Kshs.7,985,152,000 as at the same date. The variance of Kshs.5,380,746,971 was not explained or reconciled.</p> <p>In the circumstances, the accuracy of cash and cash equivalents balance of Kshs.44,527,506,000 could not be confirmed</p>	<i>Auditors comments are well noted. Appropriate corrective action on all the outstanding items in the reconciliation have been undertaken in the subsequent financial period. Current Reconciliations for the various account have been attached for your review</i>	Director General	Resolved	
10	<p><b>Long Outstanding Staff Advances</b></p> <p>The statement of financial position as at 30 June, 2022 reflects receivables from non-exchange transaction balance of Kshs.1,665,795,000 which includes; advances to staff of Kshs.43,271,000, deposits and prepayments of</p>	<i>Auditors comments are noted . Staff imprest of ksh 40,676,791.00 relate to the Authority's 747 staff. The Imprest continue to be surrendered by staff and where necessary recovery measures have</i>	Director General	Resolved	

Ref. No on Audit Report	Issue / Observation by the Auditor	Management Comments	Focal Person to resolve the Issue	Status: Resolved or Not Resolved	Time frame/ Reasons
	<p>Kshs.64,223,000 and other receivables of Kshs.1,558,302,000. Advances to staff consists of staff imprest of Kshs.40,676,791 and staff advances of Kshs.2,594,154 totalling Kshs.43,270,945 which has not been recovered. Some of these advances date back to the year, 2019.</p> <p>In the circumstances, the recoverability of staff advances of Kshs.43,271000 could not be confirmed.</p>	<p><i>been instituted against staff where communication is received that the activity was not undertaken.</i></p> <p><i>Staff Advances of ksh 2,594,154.45 are at various stages of recovery and have been recovered in full in the subsequent financial year.</i></p>			
11	<p><b>Failure to Revalue Fully Depreciated Fixed Assets in Use</b></p> <p>Fixed assets amounting to Kshs.819,328,471 included in the Authority's asset register were fully depreciated, still in use and had not been revalued.</p> <p>This is contrary to Paragraph 49 of the International Public Sector Accounting Standard (IPSAS) No.17 on property, plant and equipment, which provides for revaluation of property plant and equipment every three to five years.</p> <p>In the circumstances, the fair valuation of the fully depreciated property, plant and equipment with a cost of Kshs.819,328,471 could not be confirmed.</p> <p>Lack of Roads Inventory</p> <p>The statement of financial position and as disclosed at Note 22 to the financial statements reflects road infrastructure assets balance of Kshs.124,175,119,000 comprising of a balance brought forward of Kshs.118,640,409,000 and transfer from work in progress of Kshs.5,534,710 during the year. However, Management did not provide an inventory of the roads under the Authority.</p>	<p><i>Auditors comments are noted. Auditors comments are noted. The Authority shall budget for revaluation of fully depreciated assets to be carried out in the subsequent financial year and derecognize fully depreciated assets where applicable.</i></p> <p><i>Auditors comments are noted. Auditors comments are noted. The Authority shall budget for revaluation of fully depreciated assets to be carried out in the subsequent financial year and derecognize fully depreciated assets where applicable.</i></p>	Director General	Not Resolved	FY 2023/2024



Ref. No on Audit Report	Issue / Observation by the Auditor	Management Comments	Focal Person to resolve the Issue	Status: Resolved or Not Resolved	Time frame/ Reasons
	In the circumstances, the accuracy, completeness and validity of roads infrastructure assets totalling to Kshs.124,175,119,000 could not be confirmed				
12	<b>Unsupported Payables</b> The statement of financial position reflects payables balance of Kshs.49,006,015,000 as disclosed at Note 24 to the financial statements which includes current payables from exchange transactions balance of Kshs.41,020,863,000 and non-current payables from exchange transactions balance of 7,985,152,000.	<i>Auditors comments are noted. payables in the ledgers have been resubmitted for your review</i>	Director General	Resolved	
13	<b>Budgetary Control and Performance</b> The statement of comparison of budget and actual amounts reflects actual expenditure amount of Kshs.63,677,934,000 against final expenditure budget of Kshs.81,004,390,000 resulting in an under-expenditure of Kshs.17,326,456 or 21% of the budget. Further, it was noted that the capital expenditure was not included in the budget. In addition, approvals for the over expenditure in respect of road works cost – maintenance and employment costs of Kshs.156,998,000 and 17,835,000 respectively were not provided. The under expenditure affected the planned activities and may have impacted negatively on road infrastructure delivery to the public.	<i>Auditors comments are noted. The Authority rolls road works committed already funded from the previous Financial year and executed in the current Financial year.</i>	Director General	Resolved	
14	<b>REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES</b> <b>Failure to Adhere to a Third Gender Rule</b>  An analysis of the staff bio data provided for audit revealed that out of seven hundred and forty-eight (748) staff, there were five hundred and twenty-five (525) male and two hundred and twenty-three (223) female. The number of women were therefore below a third of the total number of staff contrary to the requirements of Article 27 (8) of the Constitution which stipulates that	<i>This is a legacy issue and the Authority continues to work towards compliance of the 1/3 gender rule in its operations, appointments and training</i>	Director General	Not Resolved	FY 2023/2024

Ref. No on Audit Report	Issue / Observation by the Auditor	Management Comments	Focal Person to resolve the Issue	Status: Resolved or Not Resolved	Time frame/ Reasons
	not more than two thirds of the members shall be of the same gender.  Management was in breach of the law.				
15	<b>Violation of a Third Rule of Basic Pay</b>  An analysis of the payroll for the month of April, 2022 revealed that 45 employees had net salary way below a third of their basic pay which is contrary to the Authority's Human Resource Policy and Procedures Manual. This exposes staff to pecuniary embarrassment.  Management did not comply to the entity's Human Resource Policy and Procedures manual	<i>Auditors comments are noted. Human Resource department has communicated to the affected staff requested them to restructure their pay slip to comply with the a third rule</i>	Director General	Not Resolved	FY 2023/2024
16	<b>Delayed Completion of Projects</b>  Review of projects records provided revealed that in the financial year under audit, a total of thirty-one (31) new contracts were awarded on different dates, with total contract cost of Kshs.46,715,868,748. Further, there were 91 projects awarded between April, 2016 and September, 2020 with a total contract cost of Kshs.180,656,714,960 of which advance payments totalling to Kshs.16,198,531,681 had been paid as at 30 June, 2022.	<i>Auditors comments are noted. The Authority continues to experience challenges funding development projects due to inadequate budgetary allocation and delayed exchequer releases. This has impacted on the progress these projects.</i>	Director General	Resolved	

Ref. No on Audit Report	Issue / Observation by the Auditor	Management Comments	Focal Person to resolve the Issue	Status: Resolved or Not Resolved	Time frame/ Reasons
17.	<b>Ting'a – Igena – Itambe Road (Nyamira County)</b> The works were , not fully complete and the outstanding retention amount of Kshs.727,876 may not be able to cover for the costs	<i>Certificate paid for the project was an Interim Payment Certificate. Inspection and acceptance report are done after a substantial completion of the road.</i> <i>- Handing over and completion certificate are only issued after substantial inspection or end of Defects Liability Period.</i> <i>- Retention money is used to address any deflection during the Defects Liability Period.</i>	Director General	Resolved	
18.	<b>REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS ,RISK MANAGEMENT AND GOVERNANCE</b> <b>Lack of an Annual Training Plan</b>  Included in the employment costs amount of Kshs.2,821,451,000 is an amount of Kshs.183,945,000 incurred under training and development in the year under review. It was noted that during the year under review, employees were sponsored for various training by the Authority. However, the Authority did provide an approved annual training plan to justify the expenditure.	<i>The Authority carried out Skills Gap Training and Needs analysis which it draws heavily on its training directions in terms of enhancing and equipping the staff. The Authority will endeavor to ensure that the training plan is prepared on time. With the ERP through the employee self service portal once rolled off the staff will be able to share their training requests on time and enable the committee deliberate and onward submissions to the Director General.</i>	Director General	Resolved	
19	<b>Lack of an Updated Fixed Asset Register</b>  Management did not maintain an Updated fixed asset register as at 30 June, 2022, as required by Section 143 (1) of the Public Finance Management Act (National Government) which states that the Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession	<i>Auditors comments are noted. The Authority continues to implement its ERP system and the Asset Module is expected to be upgraded to comply with statutory requirements</i>	Director General	Resolved	
20	<b>Unsupported Reversals in the Ledgers</b>	<i>Auditors comments are noted. The Authority has incorporated workflows for</i>	Director General	Resolved	

Ref. No on Audit Report	Issue / Observation by the Auditor	Management Comments	Focal Person to resolve the Issue	Status: Resolved or Not Resolved	Time frame/ Reasons
	<p>A review of the ledgers provided shows that a total of 1,147 transactions reversals were effected during the period under review. However, there were no documentation provided showing approval of the reversals.</p> <p>Under the circumstances, the entity is exposed to unauthorized transactions which could affect the accuracy of the financial statements.</p>	<p><i>error correction entries in the ERP system and now have provision for preparer ,approver and attachment of documents in ERP</i></p>			

## APPENDIX II: DEVELOPMENT PARTNERS PROJECTS IMPLEMENTED BY THE AUTHORITY

Project No.	Project Title	Development Partner	Development Partners Commitment	Separate Donor reporting Required	Consolidated in the financial statements
EUROPEAID/134053/IH/WKS/KE	Contracts For The Rural Roads Project In Eastern Region Of Kenya	EU	Euros 14,850,000	Yes	Yes
CREDIT NO. BMZ: 200765123	Improvement Of Rural Roads And Market Infrastructure In Western Kenya	KFW	Euros 9,000,000	Yes	Yes
CREDIT NO. CKE 101201B AND 1046 01J	Central Kenya Rural Roads Improvement And Maintenance Project	AFD	Euros 74,000,000	Yes	Yes
	Upgrading of "Gilgil Machinery" Road Project.	BADEA	USD 11,000,000	Yes	Yes
CKE 117 01 H & CKE 1117 02 J	Asal Rural Roads Project	AFD ASAL	Euros 90,000,000	Yes	Yes

## **APPENDIX III: INTER ENTITY TRANSFER**

**Kenya Rural Roads Authority**  
**Annual Report and Financial Statements**  
**For the year ended 30<sup>th</sup> June 2023**

Particulars	Date Received as per Bank Statement	Balance for Prior Year(2021/2022)	Current Year 2022-2023	Date Disbursed	Total received during the year 2022/2023	FY to which the amount relates
<b>A. 22% ROAD MAINTENANCE LEVY FUND</b>						
KRB/DG/FIN/3/A/Vol.VI(38)	29/Dec/22		3,740,200,918.00		3,740,200,918.00	2022/2023
KRB/DG/FIN/3/A/Vol.VI(59)	2/Mar/23		3,740,200,918.00		3,740,200,918.00	2022/2023
KRB/DG/FIN/3/A/Vol.VI(59)	2/Mar/23		3,740,200,918.00		3,740,200,918.00	2022/2023
KRB/DG/FIN/3/A/Vol.VI(61)	16/Mar/23		1,131,870,000.00		1,131,870,000.00	2022/2023
<b>Total 22% RMLF</b>		-	<b>12,352,472,754.00</b>	-	<b>12,352,472,754.00</b>	
<b>B. 10% RMLF CRITICAL LINKS</b>						
KRB/DG/FIN/3/A/Vol.VI(61)	16/Mar/23		3,915,000,000.00		3,915,000,000.00	2022/2023
KRB/DG/FIN/3/A/Vol.VI(59)	2/Mar/23		1,700,091,327.00		1,700,091,327.00	2022/2023
<b>Total RMLF-10% - Critical Links</b>		-	<b>5,615,091,327.00</b>	-	<b>5,615,091,327.00</b>	
<b>C. RMLF CS AND OTHER ALLOCATION</b>						
KRB/DG/FIN/3/A/Vol.VI(32)	17/Nov/22		2,036,857,327.00		2,036,857,327.00	2022/2023
KRB/DG/FIN/3/A/Vol.VI(41)	23/Dec/22		119,635,000.00		119,635,000.00	2022/2023
KRB/DG/FIN/3/A/Vol.VI(11)	24/Dec/22		10,717,240.00		10,717,240.00	2022/2023
KRB/DG/FIN/3/A/Vol.VI(38)	28/Dec/22		2,691,319,000.00		2,691,319,000.00	2022/2023
KRB/DG/FIN/3/A/Vol.III(75)	28/Dec/22		489,990,000.00		489,990,000.00	2022/2023
KRB/DG/FIN/3/A/Vol.III(89)	10/Feb/23		1,336,766,000.00		1,336,766,000.00	2022/2023
KRB/DG/FIN/3/A/Vol.VI(61)	16/Mar/23		1,756,747,571.00		1,756,747,571.00	2022/2023
<b>Total RMLF CS AND OTHER ALLOCATION</b>		-	<b>8,442,032,138.00</b>	-	<b>8,442,032,138.00</b>	
<b>D.RMLF GOK Projects</b>						
KeRRA /08/Vol.8/(1015)						
MOTIHU & PW/A/14.21/C/VOL.11(7)						
MOTIHU & PW/A/14.21/C/VOL.13(47)						
<b>Total Overheads Funds</b>						
<b>TOTAL RMLF FUNDS</b>	<b>Cash Request</b>		<b>26,409,596,219.00</b>		<b>26,409,596,219.00</b>	
<b>E. GOK EXCHEQUER FUNDS</b>						
	1	30-Sep-22	1,488,402,940.00		1,488,402,940.00	2022/2023
	2	30-Sep-22	1,213,458,179.00		1,213,458,179.00	2022/2023
	3	30-Sep-22	1,006,535,112.00		1,006,535,112.00	2022/2023
	4	30-Sep-22	136,250,000.00		136,250,000.00	2022/2023
	5	30-Sep-22	144,332,356.00		144,332,356.00	2022/2023
	6	24-Jan-23	745,947,837.00		745,947,837.00	2022/2023
	7	24-Jan-23	833,860,670.00		833,860,670.00	2022/2023
	8	24-Jan-23	750,208,083.00		750,208,083.00	2022/2023
	9	10-Feb-23	1,081,500,000.00		1,081,500,000.00	2022/2023
	10	10-Feb-23	985,342,836.00		985,342,836.00	2022/2023
	11	10-Feb-23	849,150,000.00		849,150,000.00	2022/2023
	12	27-Jun-23	400,000,000.00		400,000,000.00	2022/2023
	13	27-Jun-23	984,238,000.00		984,238,000.00	2022/2023
	14	27-Jun-23	1,720,500,000.00		1,720,500,000.00	2022/2023
	15	27-Jun-23	2,696,500,000.00		2,696,500,000.00	2022/2023
	16	29-Jun-23	1,249,000,000.00		1,249,000,000.00	2022/2023
	17	29-Jun-23	1,719,500,000.00		1,719,500,000.00	2022/2023
	18	29-Jun-23	1,696,500,000.00		1,696,500,000.00	2022/2023
	19	27-Jun-23	1,798,000,000.00		1,798,000,000.00	2022/2023
	20	27-Jun-23	673,907,500.00		673,907,500.00	2022/2023
	21	27-Jun-23	745,707,500.00		745,707,500.00	2022/2023
	22	25-Jun-23	2,940,685,156.00		2,940,685,156.00	2022/2023
	23	25-Jun-23	3,233,664,167.00		3,233,664,167.00	2022/2023
	24	25-Jun-23	676,792,512.00		676,792,512.00	2022/2023
	25	27-Jun-23	1,786,500,000.00		1,786,500,000.00	2022/2023
	26	27-Jun-23	376,201,243.00		376,201,243.00	2022/2023
	27	27-Jun-23	1,566,278,851.00		1,566,278,851.00	2022/2023
	28	27-Jun-23	925,959,841.00		925,959,841.00	2022/2023
	30	4-Jul-23	192,000,000.00		192,000,000.00	2022/2023
	40	15-Jul-22	20,000,000.00		20,000,000.00	2022/2023
<b>LVS And Conventional Annuity Funds</b>			<b>34,636,922,783.00</b>		<b>34,636,922,783.00</b>	
Intex RAF Invoice 17		29-Jul-22	851,786,735.40		851,786,735.40	2022/2023
Consultant-LEA Associates-Invoice 44		22-Aug-22	7,785,089.00		7,785,089.00	2022/2023
Intex RAF Invoice 18		18-Nov-22	784,437,005.50		784,437,005.50	2022/2023
Consultant-LEA Associates-Invoice 01		13-Dec-22	8,742,050.00		8,742,050.00	2022/2023
Intex RAF Invoice 19		3-Feb-23	796,875,939.15		796,875,939.15	2022/2023
Consultant-LEA Associates-Invoice 02		3-Feb-23	8,219,284.00		8,219,284.00	2022/2023
Consultant-LEA Associates-Invoice 03		3-Feb-23	8,998,712.00		8,998,712.00	2022/2023
Consultant-LEA Associates-Invoice 04		16-Mar-23	8,831,254.00		8,831,254.00	2022/2023
Consultant-LEA Associates-Invoice 05		14-Apr-23	9,655,527.00		9,655,527.00	2022/2023
Consultant-LEA Associates-Invoice 06		6-Jun-23	9,626,368.00		9,626,368.00	2022/2023
Consultant-LEA Associates-Invoice 07		29-Jun-23	9,742,109.00		9,742,109.00	2022/2023
Consultant-LEA Associates-Invoice 45		29-Jun-23	9,391,073.00		9,391,073.00	2022/2023
Intex RAF Invoice 20		7-Jul-23	550,900,319.00		550,900,319.00	2022/2023
<b>Total Annuity Funds</b>			<b>3,064,991,465</b>		<b>3,064,991,465</b>	
<b>Total GOK Exchequer Funds</b>			<b>37,701,914,248</b>		<b>37,701,914,248</b>	
<b>F. DEVELOPMENT PARTNERS</b>						
AFD-GOK Counter Part						
<b>Total Development Partners</b>						
<b>TOTAL FUNDS RECEIVED</b>			<b>64,111,510,467</b>		<b>64,111,510,467</b>	

**APPENDIX IV: RECORD OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES**





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