


REPUBLIC OF KENYA



Enhancing Accountability

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 06 JUN 2024	DAY: Thursday
TABLED BY:	Hon. Wago Naomi, MP Deputy Majority Whip
CLERK-AT THE-TABLE:	M - Mado

REPORT

PARLIAMENT
OF KENYA
LIBRARY

OF

THE AUDITOR-GENERAL

ON

**ROAD MAINTENANCE LEVY FUND - KENYA
URBAN ROADS AUTHORITY**

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



Enhancing Urban Mobility



ROAD MAINTENANCE LEVY FUND

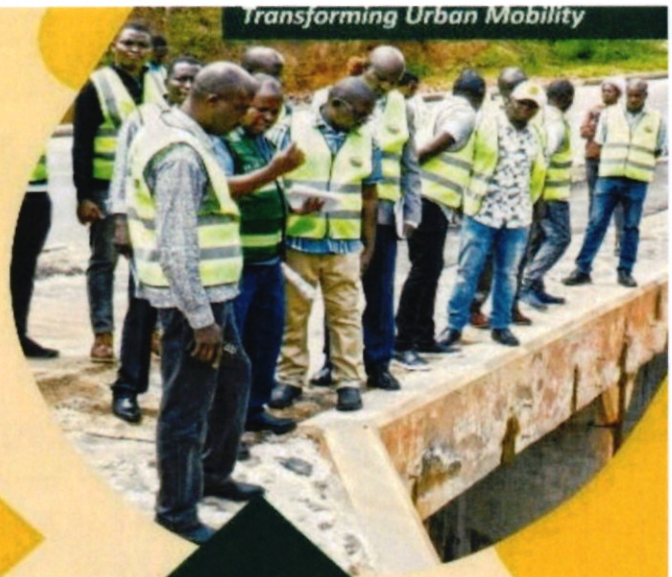
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE
FINANCIAL YEAR ENDED JUNE, 2023**

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

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OUR CORE VALUES



Equity

Teamwork

Integrity



Innovation

Professionalism

ACRONYMS, ABBREVIATIONS AND GLOSARY OF TERMS

A: Acronyms and Abbreviations

AIA	Appropriation In Aid
AIDS	Acquired Immunodeficiency Syndrome
APRP	Annual Public Roads Programme
BRT	Bus Rapid Transit
COVID	Coronavirus Disease
CPA	Certified Public Accountant
CSR	Corporate Social Responsibility
DG	Director General
ECD	Early Childhood Development
ERP	Enterprise Resource
FIEK	Fellow of Institute of Engineers of Kenya
FY	Financial Year
GDP	Gross Domestic Product
GPO	General Post Office
HIV	Human Immunodeficiency Virus
ICPAK	Institute of Certified Public Accountants of Kenya
ICT	Information Communication Technology
IPSAS	Public Sector Accounting Standards Board
IPSASB	International Public Sector Accounting Standards Board
ISMS	Information Systems Management Standards
ISO	International Standards Organisation
ITS	Intelligent Traffic Management System
JKIA	Jomo Kenyatta International Airport
KenHA	Kenya Urban Roads Authority
KeRRA	Kenya Rural Roads Authority
KM	Kilometres
KRB	Kenya Roads Board
KURA	Kenya Urban Roads Authority
MBS	Moran of Burning Spear
MIEK	Member of Institute of Engineers of Kenya
MTP	Medium Term Planning
NRRDP	Nairobi Roads Rapid Decongestion Programme
PBRM	Performance Based Routine Maintenance
PBC	Performance Based Contract
PE	Practicing Engineer
PFM	Public Finance Management
PLWD	People Living with Disability
QMS	Quality Management System

RMLF	Road Maintenance Levy Fund
RSIP	Road Sector Investment Programme
SCAC	State Corporation Advisory Council
SDG	Sustainable Development Goals
SPS	Sector Performance Standards
UA	Urban Arterial Roads
UC	Urban Collector Roads
UL	Urban Local Roads

B. Glossary of Terms

- i) **Pending Bills** refers to unsettled financial obligation at the end of a financial year relating to development projects.
- ii) **Exchequer** refers to money held from taxation and other government revenues in the Consolidated Fund
- iii) **Routine road maintenance** works are usually non-structural in nature and are meant to extend the life of the pavement, to enhance the performance and to reduce user delays in road use.
- iv) **Periodic maintenance** involves maintenance works that are carried out in intervals of years, that are of large-scale, and that are aimed at preserving the structural integrity of the road. This mainly involves activities aimed at rejuvenating the road surface and carrying out repairs over long stretches of road.
- v) **Roads 2000** concept is a strategy to create employment and wealth among local communities utilizing locally available resources, appropriate technologies, and labour-based methods where and when these are cost effective.

KEY AUTHORITY'S INFORMATION AND MANAGEMENT

a) Background information

Kenya Urban Roads Authority (KURA) 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.

b) Principal activities

The Mandate of the Authority as defined in the Kenya Roads Act in Section 10(1) 2007 and as read together with Subsidiary Legislation on Road Classification of 2016 and Cities and Urban Areas Act, 2011 is to Manage, Develop, Rehabilitate, and maintain all National Urban Roads in Cities, Municipalities and Towns of Kenya except where those roads are national roads. Specifically, KURA has responsibility over the following road classes:

- (a) Urban Arterials - Class UA
- (b) Urban collectors including primary distributors, district distributors – Class UC
- (c) Urban local roads including minor distributors, local streets, residential stand accesses, commercial and industrial stand accesses, shopping streets – Class UL

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 year ended 30th June 2023 and who had direct fiduciary responsibility were:

Designation	Name
1. Director General	: Eng. Silas M. Kinoti, MBS
2. Director, Corporate Services	: CPA. Reuben Mayienda
3. Director, Urban Roads Development	: Eng. Wilfred Oginga
4. Director, Road Asset & Corridor Management	: Eng. Abdurashid Mohamed
5. Ag. Director, Urban Roads Planning & Design	: Eng. Jacinta W. Mwangi
6. Director, Policy, Strategy & Compliance	: Eng. Mike Yego Telieny

e) Fiduciary Oversight Arrangements

The Authority has an independent Internal Audit Department which reports directly to the Board Audit and Risk Committee. This Committee performs the Authority's oversight duties as far as Internal Controls and Risk Management is concerned.

Additional oversight is provided by the Kenya Roads board through fund inspections undertaken in the course of the year.

f) Authority Headquarters

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

g) Contacts

Kenya Urban Roads Authority
P.O. Box 41727-00100,
Telephone: (254) 020-8013844,
E-mail: info@kura.go.ke
Website: www.kura.go.ke

h) Principal Bankers

KCB Bank Limited,
Moi Avenue Branch,
P.O. Box 48400-00100,
Nairobi GPO

Co-operative Bank of Kenya Ltd,
Upper Hill Branch,
P.O BOX 48231-00100,
Nairobi.

National Bank of Kenya
Hill Branch,
P.O BOX 45219-00100,
Nairobi.

i) Independent Auditor

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

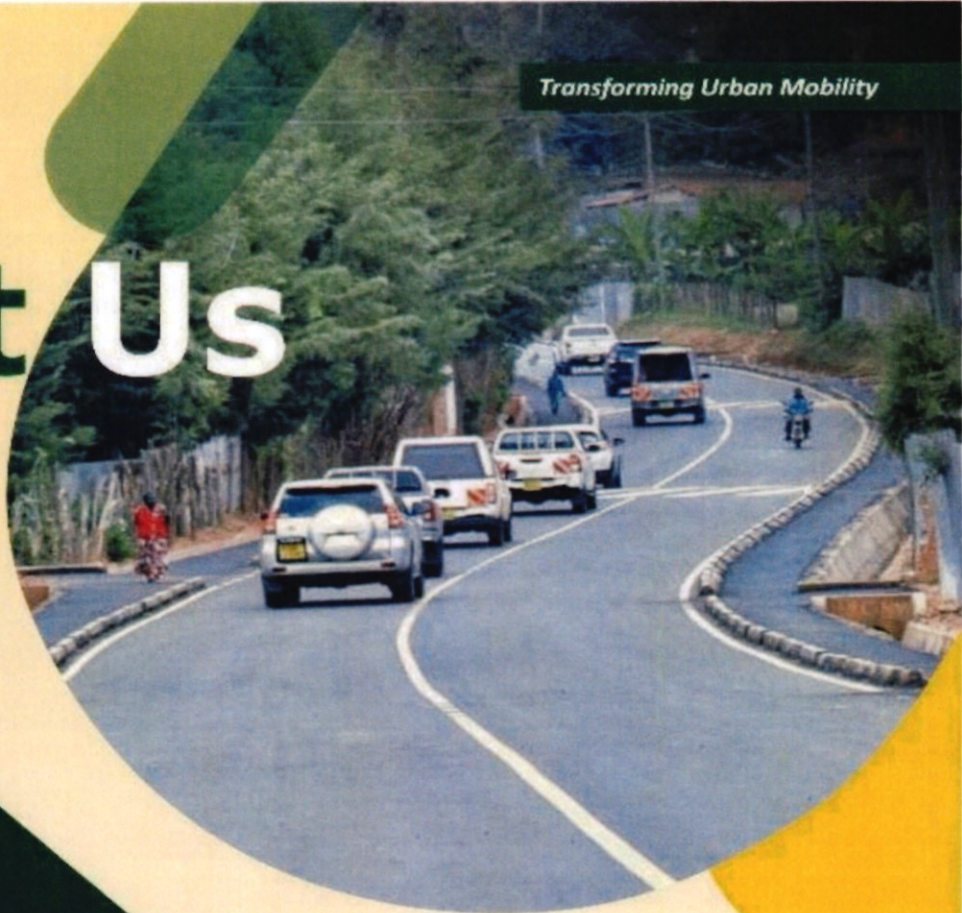
Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

About Us



1. Mandate:

Develop & Manage
the National Urban
Road Network

2. Vision:

“A leading provider of
sustainable urban mobility”

3. Mission:

“Provide and Manage,
Quality, Safe, Adequate and
Responsive Urban Mobility”.



BOARD MEMBERS DETAILS



Board Chairman
Eng. Charles Mugo Chiuri, (PE, FIEK)
Institution of Engineers of Kenya



Dr. Chris K. Kiptoo, CBS
Principal Secretary,
National Treasury



Eng. Joseph M. Mbugua
Principal Secretary
State Department for Roads



Ms. Teresia Mbaika
Principal Secretary
State Department for Devolution



Mr. Joseph Gathua Kiarri
Alternate Member to the Principal
Secretary National Treasury



Eng. James M. Kung'u
Alternate Director to the
Principal Secretary,
State Department for Roads



Mr. Alfonso Munyali
Alternate Member,
Principal Secretary
State Department
for Devolution



Mr. Fredrick Mwei, MBS,SS
Alternate Member,
Principal Secretary
State Department
for Devolution



F-Plan. Joyce Kariuki
Kenya Institute of
Planners



Mr. Joseph Muganda
Kenya Association of
Manufacturers
(KAM)



Ms. Joyce N. Mundara
Association Of County Governments
(ACGOK)



Mr. Basil N. Nyaga
Matatu Welfare Association
(Urban Public Transport)

BOARD MEMBERS DETAILS



Board Chairman
Eng. Charles Mugo Chiuri, (PE, FIEK)
Institution of Engineers of Kenya

Eng. Chiuri is the Chair of the KURA Board. He is a registered Engineer and a Fellow of the Institution of Engineers of Kenya (IEK). He has over Four decades of experience in the Roads Sector both in the Public & Private Sectors, 29 years of which were spent in the Nairobi City Engineering department where he played a key role in planning design and development of various Nairobi City roads.

Eng. Chiuri is well versed in the areas of Management, development, Transport Project Planning, Evaluation, Road Traffic Management and Corporate Governance. In his professional tenure he has also served in various capacities in the private sector designing and supervising major road projects in the country.

Born in 1951 he holds a bachelor's degree in Civil engineering from the University of Nairobi and a Masters' Degree in Highway Engineering from the University of Birmingham. **Eng. Chiuri** is serving his second term in the Board. He was appointed as the Board Chair on 8th August, 2022.



Dr. Chris K. Kiptoo, CBS
Principal Secretary, National Treasury

Start Date: January 2023 to date

Dr. Chris Kiptoo is the Principal Secretary, National Treasury. He was appointed Principal Secretary by President William Samoei Ruto on 1st December 2022. **Dr. Kiptoo** is the immediate former Principal Secretary, Ministry of Environment and Forestry. Before that, he also served as a Principal Secretary at the State Department of Trade, Ministry of Industry, Trade & Cooperatives.

In his working career, **Dr. Kiptoo** has acquired a rich wealth of experience in economic policy analysis, mainly gained at the Central Bank of Kenya, Capital Market Authority and the International Monetary Fund, where he has served in various capacities. His expertise especially relates to the design and implementation of monetary policy; balance of payments and exchange rates;

fiscal operations and policy; financial sector matters including capital markets; national accounts / real sector and macroeconomic accounting, and modelling and forecasting.

Additionally, **Dr. Kiptoo** has proven experience in environment and climate change policies, trade policy and regional integration, private sector development and advocacy, infrastructure development, institutional development of Government institutions and organizational management, all mainly gained at the Ministry of Environment and Forestry, State Department of Trade as well as Trade Mark East Africa. Noteworthy, he also has four years of experience in economic policy coordination gained while working at the then Office of the Prime Minister.

Dr. Chris Kiptoo holds a Doctor of Philosophy Degree (PhD) in Finance (*International Macroeconomics Finance specialization*) from The Nairobi University, as well as a Master of Science (Ag. Economics) and Bachelor of Science (Ag. Economics) degree from Egerton University. He is also an Accredited Fellow in Macroeconomic Management Macroeconomic & Financial Management Institute of Eastern & Southern Africa (MEFMI).



Eng. Joseph M. Mbugua
Principal Secretary
State Department for Roads
Start Date: January 2023 to date

Eng. Joseph Mungai Mbugua was appointed as the Principal Secretary State Department for Roads on 2nd November 2022. He is a registered Engineer with The Engineers Board of Kenya (EBK) and a Corporate Member of the Institution of Engineers of Kenya (MIEK). Prior to his appointment he had served in various posts in the Road Sector the most recent being as a Regional Director at Kenya Rural Roads Authority

Born in 1962, **Eng. Mbugua** holds a BSC in Civil Engineering from The University of Nairobi. He is a Strategic Manager who has successfully risen in ranks to be a highly capable change-agent consistently refining and revitalizing strategies, initiating changes and facilitating solutions driven by team collaboration within the Public Sector.

He has been extensively trained in Strategic Leadership Development, Senior Management Course, 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 33 years.



Ms. Teresia Mbaika
Principal Secretary
State Department for Devolution
Start Date: January 2023 to Date

Ms. Teresia Mbaika is the Principal Secretary State Department for Devolution. Ms. Mbaika is an astute Environmentalist & Health Economist who has served in various management positions both in the Public & the Private Sector.

She holds a Bachelor of Science Degree in Environmental Health, Kenyatta University, A Master of Science in Health Economics & Policy, University of Nairobi. She also has training on Nuclear Power from Texas A&M University, United States. Her experience in Financial Management, Corporate Governance & Compliance has seen her hold office in various Boards namely; Nuclear Board of Kenya, National Environmental Management Authority amongst others.



Mr. Joseph Gathua Kiarri
Alternate Member to the Principal
Secretary National Treasury

Mr. Joseph Gathua Kiarri is the alternate Member to the Principal Secretary at the National Treasury he has a wealth of experience in the Public Service particularly on Government Investments and Public Enterprises Management where he has served for over twenty years. He is well versed in Project Appraisal & Risk Analysis, Management of Contingent Liabilities, Debt Management and Corporate Governance. His tour of service includes 4 years as an Accountant at the Machakos District Treasury, Ministry of Foreign Affairs and Office of the President. Currently he serves at The National Treasury in the Directorate of Portfolio Management and Public Investments. Born in 1966 Mr Kiarri holds a Bachelor of Commerce degree (Accounting option) from the University of Nairobi and is a Member of the Institute of Certified Investment & Financial Analysis (ICIFA).



Eng. James M. Kung'u
Alternate Director to the Principal
Secretary, State Department
for Roads

Eng. James M. Kung'u is the Chief Engineer (Roads) in the State Department for Roads. He is the Advisor to the Government through the Principal Secretary on matters related to Road Policy that includes Road Development & Maintenance Standards.

He has been at the lead in coordinating key infrastructure initiatives under the State Department for Roads key among them include his role as the Project Coordinator / Head of Infrastructure in the Intergovernmental Authority on Development (IGAD) in period between September 2010 and September 2016 amongst others.

Born in 1966, Eng. Kung'u holds Master of Science in Construction Management and a Bachelor of Science in Civil Engineering. He is the Alternate Member to the Principal Secretary, State Department for Roads.

Eng. Kung'u serves in the following Board Committees; Audit & Compliance, Finance & Strategy & The Technical Committee.

BOARD MEMBERS DETAILS



Mr. Fredrick Mwei, MBS,SS
Alternate Member, Principal Secretary
State Department for Devolution

Mr. Fredrick Mwei is the Director Administration at the State Department For Devolution a Position he has held from May 2020. Previously he has served as The Deputy Chief Executive Officer National Police Service Commission and A Principal Assistant to Deputy Inspector General (Administration Police) amongst other notable postings.

Mr. Mwei is an Alternate Member to the Principal Secretary Devolution. He holds a Bachelor of Arts Degree from the University of Nairobi, A Master of Arts in Armed Conflict & Peace Studies from The University of Nairobi & is currently Pursuing a PHD in National Security Studies at Kenyatta University.

He has extensive local & International training in Leadership, Management, Reforms & Community Relations, Counter Terrorism amongst others.

Mr. Mwei joined the KURA Board on 20th December, 2022 He Serves in the following Committees of the Board; Finance & Strategy & Technical Committee.



Mr. Alfonso Munyali
Alternate Member, Principal Secretary
State Department for Devolution

Mr. Alfonso Munyali is a Business Strategy, Professional Management Development and Change & Leadership Expert with over 33Year's Experience in the Public Sector Currently Serving as the Director Devolution Affairs –Technical Assistance at the Ministry of Planning & Devolution. Mr. Munyali represented the PS devolution in the Board.

Mr. Munyali also has vast experience on organizations operational efficiency, intersectoral partnerships and public service management and leadership.

Born in 1961 he holds an MBA in Strategic Management and a Phd in business Administration from Jomo Kenyatta University. He is serving his first term in the Board following his appointment to the Board on 22nd March, 2022.

(He served at the Board from 22nd March to 19th December, 2022)



F- Plan. Joyce Kariuki
Kenya Institute of Planners

Ms. Kariuki is a Fellow of the Kenya Institute of Planners, a registered and practicing planner specializing in Urban and Regional Planning. She Holds a Bachelor of Arts Degree (1988) and a Master of Arts in planning (1990) from the University of Nairobi. She is a licensed NEMA Lead expert and has extensive knowledge on Strategic Leadership, Change Management, Management of Devolved Systems of Government and Local and Regional Development Planning.

Prior to her appointment Ms. Kariuki served in various levels of Government both as a Planner and as an Expert on Management of Devolved Systems of Government where she successfully oversaw the preparation of various urban plans and management of development control initiatives, participated in policy formulation particularly the National Spatial Plan, formulation of regulations for the Lands Act 2012, The Land Registration Act, 2012 and The Community Lands Act, 2016. She was also instrumental in the implementation of the Devolved System of Government in Embu County during her tenure at the Transition Authority.

Ms. Kariuki represents The Kenya Institute of Planners (KIP) in the board where she currently Chair's The Board Technical Committee and Serves in the Audit & Compliance Committee and the Human Resource Committee of the Board.

BOARD MEMBERS DETAILS



Mr. Joseph Muganda
Kenya Association of Manufacturers
(KAM)

Mr Muganda is an accomplished leader who has had an illustrious career across the African continent and UK. He is currently the CEO of Manicaland Investments Limited a company offering consultancy services in Strategy Development & Execution, Sales, Marketing and distribution for FMCG's and Coaching & Mentorship of young entrepreneurs.

For over three decades, Mr. Muganda occupied leadership positions in large corporations in the private sector including VIVO Energy Kenya (Shell Licensee), Nation Media Group, Kenya Breweries Ltd and British American Tobacco who are all market leaders and influential players in their respective areas of competence in the Kenyan economy. He holds an MBA from University of Leicester and B.Sc. (Econ) Accounting & Financial Management the University of Buckingham.

Mr. Muganda represents the Kenya Association of Manufacturers in the Board. He Chairs the Finance & Strategy Committee of the Board & also serves in the Human Resource Committee of the Board.



Ms. Joyce N. Mundara
Association Of County Governments (ACGOK)

Ms. Mundara represents the Association of County Governments in the Board. She is a business Development and Communication expert with diverse experience in strategic alliances and partnerships.

She is a graduate in business development, University of North Carolina and has over 15years experience coordinating local governments. She has successfully implemented public sector and development agencies programs and developed advocacy tools for the devolved systems of Government in Kenya.

Ms. Mundara is serving her first term in the Board having been appointed to the Board on 14th April, 2022. She Chairs the Human Resource Committee of the Board and also serves in the Finance & Strategy Board Committee.



Mr. Basil N. Nyaga
Matatu Welfare Association
(Urban Public Transport)

Mr Basil Ntwiga Nyaga is an established entrepreneur with over 20 years' experience in the Public Transport Sector. He is currently the Secretary General of Matatu welfare association (MWA). Prior to venturing into business Mr. Nyaga served for 12yrs at D.T. Dobie & Co. Ltd as the Deputy General Manager (Management Services).

Born in 1958 Mr. Nyaga holds a Bachelor of Commerce Degree from The University of Nairobi. He is well versed with Corporate Governance & Management with both local and international training & practice. He represents the Matatu welfare association in the board and was appointed into the KURA Board on 22nd July, 2019. Mr. Basil Chairs the Board Audit & Compliance Committee of the Board. He also serves in the Human Resource & The Technical Committees of the Board.

MANAGEMENT TEAM



Eng. Silas M. Kinoti, MBS
Director General
Secretary to the Board
 MBA, (Corporate Management),
 BSC (Civil Engineering)
 PE, Member - IEK



Eng. Mike Yego Telliery
Director
Policy Strategy & Compliance

 MBA (Strategic
 Management), BSC,
 (Civil Engineering)
 PE, Member-IEK



Eng. Jacinta W. Mwangi
Ag. Director
**Urban Roads Planning
 & Design**
 BSC, (Civil Engineering)
 PE, Member-IEK



CPA. Mr. Reuben Mayienda
Director
Corporate Service
 MA (Public Policy
 Management),
 MBA (Finance),
 Bcom (Finance), CPA (K)
 Member-ICPAK



Eng. Wilfred R. Oginga
Director
**Urban Roads
 Development**
 Msc. (Civil Engineering),
 BSC, (Civil Engineering)
 CE, Member-IEK



Eng. Abdalrashid S. Mohamed
**Director Road Assets &
 Corridor Management**
 BSc. (Construction
 Management),
 BSC, (Civil Engineering)
 PE, Member-IEK

CHAIRMAN'S STATEMENT



Urban Roads are a critical Socio-Economic Development Pillar, they enhance productivity and improve living conditions through improved connectivity & growth in urban competitiveness. Kenya Urban Roads Authority has been at the forefront of delivering this aspiration to the Kenyan public through the development and maintenance of the National Urban Road Network.

has been premised on the need to meet growing demand for urban roads that ease mobility and are steered towards sustainable urban development practices.

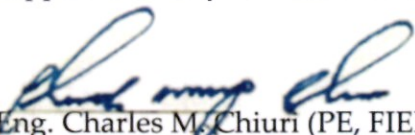
During the period under review the Authority implemented various Strategic national urban road development and management projects across the country.

The year under review saw the Authority achieve significant milestones in the delivery of her mandate. The close of this financial year also saw the Authority finalize implementation of the 2018-2022 Strategic Plan and formulation of the 2023-2027 Strategic Plan that is centred on Transforming Urban Mobility. In the 2022/2023 Financial Year, operations were greatly impacted by the shrinking resource basket. To mitigate on this the Authority has set its sight on increased efforts for resource mobilization through alternative funding arrangements notably Public Private Partnerships and development partner funding.

The Authority is committed to global technological innovation in the management of urban roads particularly in the areas of Smart Traffic management systems and efficient public transportation. Smart Traffic management systems are advanced technologies that aim to improve the efficiency and safety of transportation systems using real-time data, communication networks, and advanced algorithms. These systems use a variety of sensors, cameras, and other technologies to gather data about traffic flow, weather conditions, and other factors, which is then analysed and used to adjust traffic lights, road signage, and other infrastructure in real-time. Significant progress has been made in the implementation of the Intelligent Traffic Management System to ease traffic flow in Nairobi city. The development of Bus Rapid Transit Line is on course. Bus Rapid Transit (BRT) is a high-quality bus-based transit system that delivers fast, comfortable, and cost-effective services at metro-level capacities. It does this through the provision of dedicated lanes, with busways and iconic stations typically aligned to the centre of the road, off-board fare collection, and fast and frequent operation. These programs are geared towards creating more efficiency in urban roads and creating Sustainable Cities & Communities.

Moving forward we will see intensified collaborative sustainability approaches geared towards creating transformative urban roads that provide solutions to challenges afflicting the rapidly evolving Urban spaces.

The Board remains committed in providing the adequate leadership to the Authority to facilitate the delivery of quality, safe & adequate urban mobility for the Country's economic growth and development. On behalf of the Board, I wish to appreciate the Government of Kenya, Development partners and all our Stakeholders for the immense & unwavering support that they continue to accord us in the delivery of our mandate.



Eng. Charles M. Chiuri (PE, FIEK)
CHAIRMAN OF THE BOARD

REPORT OF THE DIRECTOR GENERAL



Kenya experienced a growth of 4.8 percent in 2022, with the economic performance softening after the strong rebound from the COVID-19 crisis at 7.5 percent in 2021. The growth rate, however, has remained in line with Kenya's long-term growth trajectory, even though the economy faced challenging global financial conditions, fuel, and food price shocks, and a historic drought that affected the economy, especially in the second half of 2022.

The growth momentum was driven by the service sector which contributed about 80 percent of the increase in total GDP. Transport was among the sectors that performed strongly. Others included financial services and tourism. The medium-term growth outlook remains strong as the economy continues to recover from the multiple crises. The GDP growth over the medium term is expected to remain at around 5 percent, subject to elevated risks.

Urban road infrastructure and transport significantly contribute to sustainable development. Cities and Urban areas being hubs for economic activities present opportunities for transforming urban mobility through road transport infrastructure design, development, and maintenance. Investment in urban road infrastructure and its operationalization remains a stimulant for economic productivity. However, the undesired service levels on key urban roads poses challenges to the projected economic growth in our country.

The transport sector transformation in Kenya yielded distinct jurisdictions based on road classification among the road agencies. The Kenya Urban Roads Authority since its establishment about a decade and a half ago, has significantly contributed to the development, rehabilitation, maintenance, and management of roads in cities, towns, and urban areas. The Authority has continued to surmount the road infrastructure challenges occasioned by high urbanization rates, high population density and associated socio-economic activities. The 69 urban centres where the Authority operates hosts a projected population of 13.9 million, representing 82.5% of the total projected urban population of 16.9 million. This reflects the level of demand and pressure on transport infrastructure in space and time. This high demand coupled with long standing maintenance back log and road asset damage require enhanced, sustainable, and progressive investment in urban road development and maintenance. Investment in urban road infrastructure improvement has

seen significant positive socio-economic impact in the ever-increasing demand for urban mobility. The government's Road Sector Investment Plan (RSIP) 2010 – 2024 recognizes the need for road infrastructure investment towards economic growth. This calls for mobilization and allocation of more resources to bridge the gap in urban road infrastructure maintenance to sustain such benefits overtime.

1 The urban Roads Network

Due to rapid urbanization, the provision of road transport infrastructure in Kenyan urban areas has not been able to keep pace with the demand, and as a result, public space is inefficiently utilized and highly congested especially in Cities. With an Urban Road network of 3,982Km, an estimated 2,385Km are gazetted Urban roads while 1,597Km have been classified but awaiting gazette. The condition of the Gazetted roads is as tabulated below.

Road Surface Type	Condition			Total (Kms)	Proportion (%)
	Good (Kms)	Fair (Kms)	Poor (Kms)		
Paved	858.21	839.9	327.81	2025.92	51%
Unpaved	475.80	865.00	615.28	1956.08	49%
Total	1334.01	1704.9	943.09	3982.00	100%
Proportion (%)	34%	43%	24%	100%	

Table 1: Condition of the road network: KRB, 2020

The above data reflects the gains made in the management of the urban road network, where a fair share of **1,334 kms (34%)** of the road network is in good condition. However, more investment is required to improve **943km (24%)** of the urban road network currently in poor condition. This is in order to transform the poor condition to fair condition and upgrade/pave the **1,956Kms** of unpaved road network.

Motorization has been on the increase with notable increase in vehicles on Kenyan roads, of which over 40 percent are private cars, most of them used in urban areas. The growth rate of motor cars in Kenya in the recent past, is estimated to be significantly higher than that of the human population. The pressure exacted on the urban infrastructure because of this growth calls for corresponding increase in allocation of resources for upgrading and maintenance of the urban road network to guarantee improved mobility and connectivity within our urban centres.

Due to rapid urbanization and expansion of our operations into more urban centres, the urban road network in Kenya has been increasing over time and is expected to increase further, hence the need for more investment.

2 Budget and Expenditure in Road Investment

Since its establishment, the fund has steadily grown based on road network and fund size in meeting the needs for the urban roadworks with the expenditure matching the budget as tabulated below.

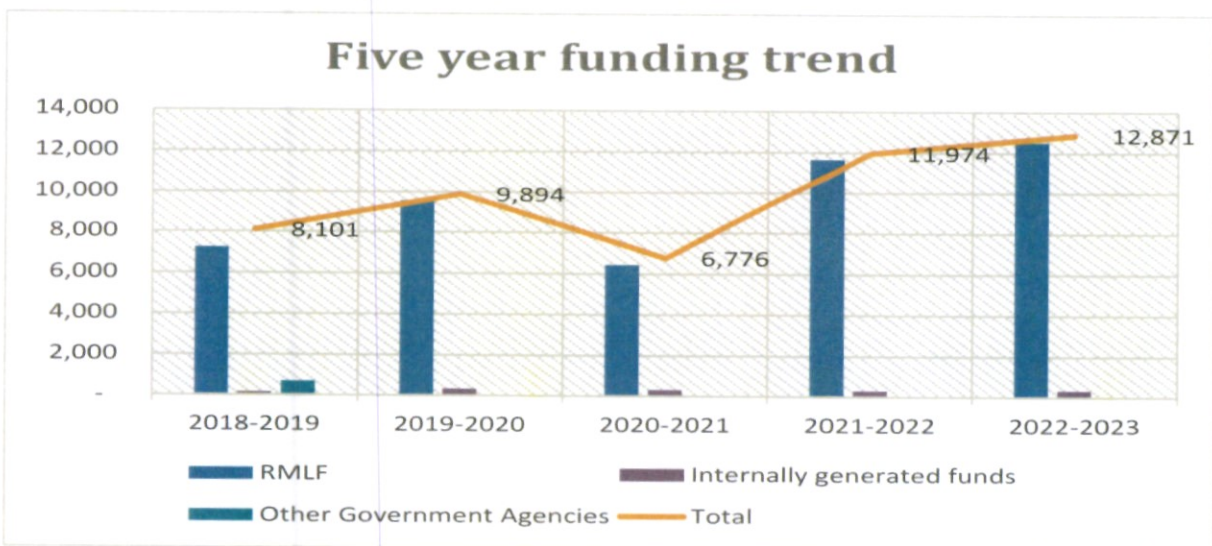


Figure 1: Five-year funding trend

2.1 Resource allocation

Road Maintenance Levy Funds (RMLF) is the major source of revenue for the Authority. The Road Maintenance Levy is utilised for maintenance of the existing network for the purposes of ensuring the network remains motorable as well as for protecting the initial investments in the network. During the year, the Authority received a total of **Kshs.12.5 billion** for maintenance and rehabilitation of urban roads. Figure 2 below shows the distribution of funds per region.

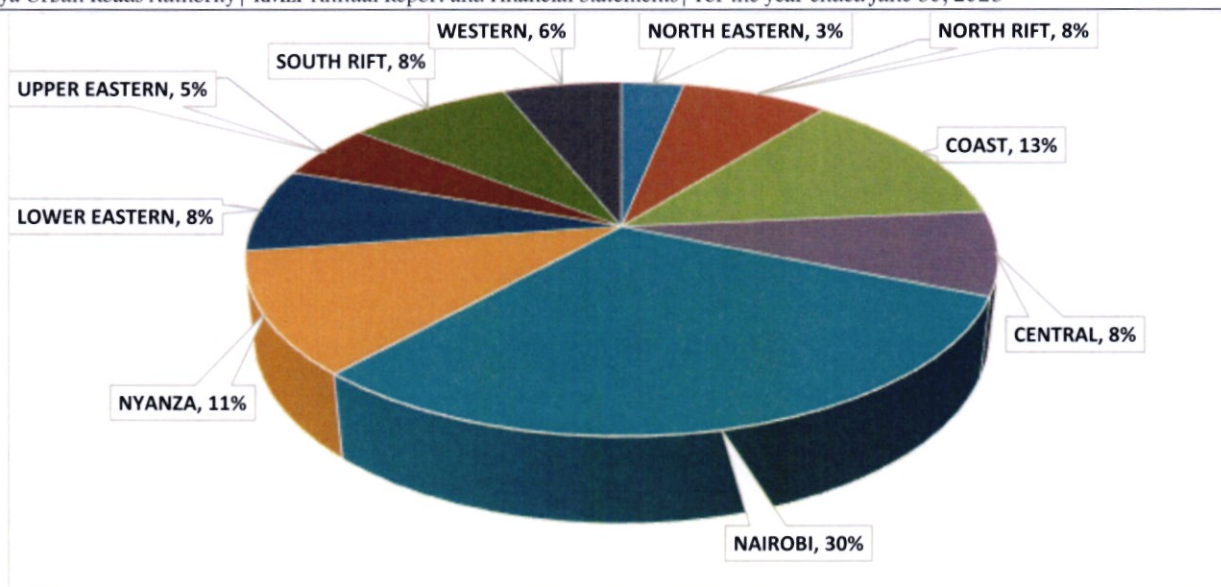


Figure 2: Funds allocation per region

2.2 Performance and utilisation of funds

The Authority has demonstrated commitment in ensuring that the funds received from the government as well as development partners have been applied in a prudent, efficient, and transparent manner. This is also done in accordance with the principles, procedures and guidelines of the Authority and sound professional practice with a focus on the value for money. The efficient utilization of resources allocated is evident in maintenance of **143.37Kms** of roads over and above the planned road network during the financial year within the same budget. The planned, executed, and additional roads lengths maintained inclusive of conditional funding projects is as tabulated overleaf.

During the implementation of APRP in the Financial Year 2022/2023, the Authority maintained a total of 3,990 Km of urban roads comprising of Rehabilitation of 171.72Km, periodic maintenance of 387 Km, PBRM of 1,986 Km and routine maintenance of 1,445 km. The figure below shows the comparison of maintenance interventions in relation to planned works by the Authority during the reporting period.

2.3 Value for Money

The Authority is keen on ensuring prudent management of the public resources and subscribes strongly to the principles of public finance as required by the constitution. In the implementation of the projects, the Authority ensures that the expenditure achieves value for money. The analysis of value for money for the urban road network investment takes in consideration the number of kilometers maintained, timely delivery of the road projects, cost efficiency, and the socioeconomic impact of the project to the community.

Type of intervention	No of kilometres maintained		Average cost per Kilometre		Cost efficiency
	Planning	Impelementation	Planning	Impelementation	
Routine Maintenance	1,093.00	1,445.52	1,367,466.45	1,221,962.37	11%
Performance Based Routine Mtce	1,459.00	1,986.00	2,114,037.59	1,942,200.97	8%
Periodic Maintenance	280.00	387.67	4,677,384.76	4,164,259.38	11%
Rehabilitation/ Upgrading	165.02	171.72	12,507,487.13	11,349,384.49	9%
Total/Average	2,997.02	3,990.91	5,166,593.98	4,669,451.80	10%

Table 2: Cost efficiency

3 Road maintenance and rehabilitation

3.1 Road Maintenance and rehabilitation

The Authority preserves and protects the value and investment in the urban road assets through rehabilitation, routine, and periodic maintenance of all roads under its jurisdiction on an annual basis based on approved work plans. The Authority's Road maintenance programs are funded through the Road Maintenance Levy Fund (RMLF) administered by Kenya Roads board in accordance with the Roads Board Act 1999 (revised 2020).

To realize timely delivery of maintenance works, the execution specifications and conditions are structured with provisions for liquidated damages on delayed completion and payment reduction on non-compliance with set service levels.

Over the last five years the Authority has invested Kshs. **67 billion** in road development and maintenance works as tabulated below.

FY	Routine Maintenance	Periodic Maintenance	Total Maintenance	Total
	(Kshs Million)	(Kshs Million)	(Kshs Million)	(Kshs Million)
2018-2019	2,098	3,185	5,283	10,566.00
2019-2020	1,147	3,771	4,918	9,836.00
2020-2021	1,865	4,481	6,347	12,693.00
2021-2022	1,837	4,776	6,614	13,227.00
2022-2023	3,264	7,085	10,349	20,698.00
Total	10,211.00	23,298.00	33,511.00	67,020.00

Table 3: Five-year investment in road maintenance

The routine maintenance works accounted for 30% of the Maintenance works while periodic maintenance and rehabilitation works accounted for 70% of the total investment in maintenance.

1.1 Annual Public Roads Programme (APRP)

The Authority undertakes annual work programmes for the implementation of the urban road maintenance in harmony with the funding ceilings provided by Kenya Roads Board since its establishment in 2009. The Authority utilises the contracting method while deliberately incorporating labour-intensive Roads 2000 strategy, into work execution methodologies, to support the Government desire to provide employment opportunities to the youth and women. During the 2022/2023 financial year, the Authority created employment for 11,906 equivalent full-time jobs under R2000 program against the performance target of 9,591 jobs. The high number of employments compared to the previous years and the target was due to the implementation of Upgrading of Roads in Informal and Densely Populated Areas in Nairobi which was labor intensive. The persons are employed to provide labor through the maintenance works contracts and remunerated by the contractors.

1.2 Automation of Traffic Management

Under the Nairobi Roads Rapid Decongestion Programme (NRRDP), KURA has implemented an Intelligent Traffic management System (ITS) pilot project to improve traffic management along the Nairobi Western Ring Road corridor linking Ngong Road and Waiyaki Way (A104) at Westlands Roundabout. This involved the design and installation of traffic signal system at seven intersections and setting up of a traffic management centre.

Some of the benefits realized from the pilot project include:

- (i) Improved traffic flow efficiency of up to 40% from survey analysis,
- (ii) Reduced waiting time to less than 30 seconds at intersections,
- (iii) Traffic enforcement (E-Police) system eliminates the need to have physical presence of police at intersections,
- (iv) Real-time traffic data collection provides accurate information for forecasting and engineering design,
- (v) Centralized traffic infrastructure and network management.

Following the success of the pilot project, the Authority undertook feasibility studies for 450 junctions in Nairobi. The Junctions were categorized in order of priority and implementation planned based on availability of funding into 3 phases.

Phase I includes junction geometry improvement and installation of ITS infrastructure at 21 intersections as well as the construction of a metropolitan wide Traffic Management Centre (TMC). Phase II consists of junction geometry improvement and installation of ITS infrastructure at 60 intersections. Phase III, still at its conceptual stage aims to improve a minimum 125 intersections in the Nairobi Metropolitan Area.

Some of the components to be implemented in the project include:

- (i) Automated Traffic Data Collection System
- (ii) Adaptive Signal Control System
- (iii) Automated Traffic Enforcement System [E-Police]
- (iv) Real-time Traffic Information System
- (v) Electronic Toll Collection System [ETCS]
- (vi) Variable Message Sign (VMS)
- (vii) Parking Guidance and Information System
- (viii) Public Transport Management System



Figure 3: Intelligent Traffic Management command centre

1.3 Outcomes of road maintenance programs

The maintenance of urban roads has improved the service level of the urban road network. The fund has enabled the Safeguarding of the urban road infrastructure, corridor, and associated assets. It has improved access to services such as education, health, administration, and housing. The urban road network has also enhanced urban mobility and travel time reduction, improved environmental conditions through reduced dust and emission pollution and enhanced drainage systems. Further to that, it has enhanced safety of pedestrians through construction of non-motorized transport infrastructure and road furniture and improved livelihoods among the youth, women and persons with disability who have accessed job opportunities from the contracted road works.

1.4 Impacts of roads maintenance on the economy and the society

The urban road network contributes to the realization of the Big Four Agenda, Kenya-Vision 2030, Sustainable Development Goals (SDGs) and Sector Performance Standards (SPSs). The network has contributed to spurring economic development in urban areas, towns, and cities by enhancing manufacturing and industrialization through transportation of raw materials, products, and access to markets. The urban roads contribute to transforming urban land use, architectural landscape, and character to a modern and sustainable outlook. It has enhanced the development of smart and resilient cities, towns, and urban areas for Sustainable socio-economic development. The infrastructure remains an enabler for the growth of the agricultural and tourism sectors which have a direct significant contribution to the gross domestic product of the country.

Through the implementation of the annual programme, the Authority continues to empower the youth, women as well as People living with disabilities (PLWD) through provision of equal opportunities during procurement. During the year under review, contracts amounting to Ksh 3.7 billion were awarded to the vulnerable groups under the Access to Government Procurement Opportunities program.

1.5 Implementation challenges

The Authority has achieved significant outputs in the implementation of her strategic objectives and in the realization of her mandate despite numerous challenges. These challenges include depletion of naturally occurring road construction materials calling for investment of research, classification of roads in remote locations under urban roads network, limited funding for the expanding needs in the urban road network which calls for alternative funding models Others include the encroachment on the road corridor as well as vandalism of the assets, service relocation needs which calls for collaborative working with stakeholders, as well as extreme weather conditions that affect project delivery timelines which requires climate resilient road infrastructure investment models

1.6 Outlook

Vehicle ownership rates, congestion, and emissions are expected to significantly increase through the next 20 years, even as average travel speeds and accessibility continue to decline. Without immediate and sustained progressive investment in urban transport infrastructure and services, the average trip speed as well as the average roundtrip journey time to work will decline. Accordingly, the economic cost of a low investment is likely to run into billions of shillings per annum in terms of opportunity cost and lost productivity

due to time wasted in traffic congestion. The Government of Kenya is however committed in progressive investment in the urban infrastructure as seen from improved allocation of funds over the years.

However, it is essential to acknowledge the persistent challenge of inadequate funding from the Government of Kenya, which has, at times, hindered our ability to meet all our targets. Despite these constraints, we remain resolute in our dedication to transforming urban road networks. To overcome the funding challenges, we are actively exploring innovative financing models, such as public-private partnerships and seeking external funding sources.



Eng. Silas M. Kinoti, MBS
DIRECTOR GENERAL

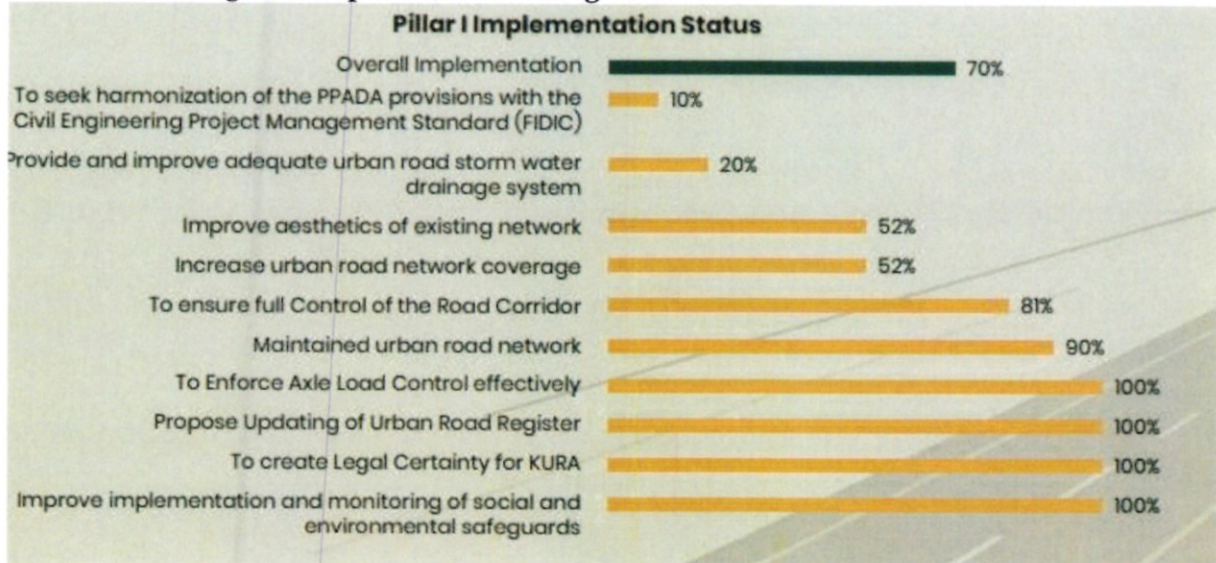
STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

The urbanization component of the Second Medium Term Plan (MTP2) of the Kenyan Vision 2030 aims to facilitate a sustainable urbanization process through an integrated urban and regional planning management framework of Kenyan urban centers and towns. Infrastructure development in general and roads infrastructure in particular forms a key foundation and enabler of this Vision. The 2018-2022 strategic plan is set out on the Authority's core mandate with clear and measurable targets.

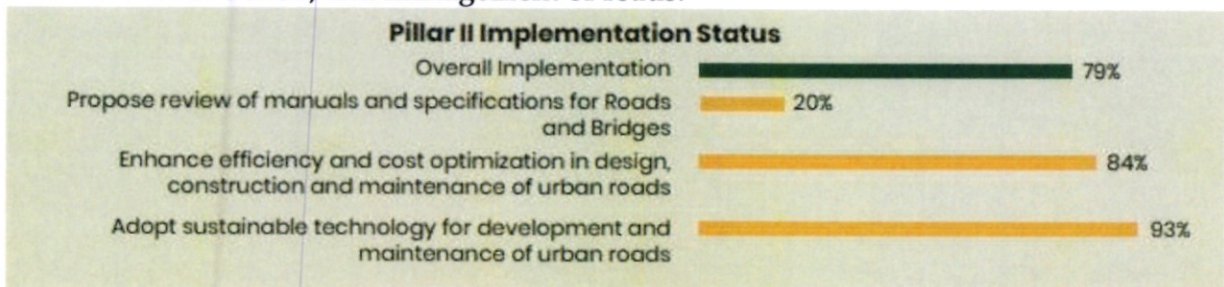
Kenya Urban Roads Authority has 3 (Three) strategic pillars and objectives within the current Strategic Plan. An end term evaluation of the just concluded KURA Strategic plan for the period 2018 – 2022 was conducted to establish implementation achievements, key challenges and lessons learnt that the new strategic plan should take into consideration. From the assessment done, the Authority achieved an overall implementation score of 80% of the strategic objectives that had been set out in the plan.



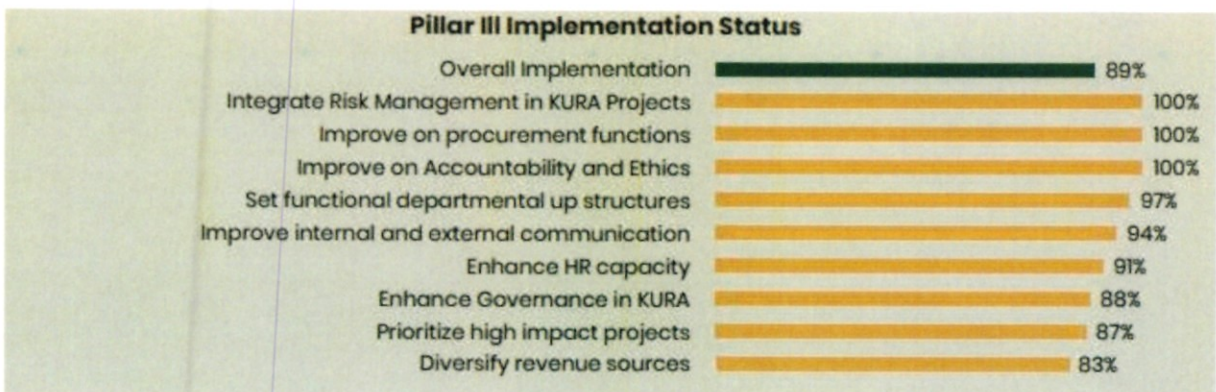
Pillar I: Planning, development, and management of world class Urban Roads Network



Pillar II: Develop and deploy latest technological solutions in the planning, design, construction, and management of roads.



Pillar III: Implement institutional capacity and corporate governance principles that support execution of KURA's Strategy.



Performance Contracting

The Authority is committed to meeting its performance targets. The table below shows the performance of the Authority for the year ended 30 June 2023.

Performance Evaluation Report for the Year: 2022/2023									
Performance indicator	Unit	Weight	Current status	Target	Achievement	Percentage change	Raw score	Wighted s	Remarks
Core mandate									
Traffic Surveys	Report	1.000	4132.510	17.000	31.000	82.350	1.353	0.0135	Excellent
Intelligent Transportation System (ITS) and Bus Rapid Transit (BRT)	%	2.000	32.000	100.000	100.000	0.000	3.000	0.0600	Very Good
Roads Maintained under Periodic Maintenance Program	KMs	6.000	100	280	387.67	38.45	2.231	0.1339	Excellent
Road Reserves Identified and Preserved	KMs	2.000	100.000	45.000	91.380	103.070	1.000	0.0200	Excellent
Axle Load Compliance Monitored and enforced	Report	2.000	117.610	10.000	14.000	40.000	2.200	0.0440	Excellent
Environmental and Social Impact Assessment (ESIA) Study	Report	3.000	100.000	22.000	40.000	81.820	1.364	0.0409	Excellent
Project Completion Rate	%	2.000		100.000	100.000	0.000	3.000	0.0600	Very Good
Roads Constructed under Low Volume Sealed Roads (LVSR) Programme	KMs	3.000		19.500	19.500	0.000	3.000	0.0900	Very Good
Jobs Created under Road2000 Strategy	No	2.000		9591.000	12771.420	33.160	2.337	0.0467	Excellent
Road safety Initiatives	%	1.000		100.000	100.000	0.000	3.000	0.0300	Very Good
Road Marking	KMs	2.000		440.000	634.460	44.200	2.116	0.0423	Excellent
Monitoring and Evaluation	Report	1.000		10.000	20.000	100.000	1.000	0.0100	Excellent
Walkways Constructed	KMs	4.000		195.670	289.780	48.100	2.038	0.0815	Excellent
Science, Technology and Innovation Mainstreaming	%	2.000		100.000	100.000	0.000	3.000	0.0600	Very Good
Quality Assurance	Report	3.000		10.000	20.000	100.000	1.000	0.0300	Excellent
Roads Maintained under Routine Maintenance Program	KMs	5.000		1093.000	1445.520	32.250	2.355	0.1177	Excellent
Roads Maintained under Performance Based Routine Maintenance (PBRM) Program	KMs	6.000	10.000	1459.000	1986.000	36.120	2.278	0.1367	Excellent
New Structures Constructed	%	3.000	232.640	100.000	100.000	0.000	3.000	0.0900	Very Good
Roads Designed	KMs	3.000	605.030	253.830	386.030	52.080	1.958	0.0588	Excellent

Figure 4: Performance evaluation for FY 2022-2023

CORPORATE GOVERNANCE STATEMENT

The Board has put in place adequate measures to ensure that the Tenets of Corporate Governance continue to guide its role of overseeing the Authority operations.

To realize value and positive impact of Government and Stakeholders investment in urban road development and management, the Board continues to ensure that its Decisions are anchored in the legal provisions, Mwongozo: The code of Governance for State Corporations and advisories from the State Corporations Advisory Council (SCAC) and other regulators.

Organization Structure

The Authority is managed by a Board of Directors under the leadership of a non-Executive Chairman and Eight other Board members. The Director General is an ex-officio member of the Board. The Authority structure provides for Six Directorates and two stand-alone departments all reporting to the Director General as depicted below.



Figure 5: KURA Organisation structure

a) The Board of Directors

The Board of Directors takes cognizance of the need to embrace high levels of Corporate Governance in the delivery of the Authorities mandate. This is reflected in our values, organizational culture, policies and procedures and the proactive public disclosure manifested in our Annual and Financial statements over the years.

During the period under review the Board comprised of a team of competent and experienced members who exercised objective and independent judgment in the attainment of the Authority's Strategic objectives. The Board continues to discharge its oversight role with specific focus on stakeholder needs, expectations and the Authority's strategic intent.

b) Board Charter

The Board Charter outlines the governance parameters within which the board exists and operates, It sets out specific responsibilities of the board, its committees and directors collectively, as well as roles and responsibilities incumbent upon the Board Members and the delegation of authority to Management as outlined in *Mwongozo*. The Charter provides for the following among others: -

- i) Board size composition and term limits
- ii) Establishment of Board Committees
- iii) The Responsibilities of the Board
- iv) The Code of Conduct the Board of Directors are expected to comply with
- v) The relationship between the Board and Management
- vi) Attendance, scheduling and proceedings at Meetings
- vii) Delegated authority to Management
- viii) Board performance appraisal through annual Board Evaluation
- ix) Board and Management succession.

c) Appointment, Composition and Size

The Board of Directors were appointed in line with *Mwongozo* and consists of 8 (Eight) members including the Director General.

d) Board Committees & Work plan

To effectively execute its oversight role, the Board has established Four (4) standing committees with specific delegated mandates. The Board Committees operate from clearly articulated terms of reference as approved by the Board of Directors. The Board consist of 4 (Four) Strategic Committees discharging the oversight role as enumerated below;

- i) Audit, Compliance Committee
- ii) Human Resource Committee
- iii) Finance & Strategy Committee
- iv) Technical Committee

Table 4: Board committees mandate, composition and meetings during the year

Mandate	Composition	No. of Meetings
Board Human Resource Committee Meeting		
This Committee is responsible for offering advice and guidance to Management and the Board on development of effective and appropriate Human Resource Policies and adoption of best practices for efficient strategies in human resource management. The Committee examines, reviews and recommends for approval by Board the Authority's staff establishment, appointment, termination of staff and any disciplinary action as delegated.	Ms. Joyce Mundara Mr. Joseph Muganda Mr. Bassil Nyagah Planner Joyce Kariuki Eng. Silas Kinoti	6
Board Finance & Strategy Committee		
This Committee is mandated to consider and make recommendations to the Board regarding issues affecting financial and strategic direction of the Authority. This includes resource mobilization for new projects, investment of surplus funds and financial management procedures	Mr. Joe Muganda Eng. James Kung'u Mr. Joseph Kiarri Mr. Fred Mwei Ms. Joyce Mundara	7
Board Audit & Compliance Committee		
This is an advisory Committee of the Board providing independent oversight so as to ensure integrity of financial statements. It reviews the effectiveness of the system of internal controls and management of financial and other risks. The Committee ensures Compliance with relevant laws and oversees Risk Management through relevant Plan and receipt of status Reports	Mr. Basil Nyagah Planner Joyce Kariuki Mr. Joseph Kiarri Eng. James Kungu Eng. Silas Kinoti	4
Board Technical Committee		
The Technical Committee is mandated to consider and make recommendations to the Board regarding policy issues affecting technical operations of the Authority including: - i) Quality Assurance ii) Technical Standards iii) Environment, Health & Safety Standards on projects iv) Contract Management Standards	Eng. Charles Chiuri Eng. James Kung'u Planner Joyce Kariuki Mr. Basil Ntwiga Mr. Alfonso Munyali Eng. Silas Kinoti	4

i. Board Work Plan and Meetings

The Board work plan and calendar of meetings are annually prepared in advance. Adequate notice is given for each Board meeting and Directors receive detailed papers on issues to be discussed in good time before the meeting. A total of 7 Full Board meetings and Nineteen Committee Meetings were held during the year. The attendance is tabulated below.

S/NO	Name	Nominating Institution	13th July 2022	29th September 2022	12th October 2023	12th January 2023	26th January 2023	14 th April 2023	27 th June, 2023
1.	Eng. Charles Chiuri	Institution of Engineers of Kenya	✓	✓	✓	✓	✓	✓	✓
2	Eng. James Kung'u	State Department of Roads	✓	✓	✓	✓	✗	✓	✓
3	Mr. Bassil Nyagah	Matatu Welfare Association	✓	✓	✓	✓	✓	✓	✓
4	Planner Joyce Kariuki	Kenya Institute of Planners	✓	✓	✓	✓	✓	✓	✓
5	Joyce N. Mundara	Association of County Governments	✓	✓	✓	✓	✓	✓	✓
6	Mr. Joseph Kiarri	The National Treasury	✓	✓	✓	✓	✗	✓	✓
7	Mr. Joe Muganda	Kenya Association of manufacturers	✓	✓	✓	✓	✓	✓	✓
8	Mr. Alfonso Munyali	State Department of devolution	✓	✓	✓	✓			
9	Mr. Fredrick Mwei					✓	✓	✓	✗
12	Eng. Silas Kinoti, MBS	Secretary to the Board	✓	✓	✓	✓	✓	✓	✓

Table 5: Board attendance

e) Board Evaluation

During the year, the Board undertook a rigorous performance evaluation conducted by the State Corporations Advisory Committee (SCAC) as required by the Mwongozo Code of Governance of State Corporations. The outcome of this evaluation is used to create remedial development and capacity building programs for the Board.

The issues of the effectiveness of the whole board, individual director assessment and the performance of the Director General was addressed in the evaluation.

f) Directors' Remuneration

Details of Directors' remuneration are set out in the report in note 12 of the Financial Year under review. Directors are paid sitting allowance for every meeting attended, lunch allowance (in lieu of lunch being provided), accommodation allowance and mileage reimbursement where applicable, all-in line with the ceilings approved for state corporations by the Government. There were no Directors' loans at any time during the year.

g) Internal Controls

The Directors acknowledge their responsibility for the Authority's system of internal financial control, including ensuring that the systems are being maintained. Customized Internal control systems are in place including the implementation of an Enterprise Risk Management System to provide effective internal financial control.

h) Ethical Standards

A code of conduct is in place to regulate conduct of business and prescribe acceptable behaviour in line with the National Values, organization culture and our Core values. The Authority also has an annual Integrity program that ascribes to standards prescribed by the Public Officer Ethics Act as well as Leadership and Integrity Act as outlined in Chapter six of the Constitution. These require all employees to conduct business with integrity.



Eng. Charles M. Chiuri (PE, FIEK)

CHAIRMAN OF THE BOARD

MANAGEMENT DISCUSSION AND ANALYSIS

This section provides the users of these financial statements with a narrative overview and analysis of the financial activities of the Authority for the financial year ended June 30, 2023. Readers are encouraged to consider the information presented here in conjunction with additional information that we have furnished in Director General’s report on pages xvii-xxv

1.7 Financial Highlights

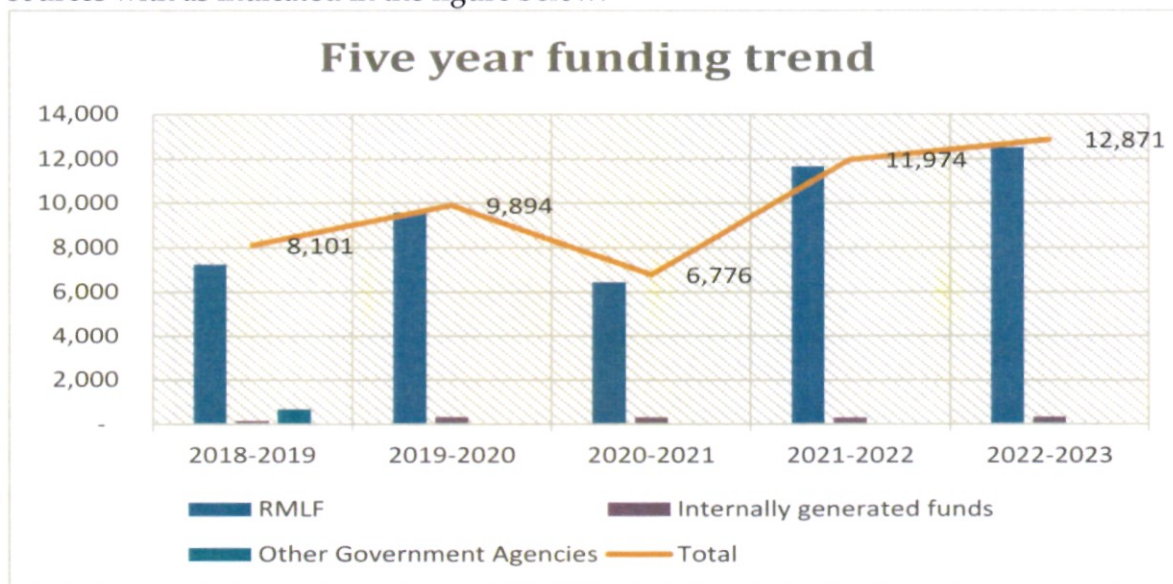
The financial highlights for the financial year ended 30th June 2023 is presented below.

1.7.1 Funding

The funding level remained the same as the previous financial year. Total funding during the year amounted to Kshs. 12.527 billion comprising of Road maintenance Levy and Appropriation in Aid (AIA). There was 7% increase in the road Maintenance Levy fun.

Figure 6:Current year funding

Over the last five years, there has been considerable increase in the various funding sources with as indicated in the figure below.



Overall, total funding has been on upward trajectory except for the financial year 2020/2021. The significant drop in the prior year funding can be attributed to the slow performance of the Kenyan economy owing to the continued effects of the Covid -19 pandemic.

1.7.2 Expenditure

Investment in the urban roads network comprises of two components: development and maintenance. Over the last five years, the Authority has made investment in the urban roads' infrastructure amounting to **Ksh. 50 Billion** dedicated towards road maintenance.



The main purpose of **maintenance** program is to safeguard the capital investment made in the infrastructure assets through routine maintenance and periodic maintenance works. **Routine road maintenance** works are usually non-structural in nature and are meant to extend the life of the pavement, to enhance the performance and to reduce user delays in road use.

Periodic maintenance on the other hand involves maintenance works that are carried out in intervals of years, that are of large-scale, and that are aimed at preserving the structural integrity of the road. This mainly involves activities aimed at rejuvenating the road surface and carrying out repairs over long stretches of road.



1.8 Overview of the financial statements

The financial statements comprise of statements of financial performance, statement of financial position, statement of changes to net assets, statement of cash flow, statement of comparison of budget and actual amounts, accounting policies and notes.

Statement of financial performance shows the Authority's performance during the year indicating the revenue received as well as the expenditure incurred. The main source of revenue is RMLF Grants received from Kenya Roads Board in accordance to the Kenya Roads Board Act 1999. This is recurrent in nature and is utilised to maintenance of existing urban road network. Kenya Urban Roads Authority receives approximately 15 % of the total RMLF collections during the year with the balance allocated to various other agencies as shown in

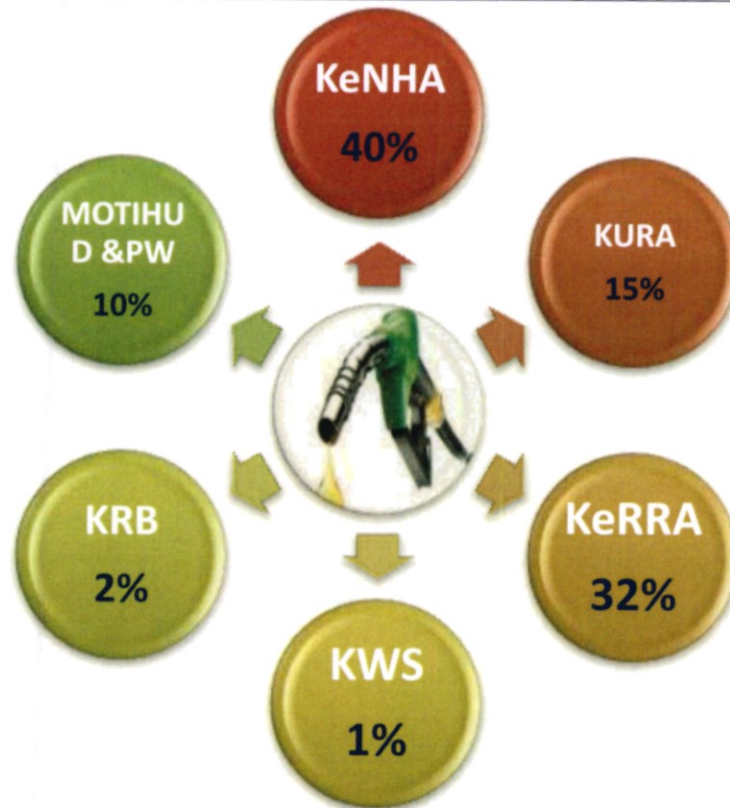


Figure 7: RMLF allocations

The expenditure comprises of two components, the road works expenditure, and administrative overheads. Ceilings for both expenditures are provided by the Kenya Roads Board on annually basis. The road works expenditure is incurred based on an approved work plan included in the Authority's annual budget.

Surplus for the year represents unutilized funds at the end of the accounting period and is carried forward through the statement of changes in net assets for future utilization by the Authority on the specific contracts. The funds relate to unexecuted works for contracts in progress at year-end for which the funds are already committed. The funds are therefore ring-fenced by the contract provisions and are not available for any other purpose except for meeting the contract obligations already entered by the Authority.

Statement of financial position presents the net assets position of the Authority as at 30th June 2023. The net assets for the Authority at the end of the financial year amounted to KSh. 11.177 billion.

1.8.1 Performance & Utilization of Funds

The Authority has continuously been committed to ensuring that the funds received from the government as well as development partners have been applied for the purpose for which it was intended and that the use of such resources is efficient and transparent, in accordance

with the principles, procedures and requirements of the authority and sound professional practice with a focus on the value for money.

The authority reported considerable rate for Funds absorption during the year. The budget absorption both for development and recurrent was absorbed fully.

ENVIRONMENTAL AND SUSTAINABILITY REPORT

The Authority has established Policies, Procedures and Practices for the realization of sustainable urban road infrastructure towards transforming urban mobility. Governance and Management instruments that guide the Authority's sustainability agenda include The KURA Strategic Plan FY 2018-2022, Performance Contracting Targets, ISO 9001:2015 QMS, The Human Resources Policies, Mwongozo Code of Conduct, among others. The Triple Bottom-line principles for sustainability encompassing social, economic and environmental protection considerations formed the framework for sustainability reporting.

Environmental Performance

The Authority undertook measures to enhance environmental protection, conservation and sustainable practices through various activities such as; tree planting on urban road reserves and various sites, where at least 9,059 tree seedlings were planted. This was realized through partnership with key strategic partners such as; Kenya Forest Service, Kenya Defence Forces, Stanbic Bank, Resident Associations, among other key stakeholders.



Photo Showing some of the Tree planting Initiatives implemented by the Authority during the Period Under Review.

As a compliance requirement with the Environmental Management and Coordination Act Cap 387, the Authority conducted Environmental and Social Impact Assessment for 37 major road projects and Initial Environmental Audit for 6 major road projects. We implemented climate proofing and infrastructure resilience measures in various projects

including construction of major drainage structures, construction of Non-Motorized Transport system and Design of Line Five of the Nairobi Bus Rapid System.



Photo Showing the Traffic Management Center where the Intelligent Traffic Management System is coordinated from.

We enhanced the use of ICT and other innovations on service delivery through overhaul/upgrading of the ERP system, maintenance of E-Board to support conference and virtual meetings, Staff sensitization (300) and operationalization of the Information Security Management System (ISMS) under ISO 27001 quality management system. The Authority continued with the maintenance of the Intelligent Traffic Management System for the automated traffic control in 25 junctions. The adoption of e-governance systems has enhanced paperless operations thus reducing the consumption of wood-based products and improving environmental protection.

Social Safeguards

The Authority undertook Social Impact Assessment for at least 6 No. Road projects in various counties including Mombasa, Nairobi, Machakos, and Kiambu Counties. Urban roads enhance mobility, access to services, reduced travel time, improved road safety, provision of employment opportunities among others. Up to 390 Project Affected Persons under the Annuity program in Western and Central Kenya were paid at least Thirty-one Million Kenya Shillings (31,000,000.00) for livelihood restoration. The mainstreaming of

HIV/AIDS in road projects was done through sensitization and awareness as a preventive approach. This was done in various projects located in Nairobi, Central Kenya, Western, Nakuru and Kiambu Counties.

Employee welfare

The KURA Human Resources Management Policy provides guidelines for staff welfare including, recruitment and career progression as well as the reward system. All staff & their Families were provided with a Medical Cover for ease of access of medical services. Further to this, HIV prevention, wellness promotion for Non- Communicable Diseases and mental health programs were implemented. The Authority undertook occupational safety and health audit of KURA premises for enhanced safe working conditions.

Employment opportunities

In the delivery of our mandate, a total of 11,906 jobs were created in various project roads under the Roads 2000 program. Further to this, 41 new employees were appointed, raising the number of KURA staff to 324. Employment opportunities are a means of empowerment both to staff and the contractors with a spill over economic effect in the society.

Market Place Practices

The Authority provided dedicated procurement opportunities for special groups; youth, women, and persons with disabilities to uplift their economic status as vulnerable groups. In line with the dictates of patriotism, the Authority supported Buy- Kenya, Build- Kenya National Initiative by setting aside and aligning procurement of Made-in-Kenya products (ICT Equipment, Furniture and Consumables).

Corporate Social Responsibility

The Authority's CSR programs aim at uplifting human dignity. Some of these include: Construction of Ablution block at Maseno Girls Primary School, Kisumu County; Construction of sanitation facilities and a 10,000 Liter water tank at BOMU ECD primary School.Mombasa County; Community empowerment in informal settlement through Support of community based youth organization in Kibera, Mukuru & Jericho in Nairobi County; Construction of Perimeter Wall & Ablution Block for Siritanyi Primary school in Bungoma County; Provision of a 10,000Ltr Water Tank and construction of an ablution block for Itando Vocational College for the deaf in Vihiga County; Construction of a classroom for Mbukani Primary School in Machakos County and Construction of an ablution and sanitation facility at Dorothea Rescue Center in Makueni.



A sanitation Facility Constructed by KURA for Itando Vocational College for the deaf in Vihiga County.



Construction of a classroom for Mbukani Primary School in Machakos County.

Stakeholder Engagement

The Authority has identified several stakeholders with varied expectations as tabulated below.

Table 6: Stakeholder roles

Stakeholder	Expectation from KURA	KURA Expectation from Stakeholders
1. Suppliers/contractors	<ul style="list-style-type: none"> Prompt payments Impartiality, and transparency Feedback 	<ul style="list-style-type: none"> Quality and timely delivery of works, goods and services
2. National Treasury	<ul style="list-style-type: none"> Budget preparation Timely financial reports Prudent financial management Compliance with Financial regulations/circulars 	<ul style="list-style-type: none"> Mobilization and allocation of financial resources National economic policy management Timely release of funds Advise on financial matters
3. Attorney General	<ul style="list-style-type: none"> Adherence to the legal & regulatory requirements 	<ul style="list-style-type: none"> Prompt Legal guidance Fast track litigation cases
4. Other Ministries, Departments and Agencies	<ul style="list-style-type: none"> Collaboration and Information sharing Involvement during planning and implementation of projects 	<ul style="list-style-type: none"> Feedback collaborated issues between the ministries. Relocation of utilities
5. Transport operators	<ul style="list-style-type: none"> Develop and maintain safe, secure, effective road network to reduce transport cost and travel times 	<ul style="list-style-type: none"> Compliance with transport rules, regulations and standards
6. General Public	<ul style="list-style-type: none"> Efficient and effective transport infrastructure services 	<ul style="list-style-type: none"> Compliance with rules and regulations of road transport and provide feedback on services. Public Participation in roads projects.
7. Development partners	<ul style="list-style-type: none"> Timely and efficient implementation of programmes/projects Transparency and accountability in projects and programme implementation Allocation of Optimum development partner funds Sufficient Allocation of Counterpart Funds in budget 	<ul style="list-style-type: none"> Timely approval of project procurement requests Timely payment of AIA request and release of revenue funds

Stakeholder	Expectation from KURA	KURA Expectation from Stakeholders
8. Regional Partners	<ul style="list-style-type: none"> Compliance to regional treaties and agreements. 	<ul style="list-style-type: none"> Honor the treaties and agreement to develop their infrastructure sections under their territory. Jointly participate in sourcing for funds for development of regional projects
9. Parliament	<ul style="list-style-type: none"> Implementation of the sub-sector laws 	<ul style="list-style-type: none"> Prompt and timely enactment of legislations, budget approvals, oversight and feedback
10. Controller of Budget	<ul style="list-style-type: none"> Timely information of quarterly expenditure on projects/programmes. Progress reports on implementation of road projects 	<ul style="list-style-type: none"> Facilitate timely release of exchequer
11. Auditor General	<ul style="list-style-type: none"> keep proper books of accounts. Feedback on audit query 	<ul style="list-style-type: none"> Timely audits of the books of accounts and advice
12. Salaries and Remuneration Commission	<ul style="list-style-type: none"> Prudent salaries and wage management 	<ul style="list-style-type: none"> Advice and recommendation on staff remuneration
13. County governments	<ul style="list-style-type: none"> Provision of County policies/standards to guide the sub-sector 	<ul style="list-style-type: none"> Compliance with policies and feedback Corporation and collaboration in programmes /projects implementation.
14. State Corporations within the Ministry	<ul style="list-style-type: none"> Timely gazettelement of rules and regulations Timely approvals and transfer of funds Prompt response to correspondence 	<ul style="list-style-type: none"> Effective and efficient service delivery
15. Financial Institutions	Compliance with banking requirements	<ul style="list-style-type: none"> Cooperation and support
16. Staff	Leadership, enabling, work environment and motivation	<ul style="list-style-type: none"> Effective and efficient service delivery
17. Universities/ other institutions of higher learning	Collaboration and networking	<ul style="list-style-type: none"> Provision of qualified and skilled manpower, undertake research & development, and knowledge sharing

Stakeholder	Expectation from KURA	KURA Expectation from Stakeholders
18. Regulatory agencies	Compliance with guidelines and regulations	<ul style="list-style-type: none"> • Collaboration in addressing issues affecting the sector

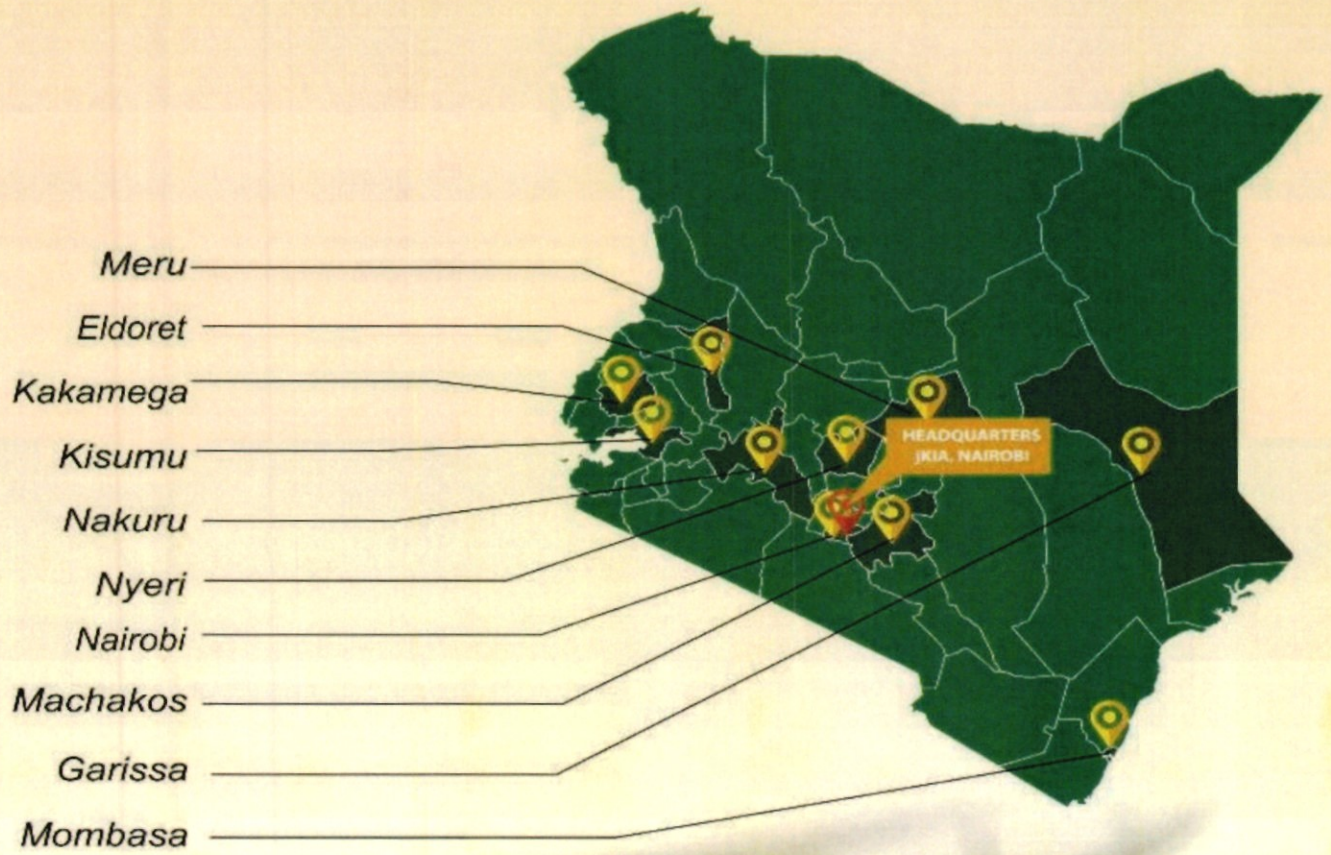


Public consultation meeting for the upgrading to bitumen standards of public works junction-Coast Institute of technology in Taita Taveta County held on 29th November 2022.

During the year under review, the Authority engaged stakeholders and persons affected by projects in all the projects during the period under review to obtain their input in decision-making for project sustainability. Fifty-eight (58 No) Consultations with stakeholders were conducted during the Environmental and Social Impact Assessment of projects.

**Eng. Silas M. Kinoti, MBS
DIRECTOR GENERAL**

WE HAVE 10 REGIONAL OFFICES



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 Authority is responsible for the management, development, rehabilitation, and maintenance of all public roads in the cities and municipalities in Kenya except where those roads are national roads.

Results

The results for the Authority for the financial year ended 30 June 2023 are set out on page 53.

Directors

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

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



Eng. Silas M. Kinoti, MBS
DIRECTOR GENERAL

29th September 2023

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 the Authority, which give a true and fair view of the state of affairs of the Authority at the end of the financial year and the operating results of the Authority for that year. 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.

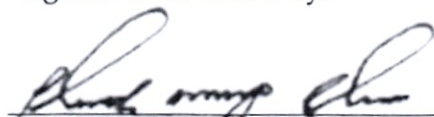
The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on June 30, 2023. This responsibility includes: (i) maintaining adequate 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; and (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.

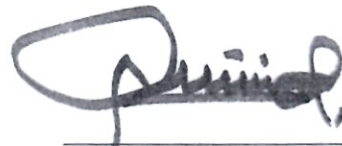
Nothing has come to the attention of the Directors to indicate that the Authority will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Authority's financial statements were approved by the Board on 29th September 2023 and signed on its behalf by:



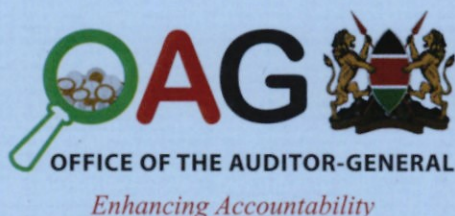
Eng. Charles M. Chiuri (PE, FIEK)
Chairman



Silas M. Kinoti, MBS
Director General

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON ROAD MAINTENANCE LEVY FUND FOR THE YEAR ENDED 30 JUNE, 2023 - KENYA URBAN ROADS AUTHORITY

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Road Maintenance Levy Fund set out on pages 1 to 36, which comprise of the statement of financial position as at 30 June, 2023, statement of financial performance, statement of changes in net assets,

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

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

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

Basis for Opinion

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

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 Issues

In the audit report of the previous year, several issues were raised under the Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, the issues were discussed by the Public Investment Committee on 19 October, 2023 in the report that has not been issued.

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. Anomalies Noted During Projects Inspection

Physical inspection on projects carried in the month of February, 2024 in different regions revealed the following:

1.1. Performance Based Routine Maintenance of LOT 23 Roads in Migori Urban Area

The contract for Performance Based Routine Maintenance of Lot 23 roads in Migori Urban Area (KURA/RMLF/NZ/112/2022-2023) was awarded to a local contractor at a contract sum of Kshs.33,771,939 on 03 October, 2022 for a contract duration of 10 months with an expected completion date of 02 August, 2023 and a 3-months Defects Liability Period (DLP).

The scope of the contract included rehabilitation and upgrading of single carriageway of Shreeji Road (1.1K.m) to two lanes (two-way) 7m wide, construction of walkways and drains, expansion of existing bridge over rail on Likoni Road and river bridge on Enterprise Road, concrete drains on both sides, pipe culverts and other drainage works and road furniture.

However, audit inspection carried out revealed that Management had taken long to inspect the project with the last inspection done on 7 September, 2023, an indication of poor supervision of the project. Further, there were over grown vegetation observed along Wodho-Mwisho- Alara Road and huge potholes were noted on Kababu Migori Road which was caused by small culverts installed on the road. In addition, parts of the roadside had been encroached by a private developer.

In the circumstances, value for money on the project may not be achieved.

1.2. Performance Based Routine Maintenance of Lot 12 Roads in Kisumu Urban Area (KURA/RMLF/NZ/101/2022-2023)

The contract for Performance Based Routine Maintenance of Lot 12 Roads in Kisumu Urban Area (KURA/RMLF/NZ/101/2022-2023) was awarded to a firm at a contract sum of Kshs.37,095,222 on 09 September, 2022 for a contract duration of ten (10) months with an expected completion date of 03 August, 2023 and Defects Liability Period (DLP) of one (1) month.

The scope of work includes rehabilitation and upgrading of Rabuor-Chiga - Mamboleo bypass (3.9K.m). The works included; pothole repair, graded crushed stone for base, cracks sealing, drain excavation and lining and culverts installation.

However, audit inspection carried out revealed that there were potholes on the road making the road surface uneven and this requires redoing it. Some sections had overgrown vegetation and it was observed that being a busy traffic road plied by heavy sugarcane trucks, the road requires strengthening of the pavement or complete rehabilitation/reconstruction to address the challenge of frequent wear erosion on the road surface.

In the circumstances, the road projects denies services to the public and value for money on the projects may not be achieved.

1.3. Periodic Maintenance of Kings Highway ECD-Eldoret Road (Mtaaro/Mwanzo-Pemugi Road) Project (KURA/RMLF/NZ/101/2022-2023)

The contract for Periodic maintenance of Kings Highway ECD-Eldoret Road (Mtaaro/Mwanzo-Pemugi Road) Project (KURA/RMLF/NZ/101/2022-2023) was awarded to a company at a contract sum of Kshs.8,202,371 on 06 December, 2023 for a contract duration of nine (9) months with an expected completion date of 21 October, 2024. It also included a 3-months Defects Liability Period (DLP). The scope of the works includes site clearance, base repair, pothole patching, overlay, and stone pitching.

Field audit inspection carried out revealed that, there were potholes on the road making the road surface uneven and this requires redoing and the section needs road strengthening to cater for the heavy trucks. The drains excavation and lining had not been done for the entire road and it was observed that being a busy traffic road plied by heavy oil tankers, the road requires major rehabilitation and strengthening of the carriageway.

In the circumstances, delayed servicing/maintenance of the road may result to further deterioration of the road conditions denying the public services that could have accrued from serviced road.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and 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 Fund's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services, and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal 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 the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

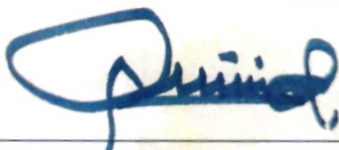
Nairobi

19 April, 2024

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

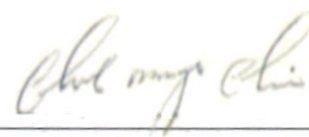
	Note	2022-2023 Kshs	2021-2022 Kshs (Restated)
REVENUE			
Revenue from non-exchange transactions			
Road maintenance Levy Fund-KRB	6	12,527,035,764	11,666,652,986
Penalties and levies	7	19,441,293	9,299,111
Total Revenue from non-exchange transactions		12,546,477,057	11,675,952,097
Revenue from exchange transactions			
Finance income	8	304,792,100	263,214,680
Other income	9	10,521,624	9,451,444
Total Revenue from exchange transactions		315,313,724	272,666,124
Total Revenue		12,861,790,781	11,948,618,221
EXPENSES			
Operation expenses	10	1,673,675,613	1,616,982,070
Road rehabilitation and maintenance costs	11	10,349,284,824	6,613,615,645
Work Support services	12	167,821,228	185,462,546
Total expenses		12,190,781,664	8,416,060,261
Surplus before tax expense		671,009,116	3,532,557,960
Taxation expense	13	(308,784,799)	(78,422,634)
Surplus for the year		362,224,317	3,454,135,327

The significant accounting policies and the notes on pages 6 to 35 form an integral part of these financial statements. The financial statements on pages 1 to 35 were approved by the board of directors on 29th September 2023 and were signed on its behalf by:



Eng. Silas M. Kinoti, MBS
Director General

CPA Reuben Mayienda
Director corporate services
ICPAK Member No:4941



Eng. Charles M. Chiuri (PE, FIEK)
Chairman

STATEMENT OF FINANCIAL POSITION**AS AT 30 JUNE 2023**

		2022-2023	2021-2022
		Kshs	Kshs
ASSETS			
Current assets			
Cash and cash equivalents	14	8,924,787,284	4,455,069,506
Receivables from exchange transactions	15	168,887,962	-
Receivables from non-exchange transactions	15	5,766,630	5,097,011,271
Inventories	16	7,211,242	4,276,893
Total Current assets		9,106,653,118	9,556,357,670
Non-current assets			
Property, plant and equipment	17	333,558,778	351,668,244
Infrastructure assets	18	2,389,465,490	1,854,182,221
Intangible assets	19	11,243,524	4,727,909
Total non-current assets		2,734,267,793	2,210,578,373
Total Assets		11,840,920,911	11,766,936,043
LIABILITIES			
Current liabilities			
Payables from exchange transactions	20	176,158,202	262,207,637
Payables from Non exchange transactions	20	67,425,882	24,024,532
Employee Benefits Obligations	20	64,262,851	45,711,469
Current tax	21	-	41,802,713
Total current liabilities		307,846,935	373,746,351
Non-current liabilities			
Payables from exchange transactions	20	379,565,675	1,176,007,856
Total liabilities		687,412,609	1,549,754,207
Net assets		11,153,508,302	10,217,181,836
REPRESENTED BY:			
Revaluation Reserve	22	64,479	96,718
Accumulated surplus	22	8,303,814,441	7,385,837,605
Staff Mortgage Fund	22	529,629,382	511,247,512
Road assets reserve fund	22	2,320,000,000	2,320,000,000
Total Nets Assets		11,153,508,302	10,217,181,836

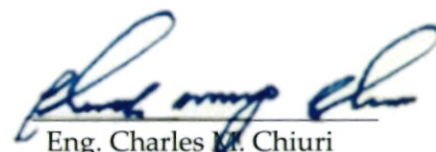
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Eng. Silas M. Kinoti, MBS
Director General



CPA Reuben Mayienda
Director corporate services
ICPAK Member No:4941



Eng. Charles M. Chiuri
Chairman

STATEMENT OF CHANGES IN NET ASSETS

	Accumulated Surplus Kshs	Revaluation Reserve Kshs	Staff Mortgage Fund Kshs	Road Assets reserve Fund Kshs	Total Kshs
As at 1st July 2021	4,131,670,039	128,957	311,247,512	2,320,000,000	6,763,046,509
Surplus for the year	3,454,135,327	-	-	-	3,454,135,327
Transfer to staff mortgage fund	(200,000,000)	-	200,000,000	-	-
Transfer of excess depreciation on revaluation	32,239	(32,239)	-	-	-
As at 30th June 2022	7,385,837,605	96,718	511,247,512	2,320,000,000	10,217,181,836
As at 1st July 2022	7,385,837,605	96,718	511,247,512	2,320,000,000	10,217,181,836
Prior Year adjustment	555,720,279	-	-	-	555,720,279
Surplus for the year	362,224,317	-	-	-	362,224,317
Interest Earned	-	-	18,381,870	-	18,381,870
Transfer of excess depreciation on revaluation	32,239	(32,239)	-	-	-
As at 30th June 2023	8,303,814,441	64,479	529,629,382	2,320,000,000	11,153,508,302

STATEMENT OF CASH FLOWS**FOR THE YEAR ENDED 30 JUNE 2023**

		2022-2023 Kshs	2021-2022 Kshs
Cashflow from/(used in) operating activities	23	4,516,097,867	(1,094,062,929)
Cash flows from investing activities			
Infrastructure work In progress		(535,283,270)	(1,099,285,129)
Purchase of Intangible assets		(16,865,286)	-
Proceeds from disposal of property plant and equipment		15,646,000	
Purchase of property plant and equipment		(83,979,682)	(106,643,995)
Net cash used in investing activities		<u>(620,482,238)</u>	<u>(1,205,929,124)</u>
Financing activities			
Prior year adjustment in accumulated surplus		555,720,279	-
Interest on Staff mortgage Fund		18,381,870	-
Net cash used in financing activities		<u>574,102,149</u>	<u>-</u>
Net increase in cash and cash equivalents		4,469,717,778	(2,299,992,052)
Cash and cash equivalents at start of year		<u>4,455,069,506</u>	<u>6,755,061,559</u>
Cash and cash equivalents at end of year		<u>8,924,787,284</u>	<u>4,455,069,506</u>

The significant accounting policies and the notes on pages 6 to 35 form an integral part of these financial statements. The financial statements on pages 1 to 35 were approved by the board of directors on 29th September 2023 and were signed on its behalf by:



Eng. Silas M. Kinoti, MBS
Director General



CPA Reuben Mayienda
Director corporate services
ICPAK Member No:4941



Eng. Charles M. Chiuri
Chairman

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT

FOR THE YEAR ENDED 30 JUNE 2023

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance Rate
	2022-2023	2022-2023	2022-2023	2022-2023	2022-2023
	Kshs	Kshs	Kshs	Kshs	Kshs
REVENUE					
RMLF Funds	10,200,547,959	1,797,174,110	11,997,722,069	12,527,035,764	104%
AIA -Interests and other incomes	100,000,000	-	100,000,000	334,755,017	335%
Total income	10,300,547,959	1,797,174,110	12,097,722,069	12,861,790,781	106%
EXPENDITURE					
Property plant and Equipment	78,960,000	-	78,960,000	100,844,968	128%
Operations expenses	2,009,940,000	-	2,009,940,000	1,673,675,613	83%
Road Rehabilitation & Maintenance Costs	7,961,647,959	1,797,174,110	9,758,822,069	10,349,284,824	106%
Work support services	250,000,000	-	250,000,000	167,821,228	67%
Taxation	-	-	-	308,784,799	-
Total expenditure	10,300,547,959	1,797,174,110	11,847,722,069	12,600,411,431	106%
Surplus for the year	-	-	250,000,000	261,379,350	-
RECONCILIATION					
Surplus as per statement of budget and actual amounts				261,379,350	
Add:Purchase of Assets				100,844,968	
Surplus as per statement of financial performance				362,224,317	

The significant accounting policies on pages and the notes on pages 6 to 35 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Kenya Urban Roads Authority (KURA) is a State Corporation established under the Kenya Roads Act 2007. The Authority is wholly owned by the Government of Kenya and is domiciled in Kenya. The principal activities of the Authority remain that of management, development, rehabilitation, and maintenance of all public roads in the cities and municipalities in Kenya except where those roads are national roads.

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, and financial instruments at fair value, impaired assets at their estimated recoverable amounts.

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 the Authority's 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 5. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the 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. The accounting policies adopted have been consistently applied to all the years presented.

3. Adoption of new and revised Standards

Several new and revised standards and interpretations were effective during the year. The directors have evaluated the impact of the new standards and interpretations and none of them had an impact on the Authority's financial statements.

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

Key Requirements	Effective Date	Impact to the Authority
IPSAS 41: Financial Instruments		
<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. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held. • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. 	1st January 2023:	No Impact
IPSAS 42: Social Benefits		
<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"> (a) The nature of such social benefits provided by the Entity. (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity's financial performance, financial position, and cash flows. 	1st January 2023	No impact

Key Requirements	Effective Date	Impact to the Authority
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments		
<p>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.</p> <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>	1st January 2023:	No Impact
Other improvements to IPSAS		
<ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008). • <i>IPSAS 39: Employee Benefits</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS. • IPSAS 29: Financial instruments: Recognition and Measurement Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023. 	1st January 2023	

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

Key Requirements	Effective Date	Impact to the Authority
IPSAS 43		
The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognize, measure and present information on right of use assets and lease liabilities.	<i>January 2025</i>	No Impact
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations		
The Standard requires, 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: 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.	<i>January 2025</i>	No Impact

iii) Early adoption of standards

The Authority 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.

(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 26.

(c) Budget Information

The original budget for FY 2022-2023 was approved by the National Assembly on 9th 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 Authority 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. Payables or receivables 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 urban 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.

1. Road Maintenance Levy Fund

Receipts from the Road Maintenance Levy Fund comprise of 10% of collections from the Road Maintenance Levy Fund administered by the Kenya Roads Board in accordance with the Kenya Roads Board act 1999. The grant is recognized as income over the period necessary to match them with the related costs, for which they are intended to compensate,

on a systematic basis. The unspent portion at the end of the year is presented in the statement of financial position as deferred revenue and recognized in statement of financial performance on a systematic basis over the contract period.

2. 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 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.

3. 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.

4. Fees, Penalties and 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 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 Central 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 Authority 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 Authority and the cost of the item can be measured reliably. Repair 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 using the following annual rates:

	Rate %
Land and buildings	2.5%
Computer Equipment and software	33 ¹ / ₃ %
Furniture and Fittings	12.5%
Office Equipment	12.5%
Motor Vehicles	25.0%
Infrastructure assets	Nil

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) Intangible Assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange.

Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite.

(m) Research and Development costs

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

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

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

(n) Specialised Public Service Assets-Infrastructure Assets

The International Valuation Standards Committee defines specialized public assets 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. Currently the Authority classifies these assets as capital work in progress.

(o) 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.

(p) 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.

(q) 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.

(r) 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.

(s) 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.

(t) 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.

(u) 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

(v) 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, 2023

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Entity's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur.

(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.

6. Government Grants and Subsidies**a) Road maintenance Levy Fund-KRB**

	2022-2023	2021-2022
	Kshs	Kshs
Road Maintenance Levy Fund (Works)	10,635,035,764	9,774,652,986
Road Maintenance Levy Fund (Operations)	1,892,000,000	1,892,000,000
Total Road Maintenance Levy Fund	12,527,035,764	11,666,652,986

Road Maintenance Levy Fund (RMLF) comprise of 10.2% of collections from the Road Maintenance Levy Fund administered by the Kenya Roads Board in accordance with the Kenya Roads Board act 1999. The fund is utilized in maintenance of the road network in accordance with the applicable law. The grant is recognized as income over the period necessary to match them with the related costs, for which they are intended to compensate, on a systematic basis.

b) Transfers from Ministries, Departments and Agencies

Name of agency	Amount	Total grant revenue during	
	recognised in the statement of financial performance	the year	2021-2022
	Ksh	Ksh	Ksh
Kenya Roads Board (RMLF-Roadworks)	10,635,035,764	10,635,035,764	9,774,652,986
Kenya Roads Board(RMLF-Operations)	1,892,000,000	1,892,000,000	1,892,000,000
Sub Total	12,527,035,764	12,527,035,764	11,666,652,986

7. Licences, Penalties and Levies

Liquidated Damages	11,071,293	2,179,111
Road cutting fees	8,370,000	7,120,000
	<u>19,441,293</u>	<u>9,299,111</u>

8. Finance Income

Net Interest on bank deposits	<u>304,792,100</u>	<u>263,214,680</u>
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	2022-2023 Kshs	2021-2022 Kshs
9. Other Income from Exchange Transactions		
Tender sales	68,000	1,640
Asset disposal	10,331,725	9,449,804
Other Income	121,899	-
Total Other Income	10,521,624	9,451,444
10. Operation expenses		
Directors' expenses	24,322,154	19,657,643
Employment costs	1,267,531,979	1,238,222,438
Depreciation and amortization costs	107,124,543	96,917,957
Use of goods and services	238,631,141	226,231,881
Repairs and maintenance	36,065,795	35,952,151
Total operation expenses	1,673,675,613	1,616,982,070
11. Road Maintenance and Rehabilitation Costs		
Routine maintenance	3,263,899,693	1,837,327,595
Periodic maintenance	7,085,385,130	4,776,288,051
Total Road Maintenance and Rehabilitation costs	10,349,284,824	6,613,615,645
12. Work support Services.		
Consultancy, Planning, Feasibility ESIA Costs	29,965,643	42,553,127
Road Safety and Children's Traffic Parks Costs	33,634,275	15,848,690
Road Furniture and Road Marking	4,717,114	12,822,104
Traffic census and forward planning	8,740,763	7,468,861
Axle load control costs	8,574,284	10,588,673
Road reserve mapping and control costs	6,966,470	29,844,531
Design inhouse	14,841,265	15,197,263
Special Programmes and environmental awareness costs	20,313,792	18,987,925
Intelligent Traffic Management System Costs	21,694,532	17,524,016
Quality Assurance costs	2,010,100	-
Monitoring and evaluation	15,087,500	14,627,357
Road Inventory and condition Survey	1,275,490	-
Total road work support services	167,821,228	185,462,546

	2022-2023	2021-2022
	Kshs	Kshs
13. Taxation expense		
Tax charged on other income	214,235,411	-
Tax charged on Interest income	94,549,387	78,422,634
	<u>308,784,799</u>	<u>78,422,634</u>
14. Cash and cash equivalents		
Current accounts	8,394,899,976	3,943,548,342
Staff mortgage fund	529,629,382	511,247,513
Cash in Hand	257,926	273,651
	<u>8,924,787,284</u>	<u>4,455,069,506</u>
The cash in hand and at bank is held with the following approved commercial banks in Kenya. Part of cash and cash equivalents at the end of the year relates to projects in progress at year-end for which the funds are already committed.		
Current accounts		
KCB Bank Limited	8,062,844,227	2,874,425,598
National Bank	285,435,640	-
Co-operative Bank of Kenya	46,620,109	1,069,122,745
Total current accounts	<u>8,394,899,976</u>	<u>3,943,548,342</u>
Staff Mortgage Fund		
KCB Bank Limited	<u>529,629,382</u>	<u>511,247,513</u>
Others		
Cash in Hand	<u>257,926</u>	<u>273,651</u>
15. Receivables		
a) Receivables From Exchange Transactions		
Contractor advances	<u>168,887,962</u>	-
b) Receivables From Non-Exchange Transactions		
Staff Debtors	3,121,668	1,742,215
Grants Receivable-RMLF	-	5,077,624,094
Deposits and other prepayments	2,644,962	17,644,962
Total Receivables From Non-Exchange Transactions	<u>5,766,630</u>	<u>5,097,011,271</u>
Total receivables	<u>174,654,592</u>	<u>5,097,011,271</u>

Receivables constitute short-term liquid assets which are recoverable within one year.

- (i) Contract advances represent funds provided to the contractors and are recoverable in accordance with the contract terms. Contract advances are secured by bank guarantees from approved commercial banks Kenya.
- (ii) RMLF Grants receivables represent Road Maintenance Levy Funds due from the Kenya Roads Board based on the approved APRP and disbursement schedule.
- (iii) Development Grants receivables represent Development Funds due from the State department of infrastructure based on the approved budget for 2022-2023.

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:

	0-3 Months Ksh	3-12 Months Ksh	Over 12 Months Ksh	Total Ksh
Contractor advances	-	-	168,887,962	168,887,962
Staff Debtors	3,121,668	-	-	3,121,668
Deposits & Other Prepayments	2,644,962	-	-	2,644,962
Total	5,766,630	-	168,887,962	174,654,592
			2022-2023 Kshs	2021-2022 Kshs

16. Inventories

Consumable supplies	7,211,242	4,276,893
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Inventories comprise of consumable supplies for office use. In the opinion of the directors the carrying amounts of the inventories approximate their fair value.

17. Property Plant and equipment

	Land and Buildings	Furniture and Fittings	Computers and Technical Equipment	Office Equipment	Motor Vehicles	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Cost/ Valuation						
As at 1st July 2021	130,323,369	63,251,915	76,140,770	27,768,189	175,328,766	580,257,310
Additions during the year	12,091,294	2,437,027	29,086,550	2,050,176	60,978,947	106,643,995
Transfer from Work in Progress	-	-	-	-	107,444,300	-
Disposals	-	-	-	-	(16,610,000)	(16,610,000)
As at 30 June 2022	142,414,664	65,688,942	105,227,320	29,818,366	327,142,014	670,291,305
Additions during the year	43,644,811	2,651,909	14,510,020	575,191	22,597,751	83,979,682
Disposals	-	-	-	-	(37,760,700)	(37,760,700)
As at 30 June 2023	186,059,475	68,340,851	119,737,340	30,393,557	311,979,065	716,510,287
Depreciation						
As at 1st July 2021	12,718,650	23,846,085	60,299,545	8,989,492	137,189,242	243,043,014
Charge for the Year	3,862,649	8,062,869	18,574,881	3,727,296	57,962,353	92,190,048
On disposal	-	-	-	-	(16,610,000)	(16,610,000)
As at 30 June 2022	16,581,299	31,908,954	78,874,426	12,716,788	178,541,595	318,623,062
Disposals	-	-	-	-	(32,446,425)	(32,446,425)
Charge for the Year	4,349,205	8,690,857	21,494,051	3,799,194	58,441,566	96,774,872
As at 30 June 2023	20,930,504	40,599,810	100,368,476	16,515,982	204,536,736	382,951,509
Net Book Value						
As at 30 June 2023	165,128,971	27,741,041	19,368,864	13,877,575	107,442,328	333,558,778
As at 30 June 2022	125,833,364	33,779,988	26,352,894	17,101,578	148,600,418	351,668,244

	2022-2023	2021-2022
	Kshs	Kshs
18. Infrastructure Assets		
Infrastructure work in progress		
As at 1st July	1,854,182,221	754,897,092.0
Additions during the year	535,283,270	1,099,285,129
As at 30 June	2,389,465,490	1,854,182,221
19. Intangible Assets		
	Computer software 2022-2023 Ksh	Computer software 2021-2022 Ksh
Cost/ Valuation		
As at start of the year	87,595,605	87,595,605
Prior Year adjustment	-	-
Additions	16,865,286	-
	<u>104,460,891</u>	<u>87,595,605</u>
Amortization		
As at start of the year	82,867,696	78,139,787
Prior Year adjustment	-	-
Charge for the year	10,349,671	4,727,909
As at end of the year	93,217,367	82,867,696
Net Book Value		
As at 30 June	11,243,524	4,727,909

	2022-2023	2021-2022
	Kshs	Kshs
20. Payables		
a) Payables from Exchange Transactions		
Current		
Due to Suppliers and Contractors	137,540,702	228,490,137
Refundable Deposits	38,617,500	33,717,500
	<u>176,158,202</u>	<u>262,207,637</u>
Non Current		
Contract Retention	379,565,675	1,176,007,856
Total Payables from Exchange Transactions	<u>555,723,877</u>	<u>1,438,215,493</u>
b) Payables from Non-Exchange Transactions		
Other payables	67,425,882	24,024,532
Total Payables from Non-Exchange Transactions	<u>67,425,882</u>	<u>24,024,532</u>
c) Employee Benefits Obligations		
Staff gratuity	54,031,278	35,655,718
Other Staff statutory obligations	10,231,573	10,055,751
Total Employee Benefits Obligations	<u>64,262,851</u>	<u>45,711,469</u>
Total Payables	<u>687,412,610</u>	<u>1,507,951,494</u>
21. Current tax		
Tax charged on assesable income	94,549,387	81,294,689.63
Underprovision prior year	214,235,411	-
Withholding tax	(308,784,799)	(39,491,977.00)
Current Tax	<u>-</u>	<u>41,802,713</u>

Income Tax is calculated at 30 per cent of the estimated assessable income for the year. The tax on the assessable income differs from the theoretical amount that would arise using the basic rate as follows:

	2022-2023	2021-2022
	Kshs	Kshs
Gross Interest income	304,792,100	263,214,680
Income from disposal of assets	10,331,725	-
Tender sales income	68,000	-
Total assessable income	<u>315,191,825</u>	<u>263,214,680</u>
Tax calculated at a tax rate of 30%	94,557,547	78,964,404
Tax effect of:	-	-
Tax Deductible expenses	(8,160)	(541,770)
Tax charge	<u>94,549,387</u>	<u>78,422,634</u>

22. Nature and purpose of reserves

The Authority creates and maintains reserves based on specific requirements. The designated reserves and funds balances as at 30th June 2023 are indicated below.

	Accumulated Surplus	Revaluation Reserve	Staff Mortgage Fund	Infrastructure Assets reserve Fund	Total
	Kshs	Kshs	Kshs	Kshs	Kshs
As at 1st July 2022	7,385,837,605	96,718	511,247,512	2,320,000,000	10,217,181,836
Surplus for the year	362,224,317	-	-	-	362,224,317
Prior Year adjustment	555,720,279	-	-	-	555,720,279
Interest earned	-	-	18,381,870	-	18,381,870
Transfer of excess depreciation on revaluation	32,239	(32,239)	-	-	-
As at 30 June 2023	8,303,814,441	64,479	529,629,382	2,320,000,000	11,153,508,302

- (i) **Infrastructure Assets reserve funds** which relate to cumulative exchequer and development partners' funds received for development projects. The balance represents the Authority's Investment in Road works to 30 June 2023.
- (ii) **Accumulated surplus** relates to accounting surplus which represents unutilized funds at the end of the accounting period and is carried forward through the statement of changes in net assets for future utilization by the Authority on the specific contracts. The funds relate to unexecuted works for contracts in progress at year-end for which the funds are already committed. The funds are therefore ring-fenced by the contract provisions and are not available for any other purpose except for meeting the contractual obligations already entered by the Authority.
- (iii) **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. There was no transfer from the accumulated surplus to the staff mortgage fund during the year.

23. Cash generated from operations.

	2022-2023 Kshs	2021-2022 Kshs
Note		
Deficit /Surplus for the year	671,009,116	3,454,135,327
Adjustment for:		
Income from disposal of property plant and equipment	(10,331,725)	-
Depreciation of property, plant and equipment	96,774,872	92,190,048
Amortisation of intangible assets	10,349,671	4,727,909
Changes in operating assets and liabilities		
Receivables from non exchange transactions	4,922,356,678	(3,957,342,937)
Inventories	(2,934,349)	14,260,478
Payables from exchange transactions	(882,491,616)	(710,615,601)
Payables from Non exchange transactions	43,401,350	(32,948,707)
Staff benefits obligations	18,551,382	(272,158)
<i>Net cash from operating activities</i>	<u>4,866,685,379</u>	<u>(1,135,865,641)</u>
<i>Tax Paid</i>	<u>(350,587,511)</u>	<u>41,802,713</u>
Net cash from operating activities	<u>4,516,097,867</u>	<u>(1,094,062,929)</u>

24. Prior year adjustments**(i) Accumulated Surplus**

As previously stated	7,385,837,605	-
As Restated	7,941,557,884	-
Prior year adjustments	<u>(555,720,279)</u>	<u>-</u>

Prior year adjustment relates to understatement of accumulated surplus brought forward.

25. 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 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:

- i) 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,
 - ii) 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.

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, 10% 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:

Year Ended 30 June 2023

	Fully Performing	Past Due But Not impaired	Past due and Impaired	Total
	Ksh	Ksh	Ksh	Ksh
Contractor advances	168,887,962			168,887,962
Staff Debtors	3,121,668	-	-	3,121,668
Deposits & Other Prepayments	2,644,962			2,644,962
Cash at Bank	8,924,787,284	-	-	8,924,787,284
Gross Financial Assets	9,099,441,877	-	-	9,099,441,877

Year Ended 30 June 2022

	Fully Performing	Past Due But Not impaired	Past due and Impaired	Total
	Ksh	Ksh	Ksh	Ksh
Contractor advances	-	-	-	0
Staff Debtors	1,742,215	-	-	1,742,215
Grants Receivable	5,077,624,094	-	-	5,077,624,094
Deposits & Other Prepayments	17,644,962	-	-	17,644,962
Cash at Bank	4,455,069,506	-	-	4,455,069,506
Gross Financial Assets	9,552,080,776	0	-	9,552,080,777

c) 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.

d) Compliance and Regulatory Risk

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

e) 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.

26. Explanation for budget variances

The original budget for FY 2021-2023 was approved by the National Assembly on 9th June 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities.

27. 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.

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

The following were outstanding balances with related parties as at 30th June 2023

(a) Grants from the Government

Grants from National Government	<u>12,527,035,764</u>	<u>11,666,652,986</u>
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b) Outstanding balances arising from non exchange transactions

The following were outstanding balances with related parties as at 30th June 2023

Road maintenance Levy (RMLF)	<u>-</u>	<u>5,077,624,094</u>
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Receivables from related parties can be analysed as follows:

Road maintenance Levy (RMLF)	<u>-</u>	<u>5,077,624,094</u>
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	<u>-</u>	<u>5,077,624,094</u>
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Payables to related parties can be analysed as follows:

Key management personnel	<u>54,031,278</u>	<u>35,655,718</u>
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28. 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.

29. Contingent liabilities

As at 30th June 2023, the Authority was involved in legal proceedings with aggregate estimated claims of Kshs 75,520,000 with a garnishee order against one of the Authority's bank accounts. However, no provision has been made in the financial statements as the order was lifted on 10th July 2023.

30. Capital Commitments

All capital commitments contracted for / authorized at the reporting period have been recognized in the financial statements.

31. Currency

The financial statements are presented in Kenya Shillings (Kshs)

APPENDIX 1: PROGRESS ON THE FOLLOW UP OF AUDITOR GENERAL RECOMMENDATIONS

Reference No. on external audit report	Observation	Management comments	Status	Time frame
1.0	Non-compliance with Public Sector Accounting Standards Board Reporting Requirements	The matter has been escalated to the PSASB	Ongoing	June 30 2024
2.0	Receivables from non-exchange transactions	The Authority accrued the grant receivable in accordance with International Public Sector Accounting Standards based on the disbursement letters from KRB. The balance of Ksh. 5,077,624,094 was received in FY 2022-2023	Resolved	June 30 2023