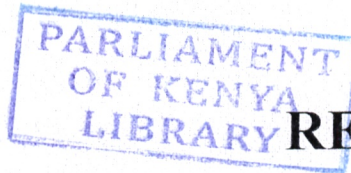


REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
KENYA NATIONAL HIGHWAYS AUTHORITY**

**FOR THE YEAR ENDED  
30 JUNE 2013**



**Kenya National Highways Authority**

Quality Highways, Better Connections

P. O. Box 31086, 00101, NAIROBI

11 APR 2014

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# **KENYA NATIONAL HIGHWAYS AUTHORITY**

## **FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

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## CORPORATE INFORMATION

### 1 Incorporation

Kenya National Highways Authority (KeNHA) is a statutory body established by the Kenya Roads Act, 2007.

### 2 Authority's mandate

In accordance with Kenya Roads Act, 2007, KeNHA is responsible for the management, development, rehabilitation and maintenance of trunk and primary classified road network comprising classes A, B and C roads.

3 **Registered Office:**        **Blue Shield Towers**  
Hospital Road, Upper Hill  
P.O. Box 49712 - 00100  
**NAIROBI**

### 4 Regional Offices:

The Authority has ten (10) Regional Offices distributed across the country in the following cities and towns:-

- |                    |              |                     |              |
|--------------------|--------------|---------------------|--------------|
| 1. Coast-.....     | Mombasa City | 6. Upper Eastern... | Isiolo       |
| 2. Central .....   | Nyeri        | 7. North Rift.....  | Eldoret      |
| 3. Nyanza-.....    | Kisumu City  | 8. Lower Eastern... | Machakos     |
| 4. Western .....   | Kakamega     | 9. South Rift.....  | Nakuru       |
| 5. North Eastern.. | Garissa      | 10 Nairobi.....     | Nairobi City |

### 5 Bankers:

**Kenya Commercial Bank Limited**  
Moi Avenue Branch  
P.O Box 30081-00100  
**NAIROBI**

**NIC Bank Limited**  
NIC House (Masaba Road) Branch  
P.O Box 44599-00100  
**NAIROBI**

**Co-operative Bank of Kenya Limited**  
Upper Hill Branch  
P.O Box 30415-00100  
**NAIROBI**

**Equity Bank Limited**  
Equity Centre Branch  
P.O Box 75104-00200  
**NAIROBI**

**National Bank of Kenya Limited**  
Hill Plaza Branch  
P.O. Box 45219 - 00100  
**NAIROBI**

**6 Auditors: Auditor- General**  
Kenya National Audit Office  
Anniversary Towers  
P.O Box 30084-00100  
**NAIROBI**

**7 Vision**

*“A leading highways Authority committed to quality, safe and adequate national trunk roads”*

**8 Mission**

*“To construct and manage national trunk roads that enhances socio-economic growth and prosperity.”*

**9 Core values**

The Authority is guided by the following Core values and Competences:

- 1. Quality Service*
- 2. Good Corporate Governance*
- 3. Professionalism*
- 4. Teamwork and Partnerships*
- 5. Equality and Fairness*
- 6. Innovativeness*
- 7. Environmental stewardship*

**10 Funding**

The Authority is funded by the Government of Kenya through Road Maintenance Levy Funds, Exchequer Funds and proceeds from Loans and Grants from Development partners. The Authority also generates other revenues through interest from bank deposits, sale of documents and fees from way leaves.

## MEMBERS OF KENYA NATIONAL HIGHWAYS AUTHORITY BOARD

The following board members served during the year;

- i. Mrs. Hannah W. Muriithi - Chairperson
- ii. Mr. Gilbert K. Langat - Member
- iii. CPA Kepha Oyaro - Member
- iv. Mr. Julius Kibiti M'Ndegwa - Member
- v. Mrs. Bibiana A. R. Omalla - Member
- vi. Eng. John K. Mosonik, EBS - Member- Principal Secretary ,Infrastructure, Appointed 27<sup>th</sup> June,2013
- vii. Eng. M.S.M. Kamau, CBS, HSC - Member- Permanent Secretary ,Ministry of Roads ,Retired 26<sup>th</sup> June 2013
- viii. Mr. Nduva Muli - Member - Principal Secretary Transport, Appointed 27<sup>th</sup> June,2013
- ix. Dr. Cyrus Njiru, CBS - Member - Permanent Secretary ,Ministry of Transport , Retired 26<sup>th</sup> June 2013
- x. Mr. Henry K. Rotich - Member – Cabinet Secretary , The National Treasury, Appointed 27<sup>th</sup> June,2013
- xi. Mr. Joseph Kinyua, CBS - Member - Permanent Secretary , Ministry of Finance , Retired 26<sup>th</sup> June 2013
- xii. Eng. P.C. Kilimo, OGW - Alt. to Principal Secretary , Infrastructure
- xiii. Eng. Tom Osewe Ogalo - Alt. to Principal Secretary , Transport-Appointed 17<sup>th</sup> August,2012
- xiv. Mr. Humphrey Muhu - Alt. to Principal Secretary , National Treasury
- xv. Eng. Erastus K. Mwangera, CBS - Member-Appointed 1<sup>st</sup> March,2013
- xvi. Mr. Moses Maina - Alt. to Principal Secretary , Transport - Retired 17<sup>th</sup> August,2012
- xvii. Hon. Eng. Joshua N. Toro - Member , Retired 2<sup>nd</sup> September,2012
- xviii. Eng. M. O. Kidenda, MBS, HSC - Director General /Secretary to the Board

## SENIOR MANAGEMENT OF KENYA NATIONAL HIGHWAYS AUTHORITY

The following were members of the senior management team at the year end.

- |  |                               |
|--|-------------------------------|
| Director General                         | -Eng. M. O. Kidenda, MBS, HSC |
| General Manager Planning and Environment | - Eng. Samuel O. Omer         |
| General Manager Special Projects         | - Eng. Linus K. Tonui         |
| General Manager Design and Construction  | -Eng. Samuel O. Ogege         |
| General Manager Finance                  | -CPA James Bowen              |
| General Manager Maintenance              | -Eng. Kenneth Mudulia         |

## STATEMENT OF THE BOARD'S RESPONSIBILITIES

The Kenya Roads Act, 2007 requires the Authority to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Authority as at the end of the financial year and of the Authority's Income and Expenditure statement for the period.

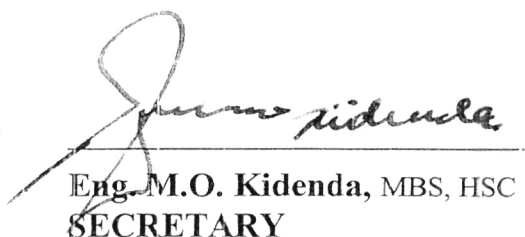
It also requires the Authority to keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the Authority and to ensure that the Financial Statements comply with the enabling Act. They are also responsible for safeguarding the assets of the Authority and putting in place adequate measures to mitigate risk.

The Board accepts responsibility for the Financial Statements which have been prepared using appropriate Accounting Policies supported by reasonable and prudent judgments and estimates in conformity with International Financial Reporting Standards and the requirements of the Kenya Roads Act, 2007. The Board is of the opinion that the Financial Statements give a true and fair view of the state of affairs of the Authority. The Board of the Authority accepts responsibility for the maintenance of accounting records which may be relied upon in preparation of the Financial Statements, as well as adequate systems of internal controls.

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



**Hannah W. Muriithi (Mrs.)**  
**CHAIRPERSON**



**Eng. M.O. Kidenda, MBS, HSC**  
**SECRETARY**

# REPUBLIC OF KENYA

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Fax: +254-20-311482  
E-Mail: oag@oagkenya.go.ke  
Website: www.kenao.go.ke



P.O. Box 30084-00100  
NAIROBI

## KENYA NATIONAL AUDIT OFFICE

### REPORT OF THE AUDITOR-GENERAL ON KENYA NATIONAL HIGHWAYS AUTHORITY FOR THE YEAR ENDED 30 JUNE 2013

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#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya National Highways Authority set out on pages 6 to 24, which comprise the statement of financial position as at 30 June 2013, and the statement of comprehensive income, statement of changes in reserves and statement of cash flows 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 14 of the Public Audit Act, 2003. 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.

#### **Board's Responsibility for the Financial Statements**

The Kenya National Highways Authority Board is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Board is also responsible for the submission of its financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

#### **Auditor-General's Responsibility**

My responsibility is to express an independent opinion on the financial statements based on the audit and report in accordance with the provisions of Section 15 (2) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with the International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the

auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe the audit obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

### **Basis for Qualified Opinion**

#### **1. Financial Position**

The statement of financial position as at 30 June 2013 reflects current liabilities balance of Kshs.16,636,605,979 which exceed current assets of Kshs.12,773,477,648 resulting to a negative working capital of Kshs.3,863,128,331 (2012 negative Kshs.1,211,714,054). The Board may face problems in settling its financial obligations as and when they fall due.

#### **2. Trade and Other Receivables**

The trade and other receivables balance of Kshs.6,149,011,426 as at 30 June 2013 includes receivables balance of Kshs.1,570,766,994 due from Kenya Roads Board out of which an amount of Kshs.91,052,469 relates to the financial year 2011/12. Evidence available at the Ministry of Roads indicates that although the Ministry received the total amount of Kshs.91,052,469 from Kenya Roads Board in 2011/12, the Ministry had not remitted the funds to the Authority as at 30 June 2013. In the circumstances, the recoverability of the receivables balance of Kshs.91,052,469 is doubtful.

#### **3. Nugatory Expenditure - Interest on Late Payments**

As disclosed under note 14 to the financial statements the development project administrative costs figure of Kshs.248,714,505 includes other GOK development project expenses totalling Kshs.146,104,989. The other GOK development project expenses figure also includes Kshs.20,620,425 in respect of interest on delayed payment relating to Isiolo-Merille Road project and a financial claim of Kshs.9,880,000 arising from the Rongo-Homabay Road project both totalling to Kshs.30,500,425. The total expenses of Kshs.30,500,425 could have been avoided if the Authority had made the payments within the stipulated time frames.

**4. Northern Corridor Transport Improvement Project IDA Credit Nos. 3930-KE and 4571-KE**

**(i) Contract for Rehabilitation of Kericho-Mau Summit Road**

On 26 October 2009 the Authority awarded the above contract to an International firm at an evaluated contract sum of Kshs.6,835,477,486. The contract commenced on 16 September 2010 for a contract period of 24 months with the expected completion date of 15 September 2012 which was later revised to 31st March 2014. However, included in the certified amount of Kshs.3,086,177,021 or 45.17% of the contract sum as at 25 September 2013 is an expenditure of Kshs.33,144,940.23 in respect of interest on delayed payments.

The expenditure of Kshs.33,144,940 could have been avoided if payments were made within the stipulated timelines.

**(ii) Emergency Repair of the Existing Road over Rail Bridge and Approaches on Mau Summit-Timboroa Road (A104)**

The above project is located in between Makutano and Timboroa in Baringo County along Njoro Turn-off- Mau Summit- Timborao (A104) Road. The contract agreement was signed on 20 December 2010 at contract sum of Kshs.582,774,315 for a contract period of 12 months ending 8 February 2012 which was later revised to 5 September 2013. Review of the implementation during the year revealed that as per progress report No. 30 of 31st August 2013, the contract period elapsed was 942 days representing (258%) against physical work progress of 78% while Kshs.328,710,221.05 or 56% of the contract sum already applied.

In the circumstances, the Project was far behind schedule and management has not explained measures being taken to ensure project completion.

**5. Mombasa-Nairobi-Addis Ababa Road Corridor Project No.P-ZI-DB0-027 Phase II (Marsabit-Turbi Road)**

Examination of the contract documents revealed that as at 30 June 2013, 815 days or 73.7% of the contract time had elapsed, while the overall progress of works was estimated at 32.5% against the planned completion figure of 58%.

Although the management has explained that the delay was caused by factors beyond the contractor's control such as lack of adequate water for construction, insecurity, frequent breakdown of equipment and poor management on site, the project implementation was way behind the planned schedule and there is a high risk the project may not be completed with the contract timeframes.

6. Northern Corridor Rehabilitation Programme- Eldoret-Turbo-Webuye-  
Malaba Road Project

(i) Rehabilitation of Eldoret –Turbo-Webuye (A 104) Road – Contract No.  
KeNHA/ICB/51/2010

The above contract was awarded to a firm on 19 November 2010 at a contract sum of Kshs.3,383,387,115 while the contract agreement was signed on 26 November 2010. The contractor was ordered to commence work on 26 January 2011. The project was scheduled for completion on 31 August 2012 when the eighteen (18) months contract period expired. However the contract was not completed within the stipulated time and the contractor was awarded two extensions under claims 1 and 2 of 1.5 months and 3.8 months respectively. Although the contract was supposed to have been completed by 9 February 2013, it was still on-going as the date of this report.

Further, although the original project length was 59km at a contract sum of Kshs.3,383,387,115 the length was reduced by 18 km to 41km while the contract sum remained the same, instead of being revised downwards proportionately. It is therefore doubtful if the Authority got the value for its money in the above transaction.

(ii) Rehabilitation of Webuye - Malaba (A 104) Road - Contract NO. KENHA/ICB/52/2010

The above contract was awarded to a firm on 19 November 2010 at a contractors sum of Kshs.3,848,928,516. The contract agreement was signed on 26 November 2010 while the contractor was meant to commence works on 26 January 2011. The project was scheduled for completion on 31.8.2012 when the eighteen (18) months contract period expired. However, the contract was not completed in time and the contractor was awarded one extension of 9 months.

Further, as at 30 June 2013, over 103.7% of contract period had elapsed and works completed stood at 78.65% against payments certified of Kshs.3,051,917,105 representing 79.29% of the original contract sum. The contract which was supposed to have been completed by 7 May 2013, had not been completed as at 3 November 2013. The project was therefore way behind the planned schedule and it is not clear when the project will be completed and if it will be completed within the initial contract sum.

In addition, Authority paid the contractor Kshs.9,529,383 vide interim certificate No. 19 in respect of interest on delayed payments on completed works. If payments were made within the stipulated period, the Authority could have made a possible saving on Public resources of Kshs.9,529,383.

## **7. East Africa Trade and Facilitation Project Credit No. 4148KE (IDA)**

### **(i) Construction of One Stop Post at Busia**

On 26 April 2012 the contract for Design, Review and Construction Works Supervision Consultant for a One Stop Boarder Post at Busia was awarded to a Company at a contract sum of Kshs.555,688,786. The Project commenced on 10 July 2012 for a period of 15 months with expected date of completion of 9 October 2013.

However, the monthly progress report No. 12 of June 2013 shows that period of time elapsed was 78% representing 356 days against work done of 37%. The project implementation was therefore way behind the planned schedule and there is a high risk the project may not be completed within the contract timeframes.

### **(ii) Construction of One Stop Post at Malaba**

Further, on 26 April 2012 a contract for construction of a one stop post at Malaba was awarded to a firm at contract sum of Kshs.533,159,169. The Project commenced on 4 July 2012 for period of 15 months with expected completion date of 3 October 2013.

However as per the monthly progress report No. 12 of June 2013, 78% representing 356 days of the project period had elapsed against work done progress of 51%. The Project implementation was therefore way behind the planned schedule and there is a high risk the project may not be completed within the contract timeframe.

## **8. Bush Clearing in preparation of official opening of the Multinational Arusha-Namanga-Athi River**

The Road was officially opened by His Excellency the President of the Republic of Kenya on 28 November 2012. However examination of records, documents and payment vouchers related to the above project revealed that the tender committee in its 91 Meeting held on 6 November 2012 considered and approved direct procurement of a Construction Company to execute bush clearing in preparation of official opening of the Multinational Arusha – Namanga – Athi River (A104) Road. Kenya National Highways Authority went ahead and initiated negotiations with the Construction Company in which the scope of work, rates and the contract price was agreed at Kshs.11,595,415.50. Although the negotiated works were approved by the Tender Committee in its meeting held on 22 November 2012, it was not possible to confirm that the Authority got value for money in the expenditure of Kshs.11,595,415.50. This also contravened Secretariats recommendation that a more competitive method of procurement be used.

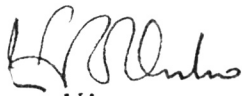
## 9. Periodic Maintenance of Mombasa Miritini (A109) Road

The contract for the above maintenance works was awarded to a Construction Company at a contract sum of Kshs.341,180,245 with commencement date of 26 January 2012 and completion period of 8 months ending 26 September 2012. Evidence available, however, indicates that the contract was terminated due to poor performance by the contractor when the contractor had been paid Kshs.144,146,778.76 or 42.25% of the contract sum. After termination, the remaining works were repackaged and awarded to another construction firm through direct procurement at a negotiated contract sum of Kshs.292,656,590 contrary to Section 50 of the Public, Procurement and Disposal Act, 2005. The negotiated contract sum of Kshs.292,656,590 brings the total contract expenditure to Kshs.436,803,368, an increase of Kshs.95,623,123 from the original contract sum of Kshs.341,180,245.

In the circumstances, it has not been possible to confirm whether the Authority got value for its money in the above contract.

### Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Authority as at 30 June 2013, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Kenya Roads Act, 2007.



**Edward R.O. Ouko, CBS**  
**AUDITOR-GENERAL**

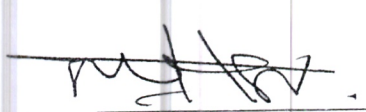
**Nairobi**

**16 May 2014**

STATEMENT OF FINANCIAL POSITION AS AT 30<sup>TH</sup> JUNE, 2013

	Note	2013 <u>KShs.</u>	2012 <u>KShs.</u>
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, Plant & Equipment	2	128,450,806,993	87,929,565,573
Intangible Assets	3	41,210,995	29,596,217
<b>Total Non-Current Assets</b>		<b>128,492,017,988</b>	<b>87,959,161,790</b>
<b>Current Assets</b>			
Inventories	4	4,142,845	4,195,345
Trade & Other Receivables	5	6,149,011,426	6,046,537,334
Cash & Cash Equivalents	6	6,620,323,377	4,666,103,698
<b>Total Current Assets</b>		<b>12,773,477,648</b>	<b>10,716,836,377</b>
<b>Current Liabilities</b>			
Trade Payables & Accruals	7	16,636,605,979	11,928,550,431
<b>Total Current Liabilities</b>		<b>16,636,605,979</b>	<b>11,928,550,431</b>
<b>Net Working Capital</b>		<b>(3,863,128,331)</b>	<b>(1,211,714,054)</b>
<b>TOTAL NET ASSETS</b>		<b>124,628,889,657</b>	<b>86,747,447,736</b>
<b>RESERVES</b>			
GoK Development Grants	8	120,579,267,923	85,069,553,865
Retained Surplus		4,049,621,734	1,677,893,871
<b>TOTAL RESERVES</b>		<b>124,628,889,657</b>	<b>86,747,447,736</b>

The financial statements on pages 6 to 9 were approved by the Board of Directors to issue for statutory audit on the 25<sup>th</sup> day of September, 2013, and signed on its behalf by;

  
 Hannah W. Muriithi (Mrs.)  
 CHAIRPERSON

  
 Eng. M.O. Kidenda, MBS, HSC  
 SECRETARY

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED  
30<sup>TH</sup> JUNE, 2013

	<i>Note</i>	<u>2013</u> <u>KShs.</u>	<u>2012</u> <u>KShs.</u>
<b>INCOME</b>			
Exchequer Funds	9	623,714,505	1,041,641,792
Fuel Levy Fund & Transit Tolls	10	10,094,179,998	9,811,000,000
Other Income	11	494,652,341	388,003,838
<b>Total Revenue</b>		<b>11,212,546,844</b>	<b>11,240,645,630</b>
<b>EXPENDITURE</b>			
Board Expenses	12	54,474,906	44,424,136
Staff Expenses	13	831,745,409	679,681,644
Administration Expenses	14	640,178,206	1,424,946,720
Road Maintenance Expenses	15	7,314,420,460	7,699,373,280
<b>Total Expenditure</b>		<b>8,840,818,981</b>	<b>9,848,425,780</b>
<b>SURPLUS/ (DEFICIT)</b>		<b>2,371,727,863</b>	<b>1,391,219,850</b>

**STATEMENT OF CHANGES IN RESERVES AS AT 30<sup>th</sup> JUNE, 2013**

	Retained Surplus	Government Grants	Total Reserves
<b>Year Ended 30 June 2012</b>	<i>KShs.</i>	<i>KShs.</i>	<i>KShs.</i>
As at 1st July, 2011	286,674,021	48,681,345,640	48,968,019,661
Government Grants	-	36,388,208,225	36,388,208,225
Surplus for the year	1,391,219,850	-	1,391,219,850
<b>As at 30 June, 2012</b>	<b>1,677,893,871</b>	<b>85,069,553,865</b>	<b>86,747,447,736</b>
<b>Year Ended 30 June 2013</b>			
As at 1st July, 2012	1,677,893,871	85,069,553,865	86,747,447,736
Government Grants	-	35,509,714,058	35,509,714,058
Surplus for the year	2,371,727,863	-	2,371,727,863
<b>As at 30 June, 2013</b>	<b>4,049,621,734</b>	<b>120,579,267,923</b>	<b>124,628,889,657</b>

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2013**

	<u>2013</u> <u>KShs.</u>	<u>2012</u> <u>KShs.</u>
<b>OPERATING ACTIVITIES</b>		
Surplus for the year .....	2,371,727,863	1,391,219,850
<i>Non cash adjustments:-</i>		
Interest Received.....	(448,918,953)	(350,354,738)
Loss/(Gain) on disposal .....	(157,098)	
Depreciation.....	87,442,668	67,249,994
<b><i>Operating income before working capital changes</i></b>	<b>2,010,094,479</b>	<b>1,108,115,105</b>
<b>Movements in Working Capital</b>		
Decrease/(Increase) in Debtors.		
Prepayments & Deposits.....	(102,474,092)	1,581,107,665
Decrease /(Increase) in Inventories.....	52,500	467,404
Increase in Trade & Other Payables.....	4,708,055,548	4,530,199,072
<b>Net Change in working Capital</b>	<b>4,605,633,956</b>	<b>6,111,774,141</b>
<b><i>Net Cash (used by)/from operating activities</i></b>	<b>6,615,728,435</b>	<b>7,219,889,247</b>
<b>INVESTING ACTIVITIES</b>		
Work- In- Progress.....	(40,513,625,415)	(41,269,267,556)
Purchase of other Non-Current Assets.....	(106,673,448)	(104,706,869)
Sale of asset disposal .....	157,098	-
Interest Income .....	448,918,952	350,354,738
<b>Net Cash used in Investing activities</b>	<b>(40,171,222,813)</b>	<b>(41,023,619,687)</b>
<b>FINANCING ACTIVITIES</b>		
GoK Capital Grants.....	35,509,714,056	36,388,208,225
<b>Net Cash From Financing Activities</b>	<b>35,509,714,056</b>	<b>36,388,208,225</b>
<b>CASH &amp; CASH EQUIVALENTS</b>		
<b>NET (DECREASE) / INCREASE</b>	<b>1,954,219,679</b>	<b>2,584,477,785</b>
<i>At the Beginning of the Year</i>	<i>4,666,103,698</i>	<i>2,081,625,913</i>
<b>At the end of the Year</b>	<b>6,620,323,377</b>	<b>4,666,103,698</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 1. SIGNIFICANT ACCOUNTING POLICIES

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

### 1.1 Basis of Preparation

The Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), which are standards and interpretations adopted by the International Accounting Standards Board (IASB). The statements have been prepared on the historical cost basis of accounting and the relevant disclosure requirements have been complied with. The presentation of these financial statements is as per IAS 1.

### 1.2 Revenue Recognition

Revenue is recognized when funds are received and represent the amount of Funds received from the Road Maintenance Levy Fund and Government Recurrent Grants. These grants which are of revenue nature have been recognized under the income approach by crediting them in the Statement of Comprehensive Income as provided in IAS 20. The Authority also generates internal incomes which have also been credited in the Statement of Comprehensive Income. All the funding/ Incomes received during the period have been included in the accounts. Funds duly expected but not received at the close of the period have been treated as receivables and appropriate disclosures made. Treatment of revenues is in accordance with IAS 18.

### 1.3 Government Grants

The Authority also received Government grants to finance development expenditure. These grants have been recognized under the capital approach due to their capital nature and dealt with in the Statement of

Financial Position as provided for in IAS 20. Outstanding Government Grants from the Exchequer as at the close of the period whose inflow is beyond doubt has been treated as a receivable and credited in the Government Grants Account and appropriate disclosures made.

#### **1.4 Expenses**

These were mainly development projects' administration costs, Road Maintenance Works and Administrative and Operational expenses comprising of Board Expenses, Personnel costs, establishment and office running expenses. The expenses are matched with the revenue arising from the same period. Development expenditures paid to contractors and those paid directly by donors to contractors have been factored in the Work – In- Progress.

#### **1.5 Foreign Currencies**

Assets and Liabilities denominated in foreign currencies have been translated at rates ruling approximating the mean rates of exchange ruling at the Balance Sheet date. Transactions in foreign currencies during the year are converted into the functional currency using the prevailing exchange rates ruling at the dates of transactions.

#### **1.6 Cash and Cash Equivalents**

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand and short term deposits held with financial institutions.

#### **1.7 Retirement Benefits/Gratuity Obligations**

The Authority has established a contributory retirement benefits plan for staff employed directly from the market which is funded from both the employees at 7.5% and employer at 15% of employees' basic pay respectively. Pension for seconded staff is remitted to the Government Pension Scheme in arrears on monthly basis whereas gratuity provisions are made for staff on term contracts.

The Authority also makes contributions to a statutory pension scheme, the National Social Security Fund (NSSF).

### 1.8 Property, Plant and Equipment

Asset vesting process by the Ministry of Roads to the newly created Authorities has been completed. However, financial values for vested assets and liabilities have not been provided. Fair values of some assets previously donated new by the parent ministry had been obtained from reputable outlets which deal in similar items. These assets have been recorded at their book values and also recognized as Government grants.

Appropriate valuation will be undertaken for the other vested assets and properly record them in the books of accounts and in appropriate registers.

The treatment of property, plant and equipment is in accordance with IAS16.

### 1.9 Depreciation Policy

Depreciation is calculated on straight line basis at annual rates estimated to write off the cost of the Asset over expected useful lives.

The annual depreciation rates in use are:-

i.	Computer Equipment & Accessories	33.3%
ii.	ICT Infrastructure and Telephony	33.3%
iii.	Motor Vehicles	25.0%
iv.	Office Equipment and Furniture	12.5%
v.	Office Partitioning and fixtures	16.7%
vi.	Plant & Machinery	10.0%
vii.	Buildings	2.5%

The Authority took possession of the leased office block and undertook partitioning works when the operation lease had a remaining life span of 4 years. Depreciation period for office partitions and related fixtures has therefore been prudently set at 4 years so that the cost of partitions and fixtures will be charged to the statement of Comprehensive Income within the original lease period.

Depreciation rates for Road Assets are yet to be determined. Consequently, Road Assets are still recognized as Work-in-Progress since the historical expenditures have not been established.

#### **1.10 Inventory**

Inventories are stated at the lower of cost and net realisable value. Cost is calculated on the first in first out basis and includes the direct purchase cost, insurance, freight and other incidental costs where applicable. Treatment of inventories is as per IAS 2.

#### **1.11 Contingent Liabilities**

It is estimated that the Authority has contingent liabilities amounting approximately KShs. 1.5 billion arising from land compensation claims, contractors' claims resulting from foreign exchange fluctuations, interest on delayed payments charged by contractors and other court awards. The exact amount will however be established on occurrence of the events.

#### **1.12 Reporting Currency**

These Accounts are presented in Kenya Shillings (KShs.) which is the Authority's functional currency.

#### **1.13 Comparatives**

The figures for the previous year have been aligned, where necessary, to conform to changes in presentation for the current year. Comparative columns have been provided for the financial years 2012/2013 and 2011/2012 respectively.

### **2. PROPERTY, PLANT AND EQUIPMENT: KSHS. 128,450,806,993**

All investments made by the Authority to facilitate roads construction/rehabilitation works which includes payment to road contractors, consultants and land compensations for affected roads have been captured under Work - In-Progress. A policy on capitalization of road assets is being developed through bench markings and consultations with other stakeholders.

# KENYA NATIONAL HIGHWAYS AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### Property, Plant and Equipment

Year ended	Work In Progress - Road Assets	Office Equipment	Office Partitions & Fixtures	Computer Equipment & Access.	ICT Infrastructure & Telephony	Furniture & Fittings	Motor Vehicles	Work In Progress (Others) <sup>2</sup>	TOTAL
30 June 2012	-	12.50%	16.7%	33.3%	33.3%	12.5%	25%		-
<i>Rate</i>	-	12.50%	16.7%	33.3%	33.3%	12.5%	25%		-
<i>COST</i>	<i>KShs.</i>	<i>KShs.</i>	<i>KShs.</i>	<i>KShs.</i>	<i>KShs.</i>	<i>KShs.</i>	<i>KShs.</i>	<i>KShs.</i>	<i>KShs.</i>
<i>As At 01.07.2011</i>	46,450,210,161	23,973,999	32,259,526	44,198,329	5,571,017	28,446,285	112,301,334		46,696,960,650
<i>Adjustments</i>									
<i>Additions</i>	41,269,267,556	3,745,278	15,939,252	24,475,441	6,699,256	12,096,844	237,573	26,874,804	41,359,336,004
<i>Disposals</i>		(126,695)							(126,695)
<i>As At 30.06.2012</i>	87,719,477,717	27,592,583	48,198,778	68,673,770	12,270,273	40,543,129	112,538,907	26,874,804	88,056,169,960
<b>DEPRECIATION</b>									
<i>As At 01.07.2011</i>		3,631,691	10,045,499	16,035,582	1,136,496	4,093,664	24,411,460		59,354,392
<i>Period Charge</i>		3,253,719	9,430,462	18,937,097	3,468,809	4,083,068	28,123,456		67,296,611
<i>Write off</i>									
<i>Disposals</i>		(46,617)							(46,617)
<i>As At 30.06.2012</i>		6,838,793	19,475,961	34,972,679	4,605,305	8,176,732	52,534,916		126,604,386
<b>NET BOOK VALUE AS AT 30.06.2012</b>	87,719,477,717	20,753,789	28,722,817	33,701,091	7,664,968	32,366,397	60,003,991	26,874,804	87,929,565,573

# KENYA NATIONAL HIGHWAYS AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### Property, Plant and Equipment

Year ended 30 June 2013	Work In Progress - Road Assets <sup>1</sup>	Office Equipment	Office Partitions & Fixtures	Computer Equipment & Access.	ICT Infrastruc- ture & Telephony	Furniture & Fittings	Motor Vehicles	Plant & Machinery	Buildings	TOTAL
<i>Rate</i>	-	12.50%	16.7%	33.3%	33.3%	12.5%	25%	10%	2.5%	-
<b>COST</b>	<b>KShs.</b>	<b>KShs.</b>	<b>KShs.</b>	<b>KShs.</b>	<b>KShs.</b>	<b>KShs.</b>	<b>KShs.</b>	<b>KShs.</b>	<b>KShs.</b>	<b>KShs.</b>
<i>As At 01.07.2012</i>	87,719,477,717	27,592,583	48,198,778	68,673,770	12,270,273	40,543,129	112,538,907	10,859,481	16,015,322	88,056,169,960
<i>Transfers</i>										
<i>Additions</i>	40,513,625,415	2,729,623	4,963,731	8,512,210	1,128,332	1,934,216	42,200,295	40,627,175		40,615,720,997
<i>Disposal</i>							(7,036,910)			(7,036,910)
<i>As At 30.06.2013</i>	128,233,103,132	30,322,206	53,162,509	77,185,980	13,398,605	42,477,345	147,702,292	51,486,656	16,015,322	128,664,854,047
<b>DEPRECIATION</b>										
<i>As At 01.07.2012</i>		6,838,793	19,475,961	34,972,679	4,605,305	8,176,732	52,534,916			126,604,386
<i>Period Charge</i>		3,575,221	13,361,995	21,248,023	4,167,722	5,161,472	35,310,887	4,515,792	400,383	87,741,495
<i>Write off</i>										
<i>Disposal</i>							(298,827)			(298,827)
<i>As At 30.06.2013</i>		10,414,014	32,837,956	56,220,702	8,773,027	13,338,204	87,546,976	4,515,792	400,383	214,047,054
<i>AS AT 30.06.2013</i>	128,233,103,132	19,908,192	20,324,553	20,965,278	4,625,578	29,139,141	60,155,316	46,970,864	15,614,939	128,450,806,993

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

<sup>1</sup>Work in Progress - Road Works of **KShs. 40,513,625,415** (2012: 41,269,267,556)

comprises of;

<b>Payments within KeNHA</b>	<b>2013</b>	<b>2012</b>
	<b><u>KShs.</u></b>	<b><u>KShs.</u></b>
• NCTIP.....	2,735,047,767	3,030,667,871
• EATTFP .....	174,267,132	9,912,523
• Nairobi - Thika Highway Development Project .....	1,135,190,210	7,119,301,505
• Nairobi Southern By pass.....	291,483,699	-
• Kisumu Northern By pass.....	2,860,640	-
• KTSSP .....	84,268,952	-
• NUTRIP.....	84,626,178	-
• Mombasa By-pass.....	104,354,299	-
• Other GoK Development projects.....	<u>14,653,692,921</u>	<u>10,939,737,369</u>
<b>Total expenditure including pending bills</b>	<b><u>19,265,791,798</u></b>	<b><u>21,099,619,268</u></b>
<b>Foreign Direct Payments</b>		
• Northern Corridor Transport Improvement Project.	6,576,867,152	5,427,895,389
• Nairobi -Thika Highway Development Project.....	5,918,639,633	7,610,925,952
• Nairobi Southern By pass .....	1,461,982,470	4,385,947,411
• EATTFP.....	579,812,185	52,821,057
• KTSSP .....	154,480,530	-
• Mombasa Southern By pass.....	572,692,323	-
• Other GoK Development projects.....	<u>5,983,359,324</u>	<u>2,692,058,479</u>
<b>Total Foreign Direct Payments</b>	<b><u>21,247,833,617</u></b>	<b><u>20,169,648,288</u></b>
<b>Grand total</b>	<b><u>40,513,625,415</u></b>	<b><u>41,269,267,556</u></b>

<sup>2</sup>**Other Work in Progress amounting to Nil**

<b>Cost</b>	<b>2013</b>	<b>2012</b>
	<b><u>KShs.</u></b>	<b><u>KShs.</u></b>
• At start of the year .....	26,874,804	-
• Plant and Machinery .....	-	10,859,482
• Buildings .....	-	16,015,322
• Transfers to Fixed Assets Schedule .....	<u>(26,874,804)</u>	-
<b>Total</b>	<b>=</b>	<b><u>26,874,804</u></b>

Expenditures on Mariakani Multi-Deck Weighbridge and the Office Block at Lower Eastern Region have since been capitalized and appropriate depreciation charged.

3. Intangible Assets- KShs. 41,210,995

Cost	2013 <u>KShs.</u>	2012 <u>KShs.</u>
• At start of the year .....	29,596,217	14,831,102
• Additions .....	<u>11,614,778</u>	<u>14,765,115</u>
<b>At close of the year</b>	<b><u>41,210,995</u></b>	<b><u>29,596,217</u></b>

Intangible assets relate to costs incurred towards purchase of computer applications software and the implementation of Sage Pastel Evolution accounting software.

4. Inventories – KShs.4,142,845

	2013 <u>KShs.</u>	2012 <u>KShs.</u>
• Stationeries & Consumables .....	4,142,845	3,328,192
• Fuel.....	-	732,471
• Motor Vehicle Tyres.....	-	23,682
• Road maintenance materials.....	-	<u>111,000</u>
	<b><u>4,142,845</u></b>	<b><u>4,195,345</u></b>

5. Trade and Other Receivables – KShs. 6,149,011,426

	2013 <u>KShs.</u>	2012 <u>KShs.</u>
• Advance Payments <sup>3</sup> .....	4,470,313,304	3,788,586,295
• Receivable From KRB.....	1,570,766,994	2,204,765,059
• Staff Mortgage Deposit Fund with HFCK	50,000,000	-
• Interest receivable on call deposits .....	23,259,279	25,399,057
• Travel Imprest .....	18,920,551	15,541,209
• Bank Guarantees & Deposits .....	1,705,300	7,065,300
• Debtors & Prepayments .....	6,692,098	4,951,499
• National Construction Authority	453,900	228,915
• Receivable From UAP Insurance.....	<u>6,900,000</u>	-
	<b><u>6,149,011,426</u></b>	<b><u>6,046,537,334</u></b>

<sup>3</sup>Advance Payments made to road contractors of KShs. 4,470,313,304 made at KeNHA and MOR.

	2013 <u>KShs.</u>	2012 <u>KShs.</u>
• Londiani - Fortenan - Muhoroni .....	272,407,425	389,286,088
• Nairobi - Thika .....	4,000,000	43,488,257
• Homa Bay- Mbita .....	155,595,606	242,421,219

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2013 <u>KShs.</u>	2012 <u>KShs.</u>
• Ndori - Ngiya .....	19,252,255	73,350,842
• Kisumu - Kisian .....	45,029,763	45,029,763
• Southern By pass .....	3,760,571	3,760,571
• Voi - Mwatate .....	40,088,010	206,765,739
• Lanet- Ndundori .....	-	50,731,575
• Bridge Over Rail along Timboroa-Eldoret ....	52,042,432	52,042,432
• Rangala-Siaya-Bondo.....	-	-
• Mariakani-Kilifi.....	-	83,734,780
• Kendu Bay - Homa Bay.....	-	77,550,207
• Nyahururu-Gilgil .....	-	15,653,232
• Standkhisa-Khumusalaba .....	-	65,300,000
• Ejinja-Bumala .....	96,528,401	173,581,443
• Loruk-Barpelo .....	570,991,278	570,991,278
• KCC (Sotik) - Ndanai-Gorgor .....	150,298,317	150,818,567
• Webuye - Malaba .....	135,095,936	181,692,895
• Nyamasaria - Kisumu-Kisian .....	181,172,482	181,172,482
• Eldoret-Turbo-Webuye .....	52,247,862	123,495,386
• Chiakariga - Mitunguu-Meru .....	466,880,670	466,880,670
• Chebilat - Ikonge-Chabera .....	108,609,780	83,609,780
• Kangema - Gacharage .....	95,000,000	95,000,000
• Thua Bridge & approach road .....	42,460,568	42,460,568
• Chepterit – Baraton - Kimondin.....	85,000,000	85,000,000
• Timboroa-Eldoret .....	64,768,521	64,768,521
• Kaloleni-Kilifi .....	220,000,000	220,000,000
• Kisumu- Kakamega.....	26,554,048	-
• Nairobi Southern By-pass.....	773,990,719	-
• Webuye-Kitale.....	116,487,707	-
• Modika –Nuno.....	109,019,140	-
• Turbi-Moyale.....	72,369,209	-
• One-Stop Border Post –Taveta.....	18,464,468	-
• One-Stop Border Post –Isebania.....	14,826,224	-
• One-Stop Border Post –Malaba.....	19,982,330	-
• One-Stop Border Post –Busia.....	20,838,330	-
• One-Stop Border Post –Lunga-Lunga.....	17,607,019	-
• Rehabilitation of Kisumu-Kakamega.....	90,566,379	-
• Kakamega-Webuye.....	51,493,523	-
• Webuye-Kitale.....	22,571,223	-
• Repair/Renovation of MoR/MoP offices in Homabay,Oyugis,Kisumu.....	16,154,844	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2013 <u>KShs.</u>	2012 <u>KShs.</u>
• Mbita causeway replacement bridge & approach roads on Homabay-Mbita.....	43,158,264	-
• Rumuruti-Maralala.....	50,000,000	-
• Siaya-Ruambwa C29.....	50,000,000	-
• Masara Suna Kehancha/Awendo Mariwa.....	50,000,000	-
• Magumu Njambini C68.....	<u>45,000,000</u>	-
	<b><u>4,470,313,304</u></b>	<b><u>3,788,586,295</u></b>

6. Cash and Cash Equivalent-KShs. 6,620,323,377

6.1. Cash and bank balances of KShs.4,620,323,377 were held in the following banks:-

	2013 <u>KShs.</u>	2012 <u>KShs.</u>
• NIC Bank Ltd.....	675,758,501	1,296,504,428
• Co-operative Bank of Kenya Ltd.....	2,870,260,662	498,704,037
• National Bank of Kenya Ltd.....	765,401,619	489,437,727
• Equity Bank Ltd .....	167,791,199	327,217,766
• Kenya Commercial Bank Ltd.....	140,417,023	53,565,876
• Cash at hand .....	<u>694,373</u>	<u>673,864</u>
	<b><u>4,620,323,377</u></b>	<b><u>2,666,103,698</u></b>

6.2. On-Call deposits placed at year end amounted to KShs. 2,000,000,000 with the following financial institutions:-

	2013 <u>KShs.</u>	2012 <u>KShs.</u>
• Kenya Commercial Bank Ltd.....	-	300,000,000
• Bank of Africa Ltd.....	280,000,000	300,000,000
• National Bank of Kenya Ltd.....	280,000,000	900,000,000
• HFCK.....	280,000,000	300,000,000
• Transnational Bank.....	-	100,000,000
• Chase Bank .....	90,000,000	100,000,000
• Co-operative Bank.....	700,000,000	-
• Commercial Bank Of Africa.....	280,000,000	-
• ABC Bank.....	<u>90,000,000</u>	-
	<b><u>2,000,000,000</u></b>	<b><u>2,000,000,000</u></b>

7. Trade Payables and Accruals- KShs. 16,636,605,979

The following obligations were outstanding as at 30<sup>th</sup> June 2013:

	2013	2012
	<u>KShs.</u>	<u>KShs.</u>
• Retention Monies.....	2,224,996,110	2,311,429,739
• Creditors .....	139,786,870	203,644,365
• Accrued pension/gratuity .....	75,725,604	63,514,060
• Provision for Audit Fees .....	5,000,000	2,500,000
• Road cutting deposits.....	<u>34,172,580</u>	<u>15,336,485</u>
	2,479,681,164	2,596,424,649
<b>Outstanding Road Works Certificates</b>		
• Nairobi – Thika Highway Devept. Project.....	3,487,666,846	4,480,347,543
• Other GoK Development projects.....	8,036,987,408	3,179,723,934
• Road Maintenance Contractors .....	488,562,417	1,087,013,402
• N. Corridor Trans. Improvement Project	1,675,686,877	585,040,903
• EATTFP.....	68,223,570	-
• NUTRIP .....	34,585,851	-
• Mombasa Bypass.....	104,354,300	-
• Kisumu Northern Bypass.....	2,860,640	-
• Southern bypass.....	<u>257,996,906</u>	-
	14,156,924,815	<u>9,332,125,782</u>
<b>Grand Totals</b>	<b><u>16,636,605,979</u></b>	<b><u>11,928,550,431</u></b>

8. Reserves & Grants KShs. 124,628,889,657

	2013	2012
	<u>KShs.</u>	<u>KShs.</u>
• At the beginning of period .....	1,677,893,871	286,674,021
• Surplus for the year .....	2,371,727,863	1,391,219,850
• Government Grants <sup>4</sup> .....	<u>120,579,267,923</u>	<u>85,069,553,865</u>
	<b><u>124,628,889,657</u></b>	<b><u>86,747,447,736</u></b>

<sup>4</sup>Includes

	2013	2012
	<u>KShs.</u>	<u>KShs.</u>
• At start of the Year.....	85,069,553,865	48,681,345,640
• Exchequer Funds .....	14,201,379,970	16,218,559,937
• Government Grants from development partners .....	<u>21,308,334,088</u>	<u>20,169,648,288</u>
	<b><u>120,579,267,923</u></b>	<b><u>85,069,553,865</u></b>

**9. Exchequer Funds KShs.623,714,505**

• Emergency Funds .....	375,000,000	-
• NCTIP .....	33,070,938	75,062,784
• Nairobi Southern By-pass .....	4,803,105	126,884,014
• Other GoK Development Projects.....	146,104,989	257,121,824
• EATTFP .....	2,776,676	4,210,102
• KTSSP .....	49,981,432	5,649,549
• LAPSSET .....	149,005	571,713,519
• Mombasa Bypass.....	4,745,753	-
• NUTRIP.....	3,748,537	-
• Greater Southern By-pass.....	942,683	-
• Nairobi - Thika Highway.....	<u>2,391,387</u>	-
	<b><u>623,714,505</u></b>	<b><u>1,040,641,7</u></b>

**10. Road Maintenance Levy Fund (RMLF) and Transit Tolls-  
KShs. 10,094,179,998**

	<b>2013</b>	<b>2012</b>
	<b><u>KShs.</u></b>	<b><u>KShs.</u></b>
• Road Maintenance Funds .....	8,596,961,998	8,541,466,807
• Administration & Operations Fund .....	955,218,000	949,051,867
• Transit Tolls .....	392,000,000	320,481,326
• RMLF Allocation from 10% of Fund ...	<u>150,000,000</u>	-
	<b><u>10,094,179,998</u></b>	<b><u>9,811,000,000</u></b>

**11. Other Income - KShs. 494,652,341**

	<b>2013</b>	<b>2012</b>
	<b><u>KShs.</u></b>	<b><u>KShs.</u></b>
• Interest Income .....	448,918,953	350,354,738
• Sale of Tender Documents .....	17,935,500	17,411,260
• Road cutting fees.....	24,912,036	15,303,150
• Road Reserve Use Authority Fees .....	390,700	3,490,280
• Miscellaneous Income <sup>5</sup> .....	<u>2,495,152</u>	<u>1,444,410</u>
	<b><u>494,652,341</u></b>	<b><u>388,003,838</u></b>

<sup>5</sup>Includes

	<u>KShs.</u>	<u>KShs.</u>
○ Rental Income.....	2,247,055	1,315,041
○ Gain on disposal of fixed assets .....	161,918	-
○ Interest on Salary Advances .....	86,179	129,369
	<u>2,495,152</u>	<u>1,444,410</u>

## 12. Board Expenses- KShs.54,474,906

During the year Board expenses totaling KSh. 54,474,906 were incurred as follows:

	<u>2013</u> <u>KShs.</u>	<u>2012</u> <u>KShs.</u>
● Salaries & Allowances .....	18,185,688	18,222,394
● Honoraria & Telephone .....	1,044,000	970,000
● Lunch Allowance .....	372,000	578,600
● Transport, Travelling & Accommodation.	17,003,027	14,705,921
● Insurance .....	480,392	620,608
● Training .....	11,169,456	7,252,900
● Refreshments .....	353,179	201,790
● Ministerial & Other Official Functions.....	4,602,555	668,960
● Gratuity.....	1,264,609	1,202,963
	<u>54,474,906</u>	<u>44,424,136</u>

\*Director General's expenses are included in Board expenses above.

## 13. Staff Expenses- KShs. 831,745,409

During the year staff expenses totaling to KShs. 831,745,409 were incurred as follows:

	<u>2013</u> <u>KShs.</u>	<u>2012</u> <u>KShs.</u>
● Salaries & Allowances .....	668,035,014	566,943,283
● Pension & Gratuity .....	45,081,339	35,484,937
● Training & Subscription .....	50,495,742	32,649,624
● Welfare .....	14,473,125	21,974,223
● Staff Medical & Group Life Insurance.....	53,086,969	21,648,402
● Recruitment .....	573,220	981,175
	<u>831,745,409</u>	<u>679,681,644</u>

The number of employees at the end of the year was 422 (2012: 368)

**14. Administrative Expenses- KShs. 640,178,206**

During the year, the Authority incurred the above expenditure as shown below;

	<b>2013</b>	<b>2012</b>
	<b><u>KShs.</u></b>	<b><u>KShs.</u></b>
• Postage & Courier Services.....	968,252	879,582
• Reference Material.....	63,635	139,830
• Telephone & WAN Connectivity <sup>6</sup> .....	9,926,575	10,122,566
• Newspapers & Magazines.....	2,017,290	1,769,085
• Drinking water.....	786,668	694,565
• Printing & Photocopy.....	1,992,201	2,196,978
• Hire of Ground/Non Ground Transport .....	859,735	2,120,934
• Kitchen Utensils.....	187,709	161,756
• General Insurance.....	1,834,951	681,150
• Stationery & Consumables .....	15,156,372	20,822,205
• Cleaning & Sanitation .....	6,426,518	4,332,730
• Security Expenses .....	23,155,405	23,268,373
• Professional Fees .....	48,797,665	52,166,058
• Conference & Seminars .....	2,243,809	8,468,942
• Advertising , Publicity& CSR .....	26,690,439	39,709,956
• Field Activities .....	50,374,846	50,981,988
• Motor Vehicles Running Expenses .....	46,946,122	45,436,373
• Bank Charges .....	2,501,588	1,920,686
• Foreign Exchange Loss .....	37,965	60,129
• Loss on Disposal of fixed Assets.....	-	63,478
• Depreciation .....	87,741,499	67,296,647
• Repairs & Renewals .....	6,250,405	5,908,514
• Utilities .....	2,160,340	1,834,010
• Rent .....	54,343,712	43,268,385
• Development Projects Admin. Exps <sup>7</sup> .....	<u>248,714,505</u>	<u>1,041,641,792</u>
	<b><u>640,178,206</u></b>	<b><u>1,425,946,720</u></b>

<sup>6</sup>Telephone & WAN connectivity of **KShs 9,926,575** relates to the following:

○ Telephone directory billing .....	1,685,990	1,406,059
○ Provision of internet, data and email .....	4,329,468	6,100,939
○ Telephone expenses .....	<u>3,911,117</u>	<u>2,615,568</u>
	<b><u>9,926,575</u></b>	<b><u>10,122,566</u></b>

<sup>7</sup> Development project Administration Costs : **KShs.248,714,505**

	<b>2013</b>	<b>2012</b>
	<b><u>KShs.</u></b>	<b><u>KShs.</u></b>
• LAPSSET Project Expenses .....	149,005	571,713,519
• Other GoK Development Project Expenses.....	146,104,989	257,121,824
• Nairobi Southern Bypass Project Expense.....	4,803,105	126,884,014
• NCTIP Project Expenses .....	33,070,938	75,062,784
• KTSSP Project Expenses .....	49,981,432	5,649,549
• EATTFP Project Expenses .....	2,776,676	4,210,102
• NUTRIP Project Expenses.....	3,748,537	-
• Greater Southern By-pass.....	942,683	-
• Mombasa By-pass.....	4,745,753	-
• Nairobi Thika Highway Project Expenses .....	<u>2,391,387</u>	-
	<b><u>248,714,505</u></b>	<b><u>1,040,641,792</u></b>

**15. Road Maintenance Expenses- KShs. 7,314,420,460** are distributed as follows;

	<b>2013</b>	<b>2012</b>
	<b><u>KShs.</u></b>	<b><u>KShs.</u></b>
• Road maintenance works .....	6,906,486,376	7,334,229,886
• Axle load control expenses <sup>8</sup> .....	358,392,947	331,109,458
• Emergency Road Works .....	49,179,612	32,265,513
• <i>Kazi Kwa Vijana (KKV)</i> .....	<u>361,525</u>	<u>1,768,423</u>
	<b><u>7,314,420,460</u></b>	<b><u>7,699,373,280</u></b>

<sup>8</sup>Axle load Control expenses of **Kshs.358,392,947**

	<b>2013</b>	<b>2012</b>
	<b><u>KShs.</u></b>	<b><u>KShs.</u></b>
○ Weigh Bridges Management contracts .....	321,036,858	262,742,937
○ Construction of auxiliary lane approach to Mariakani weighbridge .....	-	49,773,823
○ Weighbridge operational expenses .....	<u>37,356,089</u>	<u>18,592,698</u>
	<b><u>358,392,947</u></b>	<b><u>331,109,458</u></b>