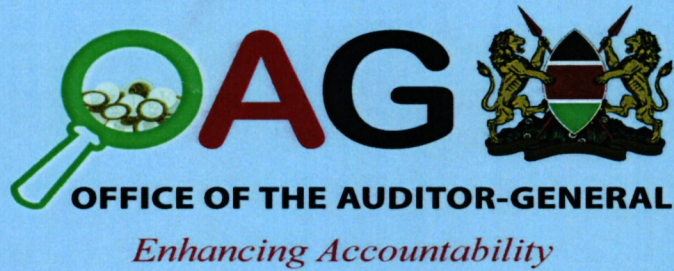


REPUBLIC OF KENYA



**REPORT**

**OF**

PARLIAMENT  
OF KENYA  
LIBRARY

**THE AUDITOR-GENERAL**

**ON**

**KENYA URBAN ROADS AUTHORITY**

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

PARLIAMENTARY ASSEMBLY  
P.O. BOX 1470  
NAIROBI

DATE: 01 DEC 2022 Thursday

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# KENYA URBAN ROADS AUTHORITY

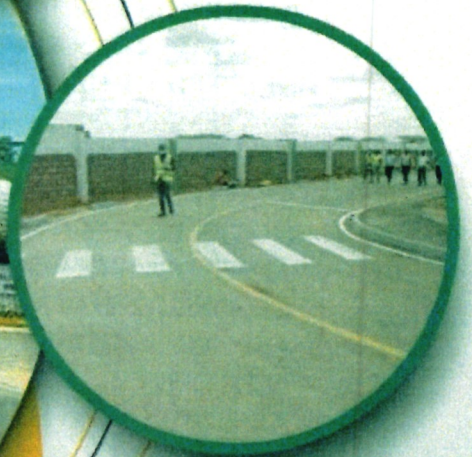
Efficient and safe urban roads



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

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THE NATIONAL ASSEMBLY  
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NAIROBI

DATE 01 DEC 2022

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**ANNUAL REPORT & FINANCIAL  
STATEMENTS FOR THE FINANCIAL  
YEAR ENDED 30<sup>TH</sup> JUNE, 2021**

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# OUR MANDATE

The mandate of KURA as defined in the Kenya Roads Act, 2007 is the Management, Development, Rehabilitation and Maintenance of National Urban Trunk Roads.



**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 Transport, Infrastructure, Public works, Housing and Urban Development 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 30<sup>th</sup> June 2021 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. Abdulrashid Mohamed
5. Ag. Director, Urban Roads Planning & Design	: Eng. Jacinta W. Mwangi
6. Director, Policy, Strategy & Compliance	: Eng. Mike Yego Teliény

### **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.

### **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](mailto:info@kura.go.ke)  
Website: [www.kura.go.ke](http://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**

The Auditor General  
Kenya National Audit Office  
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



# **KENYA URBAN ROADS AUTHORITY**

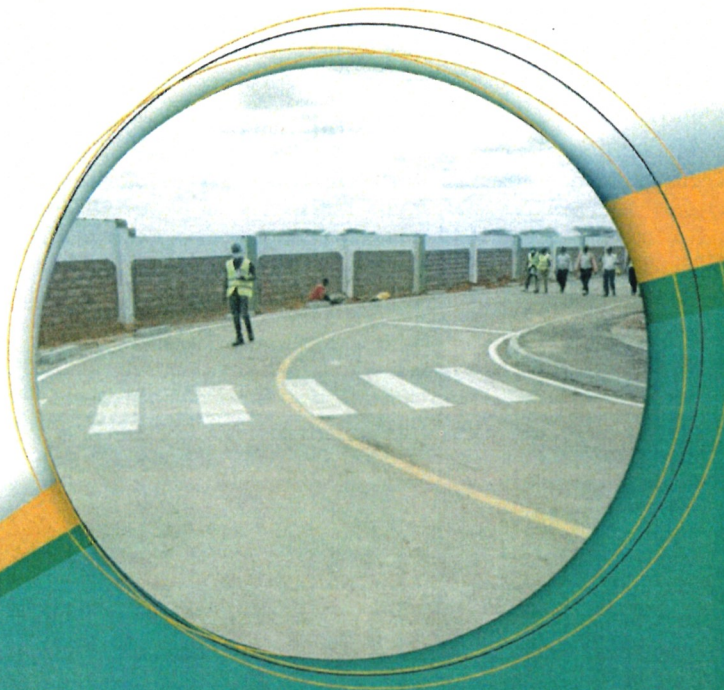
*Enhancing urban mobility*

## **OUR MISSION**

**"To provide and manage quality, safe and adequate urban road network"**

## **OUR VISION**

**"A world class urban road network for sustainable development"**



## BOARD OF DIRECTORS

The Board members are drawn from representatives from public and private sector as set out in section 11 of the Kenya Roads Act 2007. The members who held the office during the year under review up to the date of this report were as follows:



**Dr. Julius Muia**  
Principal Secretary, National Treasury



**Prof. Arch. Paul M. Maringa**  
(PhD), CBS, Corp. Arch,  
MAAK, MKIP  
Principal Secretary  
State Department of Infrastructure



**Charles T. Sunkuli**  
Principal Secretary  
State Department of Devolution

**Dr. Julius Muia** is the Principal Secretary at The National Treasury. Prior to this, he was the Principal Secretary at the State Department for Planning - The National Treasury and Planning. Before his appointment as PS Planning, he was the Director General, Vision 2030 Delivery Secretariat. Between April 2008 and October 2016, Dr. Muia served as the Secretary, National Economic and Social Council, Office of the President. Dr Julius Muia graduated with a First-Class Honors Degree in Accounting, Master's Degree and PhD in Finance from the University of Nairobi. His professional qualifications include Certified Public Accountant (CPA-K); Certified Public Secretary (CPS-K), Associate of Kenya Institute of Bankers; Associate Chartered Institute of Arbitrators; and Certified Coach. Dr. Muia has over 25 years' experience in leadership in the private sector in Kenya and UK. Dr. Julius Muia serves as a non-executive board member in several companies and a number of not-for profit organizations

Professor Paul Mwangi Maringa is the Principal Secretary for the State Department of infrastructure in the Ministry of Transport and Infrastructure. Prior to his appointment as Principal Secretary, he was the Strategic Advisor for Planning and Project Management of Workforce Development Authority (WDA), Kigali, Rwanda. Prior to this he was the Vice Chancellor of Kigali Institute of Science and Technology (KIST), Kigali, Rwanda. Professor Maringa is credited with having pioneered the School of Architecture and Building Sciences (SABS) at Jomo Kenyatta University of Agriculture and Technology (JKUAT) and the Faculty of Architecture and Environmental Design (FAED) at KIST in Rwanda. Born in 1959 professor Maringa has over 30 years of dedicated service variously in the Public Service, Universities and the private sector as a Consultant, Lecturer and Administrator. He holds a Bachelor's degree in Architecture from the University of Nairobi, a Masters of Arts in Planning (Urban & Regional Planning) from the University of Nairobi and is a Doctor of Philosophy in Environmental Planning (PHD) from JKUAT

**Mr. Charles T. Sunkuli**, is the Principal Secretary, State Department for Devolution, Ministry of Devolution and ASAL. Previously he served as the Principal Secretary, Ministry of Environment and Forestry. Mr. Sunkuli is an experienced management strategist with a solid background in Administration, Planning, Management and Leadership. Prior to his appointment as a Principal Secretary, Mr. Sunkuli worked with Ewuaso Ng'iro South River Development Authority (ENSDA) where he rose through the ranks to become the Managing Director in the period between 2010-2016. He holds two Executive master's degrees in business administration (EMBA) from Eastern and Southern Africa Management Institute (ESAMI) and Maastricht School of Management (MSM) Netherlands and a Bachelor of Education Degree (B.Ed. Arts) from Moi University



**Mr. Joseph Gathua Kiarii**  
Alternate Member to the Principal Secretary  
at the National Treasury & Planning.



**Eng. James M. Kung'u**  
Alternate Director to the Principal  
Secretary, State Department of  
Infrastructure



**Mr. Isaac Nderitu Githui**  
Alternate Member to the Principal  
Secretary Ministry of Devolution and  
ASAL.

**Mr. Joseph Gathua Kiarii** has a wealth of experience in the Public Service. His tour of service includes 4 years as an Accountant at the Machakos District Treasury, a short stay in the Ministry of Foreign Affairs and Office of the President at the Headquarters. Currently he serves at The National Treasury (Government Investments and Public Enterprises Management for over 18 years. His responsibilities include ensuring that approved financing (Loans and Grants) to state owned enterprises is captured in the National budget, preparation of Directorate Statements of accounts and attending to Audit and parliamentary issues with regard to public expenditure, restructuring, financial oversight over state corporations and revenue collection. Born in 1966 Mr Kiarii holds a Bachelor of Commerce degree (Accounting option) from the University of Nairobi. He is the alternate Member to the Principal Secretary at the National Treasury & Planning.

**Eng. James M. Kung'u** is currently the Chief Engineer (Roads) in the State Department of Infrastructure. He is the Advisor to the Government through the Principal Secretary on matters related to Road Policy that includes road development and maintenance standards. He has been at the lead in coordinating key infrastructure initiatives under the State Department of Infrastructure 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 of Infrastructure

**Mr. Isaac Nderitu Githui** is currently serving as the Secretary Special Programmes Ministry of Devolution and ASAL. Mr. Githui is a proficient administrator having served in various administrative posts in the Country. He has a wealth of knowledge in Public Administration and Strategic Management spanning over 29 years. He holds a MBA (Strategic Management), BBA (Accounting and Finance) and is currently undertaking a Doctor of Philosophy (PhD) at the University of Nairobi. He was born in 1961 and is the Alternate Member to the Principal Secretary Ministry of Devolution and ASAL.



**Mr. Henry Musemate  
Murwa (Deceased)**

Institute of Surveyors of Kenya

**Mr. Murwa** is an all-rounded Geospatial Engineer & Consultant with vast experience in Land Survey & Mapping, Land Administration, Digital Photogrammetry, and Computer aided Mapping & Land Information Systems. Mr. Murwa represents the Institute of Surveyors of Kenya in the Board. Prior to his appointment, he worked Ministry of Lands & Housing for over 18 years in various capacities including Ag. Assistant Director of Survey with Geodetic & Computer Assisted Mapping Branch where he also served as the Superintendent Surveyor at Cadastral Branch Headquarters. Born in 1959, Mr. Murwa holds a B. Sc (Eng.) Surveying & Photogrammetry (University of Nairobi) and Postgraduate Diploma in Photogrammetry (Digital Photogrammetry) from *Institute of Aerospace Surveys & Earth Sciences* in the Netherlands. He chairs the Audit & Compliance Committee of the Board.



**Plan. Joyce Kariuki**  
Kenya Institute of Planners

**Ms. Kariuki** is 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 serves in the Human Resource Committee and Technical Committee of the Board.



**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 the 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. He is a member of Strategy and Finance Committee of the Board.



**Mr. Josiah Tarayia Kores**  
Association of County Government of  
Kenya (ACGOK)

Mr. Kores is an astute administrator having served in various public bodies. Previously he has served as a Councilor and Chairman Olkejuado County Council, President, United Cities and Local Government of Africa (UCLGA), Member of United Nations Advisory Council on Local Authorities, (UNACLA), Member of the Commonwealth Local Government Forum, Chairman Association of Local Governments Authorities of Kenya (ALGAK) and Chairman of Kenya Meat Commission. Born in 1970, Mr. Kores holds a bachelor's degree in development studies. He chairs the board technical committee



**Basil Ntwiga Nyaga**  
Matatu Welfare Association  
(Urban Public Transport)

Mr Basil Ntwiga Nyaga is an established businessman with over 20 years in transport sector. He is currently the secretary general of Matatu welfare association (MWA). Prior to venturing in business Mr Nyaga served for 12yrs at D.T.Dobie & Co. Ltd rising from a management trainee to deputy general manager( management services). Born in 1958 Mr Nyaga holds a bachelor of commerce degree from University of Nairobi and various professional and governance certificates acquired both locally and internationally. He represents Matatu welfare association in KURA board currently serving as Chairman of board finance and strategy committee (BSFC)



**Eng. Charles Mugo Chiuri**  
Institute of Engineers of Kenya

Eng. Chiuri is a registered engineer and a fellow of the Institution of Engineers of Kenya (IEK). He has over 4 decades of experience in the roads sector 29 years of which was spent in the city engineering department where he was instrumental in planning design and development of various Nairobi City roads. Eng. Chiuri has also served in various capacities in the private sector where he was involved in the design and supervision of 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. In addition, Eng. Chiuri has extensive training in the areas of transport project planning, road traffic management and corporate governance.



**Eng. Silas M. Kinoti, MBS**  
Director General  
Secretary to the board

**Eng. Silas Kinoti** is the Director General of Kenya Urban Roads Authority. He is a Registered Engineer with Engineers Board of Kenya (EBK) & a Corporate Member of The Institution of Engineers of Kenya (IEK). He is a seasoned engineer with vast experience in Management of Urban Roads, particularly Urban Roads Planning and Management, Innovations in Urban Road Management and Financing, Urban Mobility and Non-Motorized Transport Systems and Project Planning & Management. He holds an MBA in Corporate Management, and a Bachelor of Science degree in Civil Engineering, He is also a certified ISO 9001:2015 Lead Auditor and has extensive training on; Corporate Governance and Organizational Development, Strategic Negotiation Skills, Innovations in Road Management and Financing, urban mobility and Non-Motorized Transport Systems, Project Development and Management as well as Public Private Partnership (PPP) Contract Management.

## MANAGEMENT TEAM



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



CPA. Reuben Mayienda  
**Director, Corporate Services**  
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)  
PE, Member-IEK



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



Eng. Mike Yego Telienu  
**Director, Policy, Strategy & Compliance**  
MBA (Strategic Management)  
BSc. (Civil Engineering)  
Member-IEK



Eng. Abdulrashid Mohamed  
**Director, Road Asset & Corridor Management**  
Msc (Construction management)  
BSc. (Civil Engineering)  
Member-IEK

## CHAIRMAN'S STATEMENT



Infrastructure plays an important role in the economy of any country due to the nature of impact it has on the citizen's welfare and investments. The roads subsector particularly is a vital factor in the socio-economic development of a country as it facilitates access to markets, which in turn enhances production and increases the level of employment. In Kenya the roads transport accounts for 93 % of all freight and passenger traffic with the balance attributed to other modes of transport mainly air sea and water. This underscores the significance of the subsector to the Kenyan economy.

The urban roads network is part of the National critical infrastructure assets that are vital to the continued delivery and integrity of the essential services upon which the nation relies. As the Country seeks to position itself as a regional investment hub through implementation of its development Agenda, the Authority continues to facilitate this aspiration by ensuring development and maintenance of a Safe and Efficient urban road network that supports sustainable socio-economic development

Urban centers in Kenya have gone through a rapid growth process and are therefore grappling with the challenge of traffic congestion and other connectivity issues. As a key stakeholder in the sector, we are continually faced with the challenge of ensuring investments in the urban road infrastructure keeps pace with the growing settlement. Large and sustained public infrastructure investments plays a huge role in stimulating urban productivity and overall quality of life. With improved investment in connectivity, Kenya's cities could then attract vast sums of private finance, allowing them to tap into and enhance their competitiveness in global markets.

The authority continues to play its role in the development of urban roads network as well as other initiatives aimed at improving mobility in the urban centers. During the period under review the Authority implemented various national urban road development and management projects across the country. The National Government investment in the urban roads during the year amounted to Ksh 14.8 billion out of which 7.5 billion was utilised towards the upgrading part of the existing network to bitumen standards as well as construction of new roads across the country. A total of Ksh 7.3 billion sourced from the Road Maintenance Levy Fund was availed for maintenance of the network. Development partners' funding for the year amounted to Ksh 420 million. Even with this level of investment, the funding gaps in the Sector

financing levels compared to the ever-rising demand for a safe and efficient urban road network remains a challenge.

The Authority has made great strides in actualizing Government policies and playing its enabling role in facilitating the attainment of the Vision 2030 aspirations, the big four agenda as well objectives set out in the Authorities 2018-2022 Strategic Plan. During the year, the Authority had its fair share of disruptions in the project implementation as a result of the prevailing Covid -19 pandemic. Slow progress was recorded in some of the projects following the containment measures issued by the government. The authority put in measures to ensure compliance with the ministry of Health protocols both in her offices as well as projects.

As part of the long-term and enterprise-wide risk management strategy to address disruptions in the authority's operations, the Board approved a Business Continuity Management Policy as well as Business Continuity Plan developed by the management during the year to address business continuity risks. The two policy documents will go a long way in enhancing the capability of the Authority in ensuring the continuity of its critical infrastructure, core services, systems and essential business processes.

The Board remains committed in steering the Authority to the next level by providing the necessary guidance and oversight required to ensure the effective delivery of its mandate and realization of the objectives as listed in the 2018-2022 Strategic Plan.

On behalf of the Board of Directors I take this opportunity to acknowledge the immense support provided by the National Government, our collaborators, Development partners and all our Stakeholders. The Board further wishes to thank the management and staff of Kenya Urban Roads Authority for their tireless efforts in ensuring that the authority continually delivers on its mandate.



Eng. Charles M. Chiuri

**BOARD REPRESENTATIVE**

## REPORT OF THE DIRECTOR GENERAL



An efficient transport system is an important prerequisite for facilitating national and regional integration, promoting trade, economic development, contributing to poverty reduction and wealth creation and for achieving the objectives of Kenya Vision 2030 and beyond.

The transport sector has undergone a major transformation over the recent past including clarification of the institutional and ownership arrangements and development of policy for road sub sector and overall transport sector. However, more attention needs to be paid to urban transport issues including investments in urban transport infrastructure and services. The government's Road Sector Investment Plan (RSIP) 2010 – 2024 recognizes this and significant resources have been allocated toward improvement of urban infrastructure. The Government places high priority on infrastructure that is needed to support the envisaged economic growth.

### 1 The Urban Roads Network

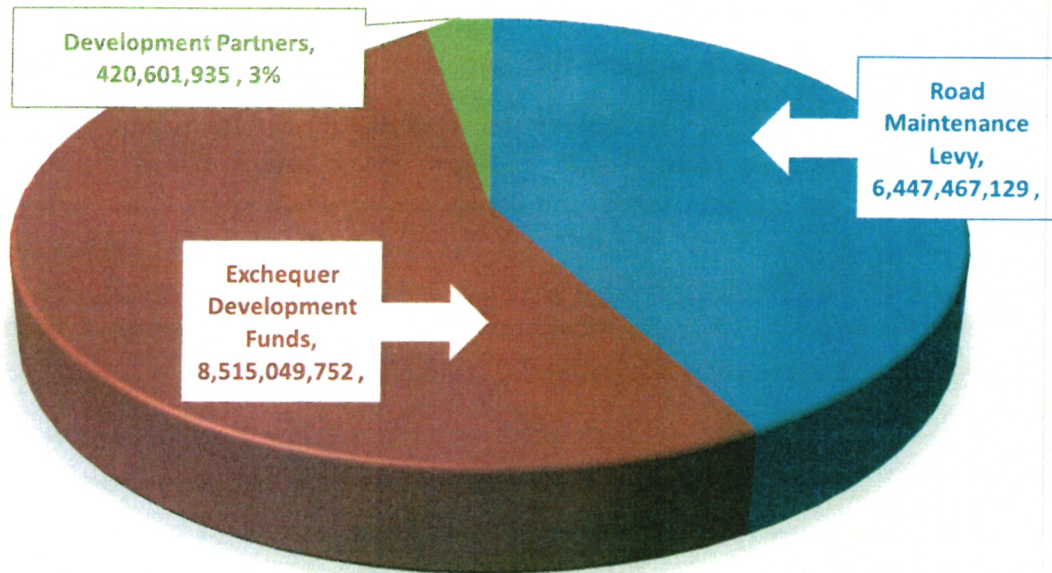
Due to rapid urbanization, the urban road network in Kenya has greatly increased and is currently estimated at 3,954 kilometres 30% of which is paved and 70% unpaved. Reeling under conditions of rapid growth, urban transport infrastructure and public transport in towns in Kenya has not been able to keep pace, and as a result public space is inefficiently utilized and highly congested especially in Nairobi.

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 population. The pressure exacted on the urban infrastructure as a result of this growth calls for corresponding increase in allocation of resources for upgrade and maintenance of the urban roads network to guarantee improved mobility and connectivity within our urban centres.

### 2 Resource allocation

Kenya Urban Roads Authority has three major sources of funds namely, exchequer, Road maintenance Levy Funds (RMLF) and development partners grants. During the year, the Authority received a total of Ksh. 15.2 billion for development and

maintenance of urban roads. Figure 1 below shows the breakdown of the funds in the three major categories.



**Figure 1: Funding sources 2020-2021**

Exchequer and development partner's funds are utilised towards opening of new roads in the urban centres across the country as well as upgrading the unpaved roads to bitumen standards. The Road maintenance Levy on the other hand is utilised for maintenance of the existing network for the purposes of ensuring they remain motorable as well as protecting the initial investments in the network.

### 2.1 Performance and utilisation of funds

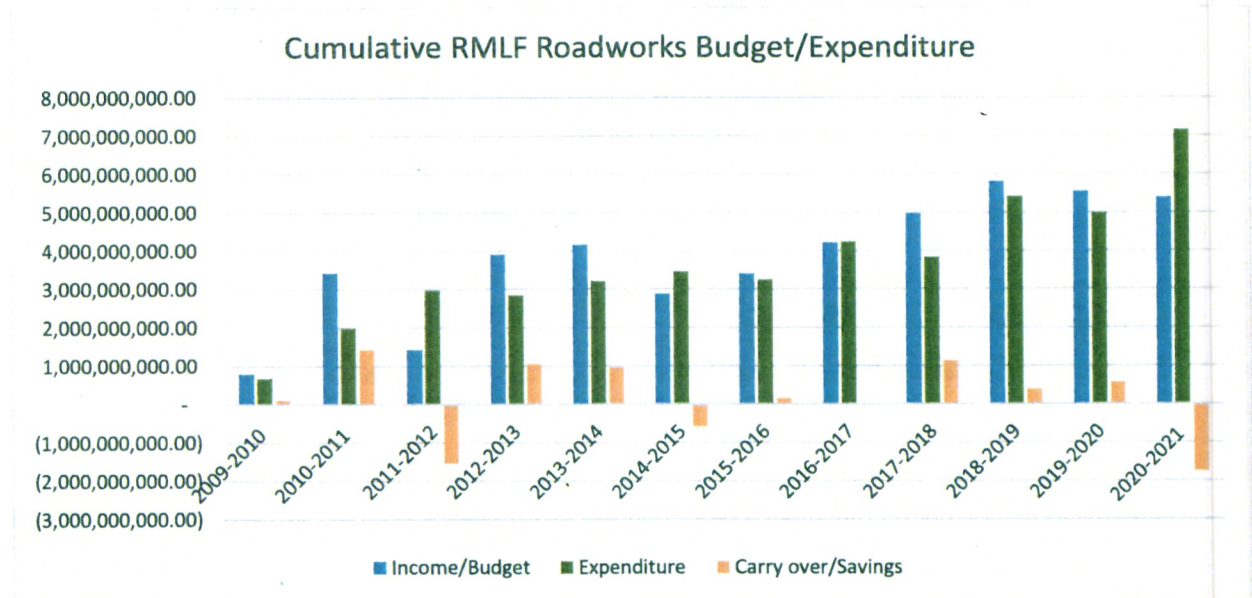
The Authority has continuously been committed to ensuring that the funds received from the government as well as development partners have been applied for the purpose for which it was intended and that the use of such resources is efficient and transparent, in accordance with the principles, procedures and requirements of the Authority and sound professional practice with a focus on the value for money

### 3 Road construction and development

The authority continued to implement road projects under the low volume seal programme as well as the conventional model of contracting utilising the funds received from the exchequer and development partners.

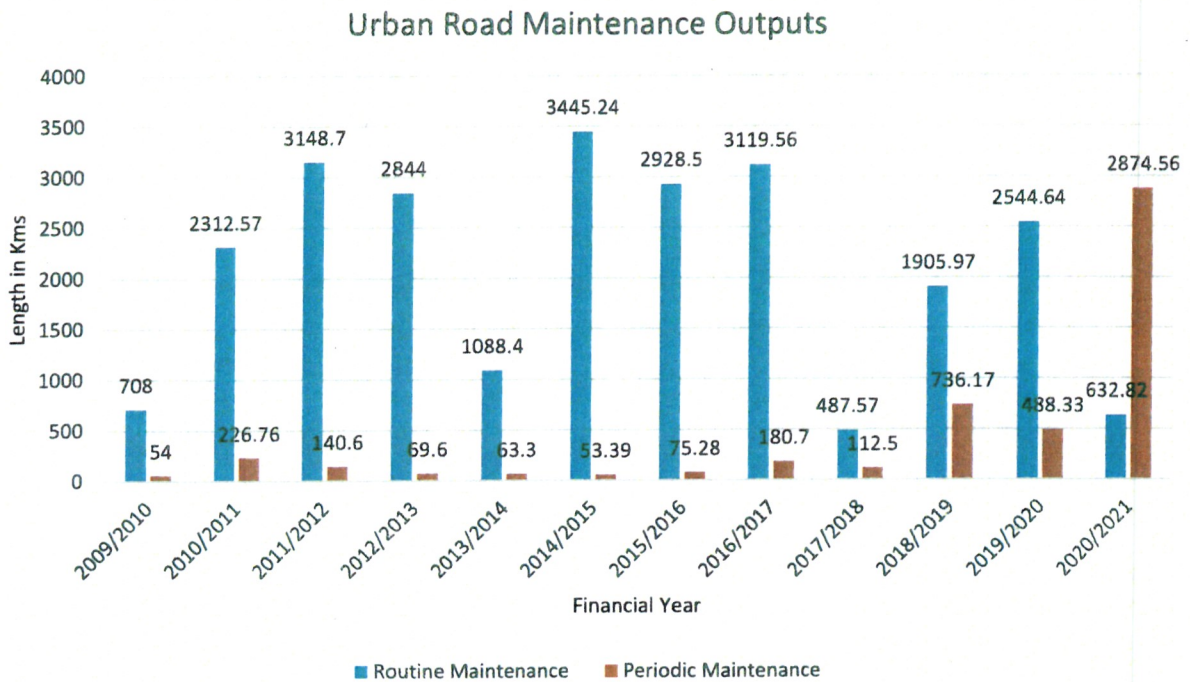
### 4 Road maintenance and rehabilitation

To preserve and protect the value and investment in the urban road assets, the Authority undertakes routine and periodic maintenance of all roads under her jurisdiction on an annual basis based on approved work plans. The Authority’s Road maintenance programs are funded by the Road Maintenance Levy Fund (RMLF) administered by Kenya Roads board in accordance with the Roads Board Act 1999(revised 2020). Since its establishment, the fund has steadily grown in meeting the needs for the urban road works with the expenditure matching the budget as tabulated below.



During the Year 2020/2021, the Authority carried out periodic maintenance on 632.82 lane km of roads and routine maintenance on 2,874.56 Lane km of roads. The figure below shows the annual kilometers maintained by the Authority over the years.





#### 4.1 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 incorporating the Roads 2000 strategy, which is labour-intensive, and which provides employment opportunities to the youth and women. During the 2020/2021 financial year, the Authority created employment for 8375 equivalent full-time jobs under R2000 program against the performance target of 5200 jobs. These are employed directly by contractors who execute the projects.

#### 4.2 RMLF Outcomes

The maintenance of urban roads has improved 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 as well enhanced urban mobility and travel time reduction, improved environmental conditions through reduced dust 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.

### **4.3 Impacts RMLF 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 the 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 through provision equal opportunities during procurement. During the year under review, contracts amounting to Ksh 2,889,062,171.63 were awarded to the vulnerable groups under the Access to Government Procurement Opportunities programme.

### **4.4 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.

The annual investment in the routine and periodic maintenance roadworks is tabulated below. Over the last five years the authority has invested Ksh **25,044,885,898** in the road maintenance works. The routine maintenance consumed 38% of the investment while periodic maintenance consumed 62% of the total investment. The average annual output for the kilometers maintained amounted to 1738Km for routine maintenance and 878Km for periodic maintenance.

FY	Routine Maintenance (Kshs)	Periodic Maintenance (Kshs)	Total (Kshs)
2016-2017	2,439,001,768	1,669,166,334	4,108,168,102
2017-2018	1,946,363,306	1,687,455,666	3,633,818,972
2018-2019	2,097,860,859	3,185,358,805	5,283,219,664
2019-2020	1,147,297,251	3,770,913,310	4,918,210,561
2020-2021	1,865,083,331	5,236,385,268	7,101,468,599
<b>Total</b>	<b>9,495,606,515</b>	<b>15,549,279,383</b>	<b>25,044,885,898</b>

Road maintenance projects have a maximum contract period of 12 months to completion. Efficient project management practices are employed during implementation to ensure the projects are delivered within this period. Liquidated damages are inbuilt in the contracts and levied on delayed projects as a deterrent for time overruns.

#### 4.5 Implementation challenges

The Authority has achieved significant outputs in the implementation of her strategic objectives in the realization of her mandate. These challenges include limited funding for the expanding needs in the urban road network, encroachment on the road corridor as well as vandalism of the assets, service relocation needs as well as extreme weather conditions that affect project delivery timelines.

#### 4.6 Future outlook

Vehicle ownership rates, congestion, and emissions are expected to significantly increase through the next 20 years, even as average travel speeds and accessibility continuing to decline. Without immediate 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 jams. The Government of Kenya is however committed in progressive investment in the urban infrastructure as seen from improved allocation of funds over the years.

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. These strategic pillars are as follows:

**Pillar 1:** Planning, development and management of world class Urban Roads Network

**Pillar 2:** Develop and deploy latest technological solutions in the planning, design, construction and management of roads

**Pillar 3:** Implement institutional capacity and corporate governance principles that support execution of KURA's Strategy.

KURA develops its annual work plans based on the above three pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Authority achieved its performance targets set for the FY 2020/2021 period for its three strategic pillars, as indicated overleaf.



**Figure 2: Completed section of Kericho Bypass**

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
<p align="center"><b>Planning, development and management of world class Urban Roads Network</b></p>	Increase road network coverage	% Increase in network coverage per region	Design of urban road network  Develop new roads, bridges & interchanges	During the year, the Authority designed 79.6 Kms of roads and walkways and 7 no. of bridges.  During the year, the Authority constructed 271.44 Lane Kms of roads, 12 No. bridges/ Box culverts and 161.33 Km of footpaths.
	Provide and improve adequate drainage system	Kms of road network maintained	Continuous maintenance of KURA road network using modern methodologies	During the year, the Authority maintained 631.82 Lane KM under Periodic Maintenance Programme and 2874.56 Lane KM under Routine Maintenance Programme.
	Improve implementation and monitoring of social and environmental safeguards	% age of projects with socio-environmental safeguards integrated	Continuous social & environmental management	During the year, the Authority undertook Environmental and Social Impact Assessment for 20 no. of projects.
	To ensure full Control of the Road Corridor	Road Corridor fully managed	Identification and mapping of road reserves	During the year, the Authority undertook the identification and mapping of 34.7 kms of roads.
	To effectively Enforce Axle Load Control	Reduction in axle load violations	Monitor and Enforce Axle Load Compliance	During the year, the Authority carried out axle load monitoring and enforcement exercise in 10

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Develop and deploy latest technological solutions in the planning, design, construction and management of roads	Ensure sustainable technology development for urban roads	Level of integration of technology	Training of staff on current and upcoming design software	During year, the Authority put in place an ERP Upgrade Team comprising 18 staff members to represent their respective directorates to review and put in place all the necessary user requirements.
Implement institutional capacity and corporate governance principles that support execution of KURA' s Strategy	Improve on Accountability and Ethics	Compliance with Integrity Act and Chapter 6 of the Constitution	Constitute the Corruption Prevention Committee	The Authority implemented a number of activities to combat and prevent corruption, unethical practices and to promote standards and best practices in governance

## Performance Contracting

The Authority is committed to meeting its performance targets. Table below shows the performance of the Authority for the year ended 30 June 2021.

	Unit	TARGET	ACTUAL ACHIEVEMENT	VARIANCE
Non- Motorized Facilities Designed	KMs	91.1	79.6	-11.5
Road Reserves Identified and Preserved	%	100.01	99.98	-0.03
Jobs Created under Roads 2000 Strategy	No	5200	8375	3175
Axle Load Compliance Monitored and enforced	No	10	4	-6
Environmental and Social Impact Assessment (ESIA) Study	No	20	20	0
Feasibility Studies and preliminary engineering designs for Road Projects	%	50	50	0
Traffic Surveys	No	10	20	10
Roads Constructed under Low Volume Sealed Roads (LVSR) Programme	Lane KMs	80.2	82.22	2.02
New Bridges constructed- (Bridges/Box Culverts/Foot Bridges)	No	15	12	-3
Walkways Constructed	KMs	219.5	161.33	-58.17
Roads Maintained under Periodic Maintenance Program	Lane KMs	626.43	631.82	5.39
Roads Maintained under Routine Maintenance Program	Lane KMs	2669.97	2874.56	204.59
Roads Designed	KMs	81.1	79.6	-1.5
New Bridges Designed	No	11	7	-4
Road Safety initiatives	%	100	40	-60
New Roads Constructed	Lane KMs	245.7	189.22	-56.48
Project Completion Rate	%	100	100	0
Ease of Doing Business	%	100	100	0

## CORPORATE GOVERNANCE STATEMENT

Corporate governance is the process and structure used to direct and manage the business affairs of the Authority towards enhancing prosperity and corporate accounting with the ultimate objective of realizing shareholders' (GoK) long term value while taking into account the interest of other stakeholders. Directors are responsible for the corporate governance practices of the Authority.

### a) Organization Structure

The Authority is managed by a Board of Directors under the leadership of a non-executive chairman and eight other members. The Director General is an ex-officio member of the Board. KURA is organized into the Office of the Director General, Six directorates and two stand-alone departments as depicted below.

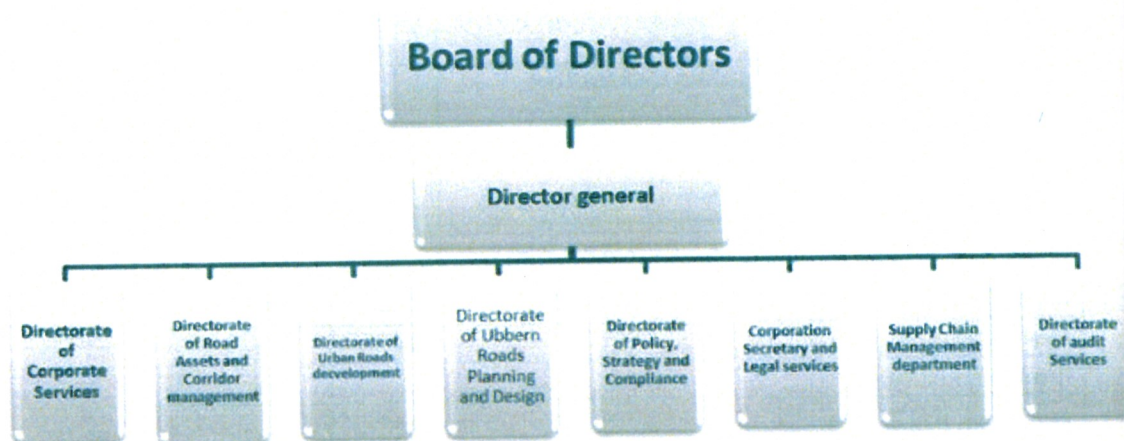


Figure 3: KURA Organisation structure

### b) The Board of Directors

The Board recognizes that high standards of Corporate Governance throughout the Authority are essential for the delivery of the strategic objectives. It is recognized that good governance should emanate from the Board but pervade the entire organization, being reflected in its practices, policies and procedures. This statement sets out the main practices in operation during the year under review, and is in line with *Mwongozo* (Code of Governance for State Corporations aligned to the Constitution).

The Board is composed of competent, diverse and qualified members capable of exercising objective and independent judgment. The Board has appropriate autonomy and authority to exercise its functions and is accountable to the appointing Authority and acted responsibly towards stakeholders.

**c) Board Charter**

The Board Charter sets out the role, composition and responsibilities of the Board of Directors of the Kenya Urban Roads Authority (KURA) within the governance structure of the Authority and its delegation of authority to Management. The Charter has been adopted by KURA, acting in accordance with *Mwongozo*, Code of Governance for State Corporations and in line with best practice, and is complementary to the requirements regarding the Board and Board members contained in applicable Kenyan laws and regulations.

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

The Board Charter further provides for review of the same annually and has incorporated a Schedule of the delegated powers on recruitment and discipline as adopted in the approved Human Resource Manual of the Authority.

**d) Appointment, Composition and Size**

The Board of Directors were appointed in line with *Mwongozo* and consists of 8 (Eight) members including. The Director General but with no voting rights. The Board consist of 4 (Four) Committees discharging the oversight role.

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

**i. Audit, Risk & 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. The committee held 3 meetings during the year.

**ii. Human Resource Committee**

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. The Committee held 5 meetings during the year.

**iii. 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. The committee held a total of 6 meetings during the year.

**iv. 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

The committee held a total of 3 meetings during the year.

**v. 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 12 board meetings were held during the year. The attendance is indicated below.

	9 <sup>th</sup> July 2020	12 <sup>th</sup> August 2020	9 <sup>th</sup> October 2020	13 <sup>th</sup> October 2020	3 <sup>rd</sup> December 2020	12 <sup>th</sup> January 2021	13 <sup>th</sup> April 2021	28 <sup>th</sup> June 2021
1. Mr. Henry Murwa	✓	✓	✓	✓	✓	✓	✓	✓
2. Mr. Joseph Kiarri	✓	✓	✓	✓	✓	✓	✓	✓
3. Eng. Charles Chiuri	✓	✓	✓	✓	✓	✓	✓	✓
4. Mr. Bassil Nyaga	✓	✓	✓	✓	✓	✓	✓	✓
5. Mr. Stephen Brooks	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A
6. Mr. Tarayia Kores	✓	✓	✓	✓	✓	✓	✓	✓
7. Eng. James Kung'u	✓	✓	✓	✓	✓	✓	✓	✓
8. Planner Hellen Nzainga	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A
9. Mr. Isaac Githui	✓	✓	✓	✓	✓	✓	✓	✓
10. Eng. Silas Kinoti	✓	✓	✓	✓	✓	✓	✓	✓
11. Planner Joyce Kariuki	N/A	N/A	N/A	N/A	N/A	✓	✓	✓
12. Mr. Joseph Muganda	N/A	N/A	N/A	N/A	N/A	✓	✓	✓

#### e) Board Evaluation

During the year, the Board undertook a self-evaluation as required under Mwongozo Code of Governance of State Corporations in line with best practices. 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 taking reasonable steps to ensure that the systems are being maintained. Internal control systems are designed to meet the particular needs of the Authority, and the risks to which it is exposed with procedures intended to

provide effective internal financial control. However, such a system can only provide reasonable, but not absolute, assurance against material misstatement.

**h) Ethical Standards**

The Authority has a Code of Conduct for the Board and management staff. The Authority also ascribes to the ethical standards prescribed by the Public Officer Ethics Act. These require all employees to conduct business with integrity.

**i) Governance Audit**

During the year, the Authority commissioned a consultant to undertake legal and governance audit as required by Mwongozo. The board is committed in ensuring that the recommendations in the report are implemented fully.

  
Eng. Charles M. Chiuri

**BOARD REPRESENTATIVE**

## MANAGEMENT DISCUSSION AND ANALYSIS

This section provides the users of these financial statements a narrative overview and analysis of the financial activities of the Authority for the financial year ended June 30, 2021. 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 16-21

### 4.7 Financial Highlights

The financial highlights for the financial year ended 30<sup>th</sup> June 2021 is presented below.

#### 4.7.1 Funding

Total funding during the year amounted to Ksh. 15.6 billion comprising of Road maintenance Levy, exchequer funds and AIA. Overall, there was a decrease of 37% in total funding compared to the previous financial year. Grants from development partners decreased by 83% during the year as major projects funded by development partners came to near completion. The decrease in the road Maintenance Levy fund which amounted to 24% relates to non-allocation of special funds during the year. Exchequer funding decreased by 38% during the year. Figure 1 below shows the funding received in the current year.

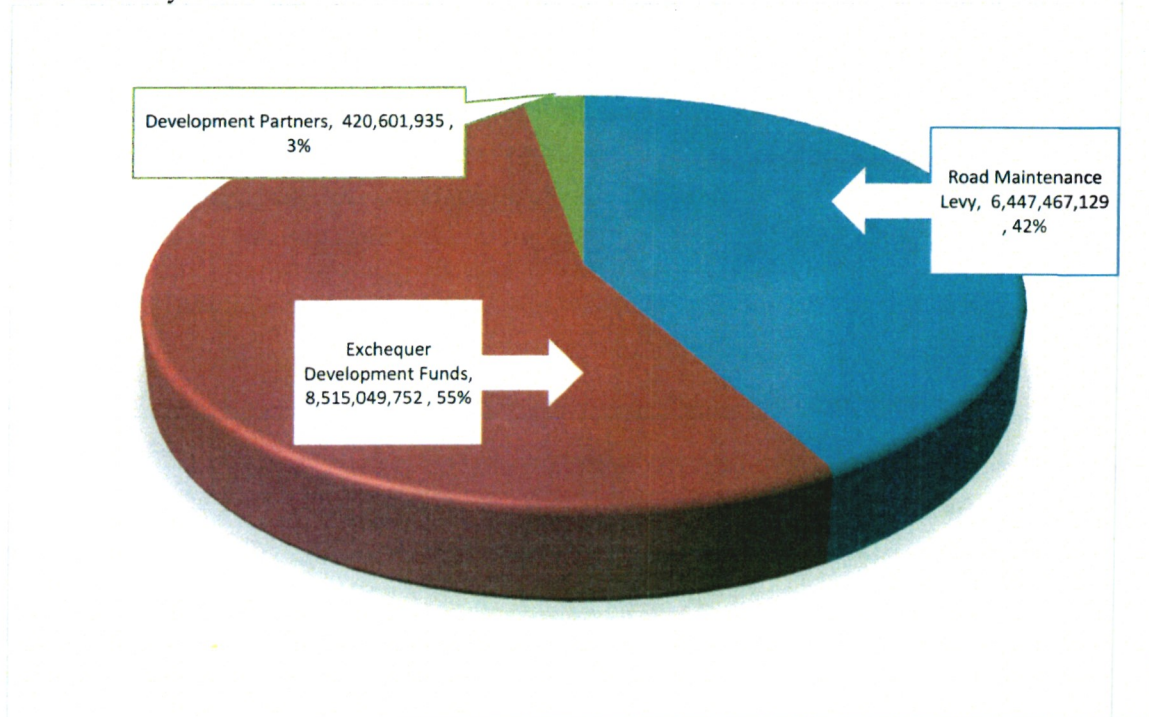
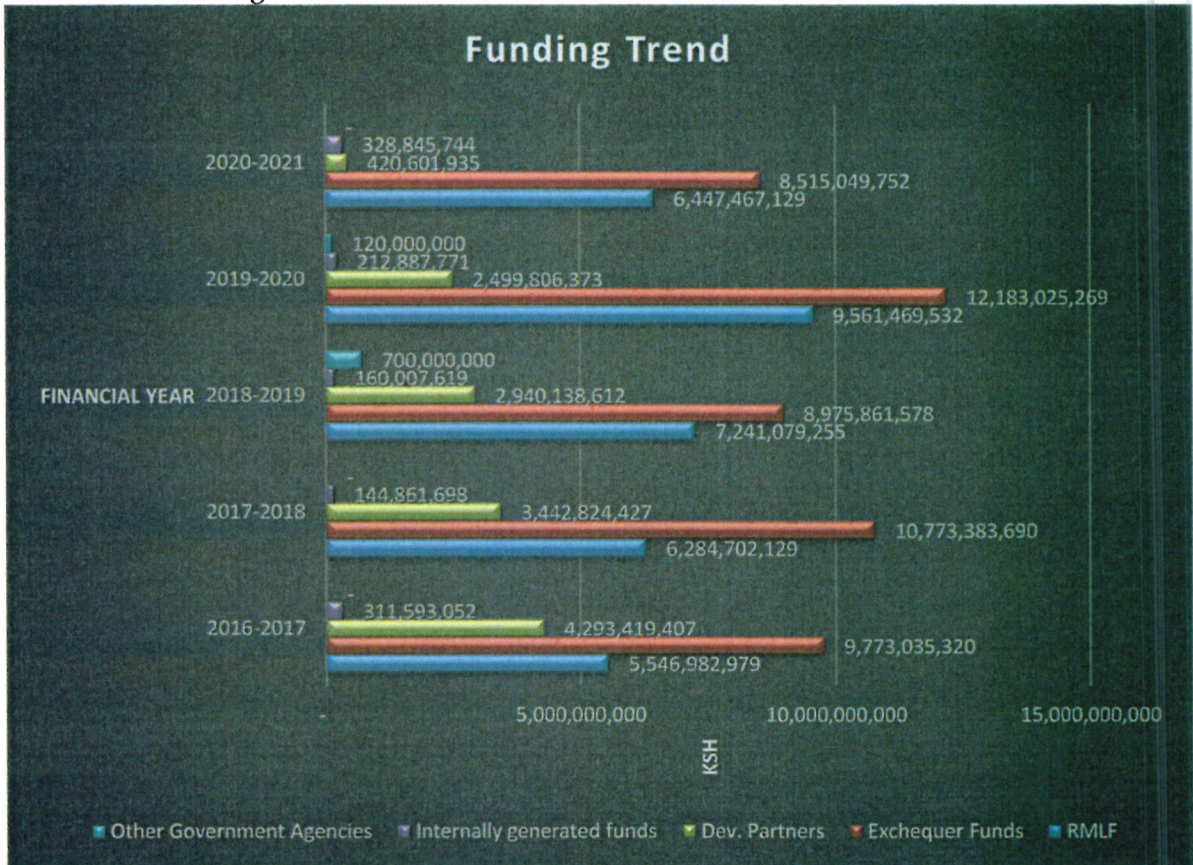
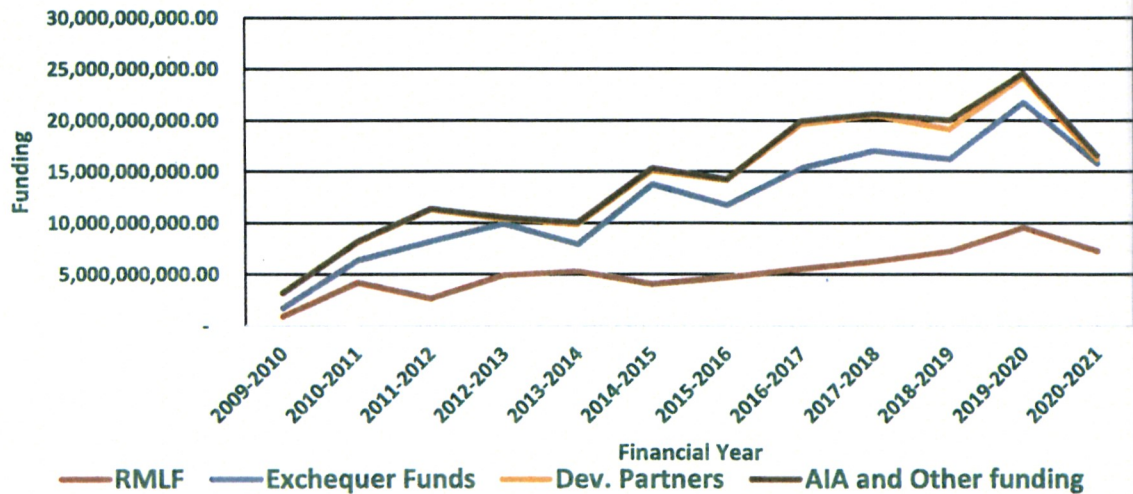


Figure 4: Current year funding

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



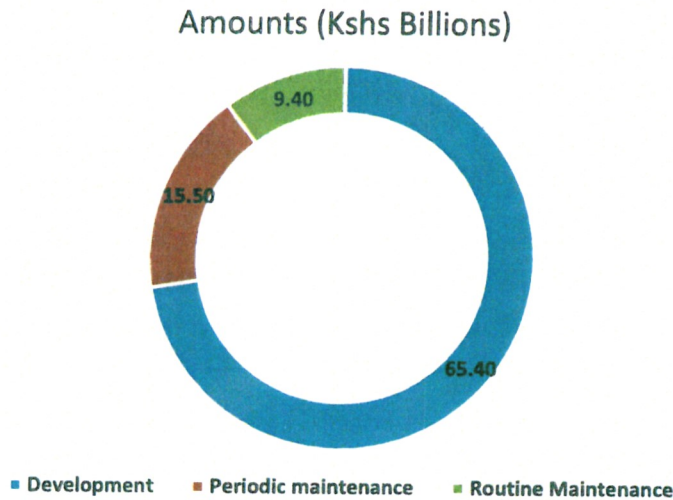
Overall, total funding has been on upward trajectory except for the current financial year. The significant drop in the current year funding can be attributed to the slow performance of the Kenyan economy owing to the continued effects of the Covid -19 pandemic. Figure 5, below shows the Authority’s funding trend since inception.



**Figure 5: Funding trend**

**4.7.2 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 in excess of **Ksh. 80 Billion**. This includes both capital and maintenance. **Figure 6** below shows the breakdown of the investment made.



**Figure 6: Five Year cumulative investment in urban roads infrastructure**

**Development expenditure** relates to the capital investment in the infrastructure involving construction of new roads and upgrading existing roads to bitumen standards. The resulting Infrastructure assets comprising of roads, bridges as well as non-motorised facilities form part of the Authority’s noncurrent assets presented in the statement of financial position. Over the years, there has been progressive increase in the value of infrastructure assets owned by the Authority owing to the continued investment by the government. As at 30<sup>th</sup> June, infrastructure assets balance stood at **Ksh.106.3 billion** representing the cumulative capital investment the government has made over the years.



**Figure 7: Upper Hill Mbagathi Way link road**

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.



**Figure 8: Rehabilitation of Links Road Nyali , Mombasa County**

#### 4.8 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 10.2% of the total RMLF collections during the year with the balance allocated to various other agencies as shown in

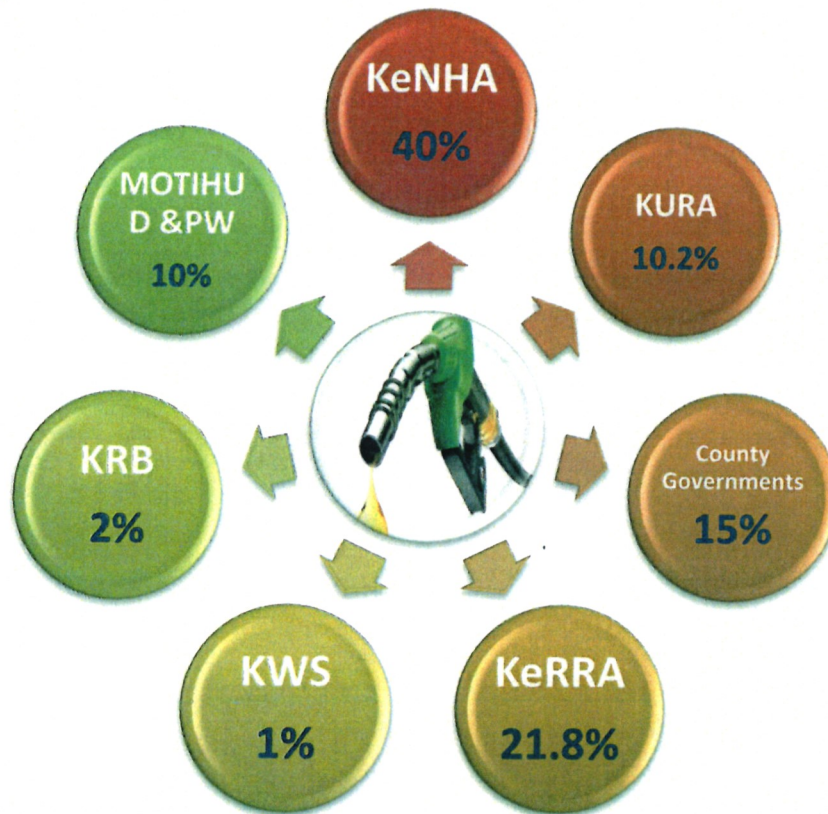


Figure 9: RMLF allocations

The expenditure comprises of two components, the road works expenditure and administrative overheads. Ceilings for both expenditure 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 into by the Authority.

Statement of financial position presents the net assets position of the Authority as at 30<sup>th</sup> June 2021. The net assets for the Authority at the end of the financial year amounted to KSh. 114,793,281,561

#### **4.8.1 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.

Funds absorption during the year was impacted partly by the prevailing Covid 19 pandemic. The containment measures put in place by the government affected the implementation of works resulting in significant impact on funds absorption.

#### **4.8.2 Pending Bills**

Pending bills represent unsettled obligations arising out of executed contracts particularly development projects. The balance for development pending bills as at 30<sup>th</sup> June 2021 amounted to **Ksh. 9.4 Billion**. These are included in the payables as presented in the statement of financial position. The Balance of the obligations included in the payables arise from the routine and maintenance contracts and Authority's normal operations and have matching assets for settlement.

## ENVIRONMENTAL AND SUSTAINABILITY REPORT

### 4.1 Sustainability Strategy & Profile

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

### 4.2 Financial sustainability

Kenya Urban Roads Authority relies fully on the government and development partners' grants in undertaking its mandate. Despite the National Governments commitment in investment in the road infrastructure, funding for urban roads development and maintenance remains a major challenge for the Authority based on the budgetary allocations against the Authority's resource requirements.

Road maintenance Levy which is the main source of funding for maintenance of roads has been increasing progressively owing to the increased importation of vehicles in the country over the years. In 2016 the government increased the levy from Ksh 12 to Ksh 18 per litre of petrol/diesel. However even with this increase the funds are still inadequate due to backlog in road maintenance.

### 4.3 Environmental Performance

Our operations pose different degrees of risks to the environment. KURA has a functional Environment, Safety and Health Policy that outlines commitment to efficient use of resources, reducing and preventing pollution, and product stewardship. We conduct Environmental and Social Impact Assessment for all new projects prior to construction so as to control environmental risks and hazards. All contractors are required to adhere with the Environmental Management Plans and waste control measures, among others. Periodic Environmental Monitoring and Audit Reports are prepared to demonstrate compliance with legal requirements. The Authority takes in consideration biodiversity conservation efforts during the project lifecycle through avoidance of destructive extractive activities. Materials sites are subjected to environmental impact assessment as well as site restoration plans. Tree planting and growing is done within the road reserves to provide carbon sinks as an approach for climate mitigation and adaptation. Collaborative efforts with the private sector, resident associations as well as with government agencies have enabled the planting and maintenance of tree seedlings. In order to address the social risks associated with the

construction and maintenance of urban roads, the authority undertakes social impact assessment and resettlement action plans.

#### **4.4 Employee Welfare**

The Authority has instituted measures to provide a conducive working environment for the well-being of staff and enhanced productivity. We have a comprehensive staff medical cover for both outpatient and inpatient services. This is in addition to group life policy WIBA contributory pension scheme and staff mortgage scheme. Annual staff appraisals are promptly undertaken and forms the basis for promotions and competency development through appropriate training for career development and personal growth. During the period under review, a total of 79 employees were trained on various professional skills and competencies in addition Continuous Development Programs offered by various professional bodies. During the financial year 2020-2021, the Authority ensured compliance by submitting all the returns to the relevant regulatory institutions within the prescribed timelines. The Authority has put in place measures for compliance with the provisions of the Occupational Safety and Health Act, 2007. We undertake occupational health and safety assessment and risk assessment for improvement of the work environment for employees and customers.

#### **4.5 Market Place Practices**

##### **4.5.1 Ethics and Integrity**

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

##### **4.5.2 Responsible Supply Chain and Supplier Relations**

The Authority has aligned the Supply Chain processes to the Public Procurement and Disposal Act and the Public Procurement & Disposal Regulations, 2020. We continue to build the Capacity of our Suppliers through awareness creation on best practices, Fair procurement practices and on time payment. The Authority's Service Charter Guides Service Delivery standards detailing payment requirements and set timeframes for turnaround time for supplier payments. KURA has utilized innovation and technology in handling supplier payment to ensure application of the first in first out principle this is enabled by the Enterprise Resource Management System currently in use by the Authority. Effectiveness of all these measures is also monitored from time to time through internal audits and external checks to ensure continuous improvement.

### 4.5.3 Responsible Marketing and advertisement

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

### 4.5.4 Product stewardship and Quality control

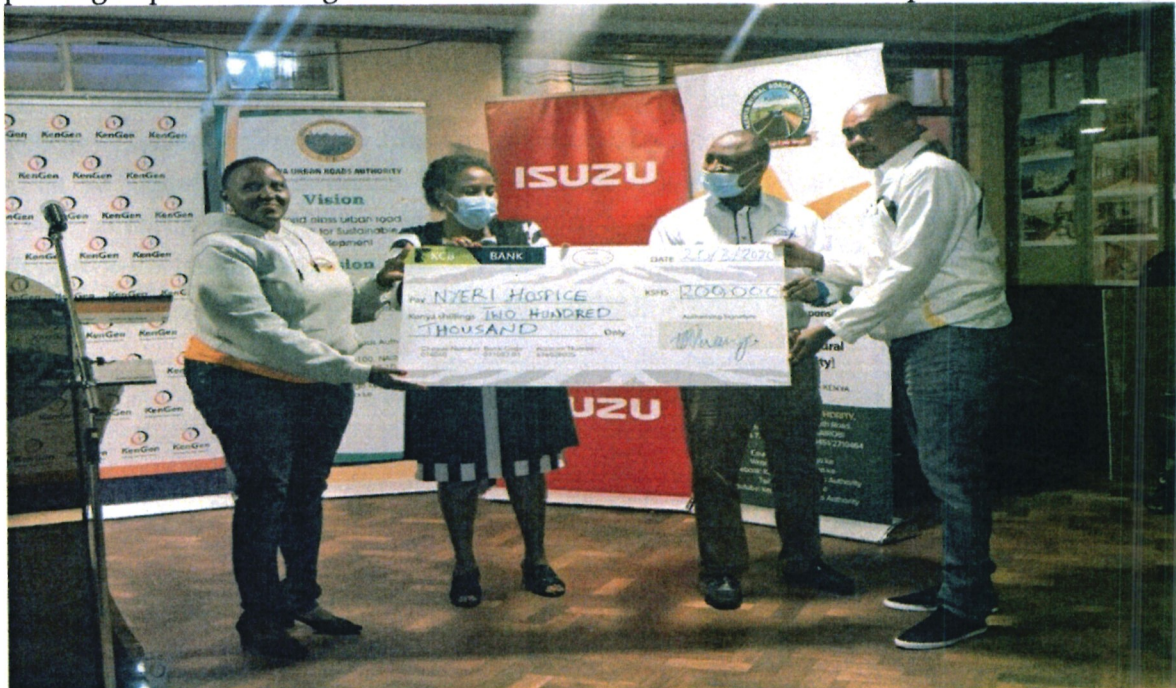
The Authority delivers her mandate on the principle of quality assurance and control. We are committed to adhering to quality standards and ensures value for money in all its expenditure. The Authority has developed ERP system for implementation of projects and operations as a whole. The ERP system covers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



*Figure 10: Quality Control - Inspection of works during substantial inspection of Mandera Town Roads*

#### 4.5.5 Corporate Social Responsibility

In line with the Authority's culture of corporate giving, KURA continues to ink its mark in uplifting the welfare of vulnerable members in the Society. During the 2020/2021 the Authority begun a project to build the capacity of Karoti Girls in Kirinyaga County by building a classroom. To protect road users from the weather elements the Authority constructed five bus bays at strategic locations in five Counties namely Uasin Gishu, Nakuru, Mombasa, Nyeri and Meru County. Moreover, to ease compliance to public health guidelines amongst the less privileged members of the society working in medium and small sized enterprises. The Authority purchased and distributed 100 sanitation units. The Authority supported the Nyeri Hospice to provide palliative care to under privileged patients living with Cancer & HIV/AIDS as shown in the photo below.



*Staff from KURA present a cheque in support of the Nyeri Hospice*

#### 4.5.6 Community Engagement and Welfare

The Authority has established a functional Stakeholder Engagement policy that is applied in engaging interested and affected persons in urban road planning and implementation. The feedback obtained from these activities is used to inform decision making for continual improvement. A total of Forty-Nine Stakeholder and community engagement forums were conducted during the reporting period. The design of urban road infrastructure all persons including those with disability as well as non-motorized road users, through construction of ramps and walkways. The Authority also engages communities by providing job opportunities to people working around the national urban road project areas. During the period under review a total of Eight Thousand, Three Hundred and Seventy-Five (8,375) jobs were created.



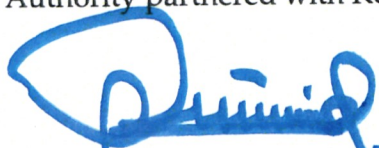
Figure 11: Public Participation - Stakeholder Engagement during the Construction of Ngong Road Footbridges

#### 4.5.7 Collaboration and Partnership

The Authority continued to work with stakeholders in the realization of her mandate. Strategic partnerships with Counties have helped us expand the urban road network by constructing urban roads in county headquarters such as in Mandera and Lamu Counties.



We continued to earn goodwill of development partners for continued funding. The contemporary demands and expectations necessitate innovative approaches in planning, developing and maintaining the urban road network. During the reporting period, the Authority partnered with Kenyatta University in research and innovation.



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



# **KENYA URBAN ROADS AUTHORITY**

*Enhancing urban mobility*

## **Our Corporate Objectives**

1. Planning and development of world-class urban roads and attendant infrastructure
2. Development and deployment of latest technological solutions in road planning, design, development and management.
3. Implement institutional capacity and corporate governance principles that support execution of KURA's strategy.



## REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements for the year ended 30th June 2021, 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 2021 are set out on page 46.

### Directors

The directors who held office during the year and to the date of this report are set out on page 7-11.

### 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

**Secretary to the Board**

28<sup>th</sup> September 2021

## 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.

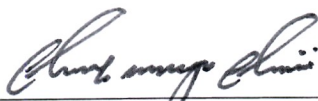
The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on June 30, 2021. This responsibility includes: (i) maintaining adequate 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, 2021, 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 28<sup>th</sup> September 2021 and signed on its behalf by:



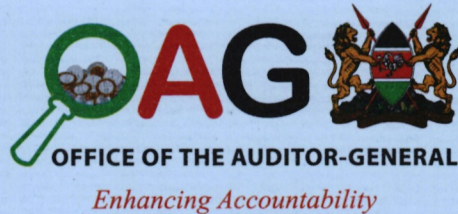
Eng. Charles M. Chiuri  
Director



Silas M. Kinoti, MBS  
Director General

# REPUBLIC OF KENYA

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**HEADQUARTERS**  
Anniversary Towers  
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NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON KENYA URBAN ROADS AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2021**

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### **PREAMBLE**

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

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

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal 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 Kenya Urban Roads Authority set out on pages 46 to 85, which comprise of the statement of financial position as at 30 June, 2021, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual 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 Kenya Urban Roads Authority as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Kenya Roads Act, 2007.

### **Basis for Opinion**

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

### **Key Audit Matters**

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

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the 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**

#### **1.0 Inadequacies in Implementation of Road Projects**

##### **1.1 Dagoretti Corner – Karen Roundabout Road Project**

The contract for dualing of Dagoretti Corner-Karen Roundabout road project was awarded to an international contractor at a contract sum of Kshs.1,987,981,992 which was varied to Kshs.2,382,337,514. Major works included dualling of 11 Km of sections of Lang'ata and Ngong roads, construction of road over rail bridge, construction of five (5) footbridges, construction of 2-metre-wide cycle tracks and 2.5 metres wide walkways on either side of the road, strengthening of existing carriageway, drainage works and road furniture among other works.

Review of records indicated that the contractor implemented approximately 70% of the construction works and submitted a proposal for assignment of remaining works to a local contractor at an amount of Kshs.751,108,491. The assignment contract was signed on 26 March, 2021.

Physical verification of the project in February, 2022 revealed that barriers that were to be erected at the Jamhuri Park section as per the contract had not been placed and the pedestrian walkways on the opposite side of Ngong Horse Racecourse entrance were not constructed. Further, the works at the carriageway section between Southern By-pass and Karen Shopping Centre and the section of Langata road loop were not complete despite the opening of the road for public use and road signs at various sections of the carriageway were missing thus posing a risk to road users.

In addition, the contract provided for five (5) footbridges but none had been erected and drainage works had not been completed. The contractor had suspended works due to outstanding payments of Kshs.300,000,000.

### **1.2 Nairobi - Outering Road Improvement Project**

The contract for Nairobi-Outering Road Improvement project was awarded to a contractor at revised contract sum of Kshs.8,263,399,494 for an extended contract period ending 25 April, 2020 with two years defects liability period.

Physical verification of the project carried out on 23 February, 2022 revealed that the designated pedestrian foot bridge at the main junction of Outering Road and Thika Road lacked barriers and lighting system. Further, the Tassia road section, had open drainages clogged with garbage and overgrown vegetation despite the fact that a firm had been contracted to regularly maintain the drains along the road.

### **1.3 Mother Kevin - Nakuru Town Road Project**

The construction contract for the improvement to Bitumen Standard contract of Mother Kevin-Nakuru Town Road was awarded on 20 July, 2020 at a contract sum of Kshs.49,526,695 and the order to commence work was dated 27 August, 2020. The contract period was twelve (12) months and the expected completion date was 25 September, 2021. The works included 0.5 km length of single carriageway with walkways situated in Kaptembwa in Nakuru Town, and upgrading to bituminous standards of Posta Link Road. Review of Project Implementation File revealed that the contractor was issued with notice for liquidated damages due to slow progress in September, 2021 when the time elapsed was 92% against the physical progress of 60%. At the time of audit inspection on 28 February, 2022, the surface preparation of the road was complete awaiting the bituminous works and drains lining. However, there was minimal activity going on at the site and the contractor was behind schedule by 5 months. Progress report provided for February, 2022, indicated that the value of works certified was Kshs.22,239,443 or 45% while the percentage of time elapsed was 141%.

### **1.4 Nakuru Chief's Office – Ndaragua Road Project**

The contract for improvement to Bitumen Standard of Nakuru Chief's Office - Ndaragua Road project was initially awarded to a contractor on 22 July, 2020 at a contract sum of Kshs.38,224,685 with a commencement date of 26 September, 2020. The contract period

was twelve (12) months and the expected completion date was 25 September, 2021. The major contract works included new construction of 0.6km walkways and 0.6Km road to bitumen standards, reinstatement of damaged drains and installation of culverts. The contract stalled and remaining works were assigned to a new contractor in September, 2021 at a sum of Kshs.27,710,660. At the time of assignment of works, the value of works carried out was Kshs.7,969,397 although the amount had not been certified. It was further noted that Interim Payment Certificate (IPC) had not been raised by the first contractor. Physical verification carried out on 28 February, 2022 revealed that the contractor who was assigned the remaining works was not on site. Some earthworks carried out had left galleys on the surface making the road impassable. Monthly Progress report of February, 2022 indicated that the project implementation time elapsed was 142% while physical progress was 15%.

### **1.5 Kipangawau – Kibowen Primary Access/Mwariki Secondary School – Pembe Mbili Eldoret Road Project**

The contract for the improvement to Bitumen Standard of Kipangawau – Kibowen Primary Access/Mwariki Secondary School – Pembe Mbili Eldoret Road Project was awarded to a local contractor at a contract sum of Kshs.481,072,074 on 4 May, 2021 for a contract period of eighteen (18) months. The order to commence works was issued on 14 June, 2021 with the expected completion date of 14 January, 2023. Review of the project's monthly progress report of November, 2021 revealed that the estimated physical was 14% while the time elapsed was 26%. The contractor was behind schedule. It was noted that a total of Kshs.26,726,226 had been paid as part payment of the advance payment requested by the contractor as per contract agreement. During physical verification exercise carried out on 28 February, 2022 the contractor was not on site and there were sections with cut out top soil and dug out drainage leaving galleys on the surface.

### **1.6 Eldoret Township Roads Contract**

The contract for improvement to Bitumen Standards of Eldoret Township Roads was awarded to a local contractor at a contract sum of Kshs.1,156,540,838 for a contract period of forty-four (44) months. The works commenced on 5 May, 2017 with expected revised completion date of 30 December, 2020. Review of the taking over certificate and minutes of completion dated 27 January, 2021 indicated that the project was substantially complete and outstanding works were; installations of road signs, road marking and guard rails on Rivatex-Kipkaren, Kapsoya-Munyaka-Hawaii and Hawaii-Kiplombe roads while stone pitching and unpaved walkways works were outstanding on Kapsoya-Munyaka-Hawaii and Hawaii-Kiplombe roads.

Physical verification exercise carried out on 7 March, 2022, revealed that the outstanding works had not been completed despite the project being handed over to the Authority. Further, it was noted that as at 28 September, 2020 total works certified on Interim Payment Certificate (IPC) No. 5 was Kshs.850,591,599, which included interest on late payment of Kshs.2,197,895.

### **1.7 Garissa Township Roads Contract**

The contract for Ungrading to Bitumen Standards and Performance Based Routine Maintenance of Garissa Township Roads was awarded to a local contractor at a contract sum of Kshs.483,366,251. The commencement date was 11 November, 2016 and the

expected completion date was 11 November, 2018. The performance based routine maintenance cost was agreed at Kshs.36,581,760 which was included in the contract sum. The project works included six (6) access roads within Garissa Township of approximately 7.3 Km in length. The overall physical progress as at the end of February, 2022 was 42% while the time elapsed from the initial completion date stood at more than 39 months. The physical verification exercise carried out in March, 2022 revealed slow progress in project implementation.

### **1.8 Upgrading of Maua Town Roads**

The contract for Upgrading of Maua Town Roads was awarded at a sum Kshs.1,021,885,939 and expected completion date was 19 May, 2019. It also included a maintenance contract at a cost of Kshs.28,720,440. Review of records revealed that the contractor was unable to complete the work, which resulted to the work being assigned to three (3) contractors. During physical verification on 10 March, 2022, it was observed that the first assigned contractor had completed part of upgrading of the 1.5 Km road. The second assigned contractor was on site continuing with the works with only 0.75 Km of the road not started. The third assigned contractor was not on site. It was noted that the percentage of time elapsed for the third contractor was 92% against physical progress of 70% raising doubt on whether the contractor will meet the contractual obligation.

### **1.9 Jomvu Kuu-Jitoni-Rabai Road**

The contract for construction to Bitumen Standards of Jomvu Kuu-Jitoni-Rabai Road project was awarded on 10 July, 2017 at a contract sum of Kshs.1,023,765,470 with original contract completion date being 13 September, 2019 which was later revised to 25 April, 2021. The roads works were to cover approximately 11.7Km in length. During physical verification exercise in March, 2022, it was observed that the project was behind schedule and works were still in progress. It was also noted that seven (7) out of the nine (9) programmed milestones had been completed. Approximately 11 months had elapsed from the revised project completion date of 25 April, 2021.

In the circumstances, value for money and service delivery to the public could not be confirmed.

### **2.0 Interest on Late Payments**

Review of records indicated that there were claims on interest for late payment to contractors totalling Kshs.55,246,678 for various projects undertaken by the Authority which had accrued as at 30 June, 2021. Interest on delayed payments represents an extra charge to public funds beyond the projects' estimated cost.

In the circumstances, value for money paid as interest on delayed payments could not be confirmed to be effective management of public funds.

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

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

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

### **Basis for Conclusion**

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

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

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

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

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

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

## **Auditor-General's Responsibilities for the Audit**

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

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

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

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

  
CPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

**Nairobi**

**06 September, 2022**

**STATEMENT OF FINANCIAL PERFORMANCE****FOR THE YEAR ENDED 30 JUNE 2021**

	Note	2020-2021 Kshs	2019-2020 (Restated) Kshs
<b>REVENUE</b>			
<b>Revenue from non-exchange transactions</b>			
Road maintenance Levy Fund	5	6,447,467,129	7,241,469,532
Grants from Exchequer and Other Government Agencies	5	-	410,655,616
Penalties and levies	6	10,513,641	14,240,348
<b>Total Revenue from non-exchange transactions</b>		<b>6,457,980,770</b>	<b>7,666,365,496</b>
<b>Revenue from exchange transactions</b>			
Finance income	7	315,784,643	198,562,514
Other income	8	2,547,460	434,370
<b>Total Revenue from exchange transactions</b>		<b>318,332,103</b>	<b>198,996,884</b>
<b>Total Revenue</b>		<b>6,776,312,873</b>	<b>7,865,362,380</b>
<b>EXPENDITURE</b>			
Directors' expenses	9	10,255,434	30,944,517
Employment costs	10	1,079,439,429	1,057,663,320
Depreciation and amortization costs	11	74,473,619	89,995,679
General expenses	12	197,565,552	143,106,653
Repairs and maintenance	13	46,360,583	37,983,053
Road rehabilitation and maintenance costs	14	6,493,231,756	5,394,161,745
<b>Total expenditure</b>		<b>7,901,326,373</b>	<b>6,753,854,967</b>
<b>Surplus for the year</b>		<b>(1,125,013,500)</b>	<b>1,111,507,413</b>

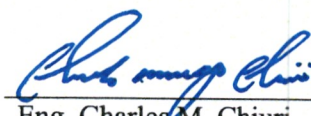
The significant accounting policies and the notes on pages 51 to 83 form an integral part of these financial statements. The financial statements on pages 46 to 83 were approved by the board of directors on 28<sup>th</sup> September 2021 and were signed on its behalf by:



Eng. Silas M. Kinoti, MBS  
Director General



CPA Reuben Mayienda  
Director corporate services  
ICPAK Member No:4941



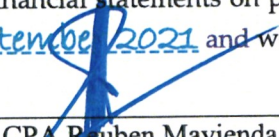
Eng. Charles M. Chiuri  
Director

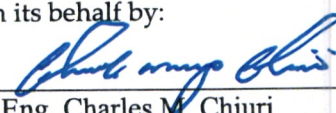
**STATEMENT OF FINANCIAL POSITION****AS AT 30 JUNE 2021**

	Note	2020-2021 Kshs	2019-2020 Kshs (Restated)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	15	7,651,708,488	9,954,289,154
Receivables from exchange transactions	16	1,620,828,564	740,979,439
Receivables from non-exchange transactions	16	2,078,423,883	1,138,912,985
Inventories	17	18,537,370	25,297,412
<b>Total Current assets</b>		<b>11,369,498,305</b>	<b>11,859,478,990</b>
<b>Non-current assets</b>			
Property, plant and equipment	18	337,214,297	226,594,173
Infrastructure Work-In-Progress	19	115,458,146,804	99,519,572,731
Intangible assets	20	9,455,818	-
<b>Total non-current assets</b>		<b>115,804,816,918</b>	<b>99,746,166,904</b>
<b>Total Assets</b>		<b>127,174,315,223</b>	<b>111,605,645,894</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables from exchange transactions	21	10,983,075,562	3,033,816,970
Payables from Non exchange transactions	21	56,973,239	40,199,827
Employee Benefits Obligations	21	45,983,627	42,684,653
<b>Total current liabilities</b>		<b>11,086,032,428</b>	<b>3,116,701,450</b>
<b>Non-current liabilities</b>			
Payables from exchange transactions	21	1,295,001,233	1,506,301,069
<b>Total liabilities</b>		<b>12,381,033,661</b>	<b>4,623,002,519</b>
<b>Net assets</b>		<b>114,793,281,561</b>	<b>106,982,643,376</b>
<b>REPRESENTED BY:</b>			
Revaluation Reserve	4	128,957	9,531,337
Accumulated surplus	4	4,004,609,727	3,392,174,667
Staff Mortgage Fund	4	311,247,512	307,212,708
Road Maintenance Levy Fund	4	4,099,426,633	5,831,507,619
Road assets reserve fund	4	106,377,868,732	97,442,217,044
<b>Total Nets Assets and Liabilities</b>		<b>114,793,281,561</b>	<b>106,982,643,376</b>

The significant accounting policies and the notes on pages 51 to 83 form an integral part of these financial statements. The financial statements on pages 46 to 83 were approved by the board of directors on 28<sup>th</sup> September 2021 and were signed on its behalf by:

  
Eng. Silas M. Kinoti, MBS  
Director General

  
CPA Reuben Mayianda  
Director corporate services  
ICPAK Member No:4941

  
Eng. Charles M. Chiuri  
Director

**STATEMENT OF CHANGES IN NET ASSETS**


	Accumulated Surplus	Road Maintenance Levy Fund (Works component)	Revaluation Reserve	Staff Mortgage Fund	Road Assets reserve Fund	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
<b>As at 1st July 2019</b>						
As previously stated	6,202,809,424	-	19,800,687	-	82,779,924,102	89,002,534,213
Prior year adjustment	(3,397,676,469)	2,956,233,868	-	300,000,000	-	(141,442,601)
<b>As restated</b>	2,805,132,955	2,956,233,868	19,800,687	300,000,000	82,779,924,102	88,861,091,612
Surplus for the year	556,233,662	555,273,751	-	-	-	1,111,507,413
Transfer of excess depreciation on revaluation	30,808,050	-	(10,269,350)	-	(20,538,700)	-
Interest earned	-	-	-	7,212,708	-	7,212,708
Capital grants from RMLF	-	2,320,000,000	-	-	-	2,320,000,000
Grants from Exchequer	-	-	-	-	12,183,025,269	12,183,025,269
Grants from Development Partners	-	-	-	-	2,499,806,373	2,499,806,373
<b>As at 30th June 2020</b>	<b>3,392,174,667</b>	<b>5,831,507,619</b>	<b>9,531,337</b>	<b>307,212,708</b>	<b>97,442,217,044</b>	<b>106,982,643,376</b>
<b>As at 1st July 2020</b>						
As previously stated	7,359,872,045	-	9,531,337	-	99,782,755,744	107,152,159,126
Prior year adjustment	(3,967,697,380)	5,831,507,619	-	307,212,708	(2,340,538,700)	(169,515,752)
<b>As Restated</b>	3,392,174,665	5,831,507,619	9,531,337	307,212,708	97,442,217,044	106,982,643,374
Surplus for the year	607,067,486	(1,732,080,986)	-	-	-	(1,125,013,500)
Transfer of excess depreciation on revaluation	9,402,380	-	(9,402,380)	-	-	-
Grants from Exchequer	-	-	-	-	8,515,049,752	8,515,049,752
Interest earned	(4,034,804)	-	-	4,034,804	-	-
Grants from Development Partners	-	-	-	-	420,601,935	420,601,935
<b>As at 30th June 2021</b>	<b>4,004,609,727</b>	<b>4,099,426,633</b>	<b>128,957</b>	<b>311,247,512</b>	<b>106,377,868,732</b>	<b>114,793,281,561</b>

See note 4(q) on the nature and purpose of reserves

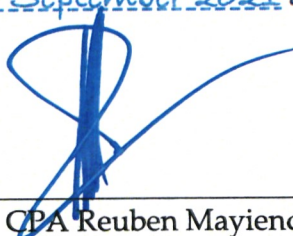
**STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED 30 JUNE 2021**

	Note	2020-2021 Kshs	2019-2020 Kshs (Restated)
<b>Cashflow from/(used in) operating activities</b>	22	<u>4,790,406,473</u>	<u>(1,563,080,788)</u>
<b>Cash flows from investing activities</b>			
Interest Income	7	315,784,643	198,562,514
Purchases of Property Plant and equipment	18	(180,365,834)	(49,716,466)
Infrastructure work In progress	19	(15,938,574,074)	(11,603,679,062)
Purchases of Intangible Assets	20	(14,183,727)	-
<i>Net cash used in investing activities</i>		<u>(15,817,338,992)</u>	<u>(11,454,833,014)</u>
<b>Cash flows from Financing activities</b>			
Movement in retention funds		(211,299,834)	(235,076,336)
Capital Grant received	5	8,935,651,687	17,002,831,642
<i>Net cash used from financing activities</i>		<u>8,724,351,854</u>	<u>16,767,755,306</u>
Net increase in cash and cash equivalents		(2,302,580,665)	3,749,841,504
Cash and cash equivalents at start of year		<u>9,954,289,154</u>	<u>6,204,447,649</u>
Cash and cash equivalents at end of year	15	<u>7,651,708,488</u>	<u>9,954,289,154</u>

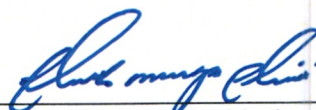
The significant accounting policies and the notes on pages 51 to 83 form an integral part of these financial statements. The financial statements on pages 46 to 83 were approved by the board of directors on 28<sup>th</sup> September 2021 and were signed on its behalf by:



Eng. Silas M. Kinoti, MBS  
Director General



CPA Reuben Mayienda  
Director corporate services  
ICPAK Member No:4941



Eng. Charles M. Chiuri  
Director

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT

### FOR THE YEAR ENDED 30 JUNE 2021

	Original budget 2020-2021 Kshs	Adjustments 2020-2021 Kshs	Final budget 2020-2021 Kshs	Actual on comparable basis 2020-2021 Kshs	Performance difference 2020-2021 Kshs
<b>REVENUE</b>					
RMLF Funds	6,422,648,936	-	6,422,648,936	6,447,467,129	(24,818,193)
AIA -Interests and other incomes	65,000,000	-	65,000,000	328,845,744	(263,845,744)
GOK exchequer-Development	7,702,141,986	812,907,766	8,515,049,752	8,515,049,752	-
Donor funds AIA	1,300,000,000	-	1,300,000,000	420,601,935	879,398,065
<b>Total income</b>	<b>15,489,790,922</b>	<b>812,907,766</b>	<b>16,302,698,688</b>	<b>15,711,964,560</b>	<b>590,734,128</b>
<b>EXPENDITURE</b>					
Property plant and Equipment	82,375,000	-	82,375,000	180,365,834	(97,990,834)
Board of Directors Expenses	39,300,000	-	39,300,000	10,255,434	29,044,566
Compensation to employees	1,338,622,690	-	1,338,622,690	1,079,439,429	259,183,261
Depreciation & Amortization Costs	50,000,000	-	50,000,000	74,473,619	(24,473,619)
Operating & other Administrative Costs	251,506,310	-	251,506,310	197,565,552	53,940,758
Repairs and maintenance	45,446,000	-	45,446,000	46,360,583	(914,583)
Road Rehabilitation & Maintenance Costs	4,730,398,936	-	4,730,398,936	6,493,231,756	(1,762,832,820)
Road Infrastructure Assets	9,002,141,986	812,907,766	9,815,049,752	15,938,574,074	(6,123,524,322)
<b>Total expenditure</b>	<b>15,539,790,922</b>	<b>812,907,766</b>	<b>16,352,698,688</b>	<b>24,020,266,280</b>	<b>(7,667,567,592)</b>
<b>Surplus for the year</b>	<b>(50,000,000)</b>	<b>-</b>	<b>(50,000,000)</b>	<b>(8,308,301,720)</b>	<b>8,258,301,720</b>
<b>RECONCILIATION</b>					
<b>Surplus as per statement of budget and actual amounts</b>					
Add:Purchase of Assets				(8,308,301,720)	
Add:Road infrastructure assets				180,365,834	
Less: Transfer to Road Assets Reserve				15,938,574,074	
<b>Surplus as per statement of financial performance</b>				<b>(8,935,651,687)</b>	
				<b>(1,125,013,500)</b>	

The significant accounting policies on pages and the notes on pages 51 to 83 form an integral part of these financial statements.

## **NOTES TO THE FINANCIAL STATEMENTS**

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### **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 2021.**

Key Requirements	Effective Date	Impact to the Authority
<b>a) IPSAS 13-Leases</b>		
Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks.	1 <sup>st</sup> January 2021	No Impact
<b>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment.</b>		
Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved.	1 <sup>st</sup> January 2021	No Impact
<b>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets.</b>		
Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.	1 <sup>st</sup> January 2021	No Impact
<b>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs).</b>		
Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard.	1 <sup>st</sup> January 2021	No Impact

**ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021.**

Key Requirements	Effective Date	Impact to the Authority
<b>a) IPSAS 41: Financial Instruments</b>		
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	1 <sup>st</sup> January 2023	No Impact

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

Key Requirements	Effective Date	Impact to the Authority
<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 guarantee 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>		

### iii. Early adoption of standards

The entity did not early-adopt any new or amended standards in year 2021.

## 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 2020-2021 was approved by the National Assembly on 9<sup>th</sup> June 2020. 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.

***i) 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.

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

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

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

**iii) 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.

**iv) 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 the fair value. They are subsequently measured at amortized costs using the effective interest method less provision for impairment.

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

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

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

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

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

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with

the item will flow to the company and the cost of the item can be measured reliably. Repairs and maintenance expenses are charged to the statement of financial performance in the year in which they are incurred.

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

Depreciation is calculated using the straight line method to write down the cost of each asset to its residual value over its estimated useful life using the following annual rates:

	<b>Rate</b>
	%
Land and buildings	2.5%
Buildings Partitions	2.5%
Computer Equipment and software	33 <sup>1</sup> / <sub>3</sub> %
Furniture and Fittings	12.5%
Office Equipment	12.5%
Motor Vehicles	25.0%
Road Work In Progress	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) Specialised Public Service Assets-Road Work In Progress**

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

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

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

capacity of an asset to provide monetary benefits to those that hold or own that asset. Currently the Authority classifies these assets as capital work in progress

**(m) Construction contracts**

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

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

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

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

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

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

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

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

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

**(o) Inventories**

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

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

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

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

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

**(p) Cash and Cash Equivalents**

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

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

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

The net assets are made of up of designated funds and accumulated reserve which are explained as follows:

- i. **Road projects reserve funds** which relates to cumulative exchequer and development partners' funds received for development projects which currently stands. This represents the Authority's Investment in Road works to 30 June 2021.
- ii. **Capital reserves** relates to assets (Motor vehicles) donated to the Authority by KTTSP Project as part of capacity building.
- iii. **Accumulated surplus** relates to accounting surplus which accrues from unutilised funds, interest income and other miscellaneous income and is available for future utilisation by the Authority.
- iv. **Staff Mortgage fund:** The Authority established independently managed staff Mortgage Scheme Funds for members of staff. The scheme is based on a minimum cash balance at the Kenya Commercial Bank account commensurate with the mortgage amount. This cash balance, built up for the scheme as a revolving fund, is as at 30<sup>th</sup> June 2021 amounted to **Ksh. 311.2 Million**. There was no transfer from the accumulated surplus to the staff mortgage fund during the year
- v. **Road Maintenance Levy Fund (Road works component):** relates to accounting surplus which accrues from unutilised funds for the roadworks component of the road maintenance levy fund (RMLF). The funds relate to unexecuted works for contracts in progress at year-end for which the funds are already committed. The funds are ring-fenced by the contract provisions and are not available for any other purpose except for meeting the contract obligations already entered into by the Authority

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

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

**(s) Employee Benefits**

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

The Authority and its employees also contribute to the statutory pension scheme, the National Social Security Funds (NSSF). Contributions are determined by the local statute.

The Authority also sets aside on monthly basis the gratuity for its employees who are on contract basis.

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

**(t) Comparatives**

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

**(u) Subsequent Events**

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

**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.

**5. Government Grants and Subsidies****a) Road maintenance Levy Fund**

	<b>2020-2021</b>	<b>2019-2020 (Restated)</b>
	<b>Kshs</b>	<b>Kshs</b>
Road Maintenance Levy Fund (Works)	4,755,217,129	7,869,219,532
Road Maintenance Levy Fund (NMS)	-	-
Road Maintenance Levy Fund (Operations)	1,692,250,000	1,692,250,000
<b>Total Road Maintenance Levy Fund</b>	<b>6,447,467,129</b>	<b>9,561,469,532</b>
Transfer to Road Assets Reserve	-	(2,320,000,000)
<b>Total Road Maintenance Levy Fund</b>	<b>6,447,467,129</b>	<b>7,241,469,532</b>

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 Central Government and other government agencies**

Decongestion and GES Programmes	-	290,655,616
County Government grants	-	120,000,000
Development Funds	8,515,049,752	12,183,025,269
<b>Total</b>	<b>8,515,049,752</b>	<b>12,593,680,885</b>
Transfer to Road Assets Reserve	(8,515,049,752)	(12,183,025,269)
<b>Total Revenue</b>	<b>-</b>	<b>410,655,616</b>

**c) Development Partner Grants**

African Development Bank (AfDB)	420,601,935	877,179,659
Japanese International Cooperation Agency(JICA)	-	1,426,006,201
European Union	-	196,620,513
<b>Total Funds</b>	<b>420,601,935</b>	<b>2,499,806,373</b>
Transfer to Road Assets Reserve	(420,601,935)	(2,499,806,373)
<b>Total Revenue</b>	<b>-</b>	<b>-</b>

**d) Transfers from Ministries, Departments and Agencies**

Name of agency	Amount recognised in the statement of financial performance	Amount recognised in development fund	Total grant income during the year 2020-2021	2019-2020
	Ksh	Ksh	Ksh	Ksh
Kenya Roads Board (RMLF-Roadworks)	4,755,217,129	-	4,755,217,129	7,869,219,532
Kenya Roads Board(RMLF-Operations)	1,692,250,000	-	1,692,250,000	1,692,250,000
State Department of infrastructure	-	8,515,049,752	8,515,049,752	12,473,680,885
County Governments	-	-	-	120,000,000
<b>Sub Total</b>	<b>6,447,467,129</b>	<b>8,515,049,752</b>	<b>14,962,516,881</b>	<b>22,155,150,417</b>
<b>ii) Transfers from Development partners:</b>				
African Development Bank (AfDB)	-	420,601,935	420,601,935	877,179,659
Japanese International Cooperation Agency(JICA)	-	-	-	1,426,006,201
European Union	-	-	-	196,620,513
<b>Sub Total</b>	<b>-</b>	<b>420,601,935</b>	<b>420,601,935</b>	<b>2,499,806,373</b>
<b>Total grants</b>	<b>6,447,467,129</b>	<b>8,935,651,687</b>	<b>15,383,118,816</b>	<b>24,654,956,790</b>

**6. Licences, Penalties and Levies**

Liquidated Damages	5,933,641	9,560,348
Road cutting fees	4,580,000	4,680,000
<b>Total</b>	<b>10,513,641</b>	<b>14,240,348</b>

**7. Finance Income**

Interest on bank deposits	315,784,643	198,562,514
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**8. Other Income from Exchange Transactions**

Tender sales	19,000	28,000
Other Income	2,528,460	406,370
<b>Total Other Income</b>	<b>2,547,460</b>	<b>434,370</b>

**9. Directors' Expenses**

Directors' Emoluments	7,403,050	8,826,142
Training and Development	2,449,510	7,319,184
Travelling and other field costs	402,874	14,799,191
<b>Total directors' expenses</b>	<b>10,255,434</b>	<b>30,944,517</b>

2020-2021  
Kshs2019-2020  
Kshs

**10. Employment Costs**

Salaries and wages	822,712,398	798,554,601
Pension and Garatuity costs	90,159,050	85,492,193
Medical and Insurance	66,825,153	79,355,851
Training and Development	3,270,104	23,007,367
Travelling and subsistence	94,702,093	69,603,647
Other Staff Welfare costs	1,770,632	1,649,661
<b>Total employment costs</b>	<b>1,079,439,429</b>	<b>1,057,663,320</b>

**11. Depreciation and amortization costs**

Depreciation on Property Plant and Equipment	69,745,710	65,525,053
Arnotisation of Intangible Assets	4,727,909	24,470,626
	<u>74,473,619</u>	<u>89,995,679</u>

**12. General Expenses**

Audit fees	2,900,000	2,900,000
Consulting fees	14,376,400	8,794,869
Conference and seminars	27,466,479	21,026,016
Communication costs	7,178,366	5,024,862
Vehicle running expenses	25,121,900	7,307,452
Printing and stationery	16,075,794	8,300,086
Occupancy costs	52,974,761	58,961,007
Advertising , publicity and CSR activities	34,405,158	13,357,695
Bank charges and commissions	870,646	1,541,782
Other office running costs	16,196,047	15,892,884
<b>Total General Expenses</b>	<b>197,565,552</b>	<b>143,106,653</b>

**13. Repairs and maintenance**

Equipment and Machinery	10,458,860	14,586,071
Motor vehicles	15,902,483	12,292,123
Computer and accessories	19,999,239	11,104,859
<b>Total Repairs and Maintenance Costs</b>	<b>46,360,583</b>	<b>37,983,053</b>

	2020-2021 Kshs	2019-2020 Kshs
<b>14. Road Maintenance and Rehabilitation Costs</b>		
Routine maintenance	1,865,083,331	1,147,297,251
Periodic maintenance	4,481,488,175	3,770,913,310
Decongestion programme	-	290,655,616
County Roads	-	100,000,000
Consultancy, Planning, Feasibility ESIA Costs	34,717,338	10,654,470
Road Safety and Children's Traffic Parks Costs	35,091,370	9,920,488
Road Furniture and Road Marking	3,836,100	11,720,814
Traffic census and forward planning	9,100,751	4,671,891
Axle load control costs	2,970,800	4,898,812
Road reserve mapping and control costs	15,533,748	1,035,422
Design inhouse	15,907,701	6,580,815
Special Programmes and environmental awareness costs	21,593,744	12,599,386
Intelligent Traffic Management System Costs	7,908,696	23,213,470
<b>Total road maintenance and Rehabilitation expenses</b>	<b>6,493,231,756</b>	<b>5,394,161,745</b>

**15. Cash and cash equivalents**

Current accounts	7,340,248,385	9,646,807,054
Staff Mortgage Fund	311,247,513	307,212,708
Cash in hand	212,591	269,392
	<u>7,651,708,488</u>	<u>9,954,289,154</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	5,266,898,380	6,928,896,699
National Bank of Kenya	893,640,690	1,189,952,333
Co-operative Bank of Kenya	1,179,709,315	1,527,958,023
<b>Total current accounts</b>	<u>7,340,248,385</u>	<u>9,646,807,054</u>

**Staff Mortgage Fund**

KCB Bank Limited	<u>311,247,513</u>	<u>307,212,708</u>
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	2020-2021 Kshs	2019-2020 Kshs
<b>16. Receivables</b>		
<b>a) Receivables From Exchange Transactions</b>		
Contractor advances	1,620,828,564	740,979,439
<b>b) Receivables From Non-Exchange Transactions</b>		
Staff Debtors	3,344,448	2,596,363
Grants Receivable-Development Funds	938,755,550	-
Grants Receivable-RMLF	1,133,678,923	1,133,671,660
Deposits and other prepayments	2,644,962	2,644,962
<b>Total Receivables From Non-Exchange Transactions</b>	<b>2,078,423,883</b>	<b>1,138,912,985</b>
<b>Total receivables</b>	<b>3,699,252,447</b>	<b>1,879,892,424</b>

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 2020-2021.

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	-	-	1,620,828,564	1,620,828,564
Staff Debtors	3,344,448	-	-	3,344,448
Grants Receivable	-	2,072,434,473	-	2,072,434,473
Deposits & Other Prepayments	2,644,962	-	-	2,644,962
<b>Total</b>	<b>5,989,410</b>	<b>2,072,434,473</b>	<b>1,620,828,564</b>	<b>3,699,252,447</b>

## 17. Inventories

Consumable supplies	18,537,370	25,297,412
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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 to their fair value.

**18. Property Plant and equipment**

Cost/ Valuation	Land and Buildings	Furniture and Fittings	Computers and Technical Equipment	Office Equipment	Motor Vehicles	Capital Work In Progress	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs (Vehicles)	Kshs
As at 1st July 2019	-	161,400,220	63,276,990	-	125,497,801	-	350,175,011
As previously stated	127,736,628	(127,736,628)	(14,043,050)	14,043,050	-	-	350,175,011
Reclassification	127,736,628	33,663,592	49,233,940	14,043,050	125,497,801	-	49,716,466
As restated	2,586,742	28,150,548	6,289,983	2,159,193	10,530,000	-	399,891,477
Additions during the year							
As at 30 June 2020 (Restated)	<b>130,323,370</b>	<b>61,814,141</b>	<b>55,523,923</b>	<b>16,202,243</b>	<b>136,027,801</b>	-	<b>399,891,477</b>
Additions during the year	(0)	1,437,774	20,616,848	11,565,946	39,300,966	107,444,300	180,365,834
As at 30 June 2021	<b>130,323,369</b>	<b>63,251,915</b>	<b>76,140,770</b>	<b>27,768,189</b>	<b>175,328,766</b>	<b>107,444,300</b>	<b>580,257,311</b>
<b>Depreciation</b>							
As at 1st July 2019	-	36,843,961	33,570,697	-	52,356,188	-	122,770,846
As previously stated	29,131,743	(29,131,743)	(7,767,228)	7,767,228	-	-	-
Reclassification	(22,929,261)	500,610	4,710,180	(4,274,040)	6,993,913	-	(14,998,598)
Prior year adjustment	6,202,482	8,212,828	30,513,650	3,493,188	59,350,100	-	107,772,248
As restated	3,258,084	7,726,768	18,507,974	2,025,280	34,006,950	-	65,525,056
Charge for the Year	<b>9,460,566</b>	<b>15,939,596</b>	<b>49,021,624</b>	<b>5,518,468</b>	<b>93,357,050</b>	-	<b>173,297,304</b>
As at 30 June 2020	3,258,084	7,906,489	11,277,921	3,471,024	43,832,192	-	69,745,710
Charge for the Year	<b>12,718,650</b>	<b>23,846,085</b>	<b>60,299,545</b>	<b>8,989,492</b>	<b>137,189,242</b>	-	<b>243,043,014</b>
As at 30 June 2021	<b>117,604,719</b>	<b>39,405,830</b>	<b>15,841,226</b>	<b>18,778,698</b>	<b>38,139,524</b>	<b>107,444,300</b>	<b>337,214,297</b>
<b>Net Book Value</b>							
As at 30 June 2021	<b>120,862,804</b>	<b>45,874,545</b>	<b>6,502,299</b>	<b>10,683,775</b>	<b>42,670,751</b>	-	<b>226,594,173</b>

Capital work In progress relates to motor vehicles purchased during the year awaiting delivery.

	2020-2021 Kshs	2019-2020 Kshs
<b>19. Infrastructure Work In Progress</b>		
As at 1st July	99,519,572,731	87,915,893,669
Additions during the year	15,938,574,074	11,603,679,062
<b>As at 30 June</b>	<b>115,458,146,804</b>	<b>99,519,572,731</b>
<b>20. Intangible Assets</b>		
<b>Cost/ Valuation</b>		
As at start of the year	156,338,767	156,338,767
Prior Year adjustment	(82,926,889)	(82,926,889)
Additions	14,183,727	-
	<u>87,595,605</u>	<u>73,411,878</u>
<b>Amortization</b>		
As at start of the year	153,015,297	151,353,562
Prior Year adjustment	(79,603,419)	(102,412,310)
Charge for the year	4,727,909	24,470,626
<b>As at end of the year</b>	<b>78,139,787</b>	<b>73,411,878</b>
<b>Net Book Value</b>		
<b>As at 30 June</b>	<b>9,455,818</b>	<b>-</b>
<b>21. Payables</b>		
<b>a) Payables from Exchange Transactions</b>		
<b>Current</b>		
Due to Suppliers and Contractors	10,953,778,062	3,007,419,470
Refundable Deposits	29,297,500	26,397,500
	<u>10,983,075,562</u>	<u>3,033,816,970</u>
<b>Non Current</b>		
Contract Retention	1,295,001,233	1,506,301,069
<b>Total Payables from Exchange Transactions</b>	<b>12,278,076,796</b>	<b>4,540,118,039</b>
<b>b) Payables from Non-Exchange Transactions</b>		
Other payables	56,973,239	40,199,827
<b>Total Payables from Non-Exchange Transactions</b>	<b>56,973,239</b>	<b>40,199,827</b>
<b>c) Employee Benefits Obligations</b>		
Staff gratuity	33,604,979	31,184,263
Other Staff statutory obligations	12,378,648	11,500,391
<b>Total Employee Benefits Obligations</b>	<b>45,983,627</b>	<b>42,684,653</b>
<b>Total Payables</b>	<b>12,381,033,661</b>	<b>4,623,002,520</b>

**22. Cash generated from operations**

		2020-2021 Kshs	2019-2020 Kshs Restated
	Note		
Surplus for the year		(1,125,013,500)	1,111,507,413
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	11	69,745,710	65,525,053
Amortisation of intangible assets	11	4,727,909	24,470,626
Prior Year adjustment			7,212,708
Interest Income		(315,784,643)	(198,562,514)
<b><i>Changes in operating assets and liabilities</i></b>			
Receivables from exchange transactions		(879,849,125)	1,147,219,735
Receivables from non exchange transactions		(939,510,898)	(40,808,620)
Inventories		6,760,041	(9,841,775)
Payables from exchange transactions		7,949,258,592	(3,613,112,974)
Payables from Non-exchange transactions		16,773,412	(61,390,293)
Employee benefit obligation		3,298,974	4,699,853
		4,790,406,473	(1,563,080,788)
<i>Net cash from operating activities</i>			

**23. Financial risk management objectives and policies**

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

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

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

- (i) **Operational risks** are events, hazards, variances or opportunities which could influence the achievement of the Board's compliance and operational objectives.

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

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

The Authority's exposure to risks, its objectives, policies and processes for managing the risk and the methods used to measure it have been consistently applied in the years presented, unless otherwise stated. The Authority aims therefore to achieve an appropriate balance between the risk and return and minimize potential adverse effects on its financial performance.

The financial management objectives and policies are as outlined below:

**a) Liquidity Risk**

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

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

The Authority's has adopted an overall balance sheet approach which consolidates all sources and uses of liquidity, while aiming to maintain a balance between liquidity, cash

flows and interest rate considerations. The Authority's liquidity and funding management process includes:

- 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

**Year Ended 30 June 2021**

	<b>Less Than 1 Month Ksh</b>	<b>Between 1-3 Months Ksh</b>	<b>Between 3-12 Months Ksh</b>	<b>Over One Year Ksh</b>
Due to Suppliers and Contractors	-	-	10,953,778,062	-
Refundable Deposits	-	-	29,297,500	-
Contract Retention	-	-	-	1,295,001,233
Other payables	56,973,239	-	-	-
Employee Benefits obligations	45,983,627	-	-	-
<b>Total</b>	<b>102,956,866</b>	<b>-</b>	<b>10,983,075,562</b>	<b>1,295,001,233</b>

**Year Ended 30 June 2020**

	<b>Less Than 1 Month Ksh</b>	<b>Between 1-3 Months Ksh</b>	<b>Between 3-12 Months Ksh</b>	<b>Over One Year Ksh</b>
Due to Suppliers and Contractors	-	-	3,007,419,470	-
Refundable Deposits	-	-	26,397,500	-
Contract Retention	-	-	-	1,506,301,069
Tax payable	40,199,827	-	-	-
Employee Benefits obligations	42,684,653	-	-	-
<b>Total</b>	<b>82,884,481</b>	<b>-</b>	<b>3,033,816,970</b>	<b>1,506,301,069</b>

**b) Market Risk**

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates, prices and interest rates. The objective of market risk management policy is to protect and enhance the Statements of Financial

Position and performance by managing and controlling market risk exposures within acceptable parameters, and to optimize the funding of business operations and facilitate capital expansion. The Authority is exposed to the following market risks:

**(i) Currency Risk**

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

**(ii) Price Risk**

Kenya Roads Board collects Kshs. 18 per litre of diesel and petrol imported into the country, 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 2021**

	<b>Fully Performing</b>	<b>Past Due But Not impaired</b>	<b>Past due and Impaired</b>	<b>Total</b>
	<b>Ksh</b>	<b>Ksh</b>	<b>Ksh</b>	<b>Ksh</b>
Contractor advances	1,620,828,564			1,620,828,564
Staff Debtors	3,344,448	-	-	3,344,448
Grants Receivable	1,133,678,923	-	-	1,133,678,923
Deposits & Other Prepayments	2,644,962			2,644,962
Cash at Bank	7,651,708,488	-	-	7,651,708,488
<b>Gross Financial Assets</b>	<b>10,412,205,385</b>	<b>-</b>	<b>-</b>	<b>10,412,205,385</b>

**Year Ended 30 June 2020**

	<b>Fully Performing</b>	<b>Past Due But Not impaired</b>	<b>Past due and Impaired</b>	<b>Total</b>
	<b>Ksh</b>	<b>Ksh</b>	<b>Ksh</b>	<b>Ksh</b>
Contractor advances	740,979,439	-	-	740,979,439
Staff Debtors	2,596,363	-	-	2,596,363
Grants Receivable	1,133,671,660	-	-	1,133,671,660
Deposits & Other Prepayments	2,644,962	-	-	2,644,962
Cash at Bank	9,954,289,154	-	-	9,954,289,154
<b>Gross Financial Assets</b>	<b>11,834,181,578</b>	<b>0</b>	<b>-</b>	<b>11,834,181,579</b>

**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.

**24. Explanation for budget variances**

Budget Item	Final budget		Actual on comparable basis		Budget Performance	Explanation for variance
	2020-2021	2020-2021	2020-2021	2020-2021		
<b>REVENUE</b>						
a) RMLF Funds	6,422,648,936	6,447,467,129			0% N/A	
b) AIA -Interests and other incomes	65,000,000	328,845,744			406%	Additional interest from increased retention funds
c) GOK exchequer	8,515,049,752	8,515,049,752			0%	
d) Donor funds AIA	1,300,000,000	420,601,935			-68%	Projects nearing completion
<b>EXPENDITURE</b>						
e) Property plant and Equipment	82,375,000	180,365,834			119%	No significant variance
g) Board of Directors Expenses	39,300,000	10,255,434			-74%	Reduced activity due to covid containment measures
h) Compensation to employees	1,338,622,690	1,079,439,429			-19%	Reduced activity due to covid containment measures
i) Depreciation & Amortization Costs	50,000,000	74,473,619			49%	Additions during the year
j) Operating & other Administrative Costs	251,506,310	197,565,552			-21%	Reduced activity due to covid containment measures
k) Repairs and maintenance	45,446,000	46,360,583			2%	No significant variance
l) Road Rehabilitation & Maintenance Costs	4,730,398,936	6,493,231,756			37%	Utilisation of Carryover funds
m) Road Infrastructure Assets	9,815,049,752	15,938,574,074			62%	Informal settlement projects

The original budget for FY 2019-2021 was approved by the National Assembly on 9<sup>th</sup> June 2020. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities.

**25. Prior Year adjustments (Restatement)**

Certain prior year items have been restated for consistency with the current year presentation. This was necessitated by:

- (i) Compliance with the requirement for preparation of separate RMLF financial statements and the requirements of IPSAS 1.
- (ii) Correction of errors in computation of depreciation as a result of misapplication of the depreciation policy in property plant and equipment
- (iii) Reclassification of property plant and equipment
- (iv) Correction of omission of interest earned on staff mortgage funds

These restatements resulted in net decrease of Ksh 35,285,858 on the reported results and net increase of Ksh. 7,212,708 on the cash flows for the year ended 30 June 2020. The details of the restated items, purpose for restatement and the amounts are disclosed below:

Prior year adjustments	2020-2021 Kshs	2019-2020 Kshs	Purpose
<b>(i) Accumulated Surplus</b>			
Transfer of RMLF Accumulated surplus	(3,132,160,487)	(3,132,160,487)	Separation of RMLF fund balance from accumulated surplus
Restated Surplus for FY 2019-2020 for RMLF	(555,273,751)	-	Restated surplus for RMLF after separation of the fund
Transfer to staff Mortgage Fund	(300,000,000)	(300,000,000)	Separation of Staff mortgage fund from the accumulated surplus
Excess depreciation on revaluation	20,538,700	-	Excess depreciation on revalued assets
Understatement of depreciation on property plant and equipment	2,521,628	14,998,597	Correction of error on application of depreciation policy
Understatement of amortisation on Intangible assets	(3,323,470)	19,485,421	Correction of error on application of depreciation policy
	<b>(3,967,697,380)</b>	<b>(3,397,676,469)</b>	
<b>(ii) Road maintenance Levy Fund (Roadworks component)</b>			
Transfer of RMLF Accumulated surplus	3,132,160,487	3,132,160,487	Separation of RMLF fund balance from accumulated surplus
Restated Surplus for FY 2019-2020 for RMLF	555,273,751	-	Restated surplus for RMLF after separation of the fund
Prior years accrued funds not received	(175,926,619)	(175,926,619)	Reversal of unfunded RMLF budget for FY 2013-2014 from accumulated surplus
Transfer of RMLF Development funds	2,320,000,000	-	Transfer of RMLF development component from Road reserve fund
	<b>5,831,507,619</b>	<b>2,956,233,868</b>	

	2020-2021	2019-2020	Purpose
	Kshs	Kshs	
<b>Prior year adjustments</b>			
<b>(iii) Road Assets Reserve Fund</b>			
Transfer of RMLF Development funds	(2,320,000,000)	-	Transfer of RMLF development component to RMLF Fund
Excess depreciation on revaluation	(20,538,700)	-	Excess depreciation on revalued assets erroneously debited to Road assets reserve fund
	<b>(2,340,538,700)</b>	-	
<b>(iv) Staff mortgage Fund</b>			
Transfer from Accumulated Fund	300,000,000	300,000,000	Separation of Staff mortgage fund from the accumulated surplus
<b>(iv) Receivables</b>			
Prior years accrued funds not received	175,926,619	175,926,619	Reversal of unfunded RMLF budget for FY 2013-2014 from accumulated surplus
<b>(v) Property plant and equipment</b>			
Land and Buildings	(25,395,118)	(22,929,261)	Correction of error on application of depreciation policy
Furniture and Fittings	(5,460,375)	500,610	Correction of error on application of depreciation policy
Office equipment	(5,060,431)	(4,274,040)	Correction of error on application of depreciation policy
Computers and Technical Equipment	13,311,337	4,710,181	Correction of error on application of depreciation policy
Motor Vehicles	20,082,960	6,993,913	Correction of error on application of depreciation policy
	<b>(2,521,628)</b>	<b>(14,998,597)</b>	
<b>(vi) Intangible Assets</b>			
Intangible assets-cost	82,926,889	82,926,889	Revaluation of the intangible assets
Intangible assets-Accumulated Amortisation	(79,603,419)	(102,412,310)	Correction of error on application of amortization policy and revaluation
	<b>3,323,470</b>	<b>(19,485,421)</b>	
<b>Total Prior Year adjustment</b>	<b>(0.00)</b>	<b>(0.00)</b>	

	2020-2021 Kshs	2019-2020 Kshs
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## 26. 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.

#### (i) Grants from the Government

Grants from National Government	14,962,516,881	19,835,150,417
	<u>14,962,516,881</u>	<u>19,835,150,417</u>

#### (ii) Key management personnel compensation

Directors emoluments	7,403,050	8,826,142
Compensation to the Director General	10,076,570	10,076,570
Compensation to the key management	201,706,081	199,118,422
	<u>219,185,701</u>	<u>218,021,134</u>

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

The following were outstanding balances with related parties as at 30<sup>th</sup> June 2021

Receivable from related parties	2,072,434,473	1,269,756,350
Payable to related parties	33,604,979	26,903,028

Receivables from related parties can be analysed as follows:

Road maintenance Levy (RMLF)	1,133,678,923	1,269,756,350
Development Funds	938,755,550	-
	<u>2,072,434,473</u>	<u>1,269,756,350</u>

Payables to related parties can be analysed as follows:

Key management personnel	33,604,979	26,903,028
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## 27. 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.

**28. Capital Commitments**

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

**29. Currency**

The financial statements are presented in Kenya Shillings (Kshs)

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

The Authority received an unqualified report for the financial year 2019-2020. All audit matters raised during the audit were resolved and closed during the audit.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.1	Project behind Schedule	The road is substantially complete and has been implemented as per the contract agreement. The incomplete walkways and drains will be constructed during the Defects Liability period.	Ongoing	June 2022
1.2	Project behind Schedule	Project is currently at 60% completion and is expected to be completed by September 2022. The delays were due to COVID-19 and delayed payments.	Ongoing	June 2022

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.3	Project behind Schedule	Project assigned to new contractors' completion expected June 2022	ongoing	June 2022
2.0	Board chairman	Upgrading of Maua Town Roads Contract No.KURA/DEV/LV SUR/265/2016-2017 Lack of board chairman	Outstanding	N/A

**APPENDIX 2: DEVELOPMENT PARTNERS PROJECTS IMPLEMENTED BY THE AUTHORITY**

Project title	Project Number	Donor	Period/ duration	Donor Commitment (Total)	Separate Donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1. Nairobi Outer Ring Road Improvement Project.	P-KE-DB0-020	AfDB	5 years	7,553,819,905.45	YES	YES
2. Nairobi Missing Link Roads and Non-Motorised Transport Facilities - Kenya Project	KE/FED/022-51	EU	7 years	3,239,476,730.00	YES	YES
3.The Project for dualling of Nairobi – Dagoretti Corner Road C60/C61 (Phase 2) - Kenya	NO. 24-VJ-174	JICA	18 Months	1,341,943,019	YES	YES

**APPENDIX 3: INTER ENTITY TRANSFERS-STATE DEPARTMENT OF INFRASTRUCTURE**

i) ROAD MAINTENANCE LEVY						
Date Received	Agency	Financial Year	Amount	Statement of Financial Performance	Statement of Financial Position	Receivables
8/31/2020 - Receivable FY	Kenya Roads Board	2019-2020	1,133,671,660	-	1,133,671,660	1,133,671,660
October 8, 2020	Kenya Roads Board	2020-2021	1,572,466,053	1,572,466,053	-	-
December 9, 2020	Kenya Roads Board	2020-2021	432,071,235	432,071,235	-	-
December 9, 2020	Kenya Roads Board	2020-2021	1,179,795,547	1,179,795,547	-	-
March 15, 2021	Kenya Roads Board	2020-2021	1,611,866,782	1,611,866,782	-	-
June 22, 2021	Kenya Roads Board	2020-2021	517,588,589	517,588,589	-	-
7/7/2021-Accrual	Kenya Roads Board	2020-2021	1,133,678,923	1,133,678,923	1,133,678,923	1,133,678,923
<b>Total</b>			<b>7,581,138,789</b>	<b>6,447,467,129</b>		<b>2,267,350,583</b>
ii) EXCHEQUER FUNDS						
Date Received	Agency	Financial Year	Amount	Statement of Financial Performance	Statement of Financial Position	Receivables
August 31, 2020	MOTHUD &PW	2019-2020	784,582,806	784,582,806	-	-
September 23, 2020	MOTHUD &PW	2020-2021	1,926,306,064	1,926,306,064	-	-
November 23, 2020	MOTHUD &PW	2020-2021	215,572,069	215,572,069	-	-
December 30, 2020	MOTHUD &PW	2020-2021	550,000,000	550,000,000	-	-
April 26, 2021	MOTHUD &PW	2020-2021	1,511,833,263	1,511,833,263	-	-
June 23, 2021	MOTHUD &PW	2020-2021	2,372,000,000	2,372,000,000	-	-
May 21, 2021	MOTHUD &PW	2020-2021	216,000,000	216,000,000	-	-
7/7/2021-Accrual	MOTHUD &PW	2020-2021	-	-	-	-
July 7, 2021	MOTHUD &PW	2020-2021	373,000,000	373,000,000	373,000,000	373,000,000
August 7, 2021	MOTHUD &PW	2020-2021	565,755,550	565,755,550	565,755,550	565,755,550
<b>Total</b>			<b>8,515,049,752</b>	<b>8,515,049,752</b>		<b>938,755,550</b>

iii) DIRECT DONOR PAYMENTS (AFDB)		
DATE	PARTICULARS	AMOUNT
19-Oct-20	Nairobi Outer Ring-Devpment of Urban Rds Mtce Strategy-Inv 3	29,873,845
12-Feb-21	Nairobi Outer Ring-Devpment of Urban Rds Mtce Strategy-Inv 4	35,081,150
23-Feb-21	Nairobi Outer Ring-Baseline Data+ Rd Safety Awareness -Inv 3	6,042,500
25-Mar-21	Nairobi Outer Ring Works - IPC 42 part 2	44,674,767
25-Mar-21	Nairobi Outer Ring Works - IPC 43	206,586,578
8-Apr-21	Nairobi Outer Ring Works - IPC 44 part 1	78,992,474
19-May-21	Nairobi Outer Ring Works - IPC 44 part 2	14,863,421
3-Mar-21	Nairobi Outer Ring Works - VFM& TA Consultancy - Fee Note 07	2,243,600
12-Mar-21	Nairobi Outer Ring Works - VFM& TA Consultancy - Fee Note 08	2,243,600
<b>Total</b>		<b>420,601,935</b>

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

**Head of Finance**  
**Kenya Urban Roads Authority**

**Head of Accounting Unit**  
**State Department of Infrastructure**



## **KENYA URBAN ROADS AUTHORITY**

*Enhancing urban mobility*

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