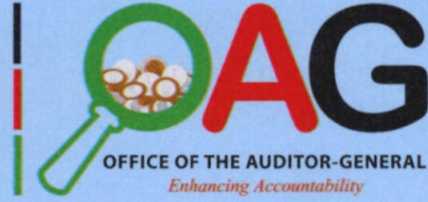


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REPORT	
THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 30 APR 2026	DAY: <i>Thursday</i>
TABLED BY: OF	<i>Leader of the majority Party</i>
CLERK-AT THE-TABLE:	<i>Kambiri-T.</i>

THE AUDITOR-GENERAL

ON

**KENYA NATIONAL HIGHWAYS AUTHORITY
MORTGAGE SCHEME**

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



Kenya National Highways Authority

Quality Highways, Better Connections

KENYA NATIONAL HIGHWAYS AUTHORITY

MORTGAGE SCHEME

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

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

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1. Acronyms and Definition of Key Terms

A. Acronyms

DG	Director General
CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
MD	Managing Director
NT	National Treasury
OCOB	Office of the Controller of Budget
OAG	Office of the Auditor General
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies

B. Definition of Key Terms

Fiduciary Management - Members of Management directly entrusted with the entity's financial resources.

Comparative Year- Means the prior period.

2. Key Fund information and management

a) Background information

Kenya National Highways Authority (KeNHA) Staff House Mortgage Fund was established in February, 2013 following the signing of Memorandum of Understanding with Housing Finance (HFC). The fund was rolled out in June, 2013 following staff awareness forums that were undertaken at the headquarters and in all regions in May, 2013. The Fund is administered by Housing finance under a cash backed mortgage financing facility.

The establishment of the Mortgage scheme is line with the KeNHA's Human Resource Administration Policies and Procedures manual at the time which had the provision 'to run a mortgage scheme for its staff in partnership with leading financial institutions to encourage its members of staff to own residential houses, with the interest rates to be charged on these loans being determined from time to time whereby staff will be eligible to apply for these loans provided that a 1/3rd (one third) of their gross salary are maintained after the loan deductions.

The Authority has ensured compliance with the Salaries and Remuneration Commission (SRC) Circular ref No. SRC/ADM/CIR/1/13 Vol.III (128) of 17th December 2014 on Mortgage Scheme for State Officers and other Public Officers of the Government of Kenya.

The purpose of the Staff Mortgage Scheme is to:

- a) Provide housing loan facilities to members of staff for purposes of either purchasing or constructing residential houses.
- b) Alleviate the problems experienced by members of staff in looking for suitable accommodation

b) Principal Activities

The principal activity of the Fund is to provide mortgage loans to KeNHA staff for the sole purpose of:

- a) Outright house purchase of Residential Houses
- b) Construction
- c) Plot financing (Maximum repayment – 5 years)
- d) Plot financing and Building (Buy and Build)
- e) Loan Top Up

f) Equity Release (on a limited basis **only on residential units**)

The Fund Administrator Housing Finance is a limited liability company having its registered office at Rehani House in Nairobi in the Republic of Kenya. HFC is a duly licensed mortgage financing institution sufficiently equipped in both financial and manpower resources to operate any type of housing mortgage schemes.

Internally, the Mortgage scheme is managed by Management through the Staff Loan Committee appointed by the Director General from time to time. KeNHA Staff Mortgage Committee is charged with the responsibility of;

- a) Disseminating information to staff members on the Mortgage scheme;
- b) Receiving all applications and determining eligibility for staff for mortgage in accordance with the internal rules and regulations governing the processing of mortgage loans;
- c) Preparation of introduction letters to Housing Finance for loan processing;
- d) Follow- up on loan applications and handling challenges in loan processing;
- e) Preparation of quarterly reports on Staff Mortgage uptake.

c) Board of Directors

No.	Designation	Name
1	Chairperson (non-executive)	Ms. Winfrida W. Ngumi <i>(Appointed 5th August 2022)</i>
2.	Director	Mr. Charles Gathogo
3.	Director	Mr. Protus Sigei, Alternate to CS National Treasury
4.	Director	FCPA. Julius W Mwatu
5.	Director	Ms. Brenda N. Mayabi
6.	Director	Eng. Nicholas Musuni Alternate to PS Roads
7.	Director	Mr. Martin Eshiwani Director – Alt. to PS (Transport) <i>(Appointed 20th March 2023)</i>
8.	Chairman (non-executive)	Eng. Wangai Ndirangu, MIEK, RCE <i>(Retired 22nd July 2022)</i>
9.	Director	Eng. Carey O. Orege, CBS <i>(Retired 25th November 2022)</i>
10.	Director	Mr. George Wanjau Director – Alt. to PS (Transport)

No.	Designation	Name
		(Retired 19 th January 2023)

Key Fund and Information Management (Continued)**d) Key Management**

No.	Designation	Name
1.	Director General	Eng. Kungu Ndungu
2.	Director, Public, Private Partnership	Eng. Charles Obuon (Appointed 9 th January 2023)
3.	Ag. Director, Development	Eng. Henry Gakuru (Appointed 9 th January 2023)
4.	Ag. Director, Maintenance	Eng. Daniel Cherono (Appointed 9 th January 2023)
5.	Director, Corporate Services	CPA James Bowen
6.	Director, Planning, Research & Compliance	Eng. Njuguna Gatitu
7.	Director, Highway Design & Safety	Eng. Ezekiel Fukwo (Appointed 9 th January 2023)
8.	Director, Audit Services	Dr. CPA Sammy Kimunguyi
9.	Corporation Secretary/Deputy Director, Head Legal Services	Ms. Norah Odingo-Kajwang'
10.	Deputy Director, Head Supply Chain Management	Ms. Levina Wanyonyi
11.	Director, Highway, Design & Safety	Eng. Samuel O. Omer (Retired 16 th December 2022)

(Include all positions regarded as management involved in the day-to-day administration of the Fund).

e) Fiduciary Oversight Arrangements

The Authority's Board of Directors constituted four Board Committees namely;

- 1) The Finance, Strategy and Risk Committee;
- 2) The Audit and Governance Committee;
- 3) The Human Resource and General Purpose Committee; and
- 4) The Technical, Procurement and Disposal Oversight Committee.

The Finance, Strategy & Risk, Human Resource and General Purpose and the Audit and Governance Committees are responsible for the fiduciary oversight of the Authority.

Their key responsibilities are outlined below:

i) Finance, Strategy and Risk Committee

This is a committee of the Board whose key responsibilities are to: -

- Review, approve and/or recommend for Board's approval;
 - 1) Quarterly Financial Performance reports, Quarterly Financial Statements & any other Financial Performance reports.
 - 2) Any revisions of the Financial Policies, Guidelines & Procedures.
 - 3) Estimates of the Income & Expenditure of the Authority for the next Financial Year.
 - 4) Supplementary budget estimates prior to the end of the financial year.
 - 5) Special funding proposals including borrowings and grants and related reports.
 - 6) Proposals for opening bank accounts, banking facilities in general and any changes to operational mandates.
 - 7) Proposals for write offs/write back of significant losses and /or accounting differences.
 - 8) Proposals for investments and their returns
 - 9) Oversee systems and procedures in place to ensure all expenditures are within the approved budgets, the authority keeps proper books of accounts and records of its transactions and proper records of assets and liabilities are maintained.
 - 10) To advise the Board on investments and borrowings, the policy on grants, loans or other payments to or by the Authority, contingent liabilities resulting from

Key Entity Information and Management (continued)

- 11) Exposure from legal cases and effective and efficient strategies for Finance and Accounts Department
- 12) Risk management policy and risk appetite framework for the Authority
- 13) Quarterly reports on key risks that the Board needs to consider in detail and provide assurance to the board that they are being effectively identified, quantified and mitigated.
- 14) The extent to which the Authority operates within the risk appetite and tolerance levels set out.
- 15) Crystallization of the risks and triggers of crisis management
- 16) Report on Business Continuity and Recovery
- 17) The Authority's Strategic Plan
- 18) Reports on the implementation of the Performance Contract
- 19) Reports on the implementation of the Strategic Plan
- 20) Report on the Authority's performance and sustainability
- 21) Annual performance report
- 22) Performance of Quality Management System
- 23) Report on Business Process Re-engineering
- 24) Report on the implementation of policies and
- 25) Reports on Authority's Research, Knowledge Management and Business Development Initiatives

ii) Audit and Governance Committee

This is a committee of the Board whose key responsibilities are to: -

- Review, approve and/or recommend for Board's approval;
 - 1) Significant financial reporting issues and judgements made in connection with the preparation of the Authority's financial statements. This should be done prior to submission of financial statements to external auditors.

- 2) Appointment and termination of the Director Audit services,
 - 3) Sanction transfers into and out of the Directorate of Audit Services at all levels,
 - 4) Assess the performance of the Director, Audit services
 - 5) Facilitate direct access of the Director, Audit Services to the Board Chairman
 - 6) The annual internal audit work plan
 - 7) Annual Internal Audit work plan, budget and the Directorate of Audit Services
 - 8) training plan
 - 9) Reports on results of Internal audit work
 - 10) Management responses to internal audit findings and recommendations
 - 11) Authority's financial statements prior to submission to the Auditor General's Office
 - 12) Management letters and the adequacy of management responses prior to submission
 - 13) Whistleblowing arrangements
- Ensure that;
- 1) Internal audit the necessary resources to enable it to fulfil its mandate
 - 2) A Meeting is held with the Director, Audit services at least once a year without management being present.
 - 3) The risk function is audited to provide assurance on the effectiveness of the

Key Entity Information and Management (continued)

- 4) Enterprise-wide risk management process consistent with the Authority's determined risk appetite.
- 5) A meeting is held with external auditors at least once in each financial year to assess the Authority's internal control systems and financial reporting, work done and report to the Board on the effectiveness of external audit and determine the scope of internal audit work to be done in the succeeding financial year.
- 6) Resolution of major issues that arose during audits through follow up on implementation of internal and external audit recommendations.
- 7) Assessment of the effectiveness of the external audit process at the end of the annual audit cycle. This includes getting management feedback on the process.

iii) Human Resource and General Purpose Committee

This is a committee of the Board whose key responsibilities are to: -

- Review, approve and/or recommend for Board's approval;
- 1) Quarterly departmental reports for Human Resource Management, Corporation Secretary / Legal Services, ICT, Administrative Services, Corporate Communication and Monitoring of performance and change management.
 - 2) Staff terms and conditions of service including mortgages and pension scheme
 - 3) Funding arrangements for the staff mortgage scheme
 - 4) Corporate Staff recognition and reward policy
 - 5) Appointments and discipline of Staff in line with the schedule of delegated powers;
 - 6) Major changes in the Organizational structure
 - 7) Any revisions of the Human Resource Policy and Procedures Manual
 - 8) Any revisions of the Administration Services Policies and procedures
 - 9) Legal Services Policies and Procedures Manual
 - 10) ICT Policies and Procedures developed by Management;

- 11) Business Continuity and Planning Procedures and Policies
- 12) Annual Corporate Social Responsibility activities and their budgets
- 13) Administrative Services Policies and Procedures Manuals

Advise and guide the Management on: -

- i). Organizational Development and Change Management,
- ii). Promotion of corporate business culture through ensuring an enabling environment for organizational effectiveness and continuous improvement,
- iii). Effective and efficient strategies for human resource management including recruitment planning, training & development, retention, and performance management,
- iv). Appropriate corporate communication strategies,
- v). Appropriate legal strategies,
- vi). Appropriate organizational administrative strategies,
- vii). Appropriate ICT strategies.
- viii). Monitoring of performance and change management.

iv) Technical, Procurement and Disposal Oversight Committees

This is a committee of the Board whose key responsibilities are to: -

Key Entity Information and Management (continued)

- Review, approve and/or recommend for Board's approval;
 - 1) The Authority's Consolidated Annual Procurement and Disposal Plans
 - 2) Revision of the approved Consolidated Procurement Plans.
 - 3) All awarded contracts to ensure statutory and policy compliance.
 - 4) Periodic reports on the implementation of the procurement plan.
 - 5) Periodic reports on the statutory and policy compliance of the procurement function.
 - 6) Quarterly procurement performance reports.
 - 7) Advance briefs on all strategic procurements.
 - 8) Reports on development projects.
 - 9) Report on claims management in project.
 - 10) Report on Public-Private Partnerships.
 - 11) Report on road safety.
 - 12) Report on design projects.
 - 13) Report on structures projects.
 - 14) Report on Survey and road asset management.
 - 15) Report on maintenance of national trunk roads.
 - 16) Report on axle load control.
 - 17) Report on Management of roadside developments.
 - 18) KeNHA Annual Public Roads Program (APRP)
 - 19) Report on road condition and inventory Survey.
 - 20) Report on quality assurance in road projects.
 - 21) Report on Monitoring and Evaluation of projects.
 - 22) Report on complaint resolution and customer satisfaction.

f) Office of the Auditor General

The Annual Report and Financial Statements of the Kenya National Highways Authority Staff Mortgage Fund are audited in accordance with Article 229 *sub article 7* of the Constitution of Kenya and Section 35 of the Audit Act 2015.

g) Kenya National Highways Authority Headquarters

Barabara Plaza, Jomo Kenyatta International Airport (JKIA),
Off Mazao Road
P.O. Box 49712 - 00100
Nairobi, Kenya

h) Kenya National Highways Authority Contacts

Telephone: (254) 02 8013842
E-mail: dg@kenha.co.ke
Website: www.kenha.co.ke

i) Fund Bankers

HFC Bank Ltd
Head Office
P.O. Box 30088-00100
Nairobi, Kenya

j) Independent Auditor




Auditor-General
Office of The Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO, 00100
Nairobi, Kenya





k) Principal Legal Adviser


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

3. The Board of Trustees/ Fund Administration Committee




Director	Brief Profile
 <p>1. Ms. Winfrida W. Ngumi Chairperson</p>	<p>Date of Birth: 22nd December, 1974 Bachelor of Architecture (Hons) Member of the Kenya Association of Manufacturers and the Kenya Private Sector Alliance. 20 years of experience in the building, construction and manufacturing industry. (Appointed 5th August, 2022)</p>
 <p>2. Mr. Charles R. Gathogo Director (Independent) Chair of the Human Resource & General Purpose Committee</p>	<p>Date of Birth: 24th February 1966 Master of Cadastral Application Bachelor of Science (Survey and Photogrammetry) Professional Membership: Licensed Land Surveyor and GIS Consultant with the Institute of Surveyors of Kenya. 25 years of Management experience in Engineering Survey, Cadastral Surveying and planning.</p>
 <p>3. FCPA. Julius W. Mwatu Director (Independent) Chair of the Finance, Strategy & Risk Committee</p>	<p>Date of Birth: 9th December, 1972 Master of Business Admin. (Finance) Bachelor of Science (Statistics) Professional Membership: Fellow of the Institute of Certified Public Accountants of Kenya (ICPAK), Institute of Certified Secretaries (ICS), Institute of Certified Investment & Financial Analysts (ICIFA) 22 years of experience specialising in audit, tax, finance, and integrated reporting.</p>





Director	Brief Profile
 <p>4. Ms. Brenda N. Mayabi Director (Independent) Chair of the Board Audit & Governance Committee.</p>	<p>Date of Birth: 25th June, 1992 Bachelor of Law (Hons) Professional Membership: Law Society of Kenya, East African Law Society.</p>
 <p>5. Mr. Protus Sigei Director – Alt. to CS (National Treasury & Planning)</p>	<p>Date of Birth: 1st December 1965 Master of Science. Bachelor of Arts (Hons) Economics (with Mathematics) Professional Membership: Graduate of the Australian Institute of Company Directors (GAICD) 23 years of experience in Board directorship. Member of the Society for Benefit-Cost Analysis</p>
 <p>6. Eng. Nicholas Musuni Director-Alternate to PS (Roads)</p>	<p>Date of Birth: 5th March, 1979 Bachelor of Science (Civil Engineering) Training in leadership, corporate governance, project management and arbitration. Professional Membership: Member of the Institution of Engineers of Kenya (IEK) Registered Professional Engineer with Engineers Board of Kenya 18 years of Management experience</p>




Director	Brief Profile
 <p>7. Mr. Martin Eshiwani Director – Alt. to PS (Transport)</p>	<p>Date of Birth: 1st May, 1963 Master of Business Administration Bachelor of Arts (Public Policy) Transport Policy and Planning Expert Member of the Kenya Institute of Management (MKIM), <i>(Appointed 20th March 2023)</i> <i>17 Years of Management Experience</i></p>
 <p>8. Eng. Wangai Ndirangu, MIEK, RCE Chairman</p>	<p>Date of Birth: 20th September 1973 Master of Water Engineering Bachelor of Technology in Civil & Structural Engineering. Professional Membership: Member of the Institution of Engineers of Kenya. Registered Consulting Engineer. Lecturer, Jomo Kenyatta University of Agriculture & Technology. Consultant in Water Resources and Engineering 22 years of Management experience. <i>(Retired on 22nd July, 2022)</i></p>
 <p>9. Eng. Carey O. Orege, CBS Director (Independent) Chair of the Technical, Procurement & Disposal Oversight Committee</p>	<p>Date of Birth: 14th October, 1955 Master of Science (Highway Engineering) Bachelor of Science (Civil Engineering) Professional Membership: Member of the Institution of Engineers of Kenya. Registered Consulting Engineer. 42 years of Management experience gained in both public and private sector. <i>(Retired 25th November 2022)</i></p>
	<p>Date of Birth: 19th January, 1962 Master of Science (Project Planning & Financing) BA (Economics) Economist and Urban Transport Planner. 35 years of Public Sector Management experience <i>(Retired 19th January 2023)</i></p>


Director	Brief Profile
10. Mr. George Wanjau Director – Alt. to PS (Transport)	
 11. Eng. Kungu Ndungu Director General	Date of Birth: 18 th October 1972 Executive Master of Business Administration Bachelor of Science (Civil Engineering) Registered Professional Engineers Board of Kenya, Professional Membership: Member of the Institution of Engineers of Kenya (IEK) <i>Member of the Kenya Institute of Management (MKIM)</i> <i>27 Years of Management Experience</i>

4. Management Team

Manager	Brief Profile
 <p>1. Eng. Kungu Ndungu Director General</p>	<p>Date of Birth: 18th October 1972 Executive Master of Business Administration Bachelor of Science (Civil Engineering) Registered Professional Engineers Board of Kenya, Professional Membership: Member of the Institution of Engineers of Kenya (IEK) Member of the Kenya Institute of Management (MKIM), 27 Years of Management experience</p>
 <p>2. CPA. James K. Bowen Director, Corporate Services</p>	<p>Date of Birth: 1st January, 1973 Master of Business Administration, Bachelor of Commerce (Accounting) Professional Membership: Certified Professional Credit Manager (CPCM), Certified Public Secretary (CPS K), Certified Public Accountant (CPAK) Professional Membership: Member of ICPAK and ICPSK 26 years of Management experience</p>
 <p>3. Eng. Njuguna Gatitu Director, Planning, Research & Compliance</p>	<p>Date of Birth: 1965 Bachelor of Science (Civil Engineering) Post Graduate Diploma in Computer Science Professional Membership: Member of the Institution of Engineers of Kenya 33 years of Management experience</p>

Manager	Brief Profile
 <p>4. Dr. CPA. Sammy Kimunguyi Director, Audit Services</p>	<p>Date of Birth: 22nd September, 1980 Doctor of Philosophy in Business Management Master of Arts in Project Planning & Management Bachelor of Education Professional Membership: Certified Information Systems Auditor (CISA) Certified Fraud Examiner (CFE) Certified Public Accountant (CPA) Certified Information System Auditor (CISA) Professional Membership: Member of ICPAK, ISACA, CFE 16 years of Management Experience</p>
 <p>5. Eng. Ezekiel Fukwo Director, Highway Design & Safety</p>	<p>Date of Birth: 16th August, 1976 Master of Arts (Project Planning and Management) Bachelor of Science (Civil Engineering) Professional Membership: Member of the Institution of Engineers of Kenya Registered Professional Engineer with Engineers Board of Kenya Corporate Member of the Institution of Engineers of Kenya (IEK)- 17 years of Management experience <i>(Appointed 9th January 2023)</i></p>
 <p>6. Eng. Charles Obuon Director – Public, Private Partnership</p>	<p>Date of Birth: 20th November, 1972 Master of Philosophy in Civil and Structural Engineering (Water Engineering) Bachelor of Technology and Structural Engineering Professional Membership: Member of the Institution of Engineers of Kenya Registered Professional Engineer with Engineers Board of Kenya 25 years of Management experience <i>(Appointed 9th January 2023)</i></p>
 <p>7. Eng. Henry Gakuru</p>	<p>Date of Birth: 22nd September, 1970 Master of Science (Project Management) Bachelor of Science (Civil Engineering) Professional Membership: Member of the Institution of Engineers of Kenya Registered Professional Engineer with Engineers Board of Kenya 8 years of Management experience <i>(Appointed 9th January 2023)</i></p>

Manager	Brief Profile
Ag. Director, Development	
 <p>8. Eng. Daniel Cherono Ag. Director, Maintenance</p>	<p>Date of Birth: 17th September, 1977 Master of Laws, (Construction Law, Arbitration and Adjudication) Bachelor of Science (Civil Engineering) Professional Membership: Member of the Institution of Engineers of Kenya Registered Professional Engineer with Engineers Board of Kenya 12 years of Management experience (Appointed 9th January 2023)</p>
 <p>9. Ms. Norah Odingo-Kajwang Corporation Secretary/Deputy Director, Head of Legal Services</p>	<p>Date of Birth: 27th April 1969 Master of Business Administration Bachelor of Laws Registered Advocate of the High Court of Kenya Professional Membership: Member of the Law Society of Kenya Member of the Certified Public Secretaries of Kenya 28 years of Management experience</p>
 <p>10. Ms. Levina Wanyonyi Deputy Director, Head of Supply Chain Management</p>	<p>Date of Birth: 13th February 1972 Master of Business Administration Bachelor of Science Professional Membership: Kenya Institute of Supplies Management, The Chartered Institute of Purchasing & Supply Institute for Management of Information Systems 26 Years of Management experience.</p>

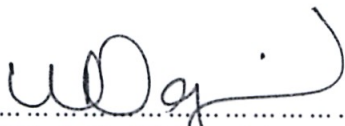
Manager	Brief Profile
 <p>11. Eng. Samuel O. Omer Director, Highway, Design & Safety</p>	<p>Date of Birth: 17th December 1962 Bachelor of Science (Civil Engineering) Professional Membership: Member of the Institution of Engineers of Kenya 35 years of Management experience <i>(Retired 16th December 2022)</i></p>

5. Chairman's Report

It is with great satisfaction that I present the Chairman's Statement for the KeNHA Mortgage Scheme for the Financial Year ended 30th June 2023. The year under review marked another period of steady progress in our mission to promote staff home ownership and strengthen the Authority's commitment to employee welfare.

The Scheme recorded notable growth, with its fund value rising to Kshs. 675,613,821 as at the end of the Financial Year. This performance demonstrates effective governance, prudent financial stewardship, and the continued confidence of our staff in the Scheme's objectives.

I wish to extend my appreciation to the Board of Directors, management, and staff for their unwavering support and professionalism. Their collective effort has sustained the Scheme's momentum and laid a strong foundation for future expansion and long-term sustainability.



.....
Ms. Winfrida W. Ngumi

CHAIRPERSON OF THE BOARD OF DIRECTORS

6. Report of the Fund Administrator

I am pleased to report that the KeNHA Mortgage Scheme continued to make meaningful progress during the Financial Year ended 30th June 2023. The Scheme is managed in line with the Public Finance Management Act, 2012, and Public Finance Regulations, 2015, and its Financial Statements are prepared in accordance with the International Public Sector Accounting Standards (IPSAS), reflecting our commitment to transparent and accountable financial management.

Since inception, the Scheme provided housing support to 96 staff through a variety of facilities, including property acquisition, home construction, plot purchase, and equity release arrangements. These initiatives have played an important role in improving staff welfare and promoting stability within the workforce. To reinforce the Scheme's capacity to meet growing demand, the Board approved an allocation of Kshs. 65 Million for FY 2022/2023.

I take this opportunity to recognize the dedication of the Board, Management, and staff in ensuring the Scheme operates efficiently and continues to deliver intended benefits to the employees.



.....
Eng. Luka Kimeli
Ag. DIRECTOR GENERAL

7. Statement of Performance against Predetermined Objectives

Introduction

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

The key strategic objectives are contained in the KeNHA 2023-2027 Strategic Plan. However, to achieve the objective of the Salaries and Remuneration Commission (SRC) circular Ref.No:SRC/ADM/CIR/1/13Vol.III (128) dated 17th December 2014 that initialized the establishment of the fund, the KeNHA 2023-2027 Strategic Plan incorporated the following as one of its strategic objective;

To enhance capability to meet stakeholder expectations

To realise this Strategic Objective, the KeNHA Staff Mortgage relied on this strategic objective to guide activities, policy formulation and work plans and made the following achievements towards its targeted objective during FY 2022/2023. The Authority achieved its performance targets set for the FY 2022/2023 period for its strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
KRA – Institutional Capacity Strategy – Improve employee satisfaction	To enhance capability to meet stakeholder expectations	<ul style="list-style-type: none"> • Mortgage Pull-Through Rate. 	<ul style="list-style-type: none"> • Disburse successful mortgage applications 	<ul style="list-style-type: none"> • The number of staff who accessed the mortgage increased from 80 in FY 2021/2022 to 96 in FY 2022/2023. • This has led to a motivated workforce and retention of staff in KeNHA.
		<ul style="list-style-type: none"> • Employee Mortgage Uptake Rate. 	<ul style="list-style-type: none"> • Conduct awareness campaign/sensitization 	
		<ul style="list-style-type: none"> • Employee Retention Rate of Beneficiaries 	<ul style="list-style-type: none"> • Monitor staff satisfaction levels. 	

8. Corporate Governance Statement

The Kenya National Highways Authority is committed to the values and principles of good Corporate Governance as an integral part of the Corporate Culture. This guides the way its Directors, Management and Staff conduct the business of the organization.

As a public sector organization dedicated to providing quality service to its stakeholders, the Authority's decisions are guided by the core tenets prescribed in the Public Officers Ethics Act, the Leadership and Integrity Act, the Mwongozo Code of Governance for State Corporations and Board's Code of Conduct.

The Authority endeavours to develop, strengthen and sustain the trust that the Government, employees and the public have bestowed on it. The Board is committed to regularly evaluating national and international standards in responsible, transparent and efficient manner with a view of enhancing Corporate Governance at the Authority and consistently delivering on its statutory mandate.

The Authority's Board is constituted as per the provisions of the Kenya Roads Act, 2007 with membership drawn from both the Public and Private sector. The Board is composed of nine (9) Directors with the Directors having a background or knowledge in the following areas:

- Business Industry
- Highway Engineering
- Transport economics
- Surveying
- Accountancy
- Law

In line with the provisions of the Kenya Roads Act, 2007, the Chairman and other members of the Board, other than designated public officers, hold office for a period of three (3) years from the date of appointment and may be eligible for re-appointment for one (1) further term.

The appointment of all members of the Board as first constituted and at every change in membership is by notice published in the Kenya Gazette.

The Director General is appointed by the Board in consultation with the Cabinet Secretary in charge of Roads following a competitive recruitment process.

New Directors are provided with extensive materials on the Authority and its operations, the procedures relating to the Board and its Committees and their duties and responsibilities as Directors. Induction of all new Directors is guided by the Board Induction Plan for new Directors.

The primary function of the Board of Directors' (the Board) is to provide effective strategic leadership and direction to enhance the long-term value of the Authority to its stakeholders. The Board has the overall responsibility for overseeing the development and implementation of the strategic plan, performance objective, financial plans, annual budget, key operation initiatives, financial performance

reviews and corporate governance practices. They are also responsible for instilling the appropriate culture, value and behaviour throughout the organization. The Board is therefore committed to maintaining very high standards of corporate governance and ethical conduct.

The Board has established four (4) Committees from among its Members to assist in the execution of its responsibilities. These are the Finance, Strategy and Risk Committee, the Board Audit and Governance Committee, the Human Resource and General Purpose Committee and the Technical, Procurement and Disposal Oversight Committee. Each of these Committees operates pursuant to approved Terms of Reference delegated to them by the Board. The Board and each Committee have scheduled meetings held in every quarter of the Financial Year. The Chairman of each Committee regularly reports to the full Board on the Committee's deliberations at quarterly meetings of the Board.

Board Meetings held during the Financial Year and individual attendance of the same by the Director's is shown in *Annex 1* attached.

A schedule of individual board members and their position are as shown below;

No.	Name of Director	Board Position
	Ms. Winfrida Ngumi	Chairperson
	Eng. Nicholas Musuni	Member (Chair- TPDO)
	FCPA Julius Mwatu	Member (Chair- FSR)
	Ms. Brenda Mayabi	Member (Chair- AGC)
	Mr. Charles Gathogo	Member (Chair- HRGP)
	Mr. Protus Sigei	Member
	Mr. Martin Eshiwani	Member

Succession Planning

The Authority recognizes that succession planning forms an integral part of the Authority Human Resource Strategy and ensures the presence of a ‘talent pipeline’ that guarantees continuity of business in the event that key persons exit the Authority. It allows for the selection and preparation of individuals to ascend to the next level in the organization through appropriate Human Resource Intervention.

Succession Planning on the Board is implemented by ensuring that the Parent Ministry is informed six (6) months prior to the expiry of the term of any of the Directors, for appointment, to ensure

S. No.	BOARD MEETING NUMBER	ATTENDANCE/ABSENT WITH APLOGY
1	157th	All members were present
2	158th	Mr. George Wanjau was absent
3	159th	Mr. George Wanjau was absent
4	160th	Ms. Brenda Mayabi and Mr. Charles Gathogo were absent
5	161st	All members were present
6	162nd	All members were present
7	163rd	Ms. Brenda Mayabi was absent
8	164th	Mr. Charles Gathogo was absent
9	165th	All members were present
10	166th	All members were present
11	167th	Ms. Brenda Mayabi was absent

the Board is always fully constituted.

Board Charter

The Authority maintains a Board Charter that is a guide for Directors of the Kenya National Highways Authority (KeNHA) when executing their mandate. It expounds and sets out the Directors’ collective and individual powers, rights, duties, obligations, responsibilities and liabilities.

The Charter enshrines the requirements of good Corporate Governance applicable to the Authority that meets the requirements of the enabling legislation and the Code of Governance for State Corporations (Mwongozo). It serves to facilitate and promote effective Governance that is responsible and responsive to the Government's policies and guidelines on State Corporations.

It also provides a framework through which the Board carries out its statutory mandate in compliance with the international principles of corporate governance, Laws, Regulations and Policies of state corporations.

Induction and Training of the Board

The Authority ensures that the Board's capacity is continually built through trainings and workshops and encourages Board Members to be up to date with continuous Professional Development in their respective professional bodies. The Authority further prepares and implements an annual Board Training Plan to ensure capacity building of the Board as regards their needs.

An induction process is undertaken for all new Board Members to familiarize themselves with their role as Directors and acquaint themselves with KeNHA's mission, vision, core values, mandate, strategic direction, code of conduct and ethics, best Corporate Governance practices and approved policies and procedures.

The Chairperson of the Board spearheads this process in line with the Induction for New Directors Programme to ensure that new Board Members are inducted according to the induction programme.

Board and Member Performance

The Board undertakes an annual Board Self Evaluation exercise facilitated by the State Corporations Advisory Committee (SCAC) that enables the Board evaluate the Performance of the full Board, the individual Members, the Director General and the Corporation Secretary.

Subsequent to the Self Evaluation the Board prepares a Board Performance Improvement Plan that enable the Board strategize and implement measures to enhance its performance in areas requiring improved performance.

Board Remuneration

Board Remuneration by the Authority is guided by the relevant statutory Guidelines from the State Corporations Advisory Committee (SCAC) and Circulars issued from time to time by SCAC. The Authority endeavours to remunerate the Board members fairly, ethically and responsibly.

Conflict of Interest

Board Members declare any real or perceived conflict of interest with the organization upon appointment to the Board and any that may subsequently arise, through the Conflict of Interest Register that is signed by the Board Members at every meeting.

Governance Audit

The Board subjects the Authority to an annual Governance Audit overseen by the Authority's Internal Audit Function. The Governance Audit covers the areas of, Leadership and Strategic Management, Transparency and disclosure, Compliance with Laws and Regulations, Communication with stakeholders, Board Independence and Governance and Board systems and procedures.

9. Management Discussion and Analysis

a. Operational and financial performance of the Fund during the period

The scheme was introduced twelve (12) years ago, the number of applicants who have shown interest in Mortgage facility has grown over time with the waiting list expanding by the day. There has been 96 successful applications across all products with total disbursements amounting to Kshs. 705,357,487 as at the end of the period under review.

Due to increased demand for mortgage, the fund has been facing inadequate resource challenges due to fiscal austerity measures instituted by the government. However, there is a great expectation that in future the scheme will be a self-sustaining revolving fund. Over the financial year under review 2022/2023, mortgage disbursements amounting to Kes. 178,390,000 were drawn in favor of 16 members of staff across all products. Outstanding capital balances for these loans is Kes. 168,880,666 as at June 30th 2023.

b. Fund's key projects or investment decision implemented or ongoing

The Authority has continued to support the Mortgage scheme for staff. This is intended to provide affordable housing for the staff.

c. Fund's compliance with statutory requirements

The fund complied with all its statutory and tax obligations in the implementation of its mandate. Further, the fund complied with all necessary laws and regulations applicable in the management of the financial facilitation and intermediation.

d. Major risks facing the Fund

The scheme has put in place risk management framework for risk identification and mitigation. Further it has embedded risk management in all its planning, execution, evaluation and business continuity arrangements.

Some of the key risks facing the scheme include;

- **Strategic Risks:** These are risks that affect the ability to carry out long-term goals and objectives of the fund due to inadequate funding.
- **Compliance Risks:** These are risks associated with non-compliance with applicable laws and regulations could result in litigation and conflict of interest.

- **Financial Risks:** The risk of financial loss that may include ineffectiveness of internal controls, inadequate funding, inability to service the loans and delay in financial reporting due to reliance on third party financial information. The delayed funding may also result in the Authority's inability to fund all the applications hence delay in issuing loans and acquisitions of the properties.
- **Operational Risk:** The risk of direct or indirect loss or inability to provide core services especially to mortgage applicants, resulting from inadequate or failed financial processes, resources and systems.

e. Financial Probity and Governance

To obtain assurance on compliance and prudence in the management of the fund finances, the Scheme prepares the financial statements for the Mortgage fund, which are subjected to both internal and external audit. The audit findings and recommendations enable the scheme to strengthen the fund operational and financial systems.

10. Environmental and Sustainability Reporting

i. Sustainability strategy and profile

The Board of Directors of Kenya National Highways Authority (KeNHA) understands the Authority's position as the custodian of the National highways network and the critical role in providing quality and safe highways for sustainable social and economic development. The Authority has a responsibility to manage and leverage resources in a way that promotes a healthy and sustainable environment. This is in line with the Authority's commitment in the customer service charter to adhere to environmental regulations during the implementation of projects to safeguard the environment and Strategic Plan strategic objective of environmental and social sustainability.

KeNHA's Environmental and Social Safeguards Policy is in line with one of the KeNHA's core value of equity and integrity and assists KeNHA to comply with Kenya's Constitution 2010 and with the provisions in the Environmental Management and Coordination Act (EMCA), Cap 387.

The Board of Directors and Management gives a firm commitment of supporting and ensuring that the provisions of this policy are implemented by the Authority and those who work on our behalf as we strive to attain sustainable development.

ii. Environmental Performance

Road constructions activities trigger changes to both bio-physical and socio-economic environments of the areas construction is taking place. The Authority ensures that Environmental and Social Impact Assessments are carried out and required approvals obtained before projects are implemented. The Environmental and Social Impact Assessments is a planning tool which predicts, assess, and analyzes the possible positive and negative environmental and social impacts that are expected during the construction, operation and decommissioning phases of the project for management purposes. The Authority in FY 2022/2023 carried out and submitted to NEMA five Environmental and Social Impact Assessment Studies for 5No.road projects which are in various stages of review process. In same breath, three Resettlement Action Plans were prepared and finalized for 3No.road projects to ensure potentially affected persons and assets are adequately enumerated for eventual compensation.

Implementation of the environmental and social mitigation measures and strategies in the development projects must be monitored to ensure adequacy and efficiency in the implementation. In all on-going construction projects, the Authority engages the implementation supervision consultants who must have in their team Environmentalist and Sociologist to continuously monitor the implementation of the environmental and social measures in the projects and update the Authority through monthly and quarterly progress reports. The Authority does monitoring through site meetings, inspections and statutory audits. In FY 2022/2023, the Authority carried out 10No. Environmental audits, 9 No. ESMP implementation monitoring, 8No.social audits and 6No.material sites inspection of on-going road construction projects and made recommendations to the implementation teams for considerations thus improving sustainability of the projects.

The Authority continue to implement measures to protect the environment, mitigate climate change and improve the national forest cover through collaboration with Kenya Forest Services and other stakeholders. In the reporting period, the Authority with other stakeholders planted 53,674 No. seedlings cumulatively along the KeNHA roads network, gazetted forests and institutions.

The authority signed a framework for cooperation with Kenya Forest Service (KFS) to jointly partner to set up a one (1) million seedling arboretum. KeNHA has allocated KFS Ksh. 20M for model nursery infrastructural development .The seedlings will be planted in identified degraded areas and right of way along the highways.

The Kenya National Highways Authority is putting a focus on making its infrastructure more resilient to climate change. We have robust and innovative designs and strive to use appropriate materials to promote resilience to adverse effects caused by climate change and attendant weather stresses.

Constructed roads that are climate proofed, have improved size of structures and culverts to safeguard investments because of climate change issues. Approximately 768.9 lane km of the climate proofing done during the reporting period.

As an Authority, we have deliberately converted some of material sites in ASAL to safe water pans to mitigate impacts of climate change to the local communities.

We have made substantial investment in the use of green energy in offices and other installations across the country. This is aimed at mitigating the impact of climate change.

To enhance the Authority's capacity to adhere to the provisions of Article 10 of the Constitution through civic education, training and sensitization on national values and principles of governance, 7No.stakeholder engagements were done for seven number projects in where various topical issues were discussed. In the same breath, measures to promote inclusivity in running the road projects were implemented in 4No.road projects through establishment and operationalization of the Grievance Redress Mechanism (GRM) and monitoring the operations of the Grievance Redress Committees (GRC) in a number of projects.

The Authority has endeavored to allocate resources into prevention of HIV infections and other non-communicable diseases within her staff and project footprints. In the reporting period, 3No projects integrated HIV/AIDS and other non-communicable diseases services and communities within the footprints of the project and the project staff benefit through information, training and communication material provided.

iii) Employee Welfare

The Authority has the following policies in place: The Human Resource Policy and Procedures Manual, Career Guidelines Manual, Organization Structure, Grading and Establishment Manual. The Human Resource and Procedures Manual and Internship Policy Guideline provide steps in recruitment process in the Authority. In addition, it takes into account the gender ratio as a recruitment and development requirement and implements the same alongside any new written provisions, guideline, directive, circular or memo from government from time to time. The stakeholder engagements are taken into account and the policies have been developed to support service delivery, commitments and obligations of the Authority to its stakeholders. As a practice, the Authority undertakes the review and improvement of the aforementioned policies as and when necessary but at least every three (3) years so as to be in harmony with legislation and organizational and technological changes.

The Authority has a staff appraisal system and is in the process of reviewing the system to align with a balance Scorecard framework for purposes of objectively addressing the several human

resource decisions such as promotions, training and development, reward and sanction among others. Management often undertakes benchmarking with other state agencies with intent to improving its performance management instruments.

The Authority has an Occupational Safety and Health Policy and staff are trained on safety and health procedures, where they are encouraged to identify equipment or hazardous materials that are of concern to them. Workplaces are inspected from time to time and registered annually by the Directorate of Occupational Safety and Health (DOSHS). In this respect, the Authority has a Health and Safety Committee which spear heads matters of Health and Safety.

The Government has introduced the implementation of Productivity Management (Measurement & Improvement) vide the performance Contracting for FY 2023/2024 to aid in productivity and performance management in the state agencies. In this regard, the Authority is in the process of developing a Productivity Matrix with the help of Commission for Salaries and Remuneration Commission (SRC).

iv) Market place practices-

a) & b) Responsible competition practice & Supply chain & Supplier Relations

The Authority has embraced the culture of competitiveness in procurement processes in pursuit of achievement for value for money and creation of fairness and transparency among various stakeholders. Adherence to the provisions of the Public Procurement and Asset Disposal Act, 2015 and its attendant regulations, KeNHA procurement policies and donor funded guidelines has been a key contributing factor towards promotion of competition and ensuring competitors are treated fairly. The Authority undertakes stakeholder and political involvement through pre-bid conferences/pre-tender site visits/capacity building to enhance effective communication.

Competition is fostered through the use standard tender and quotation documents in procurement of various goods, works and services. The Public Procurement Regulatory Authority directives and donor procurement guidelines creates a level playing ground for the competitors through issuance of the standard tender documents. To a great extent, the use of standardised and clear specifications has allowed for open competition and promotion of local industry. The Authority has created an environment that promotes transparency and accountability through use of Enterprise Resource Planning system. This is done through publication of all procurement

processes on the Public Procurement Information Portal (PPIP), advertisement of procurement opportunities, conducting due diligence on successful suppliers/contractors and handling of complaints. The Authority undertakes timely communication of results of procurement processes through effective debriefing mechanisms. The law further allows aggrieved bidders to pursue other existing legal mechanisms to ensure that their grievances are addressed.

c) Marketing & Advertisement

The authority practices ethical marketing by committing to open, transparent, responsible, and fair practices and communicates these values to the public. Further, we commit to implement our projects while upholding ethical standards to project staff, communities that benefit and those that are affected by our projects.

The Authority continuously observes the principles of:

1. **Fairness:** Establishing fairness in our decision-making, offering equitable wages, and sustainable development.

2. **Honesty:** A cornerstone of ethical marketing is honesty. The Authority, while publicizing projects and activities strive to provide factual and unexaggerated information about the functionality and impact of our activities and provide full disclosure when required to.

3. **Responsibility:** KeNHA emphasizes her responsibility by providing a well-functioning highway network at all times, support social causes, give back to communities, treat employees with respect, and protecting the environment through sustainable practices.

The Authority conducted a Customer Satisfaction survey in 2019 and has been implementing recommendations made by the public as we implement projects.

4. **Transparency:** We practice transparency by publishing our activities and being open to the public about our operations. Not only do we provide regular reports to relevant oversight agencies, but continuously share information through the media, publications, website and social media accounts.

d) Product stewardship

1. The Authority has established a hotline through which citizens can share complaint or feedback.
2. There is an established complaints handling mechanism, to ensure customers complaints are responded to within 21 Days as stipulated in our Customer Service Charter and by the Commission on Administrative Justice.
3. The Authority has opened a confidential email for reporting integrity related issues which is: integrity@kenha.co.ke. Citizens who act as whistle blowers are assured of utmost confidentiality and due care while handling the cases as stipulated in the Anti-Corruption and Whistle blower policies.
4. The Authority has a robust Stakeholder Engagement plan for every project to ensure that the interests and rights of stakeholders are factored into every major project. In the year under review, we carried out elaborate stakeholder engagement on Nairobi-Nakuru-Mau Summit PPP Project, Horn of Africa Road Project, and Weighbridge Management.
5. At the commencement of every project, the Authority obtains statutory clearances from National Environmental Management Authority (NEMA) as well as the Occupational Health and Safety Authority.

v) Corporate Social Responsibility / Community Engagements

Kenya National Highways Authority continues to uphold corporate citizenship by ensuring social accountability to all stakeholders and the public. The Authority continues to be conscious of the impact realized on all aspects of society, including economic, social, and environmental during project implementation.

Through the Corporate Social Investment (CSI) Committee, we have been able to identify initiatives, along our road projects, that help improve the livelihoods of surrounding communities. The Authority remains committed as a responsible corporate citizen and prioritizes mitigation measures on the impact of project implementation.

CSI Statement FY: 2022-2023

Since inception in 2009, the Kenya National Highways Authority (KeNHA) has embodied the true spirit of Corporate Social Investment (CSI). We are committed to the highest standards of

corporate citizenship. Our culture and values are rooted in service, integrity, and taking personal responsibility for our actions, outcomes, and reputation.

As a leading Highways Authority, we connect communities with business as well as employment opportunities. We make a difference in areas along our project routes. Given the nationwide span of our projects, we recognize the wide reach of our products, service delivery, and our public accountability.

We have continued to be conscious of the kind of impact the Authority is having on all aspects of society, including economic, social, and environmental issues in all our project implementation cycles.

Through the CSI Committee, as an Authority we have been able to identify and implement initiatives along our road projects that help improve the livelihoods of communities in those routes. The Authority remains committed as a responsible corporate citizen by prioritizing mitigation measures on the impact of her activities on the environment, communities, employees, and stakeholders.

CSI Initiatives undertaken

The commitment of the Authority to being a responsible corporate citizen is demonstrated through various initiatives that aim at overall well-being of beneficiary communities along project routes. These initiatives mainly focus on promoting sustainable livelihoods and improving access to social amenities through interventions that improve outcomes on Education, Health, Sanitation, Environmental Conservation, Security, as well as Youth and Women Empowerment.

During the year under review, the Authority undertook several CSI activities. These include construction of dormitories, levelling of school playgrounds, drilling of boreholes, upgrading a dispensary, construction of police stations, and sponsorship of various community activities as tabulated in the table below.

CSI initiatives undertaken within projects during the FY: 2022-2023

No.	Project Name	CSI intervention/Initiative
	Chemelil-Kipsitet	Levelling of school pitch at God-Abuoro Secondary School
	Dualling of Kenol - Sagana	Donation of 5.4million to hospital

	Dualling of Sagana - Marua	Ground layout of the Special School Autism Unit and dormitories at Ng'aru girls
	Isebania-Kisii Lot 1	Levelling of playgrounds almost in every school along the project area.
	James Gichuru-Rironi	Construction of dormitory at Nairobi School
	Marsabit-Segel	Drilling of a borehole at Segel
	Mau Mau Road Project Lot 1A	Levelling of school playgrounds in various schools i.e. Karuro Primary School, Gatamaiyo Secondary School, Githiga Primary School, Kamahindu Secondary
	Mau Mau Road Project Lot 1B	Upgrading of Gachika Dispensary
	Mau Mau Road Project Lot 2	Levelling of school ground
	Mombasa - Kwa Jomvu Lot 1	Improvements at Makupa police station , Mikindani market roadside amenity
	MPARD2 Mwache-Tsunza-Mteza	Construction of two Police Stations in Tsunza

Sponsorships of activities during the FY: 2022-2023

Year/Month	Activity	Amount
2022		
July	Mater heat run	450,000
October	Association of Women Accountants Dinner	90,000
November	East Africa PR week	500,000
November	Annual International Institute of Engineers conference	
November	Nation Media KUSI ideas festival	500,000
November	Annual Editors Convention, 2022	500,000
December	Association of Consulting Engineers annual Gala Dinner	45,000
2023		
March	Sponsorship of the corporate Watch Magazine	300,000
March	Borehole Drilling for Dorothea rescue centre	200,000
April	Mutuine Half marathon	100,000
May	Sponsorship to fund pharmaceutical refrigerator	594,000
June	Mater heart run	200,000
June	Engineering Partnership Convention	500,000

11. Report of the Board

The Authority's Board submit their report together with the audited financial statements for the year ended June 30, 2023, which show the state of the Fund's affairs.

Principal activities

The principal activities of the Fund is to provide financing to the members of staff to purchase, construct residential property or purchase a residential plot or use owned property as security to acquire additional funds for other properties or for other reasons.

Performance

The performance of the Fund for the year ended June 30, 2023, is set out on pages 1 to 25.

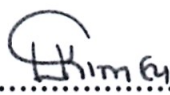
The Board

The members of the Board who served during the year are shown on page xii to xiv.

Auditors

The Auditor-General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board


.....

Eng. Luka Kimeli

Ag. DIRECTOR GENERAL & SECRETARY TO THE BOARD

12. Statement of Management's Responsibilities

Section 84 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a Fund established under the constitution or an act of parliament shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2023. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the fund, (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 fund; (v) Selecting and applying appropriate accounting policies, and (vi) Making accounting estimates that are reasonable in the circumstances.

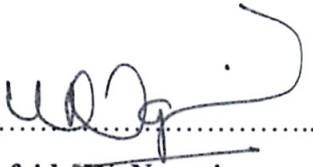
The Administrator of the Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2023, and of the Fund's financial position as at that date.

The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control. In preparing the financial statements, the Administrator of the Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the

financial statements. Nothing has come to the attention of the Administrator to indicate that the Fund 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 Fund's financial statements were approved by the Board on 26th September 2023 and signed on its behalf by:



.....
Ms. Winfrida W. Ngumi

CHAIRPERSON OF THE BOARD



.....
Eng. Luka Kimeli

Ag. DIRECTOR GENERAL

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA NATIONAL HIGHWAYS AUTHORITY MORTGAGE SCHEME FOR THE YEAR ENDED 30 JUNE, 2023 - KENYA NATIONAL HIGHWAYS AUTHORITY

PREAMBLE

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

- A. Report on 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 the 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 the Government achieves value for money and that such funds are applied for the intended purpose; and,
- 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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An Unmodified Opinion is issued when the Auditor-General concludes that the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management, and Governance.

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 National Highways Authority Mortgage Scheme set out on pages 1 to 24, which comprise of the statement

Report of the Auditor-General on Kenya National Highways Authority Mortgage Scheme for the year ended 30 June, 2023 - Kenya National Highways Authority

of financial position as at 30 June, 2023, and the statement of statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Kenya National Highways Authority Mortgage Scheme as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards Accrual Basis and comply with the Public Finance Management Act, 2012.

Basis for Opinion

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis amounts of Kshs.21,302,425 and Kshs.21,302,425 respectively, resulting 100% funding. However, the Fund spend an amount of Kshs.16,876,694 against actual receipt amount of Kshs.21,302,425 resulting to underutilization of Kshs.4,425,731 or 21% of actual receipt. The under-utilization may have affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Information

The Board of Directors are responsible for the Other Information set out on page iii to xxxvi which comprise of Key Fund Information and Management, The Board of Trustees, Management Team, Chairman's Report, Report of the Fund Administrator, Statement of

Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Board and Statement of Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Fund's, financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in the 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. Late Submission of Financial Statements

The financial statements of the Kenya National highways Authority Mortgage Scheme for the year ended 30 June, 2023 was received on 14 November, 2025 two year after the closure of the financial year. This was contrary to Regulation 101(4) the Public Finance Management (National Government) Regulations, 2015 that states that an Accounting Officer shall prepare and submit financial statements within three months after the closure of financial year, and late submission of financial statements adversely affect the Office of the Auditor-General in meeting the statutory timelines.

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

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require 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 comply 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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of the Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards Accrual Basis and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

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


Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. 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 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

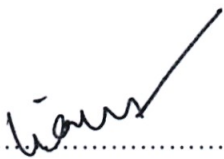
09 December, 2025

14. Statement of Financial Performance for the year ended 30th June 2023.

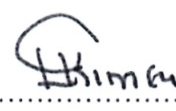
	Note	FY 2022-2023	FY 2021-2022
		Kshs.	Kshs.
Revenue from exchange transactions			
Interest on bank balance	5	5,586,810	-
Interest on individual staff house mortgage	6	15,715,615	-
Total revenue		21,302,425	-
Expenses			
Commission paid to service providers	7	15,715,615	-
Withholding tax on interest income	8	1,161,079	-
Total expenses		16,876,694	-
Surplus for the period		4,425,731	-

(The notes set out on pages 6 to 24 form an integral part of these Financial Statements).

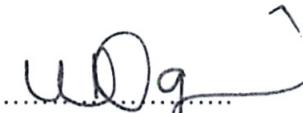
The financial statements were approved on 4th December 2023 by:



 CPA. Isaac K. Karumba
 Ag. Deputy Director-F&A
 ICPAK M/No. 3321



 Eng. Luka Kimeli
 Ag. Director General



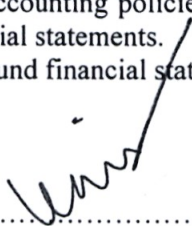
 Ms. Winfrida W. Ngumi
 Chairperson of the Board

15. Statement of Financial Position as at 30th June 2023

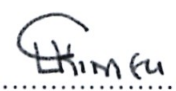
	Note	FY 2022-2023	FY 2021-2022
		Kshs.	Kshs.
Assets			
Current assets			
Cash and cash equivalents	9	263,279,748	-
Short term receivables from staff house mortgage	10	69,932,144	-
Total Current Assets		333,211,892	-
Non-current assets			
Long-term receivables from staff house mortgage	10	344,770,484	-
Total Non-Current Assets		344,770,484	-
Total assets (A)		677,982,376	-
Net Assets (A-B)		850,329,980	-
Represented By:			
Accumulates surplus (Reserves)		83,168,609	-
Mortgage revolving fund		594,813,766	-
Net Assets		677,982,375	-

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements.


The Fund financial statements were approved on 4th December 2025 and signed by:



CPA. Isaac K. Karumba
 Ag. Deputy Director-F&A
 ICPAK M/No. 3321



Eng. Luka Kimeli
 Ag. Director General



Ms. Winfrida W. Ngumi
 Chairperson of the Board

16. Statement of Changes in Net Assets for the year ended 30th June 2023

	Mortgage Fund	Accumulated surplus	Total
	Kshs.	Kshs.	Kshs.
As at 1 July 2022	500,623,024	100,193,092	600,816,117
Adjustment for interest capitalized	21,450,215	(21,450,215)	
Transfers from KeNHA	65,000,000	-	65,000,000
Surplus for the period	-	4,425,731	4,425,731
Interest capitalized	7,740,527		7,740,527
As at 30 June 2023	594,813,766	83,168,608	677,982,375

The Kenya National Highways Authority Staff House Mortgage Fund charges an interest of 4.5% to its members which 1.5% above the recommended rates by the Salaries and remuneration Commission. This is aimed at ploughing back the 1.5% interest into the Fund, which operates as a revolving fund.

17. Statement of Cash Flows for the year ended 30th June 2023

	Note	<i>FY 2022-2023</i>	<i>FY 2021-2022</i>
		Kshs.	Kshs.
Cash flows from operating activities			
Receipts			
Interest on bank balance	5	5,586,810	-
Interest on Individuals Staff House Mortgage	6	15,715,615	-
Total receipts		21,302,425	-
Payments			
Commission to Service Provider	7	15,715,615	-
Withholding tax in interest income	8	1,161,079	-
Total payments		16,876,694	-
Net cash flow from operating activities	11	4,425,731	-
Cash flows from investing activities			
Increase in short term receivables staff mortgage		48,440,692	-
Increase in long term receivables staff mortgage		(29,857,938)	-
Net cash flows used in investing activities		(78,298,630)	-
Cash flows from financing activities			
Receipts into the mortgage revolving fund		72,740,527	-
Net cash flows used in financing activities		72,740,527	-
Net increase/(decrease) in cash and cash equivalents		(1,132,372)	-
Cash and cash equivalents at 1 July		264,412,121	-
Cash and cash equivalents at 30 June	9	263,279,748	264,412,119

18. Statement of Comparison of Budget and Actual Amounts for the year ended 30th June 2023

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
	a	b	C=(a+b)	d	e=(c-d)	F=d/c
Receipts						
Interest on bank balance	5,586,810	-	5,586,810	5,586,810	-	100%
Interest on individual staff house mortgage	15,715,615	-	15,715,615	15,715,615	-	100%
Total Revenue	21,302,425	-	21,302,425	21,302,425	-	100%
Expenditure	-		-	-		
3% Commission on Service Provider	15,715,615	-	15,715,615	15,715,615	-	100%
Withholding Tax on Interest Income	1,161,079	-	1,161,079	1,161,079	-	100%
Total Expenditure	16,876,694	-	16,876,694	16,876,694	-	100%
Surplus for the period	4,425,731	-	4,425,731	4,425,731		

19. Notes to the Financial Statements

1. General Information

Kenya National Highways Authority Staff Mortgage Scheme is established by and derives its authority and accountability from the PFMA Act 2012, and PFM (National Government) Regulations, 2015. The Fund is wholly owned by the Government of Kenya and is domiciled in Kenya. The Fund's principal activity is to enable staff acquire residential houses as a way of attracting, retaining and motivating staff.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant, and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note xx. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *Fund*. The financial statements have been prepared in accordance with the PFM Act, (*include any other applicable legislation*), and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Adoption Of New and Revised Standards

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2025.

There were no new and amended standards issued in the financial year.

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025.

Standard	Effective date and impact:
IPSAS 43: Leases	<i>Applicable 1st January 2025</i> The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities. <i>The standard has no impact on KeNHA Staff Mortgage Scheme Fund</i>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<i>Applicable 1st January 2025</i> The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance. <i>The standard has no impact on KeNHA Staff Mortgage Scheme Fund</i>
IPSAS 45: Property Plant and Equipment	<i>Applicable 1st January 2025</i> The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g. valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets. <i>The standard has no impact on KeNHA Staff Mortgage Scheme Fund</i>
IPSAS 46: Measurement	<i>Applicable 1st January 2025</i>

	<p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ol style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS. iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> <p><i>The standard has no impact on KeNHA Staff Mortgage Scheme Fund</i></p>
IPSAS 47: Revenue	<p>Applicable 1st January 2026</p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p> <p><i>The standard has no impact on KeNHA Staff Mortgage Scheme Fund</i></p>
IPSAS 48: Transfer Expenses	<p>Applicable 1st January 2026</p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p> <p><i>The standard has no impact on KeNHA Staff Mortgage Scheme Fund</i></p>
IPSAS 49: Retirement Benefit Plans	<p>Applicable 1st January 2026</p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p> <p><i>The standard has no impact on KeNHA Staff Mortgage Scheme Fund</i></p>
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<p>Applicable 1st January 2027</p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ol style="list-style-type: none"> i. Limited improvements to existing accounting practices for exploration and evaluation expenditures.

	<p>ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26.</p> <p>iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.</p> <p><i>The standard has no impact on KeNHA Staff Mortgage Scheme Fund</i></p>
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iii. Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year.

Significant Accounting Policies

a. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Fund and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that has been acquired using such funds.

ii) Revenue from exchange transactions

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income for each period.

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the Entity's right to receive payments is established.

Rental income

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

b. Budget information

The original budget for FY 2022/23 was approved on 10th January, 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Fund upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund did not record additional appropriations. The Fund's budget is prepared on a different basis from 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. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts as per the statement of cash flows has been presented.

c. Property, plant, and equipment (PPE)

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Fund recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus, or deficit as 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.

d. Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite.

e. Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. *Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over an xx-year period or investment property is measured at fair value with gains and losses recognised through surplus or deficit. (entity to amend appropriately)* Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition

f. Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. (Amend as appropriate).* A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

I. Financial assets

Classification of financial assets

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in *Note xx*.

II. Financial liabilities

Classification

The entity classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

g. Contingent liabilities

The Fund 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.

h. Contingent assets

The Fund 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 Fund 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. Nature and purpose of reserves

The Fund creates and maintains reserves in terms of specific requirements. The reserves are maintained to grow the revolving fund.

j. Changes in accounting policies and estimates

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

k. Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. At each reporting date, foreign currency monetary items are translated using the closing rate. Non-monetary items measured in historical cost are translated using the exchange rate at the date of the transaction, and those measured at fair value are translated using the exchange rates at the date when the fair value was determined. Exchange differences arising from the settlement of monetary items or translation of monetary/non-monetary items at rates different from those at which they were initially reported are recognized in surplus or deficit in the period.

l. Related parties

The Fund regards a related party as a person or entity with the ability to exert control individually or jointly, or to exercise significant influence over the Fund, or vice versa. Members of key management are regarded as related parties and comprise the Directors/Trustee, the Fund Managers, and Fund Accountant.

m. 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 Housing Finance at the end of the financial year.

n. Comparative figures

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

o. Events after the reporting period

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

p. Ultimate and Holding Fund

The KeNHA Staff House Mortgage Fund under the sponsorship of the Kenya National Highways Authority which is a state corporation established vide the Kenya Roads Act, 2007. The Authority is under the State Department for Roads within the Ministry of Roads and Transport which gives it the general policy and strategic direction.

q. Currency

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

4. Significant judgments and sources of estimation uncertainty

The preparation of the Fund'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.

a) Estimates and assumptions.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year,

are described below. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Fund. Such changes are reflected in the assumptions when they occur. (*see IPSAS 1.140.*)

b) Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- i) The condition of the asset is based on the assessment of experts employed by the Fund
- ii) The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- iii) The nature of the processes in which the asset is deployed
- iv) Availability of funding to replace the asset
- v) Changes in the market in relation to the asset

Notes to the Financial Statements

5. Interest income on bank balances

Description	<i>FY 2022-2023</i>	<i>FY 2021-2022</i>
	Kshs.	Kshs.
Interest on Mortgage Bank Account HFC	5,586,810	-
Total Interest Income	5,586,810	-

The Interest Income of Kshs. 5,586,810 relates to the total interest earned on the capital sum deposited in the Free Fund (High Interest) Account at an annualized Rate of 3.5 %

6. Interest on Individual Staff House Mortgage

Description	<i>FY 2022-2023</i>	<i>FY 2022-2023</i>
	Kshs.	Kshs.
4.5% Interest on Individual Staff Mortgage	23,456,141	-
3% Commission to Service Provider HFC Mortgage	(15,715,615)	-
Interest capitalized on mortgage funds	7,740,527	-

The Kenya National Highways Authority Staff House Mortgage Fund charges an interest of 4.5% to its members which 1.5% above the recommended rates by the Salaries and remuneration Commission. This is aimed at ploughing back the 1.5% interest into the Fund, which operates as a revolving fund.

7. Commission Paid to service providers

Description	<i>FY 2022-2023</i>	<i>FY 2021-2022</i>
	Kshs.	Kshs.
3% Commission to Service Provider HFC Mortgage	15,715,615	-
Total	15,715,615	-

8. Withholding Tax on Interest Income

Description	<i>FY 2022-2023</i>	<i>FY 2021-2022</i>
	Kshs.	Kshs.
Individual Staff Mortgage Interest at HFC	1,161,079	-
Income Tax expense	1,161,079	-

The Scheme charges an interest of 4.5% on loans issued out which a share of 1.5% is credited back to the scheme for growth of the fund. The withholding tax of Kshs. 1,161,079 relates to 1.5% interest income received.

9. Cash and cash equivalents

Description	<i>FY 2022-2023</i>	<i>FY 2021-2022</i>
	Kshs.	Kshs.
HFC Staff Mortgage Bank Account	263,279,748	-
Total Cash and Cash equivalents	263,279,748	-

a) Detailed analysis of the cash and cash equivalents

Financial Institution	Account number	<i>FY 2022-2023</i>	<i>FY 2021-2022</i>
		Kshs.	Kshs.
Mortgage Fund			
HFC Staff Mortgage Bank Account	3000014815-0	263,279,748	-
Sub-Total		263,279,748	-

The scheme back-up accounts held at Housing Finance for Mortgage loans, hold funds that are disbursed to the beneficiaries less principal recoveries. It shall thus at all times have a balance equivalent to the total aggregate disbursed loans less principal recoveries.

The back-up account does not earn interest.

10. Mortgage Receivables

Description	FY 2022-2023		FY 2021-2022	
	Kshs.		Kshs.	
Current Receivables				
Short-term receivables from mortgage	67,563,589		-	
Interest receivable on staff loans as at 30.06.2024	2,368,554		-	
Total Current Receivables	69,932,144		-	
Non-Current Receivables				
Long Term Loan Repayments Due	344,770,484		-	
Total Non- Current Receivables	344,770,484		-	
Total Receivables	414,702,627		-	
Ageing analysis (receivable from exchange transactions)	FY 2022-2023	%of total	FY 2021-2022	%of total
Less than 1 year	69,932,144	17%	-	-
Between 1-2 years	80,798,236	19%	-	-
Between 2-3 years	121,197,354	29%	-	-
Over 3 years	142,774,894	34%	-	-
Total (tie to totals above)	414,702,627	100%	-	-

11. Net cash flows from operating activities

Description	FY 2022-2023		FY 2021-2022	
	Kshs.		Kshs.	
Surplus/ (deficit) for the year before tax	4,425,731		-	
Adjusted for:				
Withholding tax on interest income	-		-	
Working capital adjustments				
Increase in receivables	-		-	
Net cash flow from operating activities	4,425,731		-	

12. Financial risk management

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

The Fund's financial risk management objectives and policies are detailed below:

a) Credit risk

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

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

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

Description	Total amount Kshs.	Fully performing Kshs.	Past due Kshs.	Impaired Kshs.
At 30 June 2023				
Short-term Receivables	69,932,144	69,932,144	-	-
Long-term Receivables	344,770,484	344,770,484	-	-
Bank Balances	263,279,748	263,279,748	-	-
Total	677,982,375	677,982,375	-	-
Description	Total amount Kshs.	Fully performing Kshs.	Past due Kshs.	Impaired Kshs.

At 30 June 2022				
Short-term Receivables	-	-	-	-
Long-term Receivables	-	-	-	-
Bank Balances	-	-	-	-
Total	-	-	-	-

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the Fund has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The Fund has significant concentration of credit risk on amounts due from staff loan beneficiaries. The board of trustees sets the Fund's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

b) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Fund Administrator, who has built an appropriate liquidity risk management framework for the management of the Fund's short, medium, and long-term funding and liquidity management requirements. The Fund manages liquidity risk through continuous monitoring of forecasts and actual cash flows. The table below represents cash flows payable by the Fund under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

c) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the Fund on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Fund's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Fund's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by the Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the Fund's exposure to market risks or the manner in which it manages and measures the risk.

d) Interest rate risk

Interest rate risk is the risk that the Fund's financial condition may be adversely affected as a result of changes in interest rate levels. The Fund's interest rate risk arises from bank deposits. This exposes the Fund to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Fund's deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

Sensitivity analysis

The Fund analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

e) Capital risk management.

The objective of the Fund's capital risk management is to safeguard the Fund's ability to continue as a going concern. The Fund capital structure comprises of the following funds:

Description	<i>FY 2022-2023</i>	<i>FY 2021-2022</i>
	Kshs.	Kshs.
Revolving fund	594,813,766	-
Accumulated surplus (<i>Reserves</i>)	83,168,608	-
Total funds	677,982,375	-
Less: cash and bank balances	(263,279,748)	-
Net debt (excess cash and cash equivalents)	414,702,627	-
Gearing	61%	-

13. Related party balances

a) Nature of related party relationships

Entities and other parties related to the Fund include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members. The fund/scheme is related to the following entities:

- a) National government Fund
- b) Key management;
- c) Board of Trustees/Committee; etc.

b) Related party transactions

i. Transfers from related parties

Description	FY 2022-2023	FY 2021-2022
	Kshs.	Kshs.
Transfers from KeNHA	65,000,000	-

14. Contingent Asset

Description	FY 2022-2023	FY 2021-2022
	Kshs.	Kshs.
Accrued interest of Kshs. 17,902,338 on the mortgage free funds account. *	17,902,338	-

**The fund has accrued interest of Kshs. 17,902,338 on the mortgage free funds account. The interest rates applicable were revised by the bank. Based on current information, Management considers the inflow of economic benefits to be probable but not yet virtually certain. Consequently, the interest has not been recognised in the financial statements and will be recorded once receipt becomes virtually certain*

15. Basis of Preparation-First Financial Statements

These are the first financial statements of the KeNHA Staff Mortgage fund for the period from 2013 to FY 2023-2024 & FY 2024-2025. As these are the Fund's first financial statements the comparative figures are un-audited. The Financial statements have been prepared in accordance with the Accrual Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS).

16. Events after the Reporting Period

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

17. Ultimate And Holding Entity

The Entity is a Fund under the sponsorship Kenya National Highways Authority which is a Semi-Autonomous Government Agencies (SAGA).

18. Currency

The financial statements are presented in Kenya Shillings (Kshs) rounded to the nearest shilling.