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THE AUDITOR-GENERAL

ON

KENYA ROADS BOARD FUND

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



KENYA ROADS BOARD FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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

KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

TABLE OF CONTENTS

KEY ENTITY INFORMATION AND MANAGEMENT	5
THE BOARD OF DIRECTORS	8
MANAGEMENT TEAM	11
CHAIRMAN'S STATEMENT	12
REPORT OF THE DIRECTOR GENERAL	15
REVIEW OF KENYA ROAD BOARD'S PERFORMANCE FOR FY 2020/2021	20
CORPORATE GOVERNANCE STATEMENT	33
MANAGEMENT DISCUSSION AND ANALYSIS	31
CORPORATE SOCIAL RESPONSIBILITY STATEMENT	40
REPORT OF THE DIRECTORS	43
STATEMENT OF THE BOARD'S RESPONSIBILITIES	44
REPORT OF THE INDEPENDENT AUDITORS	45
STATEMENT OF FINANCIAL PERFORMANCE	48
STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2021	49
STATEMENT OF CHANGES IN NET ASSETS	50
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2021	51
STATEMENT OF COMPARISON ON BUDGET AND ACTUAL AMOUNTS	51
NOTES TO THE FINANCIAL STATEMENTS	53
PROGRESS ON FOLLOW UP OF AUDITOR RECOMENDATIONS	67

KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

Our Vision:

An efficient road network for a prosperous nation

Our Mission:

To fund, oversee and coordinate road maintenance, rehabilitation and development through optimal utilization of resources for a sustainable road network

Our Core Values:

(a) *Professionalism*

We shall maintain high standards and professional competence in the discharge of responsibilities and delivery of quality services. We shall abide to professional considerations on the methods, standards and procedures in our work and focus on achieving excellence with a view to exceeding the expectations of our clients and stakeholders.

(b) *Passion for quality*

We shall stand up for what we believe in; perform our roles with purpose, pride, enthusiasm and dedication in everything that we do. We are committed to providing and delivering high quality services.

(c) *Customer Service Excellence*

We are committed to uphold customer driven and focused service delivery by honoring commitments that we have made to our customers. We shall treat our customers with courtesy, respect and be sensitive to and deal with issues and situations in a proactive and timely manner, using flexible decision making processes. KRB shall ensure that every employee shares the same ideals in regard to the central position of the customer and as such continue to motivate its employees to be committed to high standards of service delivery to meet customers' requirements in a consistent manner.

(d) *Integrity*

We are committed to promoting transparency, accountability and professionalism in our work. We shall be impartial, honest, objective and unbiased in how we relate to each other and our stakeholders.

(e) *Inclusiveness*

We shall embrace inclusiveness and promote diversity in our organization and ensure adherence to constitutional requirements on gender, disability, minorities among others.

(f) *Innovation*

We shall endeavour to be innovative, creative and embrace technology to achieve efficiency and effectiveness in service delivery.

KEY ENTITY INFORMATION AND MANAGEMENT

a) Background Information:

Kenya Roads Board (KRB) is a state body corporate established under Chapter 408 of the Laws of Kenya 'Kenya Roads Board Act' which came into effect under Legal Notice No. 7 of 1999. The Board was established in accordance with the Chapter 446 (State Corporations Act) of the Laws of Kenya, which is 'An Act of Parliament to make provision for the establishment of state corporations: for control and regulation of state corporations; and for connected purposes'.

The Board is domiciled and operates within the Republic of Kenya. The registered office is as set out on page 7.

b) Principle Activity:

As stipulated in the Kenya Roads Board Act, 1999 "The object and purpose for which the Board is established is to oversee the road network in Kenya and coordinate the maintenance, rehabilitation and development funded by the fund and to advise the Minister responsible for matters pertaining to roads on all matters related thereto."

Specific Mandates:

The mandates of KRB are provided for in the Kenya Roads Board Act, No. 7 of 1999 as hereunder:

- (a) *'coordinate the optimal utilization of the Fund in implementation of programmes relating to the maintenance, rehabilitation and development of the road network;*
- (b) *seek to achieve optimal efficiency and cost effectiveness in roadworks funded by the Fund;*
- (c) *manage the Fund;*
- (d) *based on a five year road investment programme approved by the Minister and the Minister for Finance, determine the allocation of financial resources from any other source available to the Board required by road agencies for the maintenance, rehabilitation and development of the road network to ensure that the allocation of funds is pegged to specific categories of roads and that not less than*
 - (i) *twenty two percent (22%), which shall be deposited into a special bank account to be called Constituency Road Fund Account to be maintained by every constituency of monies from the Fund is allocated equally to all Constituencies in the country to be administered by the Rural Roads Authority;*
 - (ii) *ten percent (10%) of the monies from the Fund is allocated for the maintenance or development of link roads between constituencies and to serve as Government counterpart funds in funding works on rural roads, to be administered by the Kenya Rural Roads Authority and that the said per centum shall be equally distributed to the constituencies where Kenya Rural Roads Authority has the mandate.*
 - (iii) *forty percent (40%) of the monies from the Fund is allocated in respect of the national roads to be administered by the National Highways Authority;*
 - (iv) *fifteen percent (15%) of the monies from the Fund is allocated in respect of the Urban Roads Authority;*
 - (v) *one percent (1%) of the monies from the Fund is allocated in respect of roads in national parks and reserves to be administered by the Kenya Wildlife Service, and*
 - (vi) *a maximum of two percent (2%) of the monies from the Fund is allocated in respect of recurrent expenditure of the Board under section 31(5).*

KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

- (e) ensure that the remainder of the monies from the Fund (10%) described in paragraph (d) shall be allocated annually by the Board with the approval of the Minister to road investment programme derived from the five-year road investment programme approved by the Minister responsible for roads and the Minister for Finance.
- (f) ensure that a maximum of ten percent (10%) of all monies allocated to each road agency is utilized for development purposes by the said agency
- (g) monitor and evaluate, by means of technical, financial and performance audits, the delivery of goods, works and services funded by the Fund;
- (h) in implementing paragraph (g), pay due regard to public procurement and disposal regulations and additional guidelines issued or approved by the Minister;
- (i) recommend to the Minister appropriate levels of road user charges, fines, penalties, levies or any sums required to be collected under the Road Maintenance Levy Fund Act, 1993 and paid into the Fund;
- (j) recommend to the Minister such periodic reviews of the Fuel Levy as are necessary for the purposes of the Fund, and
- (k) identify, quantify and recommend to the Minister such other potential sources of revenue as may be available to the Fund for the development, rehabilitation and maintenance of roads.'

c) Key Management:

The entity's day-to-day management is under the following key organs:

- Board of Directors
- Accounting officer/ Director General
- Management

d) Fiduciary Management:

The key management personnel who held office during the financial year ended 30th June 2021 and who had direct fiduciary responsibility were:

1. Director General - Rashid Mohamed, MBS
2. Director, Finance & Strategy - CPA Martin Agumbi
3. Director, Highways Programme & Assurance - Eng. David O. Orwenyo
4. Director, Policy, Research & Road Management Systems - Eng. Tom Omai
5. Director, Legal & Corporate Affairs - Ms. Lucy K. Gathika
6. Senior Deputy Director, Human Resources Management & Administration - Mr. Hamoud M. Mguza

e) Fiduciary Oversight Arrangements:

The following committees provide fiduciary oversight over the management and activities of the Board;

- Audit and Risk Management Committee of the Board
- Finance Committee of the Board
- Technical Committee of the Board
- Human Resources and Management Committee of the Board

KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

f) Registered Office/Headquarters:

Kenya Re-Towers, 3rd Floor
Off Ragati Road, Upper Hill
P.O. Box 73718- 00200, City Square
NAIROBI, KENYA

g) Contacts:

Tel. No.: 4980000, 2722865/6
Fax No.: 254-020-2723161
Website: www.krb.go.ke
E-mail address: info@krb.go.ke

h) Principal Bankers:

Citibank N.A
Citibank House, Upper Hill
P.O Box 30711-00100, GPO
NAIROBI, KENYA

i) Independent Auditors:

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

j) Principal Legal Adviser:





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

KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

THE BOARD OF DIRECTORS

The Board draws representatives from public and private stakeholders as set out in Section 7 of the Kenya Roads Board Act, 1999.



The Board members in FY 2020/2021 were as follows:-

Representative	Organization
 CPA. Rashid Mohamed, MBS (Director General)	Kenya Roads Board
 Ms. Rita Kavashe (Chairperson) (term expired on 8 th June 2021)	Automobile Association of Kenya
 Prof. Arch. Paul M. Maringa, (PHD) CBS	PS, State Department of Infrastructure - Ministry of Transport, Infrastructure, Housing and Urban Development
 Dr. Julius Monzi Muia, CBS	PS, The National Treasury

KENYA ROADS BOARD FUND
 FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

 <p>Mr Charles T. Sunkuli, CBS</p>	<p>PS, State Department for Devolution - Ministry of Devolution and the Arid and Semi-Arid Lands</p>
 <p>Dr. Kevit Desai</p>	<p>PS, State Department for EAC - Ministry of East Africa Community and Regional Development</p>
 <p>Mr. Solomon Kitungu</p>	<p>PS, State Department of Transport - Ministry of Transport, Infrastructure, Housing and Urban Development</p>
 <p>Eng. John Nyaguti</p>	<p>Institution of Engineers of Kenya</p>
 <p>Mr. Wilson Ndirangu Kamau</p>	<p>Institute of Surveyors of Kenya</p>

KENYA ROADS BOARD FUND
 FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

 CPA Charles Tirok	Institute of Certified Public Accountants
 Dr. Mary Ragui	Kenya Association of Tour Operators

Alternate Board members in FY 2020/2021 include the following:

Alternate Representative	Organization
Mr. Abednego Etyang	State Department of Infrastructure - Ministry of Transport, Infrastructure, Housing and Urban Development
Hon. Nelson Gaichuhie	The National Treasury
Mr. James Mwanzia	State Department for Devolution - Ministry of Devolution and the Arid and Semi-Arid Lands
Mr. Julius Mwabu	State Department for EAC - Ministry of East Africa Community and Regional Development
Mr. Paul King'ori	State Department of Transport - Ministry of Transport, Infrastructure, Housing and Urban Development

KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

MANAGEMENT TEAM

Director General - Rashid K. Mohamed, MBS

Director, Finance & Strategy - CPA Martin Agumbi

Director, Highways Programme & Assurance - Eng. David O. Orwenyo

Director, Policy, Research & Road Management Systems - Eng. Tom Omai

Director, Legal & Corporate Affairs - Ms. Lucy K. Gathika

Senior Deputy Director,
Human Resources Management & Administration - Mr. Hamoud M. Mguza

KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

CHAIRMAN'S STATEMENT

On behalf of the Members of the Board, it is my pleasure to present the Annual Report and Financial Statements for Kenya Roads Board Fund for the year ended 30th June 2021.

General Economic Environment

Prior to the outbreak of Covid-19 pandemic, Kenya's economy was strong and resilient despite the challenging global environment. In FY 2020/2021, the Kenyan economy was adversely affected by the outbreak of Covid-19 Pandemic and the swift containment measures, which have not only disrupted the normal lives and livelihoods, but also to a greater extent businesses and economic activities. As a result, our economy is estimated to slow down in the short term. Looking ahead, the economy is projected to recover and grow by above 6.0 percent over the medium term.

The COVID-19 shock is expected to have large impacts on services (transport, retail trade, tourism, events, leisure, etc.), industry (manufacturing and construction), and agriculture. The health system is facing an unprecedented challenge to contain the spread of COVID-19 and care for the infected. In addition, measures taken to slow down the rate of infection, including home confinement, travel restrictions, the closure of schools and entertainment spots, the suspension of public gatherings and conferences, and a nightly curfew, are expected to affect both production and consumption across the economy.

The COVID-19 shock also exacerbated the country's pre-existing fiscal vulnerabilities. Kenya's debt remains sustainable, but it is at risk of debt distress. To address the debt related risks, the National Treasury and Central Bank of Kenya (CBK) have taken action to hold the fiscal deficit and debt ratios to 8.7 and 70.4 percent of GDP, respectively. This fiscal year. Fiscal and balance-of-payments financing needs remain sizable over the medium term.

The economy continues to register macroeconomic stability with low and stable interest rates and a competitive exchange rate that supports exports. Year-on-year overall inflation remained within the Government target range of 5±2.5 percent in January 2021 at 5.7 percent from 5.8 percent in January 2020. The low inflation was mainly supported by a reduction in food prices and muted demand pressures. The reversal of tax measures in January 2021 are expected to have modest impact on overall inflation.

The foreign exchange market has largely remained stable but partly affected by a significant strengthening of the US Dollar in the global markets and uncertainty with regard to the Covid-19 Pandemic. Despite this, the current account deficit, in percent of GDP, is estimated to improve to 4.9 percent in 2020 from 5.8 percent in 2019 and projected at 5.1 percent in 2021 mainly supported by an improvement in the trade balance partly reflecting expected pickup in imports.

Going forward into the medium term, the Government will continue with its expenditure prioritization policy with a view to achieving the transformative development agenda which is anchored on provision of core services, ensuring equity and minimizing costs through the elimination of duplication and inefficiencies, creation of employment opportunities and improving the general welfare of the people. This will curtail growth in public expenditures to ensure it attains its fiscal consolidation path over the medium term and ensure debt is maintained within sustainable levels. The fiscal deficit is expected to decline from 8.7 percent of GDP in FY 2020/21 to 3.6 percent of GDP by FY 2024/25.

KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

National Agenda

The 2021 Budget Policy Statement (BPS) was prepared against a background of a weak global economy. The policy measures outlined in the 2021 Budget Policy Statement prioritize investments in the “Big Four” Agenda and are anchored on the National Development Plan as outlined in the Third Medium Term Plan (MTP III) of Kenya Vision 2030.

To respond to the current challenges and cushion Kenyans and businesses from the adverse effects of the Pandemic, the Government is currently implementing an Economic Stimulus Programme - whose objective is to return the economy to the pre Covid-19 growth trajectory by increasing demand for local goods and services, cushioning vulnerable Kenyans, securing household food security for the poor, and creating employment and incomes. Great gains have been realized under the Programme including: job creation for our youth under the “Kazi Mtaani” Programme; enhanced liquidity to support businesses through monetary measures that were introduced; and enhanced cash transfers to the vulnerable and the emerging urban vulnerable as a result of the Pandemic.

Building on the gains made, the Government will implement the Post Covid-19 Economic Recovery Strategy (ERS) which will mitigate the adverse impact of the Pandemic on the economy and further re-position the economy on a steady and sustainable growth trajectory. Successful implementation of the PostCovid-19 ERS is predicated on faster implementation of policy, legal and institutional reforms that are necessary for effective implementation of the Strategy. The Government will ensure that all the proposed policies and legislation are implemented within the specified timelines. In this regard, the Parliamentary Calendar will be amended to accommodate the passing of key legislations required to facilitate implementation of the Post-Covid-19 ERS.

Further, the Government will accelerate implementation of the “Big Four” Agenda which has gained traction over the past three years. The Agenda is designed to help achieve the social and economic pillars of our Vision 2030 and the development aspirations espoused in the Kenyan Constitution. Actualization of policies and programmes under each pillar is expected to accelerate and sustain 21 2021 Budget Policy Statement inclusive growth, create opportunities for decent jobs, reduce poverty and income inequality and ensure that we create a healthy and food secure society in which Kenyans have access to affordable and decent housing. This being the fourth Budget Policy Statement since the onset of the “Big Four” Plan, the Government has made great strides in the implementation of the strategic interventions under the Plan which have contributed immensely to stimulating the economy and improving the lives of Kenyans. Building on these gains, the Government will strengthen implementation of programmes that make growth more inclusive and pursue measures that avail liquidity to private sector, including initiating innovative products to boost credit to Micro, Small and Medium Enterprises (MSME).

KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

Kenya Roads Board Strategy

The Board's Strategic Plan (2018 - 2022) targets to have 100% of maintainable roads (roads in good or fair condition) included in the APRP by the end of the plan period. The Board has continued to implement its five-year Strategic Plan, and formulated a Business Plan for FY 2020/21, from the Strategic Plan. The deliverables that were set out in the business plan and performance contract for FY 2020/21 were achieved.

Specifically, the Kenya Roads Board Fund collections exceeded the estimates; the APRP for FY 2020/21 was approved and implemented during the year; the Board carried out monitoring and evaluation of utilization of the KRB Fund; and the internal capacity was strengthened to ensure effective delivery of the Board's mandates. Other achievements are enumerated in a different section of this report.

The Annual Public Roads Programme (APRP) for FY 2021/22 is aligned to the BPS 2021 and will contribute to maintenance and rehabilitation of roads in the medium term to spur economic growth and development. Further, the APRP will promote Roads 2000 strategy where applicable, through investments that utilize more local resources, create jobs, and thereby support the Government's Local Content Policy.

Future Outlook

Kenya Roads Board shall continue to work closely with other sectors to improve the social and economic well-being of Kenyans. Accessibility across the country shall improve connectivity, efficiency, safety of road transport and regional integration. These, among others will lead to the realization of the 'Big Four' Agenda and Vision 2030.

Kenya Roads Board shall provide world-class services in Road Fund management to make Kenya globally competitive and a prosperous nation.

Acknowledgement

On behalf of KRB directors and staff, I express my sincere gratitude to the Government of Kenya, Ministry of Transport and Infrastructure, Road Agencies, taxpayers and other stakeholders for their continued support. This has gone a long way towards building a solid institution that is responsive to its mandates and stakeholders' expectations.

I also wish to thank my fellow directors for dedicating their time and effort to steer the Board. Their advice and guidance has played a key role in the attainment of the impressive results. Our management and staff have risen to the challenges with a great deal of resourcefulness, diligence, resilience and determination. We are proud of the team and greatly appreciate their ability and commitment towards achieving the Board's vision, mission and objectives.

I look forward to a promising financial year 2021/22. God Bless you all.



ENG. JOHN NYAGUTI
CHAIRMAN



DATE

REPORT OF THE DIRECTOR GENERAL

Overview

Kenya Roads Board has continued to carry out its mandate of effectively and efficiently managing the Kenya Roads Board Fund. During the year under review, the Kenya Roads Board Act was amended, giving the Board powers to borrow funds. This provides the Board with a great opportunity to raise funds to address the road maintenance backlog in the country.

We are happy to note that the Board has achieved its ambitious performance targets set in the annual business plan for FY 2020/2021.

The Road Sector Investment Programme

The Road Sector Investment Programme (RSIP) is a medium term plan that outlines the development and maintenance priorities for the road network. It provides the framework to guarantee road network quality through systematic planning and budgeting and a rational approach to funding road subsector spending. Currently, the maintenance backlog in Kenya is estimated at Kshs. 700 billion, constituting of roads in poor conditions that need to be restored to good condition.

KRB coordinated the preparation of the 2nd Road Sector Investment Programme 2018 – 2022 (RSIP II) in line with the requirements of Section 34(1) of the Kenya Roads Act, 2007. Under the RSIP II, the total road network development and maintenance requirements over the next five years were determined.

The projected available funding for the 2nd Phase of the RSIP (2018 – 2022) was Kshs 806 billion and different interventions on the road network were prioritized as follows:

- i. Routine maintenance at a cost of KSh. 180.182 billion;
- ii. Periodic maintenance (overlay and reseal) of 2,600km of roads at a cost of KSh. 39.651 billion;
- iii. Spot gravelling of 13,000km of roads at a cost of KSh. 5.116 billion;
- iv. Reconstruction and rehabilitation of 2,800km of roads at a cost of KSh. 160.4 billion;
- v. Upgrading (Earth to Gravel) of 6,100km of roads at a cost of KSh. 28.422 billion;
- vi. Upgrading (Gravel to Bitumen) of 6,700km of roads at a cost of KSh. 314.706 billion;
- vii. New construction and capacity improvement 350km of roads at a cost of KSh. 77.747 billion;
- viii. An additional financial outlay of about KSh. 42.975 billion is recommended for, amongst others, construction of public transport facilities and road management issues (e.g. research and development, road safety, feasibility and design, climate change adaptation, axle load compliance, monitoring and evaluation, traffic management, mainstreaming of cross cutting issues etc.).

Road Reclassification

The transport sector is one of Kenya's most important pillars of economic development contributing 6% to the country's GDP. Road is the most predominant mode of transport and accounts for over 90% of all freight and passenger traffic. Moreover, road transport serves as an intermediary service to all sectors and is critical to economic growth and social wellbeing.

KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

The country's road assets are estimated at over Kshs 2.5 trillion, and represent one of the country's largest public investments. Thus, there is need to entrench the road asset management in the country's development strategy so as to facilitate their development and maintenance in an effective manner.

The Minister for roads, under the Kenya Roads Act No 2, 2007 Section 48(2) is required to publish an inventory of classified roads in the Kenya Gazette. Kenya's current road register of 161,451km was published on 22nd January 2016. The reclassification of the roads and publication of the register followed the promulgation of Constitution 2010, which assigned management of roads to the National and County Governments.

Kenya Roads Board by virtue of its mandate carries out periodic reviews of the classification system in consultation with road authorities and other stakeholders on behalf of the Ministry. Periodic reviews are to ensure that the classification system is aligned with the country's needs for mobility, access and safety.

In the last 2 years, has been reviewing the classification system with the aim of gazetting an updated register. The Cabinet Secretary approved a preliminary list of reclassified roads in 2020, thus mandating the road authorities to plan for the newly assigned network. The countrywide updated register is in the process of being finalized for submission to the CS for gazettelement.

Roads Inventory and Condition Survey (RICS)

Road Inventory and Conditions Survey (RICS), is the process by which a country acquires data on the road assets to enable them make evidence based decisions on how to invest in physical infrastructure. The data provides an insight into how the condition of their road assets can be affected by their financial decisions, and helps organizations to align maintenance and capital plans with a country's strategic goals.

The Government of Kenya through the Ministry in charge of roads undertakes Road Inventory and Condition Survey periodically (every 10 years), to update the RICS database that is managed by Kenya Roads Board. The first RICS was undertaken between 2001 and 2004 with financing from World Bank.

The 3rd RICS survey was carried out from August 2016 to December 2018, and the key findings were as shown in the tables below:

Network Length (km) in RICS

ROAD CLASS	2018		
	Paved	Unpaved	Grand Total
Classified			
A	4,696.66	3,109.22	7,805.88
Au	177.68	2.73	180.41
B	3,638.14	6,868.60	10,506.75
Bu	728.13	1,292.43	2,020.56
C	3,446.85	15,902.20	19,349.05
Cu	53.58	86.12	139.69

KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

Total National Trunk Roads	12,741.04	27,261.30	40,002.34
D-G (County Roads)	4,243.42	117,575.74	121,819.15
Total Classified Roads	16,986.45	144,837.03	161,821.48
NEW	468.64	34,185.06	34,653.70
NARROW ROADS	198.98	50,083.09	50,282.07
Total Unclassified	667.62	84,268.16	84,935.77
Grand Total	17,652.07	229,105.19	246,757.26

Reliability - All Weather part of the network

Agency	Total (Km)	Paved (Km)	Gravel (Km)	Total All weather
National Roads	40,002.34	12,741.04	17,202	29,943.04
County Roads	121,819.15	4,243.42	49,116	53,359.42
New unclassified	34,653.70	468.64	8,905	9,373.64
Narrow Roads	50,282.07	198.98	9,392	9,590.98
Grand Total	246,757.26	17,652.07	84,614	102,267.08
% of network	100%	7%	34%	41%

Road Condition km in (good/fair/poor)

AGENCY	SURFACE TYPE	SURFACE CONDITION				Total Length
		Good	Fair	Poor	Under Construction	
KENHA		5,886.04	6,959.56	5,158.33	313.39	18,317.31
	Paved	4,979.14	2,810.02	380.48	169.54	8,339.19
	Unpaved	906.9	4,149.54	4,777.84	143.85	9,978.12
KURA		667.53	1,158.35	396.12	116.21	2,338.21
	Paved	408.55	395.69	89.37	63.71	957.32
	Unpaved	258.98	762.66	306.75	52.5	1,380.89
KeRRA		4,093.72	9,222.91	5,711.17	316.43	19,344.23
	Paved	1,695.53	1,458.35	210.92	80.91	3,445.70
	Unpaved	2,398.19	7,764.56	5,500.25	235.53	15,898.53
COUNTY		18,760.37	53,741.71	48,776.54	542.01	121,820.63
	Paved	1,502.61	1,774.01	935.24	31.55	4,243.42
	Unpaved	17,257.76	51,967.70	47,841.29	510.46	117,577.21
UNCLASSIFIED		9,552.12	32,951.02	41,980.27	453.47	84,936.88
	Paved	363.01	201.77	96.21	5.45	666.45
	Unpaved	9,189.11	32,749.25	41,884.06	448.02	84,270.43
Grand Total		38,959.77	104,033.55	102,022.42	1,741.51	246,757.26

KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

The Annual Public Roads Programme

As per the Kenya Roads Board Act No. 7 of 1999, KRB has a mandate to oversee the road network in Kenya and coordinate the maintenance, rehabilitation and development funded by RMLF and to advise the Minister on all matters related thereto.

Section 19 (4) of the KRB Act requires KRB to review, individually, the Annual Road Works Programmes (ARWPs) submitted by Road Agencies and consolidate these ARWPs into an Annual Public Roads Programme (APRP). During the year, the Board allocated and released funds in accordance with the Annual Public Roads Programme (APRP).

The approved APRP FY 2020/2021 was fully funded and the APRP FY 2021/2022 has been compiled. The APRP funding reports for FY 2020/2021 have been published and publicized.

In addition to funding the APRP, Technical, Performance and Financial audits for FY 2019/20 and half year FY 2020/2021 have been conducted. The terms of reference for audits have been reviewed to include value for money audits and staff sensitized on value for money audits. The procurement of the next series of Technical, Performance and Financial Audits was completed, and the audits are on-going.

Section 19 (4) of the KRB Act requires the Board to review individually the annual road programmes submitted by the road agencies and consolidate the annual roads programme into annual public roads programme which shall:-

- (a) Specify the amount allocated for the maintenance, rehabilitation and development of each class of roads;
- (b) Match the cost of implementing the annual roads programme with revenues collected or estimated to be collected by the and within the Fund; and
- (c) Identify roads requiring maintenance, rehabilitation or development in order of priority, taking into account social and economic requirements of the country or any part thereof in which roads are located.

Further, Section (5) of the Act requires the Board to submit the APRP to the Cabinet Secretaries for Roads and Finance for approval. The approved APRP shall form the basis for funds allocation and auditing of works by the Board and shall not be varied by the road agency without the prior written approval by the Board.

Performance Contracting

Kenya Roads Board signed the FY 2020/2021 performance contract with the Government of Kenya through the Ministry of Transport, Infrastructure, Housing, and Urban Development & Public Works.

The Key Performance Indicators outlined in the Performance Contract include financial & stewardship, service delivery, operational and qualitative indicators derived from the Medium Term Expenditure Framework, Vision 2030 and Sector Performance standards.

ISO 9001:2015 Certification

The Board has been ISO 9001:2008 – Quality Management System (QMS) certified. The Board was certified in June 2010, and re-certified in August 2013 and June 2016. The Board and Staff of KRB endeavor to maintain and continuously improve the effectiveness of its quality

KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

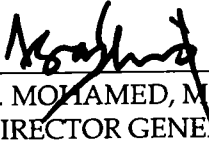
management systems that meet the stakeholders' expectations in accordance with ISO 9001:2015 requirements.

Following the revision of the ISO Standard from 9001:2008 to 9001:2015, the Board reviewed its processes and obtained certification for ISO 9001:2015.

Appreciation

I would like to thank the Board of Directors, Management and Staff of Kenya Roads Board for their continued support and dedication, without which our ambitious objectives could not have been achieved. I would also wish to extend our gratitude to the Government of Kenya, the Ministry of Transport, Infrastructure, Housing and Urban Development & Public Works, the National Treasury and Road Agencies for their co-operation and support.

Finally, I would like to thank all taxpayers and stakeholders, and assure them of our strong commitment to deliver outstanding value to Kenyans as a whole.



R. MOHAMED, MBS
DIRECTOR GENERAL

5th Nov 2021
DATE

KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

REVIEW OF KENYA ROAD BOARD'S PERFORMANCE FOR FY 2020/2021

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

1. Key Result Areas (KRA's)

In line with KRB's Vision and Mission, three key result areas which reflect KRB's mandate were identified and formed the pillars of the Business Plan for FY 2020/21. The Key Result Areas were:

KRA 1: Management of the Road Fund

Proper management of the Road Fund would entail mobilizing resources to meet the current and future demand for road maintenance, rehabilitation and development for a sustainable road network and ensuring prudent and sustainable utilization of the Fund. To this end, KRB would enhance and safeguard Road Maintenance Levy Fund, source additional funds for road maintenance and also enlist support from development partners for KRB programmes.

KRA 2: Oversight and Coordination of Road Network

The Kenya Roads Board would ensure that all the roads in Kenya receive maintenance intervention over the next five years, and increase the length of roads under maintenance and development. This would be achieved by institutionalizing long term planning for road maintenance and development, enhancing coordination, monitoring and evaluation of the APRP. In addition, KRB would promote cost-effectiveness in delivery of road works by enhancing value for money in the application of the Fund, promoting the use of appropriate technology and resources in delivery of roadworks and promoting road safety within the road subsector.

KRA 3: Institutional Capacity

The Board would enhance institutional capacity to keep pace with the demands of the market and the sector. The key areas for institutional strengthening were recognized as human resource capacity, policies structures and systems and corporate governance. KRB would endeavor to implement cross cutting issues in various programmes. These issues include Gender mainstreaming, Drug and substance abuse, HIV Aids, Youth Empowerment, In recognition of the enormous potential accruing from technology, focus would remain on optimizing the use of technology within KRB.

KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

2. Strategic Objectives

The Key Result Areas would be achieved through the following strategic objectives:

No.	KRA	Strategic Objective	Strategies	
1	Management of the Road Fund	To mobilize resources to meet the current and future demand for road maintenance, rehabilitation and development	Enhance and Safeguard Road Maintenance Levy	
			Source additional Funds for road maintenance	
			Enlist support from Development Partners for KRB programmes	
			Develop a framework for transition to 3rd generation fund	
2	Oversight and coordination of road network	To ensure prudent and sustainable utilization of the Fund	Strengthen Financial Reporting of KRB Fund	
			Enhance Internal Controls	
2	Oversight and coordination of road network	To facilitate maintenance of 161,451km National Trunk and County Roads	Institutionalize long term planning for the road maintenance and development	
			Enhance coordination, monitoring and evaluation of APRP	
			To promote cost effectiveness in delivery of road works	Enhance value for money in the application of the Fund
			Promote the use of appropriate technology and resources in delivery of roadworks	
3	Institutional Capacity	To promote good Corporate Governance	Strengthen KRBs advisory role on all matters related to road maintenance and development	
			Promote road safety within the road subsector	
			Enhance Corporate Image and Customer Service	
			Ensure Compliance with laws and policies	
3	Institutional Capacity	To promote good Corporate Governance	Enhance Effectiveness of the Board of Directors	
			Safeguard KRB assets	
			Strengthen KRB systems and procedures	
			Enhance effective supply chain management practices	

KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

No.	KRA	Strategic Objective	Strategies
		To attract, develop and retain human capital	Ensure Optimal staffing levels
			Strengthen Human Resource development
			Institutionalize knowledge management practices
			Institutionalize performance based management
			Raise and sustain employee satisfaction
			Ensure conducive work environment
		To Institutionalize use ICT in KRB operations	Establish and maintain KRB integrated Management Information System
			Secure KRB ICT Systems and enhance efficiency in service delivery

3. Key Performance Metrics

The Business Plan 2020-2021 would deliver the following Key Performance Indicators;

Key Result Area		Key Performance Indicator
Management of the Road Fund	1	Increase RMLF funds
	2	Approval from National Treasury to issue infrastructure bond and launch Private Finance Initiatives
Oversight and coordination of road network	3	Improve the Performance of Road Agencies by raising their accountability index
	4	Ensure national trunk and county roads receive maintenance interventions
Institutional Capacity	5	Raise customer satisfaction
	6	Raise employee satisfaction
	7	Roll out the ERP to additional functional areas of the organization

4. Road Maintenance Funding

The RMLF funding allocation has gradually increased from Kshs. 63 Billion in FY 2017/2018 to the current allocation of Kshs. 76 billion as shown in the table below:

ROAD MAINTENANCE FUNDING				
RECEIPTS	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21
Fuel levy	63,000,000,000	68,446,000,000	71,872,500,000	75,709,000,000
Transit tolls	473,600,000	550,000,000	660,000,000	550,000,000
Total RMLF	63,473,600,000	68,996,000,000	72,532,500,000	76,259,000,000

KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

The table below shows the actual allocation that goes towards various maintenance interventions, development and annuity programmes having deducted the administrative components of the fund.

Works Categories	FY 2018/19		FY 2019/20		FY 2020/21	
	Amount	%	Amount	%	Amount	%
Routine & Periodic Maintenance	47,092,675,500	78.5%	44,323,950,707	70.5%	50,605,284,215	77.1%
Upgrading	2,100,000,000	3.5%	6,825,000,000	10.9%	2,717,930,785	4.1%
Annuity Programme	10,804,500,000	18.0%	11,739,175,000	18.7%	12,326,000,000	18.8%
Total RMLF for Works	59,997,175,500		62,888,125,707		65,649,215,000	

The Road Sector estimates the current maintenance backlog at Kshs. 590 Billion, being the amount required to bring the roads in poor condition to maintainable standards. The Government is considering alternative road maintenance financing mechanisms such as infrastructure bonds, public private partnerships, introducing levies on motor vehicle insurance and annual licenses, and levies on outdoor advertisements. The current estimates indicate that some KShs. 60 billion could be generated annually from these potential sources.

5. Performance Review for FY 2020-2021 - APRP FY 2020/2021 Budgets

The Annual Public Roads Programme (APRP) for financial year 2020-2021 has been prepared based on projected collections of the Kenya Roads Board Fund (KRB-F) as approved by The National Treasury & Planning.

The RMLF allocations as set out in the KRB Act, 1999 and County Allocation of Revenue Act for the National Road Agencies and County Governments respectively are shown table below:

RMLF allocation to Road Agencies and County Governments

RMLF Allocation	Amount (Ksh.)
	Previous FY 2020-21
KeNHA (Road Classes S,A,B)	25,252,579,592
KeNHA Transit	539,000,000
KeNHA Total Funds	25,791,579,592
KRB Board/CS Allocation	6,349,596,619
KWS (Roads within National Parks & Game Reserves)	631,314,490
KeRRA -(Road Class C)	13,754,596,544
KURA - Urban Roads(Road Classes UA,UB&UC)	6,447,467,130

KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

County Governments (County roads-Road Classes D & below)	9,433,265,625
Kenya Roads Board Operations	1,525,180,000
Road Annuity Fund	12,326,000,000
TOTAL	76,259,000,000

6. Performance Review for FY 2020-2021 – APRP FY 2020/2021 Preparation Guidelines And Priorities

The APRP 2020-21 has taken into consideration priorities as set out in the Road Sector Investment Plan (2010 – 2024), KRB-F works planning guidelines and is aligned to the Government Medium Term Expenditure Framework. The key considerations include:-

- (i) Road Asset Preservation - routine and periodic maintenance will be applied to the roads in good and fair condition as far as possible in order to preserve the existing road assets.
- (ii) Road Asset Restoration - some critical roads which are in poor condition have been included in FY2020/21 APRP to receive full scale/partial rehabilitation or reconstruction. In addition, spot improvement will be undertaken on selected roads which are in poor condition or those that have failed in order to keep these roads in a motorable condition until major interventions are undertaken.
- (iii) Road Improvement and Development - to respond to traffic growth, the capacity of roads will be improved through upgrading, widening, junction improvement and new construction. Other improvements include provision of non-motorized transport facilities such as cycle tracks, footpaths and construction of pedestrian crossings. A maximum of 10% KRB-F will be applied for road improvement and development.
- (iv) Multi-year road projects - All ongoing multi-year projects are included and are adequately resourced.
- (v) Support Big 4 Agenda Initiatives by prioritizing maintenance of feeder road network and critical links for County & KeRRA road networks to provide access roads to hospitals, markets, trunk roads, affordable housing and manufacturing areas especially Nairobi and Mombasa.
- (vi) Support Government Post Covid-19 Economic Recovery Strategy - the Board issued guidelines to promote local resource based approaches set out under R2000 strategy and Kazi Mtaani program.
- (vii) Emergencies - Funds have been set aside for emergencies resulting from climate change, natural and man-made factors.
- (viii) The APRP was also subjected to joint review with the parent Ministry.

KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

- (ix) Other considerations - the Board has ensured that there is no duplication of road programs across the road agencies and the maintenance interventions are guided by road inventory & condition surveys undertaken by road agencies.

7. Performance Review for FY 2020-2021 - APRP FY 2020/2021 Outputs

Taking into account the above guidelines and priorities, the Road Agencies prepared and submitted the Work Plans accordingly. As shown below, the net amount under APRP FY 2020/2021 for road works is KShs. 53,323,215,000:-

Distribution between Roadworks and Administration Expenses.

	Agency	Road Works KShs	Admin. Exp. (KShs)	% Admin Expenses	Total KShs
1	KeNHA	22,763,219,592	3,028,360,000	4%	25,791,579,592
2	KURA	4,555,217,130	1,892,250,000	2.5%	6,447,467,130
3	KeRRA	9,590,601,544	4,163,995,000	5.5%	13,754,596,544
4	KWS	631,314,490	-	-	631,314,490
5	County Governments	9,469,717,347	-	-	9,469,717,347
6	CS/ Board Allocation	6,313,144,897	-	-	6,313,144,897
	Total	53,323,215,000	9,084,605,000	14.55%	62,407,820,000

The network to be covered in FY2020/21 APRP is 56,182km out of which 41,182kms are planned by the National Road Agencies and 15,000km by the County Governments. This represents 35% of the entire road network (161,451km) and 56% of the maintainable road network (101,173km in good or fair condition).

The deployment of KShs 53,323,215,000 will result in the following broad outputs:

Consolidated APRP FY 2020/2021 outputs for all the Agencies and County Governments

Road Agency	Road Network	Routine Mtce.	Periodic Mtce.	Spot Improv e.	Performance Based Contracts	Up Grading	Total Length (Km)	Budget (KShs)
KENHA	18,102	7,646	946		7,298		15,890	22,763,219,592
KURA	2,364	860	396	12	636	30	1,934	4,555,217,130
KeRRA	19,529	8,238		12,810			21,048	9,590,601,543
KWS		2,310					2,310	631,314,490
COUNTIES	121,456	15,000					15,000	9,469,717,347
Board/ CS Allocation								6,313,144,898
TOTAL	161,451	34,054	1,342	12,822	7,934	30	56,182	53,323,215,000

KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

8. Vehicle Loading Trends Study

Roads are designed to withstand certain traffic loading (equivalent standard axles) over their lifetime and hence the damaging effect to pavement by vehicles depends largely on the axle loads applied by the vehicles plying the route. The Best Options Study, commissioned by the European Union in 2006 estimated that the damage to road infrastructure due to overloading on the Northern Corridor alone was in excess of Kshs 700million per annum! The damage to road infrastructure caused by overloaded heavy goods vehicles is therefore of a great concern to the government.

In order to protect the road infrastructure assets from premature failure caused by overloading, axle load controls (ALC) in the country have been operational since the 1970s and currently being implemented by Road Agencies in their respective networks. Most of the Axle Load Control Facilities are on the national trunk roads and managed by KeNHA including 10 static weighbridge stations and virtual weighbridge stations.

In order to protect the investments of road asset the Board undertook this study to independently monitor the effectiveness of ALC operations in the country in order to advise the Government on required actions to enhance axle load compliance.

The specific objectives of the assignment were to:

- (i) Independently review the effectiveness of axle load control measures being undertaken by the Road Agencies and to make recommendations to enhance compliance;
- (ii) To determine the level of pavement damage caused by overloading and associated costs; and
- (iii) Recommend policy direction on Axle Load management in the country and develop a comprehensive ALC framework.

The key findings were:

Summary of Independent weighing overloading parameters

Item No.	Overloading Parameters	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Average
1.	GVW Overload	23.5%	35.35%	8.98%	21.03%	22.22%
2.	Axle Overload	43.70%	50.45%	33.85%	46.82%	43.71%
3.	Highest Overloading Stations	Kilifi-69.0% E. Ravine-63.6% Isiolo-60.5%	Mikinduri-73.68% Sigowet-70.59% Ongata Rongai-63.93%	Tala-59.57% Kisii-56.25% Tigoni-56.10%	Bungoma-77.78% Chabera-61.90% Chwele-61.11%	
4.	Axle Configuration	2A-76.1%, 3A-14.0% 6C-5.5%	2A-64.96% 3A-30.96% 6C-2.56%	2A-80.82% 3A-15.80% 6C-2.29%	2A-68.86% 3A-22.75% 6C-5.99%	

KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

5.	Vehicle Make	Isuzu-41.1% Mitsubishi-31.1% Mercedes -7.8%	Isuzu-39.64% Mitsubishi-30.95% Tata-12.92%	Isuzu-41.13% Mitsubishi-39.56% Tata-3.74%	Isuzu-49.70% Mitsubishi-24.95% Tata-6.59%	
6.	Origin	Mombasa -14.0% Kilifi -6.7% Nairobi -6.3%	Mlolongo (Quarry)-15.35% Nairobi-7.29% Eldoret-6.65%	Nairobi-8.08% Busia-7.29% Malindi-5.55%	Imaroro-11.98% Kitale-5.79% Mombasa-3.99%	
7.	Destination	Nairobi-14.7%, Mombasa-10.7% Nakuru-5.3%	Nairobi-20.08% Mombasa-6.78% Ongata Rongai-4.86%	Nairobi-15.08% Mombasa-10.25% Eldoret-5.55%	Nairobi-13.57% Baba Dogo-6.59% Mombasa-4.59%	
8.	Cargo	Building Materials-45.9% Cement 8.0%, Containers 2.4%	Building Materials-51.53% Maize-11.25% Assorted goods-2.81%	Building Materials-42.46% Maize-10.13% Mangoes-2.77%	Building Materials-50.90% Cereals-10.78% Cement-2.40%	
9.	Transporters	Mapping Trading Ltd -1.5% Nakufleet-0.5%, Yakarim Transport-0.4%	Sino-Hydro-1.02% Juja Blocks-0.9% Greenline Transportes-0.77%	CCCC-2.53% Nyamira Express-0.6% SEL-0.48%	Juja Blocks-2.79% A.K. Mbithi-1.60% Mombasa Maiza Millers-0.80%	
10.	Highest Overloading Levels by GVW	13,330Kg 8,540Kg 8,360Kg	11,990Kg 9,790Kg 7,050Kg	14,300Kg 13,070Kg 11,910Kg	9,970Kg 9,710Kg 8,570Kg	

- Overloading on the Gross Vehicle Weights ranged from a low of 15.37% in 1st Quarter to a high of 35.35% in the 3rd quarter. The highest overloads were on the unmanned networks
- In order to address 2nd objective of the study, findings show that Kshs. 4.3 billion is being lost on National Trunk Roads per year due to overloading. This is based on the current levels of overloading.
- The most overloaded Cargo Type through 4 quarters of monitoring are Construction Materials such as sand, gravel, hardcore and ballast.
- The pattern of rampant overloading has shifted from long distance trucks to smaller trucks operating over shorter haulage distances making it important to address Axle Load Control at County levels.

- e) Some Heavy Goods Vehicles such as FAW, HOWO and SHACKMAN have high unladen weight which leads to most of them being overloaded.
- f) The Executive Orders No.1 and 2 of 2019 on Axle Load Management have not been implemented and have caused confusion in Axle Load Management and leading to laxity by some agencies from whom Axle Load Control function was transferred.

The policy recommendations were:

- g) Institutional Arrangement:
Policy recommendation: The Government to implement the Executive Order No.2 as directed and create an Axle Load Unit/Committee under the State Department for Infrastructure to oversee and coordinate axle load control activities.
- h) Legal Arrangement:
Policy recommendation: The government will amend the legal arrangement that focuses on: institutional mandate; legal load limits and overloading fines; control of vehicle loads; operations of weighing and weighing stations; and enforcement in order to efficiently and effectively address axle load control activities
- i) Weighbridge Infrastructure and Equipment:
Policy Statement: Government will continue to identify suitable weighbridge locations, invest on state of art weighbridge equipment's, develop an enabling infrastructure operation and (iv)development a network for overload control stations located at strategic points on both local and regional corridors road network.
- j) Management and operations:
Policy statement: Government will continue directly or indirectly through private sector collaboration oversee weighbridge management, operations and development of rest stops to enhance efficiency and effective axle load control.
- k) Awareness and Stakeholder Engagement:
Policy Statement: The government will continuously stimulate public awareness in support of a more complete enforcement by responsible agencies' staff; and discourage recurring problems of non-compliance in order to reduce road damage and associated economic consequences.
- l) Monitoring and evaluation
Policy statement: The government will continuously engage stakeholders on comprehensive monitoring and evaluation of axle load control activities in order to reduce non-compliance and preserve road quality.

9. Cost Estimation Manual

Under Vision 2030, cost reduction in roadworks has been identified as one of the measures that Government will pursue to ensure there is cost-effectiveness and responsible use of public resources in services delivery.

Towards this end, some groundwork has been achieved especially with the first cost estimation manual for road maintenance works being developed by the Ministry of Roads and Infrastructure (MoTI) in association with Japanese International Cooperation Agency (JICA) and which was published in November, 2011. Two updates of the CEM have since

been done in 2017 and 2019. The purpose of the Cost Estimation Manual (CEM) is to provide guidance to Road Agencies (RA) for consistent development of project cost estimates. In addition, a web-based cost estimation system, iCOSTES was also developed under the JICA project. KRB was appointed as the administrator for iCOSTES and was also charged with responsibility updating the CEM every two years.

The Cost Estimation procedure uses a scientific Cost Estimation Method using cost break down sheets and standardized estimation procedures. The cost estimation includes survey methods required for revisions and updates of various parameters such as Standard Resource Usage per Unit Quantity (SRUQ), Productivity Ratio (P/R) and important cost items such as unit rates. Productivity rates of the work items are determined through a survey that sets to determine the output rates of machine based and labour based works.

KRB has developed ToR for the engagement of a consultant in the next financial year 2021/2022 to update the cost estimation manual. Moreover an online portal to for use by the Roads Authorities and other sector players, iCOSTES has been developed and hosted on the Kenya Roads Board Website.

10. Road Network Management Data

The transport sector makes a contribution of 6% of the GDP. However, the impact of transport goes well beyond its share of the economy as it serves as an intermediary service to all sectors and is therefore critical to economic growth and social wellbeing.

A modern transport system must be sustainable from an economic, social and environmental viewpoint. The performance of transportation systems affects economic development, safety, security, air quality, environment management, social equity, land use and urban growth.

The Government of Kenya aims to develop a modern transport system that will provide safe, efficient, reliable, affordable, convenient, transport of people and goods. Improving the quality and reliability of transport is critical to reducing transport costs and thereby improving the competitiveness of the economy.

Over the last fifteen years, the Government has invested heavily in road development and maintenance. Further, the road sector has undergone major reforms aimed at improving the operational efficiency and effectiveness in management of the road network. Significant reforms include the establishment of Road Authorities in 2007 and devolved system of government which established 47 county governments and resulted in the transfer of county roads management to county governments. Other significant reforms include establishment of National Construction Authority to regulate the construction, National Transport Safety Authority to enhance road safety and Nairobi Metropolitan Area Transport Authority to develop a mass transit system for Nairobi Metropolitan area.

Roads comprise one of the Country's largest public investments and hence need to be continuously managed in a cost effective and efficient manner. A robust performance measurement framework supports evidence based decision making in road asset management and helps to track progress towards achieving operational, sector and policy objectives.

KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

Performance indicators are an essential part of road asset management. Performance indicators are used to assess the current state of the network (and to predict the future state) in order to provide all stakeholders with an objective and balanced view of the overall efficiency and effectiveness of the transportation system. Performance indicators should be directly tied to user expectations in terms of comfort, safety, accessibility, mobility, price and reliability.

There are several monitoring and evaluation frameworks used to monitor the performance of the road network. Notable among these is the Vision 2030 and Medium Term Plans, Performance Contracting, Technical and Financial Audits undertaken by Kenya Roads Board for KRB-F funded programs. The Kenya National Bureau of Statistics, as the custodian of official statistical information in the country, regularly collects and compiles road performance statistics; however these are limited in scope.

Kenya Roads Board undertook a study to formulate a Transport sector indicator framework in 2008, it aimed at establishing a unified sector wide performance monitoring framework.

Performance indicators in the transport sector are scattered across different agencies, and therefore each data item collected requires much time, effort, and money to collect, store, retrieve, and use. There is no unified sector wide performance monitoring system in place for the Roads Sector and this makes it difficult to get a comprehensive view of the road network performance.

KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

MANAGEMENT DISCUSSION AND ANALYSIS

RECEIPTS

The Board recorded income of Kshs. 87.05 billion from Fuel Levy, Transit Tolls and Interest income, compared to a target of Kshs. 76.26 billion. The receipts are analyzed below:

	FY 2019/20 (12 Months) (KSHS)	FY 2020/21 (12 Months) (KSHS)	Change (KSHS)	Change %
Fuel Levy Receipts	73,810,917,934	84,561,782,270	10,750,864,337	15%
Transit Tolls	902,825,527	1,010,830,867	108,005,340	12%
Sub-total	74,713,743,461	85,572,613,138		
Interest Income	1,871,454,682	1,474,684,923	(396,769,759)	-21%
TOTAL RECEIPTS	76,585,198,142	87,047,298,061		

a) Fuel Levy Receipts and Transit Tolls

The Board received fuel levy of Kshs 84.56 billion, compared to collections of Kshs 73.81 billion for FY 2019/20 (i.e. a 15% increase). During the 4th quarter, the Board collected fuel levy as follows:

	ACTUAL FY 2019/20 (3 Months) (KSHS)	ACTUAL FY 2020/21 (3 Months) (KSHS)	Change (KSHS)	Change %
Fuel Levy Collections	14,352,399,324	20,927,547,253	6,575,147,928	46%

The government imposed lockdowns in Nairobi and Mombasa from April to June 2020, resulting in a significant reduction in fuel levy collections. The collections normalized in July 2020 with the lifting of travel restrictions.

b) Interest Income

The Board earned interest as follows during the period under review:

	FY 2019/20 Kshs	FY 2020/21 Kshs
Interest Earned	2,308,360,871	2,099,306,445
Tax Withheld at Source	(436,906,190)	(312,310,761)
Income Tax Paid	-	(312,310,761)
NET	1,871,454,682	1,474,684,923

The decline in interest income is due to reductions in the CBR rate from 9% in FY 2019/20 to 7% in the year under review. The Board earned interest above the 91-day T-Bill rate, which averaged 7.13% during the quarter.

KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

2.2 DISBURSEMENTS

In the 4th quarter, the Board collected fuel levy of Kshs 20.93 billion and transit tolls of Kshs 294.6 million. Funds totaling to Kshs 1.25 billion were allocated to the road agencies in line with the approved Disbursement Programme for FY 2020/21 as shown in the following table:

Road Agency	ANNUAL CEILING FY 2020/21	TOTAL DISBURSEMENTS TO MAR 2021	10th TRANCHE APRIL 2021	TOTAL
KeNHA	25,791,579,592	24,710,560,589	1,081,019,003	25,791,579,592
KeRRA	13,754,596,544	13,754,596,544	-	13,754,596,544
KURA	6,447,467,130	6,447,467,130	-	6,447,467,130
KWS	631,314,490	481,770,380	149,544,110	631,314,490
County Governments	9,433,265,625	9,433,265,625	-	9,433,265,625
Kenya Roads Board	1,525,180,000	1,508,714,957	16,465,043	1,525,180,000
10% Allocations by KRB/CS	6,349,596,619	6,349,596,619	-	6,349,596,619
Roads Annuity Fund	12,326,000,000	12,326,000,000		12,326,000,000
TOTAL	76,259,000,000	75,011,971,843	1,247,028,156	76,259,000,000

The Board disbursed 100% of the budget ceilings for all the road agencies by April 2021.

2.3 FINANCIAL POSITION

The total funds held by the Board as at 30th June 2021 amounted to Kshs 35.06 billion. These funds mainly comprise the road agency and annuity funds, and prior year over-collections.

CORPORATE GOVERNANCE STATEMENT

1. Introduction

The Board of Directors recognizes the importance of applying the highest standards of corporate governance as a key contributor to its long term success, long term value and prosperity.

This enables effective and efficient decision making and gives a structural aid for the Directors to discharge their duty to promote the success of KRB while taking into account the interest of stakeholders.

Effective governance is achieved through a combination of strong process and structures, underpinned by the right values and culture. The principles of corporate governance are contained in the Mwongozo Code of Conduct & Ethics.

2. The Board

Board Size and Composition

The size, composition and appointments of the Members of the Board are prescribed in the Kenya Roads Board Act. Kenya Roads Board comprises of thirteen (13) independent non-executives board of directors of which eight (8) are from the private sector institutions and five (5) members representing the public sector. Each private member serves for a maximum of two terms of three (3) years each.

The Chairman of the Board is appointed by the President from among the eight members from the private sector. Names of all Board members and changes thereto are published in the Kenya Gazette.

The public sector representatives are the principal secretaries or designated alternates not below the level of deputy secretary from the ministries responsible for matters relating to roads, finance, local authorities, regional co-operation, transport & communications.

The representatives from the private sector are appointed by the Minister responsible for roads from among the three persons nominated by each organization specified in the First Schedule to the Kenya Roads Board Act.

The Board is well composed in terms of range and diversity of skills, knowledge, age and experience in various sectors which makes it effective and provides an appropriate balance for the oversight of the Board's mandate. On gender, the Board has three (3) women out of eight (8) members from the private sector.

The Director General's position is filled through public advertisement. The Director General is appointed by the Board in consultation with the Minister.

The Director General is an ex-official member of the Board but has no voting right at any meeting of the Board and is the secretary to the Board.

Independence and Separation of Roles & Responsibilities

The roles and responsibilities of the Chairman of the Board, the Director General and non-Director Generals' remain distinct and separate which ensures a balance of power of authority and provides for checks and balances such that no one individual has unfettered powers of decision making. Their roles have been documented and are expected to be independent and free from conflict upon appointment.

The Chairman provides overall leadership to the Board without limiting the principles of collective responsibility for Board's decisions. The Chairman builds an effective board and sets the board agenda in consultation with the Secretary/Director General and ensures effective communication to stakeholders.

The Director General is responsible to the Board and takes the overall responsibility for the management of the Kenya Roads Board Fund and takes responsibility for effective and efficient day to day running of the affairs of the Board. The Director General recommends the strategy to the Board and implements it and makes operational decisions. Noting that the position also doubles as the secretary to the Board, the Director General ensures appropriate and timely information flows within the Board, its committees and management.

The non-Director Generals are independent of management, they appoint the Director General and establish a framework for the delegation of authority and ensure succession planning for the Director General and senior management is in place. Their role is to advise, constructively challenge and monitor the success the management is delivering the agreed strategy within the risk appetite and control framework that is set out by the Board.

Board Responsibilities

The Board's responsibility is to promote the long term success of the Board. The Board provides leadership and concentrates its efforts on the strategic and governance issues. The Kenya Roads Board Act, the Board Charter and the Mwongozo Code of Ethics defines the governance parameters within which the Board exists and operates, the specific responsibilities to be discharged and powers of the Board, its committees and directors collectively, as well as certain roles and responsibilities incumbent upon directors as individuals.

The Board is charged with the following responsibilities:-

- a) Defining the purpose of the Kenya Roads Board, that is, its strategic intent and objectives, and its values which should be clear, concise and achievable;
- b) Strategy formulation and ensuring there are appropriate policies, systems and structures to effectively and successfully implement the strategies;
- c) Provide leadership within a framework of prudent and effective structures which enable risks to be assessed;
- d) Identify the opportunities as well as the principle risks in its operating environment including the preparation of the risk policy plans/risk management policies and

KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

implementation of appropriate measures to manage such risks or anticipated impact on the corporate business;

e) Review on a regular basis the adequacy and integrity of the internal controls, acquisition and divestures, management information systems including compliance with applicable laws and regulations;

f) In stewardship and in discharging its obligations, the Board assumes responsibility in the following areas:

- o *Retaining full and effective control over KRB, and monitoring management in implementing Board plans and strategies;*
- o *Ensuring ethical behavior and compliance with relevant laws and regulations, audit and accounting principles, and KRB's own governing documents and Code of Ethics; and*
- o *Defining levels of materiality, reserving specific powers to the Board and delegating other matters with the necessary written authority to management and instituting effective mechanisms that ensure Board responsibility for management performance of its functions; among other mandates and responsibilities as stipulated in the Kenya Roads Board Act.*

Meetings Attended by Board Members

Kenya Roads Board Act provides that the Board holds meeting at least once every month. The Board therefore holds regular scheduled meetings throughout the year and supplementary meetings are held as and when necessary. In case of non-attendance due to other commitments, such information was communicated to the chair prior to the date of the scheduled meeting.

	REGULAR BOARD MEETINGS	Meetings Attended	% Attendance
1.	Dr. Mary Ragui	10	100%
2.	Charles Tirok	10	100%
3.	Eng. John Nyaguti	10	100%
4.	Theodora Gichana <i>(Rep: Inspectorate Of State Corporations)</i>	2	20%
5.	Wilson N. Kamau	9	90%
6.	Julius Mwabu	10	100%
7.	Nelson Gaichuhie	10	100%
8.	Paul King'ori	9	90%
9.	Rita Kavashe <i>Term Ended On 8th June 2021</i>	10	100%
10.	Abednego Etyang	10	100%
11.	James Mwanzia	9	90%
	Total Number of Meetings during the year	10	

KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

Board Committees and Responsibilities

The Board delegates certain functions to well-structured committees but without abdicating its own responsibilities. The Board has developed a committee structure that assists in the execution of its duties, powers and authorities. Each Committee is guided by a Committee Charter/Terms of Reference, which outlines its responsibilities as mandated by the Board and is reviewed on a yearly basis. The Committees are appropriately constituted drawing membership from amongst the board members with appropriate skills and experience.

The Chairman of the Board and external parties/advisors are required to attend the committee meetings only by invitation.

The committees are expected to operate transparently and full disclosure to the Board and also to conduct themselves within the rules and procedures set out by the board. Matters deliberated by the Committees are presented to the board by the respective chairman during the next board meeting.

The Board Committees are Audit & Risk Management, Finance, Human Resources and Management and Technical. The responsibilities and attendance of meetings during the year is as summarized below:-

Finance Committee

The Finance Committee assists the board in fulfilling its oversight responsibilities for funds collection and sourcing, funds allocation & disbursements, review of budgets and APRP and the implementation reports.

The responsibilities of the committee are as follows:-

- (a) Management of KRB Fund (Funds allocation, collections and disbursements)
- (b) Budgeting and Planning (Review of KRB Operations Budget and the APRP)
- (c) Identification and recommending other potential sources of Revenue
- (d) Recommending periodic reviews of the fuel levy
- (e) Recommending appropriate levels of road user charges
- (f) Financial Reporting
- (g) Compliance with Public Finance Management (PFM) Act and other related legislation
- (h) Review of funds utilization and absorption

Audit & Risk Management Committee

The Audit and Risk Management Committee assists the board in fulfilling its oversight responsibilities for the work's programming and monitoring as well as the advisory role to the Minister for Roads. The Audit and Risk Management committee has authority to conduct or authorize investigations into any matters within its scope of responsibility.

The committee has the following responsibilities:-

- (i) Ensures external audit recommendations are fully addressed; and
- (ii) Ensures that the quality of internal audit is of appropriate standard and that line management has full regard to internal audit recommendations.

KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

In particular, the Audit and Risk Management Committee shall be responsible for the review of the following areas:-

- (a) Risk Management and Compliance
- (b) Internal Audit
- (c) External Audit

Human Resources and Management Committee

The Management Committee oversees strategic planning, staff matters, performance contracting and general management oversight.

Specifically the committee is responsible for the following:-

- (a) Setting the policies and strategic direction of the organization;
- (b) Review the Strategic Plan and the Business Plan for approval by the Board;
- (c) Monitoring the implementation of the Strategic Plan;
- (d) Evaluation of the performance of the organization, Director General, staff and departments;
- (e) Negotiating the annual performance Contract between KRB and the Ministry of Roads;
- (f) Reviewing of the organization structure of KRB;
- (g) Reviewing KRB's staff terms and conditions of service;
- (h) Reviewing the various management policies aimed at enhancing staff performance;

Technical Committee

The Technical committee oversees the optimal utilization of the fund by Roads Agencies.

Specifically the committee is responsible for the following:-

- a) Coordinating the optimal utilization to achieve efficiency and cost effectiveness in road works;
- b) Monitor and evaluate by means of Technical, financial and performance audits the delivery of road works;
- c) Coordinate/Monitor implementation of road maintenance programmes;
- d) Implementation of the Road Sector Investment Programme;
- e) Research and Development in Roads sub sector;
- f) R2000 Strategy;
- g) Road Maintenance Management System(RMMS); and
- h) Advising the Cabinet Secretary on Road maintenance policies.

3. Remuneration of the Board

The non-ex-official Board members are paid taxable sitting allowance as approved by the Minister responsible for Roads following guidelines from the State Corporations Advisory Committee. The Chairman is paid honoraria at a rate approved by the Government.

Transport expenses are reimbursed on travel for Board business at the prevailing AA rates. The members are also entitled to outpatient and inpatient medical cover and a personal accident cover as applicable.

4. Directors Induction and Training

The Board develops induction and training programs designed to introduce new directors to the operations of the Board and related governance matters.

The programs are also aimed at deepening the understanding of the changes in risks, laws and business and political environment in which the Board operates.

5. Board Effectiveness and Evaluation

In order to assess and improve the capacity, functionality and effectiveness of the Board and its committees, an annual evaluation is undertaken in accordance with the widely accepted principles of corporate governance.

The self-evaluation reviews the capacity, functionality and effectiveness of its performance in the achievement of its goals and objectives. It assesses the performance and independence of the Board and committees jointly, individual members of the Board and the Director General.

The Director General is assessed in his roles as the CEO and the secretary to the Board. The Chairman's ability to add value, his performance against what is expected of his role and function, is also assessed.

The results of the evaluation form the basis on which action/work plans for the preceding year are formulated, assists to identify the training needs for directors and it also forms the basis of re-appointment.

6. Conflict of Interest, Code of Conduct and Ethics

The directors and employees of the Board have a fiduciary duty to act honestly and in the best interest of the Board. Business transactions with all parties must be carried out at arm's length and with integrity. The Board provides effective leadership based on ethical foundation and ensures all deliberations, decisions and actions are based on the Boards' core values underpinning good governance.

The Board has developed a Code of Conduct and Ethics Manual whose aim is to enhance relationships and fostering teamwork among board members and staff and to build respect, confidence and credibility with its citizens. The Code provides guidance to its members regarding ethical and behavioral considerations as they address their duties and obligations during their appointment and their term in KRB.

The Board has put various measures in place to ensure that there is no conflict of interest amongst its directors and staff. The Board has put in place Corruption Prevention and Code of Conduct & Ethics Policies that binds both the directors and the employees.

At the beginning of the financial year, all directors and employees signed a declaration of interest form declaring that they will disclose any interest that conflicts or possibly may conflict with the interests of the Board. At the commencement of any business to be transacted, all directors/staff are required to declare their interest, if any.

All staff and directors declared their wealth as required to the Public Service Commission.

KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

During the year, the directors and employees demonstrated their commitment to the public service through professionalism, integrity, moral and ethical requirements, conflict of interest, and political neutrality through compliance with relevant laws as evident from the legal audit, internal audit, and external audit reports presented to the Board.

KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

1. Introduction

The Board works with its staff and stakeholders to enrich public/community life and participate in charitable projects. The main activities carried out during the year were as follows:-

2. Research and Development

One of the mandates of KRB is to ensure optimal utilization of Road Maintenance Levy Fund and the coordination of the road maintenance, rehabilitation and development. To achieve this, it calls for a collaboration effort between KRB and MTRD on matters of innovations, research and development in the road sub-sector in order to keep up with emerging trends and technologies that could lead to more efficient road construction and maintenance methods. As a result, KRB has undertaken to support road related innovations and research in the application of emerging technologies such as cobblestones and Roads 2000 Strategy. KRB has therefore included the promotion of Innovations, Research and Development in its Performance Contracts with the Ministry.

KRB is committed to promoting research and development with the aim of improving road works delivery in the country and thus optimizing utilization of funds. To effectively advice the Cabinet Secretary on the impact of road development programmes there is need for such advice to be continuously informed by research.

In the FY2020-2021, KRB supported a research project on a trial 1Km Cobblestone Road Construction in Machakos County, and Pilot ETB mixer equipment research with Jomo Kenyatta University as enumerated in the project briefs below;

a. Project Brief on the construction of Cobblestone Pavement Trial Section on Road L8_Mua -Kaseve in Machakos County

Kenya Roads Board (KRB) in collaboration with Kenya Institute of Highways and Building Technology (KIHBT) and the County Government of Machakos, are undertaking a pilot project on Road Construction using Cobblestones on Road L8_Mavoko-Mua, in Machakos County. The project is financed by KRB through the research budget at a contract price of Kshs 24,364,665.05 and the final inspection of the works was undertaken on 14th June 2021.

The overall objective of the project is to promote uptake of Cobblestone Road Construction Technology through training and actual site construction of 1Km trial road section.

Cobblestone road construction has been identified under the Roads 2000 strategy as an effective road delivery method that maximizes the use of locally available resources in a socially responsive manner. Where economically feasible, cobblestone technology can be ideal for "Kazi Mtaani" Government initiative. Cobblestone roads are environmental friendly as the materials are sourced within the locality and are more durability compared to bituminous roads.

b. Project Brief on the Pilot ETB mixer equipment research

Kenya Roads Board supported the fabrication of a pilot Emulsion Treated Base (ETB) mixer equipment to the tune of KShs 1.25 million.

Jomo Kenyatta University of Agriculture and Technology is developing the equipment in collaboration with Kenya Roads Board and Material Testing & Research Department (MTRD). The Prototype equipment has already been fabricated and assembled. The project however ran into the challenge of knowledge transfer as one of the key researchers at the university passed on before completion of the assembly.

A new team of researchers have already been engaged by the University and having studied the existing design are in the process of making improvements to the prototype. It is expected that the equipment will be ready for commissioning in the first quarter of 2021/2022.

3. Roads 2000 (R2000) Strategy

The Roads 2000 Strategy is a road development and maintenance delivery mechanism that optimizes utilization and development of locally available resources where technically and economically feasible, and in a socially responsible manner. The Roads 2000 Strategy was initiated with the vision of implementing the approach throughout Kenya by the year 2000, thus the nametag "Roads 2000".

The Board, through the R2000 Secretariat at KRB, has been coordinating the strategy since the start of the 2nd R2000 Strategic Plan in 2013. The main premise behind the "Local Resource Based Approach" is to deliver road infrastructure through cost-effective use of local skills, enterprises, labour and materials. The delivery process optimizes the social and economic impact of investments in infrastructure by ensuring that these investments are channeled through the local economy, thus creating job opportunities and stimulating local markets, entrepreneurship and industry, while safeguarding cost-effectiveness, quality and sustainable asset delivery.

The strategy aims to create short-term employment through the rehabilitation of rural access roads and other labour intensive projects. The strategy has been in place for approximately two decades during which it has had great impact in providing part-time employment opportunities to the marginalized groups such as women, youth and people living with disabilities. The strategy has also facilitated the training of several small to medium scale contractors on local resource-based methods.

The Government adopted the strategy for full National implementation in 2005. Since then, the strategy has gone through two complete planning cycles. The 3rd Strategic plan for the period 2018-2023 is currently being implemented.

The targets of the 3rd R2000 Strategic plan for the five years include periodic, routine maintenance and Performance Based Contracting, of over 73,000 km of roads, creation of over 190,810 full time jobs and training of Road Agency and Contractors' staff among others. In the Financial year 2020/2021, the strategy targeted a total of 12,346km to be maintained under R2000. As at the end of quarter 2 the road agencies had reported an achievement of 15,806km which was 128% of the annual target. This was due to the inclusion of Kazi Mtaani

KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

projects that were introduced to cushion disadvantaged citizens against economic effects of Covid 19 Pandemic.

A review of existing policies indicates that the objectives of the R2000 Strategy are in coherence with, and contributes to achievement of global, national and sectoral policies, such as the Kenya's Vision 2030, United Nations' Sustainable Development Goals, African Union's Agenda 2063, the Transport Sector's Integrated National Transport Policy, and the current Government's "Big Four Agenda".

Achievements under R 2000				
Network	FY 2018/19	FY 2019/20	First Half FY 2020/21	Total
Expenditure (Million Kshs)	14,492.7	2,512.0	3,014.0	23,288
Work Done (km)	10,147.8	9,839.0	15,806.0	39,257
Employment created ('000'PD)	20,398.7	3,652.0	1,879.0	26,920

Higher achievements were recorded in FY 2020/21 Half year due to inclusion of the Kazi Mtaani projects that were introduced to cushion the disadvantaged citizens against economic effects of Covid 19 pandemic. This was in compliance with the Government's initiative on Post-Covid Economic Stimulus.

4. Standard Chartered Marathon

KRB staff and families participated in the 2019 Standard Chartered Marathon. The Marathon is the flagship project for the Standard Chartered Banks' "Seeing is believing" community initiative that aims to raise funds for the needy in the community. To ensure sustainability, the annual Standard Chartered Marathon now forms an important part of the Board's calendar as the Board 'shares vision' with needy and disadvantaged persons.

5. Protecting the Environment

Environmental Conservation is one of the enablers to the Social Pillar in the country's economic blue print 'Vision 2030'. Road projects have the potential of damaging the natural resources upon which economies are based. The environment is the resource base for materials used in road construction. It assimilates road construction waste, hence affecting the lifespan of roads.

To minimize the negative environmental impact, the Board requires the Road Agencies to factor in mitigation measures at the planning stage, during and after construction for all rehabilitation and periodic maintenance projects. These measures include control of soil erosion through construction of gabions, tree planting, covering and enhancing borrow pits to provide water catchment areas for use by local residents.

KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

REPORT OF THE DIRECTORS

The Directors have the pleasure of presenting their report together with the audited financial statements for the year ended 30th June 2021, which show the state of the Board's affairs.

PRINCIPAL ACTIVITIES

The Board is primarily engaged in management of the Kenya Roads Board Fund together with other mandates specified in the Kenya Roads Board Act, 1999.

RESULTS

The results for the year ended 30th June 2021 are set out on page 48 to 76.

DIRECTORS

The Board of Directors who held office during the year is shown on pages 8 and 9.

In accordance with Section 7(4) of the Kenya Roads Board Act, 1999 *'the Chairman and members of the Board, other than ex-official members shall hold office for a period of three years from the date of appointment but shall be eligible for re-appointment for one further term of a period not exceeding three years.'* The appointment and vacation of office of any member of the Board shall be in accordance with Section 2 of the Second Schedule to the Kenya Roads Board Act, 1999.


FINANCIAL STATEMENTS

At the date of this report, the Board was not aware of any circumstances which would have rendered the values attributed to the assets in the financial statements misleading.

AUDITORS

The Auditor General is responsible for the statutory audit of the Board's books of account in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

BY ORDER OF THE BOARD



R. MOHAMED, MBS
SECRETARY TO THE BOARD

5th Nov 2021
DATE

KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

STATEMENT OF THE BOARD'S RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and the Kenya Roads Board Act, 1999 require the Directors to prepare financial statements in respect of the Board, which give a true and fair view of the state of affairs of the Board at the end of the financial year and the operating results of the Board for that year. The Directors are also required to ensure that the Board keeps proper accounting records which disclose with reasonable accuracy the financial position of the Board. The Directors are also responsible for safeguarding the assets of the Board.


The Directors are responsible for the preparation and presentation of the Board's financial statements, which give a true and fair view of the state of affairs of the Board as at the end of the financial year ended on 30th June, 2021. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (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 Board; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Board's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the Kenya Roads Board Act, 1999. The Directors are of the opinion that the Board's financial statements give a true and fair view of the state of the Board's transactions during the financial year ended 30th June, 2021, and of the Board's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Board, which have been relied upon in the preparation of the Board's financial statements as well as the adequacy of the systems of internal financial control.


Nothing has come to the attention of the Directors to indicate that the Board 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 Kenya Roads Board Fund Financial Statements were approved by the Board on 6th August 2021 and signed on its behalf by:



ENG. JOHN NYAGUTI
CHAIRMAN
DATE: 5th Nov, 2021



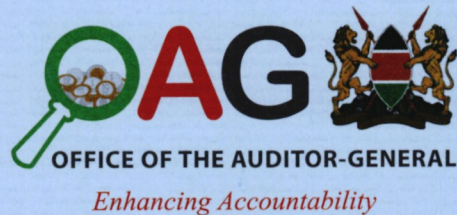
R. MOHAMED, MBS
DIRECTOR GENERAL
DATE: 5th Nov, 2021



Dr. MARY RAGUI
DIRECTOR
DATE: 19th January, 2022

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON KENYA ROADS BOARD FUND FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kenya Roads Board Fund for the year ended 30 June, 2021, set out on pages 48 to 67, which comprise the statement

of financial position as at 30 June, 2021, and the statement of financial performance, statement of cash flows and statement of comparative 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 Roads Board Fund as at 30 June, 2021 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Kenya Roads Act, Cap 408 of the laws of Kenya and 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 Roads Board Fund Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing 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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and the Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and review of compliance, I consider internal control 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 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from


fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

01 February, 2022

KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

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

		2020/21	2019/20
	Note	KShs'000	KShs'000
Receipts	8	87,047,298	76,585,198
Disbursements	9	(76,259,000)	(72,532,500)
Net Assets Available for Distribution		10,788,298	4,052,698

The notes form an integral part of these financial statements.

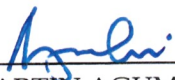
KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2021


<u>ASSETS</u>	Note	2020/21	2019/20
		KShs'000	KShs'000
CURRENT ASSETS			
Cash and Cash Equivalents	10	35,063,643	26,669,201
TOTAL ASSETS		35,063,643	26,669,201
LIABILITIES			
CURRENT LIABILITIES			
Payables	11	14,452,811	14,975,213
TOTAL LIABILITIES		14,452,811	14,975,213
TOTAL NET ASSETS		20,610,832	11,693,988

NET ASSETS			
Net Assets Available for Distribution	12	20,610,832	11,693,988
TOTAL NET ASSETS		20,610,832	11,693,988

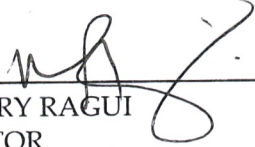
The notes form an integral part of these Financial Statements. The financial statements were submitted by the Board and signed on its behalf by:


CPA MARTIN AGUMBI (ICPAK No. 8983)
DIRECTOR, FINANCE & STRATEGY

5 Nov 2021
DATE


R. MOHAMED, MBS
DIRECTOR GENERAL

5th Nov 2021
DATE


Dr. MARY RAGUI
DIRECTOR

19th January 2022
DATE

KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30TH JUNE 2021

Description	Notes	Accumulated surplus
		KShs '000
Prior Year		
Balance as at 1 July 2019		9,028,952
Surplus for the year		4,052,698
Disbursement of Prior Year Funds		(1,387,661)
Balance as at 30 June 2020		<u>11,693,989</u>
Current Year		
Balance as at 1 July 2020		11,693,989
Surplus for the year		10,788,298
Disbursement of Prior Year Funds		(1,871,455)
Balance as at 30 June 2021		<u>20,610,832</u>

The notes form an integral part of these financial statements.

KENYA ROADS BOARD FUND
 FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

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

		2020/21	2019/20
	Note	KShs'000	KShs'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Cashflows from/(to) operations	13	10,265,897	(5,642,496)
Disbursements of prior year funds		(1,871,455)	(1,387,661)
Net cash from/(to) operating activities		8,394,442	(7,030,157)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		8,394,442	(7,030,157)
MOVEMENT IN CASH AND CASH EQUIVALENTS:			
At the beginning of the year		26,669,201	33,699,358
Net increase/(decrease) in cash and cash equivalents		8,394,442	(7,030,157)
At the end of the year	10	35,063,643	26,669,201

KENYA ROADS BOARD FUND
 FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

STATEMENT OF COMPARISON ON BUDGET AND ACTUAL AMOUNTS

	BUDGET	ACTUAL	VARIANCE	VARIANCE
	2020/21	2020/21		
	KShs'000	KShs'000	KShs'000	%
Receipts				
Road Maintenance Levy	76,259,000	87,047,298	10,788,298	14%
	-	-	-	-
Total Receipts	76,259,000	87,047,298	10,788,298	14%
Disbursements	(76,259,000)	(76,259,000)	-	0%
Net Assets	-	10,788,298	10,788,298	

The positive variance in Road Maintenance Levy collections may be attributed to improved economic activity following the lifting of travel restrictions imposed to curb the spread of Covid-19.

NOTES TO THE FINANCIAL STATEMENTS

1.0 GENERAL INFORMATION

Kenya Roads Board (KRB) is a state body corporate established under Chapter 408 of the Laws of Kenya 'Kenya Roads Board Act' which came into effect under Legal Notice No. 7 of 1999. The Board is domiciled and operates within the Republic of Kenya.

As stipulated in the Kenya Roads Board Act, 1999 *"The object and purpose for which the Board is established is to oversee the road network in Kenya and coordinate the maintenance, rehabilitation and development funded by the fund and to advise the Minister responsible for matters pertaining to roads on all matters related thereto."*

2.0 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 entity's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the entity. The accounting policies have been consistently applied to all the years presented.

The financial statements are prepared on accrual basis. The cash flow statement is prepared using the indirect method.

3.0 ADOPTION OF NEW AND REVISED STANDARDS

- i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2021.**

KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

Standard	Impact
Other Improvements to IPSAS	<p>Applicable: 1st January 2021:</p> <p>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks.</p> <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved.</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard.</p>

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<p>Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p>

KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

Standard	Effective date and impact:
	<ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.

KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

Standard	Effective date and impact:
	<p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>

iii. **Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2020/2021.

4.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Statement of Compliance

The financial statements for the year ended 30th June 2021 have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) as issued by International Public Sector Accounting Standards Board (IPSASB), the Public Finance Management Act, 2012, Public Audit Act, 2015 and Kenya Roads Board Act.

For the Public Finance Management Act, 2012, Public Audit Act, 2015 and Kenya Roads Board Act reporting purposes, in these financial statements the “balance sheet”/ “statement of assets and liabilities” is represented by and is equivalent to the statement of “financial position” and the “profit and loss account”/ “statement of income and expenditure” is presented in the statement of “financial performance”.

(b) Basis of Preparation

The financial statements have been prepared under the historical cost convention, unless otherwise stated. The financial statements are presented in the functional currency, Kenya Shillings (Kshs.), and all values are rounded to the nearest thousands (Kshs. '000) except when otherwise indicated.

(c) Presentation of Financial Statements

The financial statements comprise of statement of financial performance, statement of financial position, statement of changes in net assets/equity and the statement of cash flows and the notes to the financial statements.

KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

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

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

The statement of cash flows shows the changes in cash and cash equivalents arising during the period from operating, investing and financing activities.

Starting 1st July 2010, Kenya Roads Board adopted the IPSAS 1 on Presentation of Financial Statements. In previous years the financial statements were prepared in accordance with the International Financial Reporting Standards (IFRSs). The change was necessitated by the reporting standards on public entities which are not Government Business Entities (GBE) as defined and required by IPSAS 1- '*Presentation of Financial Statements*' which states that the scope of application is for '*all public sector entities other than Government Business Enterprises*'.

The requirement by the Auditor General to present separate financial statements for the Kenya Roads Board Operations and the Kenya Roads Board Fund has led to reclassification of assets and liabilities including prior year to each set of financial statements.

(d) Budget Information

International Public Sector Reporting Standards allow for non-disclosure where (a) an entity is not required to disclose its budget information publicly and (b) the entity has elected not to present its approved budget publicly.

It is observed that the Approved KRB Operations Budget amounts for the year have not been exceeded.

(e) Functional Currencies

(i) Functional and Presentation Currency

The financial statements are presented in the functional currency, Kenya Shillings (Kshs.), which is the Board's presentational currency. The financial information is rounded to the nearest thousands (Kshs. '000) except when otherwise indicated.

(ii) Transactions and Balances

a) Translation of Foreign Currencies

Transactions in foreign currencies during the year are converted into the functional currency using the prevailing exchange rates ruling at the dates of the transactions. Assets and liabilities denominated in foreign currencies have been translated at the mean rates of exchange ruling at the end of the reporting period.

The foreign currency exchange gains and losses resulting from the settlement of such transactions and from the translation at year end

KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized through the statement of financial performance in the year in which they arise.

b) Translation of Foreign Operations

The Board does not have any foreign operations.

(f) Revenue Recognition

Revenue is generally recognized in the Statement of Financial Performance on accrual basis.

Interest income from all interest bearing financial instruments is recognized in the Statement of Financial Performance on accrual basis using the effective interest method.

(g) Cash and Cash Equivalents

For purposes of the cash flow statement, cash and cash equivalents comprise of cash and cash balances held at the bank with less than three months maturity from the statement of financial position date. These include notes and coins on hand and deposits held at call with banks.

(h) Payables

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

Payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. The historical cost carrying amount of payables subject to the normal credit terms usually approximates fair value.

Payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of business if longer). If not, they are presented as non-current liabilities.

(i) Subsequent Events

There have been no subsequent events that would have an impact on the financial statements for the year ended 30th June 2021.

(j) Comparatives

Except otherwise required, all amounts are reported or disclosed with comparative information. Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year

**5.0 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION
UNCERTAINTY - (CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS
AND ASSUMPTIONS)**

In the process of applying the Board's accounting policies, the directors have made estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although these estimates are based on the directors' knowledge of current events and actions, actual results may differ from these estimates.

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

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

(a) Critical Judgments in applying the Board's accounting policies

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

- The classification of financial assets;
- The going concern.

6.0 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

This risk management framework captures the following among other things:-

- The Board's risk appetite and parameters;
- The Board's risk matrix that highlights the rating of risks;
- The structure of managing risks and accountabilities
- The processes, procedures and reports that manage risks;
- The mitigating factors, prevention, contingency plans and controls.

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

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

One of the key risks the Board has identified in both the operational and strategic areas is the sustainability of the Road Maintenance Levy in line with the Constitution. Financial risk as defined in IPSAS 15 and the management thereof, form part of this risk area.

The Members of the Board have the overall responsibility for the establishment and oversight of the Board's risk management framework. The Board has delegated its risk management to the 'Audit and Risk Committee'. One of the responsibilities of this committee is to review risk management strategies in order to ensure business continuity and survival. Most of the financial risks arising from financial transactions and processes are managed by the 'Finance and Planning Committee' of the Board.

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

The financial management objectives and policies are as outlined below:-

a) Liquidity Risk

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

KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

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

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

- Projecting cash flows and considering the cash required and optimizing the short term requirements as well as the long term funding,
- Maintaining balance sheet liquidity ratios,
- Maintaining/ soliciting a diverse range of funding sources with adequate back up facilities,
- Managing the concentration and profile of debt maturities, where applicable,
- Maintaining liquidity and funding contingency plans.

The table shows the undiscounted cash flows on the Board's financial assets and liabilities on the earliest possible contractual/maturity date. The liquidity ratio in FY 2020/21 is 2.43 (FY 2019/20: 2.28)

	Note	2020/21	2019/20
Financial Assets		KShs '000	KShs '000
Cash & Cash Equivalents	8	35,063,643	26,669,201
Total Financial Assets		35,063,643	26,669,201
Financial Liabilities			
Payables	9	14,452,811	14,975,213
Total Financial Liabilities		14,452,811	14,975,213
NET LIQUIDITY		20,610,832	11,693,988
LIQUIDITY RATIO		2.43	2.28

The Board has an established corporate governance structure and process of managing risks regarding guarantees and contingent liabilities. All guarantees issued are approved by the Members of the Board and are administratively managed by the finance department.

The primary sources of revenue for the Board are receipts from the Kenya Roads Board Fund, mainly receipts from fuel levy fund. The Board pursuing additional sources of revenue for which approval has been sought from Ministry of Finance.

b) Market Risk

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

KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

the funding of business operations and facilitate capital expansion. The Board is exposed to the following market risks:-

(i) *Currency Risk*

Currency risk arises primarily from purchasing imported goods and services from overseas or indirectly via local supplies. The currency risk is minimal as cash and cash equivalents held with banks are dominated in Kenya Shillings and there are minimal dealings in foreign currency.

(ii) *Price Risk*

The Board is exposed to the price risk of the fuel levy. The Board collects Kshs. 18 per liter of diesel/petrol imported into the country. The Board is exposed to the extent that the levy on diesel and petrol is reduced or eliminated due to changes in the international fuel prices, inflation or other macro indicators. The Road Maintenance Levy is backed up by an Act of Parliament; changes thereof require approval by Parliament.

(iii) *Interest Rate Risk*

The Board is exposed to various risks associated with effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margin may increase as a result of such changes but may reduce losses in the event that unexpected movement arises.

The Board closely monitors interest rate movements and seeks to limit its exposure by managing the interest rate and maturity structure of assets and liabilities on the statement of financial position. The interest rates on call deposits held in financial institutions are fixed and agreed upon on monthly basis. The management is in regular contact with the approved banks in a bid to obtain the best interest rates and therefore able to plan for the resulting income.

The interest rate risk is minimal as the Board does not have any borrowings.

c) *Operational Risk*

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

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

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

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

- Requirements for appropriate segregation of duties, including the independent authorization of transactions.
- Requirements for the reconciliation and monitoring of financial transactions
- Compliance with regulatory and legal requirements
- Documentation of controls and procedures
- Requirements for the yearly assessment of operational risks faced and the adequacy of controls and procedures to address the risks identified
- Requirement for the reporting of operational losses and proposed remedial action
- Development of Business Contingency Plans
- Training and professional development
- Ethical and business standards
- Risk mitigation, including insurance where it is effective.

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

d) Compliance and Regulatory Risk

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

e) Legal Risk

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

The Board manages legal risk through the 'Audit and Risk Committee', legal function, legal risk policies and procedures and the effective use of internal controls and external lawyers.

KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

8.0 RECEIPTS

	2020/21	2019/20
	KShs '000	KShs '000
Road Maintenance Levy	85,572,613	74,713,743
Interest Income	1,474,685	1,871,455
Total Receipts	87,047,298	76,585,198

Revenue represents receipts of Road Maintenance Levy and Transit tolls from the Kenya Revenue Authority, and Interest Income.

The Board did not receive any transfers of any form, (including assets, gifts, donations, goods and service-in-kind, advance receipts, pledges, expenses paid on behalf and concessionary loans) from national and local government, public entities, Donor & International development agencies.

9.0 DISBURSEMENTS OF FUNDS

The Board allocates funds to the road agencies in accordance with the allocation criteria set out in the Kenya Roads Board Act, 1999, and in line with the Constitution of Kenya, 2010 which includes funding to County Governments as shown below:

Road Agency:	Particulars/ Class of Roads	Allocation
Kenya Roads Board	Administration	2%
Kenya National Highways Authority	National Trunk Roads	40%
Kenya Rural Roads Authority	National Rural Roads	22%
Kenya Urban Roads Authority	National Urban Roads	10%
Kenya Wildlife Service	Park Roads	1%
County Governments	County Roads	15%
Allocation by Kenya Roads Board/Ministry	Development of Roads	10%
Total		100%

Effective July 2015, the Board began collecting funds for the Roads Annuity Program. Based on the above criteria, the Board disbursed funds as follows during the year:

	2020/21	2019/20
Agency	KShs '000	KShs '000
Kenya Roads Board	1,525,180	1,450,650
Kenya National Highways Authority	25,791,580	24,604,300
Kenya Rural Roads Authority	13,754,597	13,049,191
Kenya Urban Roads Authority	6,447,467	6,116,809
Kenya Wildlife Service	631,314	598,938
Allocation by Kenya Roads Board/Ministry	6,349,597	5,989,375
County Governments	9,433,266	8,984,063
Roads Annuity Programme	12,326,000	11,739,175
Total Disbursements	76,259,000	72,532,500

10.0 CASH AND CASH EQUIVALENTS

(a) Analysis of Bank and Cash balances:

These represent cash held at various banks, as follows:

	2020/21	2019/20
	KShs '000	KShs '000
Amounts held in local currency	35,063,643	26,669,201
Amounts held in foreign currency	-	-
Total	35,063,643	26,669,201

The Board is not exposed to credit risk on cash and bank balances as the funds are held with sound financial institutions approved by the Central Bank of Kenya.

(b) Cash and cash equivalents

For purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash in

hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months.

Analysis of cash and cash equivalents is as set out below:-

	2020/21	2019/20
	KShs '000	KShs '000
Bank and Cash Balances	35,063,643	26,669,201

11.0 PAYABLES

These represent funds due to the road agencies and Roads Annuity Programme, but not released as at 30th June 2021, as follows:-

	2020/21	2019/20
	KShs '000	KShs '000
Road Agency Funds	5,133,807	7,193,223
Roads Annuity Funds	8,180,550	7,481,166
Other Road Activities	1,138,455	300,824
Total	14,452,811	14,975,213

12.0 NET ASSETS AVAILABLE FOR DISTRIBUTION

These represent cumulative reserves (i.e. amounts received over and above the approved budget over the years, as follows:

	2020/21	2019/20
	KShs '000	KShs '000
As at 1 st July	11,693,989	9,028,952
Surplus for the Year	10,788,298	4,052,698
Disbursement of Prior Year Funds	(1,871,455)	(1,387,661)
As at 30th June	20,610,832	11,693,989

KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

The funds are allocated to the road agencies in the subsequent year in accordance with the Kenya Roads Board Act, 1999.

13.0 CASH GENERATED FROM OPERATIONS

Reconciliation of Net Cash Flows from Operating Activities to Surplus for the year:

	2020/21	2019/20
	KShs '000	KShs '000
Net assets available for distribution	10,788,298	4,052,698
<i>Changes in working capital balances:</i>		
Decrease in Road Agency Funds	(522,401)	(9,695,194)
Net cashflows (to)/from operating activities	10,265,897	(5,642,496)

14.0 CONTINGENT LIABILITIES

Though the Board is involved in some legal proceedings, the directors believe, based on the information currently available, that the Board does not have any contingent liabilities which are likely to have a material effect on the results of the Board's operations, financial position or liquidity. Therefore, no provision has been made in the financial statements.

15.0 FAIR VALUE

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

16.0 POST BALANCE SHEET EVENTS

The Directors are not aware of any matter or circumstances arising since the end of the financial year, not otherwise dealt with in the financial statements, which would significantly affect the financial position of Kenya Roads Board Fund and results of its operation as laid out in these financial statements.

17.0 COMPARATIVES

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

18.0 CURRENCY

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

KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

PROGRESS ON FOLLOW UP OF AUDITOR RECOMENDATIONS

There are no audit issues that were carried forward from FY 2019/2020.



ENG. JOHN NYAGUTI
CHAIRMAN

5th Nov, 2021

DATE



R. MOHAMED, MBS
DIRECTOR GENERAL

5th Nov 2021

DATE