

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



REPORT

OF

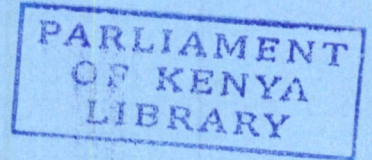
THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
KENYA URBAN ROADS AUTHORITY**

**FOR THE YEAR
ENDED 30 JUNE 2016**

*Paper laid by
Lom on 10/5/2017 (pm)*







KENYA URBAN ROADS AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2016

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

TABLE OF CONTENTS

I.	KENYA URBAN ROADS AUTHORITY INFORMATION AND MANAGEMENT	ii
II.	THE BOARD OF DIRECTORS	iv
III.	MANAGEMENT TEAM	vi
IV.	STATEMENT BY BOARD REPRESENTATIVE.....	viii
V.	REPORT OF THE DIRECTOR GENERAL.....	x
VI.	CORPORATE GOVERNANCE STATEMENT.....	xii
VII.	CORPORATE SOCIAL RESPONSIBILITY STATEMENT.....	xiv
VIII.	REPORT OF THE DIRECTORS	xv
IX.	STATEMENT OF DIRECTORS' RESPONSIBILITIES	xvi
X.	REPORT OF THE INDEPENDENT AUDITORS ON THE AUTHORITY.....	xvii
XI.	STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2016.....	1
XII.	STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2016.....	2
XIII.	STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30TH JUNE 2016.....	4
XIV.	STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE, 2016.....	5
XV.	STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE, 2016.....	6
XVI.	NOTES TO THE FINANCIAL STATEMENTS	8
XVII.	PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS	27

I. KENYA URBAN ROADS AUTHORITY INFORMATION AND MANAGEMENT

(a) Background information

The *Kenya Urban Roads Authority* was formed on enactment of the Kenya Roads Act, 2007. At cabinet level, Kenya Urban Roads Authority is represented by the Cabinet Secretary for the Ministry of Transport, Infrastructure, Housing and Urban Development, who is responsible for the general policy and strategic direction of the *Authority*.

(b) Principal Activities

The principal activity of the *Kenya Urban Roads Authority* is to professionally provide quality, safe and adequate urban road network that satisfies stakeholder needs.

(c) Key Management

The Kenya Urban Roads Authority day-to-day management is under the following key organs:

- Principal Secretary; State Department of Infrastructure and the;
- Director General

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2016 and who had direct fiduciary responsibility were:

Designation	Name
1. Ag. Director General	- Eng. Silas Murira Kinoti
2. General Manager (Finance & Administration)	- Wilson K. Chirchir
3. General Manager (Design & Construction)	- Eng. John Mwicha Mwatu, OGW
4. Ag. General Manager (Planning & Environment)	- Eng. Daniel G. Muchiri
5. Ag. General Manager (Maintenance)	- Eng. Amos Onyango Ombok

(e) Entity Headquarters

Kenya Urban Roads Authority,
P.O. Box 41727-00100,
IKM Place, Bishops Road,

5th Avenue Ngong,
NAIROBI - KENYA

(f) Entity Contacts

Telephone: (254) 020-8013844,
E-mail: info@kura.go.ke
Website: www.kura.go.ke

(g) Entity Bankers

1. Kenya Commercial Bank
Moi Avenue Branch
P O Box 30081 -00100
NAIROBI – KENYA

BRANCHES

KCB MOI AVENUE-NAIROBI-Head office.
KCB INDUSTRIAL AREA-KURA-Nairobi Region.
KCB NYERI-KURA-Central Region.
KCB MERU-KURA-Upper Eastern Region.
KCB GARISSA-KURA-North Eastern Region.
KCB MVITA-KURA-Coast Region.
KCB Machakos-KURA-Lower Eastern Region.
KCB Eldoret-KURA-North Rift Region.
KCB Nakuru-KURA-South Rift Region.
KCB Kakamega-KURA-Western Rift Region.
KCB Kisumu- KURA – Nyanza Region

2. **CO-OPERATIVE BANK OF KENYA LTD,**
UPPER HILL BRANCH,
P.O BOX 48231-00100,
NAIROBI.
3. **NATIONAL BANK OF KENYA,**
HILL BRANCH,
P.O BOX 45219-00100,
NAIROBI.

(h) Independent Auditors

Auditor General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
NAIROBI, KENYA

II. THE BOARD OF DIRECTORS

 <p>Eng. Daniel Waithaka Njora</p>	<p>MSC, Highway Engineering, BSC, Civil Engineering for Developing Countries, Member IEK, Member Association of Consulting Engineers of Kenya (ACEK) DOB - 1952</p>
 <p>Hellen Kithuma Nzainga</p>	<p>Postgraduate Diploma, Housing Planning & Building Construction, M.A. (Urban & Regional Planning), B.Ed. (Geography & Economics), Member Kenya Institute of Planners (KIP), Licenced/Registered Physical Planner, Registered/Licensed EIA/EA Head Expert DOB - 1956</p>
 <p>Eng. Patrick Mule Mwinzi</p>	<p>Alternate Member – Principal Secretary State Department of Infrastructure</p> <p>MSC Highway Engineering, BSC Civil Engineering, Member Engineers Board of Kenya(EBK), Associate Member Chartered Institute of Arbitrators, Member Engineer Registration Board (ERB), Member Institution of Engineers of Kenya (IEK) D0B 1956</p>



Mr. Daniel Nderitu

Alternate Member – Principal Secretary
Ministry of Devolution and Planning, State Department of
Devolution



Mr. Eric Murungi

Alternate Member – Principal Secretary –
The National Treasury




Stephen Robert Brooks

Representative Kenya Association of Manufacturers
(KAM)
DOB 1958






Lucy Wachuka Mathenge

Representative Matatu Welfare Association (MWA)
DOB 1961

 <p>Eng. Silas Murira Kinoti</p>	<p>Ag. Director General – Secretary to the Board Bachelor of Science(Civil Engineering) Member-IEK</p>
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III. MANAGEMENT TEAM

 <p>1. Eng. Silas Murira Kinoti</p>	<p>Ag. Director General Bachelor of Science (Civil Engineering) Member-IEK</p>
 <p>2. Mr. Wilson Kipng'eno Chirchir</p>	<p>General Manager-Finance & Administration MBA (Finance) Bachelor of Education (Science) Member-ICPAK</p>
 <p>3. Eng. Amos Onyango Ombok</p>	<p>Ag. General Manager - Maintenance Bachelor of Science (Civil Engineering) Member-IEK</p>



4. Eng. John Mwicha Mwatu, OGW

General Manager – Design & Construction
BSc (Civil Engineering)
Member-IEK



5. Eng. Daniel G Muchiri

Ag. General Manager – Planning & Environment
Bachelor of Science (Civil Engineering)
Member-IEK

IV. STATEMENT BY BOARD REPRESENTATIVE

I am delighted to present the Financial Statements for Kenya Urban Roads Authority for the year ended 30th June, 2016. During the period under review, the authority continued to maintain high quality professional services in the development and management of roads in urban centres areas and Cities in the country using ISO 90001: 2008 management systems. The Board and Management remains committed to these procedures and improved working conditions which is the foundation to efficiency and production.

The Authority has continued to draw its budgeted projects, programs and activities for 2015/2016 Financial Year from the strategic plan. All implemented activities were within the approved budget. It has continued to enjoy goodwill, moral and financial support from the Government, development partners and the public in its efforts to improve road network and ease traffic jams in the urban set up.

The Authority received Kshs. 4,713,031,962 out of which Kshs. 4,307,231,962 being 15% of Road Maintenance Fuel Levy (RMLF) and Kshs. 405,800,000.00 being the 10% CS allocation from Kenya Roads Board. Kshs. 7,061,932,250.00 was received from the development fund/ exchequer. Major milestones in the year include; the construction of roads in major towns in most counties, maintenance of roads, Rehabilitation of Roads, staff capacity building, construction of Bridges, walkways and improvement of Children traffic Parks in the country.

The Authority has continued to implement measures to promote the realization of National Cohesion and National Values in all its activities, projects and programs. It has also put in place institutional structures that promote good governance and prudent management of public resources. The Board has been inducted and sensitized on Mwongozo Code of Conduct and have signed SCAC Form1 - 2015 as part of commitment to good governance. The Board is committed in ensuring the public get value for money in all our projects.

During the period, the Authority maintained 2,633km of roads, Laid 53 lane km of road under periodic maintenance and rehabilitated 27.31 lane km of road. The Authority also constructed 33.4 lane km of new roads under the year in review.

The period under review has seen the Authority experience changes at the Board and in its Management level. This saw the exit of Directors Mr. Wanyambura Mwambia and Mr. Hassan Noor Hassan who were replaced by Mr. Eric Murungi and Mr. Richard Nderitu respectively. The period also saw the exit of Eng. Peter Mundinia who was appointed as the Director General of Kenya National Highways Authority and was replaced by Eng. Silas M. Kinoti who was appointed as the Acting Director General. The new entrants brought vigour and impetus to the strategy and policy oversight and complemented the diverse mix of skills among the Board of Directors.

I am delighted to report that the Board played its role effectively. The various committees of the Board continue to play a vital role in supporting the Board in discharging its duties. We are confident that KURA's mandate is executed prudently and in compliance with all regulatory obligations.

The success we have achieved was not without the support of our stakeholders & development partners. I wish to extend my sincere appreciation for their seamless support in enabling the Authority, achieve its mandate and deliver safe and efficient urban roads and enable the country attain its dream of Vision 2030.



Eng. Daniel Waithaka Njora
REPRESENTATIVE OF THE BOARD

V. REPORT OF THE DIRECTOR GENERAL

It is said the health and existence of any institution is reflected by the structures and sustainable management of the resources at its disposal. Kenya Urban Roads Authority (KURA) a State Corporation under the State Department of Infrastructure has continued to utilize prudently the resources provided to ensure that the public not only obtain value for money but also enjoy the ease which comes with improved safe and efficient urban network.

Kenya's Vision 2030 and Second Medium Term Plan 2013-2017, emphasizes the development of high quality infrastructure as an enabler for socio-economic transformation, sustainable economic growth and development of the economy. To achieve this, the Authority has continued to partner with the public as envisaged in Article 10 of the Constitution as well as other institutions and development partners. All activities of the Authority, apart from being in line with our mandate, are guided by the ideals set out in the Constitution of Kenya, 2010, the Kenya Vision 2030, Medium Term Plans and the sector policies such as the Roads Sector Investment Programme (R.S.I.P), the Roads 2000 Strategic Plan and KURA's Strategic Plan 2013-2017.

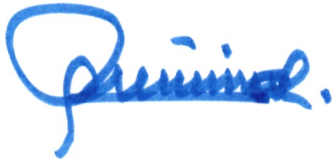
The Authority has continued to prioritize projects that help decongest the urban areas within Nairobi alone estimated to be losing annually approximately Kshs. 147 billion due to congestion. This does not put into consideration the environmental and psychological effect and inconvenience residents are exposed to each day as they attend work and school. Indeed a high quality road network is a treasured asset to spur growth and development for any economy.

During the period under review the Authority commissioned several projects that are set to transform and build the country. Notable is the commencement of Dualling of Ngong Road – Dagoretti Corner, construction to bitumen standard of the Redhill Waiyaki Way Link Road, Ngong Road - Kibera - Kungu Karumba - Langata Road (Missing Link No. 12), Embakasi Infinity Industrial Park Road, Nairobi Eastleigh Roads Phase II, Syokimau - Katani Phase II, Eldoret Annex Loop roads among others. The Authority also completed construction of Chuka Town Roads and Garissa Town Roads within the financial year.

The authority managed to recruit 26 new staff to boost its capacity as well as fully established ERP system that improves automation of services. The authority continues to improve public safety and walk ways, footbridges as well as road furniture are installed to ensure public road safety. We also partner with other institutions including County Governments to promote public safety and

awareness. The Authority continues to empower youths, women and Persons with Disabilities (PWDs) and contracts worth Kshs. 74,672,810.60 were awarded to this group as per the national policy requirement. Additionally internship and attachment opportunities are given to youths pursuing various courses in the country.

I commend all our stakeholders for their support in ensuring that we deliver on the promise of a safe and efficient urban road network notably the Board of Directors, staff and development partners I applaud them for their firm sustenance as the Authority pursues to deliver suitable and safe urban road network.



Eng. Silas Murira Kinoti
AG. DIRECTOR GENERAL

VI. CORPORATE GOVERNANCE STATEMENT

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

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

THE BOARD OF DIRECTORS

The Authority achieved its strategic objectives in the financial year 2015-2016, because it was led by an effective Board. The Board is composed of competent, diverse and qualified members capable of exercising objective and independent judgment. The Board has appropriate autonomy and authority to exercise its functions and is accountable to its shareholder (GoK) and acted responsibly towards stakeholders.

Appointment, Composition and Size

The Board of Directors were appointed in line with *Mwongozo* and consists of 8 (Eight) members including The Director General but with no voting rights. The Board consist of 4 (Four) Committees discharging the Authority's Mandate, namely:

- Finance & Strategy Committee
- Audit Committee
- Human Resource Committee
- Technical Committee

Board Work Plan and Meetings

The Board work plan and calendar of meetings are annually prepared in advance. Adequate notice is given for each Board meeting and Directors receive detailed papers on issues to be discussed in good time before the meeting. The Board held a total of seven (7) Full Board meetings during the year, which were very well attended.

Board Manual, Charter and Code of Conduct

During the year, the Board formulated a Manual, a Board Charter and Code of Conduct. These documents serve as reference guides for Directors. They seek to expound and explain to each Board member the collective and individual powers, duties, obligations, responsibilities and liabilities of Directors. They also set out the requirements and standards of good corporate governance necessary to bring the level of standards of corporate governance in the Authority to international best practices.

Directors' Remuneration

Details of Directors' remuneration are set out in the report on page 19. For the financial year under review. Directors are paid sitting allowance for every meeting attended, lunch allowance (in lieu of lunch being provided), accommodation allowance and mileage reimbursement where applicable, all in line with the ceilings approved for state corporations by the Government. There were no Directors' loans at any time during the year.

INTERNAL CONTROLS

The Directors acknowledge their responsibility as set out on page (xv) for the Authority's system of internal financial control, including taking reasonable steps to ensure that the systems are being maintained. Internal control systems are designed to meet the particular needs of the Authority, and the risks to which it is exposed with procedures intended to provide effective internal financial control. However, such a system can only provide reasonable, but not absolute, assurance against material misstatement.

ETHICAL STANDARDS

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



Eng. Silas Murira Kinoti
Secretary of the Board & Ag. Director General
NAIROBI

Date:

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Kenya Urban Roads Authority continues to give back to the community through corporate social responsibility programs that make a positive contribution to the environment and communities within which it operates.

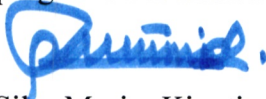
In discharge of the Authority's duty as a responsible corporate citizen the Authority continues to focus on Corporate Social Responsibility initiatives that strengthen our communities while creating positive experiences and environments that enable people and organizations to thrive even as we continue to deliver efficient and safe urban roads.

During the FY2015/2016 the Authority focused its Corporate Social Responsibility in taming number of accidents occasioned by motor cycle operators in urban roads. This was achieved through a sensitization and safety awareness campaign that drew participants from different Sacco's operating in different parts of Nairobi.

The Four day sensitization was held at the Nairobi Children's park and its main objective was to acquaint participants with skills on essentials of motor cycle riding, safety of passengers, the Highway Code, Requirements for boda boda operation amongst other topical issues.

During this period the Authority undertook strategic partnerships with other organizations and institutions to further bolster its corporate Social Investment by making a contribution to the KCA University Endowment fund whose main aim is to provide scholarships to needy students.

The Authority through its Corporate Social Responsibility arm believes in giving back to the communities around us for sustainable growth and development and look forward to an increase in CSR programs and initiatives to reach out to more people and change more lives.



Eng. Silas Murira Kinoti
Secretary of the Board & Ag. Director General
NAIROBI

Date:

VIII. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2016 which show the state of the Kenya Urban Roads Authority's affairs.

Principal activities

The principal activities of the Kenya Urban Roads Authority are (continue to be) Provide quality, safe and adequate urban road network that satisfies stakeholder needs.

Results

The results of the Kenya Urban Roads Authority for the year ended June 30, 2016 are set out on page 1 to 7.

Directors

The members of the Board of Directors who served during the year are shown on page (iv) and (v)

Auditors

The Auditor General is responsible for the statutory audit of the *Kenya Urban Roads Authority* in accordance with the Section 35 of the Public Audit Act 2015, which empowers the Auditor General to conduct Audits of financial statements under Article 229 of the Constitution for State Organs and public entities and report annually to Parliament.

By Order of the Board



Eng. Silas Murira Kinoti
Secretary of the Board & Ag. Director General
NAIROBI

Date:

IX. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 68 (2) k of the Public Finance Management Act, 2012 and section of the State Corporations Act, require the Directors to prepare financial statements in respect of that *Kenya Urban Roads Authority* which give a true and fair view of the state of affairs of the *Authority* at the end of the financial year/period and the operating results of the *Authority* for that year/period. The Directors are also required to ensure that the *Authority* keeps proper accounting records which disclose with reasonable accuracy the financial position of the *Authority*. The Directors are also responsible for safeguarding the assets of the *Authority*

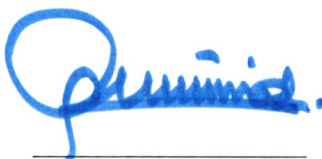
The Directors are responsible for the preparation and presentation of the *Authority's* financial statements, which give a true and fair view of the state of affairs of the *Authority* for and as at the end of the financial year (period) ended on June 30, 2016. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the authority; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the *Authority*; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the *Authority's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the *Authority's* financial statements give a true and fair view of the state of *Authority's* transactions during the financial year ended June 30, 2016, and of the *Authority's* financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the *Authority*, which have been relied upon in the preparation of the *Authority's* financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The *Authority's* financial statements were approved by the Board on _____ 2016 and signed on its behalf by:



Director



Director



Director

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA URBAN ROADS AUTHORITY FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Urban Roads Authority set out on pages 1 to 26, which comprise the statement of financial position as at 30 June 2016, and the statement of financial performance, statement of changes in net assets, the statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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 such 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.

The 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.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report 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. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation

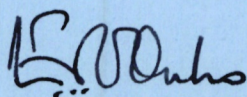
Report of the Auditor-General on the Financial Statements of Kenya Urban Roads Authority for the year ended 30 June 2016

and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Kenya Urban Roads Authority as at 30 June 2016, 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 Kenya Roads Act, 2007.



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

Nairobi

16 March 2017

XI. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2016

Revenue from non-exchange transactions	Note	2015-2016	2014-2015
		Kshs.	Kshs.
RMLF Fund	3	4,713,031,962	4,084,901,968
Funds from GoK (Exchequer) & Other Government Agencies	4	834,891,544	170,000,000
Licences penalties, levies and Other Incomes	5	11,019,513	5,583,615
		5,558,943,019	4,260,485,583
Revenue from exchange transactions			
Income From exchange Transactions	6	61,547,768	161,944,424
Total revenue		5,620,490,787	4,422,430,007
Expenses			
Board of Directors Expenses	7	14,673,097	10,807,634
Compensation to employees	8	569,527,928	587,885,178
Depreciation & Amortization Costs	9	52,777,160	80,768,092
Operating & Administrative Costs	10	336,529,117	294,053,644
Road Rehabilitation & Maintenance Cost	11	4,072,955,648	3,606,345,275
Audit Cost	12	2,900,000	1,276,000
Total expenses		5,049,362,951	4,581,135,824
Other gains/(losses)		-	-
Surplus/Deficit for the period		571,127,837	(158,705,817)

XII. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2016

Assets

Current assets	Note	2015-2016 Kshs.	2014-2015 Kshs.
Cash and cash equivalents	13	5,906,425,634	2,532,002,326
Receivables from non-exchange transactions	14	964,604,709	1,759,794,793
Inventories	15	6,290,112	7,837,208
		6,877,320,455	4,299,634,327
Non-current assets			
Property, plant and equipment	18	42,363,594,298	36,167,805,097
		42,363,594,298	36,167,805,097
Total assets		49,240,914,753	40,467,439,424

Liabilities

Current liabilities

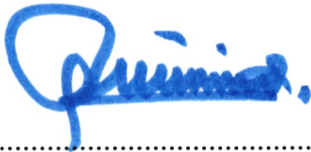
Payables from exchange transactions	16	974,411,354	1,194,500,655
Refundable deposits Road cut permits	16	14,667,500	14,907,500
Provisions-Contingent Liability	16		
staff statutory obligations payable	16	2,661,117	1,153,759
Staff gratuity payable	16	18,058,601	22,370,974
Retention	16	374,101,258	590,742,730
Withholding tax payable	16	55,451,502	81,726,654
		1,439,351,332	1,905,402,272

Non-current liabilities

Non-current employee benefit obligation		-	-
Non-current provisions		-	-
Borrowings		-	-
Service concession liability		-	-
Deferred Income liabilities	17	7,690,836	-
Total liabilities		1,445,882,168	1,905,402,272

KENYA URBAN ROADS AUTHORITY
Financial Statements for the Year Ended 30th June, 2016

Net assets	47,793,872,585	38,562,037,157
Capital Reserves	19,652,510	19,652,510
Accumulated surplus	3,808,206,660	3,237,078,822
Road projects funds reserves	43,966,013,415	35,305,305,819
Total net assets and liabilities	49,240,914,753	40,467,439,424



.....
Eng. Silas Murira Kinoti
Ag. Director General

Date.....



.....
Board Representative

Date.....

XIII. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30TH JUNE 2016

	Capital Reserve	Accumulated Surplus	Reserves Grants	Total
	Kshs	Kshs	Kshs	Kshs
Balance as at 30 JUNE 2015	19,652,510	3,237,078,822	35,305,305,819	38,562,037,151
Surplus/(deficit) for the period		571,127,837		571,127,837
Transfers to/from accumulated surplus				
Road reserves Fund			8,660,707,596	8,660,707,596
Balance as at 30 JUNE 2016	19,652,510	3,808,206,659	43,966,013,415	47,793,872,584

XIV. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE, 2016

	2015-2016	2014-2015
	Kshs.	Kshs.
Cash flows from operating activities		
Receipts		
RMLF Funds	4,713,031,962	4,084,901,968
Funds from other Govt Agencies	-	170,000,000
GoK Exchequer funds	-	-
Fines, penalties and levies	-	-
Licenses and permits	8,209,651	5,583,615
Donor grants/loans		
Gain on disposal		
Other income, rentals and agency fees	4,498,862	1,917,000
	4,725,740,475	4,262,402,583
Payments		
Board of Directors Expenses	14,673,097	10,807,634
Compensation to Employees	569,527,928	587,885,178
Operating & Administrative Costs	336,529,117	294,053,644
Road Rehabilitation & Maintenance Cost	4,072,955,648	3,606,345,275
Audit Cost	2,900,000	1,276,000
Road Design & Construction Costs	-	-
Funding to other municipalities		
	4,996,585,791	4,500,367,732
Cash flows from operating activities	(270,845,315)	(237,965,149)
Working capital Adjustment		
Decrease in Creditors	(466,050,940)	(675,562,457)
Increase in receivables from non-exchange Transaction	795,190,082	(553,802,774)
Decrease in inventories	1,547,101	3,831,866
	330,686,243	(1,225,533,365)
Net Cash flows from operating activities	59,840,280	(1,463,498,513)
Cash flows from investing activities		
Purchase of property, plant, equipment and intangible assets	(3,814,899,471)	(8,773,211,196)
Development funds received	7,061,932,249	9,456,312,812
Deffered income	7,690,833	
Net cash flows used in investing activities	3,254,723,611	683,101,616
Cash flows from financing activities		
Bank Interest	59,858,769	160,027,424
Net cash flows used in financing activities	59,858,769	160,027,424
Net increase/(decrease) in cash and cash equivalents	3,374,423,308	(620,369,475)
Cash and cash equivalents at 1 JULY 2015	2,532,002,326	3,152,371,799
Cash and cash equivalents at 30 JUNE 2016	5,906,425,634	2,532,002,326

XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE, 2016

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2015-2016 Kshs	2015-2016 Kshs	2015-2016 Kshs	2015-2016 Kshs	2015-2016 Kshs
Revenue					
RMLF Funds	4,307,231,962	-	4,307,231,962	4,713,031,962	(405,800,000)
AIA -Interests and other incomes	50,000,000	-	50,000,000	72,567,281	(22,567,281)
GOK exchequer	10,047,824,000	1,000,000,000	9,047,824,000	7,061,932,250	1,985,891,750
Donor funds AIA	6,200,000,000	2,400,000,000	3,800,000,000	2,433,666,892	1,366,333,108
Total income	20,605,055,962	3,400,000,000	17,205,055,962	14,281,198,385	2,923,857,577
Expenses					
Property plant and Equipment	68,900,000		68,900,000	64,075,295	4,824,705
Board of Directors Expenses	31,120,000		31,120,000	14,673,097	16,446,903
Compensation to employees	783,749,148	(42,630,908)	741,118,240	569,527,928	171,590,312
Depreciation & Amortization Costs	10,000,000		10,000,000	52,777,160	(42,777,160)
Operating & Administrative Costs	476,282,438	3,730,908	480,013,346	339,429,117	140,584,229
Road Rehabilitation & Maintenance Cost	2,986,080,379	-	3,166,880,376	3,238,064,104	(180,799,997.00)
Work In Progress (GOK Funded)	10,047,824,000	1,000,000,000	9,047,824,000	3,750,824,173	5,296,999,827
Work In Progress (Donor Funded)	6,200,000,000	2,400,000,000	3,800,000,000	2,433,666,892	1,366,333,108





Total expenditure	20,603,955,9650	3,361,100,000	17,345,855,962	10,463,037,766	6,774,361,927
Surplus for the period				3,818,160,619	
Reconciliation					
Surplus for the year				571,127,837	
Transfer from other Government agency				-	
GOK Funds Received				7,061,932,250	
Donor Funds Directly paid to contractors				2,433,666,892	
Purchase of Assets				(64,075,295)	
Work In Progress (GOK Funded)				(3,750,824,173)	
Work In Progress (Donor Funded)				(2,433,666,892)	
Surplus as above				3,818,160,619	

See note 2 (b) (Notes to the Financial Statements) for explanation of material variances

XVI. NOTES TO THE FINANCIAL STATEMENTS

1. Statement of compliance and basis of preparation

The Public Finance Management (PFM) Act Section 192 provided the Setting up of the Public Sector Accounting Standards Board through Gazette Notice No. 1199 of 28th February, 2014. Following the Boards approval on adoption of the International Financial Reporting Standards (IFRS) for state organs operating as Commercial Business Entities and The International Public Sector Accounting Standards (IPSAS) for non-commercial entities, Kenya Urban Roads Authority has adopted the pronouncements made by the PSASB board in preparation of its current year Financial Statements.

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 Authority and all values are rounded to the nearest shilling. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

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

e.g

(a) IPSAS 1 several paragraphs in relation to New IPSAS 34-38, others on IPSAS 28, 29

(b) IPSAS 17 on PPE revision: several paragraphs amended

(c) IPSAS 28 on financial instruments presentation paragraph 56-58 and changes in paragraph 61 are amended by IPSAS 33 which are effective for periods beginning from January 1, 2017

IPSAS 31 on intangible assets: revision on paragraph 6 on service concessions, 79 on revaluation, 91 on technological obsolescence effective for periods beginning or after January 1, 2015. Other revisions on paragraphs 129-132C&D and 133 are effective for periods beginning from January 1, 2017 in line with new IPSAS standards 33 - 38

2. Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees and fines

The Authority recognizes revenues from fees and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give

rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

During the year 2015/2016 the Authority had not received Kshs. 225,926,619.71 from the Kenya Roads Board. The Authority expects these funds to be received in the FY 2016/2017.

The Authority recognised other incomes amounting to Kshs 2,809,862. Included in this income is Kshs. 2,563,612.00 recognition of deferred income relating to two vehicles donated by the Northern Corridor Transport Improvement Project (NCTIP) Implemented by Kenya National Highways Authority. This Revenue will be recognised every year in the useful life of the assets.

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Authority and can be measured reliably.

Notes to the Financial Statements Cont.

b) Budget information

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Authority. As a result of the adoption of the accrual basis for budgeting purposes, there were differences that required reconciliation between the actual comparable amounts and the amounts presented in the statement of comparison of budget and actual amounts. This has been done on the face.

Kenya Urban Roads Authority is funded through Kenya Roads Board (KRB) and the Ministry of Transport and Infrastructure (MOTI) for Maintenance and Roads Construction respectively. The Authority prepares its annual budgets based on the annual roads work plan guided by the Authority's Strategic Plan. KRB and MOTI issues the budget ceilings based on the projects to be undertaken in a financial year.

During the financial year there were budget adjustments for Exchequer funds. The Exchequer budget reduced from Kshs. 10,047,824,000.00 to Kshs. 9,047,824,000.00 a reduction of Kshs. 1,000,000,000. The Donor component reduced from Kshs. 6,200,000,000.00 to Kshs. 3,800,000,000.00 a reduction of Kshs. 2,400,000,000.00. This was necessitated by budget re-allocations by the government.

In the Financial Year 2015/2016 the Authority was fully funded but received only Kshs. 7,061,932,249.60 by 30.06.2016. Kshs. 1,985,891,750.40 was received in the beginning of Financial Year 2016/2017 which explains the some of the variances in the statement of comparison of budgets and actual amounts. However the explanation of material variances is as follows:

Roads Maintenance Fuel Levy Fund (RMLF)

During the Financial Year 2015-2016 the Authority Kshs 4,713,031,962.00 against a budget ceiling of Kshs. 4,307,231,962.00. The variance of Kshs. 405,800,000.00 represent funds received under the 10% Cabinet Secretaries budget allocation which the Authority never budgeted for.

AIA -Interests and other incomes

The Authority earned interest and other incomes amounting to Kshs. 72,567,281. Included in this income is Kshs. 2,563,612 recognition of deferred income relating to two vehicles donated by the Northern Corridor Transport Improvement Project (NCTIP) Implemented by Kenya National Highways Authority. This explains the variance under this item.

GOK Exchequer Funds

The variance of Kshs 1,985,891,750.40 was due to the Exchequer fund being credited to the Authority's account after the closure of the Financial Year. The pending bills were later settled in the beginning of Financial Year 2016-2017.

Donor Funds AIA

The variance of Kshs. 1,366,333,107.84 was occasioned by project implementation challenges that caused delays in achieving milestones for Instance;

- Delay in clearing the road corridor encroached by persons affected by the project (PAPS)
- Delays in re location of important utilities like power lines

Depreciation Costs

The variance of Kshs. 42,777,160 was caused by additions of new assets in the current and previous Financial Years.

Road Rehabilitation & Maintenance Cost

During the close of FY 2014/2015 the authority had road works rolled over to the FY 2015/2016 which were not paid due to delays in procurement. These amounts were paid in the reporting period and caused the variance of Kshs. 180,799,997.00.

Work In Progress (GOK)

In the FY 2015-2016 funding from the exchequer delayed and was in fact released at the end of the financial year. This caused an under absorption of funds amounting to Kshs. 5,296,999,827.00.

Notes to the Financial Statements Cont.

Compensation to employees

During the year the Authority recruited additional staff. However, this was only 50% of the planned recruitment due to freezing of employment in government agencies. This caused the staff compensation cost for employees to be under absorbed by Kshs. 171,590,312.00.

Board of Directors Expenses

BOD expenses were under absorbed by Kshs 16,446,903 due to the adherence of the austerity measures put in place.

Operating & Administrative Costs

The **Operating & Administrative** expenses were under absorbed by Kshs. 140,584,229.00 due to the adherence of the austerity measures put in place and good budgetary monitoring mechanism.

c) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use.

d) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

The Authority depreciates her asset using the Straight line Method. The useful life of assets per class are as follows:

- Motor Vehicle – 4 years (25%)
- Computer Equipment and Software- 3 years (33.3%)
- Office Equipment- 5 years (12.5%)
- Furniture & Fittings -5 years (12.5%)

- Building Partitions- 5 years (12.5%)

Notes to the Financial Statements Cont.

e) Leases

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

f) Financial Instruments: Disclosures

These are disclosures that enable financial statement users to evaluate the significance of financial instruments to an entity, the nature and extent of their risks, and how the entity manages those risks.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk, and other price risk

During the year the Authority had financial instruments such as receivables and payables which are susceptible to financial risks.

For receivables there is the risk of debtors failing to pay back amounts due. The Authority has set up systems to ensure that the debtors (staff debtors) pay back their obligations within 48 hours. Further, staff with outstanding debt is not allowed new cash advances.

For payables there is a risk of the Authority failing to meet its obligations. The Authority ensures that it meet its obligations, by fixing credit period of thirty (30) days from the time Interim Payments Certificates are received to the time settled.

Price Risk

The company does not hold investments that would be subject to price risk hence the risk is not relevant.

Foreign Exchange Risk

The Authority does not undertakes transactions denominated in foreign currencies. Therefore, exposures to exchange rate fluctuations do not arise.

KENYA URBAN ROADS AUTHORITY
Financial Statements for the Year Ended 30th June, 2016

Credit Risk

The table below shows the Authority's maximum exposure to credit risk as at 30 June 2016 and 30 June 2015.

30 June 2016

	Fully performing Sh	Past due Sh	Impaired Sh	Total Sh
Receivables from non exchange transactions	738,678,091	225,926,620	-	964,604,712
Other receivables		-	-	
Bank balances	5,906,178,597	-	-	5,906,178,597
		-	-	
Total	6,644,856,688	225,926,620		6,870,783,309

30 June 2015

	Fully performing Sh	Past due Sh	Impaired Sh	Total Sh
Receivables from non exchange transactions	1,533,868,173	225,926,620	-	1,759,794,793
Other receivables		-	-	
Bank balances	2,531,874,478	-	-	2,531,874,478
		-	-	
Total	4,065,742,651	225,926,620		4,291,669,271

Liquidity Risk Quantitative Disclosures

	Within 12 months Sh	Over 12 months Sh
At 30 June 2016:		
Trade payables	1,438,191,332	-
Borrowings		-
	1,438,191,332	

At 30 June 2015:		
Trade payables	1,905,402,271	-
Borrowings	=====	=====
	1,905,402,271	-
	=====	=====

g) Intangible Assets

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

The useful life of the intangible assets is assessed as either finite or indefinite.

h) Research And Innovations Costs

The Authority did not incur any research and innovation cost.

i) Financial Instruments

Financial Assets

Initial Recognition and Measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Held-To-Maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to

maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of Financial Assets

The Authority assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or an entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or an entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults).

j) Financial Liabilities

Initial Recognition and Measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Authority determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and Borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

k) Inventories

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

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

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

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

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

l) Provisions

Provisions are recognized when the Authority has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Authority expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any Reimbursement.

Contingent Liabilities

The Authority does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Contingent Assets

The Authority does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Authority in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

m) Nature And Purpose of Reserves

The Authority creates and maintains reserves in terms of specific requirements. In the financial year 2015/2016 the authority maintained the following reserves:

- i. Road projects reserve funds which relates to cumulative exchequer funds received for development projects which currently stands at Kshs. 43,966,013,415.
- ii. Capital reserves amounting to Kshs. 19,652,510 relates to assets (Motor vehicles) donated to the Authority by KTTSP Project as part of capacity building.
- iii. Accumulated reserves amounting Kshs. 3,809,366,660 relates to accounting surplus which accrues from unutilised funds, interest income and other miscellaneous income.

n) Changes in Accounting Policies and Estimates

IPSAS 3 prescribes a hierarchy for choosing accounting policies:

- IPSAS, taking into account any relevant implementation guidance.
- In the absence of a directly applicable IPSAS, look at the requirements and guidance in IPSAS dealing with similar and related issues; and the definitions, recognition, and measurement criteria for assets, liabilities, revenue, and expenses described in other IPSASs.
- Management may also consider the most recent pronouncements of other standard-setting bodies and accepted public and private sector practices.
 - Apply accounting policies consistently to similar transactions.
 - Make a change in accounting policy only if it is required by an IPSAS, or it results in reliable and more relevant information.
 - If a change in accounting policy is required by an IPSAS, follow that pronouncement's transition requirements. If none are specified, or if the change is voluntary, apply the new accounting policy retrospectively by restating prior periods. If restatement is impracticable, include the cumulative effect of the change in net assets/equity. If the cumulative effect cannot be determined, apply the new policy prospectively.
 - Changes in accounting estimates (for example, change in useful life of an asset) are accounted for in the current period, or the current and future periods (no restatement).
 - In the situation a distinction between a change in accounting policy and a change in accounting estimate is unclear, the change is treated as a change in an accounting estimate.
 - All material prior-period errors shall be corrected retrospectively in the first set of financial statements authorised for issue after their discovery, by restating comparative prior-period

amounts or, if the error occurred before the earliest period presented, by restating the opening statement of financial position.

o) Employee Benefits

Retirement Benefit Plans

The Authority provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which an Authority pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

p) Foreign Currency Transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

Notes to the Financial Statements Cont.

q) Borrowing Costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

r) Related Parties

The Authority regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the Directors and Senior Management. There were related party transactions during the Financial Year as follows:

Particulars	Type of Related Party Transaction	Amount
Directors	Emoluments	13,150,097
Senior Management	Remunerations & Allowances	20,047,400

s) Cash And Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash at bank. For the purposes of these financial statements, cash and cash equivalents include cash held in our various Bank accounts and Petty cash both in Head Office and our 10 (ten) Regional Offices.

t) Comparative Figures

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

u) Significant Judgments and Sources Of Estimation Uncertainty

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

State all judgements, estimates and assumptions made: e.g

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful Lives and Residual Values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 36.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Assumptions were used in determining the provision for rehabilitation of landfill sites. Landfill areas are rehabilitated over years and the assumption was made that the areas stay the same in size for a number of years.

Provision is made for the estimated cost to be incurred on the long-term environmental obligations, comprising expenditure on pollution control and closure over the estimated life of the landfill. The provision is based on the advice and judgment of qualified engineers.

The estimates are discounted at pre-tax discount rates that reflect current market assessments of the time value of money.

The increase in the rehabilitation provision due to passage of time is recognized as finance cost in the statement of financial performance.

The cost of ongoing programs to prevent and control pollution and rehabilitate the environment is recognized as an expense when incurred.

v) Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2016.

3 RMLF Fund

	2016	2015
	Kshs	Kshs
RMLF 15% - Road Maintenance Levy Fund	4,307,231,962	3,904,801,968
RMLF Pangani Bridge Fund		-
RMLF Emergency Fund		-
RMLF 10% - Road Maintenance Levy Fund	405,800,000	180,100,000
Total RMLF Fund	4,713,031,962	4,084,901,968

4 Funds from GoK (Exchequer) & other Government Agencies

	2016	2015
	Kshs	Kshs
Funds from GoK (Exchequer)	834,891,544	
Funds from Government Clearing Services	-	20,000,000
Funds From KONZA Techno city	-	150,000,000
Total	834,891,544	170,000,000

KENYA URBAN ROADS AUTHORITY
Financial Statements for the Year Ended 30th June, 2016

5 Licences, Penalties, Levies And Other Incomes

	2016	2015
	Kshs	Kshs
Income- Donated Vehicles (NCIP)	2,563,612	-
Liquidated Damages (Penalties)	3,409,651	1,125,916
Road cutting fees (Levies & Licences)	4,800,000	3,877,499
Other Income-Staff Related	246,250	580,200
Total	11,019,513	5,583,615

6 Finance & Other Income From Exchange Transactions

	2016	2015
	Kshs	Kshs
Interest on bank deposits	59,858,768	160,027,424
Sale of Tender Documents	1,689,000	1,917,000
Total Finance and Other Incomes	61,547,768	161,944,424

7 Board Of Directors Expenses

	2016	2015
	Kshs	Kshs
Directors Sitting Allowance	5,973,918	3,098,500
Directors Training Costs	1,523,000	4,363,137
Directors Travelling Costs	-	697,944
Directors Meal Allowances	250,000	178,000
Board Members International Trip	5,280,926	2,275,052
Other Board Functions and Field Costs	1,645,252	195,000
Total board expenses	14,673,097	10,807,634

8 Compensation to Employee

	2016	2015
	Kshs	Kshs
Staff Salaries	449,273,058	426,397,339
Staff Pension	28,360,069	23,740,464
Staff Gratuity	5,076,715	24,640,505
Staff Medical - In Patient	28,710,554	34,056,834
Staff training	25,262,002	41,516,588
Staff Medical - Out Patient	16,063,702	26,044,546
Staff Group Personal Accident & Group Life	13,092,871	10,616,119
Staff Uniforms	-	237,700
Staff Welfare	2,862,207	-
Casual Wages	-	38,983
NSSF Employer's Contribution	661,400	432,400
Director of Industrial Training	165,350	163,700
Total employee costs	569,527,928	587,885,178

9 Depreciation & Amortization Costs

	2016 Kshs	2015 Kshs
Total depreciation Expense	52,777,160	80,768,092

10 Operating & Administrative Costs

	2,016 Kshs	2,015 Kshs
Conference & seminars	21,543,233	11,883,226
Communication costs	4,376,043	7,815,745
Occupancy costs	75,017,891	48,002,128
Travel costs	117,303,617	82,551,197
Advertising , publicity& CSR	12,295,303	27,278,915
Bank charges & Commissions	2,856,682	12,172,136
Other office running costs	103,136,349	104,350,297
Total Operating & Admin expenses	336,529,117	294,053,644

11 Road Maintenance & Rehabilitation costs

	2016 Kshs	2015 Kshs
Routine Maintenance*	1,622,631,241	1,699,118,519
Periodic Maintenance	1,480,675,455	1,600,212,560
RMLF Pangani Bridge	42,014,127	45,723,361
Decongestion programme	388,622,692	197,304,034
GES Programme Roads	446,268,852	-
Consultancy, Planning, Feasibility EIA Costs	15,206,599	5,785,299
Emergency Intervention Programs Costs	-	546,588
Road Safety and Children's Traffic Parks Costs	28,754,169	10,328,461
Road Furniture & Road Marking	28,492,882	37,679,999
Axle Load Control costs	6,511,381	1,696,502
Road Reserve Identification & Control costs	5,182,652	7,907,469
survey costs	8,595,598	42,480
Total road maintenance and Rehabilitation expenses	4,072,955,648	3,606,345,275

12 Audit Cost

	2016 Kshs	2015 Kshs
Audit fee OAG	2,900,000	1,276,000

13 Cash and cash equivalents

	2016 Kshs	2015 Kshs
Kenya Commercial Bank	2,323,036,364	1,281,778,297
National Bank of Kenya (GOK)	2,745,624,732	302,315,435
Co-operative Bank	472,142,932	685,342,725
Cash in Hand	247,037	127,848
Regional Bank Accounts	14,752,879	18,219,610
Kenya Commercial Bank (AIA)	238,356,312	29,175,011
National Bank of Kenya (World Bank)	104,642,337	146,716,792
National Bank of Kenya (KONZA)	7,623,041	68,326,609
Total cash and cash equivalents	5,906,425,634	2,532,002,326

14 Receivables From Non-Exchange Transactions

	2016 Kshs	2015 Kshs
Debtors: Staff	4,897,716	5,431,275
HR Standing Imprest	-	123,988
Axle Load Standing Imprest	-	199,905
DG'S Office Standing Imprest	-	13,921
Corporate Standing Imprest	-	-
Prepayments (Road Contractors-Advance Payments)	732,780,373	550,893,592
KRB RMLF Funds Receivable	225,926,620	1,202,127,112
Pension Contribution ICEA	-	5,000
Deposits & Other Prepayments	1,000,000	1,000,000
Total current receivables	964,604,709	1,759,794,793

15 Inventories

	2016 Kshs	2015 Kshs
Stationaries and Consumable stores	6,290,112	7,837,208
Total Inventories	6,290,112	7,837,208

16 Payables from Non-Exchange Transactions

	2016	2015
	Kshs	Kshs
Payables (Suppliers & Contractors)	974,411,354	1,194,500,655
Refundable Deposits Road Cut Permits	14,667,500	14,907,500
Staff statutory obligations payable	2,661,117	1,153,759
Staff gratuity payable	18,058,601	22,370,974
Retention	374,101,258	590,742,730
Withholding tax payable	55,451,502	81,726,654
Total Payables from Non-Exchange Transactions	1,439,351,332	1,905,402,272

- Payables (Suppliers & Contractors) of **Kshs. 974,411,354** relate to the Interim Payment Certificates and Invoices accrued at the end of the Financial Year that were due for payment for different contractors and suppliers.
- Refundable Deposits on Road Cut Permits of **Kshs. 14,667,500.00** relates to deposits held on behalf of contractors until the road is reinstated to its original state.
- Staff statutory obligations payable is broken down as shown below:

Item	Amount
	Kshs.
PAYE Payable	159,263.94
NSSF Payable	28,970.00
HELB	2,646.00
Net Pay	74,957.07
SACCO Contributions	70,116.39
Pension - KURA	27,832.22
Pension - Ministry	1,237,063.32
Other Staff Deductions	1,055,267.74
Pension- ICEA IPP (Self Contribution)	5,000.00
TOTAL	2,661,116.68

- Staff gratuity payable of **Kshs. 18,058,601** relates to amount held by the Authority on behalf of staff whose terms of employment are contract. This is paid upon completion of the contract period.
- Retention Payable of **Kshs. 374,101,258** relates to amounts held by the Authority on behalf of roadworks contractors until the defects and liability period lapses.

- Withholding tax payable of **Kshs. 55,451,502** relates to tax liability for different contractors as at 30th June 2016.

17. Deferred Income Liability

	2016	2015
	Kshs	Kshs
Deferred Income Liability	7,690,836	-
Total Deferred Income Liability	7,690,836	-

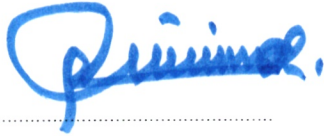
The Deferred Income Liability relates to the carrying cost of two Motor Vehicles donated by the NCTIP project implemented under Kenya National Highways Authority.

KENYA URBAN ROADS AUTHORITY
 Financial Statements for the Year Ended 30th June, 2016

Note 18	Work-in-Progress	Road Asset	Furniture and Fittings	Computers and Technical Equipment	Motor Vehicle	Total
Year ended 30th June 2016 cost or valuation						
Opening balance 01.07.2015	36,082,796,444	-	96,388,532	177,882,356	176,228,212	36,533,295,544
Disposals						
Transfer To Road Asset						
Adjustment						-
Additions during the year	6,184,491,066		15,685,698	38,365,870	10,023,727	6,248,566,361
Closing Cost or Valuation 30.06.2016	42,267,287,510	-	112,074,230	216,248,226	186,251,939	42,781,861,905
Accumulated Depreciation						
Opening balance 01.07. 2015			(47,231,958)	(169,195,491)	(149,062,998)	(365,490,447)
Accumulated depreciation on disposal						
Depreciation charge for the Year			(11,460,573)	(23,773,782)	(17,542,804)	(52,777,160)
Closing Accumulated Depreciation for 2016			(58,692,532)	(192,969,273)	(166,605,802)	(418,267,607)
Closing Net book Value 30.06.2016	42,267,287,510	-	53,381,698	23,278,953	19,646,137	42,363,594,298

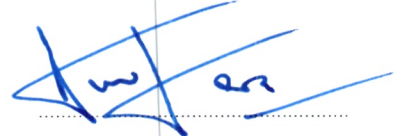
XVII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

During the financial year 2014-2015 Audit, all the issues raised by the Auditor were resolved and closed. The Authority received an unqualified audit report for the audit.



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Ag. Director General

Date.....



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Board Representative

Date.....

