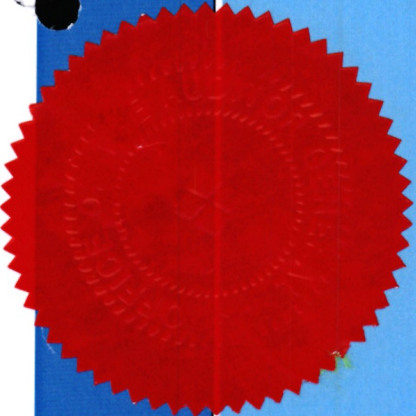


REPUBLIC OF KENYA



Enhancing Accountability



REPORT

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 14 JUN 2023

DAY: WEDNESDAY AM

TABLED BY: Hon Naomi Wago, MP
Deputy Majority Party Whip

OF
PRESENT AT THE TABLE: A. Subulco

PARLIAMENT
OF KENYA
LIBRARY

THE AUDITOR-GENERAL

ON

**ROAD MAINTENANCE LEVY FUND – KENYA
RURAL ROADS AUTHORITY**

**FOR THE YEAR ENDED
30 JUNE, 2022**



KENYA RURAL ROADS AUTHORITY

ANNUAL FINANCIAL STATEMENTS FOR

ROAD MAINTENANCE LEVY FUND

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2022

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1. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

Kenya Rural Roads Authority (KeRRA) is a State Corporation established under the Kenya Roads Act 2007. The Authority is headed by a Board of Directors led by a Chairman with the Director General being the Chief Executive of the Authority.

At the cabinet level the Authority is represented by the Cabinet Secretary for the Ministry of Transport, Infrastructure, Housing, Urban Development and Public works, who is responsible for the general policy and strategic direction of the Authority.

The Authority began its operations in September 2008 and is represented in the 47 counties through regional offices.

(b) Principal activities

The Kenya Roads Act 2007 provides for the mandate of the Authority to manage, develop, rehabilitate and maintain the rural road network within the Republic of Kenya. However, the Constitution of Kenya 2010 assigns the responsibility of managing National Trunk Roads to National Government and County Roads to County Governments under the Fourth Schedule Part 18(b). In line with this provision, the road network in Kenya was reclassified vide Kenya Gazette Notice of 22nd January 2016 by the State Department of Infrastructure. National trunk roads in Class C totaling 19,504 Km were vested to the Authority by the Cabinet Secretary. A further reclassification by the Cabinet Secretary on 8th May 2020 revised the KeRRA network to 18,662 Km of national trunk road network in Class C.

(c) Key Management

The Authority's day to day management is under the following key organs;

1. Board of Directors
2. Senior Management led by the Director General

(d) Fiduciary Management

The key Management personnel who held office during the financial year ended 30th June 2022 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Director General	Eng. Philemon Kiprop Kandie
2.	Director (Development)	Eng. Jackson K. Magondu.
3.	Director (Road Asset Management)	Eng. Peter Patu Gichohi
4.	Director (Planning, Design and Environment)	Eng. Enoch Ariga Kombo
5.	Director (Research, Strategy & Compliance)	Eng. Julius K. Gakubia
6.	Director (Corporate Services)	CPA. Dan Manyasi
7.	Deputy Director (Audit Services)	CPA. Judith Chepkemai Chumo.
8.	Deputy Director (Corporation Secretary/ Legal Affairs)	Mr. Justin Rapando.
9.	Deputy Director (Supply Chain Management)	Ms. Catherine Kangangi
10.	Director General	Eng. Philemon Kiprop Kandie

(e) Fiduciary Oversight Arrangements

1. Ministry of Transport Infrastructure Housing and Urban Development & Public Works
2. Kenya Roads Board.
3. Public Investments Committee
4. Audit and Finance Board Committees.

(f) Authority Headquarters

Barabara Plaza Block B, Airport South road, Opp KCAA building.

(g) Authority Contacts

P.O Box 48151 – 00100,
Nairobi GPO
Tel. 0202710464
Email: kerra@kerra.go.ke
Website: www.Kerra.go.ke

(h) Principal Bankers

1. **KCB Bank Limited**,
Moi Avenue Branch,
P.O. Box 48400-00100,
Nairobi GPO
2. **NCBA Bank Limited**,
Upper Hill Branch,
P.O. Box 44599-00100 ,
Nairobi GPO
3. **Equity Bank Limited**,
Equity Centre,
Hospital Road, Upper Hill.
P.O. Box 75104-00200,
Nairobi
4. **Cooperative Bank Limited**
Co-operative House,
Haile Selassie Avenue,
P.O. Box 48231 - 00100,
Nairobi GPO

(i) Independent Auditors



Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 49384-00100
Nairobi, GPO

(j) Principal Legal Adviser

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

2. THE BOARD OF DIRECTORS

The Board members are drawn from representatives from public and private sector as set out in section 8 of the Kenya Roads Act 2007. The members who held the office during the year under review were as follows:

 <p>Prof.(Eng) Oyuko Mbeche EBS Chairperson of Board</p>	<p>Prof(Eng) Oyuko. O. Mbeche was born in 1946 . Prof.(Eng) Mbeche is holder of B.Eng. From Stevens Institute of Technology(USA), MSc from Polytechnic Institute of Brooklyn(USA)and PhD for the University of Nairobi. He is also a Civil Engineer specializing in the field of Transportation Planning and Engineering.</p> <p>Prof.(Eng) Mbeche is a Nobel Peace Prize recipient bestowed on him by the International Panel on Climate Change (IPCC) in December, 2007, Member American Society of Civil Engineers, Member American Society of Engineering Education ,Member Kenya National Academy of Sciences and Member Engineering Board of Kenya . He is a Professor of Civil Engineering at the University of Nairobi and has supervised various undergraduate and postgraduate projects.</p> <p>He is the Chairperson of the Board. He has also written many research papers on matters touching on land use, planning, transport economics and urban planning. In his work experience, he has worked as a project coordinator, team leader, and project civil/structural engineer in various government organizations.</p>
 <p>Hon. Amb. Ukur Yatani. EGH Cabinet Secretary National Treasury</p>	<p>Hon. Amb. Ukur Yatani Kanacho was born in 1967 and holds Bachelor of Arts in Economics, Egerton University, Kenya, 1991 and Master of Arts in Public Administration and Public Policy, University of York, United Kingdom, 2005;</p> <p>He has over 27-year experience in public administration, politics, diplomacy and governance in public sector since 1992. Before his appointment as Cabinet Secretary for the National Treasury & Planning he served as the Cabinet Secretary for Labour and Social Protection since January 2018.</p> <p>Between the years 2006-2007 while Member of Parliament for North Horr constituency, he also served as an Assistant minister for science and technology. At the height of his career (March 2013-August 2017), he served as a pioneer Governor of Marsabit County, the largest County in the Republic of Kenya. Between June 2009 and October 2012, he served as Kenya’s Ambassador to Austria with Accreditation to Hungary and Slovakia and Permanent Representative to the United Nations in Vienna. In this position, he aggressively pursued and advanced Kenya’s foreign interests.</p> <p>He held senior leadership positions at various diplomatic and international agencies such as International Atomic Energy Agency (IAEA), United Nations Organization on Drugs and Crimes (UNODC), United Nations Industrial Development Organization (UNIDO), Vice Chairperson of United Nations Convention Against Transnational Organized Crime (UNTOC), Vice President of Convention on Crime Prevention and Criminal Justice (CCPJ), and chair of African Group of Ambassadors among others. Between 1992—2015, he served in different positions in Kenya’s Public Administration including a District Commissioner, where sharpened his management and administrative skills.</p>

 <p>Zahra Mohamed Haji Alternate to Cabinet Secretary National Treasury</p>	<p>Ms. Zahra Mohamed Haji was born in 1981 and is a holder of B.Sc. Journalism from United States International University, Africa and a M.A. Journalism (International) from London University of Westminster.</p> <p>She is a dynamic and highly motivated communications coordinator with 12 years of experience engaging members of diverse communities, government agencies and private organisations in strategic marketing ventures to develop cross-functional relationships that contribute to business growth and awareness raising. She has proven ability to promote mandates and services to consumers within the corporate and non-profit sectors through market trend analysis and detailed research.</p> <p>She was an Executive Assistant to the Cabinet Secretary, Ministry of Labour and Social Protection and currently the Executive Assistant to the Cabinet Secretary, Ministry of National Treasury and Planning. She has held senior leadership positions such as Senior Manager, Advocacy and Communication at Commission on Administrative Justice (Office of the Ombudsman) and also was a Managing Director at Radio Salaam Limited, Mombasa, Kenya.</p>
 <p>Prof. Arch. Paul Mwangi Mwangi CBS Principal Secretary -State Department of infrastructure - Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works</p>	<p>Prof. Arc. Paul Mwangi Mwangi, born in 1959, and holds Bachelor of Architecture Degree University of Nairobi 1979-1986, Masters of Arts in Planning-Urban & Regional planning University of Nairobi 1989-1990; and Doctor of Philosophy- Environmental Planning, Jomo Kenyatta University of Agriculture and Technology 1999-2005.</p> <p>He is the Principal Secretary State Department of infrastructure -Ministry of Transport, Infrastructure, Housing & Urban Development and Public Works and was previous Principal Secretary, State Department of Public Works having been appointed in December 2015.</p> <p>Prof. Arc. Mwangi is a Founder Associate Professor of Architecture and Planning of the FAED, Senior Expert, Planning & Project Management and Technical Expert & Master Trainer in Building Construction & Infrastructural Planning & Development</p>
 <p>Eng. Stephen Kogi Alternate to Principal Secretary- State Department of infrastructure - Ministry of Transport , Infrastructure, Housing , Urban Development and Public Works</p>	<p>Eng. Stephen K Kogi was born in 1964 and is the alternate to the the Principal Secretary, State Department of Infrastructure department in the Ministry of Transport, Infrastructure, Housing and Urban Development and Public Works from June 2020. He is currently the Chief Engineer in charge of infrastructure quality standards and research in the Ministry</p> <p>He has extensive experience in professional and public administration, including strategic leadership and corporate governance gained from his training and responsibilities in the different programmes and mandates in government and as a graduate of Civil Engineering from the University of Nairobi and a Master's degree of Business Administration from Jomo Kenyatta University of Agriculture and Technology.</p> <p>He has previously coordinated the improvement of roads under various development partners and the development of policies including the design guidelines in support of the Government agenda for the improvement of over 10,000Km road network under the Low Volume Sealed Roads Programme</p> <p>He has been involved in various local and international forums and is the current President of the African Road and Transport Research Forum with a membership of the Sub Saharan African countries</p>



Mr. Julius Korir EBS
 Principal Secretary, Ministry of
 Devolution

Mr. Julius Korir, CBS, is the Principal Secretary, Ministry of Devolution. Prior to this appointment, he was the Principal Secretary in the State Department for Youth Affairs, Ministry of Information, Communication and Technology, Innovation and Youth Affairs.

Mr. Korir has also previously served as the Principal secretary in the State Department for Infrastructure, Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works, and in the Ministry of Health.

He was first appointed as a Principal Secretary on 18th December, 2015 to the State Department for Investment and Industry, Ministry of Industry, Trade and Cooperatives.

Mr. Korir has been instrumental in promoting improved livelihoods for the Youth by ensuring they have access to decent jobs, entrepreneurship and skills development and mentorship in addition to encouraging the youth to exploit their talents for economic gain.

His experience extends to managing Public/Private Partnership (PPP) initiatives, bringing together Public and Private Sector Stakeholders. His wealth of experience has seen him spearheading the Contractor Facilitated Road Development Mechanism. This entails Design-Finance-Build and Transfer PPP Framework of the Roads Annuity Programme.

He is keen on enterprise development and has vast experience in the fields of country promotion, particularly Foreign Direct Investment (FDI), exports and tourism with a view to enhancing economic growth in Kenya.

Mr. Korir has been involved in managing a large portfolio of Government and Development Partner Funded Projects that are spread throughout the Kenya.

Mr. Korir holds an MBA in International Business and a BSc. in Agricultural Economics



Mr. Bernard Suyianka
 Alternate to Principal Secretary
 Ministry of Devolution

Director Benard Suyianka was born in 1962 and is a holder of B.COM from Jabalpur University India and a Foundation Diploma in Purchasing and supplies from Kenya College of Communication & Technology.

He is currently Head of Supplies Chain Management System at the Ministry of Devolution States Department of Special Programs-

He has a wealth of experience in Supply Chain Management having worked in the public sector for over 22 years in various government ministries and department including State House.

He served the Board upto 8th December 2021



Mr. Kennedy Nyambati
 Alternate to Principal Secretary
 Ministry of Devolution

Director Kennedy Nyambati is a Director Capacity Building and Technical Assistance in the Ministry of Devolution. Director Nyambati was born in 1966 and hold a Bachelor of Arts (Sociology) from University of Nairobi and Master in Public Sector Management from the Africa University, Zimbabwe.

Director Nyambati well versed in Public Sector Management, Governance and Leadership; Public Policy Analysis; Performance Management; Programme & Project Management; Diplomacy & Negotiations; Strategic Planning & Management; Human Resource Management; Regional Cooperation & Integration; Devolution Affairs; Inter-Governmental Relations; Capacity Building & Technical Assistance.

He was appointed to the Board from 8th December 2021



Ms. Nelly Mbugua OGW
 Institution of Surveyors
 Of Kenya

Ms. Nelly Mbugua was born in 1968 and holds Bachelor of Arts in Land Economics from the University of Nairobi, Master of Science in Project Management, a post-graduate diploma with the Institution of Surveyors of Kenya and currently pursuing her Post Graduate studies. Nelly has worked for top real estate companies in Kenya among them: Lloyd Masika Ltd and Kenya Valuers & Estate Agents Ltd where she has held senior management positions. She has trained in Corporate Governance.

She is the Chairperson of Board Human Resource and Administration Committee. Ms. Nelly has vast experience in the real estate industry consultancy, with local and international Registration and licensing by the Valuers Registration Board (VRB) and the Royal Institution of Chartered Surveyors (RICS). Nelly is a full member of the Institution of Surveyors of Kenya (ISK) and has served the Institution as VEMS Chapter Chairperson and a member of the governing Council. Nelly is a registered estate agent and is the immediate past Chairperson of the Estate Agents Registration Board (EARB). As the Chairperson of EARB, Nelly worked tirelessly to improve professionalism and raise the profile of estate agency profession in Kenya. She is a Trustee of the Bible Society of Kenya (BSK), and a past Chairperson of the Board of BSK.

Ms. Nelly is a seasoned valuer, specializing in business and hospitality industry and oil and gas exploration valuation, as well sales, letting and property management. Ms Nelly is a director at Citiscap Valuers & Estate Agents Limited.



Prof. Lawrence Esho
 Kenya Institute of Planners

Prof. Lawrence Esho was born in 1970 and is a holder of Bachelor of Arts (BA) Sociology Kenyatta University (Kenya) 1995, Master of Architecture (M.Arch) Human Settlement from Catholic University of Leuven (Belgium) 2003, Masters of Arts (MA Planning University of Nairobi Kenya 1997, Doctor Of Engineering (Dr-Ing), Architecture/Spatial Planning From Catholic University of Leuven (Kul) (Belgium) 2008,

He is the Chairperson of the Board Audit Committee

He is trained in sociology, planning and human settlements. He has worked as a planner and an academic. He is Chairman, Department of Urban and Regional Planning at the Technical University of Kenya. Lawrence has researched various aspects of housing, transport and planning in the region and continues to collaborate in research with a number of institutions, including KU Leuven, HIS the Netherlands.



Eng. Yego Kiprutto Shadrack
 Institution of Engineers of Kenya

Eng. Shadrack was born in 1980 and he is registered with Engineers Board of Kenya as a professional engineer and a corporate member of the Institution of Engineers of Kenya (MIEK).

Eng. Shadrack holds Bachelor of Science degree in Civil engineering from University of Nairobi. He has over fifteen (15) years of experience in carrying out engineering feasibility studies, infrastructure assessments, preliminary and detailed studies and designs, contracts administration and construction supervision of engineering projects in the field of roads, dams, water and sanitation and buildings.

Eng Shadrack is the Chairperson of Board Finance committee and Board Technical Committee and has passion in giving back to the community and a champion of corporate governance and continues to hold leadership mantle in various private institutions. Eng Shadrack has a good and strong blend of the Government of Kenya systems, private sector and United Nations working environment. In addition, Eng Shadrack has experience working in similar projects in ASAL and hardship areas in Kenya, Tanzania, Burundi and Somalia.



Mr. Alvin Kibet Kirui MBS
Kenya Farmers Association

Mr Alvin Kirui was born in 1993 and holds a Bachelors of Business Information Technology Degree from Jomo Kenya University of Agriculture and Technology.

Mr. Alvin is a Member of the Micro and Small Enterprise Tribunal representing SME Sector under the Judiciary, whose mandate is settlement of commercial disputes. He is also a Lead Partner for Promitex. He is also a Founding Director of Tekelbei Water Foundation, a non state actor with a goal of providing water storage facilities for rural farmers, providing farmers with market information, and climate adaptive farming strategies. Mr Alvin also Chairs IMAP International Limited and Leads the East Sotik Co-operative Society.



Eng. Philemon K. Kandie MBS
Director General

Eng. Philemon Kandie was born in 1971 and is a registered engineer with Engineers Board of Kenya and a member of the Institution of Engineers of Kenya (MIEK).

Eng. Kandie holds BSc. Hons in Civil Engineering from Jomo Kenyatta University of Agriculture & Technology and Diploma in Transport Planning, Development & Management from Galilee Management Institute (Israel), Master of Science in Road Management & Engineering from the University of Birmingham in United Kingdom, He has been extensively trained in Management Infrastructure embracing Road Asset Management and has valuable experience in policy formulation, planning, design, construction and management of projects and programs gained from his working experience in Public Service for over 24 years.

He worked in the Ministry of Roads and Kenya National Highways Authority as Regional Manager in various stations and promoted to Regional Network Coordinator in headquarters. He is a Registered Professional Engineer with Engineers Board of Kenya and a Corporate Member of Institution of Engineers of Kenya.

Eng. Kandie holds leadership portfolios in and out of the Authority and a member of various committees amongst them, Road Sector Investment Plan, Review of Road Classification, Performance Based Contracts and Roads 2000 Strategy Implementation.

3. MANAGEMENT TEAM



Eng. Philemon K. Kandie MBS
P.Eng., BscHons, MIEK, MSc
Director General



Eng. Peter P. Gichohi
P.Eng., MSc BSc., MIEK, A(CIAB)
Director Road Asset Management.



CPA Dan Manyasi
MBA, BCom, CPA(K)
Director -Corporate Services



Eng. Jackson K. Magondu
P.Eng., M(IBL) BSc., MIEK, A(CI Arb-UK)
Director Development



Eng. Julius K. Gakubia
P.Eng., BSc., MIEK
Ag Director- Research, Strategy & Compliance



Eng. Enoch A. Kombo
P.Eng., MA(Planning), Bsc, MIEK
Director -Planning , Design & Environment



CPA Judith C. Chumo
Bcom, MBA, CPA(K), CISA, CIQA
Deputy Director - Internal Audit



Mr. Justin M. Rapando
LLM,LLB Msc,Dip(KSL),CPS(K),M(CI Arb)
Deputy Director - Legal Affairs



Ms. Catherine Kangangi
Msc(Proc.& Logistics), MKISM,MCIPS
**Ag. Deputy Director – Supply Chain
Management**

4. CHAIRMAN'S STATEMENT



It is my pleasure to present the Kenya Rural Roads Authority Financial Statements for the year ended 30th June 2022.

During the FY 2021/2022, the Authority remained committed to increase the road network under bitumen within its jurisdiction, improve maintenance and rehabilitation of the national trunk road network (Class C), develop road management plans and systems, enhance Service Delivery and enhance Corporate Governance. The Constitution of Kenya 2010 assigns the responsibility of managing National Trunk Roads to National Government and County Roads to County Governments. The scope of the Authority's Road network was revised via the Kenya Gazette Legislative Supplement No. 4 (Special Edition) of 22nd January 2016 and through a further reclassification on 8th May 2020. The Authority is currently managing 18,662 Km of national trunk road network (Class C) as vested by the Cabinet Secretary.

The accompanying financial statements have been drawn in accordance with the provisions of the International Public Sector Accounting Standards (IPSAS). Proper accounting and other records have been kept including records of all assets of the Authority whether purchased, donated or otherwise. The receipts, expenditure, investment of moneys and acquisition and disposal of assets during the financial year have been in accordance with the provisions of the Public Finance Management Act 2012, Public Procurement and Asset Disposal Act 2015 with their constituent regulations and requirements of any other written law applicable to moneys of or managed by the Authority.

The Board provided fiduciary oversight on all KeRRA road financing activities and operations guided by the Authority's Strategic Plan 2018 – 2022, which is aligned to the Third Medium Term Plan (2018-2022), Government's Big 4 Agenda, sustainable development goals among other road sector policies, presidential directives, circulars and executive orders.

Further, the Board guided on the improvement of internal business processes through Enterprise Resource Planning, positive work culture and quality service delivery which continues to bolster and enhance a positive corporate image for improved road user confidence and satisfaction. During the Financial Year, the audit, risk and governance Board committee together with the Finance Board Committee assisted the Board in fulfilling its oversight responsibilities by reviewing the financial information, systems of internal controls and audit processes.

I wish to extend my sincere appreciation to the various Committees of the Board and the Board of Directors for rising to the occasion, individually and severally for abiding to sound corporate governance principles and providing policy guidance to management with strict

adherence to policies and standard operating standards. I remain grateful to the Authority's Management and staff for their dedication and commitment in quality service delivery.



Prof. (Eng.) Oyuko Mbeche, EBS

Chairperson - Board of Directors

5. REPORT OF THE DIRECTOR GENERAL



Management is responsible for the preparation and presentation of true and fair financial statements in accordance with International Financial Reporting Standards; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

During the financial year, the Authority embarked on the development of the integrated road management system module in the Enterprise Resource Planning for effective project procurement, execution, reporting and closure.

Projects implemented under the Road Maintenance Levy Fund (RMLF) had an exemplary performance with 23,024Kms of roads routinely maintained against a target of 20,233Kms. Kenya is recovering from a recession after its economy contracted at 0.3% in year 2020 due to the covid-19 containment measures whose social distancing and travel ban had affected in great magnitude the labour intensive road construction and maintenance activities. During the financial year under review, the Authority excelled on many fronts and enhanced its positive corporate image despite the inherent inadequate financial challenges faced.

The Authority being an enabler to economic transformation continued to support the Government's Big 4 Agenda through provision of all weather road infrastructure to support affordable housing, manufacturing, food security and universal healthcare facilities. It is also a major contributor among other physical infrastructure players to facilitate the attainment of the Kenya Vision 2030 development blue print which espouses that by the year 2030 it will become impossible to refer to any region of our country as "remote".

This achievement can be attributed to the support, firm guidance and the positive direction given by the Board of Directors. Moreover, the dedication, innovation and commitment to duty by the Authority staff made it possible for Management to perform and achieve to the expectation of the Board and other stakeholders without difficult.

The Authority also counted on the critical and invaluable cooperation and support from our stakeholders, the Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works and The National Treasury and Planning for their distinguished role in helping us achieve our mandate through both policy and budgetary support. In addition, our appreciation goes to development partners (KfW, AfD, BADEA and EU) and related road agencies for their continued support.

A handwritten signature in blue ink, appearing to read "Philemon K. Kandie".

Eng. Philemon K. Kandie (MBS)
Director General

6. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

REVIEW OF PERFORMANCE FOR FY 2021/2022

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

Kenya Rural Roads Authority has various strategic pillars and objectives within its Strategic Plan for the FY 2018/2019- 2022/2023. The strategic pillar that relates to RMLF is as follows:

Key Result Area	Performance Target	Planned Activities/Outcome	Outputs 2021-2022
Strategic Objective 1: To increase the national secondary trunk road network under bitumen			
1. Roads Maintained under (RMLF)-Routine	<ul style="list-style-type: none"> To Maintain 20,233.km of rural road network 	<ul style="list-style-type: none"> Maintain roads to support accessibility to all production, market and social centers for enhanced economic growth 	<ul style="list-style-type: none"> 23,024 km
2. Roads Maintained (RMLF)-Periodic	<ul style="list-style-type: none"> To Maintain 98.2 km of rural road network. 	<ul style="list-style-type: none"> Maintain the current service potential of the road network. 	<ul style="list-style-type: none"> 98.2 km

7. CORPORATE GOVERNANCE STATEMENT

The Board emphasizes on principles of good Corporate Governance in the discharge of its mandate. The positions of chairman and Chief Executive are held by different persons. The Director General is the Secretary to the Board and works closely with the Board to ensure that the Board discharges its mandate. The Board has 4 committees through which it discharges its mandate. The Board undertakes Board evaluation every year. The Board provides oversight to management who are responsible for the day to day running of the organization. The Board and management have been trained on the Mwongozo Code of Corporate Governance for State Corporations.

Organization structure of the Authority

The Kenya Rural Roads Authority is governed by a Board of Directors as per Kenya Roads Act 2007. The day to day management of the Authority is carried out by the Director General who is also secretary to the board. The Authority carries its mandate through the following Directorates.

- a) Directorate of Development
- b) Directorate of Research, Strategy & Compliance
- c) Directorate of Road Asset Management
- d) Directorate of Planning, Design and Environment
- e) Directorate of Corporate Services
- f) Directorate Audit Services
- g) Corporation Secretary/ Legal Affairs Department
- h) Supply Chain Management Department

Appointments to the Board

Appointments to the Board are carried out pursuant to section 8 of the Kenya Roads Act 2007. The Chairman of the Board is appointed by the President of the Republic of Kenya. Members of the Board are appointed by the Cabinet Secretary, Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works, on recommendation of the various nominating institutions provided for under the Kenya Roads Act 2007.

Board Organization and structure

The composition of the Board is as per the provisions of Section 8 of the Kenya Roads Act 2007. The Board is composed of representatives of relevant Government Ministries and private sector as represented by the various nominating bodies and is independent of management. The Board has set up Four standing committees to enable it discharge its oversight role.

The role of the Board

The role of the Board is to provide oversight to the management activities in the management of the Authority's affairs. The Board also provides strategic direction to management in the running of the Authority's affairs.

Activities of the Board

It is the responsibility of the Chairman and the Secretary to work closely together in planning the annual program and agendas for meetings. The Board is required to meet at least four times a year and the meetings are structured to allow open discussion. All substantive agenda items have comprehensive briefing papers, which are circulated well in advance.

In addition to regular Board meetings, there are a number of other meetings to deal with specific matters. When directors are unable to attend a meeting, they are advised of the matters to be discussed and given an opportunity to make their views known to the Chairman or the Director General prior to or after the meeting.

During the period under consideration, the Board had various meetings to deliberate on issues affecting the Authority. The Board also made several site visits to inspect various projects being undertaken by the Authority. An evaluation of the Board was also carried out during the period.

Board Effectiveness

The Board is sufficiently independent of management and performs its functions in a way to enhance Board effectiveness. To further enhance effectiveness, the directors have been trained on various issues on Corporate Governance and Mwogozo code of conduct.

Board Committees

In line with the provisions of the Kenya Roads Act 2007, the Board established four Standing Committees. These are Board Finance Committee, Board Human Resources Committee, Board Audit, Risk & Governance Committee and Board Technical Committee. The committees are provided with all necessary resources to enable them to undertake their duties in an effective manner.

Audit, Risk & Governance Committee

The Board Audit Committee was established in accordance with the provisions of Treasury Circular No 16. of 25. The Board receives reports from the Audit Committee. The Internal Audit function reports directly to the Board Audit Committee and is independent of management operations.

Finance Committee

The committee meets on Quarterly basis. The committee assists the Board in its oversight role of the Authority relating to Authority's finance matters. This is as per the committees Terms of Reference.

Board Human Resource Committee

The committee assists the Board in its oversight role of the Authority relating to Authority's human resource matters. This is as per the committees Terms of Reference.

Board Technical Committee

The committee assists the Board in its oversight role of the Authority's function relating to the technical issues relating to the Authority's mandate. This is in terms of the design, construction and maintenance of roads under the Authority's mandate.



DIRECTOR

8. MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A

The entity's operational and financial performance

The National Government's commitment continues to be seen through the improved budgetary allocation to the road sector. In the Period under review, the Authority received a total of 27.5 Billion against a budget allocation 27.8Billion

SECTION B

Entity's compliance with statutory requirements

The Authority has complied with all statutory requirements externally imposed throughout the Period. There are no major noncompliance issues that may expose the authority to potential contingent liabilities.

SECTION C

Key projects and investment decisions the entity is planning/implementing

The Authority has a cumulative road network of 20,854 that requires regular maintenance. RMLF fund has been the main source of maintain fund for the Authority.

SECTION D

Major risks facing the entity

The major risks that the authority is exposed to are reported on the note 26 of this report

SECTION E

Material arrears in statutory/financial obligations

The Authority is not in arrears in the payment of statutory obligations.

SECTION F

The entity's financial probity and serious governance issues

There have been no reports of financial improbity by the internal audit, external audit nor Other Government agencies.

9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

i) Sustainability strategy and profile

A broad Political, Economic, Social, Technological, Environmental and Legal (PESTEL) scan was undertaken with a view to describing the circumstances under which the Authority operates so as to be able to appreciate the factors that will either support or impede the process of implementing the Strategic Plan.

Factor	Strategic implication	Strategic Response
Political Factors		
1. Political Interference	<ul style="list-style-type: none"> • Interference with project planning and implementation • Cost inflation due variation 	<ul style="list-style-type: none"> • Adherence to project implementation guidelines • Public participation • Adherence to Annual Road Works Program (ARWP)
2. Funding to the Authority affected by political dynamics	<ul style="list-style-type: none"> • Low funding level in comparison to increased demand for better roads • Additional funding 	<ul style="list-style-type: none"> • Lobby parliament and cabinet • Stakeholder engagement
3. Multiplicity of players in policy development	<ul style="list-style-type: none"> • Interference with policy implementation • Conflicting directives leading to risk of non-compliance 	<ul style="list-style-type: none"> • Lobby parliament and cabinet • Stakeholder engagement
4. Weak institutional leadership •	<ul style="list-style-type: none"> • Interference with institutional governance • Partial or total Non-adherence to policies and guidelines. 	<ul style="list-style-type: none"> • Uphold Corporate governance guidelines • Develop assertive leadership • Capacity building
5. Prolonged political activity	<ul style="list-style-type: none"> • Interference with project implementation • Gaps in leadership and direction 	<ul style="list-style-type: none"> • Adherence to project implementation guidelines • Engagement with relevant stakeholders
Economic Factors		
1. Lack of adequate funds	<ul style="list-style-type: none"> • Maintenance backlog (increased road asset deterioration) • High vehicle operating costs • High road user costs • Reduced network improvement • High cost of interest payments 	<ul style="list-style-type: none"> • Increase RMLF allocations • Lobby for enhanced external funding • Explore alternative options of funding • Increased collaboration with external partners
2. Fiscal and Monetary Policies	<ul style="list-style-type: none"> • High taxation • Inflation 	<ul style="list-style-type: none"> • Monitoring and review of policies and strategies • Macroeconomic stability

Factor	Strategic implication	Strategic Response
	<ul style="list-style-type: none"> High cost of fuel and road works materials Limitations to line budgetary items 	<ul style="list-style-type: none"> Adaptation to changes in fiscal policy
3.Regional economic disparities	<ul style="list-style-type: none"> Discrepancies in economic empowerment among counties (Marginalized areas) Skewed regional competitive advantage. 	<ul style="list-style-type: none"> Increased Equalization fund Increased Equitable 10% RMLF Standardization and harmonization
Social Factors		
1.Road Reserve Encroachment	<ul style="list-style-type: none"> Increased accidents Loss of livelihoods Increased project costs Hostility Interference with project implementation 	<ul style="list-style-type: none"> Road reserve demarcation Public sensitization Stakeholder engagement
2.Poor adherence to axle load limits	<ul style="list-style-type: none"> Costly maintenance of roads Reduced road lifespan 	<ul style="list-style-type: none"> Public sensitization Enforcement of axle load limits Periodic road design reviews Stakeholder engagement
3.Meeting Societal Expectations	<ul style="list-style-type: none"> Formulation and review of ARWP Formulation and review of Corporate Social Responsibility (CSR) work plan 	<ul style="list-style-type: none"> Effectively manage expectations Public sensitization Engagement with stakeholders Upholding organizational core values
Technological Factors		
1.Automation and information security	<ul style="list-style-type: none"> High investment in ICT systems and infrastructure Effective information security management Enhanced efficiency and operational interconnectivity 	<ul style="list-style-type: none"> Develop suitable ERPs Develop and implement information security strategies Implement ISMS
2.Emerging technologies in road construction and ICT	<ul style="list-style-type: none"> Incorporate usage of locally available materials and labour High cost of transition Need for matching staff knowledge and exposure with technology 	<ul style="list-style-type: none"> Adaptation of technology and road construction concepts to emerging trends including R2000 & R10,000 Monitor obsolescence of technology and approaches Frequent updates Plan for future technological improvements Capacity building

Factor	Strategic implication	Strategic Response
Ecological factors/Environmental		
1. Adverse weather conditions (floods, mudslides, prolonged rainfall and draught)	<ul style="list-style-type: none"> • Partial or total cut-off of the road network • Increased frequency and costs of road and maintenance and rehabilitation work • Delay in execution of projects in adverse weather and Cost overruns • Availability of manpower 	<ul style="list-style-type: none"> • Develop and implement annual disaster mitigation and management strategy • Enhance works insurance to cover adverse weather
2. Availability of natural road construction material	<ul style="list-style-type: none"> • Depletion of natural resources • High construction costs • Damage to economically productive lands 	<ul style="list-style-type: none"> • Research on alternative road construction material • Embrace viable emerging technologies

ii) Environmental Performance

KeRRA acknowledges that its various operations have potential impacts on the environment. It is therefore the Authority's commitment to conserve natural resources, maximize eco-efficiency, reduce waste and climate change impacts, and prevent pollution throughout its operations.

The Authority has an Environmental Planning and Management Policy which was formulated to conform to the prevailing Government strategies as highlighted in the National Environment Policy. In accordance with the Policy, the Performance Contracting guidelines and the requirements of the Environmental Management and Coordination Act, the Authority implemented the following activities during the 2020/2021 financial year: -

Measures to mitigate against water, air, noise and other forms of pollution

Environmental Impact Assessment (EIA) Licenses were issued by NEMA for 59 Road Projects. Moreover, the Authority has continued to monitor compliance to the Environmental & Social Management Plans and EIA Licenses conditions for the various projects under implementation, and corrective measures have been employed whenever a non-conformity is noted.

Promoting Environmental Protection and Conservation through Stakeholder Partnerships

The Authority sponsored and participated in the World Environment Day (WED) National Commemoration held on 5th June, 2021 in Garissa County. Further, the Authority entered into a Tree Planting partnership with Equity Group.

Tree Planting Initiatives

25,000 No. Trees were planted in various regions with over 20,000 being in the Coast region. The above initiatives are aimed at enhancing the Authority's efforts to manage biodiversity, ensure sustainable waste management and in the long run minimize the institution's environmental footprint. Nevertheless, like all other sectors and institutions, the Authority did not achieve its full potential towards environmental sustainability as a result of the Covid-19 pandemic. The Authority will ensure that the journey towards economic recovery will consider actions that are environmentally sustainable.

iii) Employee welfare

The Authority has a staff pool of 598 staff members stationed both at the Head office and the 47 regional offices. Whilst the Authority recruits competent personnel, it endeavors to continuously improve and develop internal capacity through training of staff internal staff promotion, recruitment of technical staff, supporting staff membership to professional bodies and ensuring staff have resources necessary for execution of works within the financial constraints.

To reduce the work around time in operational processes, the department has mapped and automated processes in various functional areas through the Enterprise Resource Planning (ERP) System.

The Human Resource Management Policies

These define the relationship between the Authority and its employees on a wide range of issues. They are regularly updated to ensure relevance to the workplace dynamics. Among the policies include: -

(a) Human Resource Policy and Procedures Manual

It is intended to inform staff and guide on the operations of the Authority on the day-to-day aspects at work. It is aimed at ensuring consistency in Human Resource Management practices in the workplace.

(b) KeRRA Organization Structure and Staff Establishment

This is a formal outline of the managerial reporting relationships and information flows within the Authority. It identifies each job, its function and where it reports to within the organization. It outlines how certain activities are directed in order to achieve the goals of an organization

(c) Career Progression Guidelines

The Career Progression Guidelines is a well-defined career structure which establishes distinct levels of responsibilities in the grading structure and it is a guide on the competencies required at each level that inform recruitment, promotion, training and development and performance management.

The overall goal of the Authority's Performance Management System is to measure employee performance and ultimately the achievement of intended results for the organization. An important aspect in the performance management is the Staff Performance Appraisal system (SPAS) which is predicated upon the principle of work planning, setting of agreed performance targets, feedback and reporting. It is linked to other human resource systems and processes including employee development, career progression, placement, rewards and sanctions.

iv) Market place practices-

Anti-corruption- Contractor have declaration forms in tender documents and the evaluation committees also sign declaration forms on conflict of interest.

The authority through the Constituency Roads Committees (CRC) in the various regional offices engages the various stakeholders in prioritization of maintenance roads.

The Authority through its procurement department uses the most preferred procurement method based on service and goods being procured. Open Notational tenders is used encourage competition among suppliers. The bidders are debriefed on how they faired during the tendering process and notification to all participating bidders indicating the successful bidders.

The Authority trains is suppliers on what is expected of them in terms of the bidding process, ethical behavior and confidentiality of information. Special groups have also been allocated tenders.

v) Community Engagements-

The Authority allocated **Ksh5 million** towards Corporate Social Responsibility Programmes for FY2021/2022. In the reporting period, the Authority received a high number of requests for support from various quarters. It is noteworthy that the Authority initiated and participated in new projects in

the reporting period such as the support towards Kenyatta National Hospital Children's Wing and the Don Bosco Home & Schools donation.

The Authority's CSR further benefitted through collaboration with key stakeholders like the State Department of Infrastructure and supportive Contractors who enabled the fulfillment of projects requiring significant funding such as construction of buildings.

Below is a tabulation of all CSR activities carried out in the FY2021-2022.

Table I: Programmes Funded Directly through the Operational Budgetary Allocations

No.	PROJECT NAME	PARTICIPANTS/ SCOPE	DETAILS	LOCATION	DATE	AMOUNT (Ksh) /VALUE
1.	Eldama Ravine Half Marathon	KeRRA and Other Agencies supporting the Programme	<ul style="list-style-type: none"> Sponsorship fee 	Eldama Ravine, Baringo County	October, 2021	922,400
2.	Annual Day for Remembrance of Road Accident Victims	KeRRA, NTSA, and religious groups	<ul style="list-style-type: none"> Remembrance of victims of road accidents and awareness on the same in liaison with NTSA 	Nairobi County	November, 2021	150,000
3.	Engineering Students Association annual conference	KeRRA, Government Agencies and Student Bodies	<ul style="list-style-type: none"> Conference for Associates of Engineering Students in Kenya 	Nairobi	March, 2022	500,000
4.	AIC Githumu Mission Hospital	KeRRA Staff,	<ul style="list-style-type: none"> Request for financial assistance to attend to patients' needs Donations included beds and mattress 	Muranga County	March, 2022	498,600
5.	Nyeri Hospice Charity Golf Tournament	KeRRA Staff, Regional Office, Associated Agencies	<ul style="list-style-type: none"> Charity event towards supporting the Hospice 	Nyeri County	March, 2022	294,800
6.	Kenyatta National Hospital	KeRRA Staff	<ul style="list-style-type: none"> Adopt a Bed at KNH To assist in the Children's Wing Project 	Nairobi County	March, 2022	910,000

*Kenya Rural Roads Authority
Annual Financial Statements for Road Maintenance Levy Fund
For the year ended June 30, 2022.*

7.	Don Bosco Home and Schools	KeRRA Staff	<ul style="list-style-type: none"> • Purchase of dry foodstuff, stationery, and sports items 	Nairobi County	May, 2022	600,000
8.	Springs of Hope Street Children facility	KeRRA Staff	<ul style="list-style-type: none"> • Purchase of dry foods stuffs, and educational materials 	Nairobi County	May, 2022	200,000
9.	Mater Heart Run	KeRRA, the Public, and other Agencies supporting the cause	<ul style="list-style-type: none"> • Catholic Mission in support of Children with heart defects 	Nairobi County	June, 2022	500,000
10.	Hospitality and Tourism Sports Organization	KeRRA staff and HOTOSO teams	<ul style="list-style-type: none"> • HOTOSO launch 	Nairobi County	June, 2022	90,600
Total						4,666,400

10. REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements for the year ended 30th June 2022, in accordance with the provisions of section of the 38 of Kenya Roads Act 2007 which disclose the state of affairs of the Authority.

Principal activities

The principal activity of the authority is the management, development, rehabilitation and maintenance of the Rural Road Network in Kenya classified as C and others.

Results

The results for the Authority for the year ended 30 June 2022 are set out on page 29.

Directors

The directors who held office during the year and to the date of this report are set out on page 3-7.

Auditors

The Auditor General is responsible for the statutory audit of the Authority's books of account in accordance with the provisions of Article 229 of the Constitution of Kenya, Kenya Roads Act 2007 and the Public Audit Act, 2015

By order of the board

Name : Eng. Philemon Kandie Signature  Date. 27/09/2022

Corporate Secretary/Secretary to the Board

11. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, require the Directors to prepare financial statements in respect of that 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, 2022. 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.
- (vi) Making accounting estimates that are reasonable in the circumstances.


The Directors accept responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the State Corporations Act. The Directors are of the opinion that the Authority's financial statements give a true and fair view of the state of Authority's transactions during the financial year ended June 30, 2022, 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 as a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

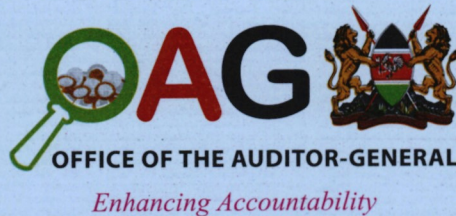
The Authority's financial statements were approved by the Board on 27th September, 2022 and signed on its behalf by:

Signature: 
Name: **Eng. Philemon K. Kandie MBS**
Director General

Signature 
Name: **Prof.(Eng) Oyuko Mbeche EBS**
Chairperson of the Board

REPUBLIC OF KENYA

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HEADQUARTERS
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON ROAD MAINTENANCE LEVY FUND FOR THE YEAR ENDED 30 JUNE, 2022 - KENYA RURAL ROADS AUTHORITY

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 the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Road Maintenance Levy Fund set out on pages 29 to 47, which comprise of the statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual

Report of the Auditor-General on Road Maintenance Levy Fund for the year ended 30 June, 2022 - Kenya Rural Roads Authority

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, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Road Maintenance Levy Fund as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Kenya Roads Act, 2007.

Basis for Qualified Opinion

Inadequate Details in the Ledgers

The statement of financial performance and Note 4 to the financial statements reflects Kshs.23,295,330,000 in respect of road works expenditure. Included in this amount is 10% Road Maintenance Levy Fund (RMLF) critical link roads expenditure of Kshs.3,994,932,000. However, the general ledger provided for audit review, revealed that payments totalling to Kshs.533,300,491 under various codes had no system description of the payee. Similarly, the road works expenditure of Kshs.23,295,330,000 includes an amount of Kshs.7,950,000,000 being 22% RMLF Constituency Roads Fund. The latter balance includes various payments totalling to Kshs.951,756,566 which had no system description showing details of the payments.

In the circumstances, the accuracy and completeness of payments totalling to Kshs.1,485,057,057 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Road Maintenance Levy 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 qualified 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.

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised. However, the Management has not resolved the issues or given explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Anomalies Noted During Projects Inspections

Physical inspection of 20 projects with a total contract sum of Kshs.76,384,259 carried out in the month of February, 2023 revealed various anomalies as highlighted in **Appendix I** attached.

In the circumstances, the projects may not have been executed as scheduled which negatively impact realization of value for money to the public.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material

misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the 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.

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of

the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.


Because of its inherent limitations, internal 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 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 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

29 May, 2023

Appendix I - Road Projects Inspections

S/No.	Project Name	Location	Contract No.	Contract Amount (Kshs.)	Audit Observations
1.	Galu Neptune Road (C41508)	Kwale	KERRA/011/ KWL/39/065/ 2021-2022	3,473,440	<ul style="list-style-type: none"> Power pole erected in the middle of the road Buildings constructed at some sections of the road Road 100% complete but no road signage
2.	Yemula-Kavumbu Road(C469)	Makueni	KERRA/011/ MKN/039/045 /2021-2022	2,774,952	<ul style="list-style-type: none"> Poor filing of documents No road signage
3.	Kwa Matungu Kililli Road (C469)	Makueni	KERRA/011/ MKN/39/043/ 2020-2021	2,594,572	<ul style="list-style-type: none"> Road 100% complete but no road signage
4.	Jibana Kidutani Road (C238)	Kilifi	KERRA/08/ KLF/39/72/ 2020-2021	2,914,036	<ul style="list-style-type: none"> Road 100% complete but no road signage
5.	Kizingo-Mwarakaya Road (C238)	Kilifi	KERRA/011/ KLF/39/086/ 2020-2021	3,140,804	<ul style="list-style-type: none"> Road 100% complete but no road signage
6.	Mtwapa-Bomani Road (C234)	Kilifi	KERRA/011/ KLF/39/025/ 2020-2021	3,522,258	<ul style="list-style-type: none"> Road 100% complete but no road signage
7.	Kilili-Matiliku Road (C41508)	Makueni	KERRA/011/ MKN/39/065/ 2021-2022	9,546,800	<ul style="list-style-type: none"> Road 100% complete but no road signage
8.	Rukanga Maungu Road	Taita Taveta	KERRA/08/ TTVT/39/033/2 021-2022	5,133,584	<ul style="list-style-type: none"> Road 100% complete but no road signage
9.	Migori-Nyikendo (C738)	Migori	KERRA/011/ MIG/SE/10%/ 2-50/21/22- 035	2,974,147	<ul style="list-style-type: none"> Residents had encroached on the road Blocked drainages
10.	Mirunga-River Remo	Migori	KERRA/011/ MIG/UR/22%/ 2-50/21-049	2,700,410	<ul style="list-style-type: none"> Some sections of the road were badly damaged
11.	Kojea-Rabuor(738)	Migori	KERRA011/M IG/10%CS/2- 30-20/2-287	4,600,096	<ul style="list-style-type: none"> Some sections of the road were badly damaged Some culverts were partially or fully blocked
12.	Oyani-Mirunga (C738)	Migori	KERRA/011/ MIG/UR/10%/ 2-50/21-22- 058	3,512,732	<ul style="list-style-type: none"> Some sections of the road were damaged.

S/No.	Project Name	Location	Contract No.	Contract Amount (Kshs.)	Audit Observations
13.	Rapongi-Andingo (C727)	Migori	KERRA/0111/MIG/22%/2-50-21-049	2,789,249	<ul style="list-style-type: none"> • Sign board missing • Some culverts were partially or fully blocked
14.	Andingo-Awendo	Migori	KERRA/0111/MIG/URI/22%/2-50-21/22-050	2,768,572	<ul style="list-style-type: none"> • Sign board missing • Some culverts were partially or fully blocked
15.	Kahuho-Mahiga Meri (F2079)	Muranga		2,252,633	<ul style="list-style-type: none"> • No road signage
16.	P1280 SOUTH C – Highway Estate	Nairobi	KeRRA/015/NRB/008/39/058/22%/2021-2022	6,325,654	<ul style="list-style-type: none"> • Water from houses within the estate was draining on the cabros
17.	TM-Ntumbiri-Kamuketha-barrier (G410168)			3,498,513	<ul style="list-style-type: none"> • Grading, murraming and bush clearing completed but no road signage
18.	JNC A8-Medihealheal Hyrax (C738)	Nakuru Town West	KERRA/08/NKU/039/10%CS/270/21/22 (078996)	2,259,201	<ul style="list-style-type: none"> • No drainage system • Publicity sign board for identification of road and type of funding not erected
19.	Shekina Academy	Nakuru Town West	KERRA/08/NKU/10%CS/150/21/22 (078978)	4,961,444	<ul style="list-style-type: none"> • No good drainage system • Publicity sign boards for identification of the road and type of funding missing • Wear and tear on the gravel on the upper layer
20.	Gioto Hilton Access Road	Nakuru Town West	KERRA/08/NKU/10%CS/150/21/22 (078978)	4,641,160	<ul style="list-style-type: none"> • No drainage system • Publicity sign boards for identification of road and type of funding missing • No edge sloping hence water crossed over the road washing away the gravel
	Total			76,384,259	

Kenya Rural Roads Authority
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For the year ended June 30, 2022.


13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2022


		2021-2022	2020-2021
		Jun-22	Jun-21
	Note	Shs'000	Shs'000
REVENUE			
Revenue from Non Exchange Transactions			
Road Maintenance Levy Fund	3	27,725,667	22,115,430
Total Revenue		<u>27,725,667</u>	<u>22,115,430</u>
EXPENDITURE			
Road Works costs	4	23,295,330	19,098,707
Transfers to Operations	5	3,510,716	4,150,637
Total Expenditure		<u>26,806,046</u>	<u>23,249,344</u>
Operating Surplus /deficit for the year		<u>919,620</u>	<u>(1,133,914)</u>

The notes on pages 34 to 48 form an integral part of these Financial Statements.

The Financial Statements set out on pages 29 to 48 were signed on behalf of the Board of Directors by:


Director Corporate Services
 CPA Dan Manyasi
 ICPAK M. No:6407
 Date... 27/09/2022


Director General
 Eng. Philemon Kandie MBS
 Date 27/09/2022...


Director
 Date... 27/09/2022

Kenya Rural Roads Authority
Annual Financial Statements for Road Maintenance Levy Fund
For the year ended June 30, 2022.


14. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2022

		2021-2022	2020-2021
	Note	Jun-22 Shs'000	Jun-21 Shs'000
ASSETS			
Current Assets			
Cash and cash equivalents	6	22,148,716	20,827,705
Receivables	7a)	990,665	1,010,000
Total Assets		<u>23,139,381</u>	<u>21,837,705</u>
Total Assets		<u>23,139,381</u>	<u>21,837,705</u>
LIABILITIES			
Current liabilities			
Contracts Payable	7b)	606,071	224,015
		<u>606,071</u>	<u>224,015</u>
Non Current Liabilities			
Non Current Payables		-	-
		<u>-</u>	<u>-</u>
Total Liabilities		<u>606,071</u>	<u>224,015</u>
Net Assets		<u><u>22,533,310</u></u>	<u><u>21,613,690</u></u>
REPRESENTED BY:			
Accumulated(Deficit)/ Surplus	SCNA	<u>22,533,310</u>	<u>21,613,690</u>
Total Net Assets and Liabilities		<u><u>22,533,310</u></u>	<u><u>21,613,690</u></u>

The notes on pages 34 to 48 form an integral part of these Financial Statements.

The Financial Statements on pages 29 to 48 were approved by the Board of Directors and signed on its behalf by:


Director Corporate Services
 CPA Dan Manyasi
 ICPAK M. No:6407
 Date 27/09/2022


Director General
 Eng. Philemon Kandie MBS
 Date 27/09/2022


Director
 Date 27/09/2022

15.STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30TH JUNE 2022

	Note	Accumulated Surplus	Total
		Shs'000	Shs'000
At 30th June 2021		<u>21,613,690</u>	<u>-</u>
At 1st July 2021		21,613,690	21,613,690
Funds received during the year		-	-
Surplus for the Period		<u>919,620</u>	<u>919,620</u>
At 30th June 2022		<u>22,533,310</u>	<u>22,533,310</u>

The notes on pages 34 to 48 form an integral part of these Financial Statements.

Kenya Rural Roads Authority
Annual Financial Statements for Road Maintenance Levy Fund
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16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2022

	2021-2022	2020-2021
	Jun-22	Jun-21
	Shs'000	Shs'000
Cash flows from operating activities		
Surplus/(Deficit) for the year	919,620	(1,133,914)
<i>Adjustments for:</i>		
<i>Prior Year adjustment</i>		
Depreciation of property, plant and equipment/Revaluation		
Finance Income	-	-
Changes in operating assets and liabilities		
(Decrease)/Increase in Receivables	19,335	(1,010,000)
(Decrease)/Increase in Payables:		
Contracts Payable	382,056	224,015
Certificates Payable	-	-
Other Payables	-	-
	-	-
<i>Net cash from operating activities</i>	<u>1,321,011</u>	<u>(1,919,899)</u>
Cash flows from investing activities		
Interest Income		
	-	-
<i>Net cash used in investing activities</i>	<u>-</u>	<u>-</u>
Cash flows from Financing activities		
Surplus /(deficit) for the Period	-	22,747,604
Cancelled Contracts(Prior Period)	-	-
<i>Net cash used from investing activities</i>	<u>-</u>	<u>22,747,604</u>
Net increase in cash and cash equivalents	1,321,011	20,827,705
Cash and cash equivalents at start of year	<u>20,827,705</u>	<u>-</u>
Cash and cash equivalents at end of year	<u>22,148,716</u>	<u>20,827,705</u>

The notes on pages 34 to 48 form an integral part of these Financial Statements.
The Financial Statements on pages 29 to 48 were approved by the Board of Directors and signed on its behalf by:

Kenya Rural Roads Authority
Annual Financial Statements for Road Maintenance Levy Fund
For the year ended June 30, 2022.

17.STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2022

	Original Budget	Adjustments	Final Budget	Actual on comparison Basis	Performance Difference	
Annual Report and Financial Statements	2021-2022		2021-2022	2021-2022	2021-2022	
Revenue	Note	Shs'000	Shs'000	Shs'000	Shs'000	
Road Maintenance Levy Fund		23,069,546	6,350,000	29,419,546	27,725,667	1,693,879
Total Revenue		<u>23,069,546</u>	<u>6,350,000</u>	<u>29,419,546</u>	<u>27,725,667</u>	<u>1,693,879</u>
EXPENDITURE						
Road Works Costs-Maintenance		18,699,314		18,699,314	23,295,330	(4,596,016)
Transfer Operations				4,150,603	3,510,716	
Total Expenditure		<u>18,699,314</u>	<u>-</u>	<u>22,849,917</u>	<u>26,806,046</u>	<u>(4,596,016)</u>
Operating Surplus for the year		<u>4,370,231</u>	<u>6,350,000</u>	<u>6,569,629</u>	<u>919,620</u>	<u>6,289,895</u>

18. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

The RMLF 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 Fund. 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 indirect method. The Financial Statements are prepared on accrual basis.

2. Adoption of new and revised standards

a) New and amended standards and interpretations in issue effective in the year ended 30th June 2022

IPSASB deferred the application date of standards from 1st January 2022 owing to covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023.

**Kenya Rural Roads Authority
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For the year ended June 30, 2022.**

b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022

Standard/ Amendments: Applicable: 1 st January 2022:	Impact
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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<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> <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.

Kenya Rural Roads Authority
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Standard	Effective date and impact:
<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 2022:</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. 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>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>
	<p>Applicable 1st January 2025</p> <p>The Standard requires,</p>

**Kenya Rural Roads Authority
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Standard	Effective date and impact:
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.

Kenya Rural Roads Authority
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For the year ended June 30, 2022.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Early adoption of standards

The entity did not early – adopt any new or amended standards in Financial Year 2021/2022.

3. Revenue Recognition

i) Revenue from Non-Exchange Transactions

Transfers from Other Government Entities/ Transfer of RMLF from KRB

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 entity and can be measured reliably. In particular, revenue from non- exchange transactions relates to the transfer of funds from KRB to RMLF for the Road Authorities.

	2021-2022	2020-2021
	12 Months	12 Months
	Shs'000	Shs'000
3. Road Maintenance Levy Fund		
10% Critical Links Roads	3,329,411	3,028,979
10% Special allocation	13,534,796	8,360,833
22% Constituency Roads Fund	7,350,743	6,574,981
RMLF Operations	3,510,716	4,150,637
Total Road Maintenance Levy	<u>27,725,667</u>	<u>22,115,430</u>

ii) Revenue from exchange transactions (Finance income (from RMLF funds))

Finance income (from RMLF funds) is accrued using the effective yield method. Finance income (from RMLF funds) is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine finance income (from RMLF funds) each period.

This relates to interests earned on the RMLF Accounts as held in Commercial Banks. Finance income (from RMLF funds) is reported at gross as received in the bank statement of the Road Authority.

4. Certified Works

Certified works are recognized when the works can be measured reliably and/ or when certificates of work done are received by the Road Authority.

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For the year ended June 30, 2022.

	2021-2022	2020-2021
	Jun-22	Jun-21
	Shs'000	Shs'000
4. Road Works Expenditure		
RMLF 10%-Critical Link Roads	3,994,932	3,931,129
RMLF 22%-Constituency Roads Fund	7,950,824	7,050,037
RMLF 10%-Special Allocation	11,349,574	8,117,540
Total Road Works Expenses	<u>23,295,330</u>	<u>19,098,707</u>

Roadwork Commitments

Roadwork commitments arise from contracts entered into with contractors for road maintenance and development. These commitments are disclosed in notes of these financial statements.

5. Transfers to Operations

This relates to 5.5% of the RMLF amount allowable for use by the Road Authority for operational activities. Operating expenses are expenses incurred by the Road Authority in the normal day to day operation of the RMLF. This amount is determined by KRB based on projected revenue collections from RMLF.

6. Cash and cash equivalents

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

	2021-2022	2020-2021
	Jun-22	Jun-21
	Shs'000	Shs'000
Cash and Cash equivalents		
These represent cash held at various banks, as follows:		
Cash in hand and Bank	12,198,716	13,966,864
Staff mortgage Fund		
Fixed term deposits	9,950,000	6,860,842
Total Cash and Cash equivalents	<u>22,148,716</u>	<u>20,827,705</u>

Kenya Rural Roads Authority
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7. Financial instruments

a) 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.

Impairment of financial assets

The Entity 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)

For the purposes of this financial statement, receivables will include:

- (i) **GoK Receivables:** Relates to RMLF that is receivable or refundable by GoK (RMLF that is utilized for development purpose by the Road Authority and is therefore refundable by the GoK)

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For the year ended June 30, 2022.

- (ii) **Receivable from KRB:** Relates to RMLF amounts yet to be disbursed by KRB to the Road Authority.
- (iii) **Advances to Contractors:** Relates to recoverable advances made by a Road Authority to the Contractor

	2021-2022	2020-2021
	12 Months	12 Months
	Jun-22	Jun-21
	Shs'000	Shs'000
Receivables		
Receivables from Exchange transactions		
Contractors advances	-	-
Total Receivables from Exchange transactions	<u>-</u>	<u>-</u>
Receivables from Non Exchange transactions		
Other Receivables(Accrued Income)	990,665	1,010,000
Total Receivables from Non Exchange transactions	<u>990,665</u>	<u>1,010,000</u>
Total receivables	<u>990,665</u>	<u>1,010,000</u>

b) 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 Entity 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.

For the purposes of this financial statement, payables will include:

- (i) **Certificate Payables:** Relates to amounts owed to Contractors with respect to road maintenance, rehabilitation and development arising from certified works. When a

Kenya Rural Roads Authority
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For the year ended June 30, 2022.

certificate of work is raised by the contractor, the Road Authority will debit contract payable and credit certificate payable. When the actual payment is done based of the raised certificates, the Road Authority will debit the Certificate Payables and credit RMLF Bank

(ii) **Other Payables:** This relates to other payables to suppliers that is not part of road maintenance, rehabilitation and development. This may be in form of consultancies or normal office supplies relating to the RMLF that is not directly attributed to the road development.

(iii) **Retention Monies:** This relates to the percentage of the Contract amount that is retained by Road Authorities on every payment certificate raised awaiting the lapse of the defect period.

	2021-2022	2020-2021
	Jun-22	Jun-21
Payables	Shs'000	Shs'000
Exchange Transactions		
Current:		
Due to Contractors	606,071	224,015
Other Payables(Accruals & provisions)	-	-
Total current	606,071	224,015

8. Budget information

The Annual Public Roads Programmed APRP (Original budget) for FY 2021/2022 was approved on 20th July, 2021. The entity's budget is prepared based work plans from the Roads Authorities which is on cash basis. The Financial Statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the Financial Statements are also made for differences in the formats and classification schemes adopted for the presentation of the Financial Statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented.

9. Nature and purpose of reserves

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

10. Changes in accounting policies and estimates

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

11. Related parties

The Entity 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/Trustee, the Fund Managers and Fund Accountant.

12. Comparative figures

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

13. Events after the reporting period

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

14. Ultimate and Holding Entity

The Authority is a recipient of Road Maintenance Levy Fund established by Kenya Roads Act 2007

15. Currency

The Financial Statements are presented in Kenya Shillings (KShs).

16. 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.

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a) Estimates and assumptions

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

b) Provisions

Provisions are raised and management determines an estimate based on the information available. 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.

17. Financial risk management

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

a) Credit risk

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

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

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

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Annual Financial Statements for Road Maintenance Levy Fund
For the year ended June 30, 2022.

Period Ended 30th June 2022

	Fully Performing	Past Due Date but not Impaired	Past Due Date and impaired	Total
Receivables	990,665			990,665
Cash at Bank	22,148,716			22,148,716
	<u>23,139,381</u>	<u>-</u>	<u>-</u>	<u>23,139,381</u>

Year Ended 30th June 2021

	Fully Performing	Past Due Date but not Impaired	Past Due Date and impaired	Total
Other Receivables	859,451			859,451
Cash at Bank	18,319,013			18,319,013
	<u>19,178,464</u>	<u>-</u>	<u>-</u>	<u>19,178,464</u>

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the entity has recognized in the Financial Statements is considered adequate to cover any potentially irrecoverable amounts.

The board of trustees sets the Fund's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

b) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the RMLF Administrator/ Head of Finance, who has built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the RMLF under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Kenya Rural Roads Authority
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For the year ended June 30, 2022.

Period Ended 30th June 2022

	Less Than 1Month	Between 1-3 Months	Between 3-12 Months	Over One Year
Due to contractors			606,071	
Other Trade Payables	-		-	-
	<u>-</u>	<u>-</u>	<u>606,071</u>	<u>-</u>

Year Ended 30th June 2021

	Less Than 1Month	Between 1-3 Months	Between 3-12 Months	Over One Year
Due to contractors			224,015	
Other Payables	-	-	-	-
	<u>-</u>	<u>-</u>	<u>224,015</u>	<u>-</u>

c) Capital risk management

The objective of the RMLF's capital risk management is to safeguard the RMLF's ability to continue as a going concern.

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For the year ended June 30, 2022.

19. PROGRESS ON FOLLOW UP OF AUDITOR'S RECOMENDATIONS

Awaiting for the Auditors report for FY 2020/2021.



CHAIRPERSON

27/09/2022

DATE



DIRECTOR GENERAL

27/09/2022

DATE