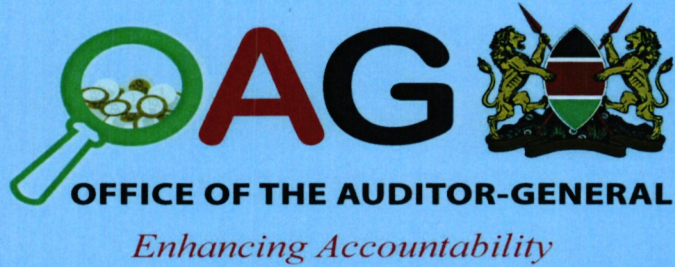


REPUBLIC OF KENYA



REPORT

PARLIAMENT
OF KENYA
LIBRARY

OF


THE AUDITOR-GENERAL

ON

KENYA ROADS BOARD FUND

FOR THE YEAR ENDED

30 JUNE, 2019

 THE NATIONAL ASSEMBLY PARLIAMENTARY COMPLEX NAIROBI	
DATE: 19 AUG 2021	DAY: THURS
TABLED BY:	LOM
CLERK-AT THE-TABLE:	Benson Inzofu





KENYA ROADS BOARD FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2019

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

KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

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Our Vision:

An efficient road network for a prosperous nation

Our Mission:

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

Our Core Values:

*Professionalism
Passion for Quality
Customer Service Excellence
Integrity
Inclusiveness
Innovation*

KEY ENTITY INFORMATION AND MANAGEMENT

a) Background Information:

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

The Board is domiciled and operates within the Republic of Kenya. The registered office is as set out on page 6.

b) Principle Activity:

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

Specific Mandates:

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

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

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- (vi) a maximum of two percent (2%) of the monies from the Fund is allocated in respect of recurrent expenditure of the Board under section 31(5).
- e) ensure that the remainder of the monies from the Fund (10%) described in paragraph (d) shall be allocated annually by the Board with the approval of the Minister to road investment programme derived from the five-year road investment programme approved by the Minister responsible for roads and the Minister for Finance.
- f) ensure that a maximum of ten percent (10%) of all monies allocated to each road agency is utilized for development purposes by the said agency
- g) monitor and evaluate, by means of technical, financial and performance audits, the delivery of goods, works and services funded by the Fund;
- h) in implementing paragraph (g), pay due regard to public procurement and disposal regulations and additional guidelines issued or approved by the Minister;
- i) recommend to the Minister appropriate levels of road user charges, fines, penalties, levies or any sums required to be collected under the Road Maintenance Levy Fund Act, 1993 and paid into the Fund;
- j) recommend to the Minister such periodic reviews of the Fuel Levy as are necessary for the purposes of the Fund, and
- k) identify, quantify and recommend to the Minister such other potential sources of revenue as may be available to the Fund for the development, rehabilitation and maintenance of roads.'

The Board allocates funds to the road agencies in accordance with the allocation criteria set out in paragraph d) above, and in line with the Constitution of Kenya, 2010 which includes funding to County Governments. Further details are set out on page 49.

c) Key Management:

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

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

d) Fiduciary Management:

The key management personnel who held office during the financial year ended 30th June 2019 and who had direct fiduciary responsibility were:

1. Executive Director - Eng. Jacob Z. Ruwa, OGW
2. General Manager, Finance - CPA Rashid K. Mohamed, MBS
3. General Manager, Technical Compliance - Eng. David O. Orwenyo
4. General Manager, Planning and Programming - Eng. Margaret W. Ogai
5. General Manager, Legal and Corporate Affairs - Ms. Lucy K. Gathika
6. Senior Manager, Human Resources and Administration - Mr. Hamoud M. Mguza

e) Fiduciary Oversight Arrangements:

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

- Audit and Risk Management Committee of the Board
- Finance Committee of the Board

KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

- Technical Committee of the Board
- Human Resources and Management Committee of the Board

Financial Statements:

The Financial Statements herein represent the utilization of two percent (2%) of the monies from the Kenya Roads Board Fund which is allocated in respect of the recurrent expenditure of the Board.

Section 35(1) of the KRB Act stipulates that "*There shall be paid out of the Fund any expenditure incurred by the Board in the exercise of its powers or the performance of its functions under this Act*"

The Financial Statements of the Kenya Roads Board Fund have been presented separately as required by Section 26 of Chapter 5, Public Finance Management Act of 2012 which deals with administration of Special Funds.

f) Registered Office/Headquarters:

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

g) Contacts:

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

h) Principal Bankers:

Central Bank of Kenya
P. O. Box 60000-00200,
Nairobi, Kenya

i) Independent Auditors:

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

j) Principal Legal Adviser:

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

KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

THE BOARD OF DIRECTORS

The Board draws representatives from public and private stakeholders as set out in Section 7 of the Kenya Roads Board Act, 1999. Board members in FY 2018/2019 include the following:-

Representative	Organization
Eng. Jacob Ruwa, OGW (Executive Director)	Kenya Roads Board
Ms. Rita Kavashe, MBS (Chairperson)	Automobile Association of Kenya
Mr. Julius Korir, CBS	PS, State Department of Infrastructure - Ministry of Transport, Infrastructure, Housing and Urban Development
Dr. Kamau Thugge, CBS	PS, The National Treasury
Mr. Nelson Marwa, EBS	PS, Ministry of Devolution & Planning
Mr. Micah Powon	
Ms. Betty Maina, MBS	PS, Ministry of East African Affairs, Labour and Social Protection, Commerce & Tourism
Prof. Arch. Paul Maringa, CBS	PS, State Department of Transport - Ministry of Transport, Infrastructure, Housing and Urban Development
Eng. John Nyaguti	Institution of Engineers of Kenya
Mr. Wilson Ndirangu Kamau	Institute of Surveyors of Kenya
CPA Charles Tirok	Institute of Certified Public Accountants of Kenya
Ms. Monika Solanki	Kenya Association of Tour Operators
Mr. Michael Karanja	Kenya Association of Manufacturers
Ms. Mary W. Wambugu	League of Kenya Women Voters
Alternate Representative	Organization
Mr. Abednego Etyang	State Department of Infrastructure - Ministry of Transport, Infrastructure, Housing and Urban Development
Mr. Nemwel Motanya	
Mr. Ontweka Onderi Naftali* Up to December 2018	The National Treasury
Mr. James Mwanzia	State Department for Devolution - Ministry of Devolution & Planning
Mr. Alfred M. Kitolo	Ministry of East African Affairs, Labour and Social Protection, Commerce & Tourism
Mr. Paul King'ori	State Department of Transport - Ministry of Transport, Infrastructure, Housing and Urban Development

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

MANAGEMENT TEAM

Executive Director	-	Eng. Jacob Z. Ruwa, OGW
General Manager, Finance	-	CPA Rashid K. Mohamed, MBS
General Manager, Technical Compliance	-	Eng. David O. Orwenyo
General Manager, Planning and Programming	-	Eng. Margaret W. Ogai
General Manager, Legal and Corporate Affairs	-	Ms. Lucy K. Gathika
Senior Manager, Human Resources and Administration -		Mr. Hamoud M. Mguza

CHAIRMAN'S STATEMENT

On behalf of the Members of the Board, it is my pleasure to present the Annual Report and Financial Statements for Kenya Roads Board Fund for the year ended 30th June 2019.

General Economic Environment

The macroeconomic environment in Kenya has remained relatively stable in the first half of 2019, supported by a stable interest rate environment, a relatively stable currency, and improved business confidence and strong private consumption. According to the World Bank, Kenya's real gross domestic product is projected to grow by 5.7% in 2019, a slight decrease from the estimated 5.8% growth experienced in 2018.

Growth in 2018 was driven by favorable harvests, a resilient services sector, positive investor confidence and a stable macroeconomic environment. Nonetheless, the demand side shows significant slack with growth driven primarily by private consumption while private sector investment remains subdued. So far in 2019, a strong pick-up in economic activity was underway for Q1 of 2019 as reflected by real growth in consumer spending and stronger investor sentiment.

However, a delayed start to the long rain season (March - May 2019) could affect the planting season - resulting in poor harvests. In addition, the below average short rains (October - December 2018) and the ensuing food shortages across several counties in the northern part of the country that has prompted emergency interventions, could impose unanticipated fiscal pressure constraining development spending. These developments have slowed the growth forecast for 2019

National Agenda

The 2019 Budget Policy Statement (BPS) reaffirms the priority policies and strategies outlined in "The Big Four" Plan and as prioritized in the Third Medium Term Plan of the Vision 2030. In this regard, the Government has taken decisive steps to harness the implementation of various policies and programmes under each of the four pillars namely: (i) supporting job creation by increasing value addition and raising the manufacturing sector's share to GDP; (ii) focusing on initiatives that guarantee food security and nutrition to all Kenyans; (iii) providing universal health coverage thereby guaranteeing quality and affordable healthcare to all Kenyans; and (iv) supporting construction of at least five hundred thousand (500,000) affordable new houses to Kenyans.

Implementation of the policies and programmes under these four pillars is expected to accelerate and sustain inclusive growth, create opportunities for productive jobs, reduce poverty and income inequality and provide a better future for all Kenyans.

Kenya Roads Board Strategy

The Annual Public Roads Programme (APRP) for FY 2019/20 is aligned to the BPS 2019 and will contribute to maintenance and rehabilitation of roads in the medium term to spur economic growth and development. Further, the APRP will promote Roads 2000 strategy where applicable, through investments that utilize more local resources, create jobs, and thereby support the Government's Local Content Policy.

KENYA ROADS BOARD FUND
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The Board has continued to implement its five-year Strategic Plan. The Board formulated a Business Plan for FY 2018/19, which was extracted from the five-year strategic plan. The deliverables that were set out in the business plan and performance contract for FY 2018/19 were achieved.

Specifically, the Kenya Roads Board Fund collections exceeded the estimates; the APRP for FY 2018/19 was approved and implemented during the year; the Board carried out monitoring and evaluation of utilization of the KRB Fund; and the internal capacity was strengthened to ensure effective delivery of the Board's mandates.

Corporate Governance

Strong Corporate Governance is integral to the Board's long-term success and is essential in delivering the KRB's strategy. The Statement of Corporate Governance, included in this report, details the measures that the Board has undertaken to ensure a robust corporate governance environment.

Future Outlook

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

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

Acknowledgement

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

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

I look forward to a promising financial year 2019/20. God Bless you all.


Ms. RITA KAWASHE, MBS
CHAIRPERSON

9/9/19
DATE

REPORT OF THE EXECUTIVE DIRECTOR

Overview

Kenya Roads Board has continued to carry out its mandate of effectively and efficiently managing the Kenya Roads Board Fund. We are happy to note that the Board has achieved its ambitious performance targets set in the annual business plan for FY 2018/2019.

The Road Sector Investment Programme

Although the overall condition of the road network has improved since RMLF was established, a lot still needs to be done to bring the road network to maintainable condition.

KRB coordinated the preparation of the 2nd Road Sector Investment Programme covering the period 2018 – 2022 (RSIP II) in line with the requirements of Section 34(1) of the Kenya Roads Act, 2007. Under the RSIP II, the total road network development and maintenance requirements over the next five years were determined. RSIP II was submitted to the PS Infrastructure in January 2019 and awaits approval.

Under RSIP II, the target road conditions at the end of RSIP II period was set for all the sub-networks based on the following criteria:

- i. Improve all asphaltic concrete and surface treated roads in poor condition to be in fair condition; and, 50% in fair to be in good condition;
- ii. Improve 50% of Gravel and Earth roads in poor condition to be in fair condition; and, 25% in fair condition to be in good condition; and,
- iii. All roads in good condition must effectively be maintained to avoid slipping back to fair/poor condition.

Based on the above targets, a total of Kshs 1.033 trillion (against projected budget of Kshs 806 billion) will be required to meet the maintenance and development needs of the road network over the next 5-years. Out of this, Kshs 385.3 billion should be set aside as maintenance budget for rehabilitation, routine and periodic maintenance works.

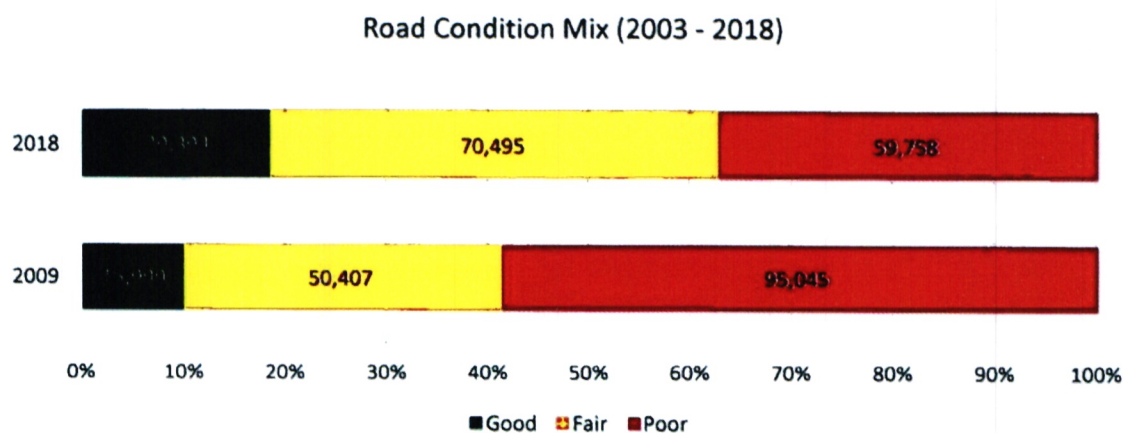
In order to achieve these targets, RSIP II recommends for an additional budget of Kshs 227 billion over the plan period. RSIP II further estimates the total backlog maintenance is approx. Kshs 500 billion and predicts that the outcome of using only the projected available budget over the next five years is that the road network will get worse than the 2018 conditions.

Fuel levy collections have increased significantly since inception. However, the current collections are still inadequate to cover the road maintenance needs. Therefore, there is need to source for additional funds for maintenance.

The Government is considering alternative road maintenance financing mechanisms such as infrastructure bonds, public private partnerships, introducing levies on motor vehicle insurance and annual licenses, and levies on outdoor advertisements. The current estimates indicate that some Kshs 60 billion could be generated annually from these potential sources.

General Condition of Roads

Over the last fifteen years, the Government has invested heavily in road development and maintenance. This has resulted in an overall improvement of the road conditions. The condition of the road network was measured under three separate Road Inventory and Condition Surveys carried out in 2003, 2009 and 2018. The road network condition has improved as shown below:



For RICS 2018, a total of 1,804km were under construction

The improvement in general road condition over the years is attributed to the increase in RMLF allocated to the Road Agencies and the surveillance carried out by KRB on the use of the RMLF.

Road Reclassification and Roads Inventory and Condition Survey (RICS)

In January 2016, the Government adopted a new road classification system and published the Road Register in the Kenya Gazette. The Road Register forms the basis of assignment of responsibility for management of various sub-networks to Road Agencies and County Governments.

KRB, with funding support from World Bank, undertook a countywide Road Inventory and condition survey (RICS) between 2016 and 2018. Under the 2018 RICS, a total of 246,042 Km roads were inventoried (comprising of 160,993 km of classified roads and 85,049 km of new roads and narrow roads).

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The classified road network is tabulated below:

Road Agency	Road Class	Paved (km)	Unpaved (km)	Total (km)
KENHA	A & S	4,693	2,824	7,517
	B	3,660	6,547	10,207
	Subtotal KeNHA	8,353	9,371	17,724
KeRRA	C	3,479	15,623	19,121
	Subtotal KeRRA	3,479	15,623	19,121
KURA	U_A to U_C	921	1,361	2,282
	Subtotal KURA	921	1,361	2,282
Sub-Total National Trunk Roads		12,753	26,374	39,127
COUNTY GOVERNMENTS	D,E,F, G	4,237	117,569	121,806
	Subtotal County Roads	4,237	117,569	121,806
Grand total		16,990	143,943	160,993

Difference of 518km from Road Register total length of 161,451km are proposed links under LAPSET corridor

The Annual Public Roads Programme (APRP)

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

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

The APRP FY 2018/2019 was fully funded and the APRP FY 2019/2020 has been compiled. The APRP funding reports for FY 2018/2019 have been published and publicized.

In addition to funding the APRP, Technical, Performance and Financial audits for FY 2017/2018 and half year FY 2018/2019 have been conducted. The terms of reference for audits have been reviewed to include value for money audits and staff sensitized on value for money audits. The procurement of the next series of Technical, Performance and Financial Audits was completed, and the audits are on-going.

Axle Load Control

The establishment of axle load limits is an important aspect in the management of the road network. The Board is dedicated to ensure compliance with axle load limits.

In order to protect the investments in road development and maintenance in Kenya, the Government is committed to preventing overloaded vehicles plying the roads and has established weighbridges stations along the highways to monitor compliance with axle load limits. There is need to extend the axle load monitoring to the rural, urban and county road sub-networks.

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During the year under review, the Board conducted monitoring of axle load control and submitted the reports to PS State Department of Infrastructure.

Performance Contracting

Kenya Roads Board signed the FY 2018/2019 performance contract with the Government of Kenya through the Ministry of Transport, Infrastructure, Housing, Urban Development & Public Works.

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

ISO 9001:2015 Certification

The Board has been ISO 9001:2008 - Quality Management System (QMS) certified. The Board was certified in June 2010, and re-certified in August 2013 and June 2016. The Board and Staff of KRB endeavor to maintain and continuously improve the effectiveness of its quality management systems that meet the stakeholders' expectations in accordance with ISO 9001:2015 requirements.

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

Key Result Areas and Future Plans

In line with KRB's Vision and Mission, three key result areas which reflect KRB's mandate have been identified and will be the pillars going forward, as follows:

a) Management of the Road Fund

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

b) Oversight and coordination of road network

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

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

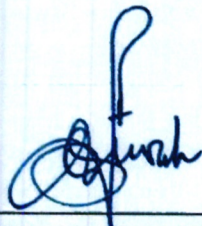
c) Institutional Capacity

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

Appreciation

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

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



ENG. JACOB Z. RUWA, OGW
EXECUTIVE DIRECTOR

9/9/2019
DATE

CORPORATE GOVERNANCE STATEMENT

1. Introduction

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

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

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

2. The Board

Board Size and Composition

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

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

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

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

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

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

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

Independence and Separation of Roles & Responsibilities

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

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

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

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

Board Responsibilities

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

The Board is charged with the following responsibilities:-

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

KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

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

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

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

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

Meetings Attended by Board Members

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

	FY 2018/2019	
REGULAR BOARD MEETINGS	Meetings Attended	% Attendance
MONIKA SOLANKI	14	100%
CHARLES TIROK	8	57%
ENG. JOHN NYAGUTI	13	93%
THEODORA GICHANA (INSPECTORATE)	7	50%
MARY WAMBUGU	12	86%
MICHAEL KARANJA	12	86%
WILSON N. KAMAU	14	100%
ALFRED KITOLO	11	79%
ONDERI ONTWEKA	5	36%
PAUL KING'ORI	13	93%
RITA KAVASHE, MBS	13	93%
NEMWEL MOTANYA	4	29%
JAMES MWANZIA	10	71%
ABEDNEGO ETYANG	5	36%
Total Number of Meetings held during the year	14	

KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

	FY 2018/2019	
HR & MANAGEMENT COMMITTEE	Meetings Attended	% Attendance
MONIKA SOLANKI	4	100%
ALFRED KITOLO	3	75%
CPA CHRLES TIROK	0	0%
MICHAEL KARANJA	4	100%
MR. JAMES MWANZIA	2	50%
THEODORA GICHANA	1	25%
MR. NEMWEL MOTANYA	1	25%
ABEDNEGO ETYANG	1	25%
Total Number of Meetings held during the year	4	

	FY 2018/2019	
FINANCE COMMITTEE	Meetings Attended	% Attendance
CPA CHARLES TIROK	3	75%
MR. JAMES MWANZIA	3	75%
ENG. JOHN NYAGUTI	3	75%
MR. ALFRED KITOLO	4	100%
MR. ONDERI ONTWEKA	1	25%
MR. PAUL KINGORI	2	50%
THEODORA GICHANA	1	25%
Total Number of Meetings held during the year	4	

	FY 2018/2019	
AUDIT & RISK MANAGEMENT COMMITTEE	Meetings Attended	% Attendance
MARY WAMBUGU	5	100%
ALFRED KITOLO	1	20%
MONIKA SOLANKI	4	80%
ABEDNEGO ETYANG	1	20%
NEMWEL MOTANYA	2	40%
WILSON KAMAU	5	100%
THEODORA GICHANA	1	20%
Total Number of Meetings held during the year	5	

KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

	FY 2018/2019	
TECHNICAL COMMITTEE	Meetings Attended	% Attendance
PAUL KINGORI	3	75%
MARY WAMBUGU	3	75%
ENG. JOHN NYAGUTI	4	100%
MICHAEL KARANJA	4	100%
WILSON KAMAU	4	100%
Total Number of Meetings held during the year	4	

Board Committees and Responsibilities

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

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

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

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

Finance Committee

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

The responsibilities of the committee are as follows:-

- (a) Management of KRB Fund (Funds allocation, collections and disbursements)
- (b) Budgeting and Planning (Review of KRB Operations Budget and the APRP)
- (c) Identification and recommending other potential sources of Revenue
- (d) Recommending periodic reviews of the fuel levy
- (e) Recommending appropriate levels of road user charges
- (f) Financial Reporting

KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

- (g) Compliance with Public Finance Management (PFM) Act and other related legislation
- (h) Review of funds utilization and absorption

Audit & Risk Management Committee

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

The committee has the following responsibilities:-

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

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

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

Human Resources and Management Committee

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

Specifically the committee is responsible for the following:-

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

Technical Committee

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

Specifically the committee is responsible for the following:-

- a) Coordinating the optimal utilization to achieve efficiency and cost effectiveness in road works;
- b) Monitor and evaluate by means of Technical, financial and performance audits the delivery of road works;

KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

- c) Coordinate/Monitor implementation of road maintenance programmes;
- d) Implementation of the Road Sector Investment Programme;
- e) Research and Development in Roads sub sector;
- f) R2000 Strategy;
- g) Road Maintenance Management System(RMMS); and
- h) Advising the Cabinet Secretary on Road maintenance policies.

3. Remuneration of the Board

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

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

4. Directors Induction and Training

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

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

5. Board Effectiveness and Evaluation

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

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

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

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

6. Conflict of Interest, Code of Conduct and Ethics

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

KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

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

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

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

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

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

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Introduction

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

Research and Development

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

As a result, the Board support road related research in the application of emerging technologies such as cobblestones and low volume seals roads (LVS).

A baseline survey on research undertaken in the road sector was recently undertaken, the outcome of which was an in-depth analysis of the researches undertaken and an identification of research gaps in the road sub-sector.

KRB in collaboration with Material Testing & Research Department (MTRD) and Africa Community Access Partnership (AFCAP) supported the 2nd International Conference on Transport and Road Research (iTRARR) in June 2018 with the overall aim to enhance coordination of transport related research efforts within the region.

Roads 2000 (R2000) Strategy

The Roads 2000 strategy is a method of road development and management that ensures optimum utilization and development of locally available resources where technically, economically feasible and in a socially responsive manner.

KRB coordinates the R2000 strategy in the country to promote the use of the local resources and labour-based methods in road maintenance

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

Standard Chartered Marathon

KRB staff and families participated in the 2018 Standard Chartered Marathon. The Marathon is the flagship project for the Standard Chartered Banks' "Seeing is Believing" community initiative that aims to raise funds for the needy in the community.

**KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019**

To ensure sustainability, the annual Standard Chartered Marathon now forms an important part of the Board's calendar as the Board 'shares vision' with needy and disadvantaged persons.

Protecting the Environment

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

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

KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

REPORT OF THE DIRECTORS

The Directors have the pleasure of presenting their report together with the audited financial statements for the year ended 30th June 2019 which show the state of the Board's affairs.

PRINCIPAL ACTIVITIES

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

RESULTS

The results for the year ended 30th June 2019 are set out on page 32 to 52.

DIRECTORS

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

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

FINANCIAL STATEMENTS

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

AUDITORS

The Auditor General is responsible for the statutory audit of the Board's books of account in accordance with Sections 14 and 39 (i) of Chapter 12 of the Laws of Kenya, Public Audit Act, 2015.

BY ORDER OF THE BOARD



ENG. JACOB RUWA, OGW
SECRETARY TO THE BOARD

9/9/2019

DATE

KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

STATEMENT OF THE BOARD'S RESPONSIBILITIES

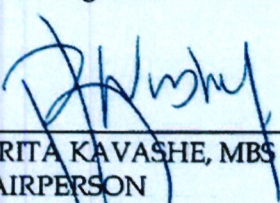
The Kenya Roads Board Act, 1999 requires the Board to prepare financial statements of each financial year which give a true and fair view of the state of affairs of the Roads Board as at the end of the financial year and of the Board's operating results for that year. It also requires the Board to ensure that the Roads Board keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Board and to ensure that the Financial Statements comply with the enabling Act. They are also responsible for safeguarding the assets of the Roads Board and taking reasonable steps for prevention and detection of fraud and other irregularities.

The Board accepts responsibility for the financial statements which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards and the requirements of the Kenya Roads Board Act. The Board is of the opinion that the financial statements give a true and fair view of the state of affairs of the Roads Board and of its financial performance. The Board further accepts responsibility for the maintenance of accounting records which may be relied upon in the preparation of the financial statements, as well as designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatements.

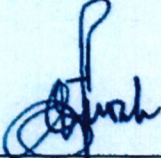
The Board is required to prepare the financial statements on a going concern basis unless it is determined that after the reporting period, the Board intends to liquidate or cease its activities, or that it has no realistic alternative but to do so. Nothing has come to the attention of the Board to indicate that Kenya Roads Board will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the Financial Statements

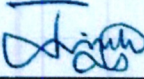
Kenya Roads Board's Financial Statements were approved by the Board on 3rd September 2019 and signed on its behalf by:


Ms. RITA KAVASHE, MBS
CHAIRPERSON
KENYA ROADS BOARD

DATE: 9/9/19


ENG. JACOB RUWA, OGW
EXECUTIVE DIRECTOR
KENYA ROADS BOARD

DATE: 9/9/2019


CPA CHARLES TIROK
DIRECTOR
KENYA ROADS BOARD

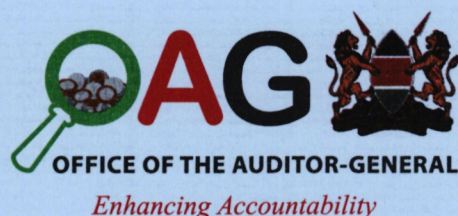
DATE: 9/9/19

KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

REPORT OF THE INDEPENDENT AUDITORS

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA ROADS BOARD FUND FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kenya Roads Board Fund set out on pages 32 to 53, which comprise the statement of financial position as at 30 June, 2019, statement of financial performance, statement of cash flows, statement of changes in net assets and the statement comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Kenya Roads Board Fund as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Kenya Roads Board Act, Cap 408 of the laws of Kenya.

Basis for Opinion

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and 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 control, risk management and overall governance.

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal 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 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 going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern or 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 continue as a going concern or 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 project 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.


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

16 July, 2021

KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30TH JUNE 2019**

		2018/19	2017/18
	Note	KShs'000	KShs'000
Receipts	8	78,024,952	73,744,832
Disbursements	9	(68,996,000)	(63,473,600)
Net Assets Available for Distribution		9,028,952	10,271,232

The notes on pages 37 to 52 form an integral part of these financial statements.

KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

**STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2019**

<u>ASSETS</u>	Note	2018/19	2017/18
		KShs'000	KShs'000
CURRENT ASSETS			
Cash and Cash Equivalents	10	33,699,358	31,324,284
TOTAL ASSETS		33,699,358	31,324,284
LIABILITIES			
CURRENT LIABILITIES			
Payables	11	24,670,407	1,883,059
TOTAL LIABILITIES		24,670,407	1,883,059
TOTAL NET ASSETS		9,028,952	29,441,224


<u>NET ASSETS</u>			
Net Assets Available for Distribution	12	9,028,952	29,441,224
TOTAL NET ASSETS		9,028,952	29,441,224

The notes on pages 37 to 52 form an integral part of these financial statements.

The financial statements on pages 32 to 52 were approved and authorized by the Board of Directors and signed on its behalf by:


Ms. RITA KAVASHE, MBS
CHAIRPERSON

9/9/19
DATE


CPA RASHID MOHAMED, MBS (ICPAK No. 4801)
GENERAL MANAGER FINANCE

9/9/19
DATE


ENG. JACOB RUWA, OGW
EXECUTIVE DIRECTOR

9/9/2019
DATE

KENYA ROADS BOARD FUND
 FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

**STATEMENT OF CHANGES IN NET ASSETS
 FOR THE YEAR ENDED 30TH JUNE 2019**

		2018/19	2017/18
	Note	KShs'000	KShs'000
Net Assets, as at 1st July	12	29,441,224	19,169,992
<i>Collections in the year:</i>			
Road Maintenance Levy	8	<u>78,024,952</u>	<u>73,744,832</u>
<i>Funds available</i>		107,466,176	92,914,824
Disbursements of Funds	9	<u>(98,437,224)</u>	<u>(63,473,600)</u>
Net Assets, as at 30th June	12	<u>9,028,952</u>	<u>29,441,224</u>

The notes on pages 37 to 52 form an integral part of these financial statements.

KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2019**

		2018/19	2017/18
	Note	KShs'000	KShs'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Cashflows from/(to) operations	13	31,816,299	(9,490,241)
Disbursements of prior year funds		(29,441,224)	-
Net cash from/(to) operating activities		2,375,074	(9,490,241)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		2,375,074	(9,490,241)
MOVEMENT IN CASH AND CASH EQUIVALENTS:			
At the beginning of the year		31,324,284	40,814,525
Net increase/(decrease) in cash and cash equivalents		2,375,074	(9,490,241)
At the end of the year	10	33,699,358	31,324,284

The notes on pages 37 to 52 form an integral part of these financial statements.

KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30TH JUNE 2019**

	BUDGET	ACTUAL	VARIANCE	VARIANCE
	2018/19	2018/19		
	KShs'000	KShs'000	KShs'000	%
Receipts				
Road Maintenance Levy	68,996,000	78,024,952	9,028,952	13%
Total Receipts	68,996,000	78,024,952	9,028,952	13%
Disbursements	(68,996,000)	(68,996,000)	-	0%
Net Assets	-	9,028,952	9,028,952	

Budget Notes:

The variance in receipts of Kshs 9.029 billion (13%) is attributed to improved performance of the Kenyan economy.

NOTES TO THE FINANCIAL STATEMENTS

1.0 GENERAL INFORMATION

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

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

2.0 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value.

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

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

3.0 ADOPTION OF NEW AND REVISED STANDARDS

- i. **Relevant new standards and amendments to published standards effective for the year ended 30 June 2019**

Standard	Impact
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019 The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3(applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations.

KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

ii. **New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019**

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2022: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with 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.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2022 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> <ol 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.

iii. **Early adoption of standards**

The entity did not early - adopt any new or amended standards in year 2018/2019.

4.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Statement of Compliance

The financial statements for the year ended 30th June 2016 have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) as issued by International Public Sector Accounting Standards Board (IPSASB), the Public Finance Management Act, 2012, Public Audit Act, 2015 and Kenya Roads Board Act.

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

(b) Basis of Preparation

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

(c) Presentation of Financial Statements

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

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

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

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

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

'Presentation of Financial Statements' which states that the scope of application is for *'all public sector entities other than Government Business Enterprises'*.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(d) Budget Information

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

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

(e) Functional Currencies

(i) Functional and Presentation Currency

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

(ii) Transactions and Balances

a) Translation of Foreign Currencies

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

The foreign currency exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized through the statement of financial performance in the year in which they arise.

b) Translation of Foreign Operations

The Board does not have any foreign operations.

(f) Revenue Recognition

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

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

Other incomes are recognized as they accrue unless the collectability is in doubt.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(g) Cash and Cash Equivalents

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

(h) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Board provides money or services directly to a debtor with no intention of trading the receivable.

Receivables are amounts due from the Kenya Roads Board Fund which are accrued in the ordinary course of business and there is no intention of trading the receivable.

Receivables are recognized initially at the fair value (transaction price/ carrying value less any discounts). They are subsequently measured at amortized costs using the effective interest method less provision for impairment.

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

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

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

(i) Payables

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

(j) Impairment of Non-financial Assets

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

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

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

(k) Provisions

Provisions are recognized when the Board has a present obligation (legal or constructive) as a result of a past event, it is probable that the Board will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting period end, taking into account the risks and uncertainties surrounding the obligation.

(l) Guarantees, Acceptances and Letters of Credit

Guarantees are accounted for as off statement of financial position transactions and disclosed as contingent liabilities.

(m) Subsequent Events

There have been no subsequent events that would have an impact on the financial statements for the year ended 30th June 2019.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(n) Comparatives

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

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

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

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

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

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

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

- Whether the assets are impaired;
- The classification of financial assets;
- The going concern.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(b) Critical Accounting Estimates and Assumptions

(i) Contingent Liabilities

As disclosed in these financial statements, the Board is exposed to various contingent liabilities in the normal course of business.

The Directors evaluate the status of these exposures on a regular basis to assess the probability of the Board incurring related liabilities. However, provisions are only made in the financial statements where, based on the directors' evaluation, a present obligation has been established.

(ii) Provision for Doubtful Debts

The organization reviews its receivables portfolio to assess the likelihood of impairment. Provision for impairment of receivables is established when there is objective evidence that the Board will not be able to collect all amounts due. Where necessary, an estimation of the amounts irrecoverable is made in that year. Provision for impairment shall be recognized upon approval by the Board of Directors.

(iii) Other Provisions

Other provisions are recognized when the Board has legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

(iv) Impairment Losses

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

Where it is not possible to estimate the recoverable amount of an individual asset, the Board estimates the recoverable value of the asset. Any impairment losses are recognized as an expense immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount. A reversal of an impairment loss is recognized as income immediately.

6.0 SEGMENT REPORTING

The Board does not have any branches/reporting segments. All the operations of the Board are managed from the registered office. The core business of the Kenya Roads Board continues to be management of the Kenya Roads Board Fund together with other mandates as stipulated in the Kenya Roads Board Act.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

There is no distinguished component of the Board that is engaged in providing an individual service that is subject to risks and returns that are different from the main mandates of the Board.

7.0 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

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

a) Liquidity Risk

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

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

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

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

The table shows the undiscounted cash flows on the Board's financial assets and liabilities on the earliest possible contractual/maturity date. The liquidity ratio in FY 2018/19 is 1.37 (FY 2017/18: 16.6)

KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	Note	2018/19	2017/18
Financial Assets		KShs '000	KShs '000
Cash & Cash Equivalents	8	33,699,358	31,324,284
Total Financial Assets		33,699,358	31,324,284
Financial Liabilities			
Payables	9	24,670,407	1,883,059
Total Financial Liabilities		24,670,407	1,883,059
NET LIQUIDITY		9,028,952	29,441,225
LIQUIDITY RATIO		1.37	16.6

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

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

a) Market Risk

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates, prices and interest rates. The objective of market risk management policy is to protect and enhance the Statements of Financial Position and performance by managing and controlling market risk exposures within acceptable parameters, and to optimize the funding of business operations and facilitate capital expansion. The Board is exposed to the following market risks:-

(i) Currency Risk

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

(ii) Price Risk

The Board collects Kshs. 18 per litre of diesel and petrol imported into the country. The Board is exposed to the extent that the levy on diesel and petrol is reduced or eliminated due to changes in the international fuel prices, inflation or other macro indicators.

The Road Maintenance Levy is backed up by an Act of Parliament and changes thereof require approval by Parliament.

(iii) Interest Rate Risk

The Board's financial condition may be adversely affected as a result of changes in interest rate levels. The interest rate risk is minimal as the Board does not have any borrowings.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

b) Operational Risk

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

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

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

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

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

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

c) Compliance and Regulatory Risk

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

KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

d) Legal Risk

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

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

8.0 RECEIPTS

	2018/19	2017/18
	KShs '000	KShs '000
Road Maintenance Levy	75,642,646	72,546,155
Interest Income	2,382,306	1,198,677
Total Operating Revenue	<u>78,024,952</u>	<u>73,744,832</u>

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

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

9.0 DISBURSEMENTS OF FUNDS

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

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

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

KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2018/19	2017/18
Agency	KShs '000	KShs '000
Kenya Roads Board	1,380,000	1,269,472
Kenya National Highways Authority	23,638,917	21,464,128
Kenya Rural Roads Authority	12,427,801	11,438,298
Kenya Urban Roads Authority	5,825,532	5,361,702
Kenya Wildlife Service	570,417	525,000
Allocation by Kenya Roads Board/Ministry	5,704,167	5,250,000
County Governments	8,269,000	7,875,000
Roads Annuity Programme	11,180,167	10,290,000
Total Disbursements	68,996,000	63,473,600
Add: Disbursement of prior year funds	29,441,224	-
Total Funds Disbursed in the Year	98,437,224	63,473,600

10.0 CASH AND CASH EQUIVALENTS

(a) Analysis of bank and cash balances:

These represent cash held at various banks, as follows:

	2018/19	2017/18
	KShs '000	KShs '000
Amounts held in local currency	33,699,358	31,324,284
Amounts held in foreign currency	-	-
Total	33,699,358	31,324,284

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

(b) Cash and cash equivalents

For purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash in hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months.

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

	2018/19	2017/18
	KShs '000	KShs '000
Bank and Cash Balances	33,699,358	31,324,284

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11.0 PAYABLES

These represent funds due to the road agencies and Roads Annuity Programme, but not released as at 30th June 2019, as follows:-

	2018/19	2017/18
	KShs '000	KShs '000
Road Agency Funds	19,518,672	1,778,768
Roads Annuity Funds	5,151,735	104,291
Total	24,670,407	1,883,059

12.0 NET ASSETS AVAILABLE FOR DISTRIBUTION

These represent amounts received over and above the approved budget for the year, as follows:

	2018/19	2017/18
	KShs '000	KShs '000
Road Maintenance Levy	9,028,952	29,441,224
Total	9,028,952	29,441,224

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

13.0 CASH GENERATED FROM OPERATIONS

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

		2018/19	2017/18
	Note	KShs '000	KShs '000
Net assets available for distribution		9,028,952	10,271,232
<i>Changes in working capital balances:</i>			
Increase/(Decrease) in Road Agency Funds		22,787,347	(19,761,474)
Net cashflows from/(to) operating activities		31,816,299	(9,490,241)

14.0 CONTINGENT LIABILITIES

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15.0 FAIR VALUE

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

16.0 CAPITAL COMMITMENTS

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

17.0 POST BALANCE SHEET EVENTS

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

18.0 COMPARATIVES

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

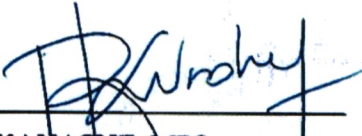
19.0 CURRENCY

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

KENYA ROADS BOARD FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

PROGRESS ON FOLLOW UP OF AUDITOR'S RECOMENDATIONS

There are no audit issues that were carried forward from FY 2017/18.



Ms. RITA KAVASHE, MBS
CHAIRPERSON

9/9/19
DATE



ENG. JACOB RUWA, OGW
EXECUTIVE DIRECTOR

9/9/2019
DATE