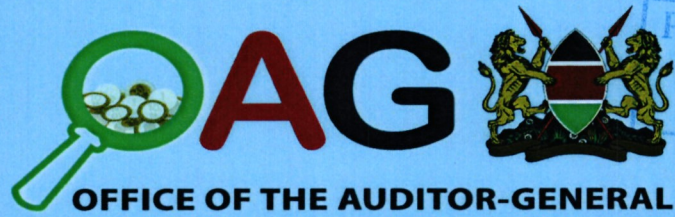
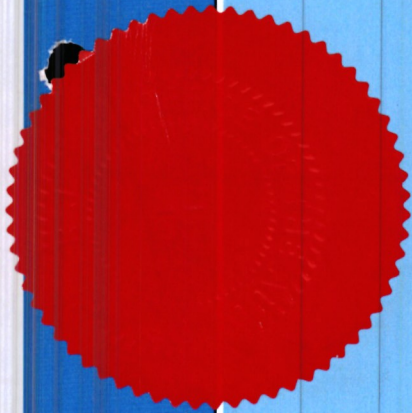
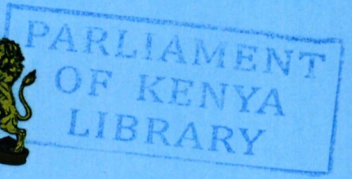



REPUBLIC OF KENYA



*Enhancing Accountability*



 THE NATIONAL ASSEMBLY PAPERS LAID	
<b>REPORT</b>	DATE: 16 FEB 2023
DAY: <i>Thursday</i>	
TABLED BY:	<i>Lom</i>
CLERK OF THE TABLE:	<i>Soyce Lemerelle</i>

**THE AUDITOR-GENERAL**

**ON**

**KENYA RURAL ROADS AUTHORITY**

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



OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30084 - 00100, NAIROBI  
REGISTRY

08 JUL 2022

**RECEIVED**

## **KENYA RURAL ROADS AUTHORITY**



## **ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30 2021**

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

***Easy Access to Resources and Services***

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## **ABBREVIATIONS**

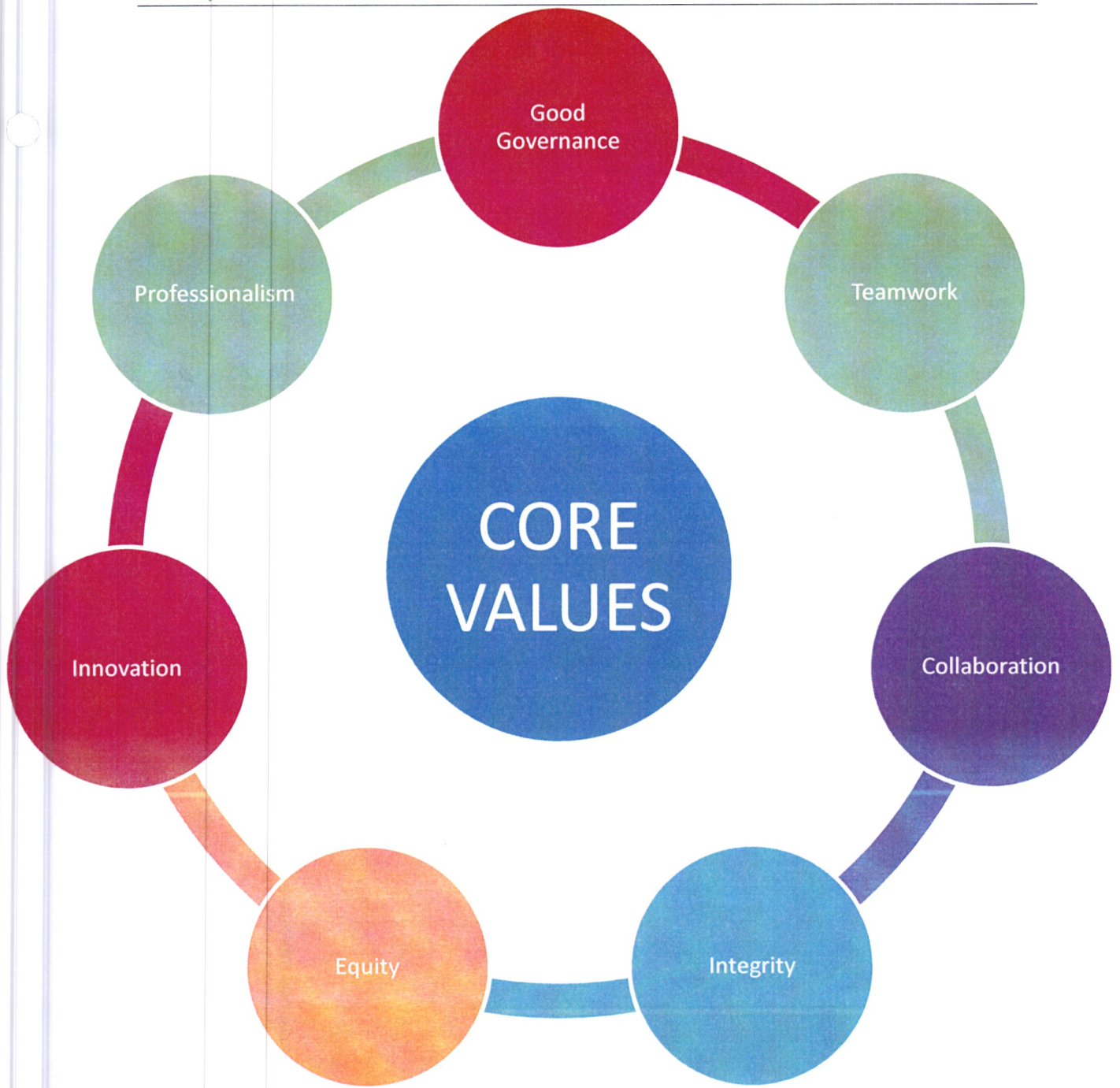
AIA	Appropriation In Aid
AFD	Agence Francise De Development
BADEA	The Arab Bank for Economic Development In Africa
EU	European Union
FY	Financial Year
GIS	Geographical Information System
GoK	Government of Kenya
IPSAS	International Public Sector Accounting Standards
IPSASB	International Public Sector Accounting Standards Board
KeRRA	Kenya Rural Roads Authority
KeNHA	Kenya National Highways Authority
KfW	Germany Development Bank
KM	Kilometres
KRA	Kenya Revenue Authority
KRB	Kenya Roads Board
KURA	Kenya Urban Roads Authority
MTEF	Medium Term Expenditure Framework
LVSr	Low Volume Seal Roads
MoTIHUD & PW	Ministry of Transport, Infrastructure, Housing and Urban Development & Public Works
RMLF	Road maintenance Levy Fund
RSIP	Road Sector Investment Programme

## OUR VISION

**Easy Access to Resources and Services**

## OUR MISSION

**To Develop, Manage and Maintain the  
National Trunk Road Network**



## KEY AUTHORITY'S INFORMATION AND MANAGEMENT

### (a) Background information

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

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

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

### (b) Principal activities

As stipulated in the Kenya Roads Act 2007, the Authority is responsible for the management, development, rehabilitation and maintenance of the Rural Road network in Kenya classified as D, E and others.

### (c) Key Management

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

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

### (d) Fiduciary Management

The key Management personnel who held office during the financial year ended 30<sup>th</sup> June 2021 and who had direct fiduciary responsibility were:

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

**(e) Fiduciary Oversight Arrangements**

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

**(f) Authority Headquarters**

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

**(g) Authority Contacts**

P.O Box 48151 – 00100,  
Nairobi GPO  
Tel. 0202710464  
Email: [kerra@kerra.go.ke](mailto:kerra@kerra.go.ke)  
Website: [www.Kerra.go.ke](http://www.Kerra.go.ke)

**(h) Principal Bankers**

**1. KCB Bank Limited,**

Moi Avenue Branch,  
P.O. Box 48400-00100,  
Nairobi GPO

**2. NCBA Bank Limited,**

Upper Hill Branch,  
P.O. Box 44599-00100 ,  
Nairobi GPO

**3. Equity Bank Limited,**

Equity Centre,  
Hospital Road, Upper Hill.  
P.O. Box 75104-00200,  
Nairobi

**4. Cooperative Bank Limited**

Co-operative House,  
Haile Selassie Avenue,  
P.O. Box 48231 - 00100,  
Nairobi GPO

**(i) Independent Auditors**

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

**(j) Principal Legal Adviser**

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

## BOARD OF DIRECTORS

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



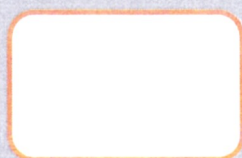
**Hon. Amb. Ukur Yatani Kanacho. EGH**  
Cabinet Secretary National Treasury

Hon. Amb. Ukur Yatani Kanacho was born in 1967 and holds Bachelor of Arts in Economics, Egerton University, Kenya, 1991 and Master of Arts in Public Administration and Public Policy, University of York, United Kingdom, 2005;

He has over 27-year experience in public administration, politics, diplomacy and governance in public sector since 1992. Before his appointment as Cabinet Secretary for the National Treasury & Planning he served as the Cabinet Secretary for Labour and Social Protection since January 2018.

Between the years 2006-2007 while Member of Parliament for North Horr constituency, he also served as an Assistant minister for science and technology. At the height of his career (March 2013-August 2017), he served as a pioneer Governor of Marsabit County, the largest County in the Republic of Kenya. Between June 2009 and October 2012, he served as Kenya's Ambassador to Austria with Accreditation to Hungary and Slovakia and Permanent Representative to the United Nations in Vienna. In this position, he aggressively pursued and advanced Kenya's foreign interests.

He held senior leadership positions at various diplomatic and international agencies such as International Atomic Energy Agency (IAEA), United Nations Organization on Drugs and Crimes (UNODC), United Nations Industrial Development Organization (UNIDO), Vice Chairperson of United Nations Convention Against Transnational Organized Crime (UNTOC), Vice President of Convention on Crime Prevention and Criminal Justice (CCPJ), and chair of African Group of Ambassadors among others. Between 1992—2015, he served in different positions in Kenya's Public Administration including a District Commissioner, where sharpened his management and administrative skills.



**Zahra Mohamed Haji**  
Alternate to Cabinet Secretary National Treasury



**Prof. Paul Mwangi Mwangi, C.B.S,**  
Principal Secretary -State Department of infrastructure -Ministry of Transport, Infrastructure, Housing & Urban Development

Prof Paul Mwangi Mwangi, born in 1959, and holds Bachelor of Architecture Degree University of Nairobi 1979-1986, Masters of Arts in Planning-Urban & Regional planning University of Nairobi 1989-199 ; and Doctor of Philosophy—Environmental Planning, Jomo Kenyatta University of Agriculture and Technology 1999-2005.

He is the Principal Secretary State Department of infrastructure -Ministry of Transport, Infrastructure, Housing & Urban Development and Public Works and was previous Principal Secretary, State Department of Public Works having been appointed in December 2015.

Prof. Mwangi is a Founder Associate Professor of Architecture and Planning of the FAED, Senior Expert, Planning & Project Management and Technical Expert

	<p>&amp; Master Trainer in Building Construction &amp; Infrastructural Planning &amp; Development</p>
 <p><b>Eng. Stephen Kogi</b> Alternate to Principal Secretary- State Department of infrastructure - Ministry of Transport and Infrastructure Housing and Urban Development and Public Works</p>	<p>Eng. Stephen K Kogi was born in 1964 and is the alternate to the the Principal Secretary, Infrastructure department in the Ministry of Transport, Infrastructure, Housing and Urban Development and Public Works from June 2020. He is currently the Chief Engineer in charge of infrastructure quality standards and research in the Ministry</p> <p>He has extensive experience in professional and public administration, including in strategic leadership and corporate governance gained from his training and responsibilities in the different programmes and mandates in government and as a graduate of Civil Engineering from the University of Nairobi and a Master's degree of Business Administration from Jomo Kenyatta University of Agriculture and Technology.</p> <p>He has previously coordinated the improvement of roads under various development partners and the development of policies including the design guidelines in support of the Government agenda for the improvement of over 10,000Km road network under the Low Volume Sealed Roads Programme</p> <p>He has been involved in various local and international forums and is the current President of the African Road and Transport Research Forum with a membership of the Sub Saharan African countries</p>
 <p><b>Mr. Charles T. Sunkuli, CBS.</b> Principal Secretary, State Department for Devolution, Ministry of Devolution and ASAL. Upto May 2021</p>	<p>Mr. Charles T. Sunkuli, has previously served as the Principal Secretary, Ministry of Environment and Forestry, a position he held from December, 2015 to February, 2018.</p> <p>Prior to his appointment as the Principal Secretary, Mr. Sunkuli worked with Ewaso Ng'iro South River Development Authority (ENSDA) where he rose through the ranks to become the Managing Director from 2010-2016.</p> <p>He has a wealth of experience in Public Service spanning over 18 years. Mr. Sunkuli is an experienced management strategist with a solid background in Administration, Planning, Management and Leadership.</p> <p>He holds two Executive Masters Degree in Business Administration (EMBA) from Eastern and Southern Africa Management Institute (ESAMI) and Maastricht School of Management (MSM) Netherlands, a Bachelor of Education Degree (B.Ed. Arts) from Moi University. He has also undertaken various specialized trainings including Procurement Standards and Socio-Economic Development, Governance and Godly leadership in the United States of America (USA) among many others.</p> <p>Mr. Sunkuli has held other positions nationally and globally including being the Designated National Focal Point of the Green Environmental Facility (GEF) of the United Nations Environment Program, Board Member of the Strategic Approach to International Chemical Management (SAICM), National Focal Point of the Lake Victoria Basin Commission (LVBC) and Life Member of the International Red Cross Society among many other community based leadership positions.</p> <p>He pioneered a robust weather information access program by the Kenya Meteorological Department, information which is now available online. As the National Focal Point of GEF, he successfully negotiated for funding of Key National Programmes through the Global Environment Facility (GEF)</p>



**Mr. Julius Korir ,EBS**  
Principal Secretary, State Department for  
Devolution, Ministry of Devolution and Arid  
and Semi-Arid Lands  
From May 2021

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

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

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

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

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

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

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

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



**Mr. Bernard Suyianka**  
Alternate to PS State Department for  
Devolution, Ministry of Devolution and  
ASAL.

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

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

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



**Prof.(Eng) Oyuko Mbeche**  
Tertiary Institutions

Prof Oyuko. O. Mbeche was born in 1946 . Prof.(Eng) Mbeche is holder of B.Eng. From Stevens Institute of Technology(USA), MSc from Polytechnic Institute of Brooklyn(USA)and PhD for the University of Nairobi. He is also a Civil Engineer specializing in the field of Transportation Planning and Engineering.

Prof. Mbeche is a Nobel Peace Prize recipient bestowed on him by the International Panel on Climate Change (IPCC) in December, 2007, Member American Society of Civil Engineers, Member American Society of Engineering Education ,Member Kenya National Academy of Sciences and Member Engineering Board of Kenya . He is a Professor of Civil Engineering at the University of Nairobi and has supervised various undergraduate and postgraduate projects.

He is the Chair of the Board Audit Committee.

He has also written many research papers on matters touching on land use, planning, transport economics and urban planning. In his work experience, he has

	<p>worked as a project coordinator, team leader, and project civil/structural engineer in various government organizations.</p>
 <p><b>Ms. Nelly Mbugua</b> Institution of Surveyors Of Kenya</p>	<p>Ms. Nelly Mbugua was born in 1968 and holds Bachelor of Arts in Land Economics from the University of Nairobi, Master of Science in Project Management, a post-graduate diploma with the Institution of Surveyors of Kenya and currently pursuing her post graduate studies. Nelly has worked for top real estate companies in Kenya among them: Lloyd Masika Ltd and Kenya Valuers &amp; Estate Agents Ltd where she has held senior management positions. She has trained in Corporate Governance.</p> <p>She is the chair of Board Finance Committee</p> <p>Ms. Mbugua has vast experience in the real estate industry consultancy, with local and international Registration and licensing by the Valuers Registration Board (VRB) and the Royal Institution of Chartered Surveyors (RICS). Nelly is a full member of the Institution of Surveyors of Kenya (ISK) and has served the Institution as VEMS Chapter Chairperson and a member of the governing Council. Nelly is a registered estate agent and is the immediate past Chairperson of the Estate Agents Registration Board (EARB). As the Chairperson of EARB, Nelly worked tirelessly to improve professionalism and raise the profile of estate agency profession in Kenya. She is a Trustee of the Bible Society of Kenya (BSK), and a past Chairperson of the Board of BSK.</p> <p>Ms. Nelly is a seasoned valuer, specialising in business and hospitality industry and oil and gas exploration valuation, as well sales, letting and property management.</p> <p>Ms Nelly is a director at Citiscape Valuers &amp; Estate Agents Limited.</p>
 <p><b>Prof. Lawrence Esho,</b> Kenya Institute of Planners</p>	<p>Prof. Lawrence Esho was born in 1970 and is a holder of and Bachelor of Arts (BA) Sociology Kenyatta University (Kenya) 1995, Master Of Architecture (M.Arch) Human Settlement from Catholic University Of Leuven (Belgium) 2003, Masters Of Arts (MA Planning University Of Nairobi Kenya 1997, Doctor Of Engineering (Dr-Ing), Architecture/Spatial Planning From Catholic University Of Leuven (Kul) (Belgium) 2008,</p> <p>He is the Chair of the Board Human Resource and Administration Committee</p> <p>He is trained in sociology, planning and human settlements. He has worked as a planner and an academic. He is Chairman, Department of Urban and Regional Planning at the Technical University of Kenya.</p> <p>Lawrence has researched various aspects of housing, transport and planning in the region and continues to collaborate in research with a number of institutions, including KU Leuven, HIS the Netherlands.</p>
 <p><b>Eng. Yego Kiprutto Shadrack</b> Institution of Engineers of Kenya</p>	<p>Eng. Shadrack was born in 1980 and he is registered with Engineers Board of Kenya as a professional engineer and a corporate member of the Institution of Engineers of Kenya (MIEK).</p> <p>Eng. Shadrack holds Bachelor of Science degree in Civil engineering from University of Nairobi. He has over fifteen (15) years of experience in carrying out engineering feasibility studies, infrastructure assessments, preliminary and detailed studies and designs, contracts administration and construction supervision of engineering projects in the field of roads, dams, water and sanitation and buildings.</p> <p>He is the chairperson of Board Technical committee.</p> <p>Shadrack has passion in giving back to the community and a champion of corporate governance and continues to hold leadership mantle in various private institutions. Shadrack has a good and strong blend of the Government of Kenya systems, private sector and United Nations working environment. In addition, I have experience working in similar projects in ASAL and hardship areas in Kenya, Tanzania, Burundi and Somalia.</p>



**Eng. Philemon Kandie(MBS)**  
Director General  
From 6<sup>th</sup> July 2020

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

Eng Kandie holds BSc. Hons in Civil Engineering from Jomo Kenyatta University of Agriculture & Technology and Diploma in Transport Planning, Development & Management from Galilee Management Institute (Israel), Master of Science in Road Management & Engineering from the University of Birmingham in United Kingdom,

He has been extensively trained in Management Infrastructure embracing Road Asset Management and has valuable experience in policy formulation, planning, design, construction and management of projects and programs gained from his working experience in Public Service for over 24 years.

He worked in the Ministry of Roads and Kenya National Highways Authority as Regional Manager in various stations and promoted to Regional Network Coordinator in headquarters.

He is a Registered Professional Engineer with Engineers Board of Kenya and a Corporate Member of Institution of Engineers of Kenya.

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

## MANAGEMENT TEAM



**Eng. Philemon Kandie(MBS)**  
*BscHons, P.Eng, MIEK, MSc*  
**Director General**



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



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



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



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



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



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



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



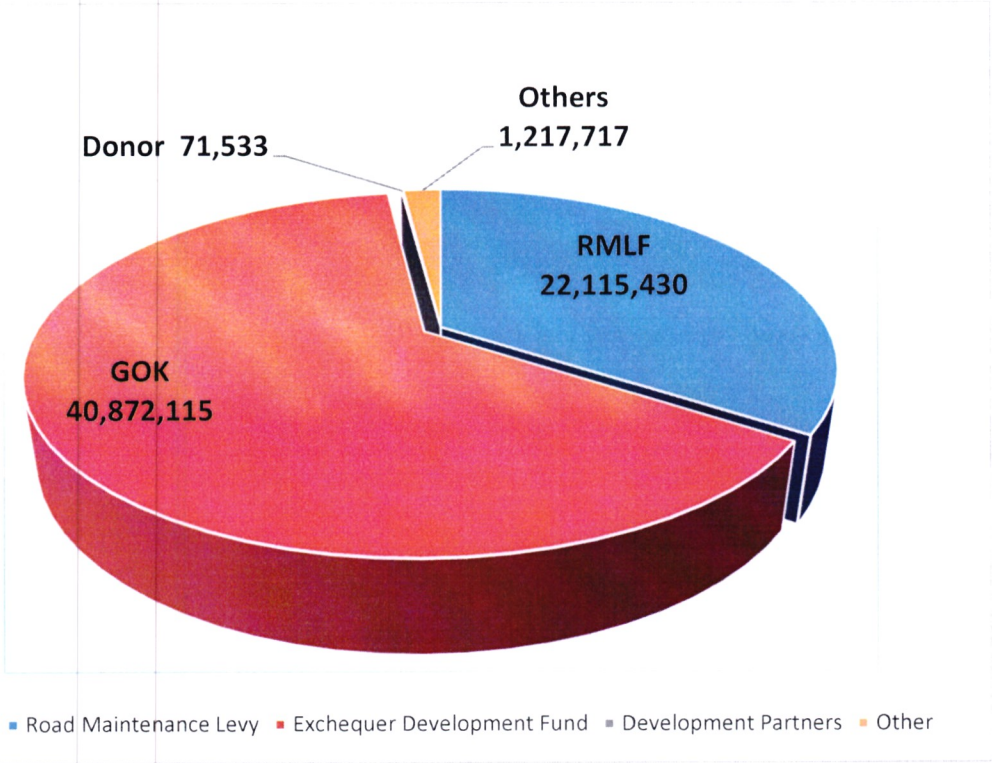
**Ms. Margaret W. Muthui**  
Bsc(Computer Science)Msc(Proc.&  
Logistics),,MKISM,MCIPS  
**Deputy Director – Supply Chain Management**



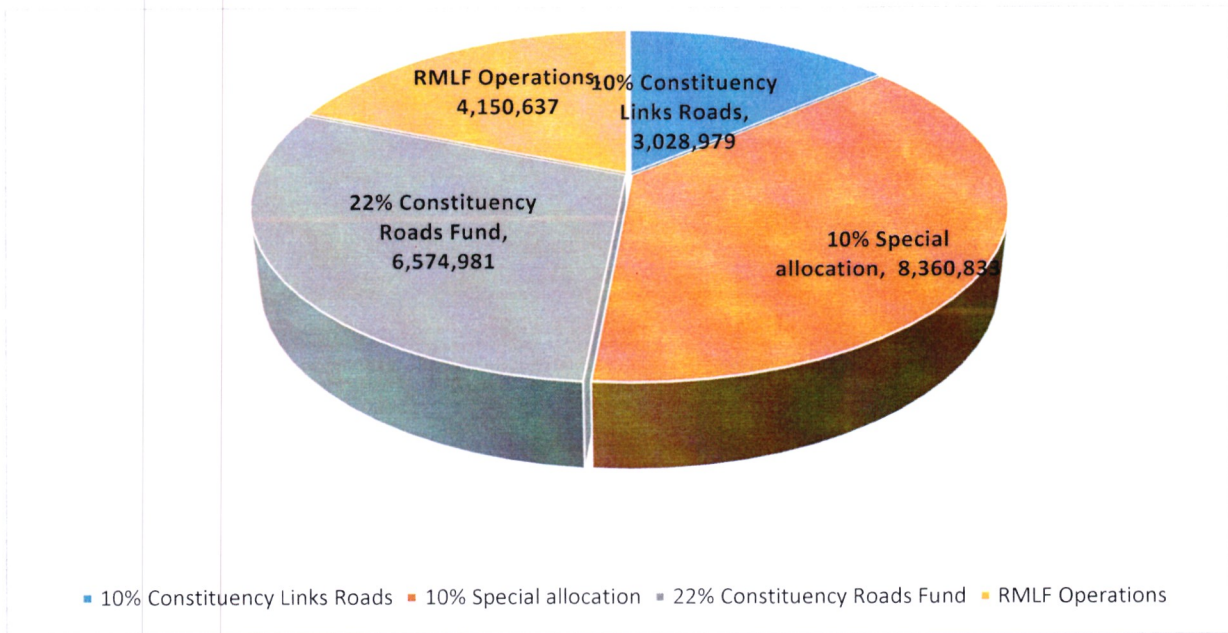
**Ms. Catherine Kangangi**  
Msc(Proc.& Logistics), MKISM,MCIPS  
**Ag. Deputy Director – Supply Chain Management**

**FINANCIAL HIGHLIGHTS (Ksh '000)**

**Revenues 2020-2021 (Ksh '000)**

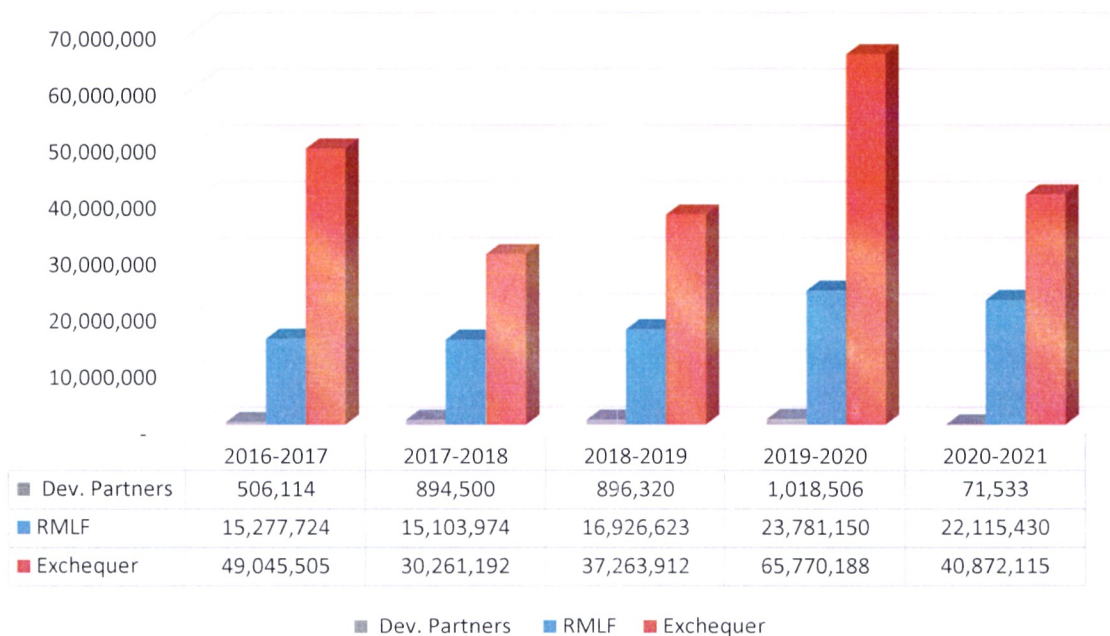


**Total Revenue: 64,876,795**

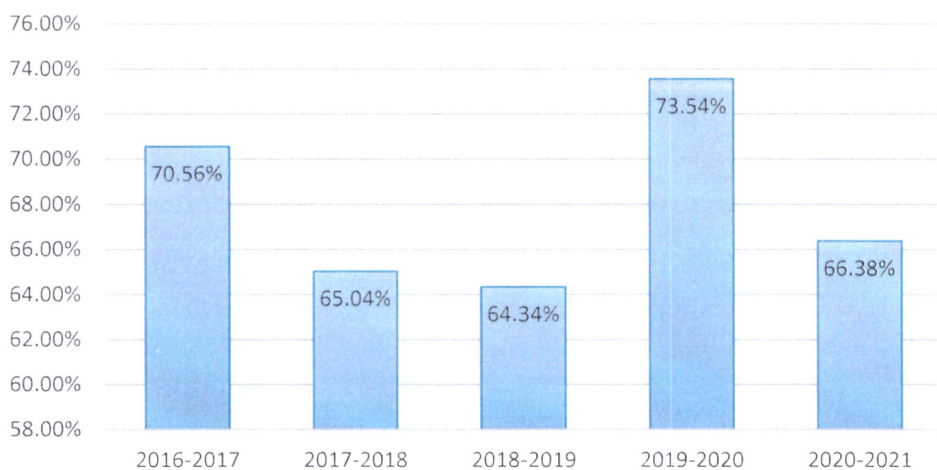


**Total RMLF: 22,115,430**

### Funding History



### Funds Absorption Rate



## CHAIRMAN'S STATEMENT



The Authority concluded a very successful year in the face of uncertainties caused by COVID-19. The Board was happy to support the efforts by Management and the Government in implementing measures to mitigate the impact of the pandemic. It fully supported the internal measures taken by Management to protect staff, such as the alternative working arrangements and the safety protocols, in addition to the Ministry of Health measures that greatly supported the economy.

During the year, the Authority continued implementation of its Strategic Plan, 2018–2022, anchored on the overall Motto of “*Connecting Devolved Kenya*”. The plan focuses on four key result areas namely: Development of National Secondary Trunk Roads, Management of National Secondary Trunk Roads, Maintenance and rehabilitation of National Secondary Trunk Roads and Institutional Capacity. The Board supported Management in pursuing appropriate interventions to address outstanding and emerging human resource gaps by facilitating work-load analysis through job evaluations. Human Resource policies and frameworks were reviewed to ensure they are responsive to the rapidly changing roads sector environment. The Board also supported the upgrade of key operational systems to achieve a seamless, resilient and responsive information and communication system that drives operational excellence and delivers customer-centric services aligned to modern and dynamic business requirements through implementation of Enterprise Resource Planning (ERP).

The Authority continued to support the Big 4 Development Agenda through provision of backbone road infrastructure to support affordable housing, manufacturing, food security and universal healthcare facilities. In implementing our mandate of Development, Maintenance and Management of our National Secondary Trunk road network, the Authority enhanced its efforts towards completion of ongoing projects and maintenance of existing roads network to safeguard the investments.

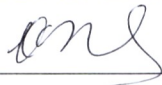
The Authority is tasked with delivery of high quality road infrastructure to the demands of citizens. The Authority ensured 1,056kms were upgraded to bitumen standards and 21,521kms routinely maintained towards attainment of the Authority’s Vision “*Easy Access to Resources and Services*” in endeavor to open up Rural Kenya. Consequently, the Authority has given a new dawn to a majority of rural areas boosting agricultural production, through enhanced service levels, reduced travel times, reduced vehicle operating costs and user charges and improved motorability which have contributed to social integration among counties and communities. In implementing projects, the Authority ensured compliance with environmental and social safeguard standards by engaging all stakeholders.

Following the recategorization of the Authority from Category 7A to 3A, the Board of Directors oversaw the review of the HR instruments and the workload analysis which fell in the year under review which was the 3<sup>rd</sup> year of implementation since operationalization of the categorized structure. The reviewed HR instruments are expected to enable the Authority to deliver its mandate effectively and efficiently.

The Mid Term review of Strategic Plan recommended a continuous implementation of the Plan as the Authority was on course to achieve planned performance targets.

On behalf of the Board, I express my sincere gratitude to the Management and entire KeRRA fraternity for their dedication and teamwork that enabled the Authority deliver on its mandate in the just concluded financial year 2020/2021.

I also extend my appreciation and sincere thanks to my colleagues in the Board for their support, contribution and strategic guidance to Management during the year. Finally, I wish to thank the Government through State Department for Infrastructure, our Stakeholders and Development Partners for the confidence and support they bestowed to the Authority.



---

**Director**

## REPORT OF THE DIRECTOR GENERAL



I am delighted to present the Kenya Rural Roads Authority's financial statements for the FY 2020/2021. It has been another good year for the Authority despite challenging economic conditions and the global health crisis caused by COVID-19. We achieved a satisfactory set of financial results and recorded solid growth rates, reflecting strong strategy execution and effective delivery of the strategic objectives and initiatives.

In early 2020, the coronavirus pandemic (COVID-19) struck countries around the world, presenting enormous challenges to health systems and spurring widespread work shutdowns, school and business closures, and job losses. Nearly all countries are facing an unprecedented economic downturn. The pandemic presented the Authority with unprecedented challenges this year, requiring it to respond quickly to major disruptions in contracts management and service delivery to Kenyans. Beyond immediate work disruptions, the Authority developed strategies to supporting project management, restore jobs and services, and pave the pathway to a sustainable recovery in road infrastructural development. The Authority adopted digital options to leverage new digital technologies so that it efficiently delivered its services to staff and clients seamlessly.

The strong leadership team and a highly dedicated and motivated staff strived to build a robust institution, with a resilient and responsive business model that enabled it achieve better development outcomes in the year under review.

None of these achievements would have been possible without our staff's hard work and successful adjustment to home-based work during the pandemic. Working innovatively and with creativity enabled staff to deliver solutions to address the Authority's most urgent needs. I am deeply grateful for their dedication and flexibility, especially amid these difficult circumstances.

As MDAs grapple with the pandemic, the Authority remains committed to its future strategic goals, to overcome the crisis, and achieve a sustainable and inclusive recovery. Despite the unprecedented scale of the crisis we've repositioned our strategies towards a resilient recovery and our long-term mission remains unchanged. We remain committed to our goal of development, maintenance and management of national trunk road network in a sustainable manner.

The Financial statements provides stakeholders with an accurate and balanced view of the Authority's financial status, strategies for projects implementation, past performance, and future prospects, and addresses the material issues faced by the Authority. The reporting process has been guided by the principles and requirements contained in International Financial Reporting Standards (IFRS).

The Authority prides itself for teamwork and strategic leadership, with competent workforce, steering it through uncertain waters, navigating the risks and turning challenges into opportunities. Moving forward will require resilience, innovation and resolve under a constrained economic environment. As we continue our ceaseless journey to drive the socio-economic development of the country towards greater prosperity for all Kenyans, excellence will remain a

priority in all aspects of our business. It is also synonymous with our quantum leap in the delivery of the R10000 low volume sealed roads programme.

Leveraging ICT solutions and alternative sources of revenue will be key to achieving the deliverables in our new business proposition. This repositioning has warranted that we introduce Enterprise Resource Planning (ERP) system to drive the business strategy under a new corporate brand, marking the launch of a revitalized strategic intent. The implementation of the Enterprise Resource Planning system initiated during the period under review has enhanced operational efficiency and streamlined business processes across the Authority.

While the economic environment is expected to remain challenging with a long road to recovery post COVID-19 pandemic, I believe that the Authority is well positioned to build on the positive and sustainable impact it has made to the Kenyan economy and society. As we continue on our journey, all our resources will be fully utilized to achieve the intended outcomes and targets. Information systems and business processes will continue to be enhanced and the ICT governance standards will be aligned with the Control Objectives for Information Technology (COBIT) governance framework, which will enhance operational efficiency in the areas of regulatory compliance and risk management.

In conclusion, I take this opportunity to express my sincere gratitude to our stakeholders, the Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works and The National Treasury and Planning for their distinguished role in helping us achieve our mandate through both policy and budgetary support. In addition, our appreciation goes to development partners (KfW, AfD, BADEA and EU) and related road agencies for their continued support.

On behalf of Management team, I would also like to thank the Board of Directors for their continued support, visionary leadership and the guidance they provided to the management team throughout the year. I also wish to recognize the role played by our clients who continue to support our various initiatives. They remain a crucial stakeholder without whom we would not have achieved our set objectives and goals.

Lastly, I take this opportunity to appreciate all KeRRA staff for their tireless efforts and commitment that we have been able to record remarkable performance. I look forward to your continued support in making our vision a reality.



**Eng. Philemon K. Kandie(MBS)**  
**Director General**

## REVIEW OF PERFORMANCE FOR FY 2020/2021

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

**Kenya Rural Roads Authority** has 5 strategic pillars and objectives within its Strategic Plan for the FY 2018/2019- 2022/2023. The achievements of strategic pillars were as follows:

Key Result Area	Performance Target	Planned Activities/Outcome	Outputs 2020-2021
<b>Strategic Objective 1: To increase the national secondary trunk road network under bitumen</b>			
1. Roads designed	<ul style="list-style-type: none"> <li>To design 1,125 km of rural road network</li> </ul>	<ul style="list-style-type: none"> <li>Design roads to support accessibility to all production, market and social centres' for enhanced economic growth</li> </ul>	<ul style="list-style-type: none"> <li>1,739.5 km</li> </ul>
2. New roads constructed under Conventional approach (Km)	<ul style="list-style-type: none"> <li>To upgrade 42.1 km of rural roads network to bitumen standards</li> </ul>	<ul style="list-style-type: none"> <li>Open up rural roads to reduce transport cost and journey time.</li> </ul>	<ul style="list-style-type: none"> <li>16.6 km</li> </ul>
3. New roads constructed under Annuity Program (Km)	<ul style="list-style-type: none"> <li>To upgrade 4.0 km of rural roads network to bitumen standards</li> </ul>	<ul style="list-style-type: none"> <li>Open up rural roads to reduce transport cost and journey time.</li> </ul>	<ul style="list-style-type: none"> <li>4.0 km</li> </ul>
4. New roads upgraded under Roads 2000 Program - LVSR (Km)	<ul style="list-style-type: none"> <li>To upgrade 31.8 km of rural roads network to bitumen standards</li> </ul>	<ul style="list-style-type: none"> <li>Open up rural roads to reduce transport cost and journey time.</li> </ul>	<ul style="list-style-type: none"> <li>68.1 Km</li> </ul>
5. New roads constructed under Roads 10,000 Program (Km)	<ul style="list-style-type: none"> <li>To upgrade 1,313 km of rural roads network to bitumen standards</li> </ul>	<ul style="list-style-type: none"> <li>Open up rural roads to reduce transport cost and journey time.</li> </ul>	<ul style="list-style-type: none"> <li>1003.4 Km</li> </ul>
6. Bridges Constructed Program (Number)	<ul style="list-style-type: none"> <li>To construct 6 No. bridges</li> </ul>	<ul style="list-style-type: none"> <li>Design and construct bridges to support accessibility to all production, market and social centers' for enhanced economic growth</li> </ul>	<ul style="list-style-type: none"> <li>2 No. Constructed</li> </ul>
<b>Strategic Objective 2: To improve maintenance and rehabilitation of the national secondary trunk road network</b>			
7. Equalization funded road works (Km)	<ul style="list-style-type: none"> <li>To improve 55 Km of roads in 14 marginalized Counties to gravel standard</li> </ul>	<ul style="list-style-type: none"> <li>Provide basic services in marginalized areas to the level generally enjoyed by other areas</li> </ul>	<ul style="list-style-type: none"> <li>17 Km</li> </ul>

Key Result Area	Performance Target	Planned Activities/Outcome	Outputs 2020-2021
8. Periodic maintenance (km)	<ul style="list-style-type: none"> <li>To carry out periodic maintenance of 90 km of rural road network</li> </ul>	<ul style="list-style-type: none"> <li>Well maintained roads</li> </ul>	<ul style="list-style-type: none"> <li>40.2 km</li> </ul>
9. Roads reconstructed and rehabilitated (km)	<ul style="list-style-type: none"> <li>To rehabilitate 75 km of rural road network</li> </ul>	<ul style="list-style-type: none"> <li>Well maintained rural roads</li> </ul>	<ul style="list-style-type: none"> <li>39.8 km</li> </ul>
10. Roads maintained under Roads 2000 Program (Km)	<ul style="list-style-type: none"> <li>To maintain 177.2 Km using labour based methods</li> </ul>	<ul style="list-style-type: none"> <li>Use labour based method in maintaining rural roads</li> </ul>	<ul style="list-style-type: none"> <li>207.6 Km</li> </ul>
11. Axle load monitoring	<ul style="list-style-type: none"> <li>To monitor 22 No. rural roads for axle loading</li> </ul>	<ul style="list-style-type: none"> <li>Safeguarding rural roads investment</li> </ul>	<ul style="list-style-type: none"> <li>22 No. rural roads monitored for axle loading.</li> </ul>
<b>Strategic Objective 3: To develop road Management plans and systems</b>			
12. Road Reserves Mapping	<ul style="list-style-type: none"> <li>To Map 1,028 Km of road reserves</li> </ul>	<ul style="list-style-type: none"> <li>Safeguard Road Asset from encroachment</li> </ul>	<ul style="list-style-type: none"> <li>700.2Km road reserve mapped.</li> </ul>
13. Traffic census	<ul style="list-style-type: none"> <li>Traffic count report at 100% census points.</li> </ul>	<ul style="list-style-type: none"> <li>Traffic census data for planning and design purposes</li> </ul>	<ul style="list-style-type: none"> <li>Report on traffic count at 100% census points.</li> </ul>
<b>Strategic Objective 4: To Enhance Service Delivery</b>			
14. Implementation of Citizens' Service Delivery Charter	<ul style="list-style-type: none"> <li>Reviewed and printing of Services Charter in English and Kiswahili. The Charters have been displayed prominently in the size indicated in the</li> <li>Staff sensitized on the Customer Service Charter and the Service Charter.</li> </ul>	<ul style="list-style-type: none"> <li>Informed citizens</li> <li>Improved customer Care</li> </ul>	<ul style="list-style-type: none"> <li>The Charters have been displayed prominently in the size indicated in the guidelines</li> <li>205 No. Staff sensitized on the Customer Service Charter and the Service Charter has been cascaded and circulated to all 47 Regional Offices as per the guidelines</li> </ul>
15. Application of Service Delivery Innovations	<ul style="list-style-type: none"> <li>Wide area network implemented for HQ and all the 47 regions -70%</li> <li>Virtual Private Network access already implemented for 275No. staff both HQ &amp; regions -10%</li> </ul>	<ul style="list-style-type: none"> <li>Implementation of ERP</li> </ul>	<ul style="list-style-type: none"> <li>Finance and HR Currently using ERP for processing all payments</li> </ul>

Key Result Area	Performance Target	Planned Activities/Outcome	Outputs 2020-2021
<b>16. Resolution of Public Complaints</b>	<ul style="list-style-type: none"> <li>Finance, HR, Payroll, EDMS, ICT ESS Modules have already gone live</li> <li>Resolve all public complaints</li> </ul>	<ul style="list-style-type: none"> <li>Satisfied public</li> </ul>	<ul style="list-style-type: none"> <li>Resolved all public complaints for the quarter and forwarded report to CAJ in the prescribed format</li> </ul>
<ul style="list-style-type: none"> <li><b>Strategic Objective 5: To enhance Corporate Governance</b></li> </ul>			
<b>17. Develop capacity of the Board</b>	Five (5) trainings for the Board: <ul style="list-style-type: none"> <li>Board Audit Risk and Governance Committee</li> <li>Board Human Resource Committee</li> <li>Board Technical Committee</li> <li>Full Board retreat</li> <li>Board Finance Committee</li> </ul>	<ul style="list-style-type: none"> <li>Undertake Board trainings</li> </ul>	<ul style="list-style-type: none"> <li>Enhance capacity for the New Board.</li> </ul>

## **CORPORATE GOVERNANCE STATEMENT**

### **Overview**

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

### **Organization structure of the Authority**

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

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

### **Appointments to the Board**

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

### **Board Organisation and structure**

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

### **The role of the Board**

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

## **Activities of the Board**

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

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

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

## **Board Effectiveness**

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

## **Board Committees**

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

### **Audit, Risk & Governance Committee**

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

### **Finance Committee**


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

### **Board Human Resource Committee**

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

### **Board Technical Committee**

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



**DIRECTOR**

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **SECTION A**

#### **The entity's operational and financial performance**

The National Government's commitment continues to be seen through the improved budgetary allocation to the road sector. In the Period under review, the Authority received a total of 63. Billion against a budget allocation 63.8.Billion

### **SECTION B**

#### **Entity's compliance with statutory requirements**

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

### **SECTION C**

#### **Key projects and investment decisions the entity is planning/implementing**

The Authority has an ongoing portfolio of 8,249 Kms of contracts under reconstruction and Upgrading worth Kshs. 362 Billion with 3501 Kms expected to be completed within the next three years at total cost of Kshs. 171 Billion. The bulk of the contracted works falls under the Roads 10,000 low volume sealed roads programme. During the Year the Contracts under the Annuity Programme through Public Private Partnership is substantially complete on Ngong-Kiserian-Isinya and Kajiado Imarora Roads and LVSR has achieved a cumulative 4,748 Km in terms of Milestones.

### **SECTION D**

#### **Major risks facing the entity**

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

### **SECTION E**

#### **Material arrears in statutory/financial obligations**

The Authority is not in arrears in the payment of statutory obligations though it has pending bills of approximately Ksh 28.15 billion as at 30<sup>th</sup> June 2021. These have been included as part of Payables.

### **SECTION F**

#### **The entity's financial probity and serious governance issues**

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

## CORPORATE SOCIAL RESPONSIBILITY STATEMENT/ SUSTAINABILITY

### 1. Sustainability strategy and profile

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

Factor	Strategic implication	Strategic Response
<b>Political Factors</b>		
1.Stakeholder Engagement	<ul style="list-style-type: none"> <li>Challenges with project planning and implementation</li> <li>Cost inflation due variation</li> </ul>	<ul style="list-style-type: none"> <li>Adherence to project implementation Guidelines</li> <li>Public participation</li> <li>Adherence to Annual Road Works Program (ARWP)</li> </ul>
2.Funding to the Authority affected by political dynamics	<ul style="list-style-type: none"> <li>Low funding level in comparison to increased demand for better roads</li> <li>Additional funding</li> </ul>	<ul style="list-style-type: none"> <li>Lobby parliament and cabinet</li> <li>Stakeholder engagement</li> </ul>
3. Multiplicity of players in policy development	<ul style="list-style-type: none"> <li>Interference with policy implementation</li> <li>Conflicting directives leading to risk of non-compliance</li> </ul>	<ul style="list-style-type: none"> <li>Lobby parliament and cabinet</li> <li>Stakeholder engagement</li> </ul>
4. Weak institutional leadership	<ul style="list-style-type: none"> <li>Interference with institutional governance</li> <li>Partial or total Non-adherence to policies and guidelines</li> </ul>	<ul style="list-style-type: none"> <li>Uphold Corporate governance guidelines</li> <li>Develop assertive leadership</li> <li>Capacity building</li> </ul>
5. Prolonged political activity	<ul style="list-style-type: none"> <li>Interference with project implementation</li> <li>Gaps in leadership and direction</li> </ul>	<ul style="list-style-type: none"> <li>Adherence to project implementation guidelines</li> <li>Engagement with relevant stakeholders</li> </ul>
<b>Economic Factors</b>		
1 .Lack of adequate funds	<ul style="list-style-type: none"> <li>Maintenance backlog (increased road asset deterioration)</li> <li>High vehicle operating costs</li> <li>High road user costs</li> <li>Reduced network improvement</li> <li>High cost of interest payments</li> <li></li> </ul>	<ul style="list-style-type: none"> <li>Increase RMLF allocations</li> <li>Lobby for enhanced external funding</li> <li>Explore alternative options of funding</li> <li>Increased collaboration with external partners</li> </ul>
2.Fiscal and Monetary Policies	<ul style="list-style-type: none"> <li>High taxation</li> <li>Inflation</li> <li>High cost of fuel and road works materials</li> <li>Limitations to line budgetary items</li> </ul>	<ul style="list-style-type: none"> <li>Monitoring and review of policies and strategies</li> <li>Macroeconomic stability</li> <li>Adaptation to changes in fiscal policy</li> </ul>
3.Regional economic disparities	<ul style="list-style-type: none"> <li>Discrepancies in economic empowerment among counties (Marginalized areas)</li> <li>Skewed regional competitive advantage.</li> </ul>	<ul style="list-style-type: none"> <li>Increased Equalization fund</li> <li>Increased Equitable 10% RMLF</li> <li>Standardisation and harmonisation</li> <li></li> </ul>
<b>Social Factors</b>		
1.Road Reserve Encroachment	<ul style="list-style-type: none"> <li>Increased accidents</li> <li>Loss of livelihoods</li> <li>Increased project costs</li> </ul>	<ul style="list-style-type: none"> <li>Road reserve demarcation</li> <li>Public sensitization</li> <li>Stakeholder engagement</li> </ul>

Factor	Strategic implication	Strategic Response
	<ul style="list-style-type: none"> <li>• Hostility</li> <li>• Interference with project implementation</li> </ul>	
2.Poor adherence to axle load limits	<ul style="list-style-type: none"> <li>• Costly maintenance of roads</li> <li>• Reduced road lifespan</li> </ul>	<ul style="list-style-type: none"> <li>• Public sensitization</li> <li>• Enforcement of axle load limits</li> <li>• Periodic road design reviews</li> <li>• Stakeholder engagement</li> </ul>
Meeting Societal Expectations	<ul style="list-style-type: none"> <li>• Formulation and review of ARWP</li> <li>• Formulation and review of Corporate Social Responsibility (CSR) work plan</li> </ul>	<ul style="list-style-type: none"> <li>• Effectively manage expectations</li> <li>• Public sensitization</li> <li>• Engagement with stakeholders</li> <li>• Upholding organizational core values</li> </ul>
<b>Technological Factors</b>		
1.Automation and information security	<ul style="list-style-type: none"> <li>• High investment in ICT systems and infrastructure</li> <li>• Effective information security management</li> <li>• Enhanced efficiency and operational interconnectivity</li> </ul>	<ul style="list-style-type: none"> <li>• Develop suitable ERPs</li> <li>• Develop and implement information security strategies</li> <li>• Implement ISMS</li> </ul>
2.Emerging technologies in road construction and ICT	<ul style="list-style-type: none"> <li>• Incorporate usage of locally available materials and labour</li> <li>• High cost of transition</li> <li>• Need for matching staff knowledge and exposure with technology</li> </ul>	<ul style="list-style-type: none"> <li>• Adaptation of technology and road construction concepts to emerging trends including R2000 &amp; R10,000</li> <li>• Monitor obsolescence of technology and approaches</li> <li>• Frequent updates</li> <li>• Plan for future technological improvements</li> <li>• Capacity building</li> </ul>
<b>Ecological factors/Environmental</b>		
1.Adverse weather conditions (floods, mudslides, prolonged rainfall and draught)	Partial or total cut-off of the road network <ul style="list-style-type: none"> <li>• Increased frequency and costs of road and maintenance and rehabilitation works</li> <li>• Delay in execution of projects in adverse weather and Cost overruns</li> <li>• Availability of manpower</li> </ul>	<ul style="list-style-type: none"> <li>• Develop and implement annual disaster mitigation and management strategy</li> <li>• Enhance works insurance to cover adverse weather</li> </ul>
2.Availability of natural road construction material	<ul style="list-style-type: none"> <li>• Depletion of natural resources</li> <li>• High construction costs</li> <li>• Damage to economically productive lands</li> </ul>	<ul style="list-style-type: none"> <li>• Research on alternative road construction material</li> <li>• Embrace viable emerging technologies</li> </ul>

## 2. Environmental Performance

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

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

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

Environmental Impact Assessment (EIA) Licences were issued by NEMA for 59 Road Projects

Moreover, the Authority has continued to monitor compliance to the Environmental & Social Management Plans and EIA Licence conditions for the various projects under implementation, and corrective measures have been employed whenever a non-conformity is noted.

**Promoting Environmental Protection and Conservation through Stakeholder Partnerships**

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

**Tree Planting Initiatives**

25,000 No. Trees were planted in various regions with over 20,000 being in the Coast region.

The above initiatives are aimed at enhancing the Authority's efforts to manage biodiversity, ensure sustainable waste management and in the long run minimize the institution's environmental footprint.

Nevertheless, like all other sectors and institutions, the Authority did not achieve its full potential towards environmental sustainability as a result of the Covid-19 pandemic. The Authority will ensure that the journey towards economic recovery will consider actions that are environmentally sustainable.

### **3. Employee welfare**

The Authority has a staff pool of 615 staff members stationed both at the Head office and the 47 regional offices. Whilst the Authority recruits competent personnel, it endeavors to continuously improve and develop internal capacity through training of staff internal staff promotion, recruitment of technical staff, supporting staff membership to professional bodies and ensuring staff have resources necessary for execution of works within the financial constraints.

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

**The Human Resource Management Policies**

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

- (a) Human Resource Policy and Procedures Manual

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

- (b) KeRRA Organization Structure and Staff Establishment

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

(c) Career Progression Guidelines

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

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

#### **4. Market place practices-**

Anti corruption- Contractor have declaration forms in tender documents and the evaluation committees also sign declaration forms on conflict of interest  
The authority through the Constituency Roads Committees (CRC) in the various regional offices engages the various stakeholders in prioritization of maintenance roads.

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

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

#### **5. Community Engagements-**

The Authority had allocated **Ksh5 million** in the reporting period towards Corporate Social Responsibility. However, due to the ongoing Covid-19 Pandemic many activities involving public gathering such as charity walks and public events the Authority only managed to support initiatives valued at **Ksh2,400,000** with funding from our operations vote in the Road Maintenance Levy Fund (RMLF) and donations in kind. One such key activity is the Annual Marter Heart Run.

Our approved Annual CSR Work Programme for the year was however greatly affected by the outbreak of the COVID-19 Pandemic

Below is the tabulation of the activities carried out in the reporting period.

<b>No.</b>	<b>PROJECT NAME</b>	<b>PARTICIPANTS/ SCOPE</b>	<b>DETAILS</b>	<b>LOCATION</b>	<b>DATE</b>	<b>AMOUNT /VALUE (Ksh)</b>
1.	Eldama Ravine Half Marathon	KeRRA and Other Agencies supporting the Programme	Sponsorship fee	Eldama Ravine, Baringo County	October, 2020	750,000
2.	National Tree Planting Exercise	KeRRA and All State Agencies and Departments of MOTIHUD	Exercise in compliance with presidential directive of attaining at least 10% Forest Cover	Malindi Kilifi Kwale Mombasa	December, 2020 June, 2021	1,000,000
3.	Engineering students Association Conference	KeRRA, Government Agencies and Student Bodies	Conference for Associates of Engineering Students in Kenya	Nairobi	March, 2021	250,000
4.	Kipkundul Secondary School	KeRRA Staff, School Community	<ul style="list-style-type: none"> <li>The school was considered for assistance following a request</li> <li>Donations included ICT Equipment &amp; Hygienic Products</li> </ul>	Kapcherop, Trans Nzoia County	April, 2020	150,000
5.	Nyeri Hospice Charity Golf Tournament	KeRRA Staff, Regional Office, Associated Agencies	Charity event towards supporting the Hospice	Nyeri County	March, 2021	250,000
6.		KeRRA LVSR Projects Countrywide	6.1.Access to Dedan Kimathi University	Nyeri County		

Provision of Access to Learning Institutions Countrywide	are mandated to provide access to adjacent learning and prominent community institutions	6.2.Access to South Eastern University of Kenya		Kitui County	FY 20/21	
		6.3.Kitalekapel Technical Institute	West Pokot County			
		6.4.KSG Matuga, KALRO Matuga, Matuga Girls,	Kwale County			
		6.5.Access to Kabianga University	Kericho			Various
		6.6.Brister Girls School - Star Of Hope Children'S Home Loop & Access To Kwihota Secondary School	Kiambu			
		6.7.Access To Starehe Girls Road				
<b>Total</b>						<b>2,400,000</b>

## REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements for the year ended 30th June 2021, in accordance with the provisions of section of the 38 of Kenya Roads Act 2007 which disclose the state of affairs of the Authority.

### Principal activities

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

### Results

The results for the Authority for the year ended 30 June 2021 are set out on page 34.


### Directors

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

### Auditors

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

By order of the board

Name : Eng. Philemon Kandie(MBS) Signature..........Date.....29/07/2021

Corporate Secretary/Secretary to the Board

## STATEMENT OF DIRECTORS RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, require the Directors to prepare financial statements in respect of that Authority, which give a true and fair view of the state of affairs of the Authority at the end of the financial year/period and the operating results of the Authority for that year/period. The Directors are also required to ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy the financial position of the Authority. The Directors are also responsible for safeguarding the assets of the Authority.

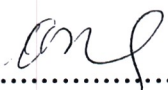
The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year (period) ended on June 30, 2021. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Authority; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Authority; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

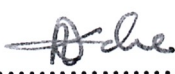
The Directors accept responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required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

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

### Approval of the financial statements

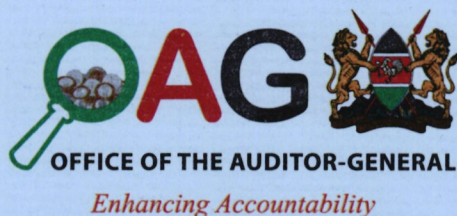
The Authority's financial statements were approved by the Board on 20th September 2021 and signed on its behalf by:

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

Signature   
Name: Eng. Philemon K. Kandie (MBS)  
Director General

# REPUBLIC OF KENYA

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

## **REPORT OF THE AUDITOR-GENERAL ON KENYA RURAL ROADS AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2021**

---

### **PREAMBLE**

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

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

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

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

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Kenya Rural Roads Authority set out on pages 32 to 70, which comprise of the statement of financial position as at 30 June, 2021, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual

amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kenya Rural Roads Authority as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Kenya Roads Act, 2007.

### **Basis of Qualified Opinion**

#### **Receivables from Non-Exchange Transactions**

The statement of financial position reflects receivables from non-exchange transactions balance of Kshs.4,145,460,000 as disclosed in Note 19b to the financial statements. Included in the balance is advances to staff amount of Kshs.45,562,000 out of which a balance of Kshs.43,349,871 relates to previous years with some dating back to the year 2019.

In the circumstances, the recoverability of the receivables is doubtful and the accuracy of the long outstanding balances of Kshs.43,349,871 could not be confirmed.

#### **Key Audit Matters**

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

#### **Other Matter**

#### **Unresolved Prior Year Audit Matters**

In the audit report of the previous year, a number of issues were raised under the Report on the Financial Statements and the Report on Lawfulness and Effectiveness in Use of Public Resources. However, the issues remained outstanding as at 30 June, 2021.

### **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

#### **Conclusion**

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

## **Basis for Conclusion**

### **1. Irregular Payment of Rent and Rates**

The statement of financial performance reflects other operating costs of Kshs.477,684,000 as disclosed in Note 16 to the financial statements. The amount includes rent and rates amount of Kshs.18,063,000 out of which Kshs.17,758,000 was incurred on rent charges for office space measuring 18.745 square feet at Blue Shield Towers for the period between 1 October, 2019 to 1 April, 2020. Review of records revealed that the Authority entered in to a six year lease agreement for the office space on 1 April, 2014. However, vide a letter dated 3 September, 2019 Management gave notice of the intention to vacate the building by 30 September 2019 but indicated that the lease period would end on 1 April, 2020. The Authority therefore paid rent charges for office space that was not utilized.

In the circumstances, value for money may not have been obtained on the expenditure of Kshs.17,758,000 incurred on rent charges.

### **2. Avoidable Interest on Delayed Payments**

The statement of financial position and as disclosed in Note 24 to the financial statements reflects payables from exchange transactions balance of Kshs.29,636,936,000 which includes an amount of Kshs.28,174,015,000 that was due to contractors. Further, as previously reported, the Authority continues to incur interest expense on account of delayed payments to contractors. Review of related records revealed that as at 30 June, 2021 the Authority had accumulated interest on delayed payments amounting to Kshs.1,891,100,494 (2020-: Kshs.220,621,047).

Although Management has explained that this was occasioned by delayed exchequer releases, the interest charged is avoidable expenditure and therefore not a proper charge to public funds.

### **3. Acting Appointments**

The statement of financial performance reflects directors' costs and employment costs of Kshs.13,394,000 and Kshs.2,586,488,000 respectively as disclosed in Note 13 and Note 14 to the financial statements. The amounts include acting allowance of Kshs.378,000 and Kshs.835,920 paid to two (2) members of staff. Review of the personnel records revealed that the two (2) employees have been on acting capacity for a period of over six (6) months contrary to the requirements of Section C.14 of the Public Service Commission Human Resource Policies and Procedures Manual.

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

### **4. Stalled and Slow-Moving Projects**

Physical inspection and review of records for road projects revealed that projects with a combined contract sum totalling Kshs.60,204,947,106 had either stalled or had recorded slow progress. In addition, the Authority had awarded various contracts for upgrading of roads to bitumen standard and maintenance. Review of progress reports on these works

indicated the projects with a combined contract sum of Kshs.21,612,655,224 were progressing slowly with some projects having exceeded their expected project duration.

In the circumstances, value for money obtained on amounts spent on these projects could not be confirmed.

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, except for the matters described in the Basis for Conclusion on Effectiveness in use of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

### **Basis for Conclusion**

#### **Lack of Fixed Asset Register**

Management did not maintain a fixed asset register as at 30 June, 2021, as required by Section 143 (1) of the Public Finance Management Act (National Government) which states that the Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession.

In the circumstances, Authority's assets may not be fully accounted for and maybe at risk of loss.

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

### **Responsibilities of Management and the Board of Directors**

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

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

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

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

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

### **Auditor-General's Responsibilities for the Audit**

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls 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 controls 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 controls 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 controls 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 applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Authority to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships

and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi


15 September, 2022

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

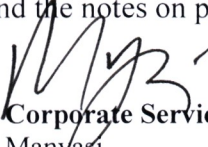
### Statement of Financial Performance

		2020-2021 Jun-21 Shs'000	2019-2020 Jun-20 Shs'000
<b>REVENUE</b>			
<b>Revenue from Non Exchange Transactions</b>			
Road Maintenance Levy Fund	6	22,115,430	23,781,150
Government Grants	7	-	-
Development partners' Grants	8	141,671	1,100,999
<b>Total Revenue from Non Exchange Transactions</b>		<u>22,257,101</u>	<u>24,882,149</u>
<b>Revenue from Exchange Transactions</b>			
Finance Income	9	1,214,778	1,043,030
Other income	10	1,719	187,681
Rental Revenue	11	1,221	1,922
<b>Total Revenue from Exchange Transactions</b>		<u>1,217,717</u>	<u>1,232,633</u>
<b>Total Revenue</b>		<u>23,474,818</u>	<u>26,114,782</u>
<b>EXPENDITURE</b>			
Road Works costs	12	31,702,846	19,228,736
Directors' Costs	13	13,394	11,360
Employment Costs	14	2,586,488	2,404,559
Repairs and maintenance	15	103,851	38,380
Other Operating Costs	16	477,684	342,943
Depreciation and armotization expense	17	115,202	173,346
<b>Total Expenditure</b>		<u>34,999,465</u>	<u>22,199,324</u>
<b>Opertaing Deficit /Surplus for the year</b>		<u>(11,524,646)</u>	<u>3,915,458</u>

The significant accounting policies on pages and the notes on pages 38 to 73 form an integral part of these financial statements.

  
Ag. Director General  
Eng. Philemon Kandie

Date 29/09/2021

  
Director Corporate Services  
CPA Dan Manyasi  
ICPAK M. No:6407

Date 29/09/2021

  
Director

Date 29/09/2021

**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021**

		2020-2021	2019-2020
	Note	Jun-21 Shs '000	Jun-20 Shs '000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	18	44,449,465	41,916,427
Receivables from exchange transactions	19	15,271,625	16,115,256
Receivables from non exchange transactions	19	4,145,460	3,404,620
Inventories	20	3,527	5,142
		<u>63,870,078</u>	<u>61,441,445</u>
<b>Non-Current Assets</b>			
Property Plant and Equipment	21	356,553	357,898
Road Infrastructure Assets	22	118,640,409	79,440,931
Capital Work In Progress	23	155,181,085	157,576,650
		<u>274,178,047</u>	<u>237,375,479</u>
<b>Total Assests</b>		<u>338,048,125</u>	<u>298,816,924</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables from exchange transactions	24	29,636,936	18,550,239
Payables from Non-Exchange transactions	24	-	-
Employee benefit obligation	25	223,285	162,871
		<u>29,860,221</u>	<u>18,713,110</u>
<b>Non Current Liabilities</b>			
Payables from exchange transactions	24	8,724,522	10,143,470
		<u>8,724,522</u>	<u>10,143,470</u>
<b>Total Liabilities</b>		<u>38,584,743</u>	<u>28,856,580</u>
<b>Net Assets</b>		<u><b>299,463,382</b></u>	<u><b>269,960,344</b></u>


**REPRESENTED BY:**

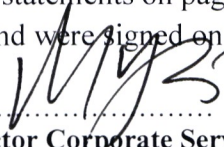
GOK Development Fund	SCNA	308,064,979	267,192,864
Revalutaion Reserve	SCNA	-	-
Staff Mortgage Fund	SCNA	537,022	381,452
Accumulated(Deficit)/ Surplus	SCNA	(9,138,618)	2,386,028

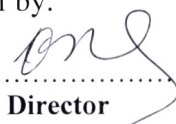
**Total Net Assets and Liabilities**

**299,463,382**      **269,960,344**

The significant accounting policies on pages and the notes on pages 38 to 73 form an integral part of these financial statements. The financial statements on pages 1 to 73 were approved for issue by the board of directors on -----and were signed on their behalf by:

  
.....  
**Ag. Director General**  
Eng. Philemon Kandie

  
.....  
**Director Corporate Services**  
CPA Dan Manyasi  
ICPAK M. No:6407

  
.....  
**Director**  
Date 29/09/2021

Date 29/09/2021.....

Date 29/09/2021....

Date 29/09/2021.....

## STATEMENT OF CHANGES IN NET ASSETS

For the Year Ended 30 June 201

### Statement of Net Assets and Reserves

Note	Accumulated Surplus	GOK Development Fund	Staff Mortgage Fund	Revaluation Reserve	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
<b>At 1st July 2019</b>	(1,529,430)	201,422,677	277,844	-	200,171,091
Funds received during the year	-	65,770,188	103,608	-	65,873,796
Surplus for the year	3,915,458	-	-	-	3,915,458
<b>At 30th June 2020</b>	2,386,028	267,192,865	381,452	-	269,960,345
<b>At 1st July 2020</b>	2,386,028	267,192,865	381,452	-	269,960,345
Funds received during the year	-	40,872,115	155,570	-	41,027,685
Surplus for the Period	(11,524,646)	-	-	-	(11,524,646)
<b>At 30th June 2021</b>	(9,138,618)	308,064,979	537,022	-	299,463,383

The significant accounting policies on pages and the notes on pages 38 to 73 form an integral part of these financial statements.

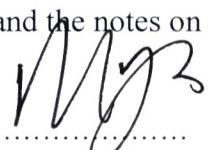
## STATEMENT OF CASH FLOWS

### FOR THE YEAR ENDED 30 JUNE 2021

	2020-2021 Jun-21 Shs'000	2019-2020 Jun-20 Shs'000
<b>Cash flows from operating activities</b>		
Surplus for the year	(11,524,646)	3,915,432
<i>Adjustments for:</i>		
<i>Prior Year adjustment</i>		
Depreciation of property, plant and equipment/Revaluation	115,202	173,342
Interest Income	(1,214,778)	(1,043,030)
<b>Changes in operating assets and liabilities</b>		
Receivables from exchange transactions	843,631	2,789,718
Receivables from non exchange transactions	(740,840)	2,409,271
Inventories	1,614	(17)
Payables from Non-exchange transactions	-	-
Payables from exchange transactions	9,667,749	(7,677,819)
Employee benefit obligation	60,414	38,403
<i>Net cash from operating activities</i>	<u>(2,791,654)</u>	<u>605,299</u>
<b>Cash flows from investing activities</b>		
Interest Income	1,214,778	1,043,030
Purchases of Property Plant and equipment	(113,857)	(238,439)
Addition in Road infrastructure assets	<u>(36,803,913)</u>	<u>(53,854,995)</u>
<i>Net cash used in investing activities</i>	<u>(35,702,992)</u>	<u>(53,050,403)</u>
<b>Cash flows from Financing activities</b>		
Capital Grant received	40,872,115	65,770,188
Mortgage Fund	155,570	103,608
<i>Net cash used from investing activities</i>	<u>41,027,685</u>	<u>65,873,796</u>
Net increase in cash and cash equivalents	2,533,038	13,428,691
Cash and cash equivalents at start of year	<u>41,916,427</u>	<u>28,487,736</u>
Cash and cash equivalents at end of year	<u>44,449,465</u>	<u>41,916,427</u>

The significant accounting policies on pages and the notes on pages 38 to 73 form an integral part of these financial statements.

  
.....  
**Ag. Director General**  
Eng. Philemon Kandie

  
.....  
**Director Corporate Services**  
CPA Dan Manyasi  
ICPAK M. No:6407

  
.....  
**Director**

Date 29/09/2021.....

Date 29/09/2021.....

Date 29/09/2021

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT

Annual Report and Financial Statements	Note	Original Budget		Adjustments		Final Budget		Actual on comparison		Performance		% Variance	
		2020-2021	Shs'000	2020-2021	Shs'000	2020-2021	Shs'000	2020-2021	Shs'000	2020-2021	Shs'000	2020-2021	Shs'000
Revenue													
Road Maintenance Levy Fund	6	23,069,546		1,618,000		24,687,546	22,115,430	2,572,116	10%				
Government Grants	7	33,960,134		7,699,112		41,659,246	40,872,115	787,131	2%				
Development partners' Grants	8	1,459,900		-		1,459,900	141,671	1,318,229	90%				
Finance Income	9	800,000		-		800,000	1,214,778	(414,778)	-52%				
Other income	10	10,000		-		10,000	1,719	8,282	83%				
Rental Revenue	11	2,200		-		2,200	1,221	979	45%				
<b>Total Revenue</b>		<b>59,301,780</b>		<b>9,317,112</b>		<b>68,618,892</b>	<b>64,346,933</b>	<b>4,271,958</b>					
<b>EXPENDITURE</b>													
Road Works Costs-Maintenance	12	18,699,314				18,699,314	31,702,846	(13,003,532)	-70%				
Directors' Costs	13	27,160				27,160	13,394	13,766	51%				
Employment Costs	14	3,060,141				3,060,141	2,586,488	473,653	15%				
Repairs and maintenance	15	47,000				47,000	103,851	(56,851)	-121%				
Other Operating Costs	16	1,180,930				1,180,930	477,684	703,246	60%				
Depreciation and amortization expense	17	55,000				55,000	115,202	(60,202)	-109%				
Development Fund		33,960,134		3,699,112		37,659,246	40,872,115	(3,212,869)	-9%				
<b>Total Expenditure</b>		<b>57,029,680</b>		<b>3,699,112</b>		<b>60,728,792</b>	<b>75,871,579</b>	<b>(15,142,788)</b>	<b>-25%</b>				
<b>Operating Deficit /Surplus for the year</b>		<b>2,272,100</b>		<b>5,618,000</b>		<b>7,890,100</b>	<b>(11,524,646)</b>	<b>19,414,746</b>					



## **STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT DISCUSSION**

1. RMLF  
Release by of RMLF Savings
2. Governments Grants  
Release of Pending Bills by National Treasury
3. Finance Income  
Prudent Cash Management
4. Other Income  
Sale of Tenders documents limitations.
5. Expenditure
  - i. Road works Maintenance-Utilisation of Prior year balances by regional offices
  - ii. Directors Costs-Curtailed Board activities due to Covid 19
  - iii. Maintenance Cost- Curtail activities due to Covid 19
  - iv. Operating Expenses – Curtail activities due to Covid 19

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. General Information**

Kenya Rural Roads Authority (KeRRA) is a State Corporation established under the Kenya Roads Act 2007. The Authority is headed by a Board of Directors led by a chairman with the Director General being the Chief Executive of the Authority. The Authority is responsible for the management, development, rehabilitation and maintenance of the Rural Road network in Kenya classified as D, E and others.

### **2. Statement of compliance and Basis of Preparation**

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying Kenya Rural Roads Authority accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 4

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of Kenya Rural Roads Authority .

The financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) issued by International Public Sector Accounting Standards Board (IPSASB), the Public Financial Management Act, 2012, Public Audit Act, 2015 and Kenya Roads Act 2007.

### **3. Adoption of new and revised Standards**

- i. *New and amended standards and interpretations in issue effective in the year ended 30 June 2021.*

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

**New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021**

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

Standard	Effective date and impact:
	<p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• 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.</li> </ul>
<p><b>IPSAS 42: Social Benefits</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ul style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the entity;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</li> </ul> <p><i>(State the impact of the standard to the entity if relevant)</i></p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1st January 2023:</b></p> <ul style="list-style-type: none"> <li>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</li> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> <li>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</li> </ul> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted</p>

**ii. Early adoption of standards**

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

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**(a) Basis of Preparation**

The financial statements have been prepared under the historical cost convention, unless otherwise stated. The Financial Statements are presented in Kenya Shillings which is the functional and reporting currency of the Authority and all values are rounded to the nearest thousand (Ksh 000).

**(b) Presentation of Financial Statements**

The financial statements comprise of statement of financial performance, statement of financial position, statement of changes in net assets/reserves, the statement of cash flows and statement of comparison of budget and actual amount and the notes to the financial statements.

The Authority 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.

**(c) Budget Information**

The original budget for FY 2019-2020 was approved by the National Assembly in June 2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities.

The Authority's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

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

**(d) Taxation**

The Authority is an appointed tax agent for Kenya Revenue Authority with the mandate to withhold tax and remit to Kenya Revenue Authority. The withheld taxes are recognized as current liabilities until paid to the relevant Authority.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income.

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**(e) Translation of foreign currencies**

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

**(f) Revenue recognition**

Revenue comprises the fair value of consideration received or receivable in the ordinary course of business. In accordance with the Kenya Roads Act 2007, revenue comprises all proceeds from the Kenya Roads Board Fund, Grants, Loans and donations from Central Government and Development partners, and such moneys, sums or assets that may accrue to the Authority. The revenue is for specified purposes including maintenance, rehabilitation and development of the rural road network in Kenya.

The Authority recognizes revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Authority.

***i) Road Maintenance Levy Fund***

Receipts from the Road Maintenance Levy Fund comprise of 32% of collections from the Road Maintenance Levy Fund administered by the Kenya Roads Board in accordance with the Kenya Roads Board act 1999.

Proceeds from the Road Maintenance Levy Fund are generally recognized in the Statement of Financial Performance on accrual basis.

***ii) Agricultural Cess***

The Agricultural Cess comprises of 80% of all monies collected as Cess in respect of tea and coffee as per Agricultural Act. The fund is administered by Kenya Roads Board. Proceeds

from agricultural Cess are recognized in the Statement of Financial Performance on accrual basis.

**iii) Transfers from Government and other entities**

The Kenya Roads Act 2007 provides the Authority may receive all monies from any other source provided for or donated or lent to the Authority. Such monies are recognized as they accrue in the period in which the transfer becomes binding at fair value, in the 'Statement of Financial Performance', unless the collectability is in doubt. The fair values can be determined by reference to the market rate.

Where a transfer is subject to conditions that if unfulfilled require a return of the transferred resources they are recognized as a liability until the condition is fulfilled.

**iv) Interest Income**

Interest income and expense, including interest income from non-derivative financial assets are recognized at fair value through the Statement of Financial Performance using the effective interest method. Interest income is accrued on a time basis and is calculated on call and fixed deposits held with approved banking institutions.

**v) Rental Income**

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

**vi) Other income**

Other income arising from sale of tenders and fees levied by the Authority is accounted for on receipt

**(g) Financial Instruments**

**(i) Financial assets**

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

**Receivables**

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Authority provides money or services directly to a debtor with no intention of trading the receivable. Receivables mainly arise from non-exchange transactions which accrue in the ordinary course of business and there is no intention of trading the receivable.

Receivables are recognized initially at the fair value. 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 Authority 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.

The Authority is allocated funds by the Government and Kenya Roads Board in accordance with the approved budget and allocation criteria set out in the Kenya Roads Board Act, 1999. The amounts allocated are referred to as ‘disbursements’ and are released to the Authority based on the disbursement schedule. Any amounts not released at any time are recognized as receivables.

Receivables are classified as current assets if payment is due within one year or less. If not, they are presented as non-current assets.

## **(ii) Financial Liabilities**

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

### ***Payables***

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

Payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. The historical cost carrying amount of payables subject to the normal credit terms usually approximates fair value. Payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of business if longer). If not, they are presented as non-current liabilities.

## **(h) Provisions**

Provisions are recognized when the Authority has a present obligation (legal or constructive) as a result of a past event, it is probable that the Authority 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.

## **Contingent Liabilities**

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

### **Contingent assets**

The Authority does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Authority in the notes to the financial statements.

Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs

#### **(i) Operating leases**

Leases of assets where a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made/received under operating leases are charged/credited to the statement of financial performance on a straight line basis over the lease period. Prepaid operating lease rentals are recognized as assets and are subsequently amortized over the lease period.

#### **(j) Provision for liabilities and charges**

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

#### **(k) Property, plant and equipment**

All categories of property, plant and equipment are initially recognized at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure directly attributable to the acquisition of the assets. Computer software, including the operating system that is an integral part of the related hardware is capitalized as part of the computer equipment. All other items of property, plant and equipment are subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. Repairs and maintenance expenses are charged to the statement of financial performance in the year in which they are incurred.

Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value

Depreciation is calculated using the straight line method to write down the cost of each asset to its residual value over its estimated useful life using the following annual rates:

	<b>Rate - %</b>
Buildings	2.5%
Computers	33.3%
Furniture and Fittings & Fixtures	12.5%
Technical Equipment/Machinery	12.5%
Motor Vehicles	25.0%
Road Infrastructure Assets	-

As no parts of items of property, plant and equipment have a cost that is significant in relation to the total cost of the item, the same rate of depreciation is applied to the whole item.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating surplus.

**(l) Specialised Public Service Assets-Infrastructure Assets**

International Valuation Standards Committee defines specialized public asset as an asset, owned and/or controlled by a governmental or quasi-governmental entity, for the provision of some public service or good.

The authority deals in construction of roads infrastructure which falls in this category and constitutes part of property, plant and equipment within the meaning of IPSASs.

Like other assets, all specialized public service assets provide either service potential or future economic benefit. Service potential is a measure of the capacity of an asset to provide services or benefits to those that use that asset. Future economic benefit is a measure of the capacity of an asset to provide monetary benefits to those that hold or own that asset.

**(m) Construction contracts**

A construction contract is defined as a contract specifically negotiated for the construction of an asset. Contract costs are recognized as assets in the period in which they are incurred.

Where the outcome of a construction contract can be estimated reliably, costs are recognized by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its payment is considered probable.

The Authority uses the 'percentage-of-completion method' to determine the appropriate amount to recognize in a given period. The stage of completion is measured by reference to

the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

Progress billings not yet paid to the contractors and retention are included within 'Payables' in the statement of financial position.

Costs incurred on maintenance contracts are charged in the statement of financial performance in the period in which they are incurred.

**(n) Impairment of Non-Financial Assets**

At each reporting period end, based on internal and external sources, the Authority 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 Authority estimates the recoverable value of the asset.

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.

**(o) Inventories**

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

Costs incurred in bringing each product to its present location and condition is accounted for, based on purchase cost using the weighted average cost method.

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

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

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

**(p) Cash and Cash Equivalents**

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

**(q) Nature and purpose of reserves**

The Authority creates and maintains reserves in terms of specific requirements. The net assets are made of up of designated funds and accumulated reserve which are explained as follows:

***(i) Staff Mortgage Fund***

The Authority established independently managed staff Mortgage Scheme Funds for members of staff. The scheme is based on a minimum cash balance at the Kenya Commercial Bank account commensurate with the mortgage amount. This cash balance, built up for the scheme as a revolving fund.

***(ii) Capital Fund***

The Authority proposes to establish a Capital Fund in for the purpose of purchase of office property plant and equipment.

***(iii) Accumulated surpluses/Deficit***

Accumulated surpluses/ (deficit) represent excess operating revenue over expenditure which has accumulated over the years. These funds are available for utilization in the Authority's operations in the subsequent years.

***(iv) Development Fund***

Development fund represents the Authority's investment in infrastructure assets as funded by the exchequer development vote.

**(r) Changes in accounting policies and estimates**

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

**(s) Employee Benefits**

The Authority provides retirement benefits for its eligible employees. The Authority operates defined contributions provident fund administered by an independent administration company and trustees and which is funded by both the employee and employer.

The Authority and its employees also contribute to the statutory pension scheme, The National Social Security Funds (NSSF). Contributions are determined by the local statute

.The Authority also sets aside on monthly basis the gratuity for its employees who are on contract basis.

The contributions to fund obligations for the payment of retirement benefits are charged to the statement of financial performance in the year in which they become payable.

The total expense recognized in the income statement of Shs Million (2020-2021: Shs 135.92 Million) represents contributions payable to the plan by the Authority at rates specified in the rules of the plan. The expense has been included within the staff pension costs under staff costs.

**(t) 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

**(u) Subsequent Events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2018.

**5. CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS**

In the process of applying the Authority'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.

**(a) Critical Judgments in Applying the Authority's Accounting Policies**

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

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

**(b) Critical Accounting Estimates and Assumptions**

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

**(i) Contingent Liabilities**

As disclosed in these financial statements, the Authority 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 Authority 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 Authority reviews its receivables to assess the likelihood of impairment. Provision for impairment of receivables is established when there is objective evidence that the Authority 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 Authority 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 Authority 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 Authority 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.

	2020-2021 Shs'000	2019-2020 Shs'000
<b>6. Road Maintenance Levy</b>		
10% Constituency Links Roads	3,028,979	2,842,564
10% Special allocation	8,360,833	10,314,370
22% Constituency Roads Fund	6,574,981	6,253,640
RMLF Operations	4,150,637	4,370,576
Total Road Maintenance Levy	<u>22,115,430</u>	<u>23,781,150</u>
<b>7. Other Government Grants</b>		
Development Projects	40,872,115	65,770,188
Spot Improvement Projects	-	-
Administrative funds	-	-
Total Government Grants	<u>40,872,115</u>	<u>65,770,188</u>
Deferred Income	-	-
Transfer to Development Fund	<u>(40,872,115)</u>	<u>(65,770,188)</u>
	-	-
<b>8. Development Partners Grants</b>		
European Union	61,131	232,899
L'Agence Française de Développement(AFD)	-	778,576
German Development Bank(KFW)	-	43,274
AFD-Interest	195	-
BADEA	80,345	46,250
Total Development Partners'Grants	<u>141,671</u>	<u>1,100,999</u>
<b>9. Finance Income</b>		
Interest from fixed deposits	<u>1,214,778</u>	<u>1,043,030</u>
Total Finance income	<u>1,214,778</u>	<u>1,043,030</u>
<b>10. Other Income</b>		
Receipts from sale of tenders	93	624
Other Levies	1,626	187,057
Total other income	<u>1,719</u>	<u>187,681</u>
Other Levies income include receipts from recall of performance guarantees, bid bonds and cross-cutting of roads.		
<b>11. Rental Revenue</b>		
Receipts from operating lease rental	<u>1,221</u>	<u>1,922</u>
Total Rental revenue	<u>1,221</u>	<u>1,922</u>

Rental income is rent income received from various Regional Office camps. The properties were inherited from our Parent Ministry.

	<b>2020-2021</b>	<b>2019-2020</b>
	<b>Shs'000</b>	<b>Shs'000</b>
<b>12. Road Works Expenditure</b>		
RMLF 10%-Constituency Link Roads	3,931,129	3,107,206
RMLF 22%-Constituency Roads Fund	7,050,037	5,316,873
RMLF 10%-Special Allocation	8,117,540	4,626,336
Donor Funded Projects	1,251,936	2,001,788
Refund Donor EU/KFW	70,138	82,492
GoK Spot Improvement Funds	10,975,120	3,610,219
Coffee Cess	67	-
Equilisation Fund	306,879	483,822
<b>Total Road Works Expenses</b>	<u>31,702,846</u>	<u>19,228,736</u>
<b>13. Directors' Costs</b>		
Emoluments	1,975	7,733
	<u>1,975</u>	<u>7,733</u>
<b>b.Non Executive Directors</b>		
Emoluments	6,540	3,566
Training and field activities	4,879	61
	<u>11,419</u>	<u>3,627</u>
<b>Total Directors Costs</b>	<u>13,394</u>	<u>11,360</u>
<b>14. Employment Costs</b>		
Salaries and Wages	1,870,936	1,777,944
Pension and Gratuity costs	249,455	215,034
Medical and Insurance	98,152	232,658
Training and Development	113,916	41,944
Travelling and accomodation	231,990	108,204
Other Staff welfare costs	22,040	28,775
<b>Total employment Costs</b>	<u>2,586,488</u>	<u>2,404,559</u>
<b>15. Repairs and maintenance</b>		
Office building	13,609	5,374
Furniture and equipment	47,645	16,611
Motor vehicles	42,598	16,394
<b>Total Repairs and Maintenance</b>	<u>103,851</u>	<u>38,380</u>

	2020-2021	2019-2020
	Shs'000	Shs'000
<b>16. Other Operating Expenses</b>		
Public relations and Corporate affairs	14,354	10,855
Audit Fees	-	3,000
Advertisement and publicity	13,375	25,654
Rent and Rates	18,063	71,641
Electricity and Water	9,521	6,164
Cleaning and sanitation	16,667	8,156
Fuel and other vehicle running expenses	67,322	27,454
Security	53,838	44,552
Consultancies	12,198	6,935
Legal Fees	3,915	2,237
Printing and Stationery	39,425	21,314
CRC and tender evaluation Expenses	99,356	43,552
Telephone, Internet and Postage	30,807	27,230
Bank Charges	10,809	4,313
Office expenses	12,144	5,362
Performance Contracting	75,890	34,524
<b>Total Other Operating expenses</b>	<u>477,684</u>	<u>342,943</u>
<b>17. Depreciation and Amortization</b>		
Property Plant and equipment	<u>115,202</u>	<u>173,346</u>
<b>Total Depreciation Expense</b>	<u>115,202</u>	<u>173,346</u>
<b>18. Cash and cash equivalents</b>		
Cash in hand and Bank	23,583,789	30,285,049
Staff mortgage Fund	1,272	1,098
Fixed term deposits	<u>20,864,404</u>	<u>11,630,280</u>
<b>Total Cash and Cash equivalents</b>	<u>44,449,465</u>	<u>41,916,427</u>

The cash and bank balances as the funds are held with sound financial institutions approved by Central Bank of Kenya as follows:

	2020-2021 Shs'000	2019-2020 Shs'000
KCB Bank Kenya limited	43,826,196	41,152,399
Equity Bank Kenya Limited	145,135	153,682
Cooperative Bank Kenya Limited	315,583	424,867
NCBA Bank Kenya Limited	162,422	185,138
Cash in Hand	129	341
<b>Total cash in hand and bank</b>	<u>44,449,465</u>	<u>41,916,427</u>

For the 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

## 19. Receivables

### a) Receivables from Exchange transactions

Contractors advances	<u>15,271,625</u>	<u>16,115,256</u>
<b>Total Receivables from Exchange transactions</b>	<u>15,271,625</u>	<u>16,115,256</u>

### b) Receivables from Non Exchange transactions

Advances to Staff	42,973	26,917
Deposits and Prepayments	71,098	300
Other Receivables(Accrued Income )	<u>4,031,390</u>	<u>3,377,403</u>
<b>Total Receivables from Non Exchange transactions</b>	<u>4,145,460</u>	<u>3,404,620</u>
<b>Total receivables</b>	<u>19,417,086</u>	<u>19,519,876</u>

Receivables constitute short term liquid assets which are recoverable within one year. Grants receivable represent development grants due from the National Government. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Authority does not hold any collateral as security. The aged analysis of receivables is as follows:

	2020-2021 Shs'000	2019-2020 Shs'000
<b>20. Inventories</b>		
Consumable stores	<u>3,527</u>	<u>5,142</u>
<b>Total Inventories</b>	<u>3,527</u>	<u>5,142</u>

21. Property Plant and equipment Period ended 30th June 2021	Building							Total
	Shs'000	Furniture and Fittings	Motor Vehicles	Office Equipment	Computers and Software	Plant and Machinery	Shs'000	
<b>Cost</b>								
At 1st July 2020	108,353	180,572	621,213	42,591	274,281	52,853	1,279,863	
Additions	-	8,866	53,109	11,175	37,056	3,650	113,857	
At 30th June 2021	<u>108,353</u>	<u>189,438</u>	<u>674,322</u>	<u>53,767</u>	<u>311,337</u>	<u>56,503</u>	<u>1,393,719</u>	
<b>Depreciation</b>								
At 1st July 2020	19,288	132,023	492,994	30,980	193,827	52,853	921,965	
Charge for the year	4,243	9,367	43,759	2,610	54,839	383	115,202	
At 30th June 2021	<u>23,531</u>	<u>141,390</u>	<u>536,753</u>	<u>33,590</u>	<u>248,666</u>	<u>53,236</u>	<u>1,037,167</u>	
<b>Net Book Value</b>								
At 30th June 2021	<u>84,822</u>	<u>48,048</u>	<u>137,568</u>	<u>20,177</u>	<u>62,670</u>	<u>3,267</u>	<u>356,552</u>	

The gross carrying amount of fully depreciated property, plant and equipment amounted to Kshs 791,379,636

Period ended 30th June 2020	Building	Furniture and Fittings	Motor Vehicles	Office Equipment	Computers and Software	Plant and Machinery	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
<b>Cost</b>							
At 1st July 2019	101,477	135,114	512,443	36,154	203,354	52,853	1,041,394
Additions	6,876	45,458	108,770	6,438	70,927	-	238,469
At 30th June 2020	108,353	180,572	621,213	42,591	274,281	52,853	1,279,863
<b>Depreciation</b>							
At 1st July 2019	16,579	117,267	403,881	26,705	131,730	52,458	748,620
Charge for the year	2,709	14,756	89,113	4,276	62,097	395	173,346
At 30th June 2020	19,288	132,023	492,994	30,980	193,827	52,853	921,965
<b>Net Book Value</b>							
At 30th June 2020	89,065	48,549	128,219	11,611	80,454	(0)	357,898

The gross carrying amount of fully depreciated property, plant and equipment amounted to Kshs 534,754,571

	2020-2021 Shs'000	2019-2020 Shs'000
<b>22. Road Infrastructure Assets</b>		
At 1st July	79,440,931	67,992,504
Transfer from work in progress	<u>39,199,477</u>	<u>11,448,427</u>
	<u>118,640,409</u>	<u>79,440,931</u>
<b>23. Capital Work In Progress</b>		
At 1st July	157,576,650	115,170,082
Additions	36,803,913	53,854,995
Transfer to Road Infrastructure Asset	<u>(39,199,477)</u>	<u>(11,448,427)</u>
	<u>155,181,085</u>	<u>157,576,650</u>
<b>24. Payables</b>		
<b>(a) Exchange Transactions</b>		
<b>Current:</b>		
Due to Contractors	28,174,015	18,078,264
Other Trade payables(General Suppliers)	1,109,119	149,254
Staff Creditors	(2,384)	3,152
Other Payables(Accruals & provisions)	<u>356,186</u>	<u>319,570</u>
<b>Total current</b>	<u>29,636,936</u>	<u>18,550,239</u>
<b>Non Current:</b>		
Contract Retention	<u>8,724,522</u>	<u>10,143,470</u>
<b>Total Non Current</b>	<u>8,724,522</u>	<u>10,143,470</u>
	<u>38,361,458</u>	<u>28,693,708</u>

Current trade and other payables are expected to be settled in Authority's normal operating cycle and within twelve months after the reporting period and are not attached to an unconditional right to defer payment of the liability.

**25. Employee Benefit obligations**

	Gratuity Ksh'000	Pension costs Ksh'000	Total Ksh'000
As at 1st July 2020	48,235	76,233	124,468
Additional Provisions	105,960	- 7,143.44	98,817
Provision utilised	-	-	-
<b>As at 30th June 2021</b>	<u>154,195</u>	<u>69,090</u>	<u>223,285</u>

## **26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Authority has an integrated risk management framework/ strategy. The Authority'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 Authority 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 Authority'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.

The Authority 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.

- (i) **Operational risks** are events, hazards, variances or opportunities which could influence the achievement of the Board's compliance and operational objectives.
- (ii) **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.
- (iii) **Business continuity risks** are those events, hazards, variances and opportunities which could influence the continuity of the entity.

The Members of the Board have the overall responsibility for the establishment and oversight of the Authority's risk management framework. The Authority has delegated its risk management to the Audit and Risk Committee. One of the responsibilities of this committee is to review risk management strategies to ensure that an effective efficient and transparent system of risk management is maintained for sustainable management of the Authority.

The Authority'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 Authority 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 Authority 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 and capital commitment expenditure can be met under both normal and stressed conditions and the mismatch is controlled in line with allowable risk levels.

The Authority's 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 Authority'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 for a diverse range of funding sources with adequate back up facilities,
- The Authority has an established corporate governance structure and process of managing risks regarding guarantees and contingent liabilities.

The primary sources of revenue for the Authority are receipts from the Kenya Roads Board, mainly receipts from Road Maintenance Levy Fund, and Grants from the central Government and Development Partners.

The table below summarizes the maturity analysis for financial liabilities to their remaining contractual maturities

**Period Ended 30th June 2021**

	Less Than 1Month	Between 1-3 Months	Between 3-12 Months	Over One Year
Due to contractors			28,174,015	
Other Trade Payables	-	1,109,119	-	-
Staff Creditors	-	(2,384)	-	-
Contract Retention	-	-	-	8,724,522
Deferred Income	-	-	-	-
Other Payables	-	356,186	-	-
	<u>-</u>	<u>1,462,921.35</u>	<u>28,174,015</u>	<u>8,724,522</u>

**Year Ended 30th June 2020**

	Less Than 1Month	Between 1-3 Months	Between 3-12 Months	Over One Year
Due to contractors			28,169,570	
Other Trade Payables	-	296,685.04	-	-
Staff Creditors	-	3,818.77	-	-
Contract Retention	-	-	-	7,711,641.89
Deferred Income	-	-	-	-
Other Payables	-	189,813.33	-	-
	<u>-</u>	<u>490,317.15</u>	<u>28,169,570</u>	<u>7,711,641.89</u>

**b) Market Risk**

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

Kenya Roads Board collects Kshs. 18 per litre of diesel and petrol imported into the country, 32% of which is disbursed to the Authority. The Authority 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 Fund is backed up by an Act of Parliament and changes thereof require approval by Parliament.

**(iii) Interest Rate Risk**

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

**c) Credit Risk**

The maximum exposure of the Authority to credit risk as at the balance sheet date is as follows:

**Period Ended 30th June 2021**

	Less Than 1Month	Between 1-3 Months	Between 3-12 Months	Over One Year
Due to contractors			28,174,015	
Other Trade Payables	-	1,109,119	-	-
Staff Creditors	-	(2,384)	-	-
Contract Retention	-	-	-	8,724,522
Deferred Income	-	-	-	-
Other Payables	-	356,186	-	-
	<u>-</u>	<u>1,462,921.35</u>	<u>28,174,015</u>	<u>8,724,522</u>

**Year Ended 30th June 2020**

	Less Than 1Month	Between 1-3 Months	Between 3-12 Months	Over One Year
Due to contractors			28,169,570	
Other Trade Payables	-	296,685.04	-	-
Staff Creditors	-	3,818.77	-	-
Contract Retention	-	-	-	7,711,641.89
Deferred Income	-	-	-	-
Other Payables	-	189,813.33	-	-
	<u>-</u>	<u>490,317.15</u>	<u>28,169,570</u>	<u>7,711,641.89</u>

**c) Operational Risk**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Authority'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 Authority 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 Authority's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Authority'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:

- (i) Requirements for appropriate segregation of duties, including the independent authorization of transactions;
- (ii) Requirements for the reconciliation and monitoring of financial transactions;
- (iii) Compliance with regulatory and legal requirements;
- (iv) Documentation of controls and procedures;
- (v) Requirements for the yearly assessment of operational risks faced and the adequacy of controls and procedures to address the risks identified;
- (vi) Requirement for the reporting of operational losses and proposed remedial action;
- (vii) Training and professional development;
- (viii) Ethical and business standards; and
- (ix) Risk mitigation, including insurance where it is effective.

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

#### **d) Compliance and Regulatory Risk**

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

#### **e) Legal Risk**

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

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

### **27. Related Parties Balances and Transactions**

The Authority regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Authority, or vice versa.

Members of key management are regarded as related parties and comprise the Director General and senior managers.

**(a) Related party transactions**

The following transactions were carried out with related parties during the year.

	<b>2020-2021</b>	<b>2019-2020</b>
	<b>Shs'000</b>	<b>Shs'000</b>
<b>(i) Receipt and Transfers</b>		
The Government of Kenya	40,872,115	65,770,188
Kenya Roads Board	22,115,430	23,781,150
	<u>62,987,545</u>	<u>89,551,337</u>
<b>(ii) Directors Emoluments</b>		
Emoluments -Executive directors	1,975	7,733
Emoluments - Non Executive directors	6,540	3,566
Training and filed activities	4,879	61
	<u>13,394</u>	<u>11,360</u>

**(b) Outstanding balances arising from non-exchange transactions**

The following were outstanding balances with related parties as at 30<sup>th</sup> June 2021

Receivable from related parties	<u>-</u>	<u>923,051</u>
Payable to related parties	<u>69,090</u>	<u>69,090</u>
Receivables from related parties can be analysed as follows:		
The Government of Kenya	-	-
Kenya Roads Board	-	923,051
Key management personnel	-	-
	<u>-</u>	<u>923,051</u>
Payables to related parties can be analysed as follows:		
Key management personnel	<u>69,090</u>	<u>69,090</u>

**28. Contingent Assets and liabilities**  
**(i) Contingent Liabilities**

Due to the uncertainty of the outcome of our Legal cases, it is not practically possible to estimate the resulting liabilities and the effect they are likely to have on the results of the Authority's operations, financial position or liquidity. Therefore no provision has been made in the financial statements.

Kenya Revenue Authority is demanding over ksh 700 million as Corporation Tax. Management is pursuing the issue through the Parent Ministry and The National Treasury.

	2020-2021 Shs'000	2019-2020 Shs'000
<b>(ii) Contingent assets</b>		
<b>Contingent Assets</b>	<b>Shs'000</b>	<b>Shs'000</b>
Advance Guarantees	19,893,449	20,255,664
Performance Guarantee	13,564,591	13,875,812
	<u>33,458,039</u>	<u>34,131,476</u>

**29. Capital Commitments**

Authorised and contracted for

-	-
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Non-cancellable operating lease rentals are payable as follows:

<b>Operating lease rentals</b>	<b>2020-2021 Jun-21 Shs'000</b>	<b>2019-2020 12 Months Shs'000</b>
Non-cancellable operating lease rentals are payable as follows		
Within one year	-	25,496
Later than one year but within five years	-	26,770
	<u>-</u>	<u>52,266</u>

The Authority has leased office premises under an operating lease. The lease typically runs for 5 years with an option for renewal. Lease payments are increased accordingly to reflect market rentals. The Authority does not have an option to purchase the leased asset at the expiry of the

lease period. There are no contingent rents recognized in the Statement of Financial Performance.

**30. Reconciliation of surplus as per Budget statement and statement of financial performance**

	<b>2020-2021</b>
	<b>Shs'000</b>
Surplus as per statement of Budget and Actual amounts	(11,524,646)
Add: Transfer of Roadwork Costs to Infrac	-
Less: Transfer to Development Fund	-
Add: Transfer from Deferred Income	-
<b>Surplus(Deficit) as per Statement of financial performance</b>	<b><u>(11,524,646)</u></b>

**31. Fair value**

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

**32. Events after the reporting period**

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

**33. Ultimate and holding entity**

The Authority is a State Corporation under the Ministry of Transport, Infrastructure, Housing and Urban Development, State Department of Infrastructure. Its ultimate parent is the Government of Kenya.

**34. Currency**

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

## APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITORS RECOMMENDATIONS

The following is the summary of issues that resulted in a qualified opinion of the external auditor on the financial statements for the year 2017/18, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Ref. No on Audit Report	Issue / Observation by the Auditor	Management Comments	Focal Person to resolve the Issue	Status: Resolved or Not Resolved	Time frame
1	<b>Nugatory Expenditure</b> Authority had incurred a total of ksh 202,088,241 to pay interest on delayed payment and a further amount of ksh 4,253,404.04 2016/17 . Total Nugatory Expenditure of ksh 206,341,645.04	This was occasioned by delayed exchequer releases	Director General	Not Resolved	
2	<b>Rehabilitation and Repair of Kasoiyo-Saos-Society (D350) Road</b> The Project was awarded to Bridgestone Construction Company Ltd at contract sum of ksh 818,445,018 and commenced on 10 <sup>th</sup> October 2012 with expected completion as 10 <sup>th</sup> February 2016 revised to April 2016 <b>2.1 Assignment of works</b> Project File revealed assignment of works valued at ksh 504,824,286 to Guangxi Hydroelectric Construction Bureau on the 28 <sup>th</sup> January 2015. <b>2.2 Delayed implementation.</b> The latest Progress report for 5 August 2016 showed the overall progress achieved was 99.91 against a lapse time of 130.2% of contract period Although contractor requested for substantial completion inspection on the 13 <sup>th</sup> September 2017. This had not been undertaken at the time of the Audit	In order to ensure timely delivery of the project to the users, management made a decision to assign the works to another contractor after the initial contractor experienced challenges.	Director General	Resolved: The project is now completed	
3	<b>Contract of Muranga-Gitugi(D427) and Njumbi –Mioro (E546)</b> <b>3.1 Delayed Project Delivery</b> Overall Project progress as at June 2017 was 47.23% against contract lapse period of 196.43% . This indicates the project is far behind schedule which could lead to cost escalation. <b>3.2 Interest on late payment</b> Certificate No 20 dated 27 <sup>th</sup> June 2017 Indicated that interest on delayed payments totalling ksh 7,001,678 had been incurred.	Although there have been delays in the project this may not necessarily result to cost escalation since the Variation of prices (VOP) is capped the contractual completion date.	Director General	Not Resolved	

4.	<p><b>Construction of Kaptama-Kapsokwony-Sirisia-Contract No RWC 023</b> <b>The Project is divided into 4 distinct portions with total length of 67Km</b></p> <p><b>4.1 Delayed Project Delivery</b> The contract Commenced on 22 June 2007 with contract period of 35 Months to end 13 May 2010. Latest progress availed during audit for 31 July 2015 revealed a progress of 94% and there was no evidence of extension of time. During the year management did not avail information of the current status of the project.</p> <p><b>4.2 Financial Distress b the Contractor.</b> Contractor KSL International was put under receivership as indicated on the Daily Nation Monday 23 February 2015 page 37. Site Office at Kamkuywa was placed under Receiver Manager and site operations halted. The contractor has been unable to settle rent arrears owed to the Authority amounting to ksh 3,028,125. For Mwatunge Camp in Taita Taveta which was in a previous contract.</p> <p><b>4.3 Request for Mutual Winding Up of the Contract</b> The Receiver Manager vide Letter ref HG/JKM/RBH/JGM/62 dated 9<sup>th</sup> July 2015 requested for mutual Winding Up. Further , the Attorney General in a letter Ref:AG/ CONF/21/6/12 VOL1(7) dated 1<sup>st</sup> September 2016 advised the management to terminate the contract forthwith in accordance with clauses 63.1 of the conditions of contract but there was no evidence to show action taken so far at the time of the audit. In the circumstances it is not possible to confirm whether the public obtained value for money for expenditure of ksh 2,622,131,272 already incurred. Matter sill unresolved in 2016/17</p>	<p>As stated in the audit findings the physical progress was at 94%.</p> <p>At that particular time interpretation of contract management was that issues of EOT were being recommended by The Engineer and Approved by The Employer only</p> <p>As indicated by the Auditor the contractor is currently under Receivership.</p>	Director General	Not Resolved
5.0	<p><b>Construction to Bitumen Standard of Naromoru-Munyu-Karisheni Road Contract NO RWC 040</b> The project scope was construction of four roads with total length os 45.9Km and was awarded to M/S Kirinyanga Construction (K) Limited at a contract sum of ksh 2,468,815,445 and commenced on 1<sup>st</sup> October 2012 with completion date of 30<sup>th</sup> September 2014.</p> <p><b>5.1 Assignment</b> <b>The contractor entered into agreement with East Africa Development Engineering Trading Co. Ltd to assigne the latter parts of the works total 39.9Km</b></p> <p><b>5.2 Delayed Project Delivery</b> <b>The combined overall progress as at 30 June 2017 was 73.1% Therefore the project was behind schedule.</b></p>	<p>Assignment was necessary in order to speed up progress of works</p>	Director General	

6.0	<p><b>Rehabilitation and Repair of Eldoret –Ziwa-Kachibora-Eldoret – Kabanes Road</b></p> <p>The project was awarded to M/S Kimiliili Hauliers at contract sum of ksh 1,435,212,465 and commenced on 1<sup>st</sup> September 2011 with expected date of completion as at 1<sup>st</sup> March 2014 which was revised to 1<sup>st</sup> March 2016.</p> <p><b>6.1 Scaling down of works</b></p> <p>The initial contract was repackaged into three components as follows:</p> <ul style="list-style-type: none"> <li>i) Eldoret-Kabanes 24KM –Ksh 974,301,651</li> <li>ii) Kabenès-Kachibora 31KM-ksh 1,064,762,019.00</li> <li>iii) Moi's Bridge Kachibora-20KM ksh 536,046,915.00</li> </ul> <p>1<sup>st</sup> Section repackaged as addendum No2 which was approved by the CTC on 12<sup>th</sup> September 2014 and is completed under the current contract. The second section was subjected to open tender and awarded to M/S China International Cooperation on 19<sup>th</sup> June 2015 at a contract sum of ksh 1,313,914,382. The Third Section is estimated to cost ksh 536,046,915 and will be implemented through an annuity programme.</p> <p>This repackaging of works brings up the contract sum form an original price of ksh 1,435,212,465 to ksh 2,575,110,585.00</p> <p><b>6.2 Delayed Project Implementation</b></p> <p>The revised contract period lapsed on 1<sup>st</sup> march 2016 but the latest progress reported dated 30<sup>th</sup> June 2017 showed overall progress was at 96% with only 88.2% certified.</p> <p>The project is behind schedule which could lead to cost overruns.</p>	<p>Delay in project implementation was occasioned by the contract repackaging as detailed above.</p>	<p>Director General</p>	<p>Resolved: The project is now completed</p>
7.0	<p><b>Contraction of Kibunja-Molo-Olunguruone Road(D316)</b></p> <p>The project was awarded to Kimili Hauliers at contract sum of ksh 742,290,293 revised to ksh 844,344,348.00 and commenced on 6<sup>th</sup> August 2010 with expected date of completion of 6<sup>th</sup> February 2016</p> <p><b>7.1 Assignment of Works</b></p> <p>The contractor sun contracted Riflo Services for Ksh 113,137,730 to speed up the progress of the but the arrangement has not still delivered the project.</p> <p><b>7.2 Failed Project Delivery/Termination</b></p> <p>The project was to be completed on the 6<sup>th</sup> February 2012 but the last progress report from December 2014 indicates only 67.73 physical progress. There is no evidence of action taken by management in line with the terms of the contract.</p>	<p>There may have been a delay in the delivery of the project. However through timely intervention by the management the works are were substantially completed on 13<sup>th</sup> December, 2018. The road is under defects liability period of 24 months, and it will end on 14<sup>th</sup> December, 2020.</p>	<p>Director General</p>	<p>Resolved: The project is now completed</p>

8.0	<p><b>Construction of Sigalal-Musoli-Sabatia-Butere Roads(D260/E390)</b> The Contract was awarded to M/S Associated on 28<sup>th</sup> March 2011 at a contract price of ksh 1,809,465,663. Works commenced on 6<sup>th</sup> June 2011 and was to be completed by 6<sup>th</sup> June 2013</p> <p><b>8.1 Assignment of Part of the Works</b> East Africa Development Engineering and Trading Co. Ltd was assigned part of the works. The Assignee was to construct 20Km at a construct sum of ksh 1,113,658,598.00 and the main contractor to handle 14.25 Km.</p> <p><b>8.2 Advance Payment</b> The main contractor was paid an advance of ksh 180,946,566.00 and out of which 22,808,548. Had been recovered by the time of the audit leaving at outstanding of ksh 158,138,018.69</p> <p><b>8.3 Delayed project Completion</b> The latest progress report dated 31<sup>st</sup> July 2017 showed that only 74.3% combined progress had been realized by both the main contractor and the assignee, an indication that the project was behind schedule which could lead to escalation of cost.</p>	The Assignee Contractor has completed the assigned section of <b>20.0Km</b> and the same has been Taken-Over.	Director General	Resolved: The project is now completed
9.0	<p><b>Construction of Sigiri Bridge and Approach Roads on Road R43 –RW C092</b> The contract was awarded to China Overseas Engineering Group Co. Ltd on the 5<sup>th</sup> March 2015 at contract sum of Ksh 992,546,146. The project had a contract period 18 months and was expected to be completed by 12<sup>th</sup> February 2017</p> <p><b>9.1 Slow Progress</b> The Contract period elapsed on the 12<sup>th</sup> February 2017 and there was no evidence for approval of extension of time but latest progress dated 31 October 2017 had overall progress of 81.27 % against contract lapse time of 133.33% . The management indicated the contact was substantially complete, no evidence was availed to support this.</p>	Works on the bridge has been successfully completed and opened to traffic. The Employer has recommended Taking –Over of the works	Director General	Resolved: The project is now completed

**APPENDIX II: DEVELOPMENT PARTNERS PROJECTS IMPLEMENTED BY THE AUTHORITY**

Project No.	Project Title	Development Partner	Development Partners Commitment	Separate Donor reporting Required	Consolidated in the financial statements
EUROPEAID/134053/IH/WKS/KE	Contracts For The Rural Roads Project In Eastern Region Of Kenya	EU	Euros 14,850,000	Yes	Yes
CREDIT NO. BMZ: 200765123	Improvement Of Rural Roads And Market Infrastructure In Western Kenya	KFW	Euros 9,000,000	Yes	Yes
CREDIT NO. CKE 101201B AND 1046 01J	Central Kenya Rural Roads Improvement And Maintenance Project	AFD	Euros 74,000,000	Yes	Yes
	Upgrading of "Gilgil Machinery" Road Project.	BADEA	USD 11,000,000	Yes	Yes

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**APPENDIX III: INTER ENTITY TRANSFER**

Particulars	Date Received as per Bank Statement	Balance for Prior Year(2019/2020)	Current Year 2020-2021	Total received during the year 2020/2021	FY to which the amount relates
<b>A. 22% ROAD MAINTENANCE LEVY FUND</b>					
KRB/F/37/00/A/Vol V(24)	31/Aug/20		851,968,592.00	851,968,592.00	2019/2020
	8/Oct/20		3,364,142,184.00	3,364,142,184.00	2020/2021
	09-Dec-20		2,366,042,983.00	2,366,042,983.00	2020/2021
	15-Mar-21		2,366,042,983.00	4,708,573,914.00	2020/2021
	22/Jun/21		1,367,943,783.00	1,367,943,783.00	2020/2021
<b>Total 22% RMLF</b>			<b>10,316,140,525.00</b>	<b>12,658,671,456.00</b>	
<b>B. 10% RMLF CRITICAL LINKS</b>					
KRB/F/37/00/A/Vol V(24)	31/Aug/20		7,482,336.00	7,482,336.00	2019/2020
	26/Oct/20		2,120,916,855.00	2,120,916,855.00	2020/2021
	15-Mar-21		1,072,606,151.00	1,072,606,151.00	2020/2021
	22/Jun/21		1,096,901,603.00	1,096,901,603.00	2020/2021
<b>Total RMLF-10% - Critical Links</b>			<b>4,297,906,945.00</b>	<b>4,297,906,945.00</b>	
<b>C. RMLF CS AND OTHER ALLOCATION</b>					
KRB/F/37/00/A/Vol1V(504)	7/Jul/20	63,600,000.00		63,600,000.00	2019/2020
KRB/F/37/00/A/Vol1V(503)	31/Jul/20		1,712,500,000.00	1,712,500,000.00	2020/2021
	8/Oct/20		1,188,280,792.00	1,188,280,792.00	2020/2021
	23/Nov/20		1,654,899,141.00	1,654,899,141.00	2020/2021
	09-Dec-20		1,227,064,000.00	1,227,064,000.00	2020/2021
KRB/FIN/3/A/Vol V(42)	15/03/2021		529,600,000.00	529,600,000.00	2020/2021
KRB/FIN/3/A/Vol V(42)	15/03/2021		740,324,780.00	740,324,780.00	2020/2021
KRB/FIN/3/A/Vol 5(45)	14/04/2021		8,875,740.00	8,875,740.00	2020/2021
KRB/FIN/3/A/VOL 5 (50)	21/05/2021		1,901,789,000.00	1,901,789,000.00	2020/2021
KRB/FIN/3/A/Vol V(45)	21/05/2021		100,000,000.00	100,000,000.00	2020/2021
KRB/DG/FIN/3/A/VOL V (52)	07-Jul-21		1,010,000,000.00	1,010,000,000.00	2020/2021
			-	-	
			-	-	
<b>Total RMLF-10% - Cabinet Secretary Allocation</b>		<b>63,600,000.00</b>	<b>10,073,333,453.00</b>	<b>10,136,933,453.00</b>	
<b>D.RMLF GOK Projects</b>					
KeRRA /08/Vol8/(1015)				-	
MOTIHU & PW/A/14.21/C/VOL 11/(7)				-	
MOTIHU & PW/A/14.21/C/VOL 13/(47)				-	
<b>Total Overheads Funds</b>					
<b>TOTAL RMLF FUNDS</b>	<b>Cash Request</b>	<b>63,600,000.00</b>	<b>24,687,380,923.00</b>	<b>27,093,511,854.00</b>	
<b>E. GOK EXCHEQUER FUNDS</b>					
	1	31/08/2020	992,643,101.00	992,643,101.00	2019/2020
	2	31/08/2020	861,378,990.00	861,378,990.00	2020/2021
	3	31/08/2020	906,572,043.00	906,572,043.00	2020/2021
	4	31/08/2020	894,057,171.00	894,057,171.00	2020/2021
	5	31/08/2020	1,555,000,000.00	1,555,000,000.00	2020/2021
	6	31/08/2020	600,000,000.00	600,000,000.00	2020/2021
	7	23/09/2020	152,500,000.00	152,500,000.00	2020/2021
	8	23/09/2020	429,786,921.50	429,786,921.50	2020/2021
	9	23/09/2020	545,000,000.00	545,000,000.00	2020/2021
	10	23/09/2020	378,500,000.00	378,500,000.00	2020/2021
	11	23/09/2020	330,000,000.00	330,000,000.00	2020/2021
	12	23/09/2020	346,500,000.00	346,500,000.00	2020/2021
	13	23/11/2020	317,500,000.00	317,500,000.00	2020/2021
	14	23/11/2020	255,000,000.00	255,000,000.00	2020/2021
	15	23/11/2020	320,000,000.00	320,000,000.00	2020/2021
	16	23/11/2020	361,500,000.00	361,500,000.00	2020/2021
	18	23/11/2020	20,000,000.00	20,000,000.00	2020/2021
	19	23/11/2020	1,450,000,000.00	1,450,000,000.00	2020/2021
	26	14/04/2021	180,000,000.00	180,000,000.00	2020/2021
	27	14/04/2021	575,000,000.00	575,000,000.00	2020/2021
	28	26/04/2021	4,387,992,092.00	4,387,992,092.00	2020/2021
	29	26/04/2021	3,888,177,963.00	3,888,177,963.00	2020/2021
	30	06-Aug-21	14,925,000,000.00	14,925,000,000.00	2020/2021
	31	07-Jul-21	2,236,220,266.00	2,236,220,266.00	2020/2021
	32	07-Aug-21	750,917,234.00	750,917,234.00	2020/2021
			<b>37,659,245,781.50</b>	<b>37,659,245,781.50</b>	
<b>LVS And Conventional Annuity Funds</b>					
KERRA/08/22/Vol1(42)	8	3-Jul-20	718,119,105.56	718,119,105.56	2019/2020
KERRA/02/3/22/Vol1(51)	9	23/11/2020	642,057,200.18	642,057,200.18	2020/2021
KERRA/02/3/22/Vol1(50)	10	23/11/2020	627,106,997.97	627,106,997.97	2020/2021
KERRA/02/3/22/Vol1(53)	11	23/11/2020	813,067,927.00	813,067,927.00	2020/2021
Consultant-LEA Associates	12	14/06/2021	652,767,877.50	652,767,877.50	2020/2021
Consultant-LEA Associates	22	23/11/2020	10,382,802.00	10,382,802.00	2020/2021
Consultant-LEA Associates	23	23/11/2020	10,382,802.00	10,382,802.00	2020/2021
Consultant-LEA Associates	24	23/11/2020	8,541,111.00	8,541,111.00	2020/2021
Consultant-LEA Associates	25	23/11/2020	8,249,447.00	8,249,447.00	2020/2021
Consultant-LEA Associates	26	23/11/2020	8,239,551.00	8,239,551.00	2020/2021
Consultant-LEA Associates	27	26/02/2021	8,044,588.00	8,044,588.00	2020/2021
Consultant-LEA Associates	28	18/03/2021	6,531,404.00	6,531,404.00	2020/2021
Consultant-LEA Associates	29	18/03/2021	6,645,990.00	6,645,990.00	2020/2021
Consultant-LEA Associates	30	13/05/2021	6,396,985.00	6,396,985.00	2020/2021
Consultant-LEA Associates	31	14/06/2021	6,396,985.00	6,396,985.00	2020/2021
Consultant-LEA Associates	32	14/06/2021	6,695,244.00	6,695,244.00	2020/2021
Consultant-LEA Associates	33	14/06/2021	5,351,708.00	5,351,708.00	2020/2021
<b>Total Annuity Funds</b>		<b>718,119,106</b>	<b>2,826,858,620</b>	<b>3,544,977,725</b>	
<b>Total GOK Exchequer Funds</b>		<b>718,119,106</b>	<b>40,486,104,401</b>	<b>41,204,223,507</b>	
<b>F. DEVELOPMENT PARTNERS</b>					
AFD-GOK Counter Part	MOTIHU/1/	18/03/2021	386,010,344	386,010,344.00	2020/2021
<b>Total Development Partners</b>			<b>386,010,344</b>	<b>386,010,344</b>	
<b>TOTAL FUNDS RECEIVED</b>		<b>781,719,106</b>	<b>65,559,495,668</b>	<b>68,683,745,705</b>	

**APPENDIX IV: RECORD OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES**