




*Enhancing Accountability*

 <b>REPORT</b> NATIONAL ASSEMBLY PAPERS LAID	
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PARLIAMENT  
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**THE AUDITOR-GENERAL**

**ON**

**KENYA URBAN ROADS AUTHORITY**

**FOR THE YEAR ENDED  
30 JUNE, 2019**

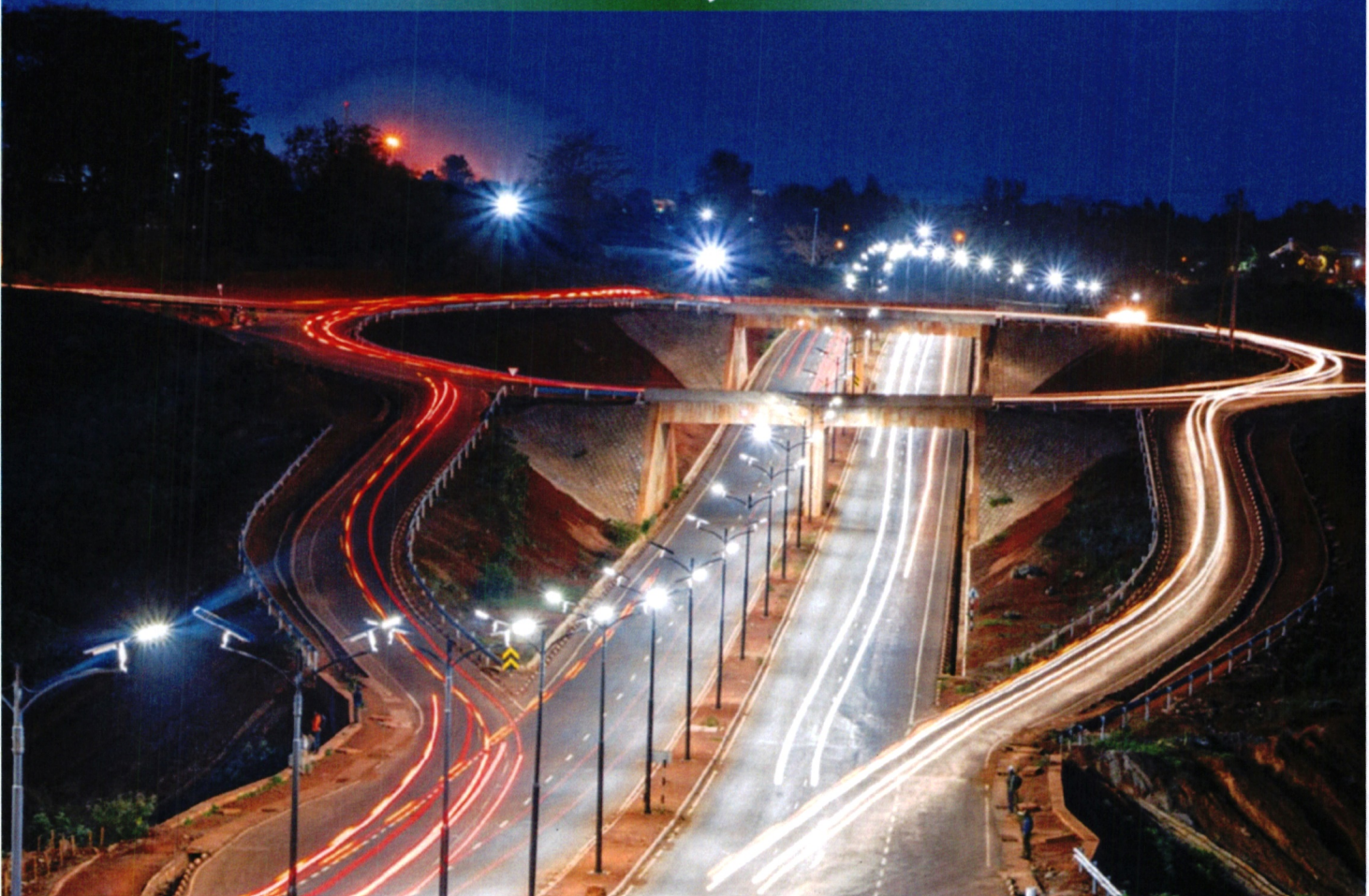




# **KENYA URBAN ROADS AUTHORITY**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2019**



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

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**A world class urban road network for sustainable development**

**To provide and manage quality, safe and adequate urban road network**

**CORE VALUES**

**Professionalism**

- We are committed to efficient and effective service delivery through peak performance and passion

**Commitment**

- We are persistently dedicated to effectively meeting stakeholder needs despite hindrances. We are decisive and action oriented.

**Integrity**

- We promote transparency, accountability, objectivity, social justice and environmental stewardship in our work

**Excellence**

- The pursuit of excellence establishes a sense of purpose and integrity in all we do.

**Equity**

- We embrace fairness, diversity and promote inclusiveness in all we do. We are unbiased in how we relate to each other and our stakeholders

**Teamwork**

- We work together diligently as a team to ensure collective achievement of our common vision and mission and effectively our stakeholder needs

## KEY AUTHORITY'S INFORMATION AND MANAGEMENT

### (a) Background information

Kenya Urban Roads Authority (KURA) 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, Public works, Housing and Urban Development who is responsible for the general policy and strategic direction of the Authority.

### (b) Principal activities

The Mandate of the Authority as defined in the Kenya Roads Act in Section 10(1) 2007 and as read together with Subsidiary Legislation on Road Classification of 2016 and Cities and Urban Areas Act, 2011 is to Manage, Develop, Rehabilitate and maintain all National Urban Roads in Cities, Municipalities and Towns of Kenya except where those roads are national roads. Specifically, KURA has responsibility over the following road classes:

- (a) Urban Arterials - Class UA
- (b) Urban collectors including primary distributors, district distributors – Class UC
- (c) Urban local roads including minor distributors, local streets, residential stand accesses, commercial and industrial stand accesses, shopping streets – Class UL

### (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 year ended 30<sup>th</sup> June 2019 and who had direct fiduciary responsibility were:

- |  |                               |
|--|-------------------------------|
| 1. Ag. Director General                        | : Eng. Silas Murira Kinoti    |
| 2. Director, Corporate Services                | : Reuben Mayienda             |
| 3. Director, Urban Roads Development           | : Eng. John Mwicha Mwatu, OGW |
| 4. Ag. Director, Urban Roads Planning & Design | : Eng. Daniel G. Muchiri      |
| 5. Director, Road Asset & Corridor Management  | : Eng. Amos Onyango Ombok     |
| 6. Ag. Director, Policy, Strategy & Compliance | : Eng. Abdulrashid Mohamed    |

### (e) Fiduciary Oversight Arrangements

The Authority has an independent Internal Audit Department which reports directly to the Board Audit and Risk Committee. This Committee performs the Authority's oversight duties as far as Internal Controls and Risk Management is concerned.

**(f) Independent Auditor**

The Auditor General  
Kenya National Audit Office  
Anniversary Towers, University Way  
P.O. Box 49384-00100  
Nairobi, GPO

**(g) Authority Headquarters**

Barabara Plaza  
Mombasa Road,  
Nairobi

**(h) Authority Contacts**

Kenya Urban Roads Authority  
P.O. Box 41727-00100,  
Telephone: (254) 020-8013844,  
E-mail: info@kura.go.ke  
Website: www.kura.go.ke

**(i) Principal Bankers**

**1. KCB Bank Limited,**  
Moi Avenue Branch,  
P.O. Box 48400-00100,  
Nairobi GPO

**Branches:**

Industrial area, Nyeri, Meru, Garissa, Mvita (Msa), Machakos, Eldoret, Nakuru, Kakamega and Kisumu

**2. Co-Operative Bank Of Kenya Ltd,**

Upper Hill Branch,  
P.O BOX 48231-00100,  
Nairobi.

**3. National Bank Of Kenya**

Hill Branch,  
P.O BOX 45219-00100,  
Nairobi.

**(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 11 of the Kenya Roads Act 2007. The members who held the office during the year under review up to the date of this report were as follows:



**Mr. Henry K. Rotich**  
Cabinet Secretary  
The National Treasury

**Mr. Henry K. Rotich** is the Cabinet Secretary for National Treasury & Planning. Prior to his appointment, he was the Head of Macroeconomics at the Treasury, Ministry of Finance for 7 years. Previously, Mr. Rotich worked at the Central Bank of Kenya for 12 years. He was attached to the International Monetary Fund (IMF) local office in Nairobi as an economist between 2001 -2004. He has been a Director of several Boards of State Corporations including; Insurance Regulatory Board, Industrial Development Bank, Communication Commission of Kenya and Kenya National Bureau of Statistics. Mr. Rotich was born in 1969 and holds a Master's Degree in Public Administration (MPA) from the Harvard Kennedy School, Harvard University. He also holds MA and BA degrees in Economics from the (University of Nairobi).



**Mr. Julius Korir**  
Principal Secretary  
State Department of Infrastructure

**Mr. Julius Korir** is the Principal Secretary, State Department of Infrastructure in the Ministry of Transport, Infrastructure, Housing, Urban Development & Public Works. Prior to his appointment, he served as the Principal Secretary in the Ministry of Health and also as a Principal Secretary State Department of Investment and Industry. He also served as the Industrialization Secretary, in the then Ministry of Industrialization and Enterprise Development from May 2014. Mr. Korir holds a Master in Business Administration (MBA) in International Business and a Bachelor of Science (BSC) in Agricultural Economics. He brings on board a vast experience on Public/Private Partnership (PPP) initiatives and Management of donor funded projects.



**Charles T. Sunkuli**  
Principal Secretary  
State Department of  
Devolution

**Mr. Charles T. Sunkuli**, is the Principal Secretary, State Department for Devolution, Ministry of Devolution and ASAL. Previously he served as the Principal Secretary, Ministry of Environment and Forestry. Mr. Sunkuli is an experienced management strategist with a solid background in Administration, Planning, Management and Leadership. Prior to his appointment as a 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 in the period between 2010-2016. He holds two Executive Masters Degrees in Business Administration (EMBA) from Eastern and Southern Africa Management Institute (ESAMI) and Maastricht School of Management (MSM) Netherlands and a Bachelor of Education Degree (B.Ed. Arts) from Moi University



**Mr. Joseph Gathua Kiarrii**  
Alternate Member to the Principal  
Secretary at the National Treasury  
& Planning.

**Mr. Joseph Gathua Kiarrii** has a wealth of experience in the Public Service. His tour of service include 4 years as an Accountant at the Machakos District Treasury, a short stay in the Ministry of Foreign Affairs and Office of the President at the Headquarters. Currently he serves at The National Treasury (Government Investments and Public Enterprises Management for over 18 years. His responsibility include ensuring that approved financing (Loans and Grants) to state owned enterprises is captured in the National budget, preparation of Directorate Statements of accounts and attending to Audit and parliamentary issue with regard to public expenditure, restructuring, financial oversight over state corporations and revenue collection. Born in 1966 Mr Kiarrii holds a Bachelor of Commerce degree (Accounting option) from the University of Nairobi. He is the alternate Member to the Principal Secretary at the National Treasury & Planning.



**Eng. James M. Kung'u**  
Alternate Director to the Principal  
Secretary, State Department of  
Infrastructure.

**Eng. James M. Kung'u** is currently the Chief Engineer (Roads) in the State Department of Infrastructure. Prior to his appointment as the Chief Engineer he was a Chief Superintending Engineer in the same State Department. He is also an Advisor to the Government through the Principal Secretary on matters related to Road Policy that includes road development and maintenance standards. He has been at the lead in coordinating key infrastructure initiatives under the State Department of Infrastructure key among them include his role as the Project Coordinator/Head of Infrastructure in the Intergovernmental Authority on Development (IGAD) in period between September 2010 and September 2016 amongst others. Born in 1966, Eng.



**Mr. Isaac Nderitu Githui**  
Alternate Member to the  
Principal Secretary  
Ministry of Devolution and  
ASAL.

**Mr. Isaac Nderitu Githui** is a Senior Assistant Director currently serving as the Acting Director of Intergovernmental Relations Directorate at the Ministry of Devolution and Planning. Mr. Githui is a proficient administrator having served in various administrative posts in the Country. He has a wealth of knowledge in public administration and strategic management spanning over 24 years. He holds a MBA (Strategic Management), BBA (Accounting and Finance) and is currently undertaking a Doctor of Philosophy (PhD) at the University of Nairobi. He was born in 1961 and is the Alternate Member to the Principal Secretary Ministry of Devolution and ASAL.



**Mr. Henry Musemate Murwa**  
Institute of Surveyors of Kenya

**Mr. Henry Musemate Murwa** is a seasoned surveyor & consultant with vast experience in Land Survey, Land Administration, Digital Photogrammetry, and Computer aided mapping. Mr. Murwa represents the Institute of Surveyors of Kenya in the Board. Prior to his appointment he was the Ag. Assistant Director of Survey with Geodetic & Computer Services where he also served as the Superintendent Surveyor at Cadastral Branch Headquarters. Born in 1959, Murwa holds a BSc Surveying & Photogrammetry (University of Nairobi) and Postgraduate Diploma in Photogrammetry (Digital Photogrammetry) from the Netherlands. He chairs the Audit Complaisance and Risk Committee.



**Mrs Hellen Kithuma Nzaiga**  
Institute of Planners

**Hellen Kithuma Nzainga** is a Registered Physical Planner, a spatial Planner and a Lead EIA/Audit expert. She is also a distinguished Lecturer at the Department of Urban and Regional Planning, University of Nairobi. Hellen represents the Institute of Planners in the Board where she also chairs the Human Resource Committee of the Board. She holds a Postgraduate Diploma, Housing Planning & Building Construction, M.A. (Urban & Regional Planning), B.Ed. (Geography & Economics) Hons. Born in 1956, Hellen has served the Government at different levels garnering extensive management and industry knowledge. She chairs the Human Resource Committee of the board.



**Mr. Stephen Robert Brooks**  
Kenya Association of  
Manufacturers (KAM)

**Mr. Stephen Robert Brooks** is an accomplished businessman in the manufacturing sector. He currently serves as a director at the Kenya Association of Manufacturers (KAM) in-charge of the Infrastructure and Devolution, Licensing and security Committees. Brooks has extensive experience in management and has previously consulted for various prominent firms in the financial sector including Old Mutual-South Africa, Liberty Life and Wills Faber. Born in 1958, Mr. Brooks is the Chair of the Finance and Strategy Committee of the Board.



**Mr. Josiah Tarayia Kores)**

**Mr. Josiah Tarayia Kores** is an astute administrator having serviced in various public bodies. Previously he has served as a Councillor and Chairman Olkejuado County Council, President, United Cities and Local Government of Africa (UCLGA), Member of United National Advisory Council on Local Authorities, (UNACLA), Member of the Commonwealth Local Government Forum and Chairman of Kenya Meat Commission. Born in 1970, Mr. Kores holds a Bachelor degree in Development Studies. He chairs the board technical committee



**Eng. Silas M. Kinoti**  
Ag. Director General  
Secretary to the board

**Eng. Silas Kinoti** is the Ag. Director General of Kenya Urban Roads Authority. He is a Registered Engineer with Engineers Board of Kenya (EBK) & a Corporate Member of The Institution of Engineers of Kenya (IEK). He is a seasoned engineer with vast experience in Management of Urban Roads, particularly Urban Roads Planning and Management, Innovations in Urban Road Management and Financing, Urban Mobility and Non-Motorized Transport Systems and Project Planning & Management. He holds an MBA in Corporate Management, and a Bachelor of Science degree in Civil Engineering, He is also a certified ISO 9001:2008 Lead Auditor and has extensive training on; Corporate Governance and Organizational Development, Strategic Negotiation Skills, Innovations in Road Management and Financing, urban mobility and Non-Motorized Transport Systems, Project Development and Management as well as Public Private Partnership (PPP) Contract Management.

## MANAGEMENT TEAM



Eng. Silas Murira Kinoti  
**Ag. Director General – Secretary to the Board**  
BSc.(Civil Engineering)  
Member-IEK



CPA. Reuben Mayienda  
**Director, Corporate Services**  
MBA (Finance), BCom. (Finance), CPA(K)  
Member ICPAK



Eng. John Mwicha Mwat, OGW  
**Director, Urban Roads Development**  
BSc.(Civil Engineering)  
Member-IEK



Eng. Daniel G Muchiri  
**Ag. Director, Urban Roads Planning & Design**  
BSc.(Civil Engineering)  
Member-IEK



Eng. Amos Onyango Ombok  
**Director, Road Asset & Corridor Management**  
BSc.(Civil Engineering)  
Member-IEK



Eng. Abdulrashid Mohamed  
**Ag. Director, Policy, Strategy & Compliance**  
BSc.(Civil Engineering)  
Member-IEK

## CHAIRMAN'S STATEMENT



I am delighted to present to you the Kenya Urban Roads Authority performance for the financial year ended 30<sup>th</sup> June, 2019. The Authority continued to implement its mandate encompassing, development, management and rehabilitation of the urban roads network.

Safe and Efficient urban road network remains a critical catalyst for the Kenya's economic transformation and attainment of the overall development agenda for the country. This is well captured in the Authority's strategic plan currently under implementation. During the year, the Authority undertook several initiatives geared towards supporting the governments' infrastructure development programs.


The governments big four agenda is top on the list of the authority's priority areas. The authority recognizes its key role in providing and maintaining the enabling infrastructure required for the success of this program.

While decongesting our cities and towns, the Authority embarked on several initiatives aimed at increasing the urban roads network in order to reduce travel time and improve transportation and access to all road users. The construction of bypasses in several towns and implementation of Intelligent Traffic Management system is ongoing with considerable progress having been recorded during the year. The program seeks to decongest roads in the urban areas by signaling junctions to improve traffic flow. Several roads in Nairobi are in the process of being expanded and rehabilitated under the Nairobi regeneration program with the support of both the National Government and Nairobi City County. The upgrade of other county headquarter roads is also on course. The Authority commenced the Construction of Mandera Town Roads as part of the initiatives aimed at facilitating the identification and development of satellite towns to spur growth as espoused by the Sustainable Development Goal of creating sustainable cities and communities.

The Board continues to play its governance role as envisaged in the enabling legislation. In implementing the authority's strategic plan, public participation has been at the centre stage ensuring that the public as a key stakeholder are involved as required. Environmental sustainability measures and social safeguards are inbuilt in the projects to mitigate the related risks.

Even as the Authority recorded considerable progress in fulfilling its mandate, challenges still exist that hampers the progress. The dwindling resources against the increased demand, the rapid growth of urban centres and the vandalism of road furniture are just but a few of the challenges the Authority has to deal with. However, the Board continues to explore innovative ways in addressing these challenges.

On behalf of the Board, I wish to thank all our stakeholders particularly the parent Ministry for continued support, oversight and guidance, development partners that continue to sojourn with us in delivering a sustainable Urban Road network, our collaborators and our staff for their commitment to the Vision, Mission and values of the Authority. We look forward to stronger Partnerships as we forge ahead.



Henry Musingate Murwa  
**REPRESENTATIVE OF THE BOARD**

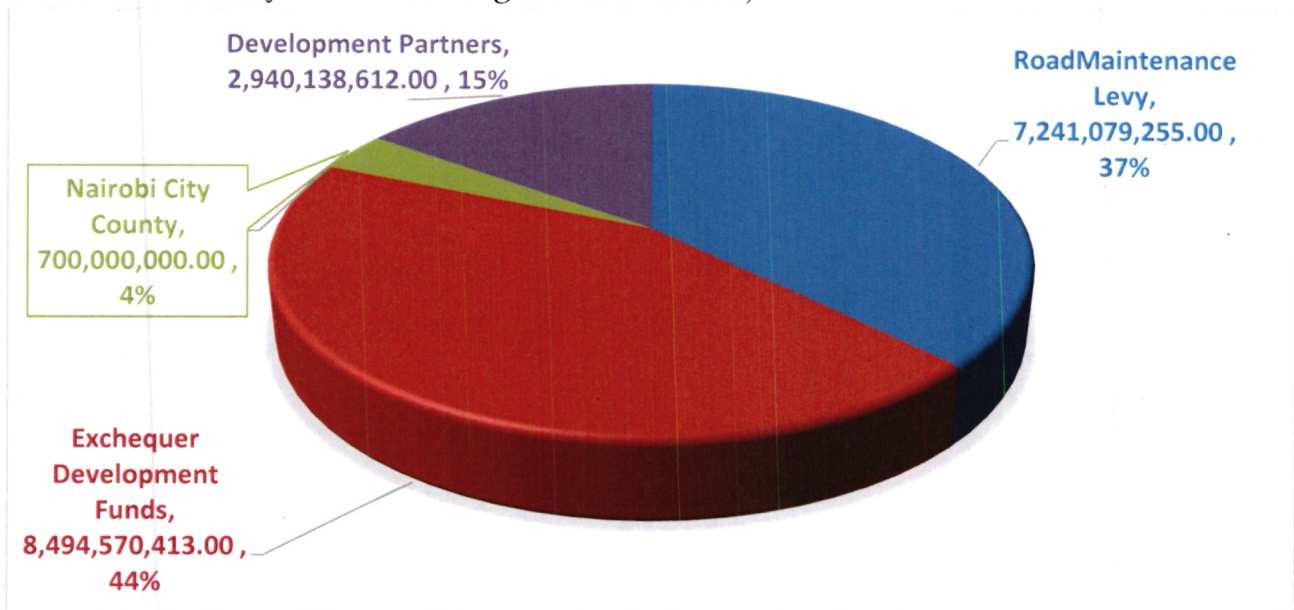
## REPORT OF THE DIRECTOR GENERAL

Kenya's economic growth over the past five years has remained stable but below the targeted growth. The 2019 economic survey report records a 6.3% growth in our economy in 2019. The growth is attributable to increased agricultural production, accelerated manufacturing activities, sustained growth in transportation and vibrant service sector activities. Economic growth was accompanied by rapid urbanization translating in increased pressure on the existing urban infrastructure. The Government of Kenya recognizes the need to manage urbanization as part of its overall development strategy and continues to increase investment in the enabling infrastructure. Analysis of development outlay indicates that the State Department for Transport accounted for the largest share of the total development expenditures (21.4 percent), followed by the State Department for Infrastructure at 18.8 percent. Even with increased investment, the country continues to face the challenges of inadequate infrastructure

The Financial Year 2018/2019 has been a fruitful year for the Authority in the delivery of our mandate. The Authority's mandate has now been expanded to cover all counties in line with Article 6(3) of the Constitution of Kenya, 2010 on devolution and access to services. This provides the Authority with an opportunity to affirm its national footprint in delivering a safe and efficient urban road network for sustainable development in areas that the Authority had no presence before.

### Funding

There have been considerable improvements in the Authority's funding over the years albeit with increased needs for road maintenance and new construction. During the period under review the Authority received funding as detailed below;



### Project implementation

The Authority continued to implement its projects in line with its overall mandate and strategic plan. Key among these is the Nairobi Regeneration Program a Rapid Results Initiative (RRI) project conducted in partnership with the County Government of Nairobi to rehabilitate 80Kms of roads

in the Eastlands Region of Nairobi. This project is 90% complete and has opened up the accessibility and movement of masses in the region.

The Authority has also begun to undertake feasibility studies and preliminary designs for Narok, Kajiado, Busia and Vihiga County, Mandera, Isiolo, Marsabit and Garissa County in line with the Authority's move to prioritize high impact projects. Further The Authority undertook Preliminary and detailed designs of Kakamega, Mumias, Bungoma and Mbale. These are some of the initiatives the Authority has established to actualize the Urban Roads transformative agenda encapsulated in the Authority's 2018-2022 Strategic Plan.

To ensure that we continue to optimize management and protection of the road asset and associated infrastructure, the Authority identified and preserved five road corridors namely; Eastern Bypass (Kamakis-Thika link), Infinity Phase 2, Kiambu Bypass, 2nd Nyali Bridge, and Northern Bypass. These projects will be prioritized for construction subject to availability of funds. Further to road asset protection and preservation, the Authority also continued to carry out axle load monitoring and enforcement across the 10 regions.



#### **Automation of Traffic Management**

In a bid to improve traffic movement in Nairobi City the Authority has continued to make improvements on the Intelligent Traffic Management System (ITS). Some of the improvements made include the inclusion of other signalized junctions which are currently at the design stage.. The ITS project is expected to automate traffic management and ease congestion on our roads. The project is currently being piloted in Nairobi western side with intention to roll it out in other parts of the city, major cities and towns in the Country.

### **Quality Management System**

The Authority's commitment to quality management saw it transition from ISO 9001:2008 to ISO 9001: 2015 under the guidance of Kenya Bureau of Standards (KEBS). The Authority continued to carry out ISO internal Audits based on 9001: 2015 and Management Review Meetings. This initiative will go a long way in improving our service delivery. Further the Authority also set off the implementation of an Information Security Management System which is set to optimize operational efficiency

### **Strategic Direction of the Authority**

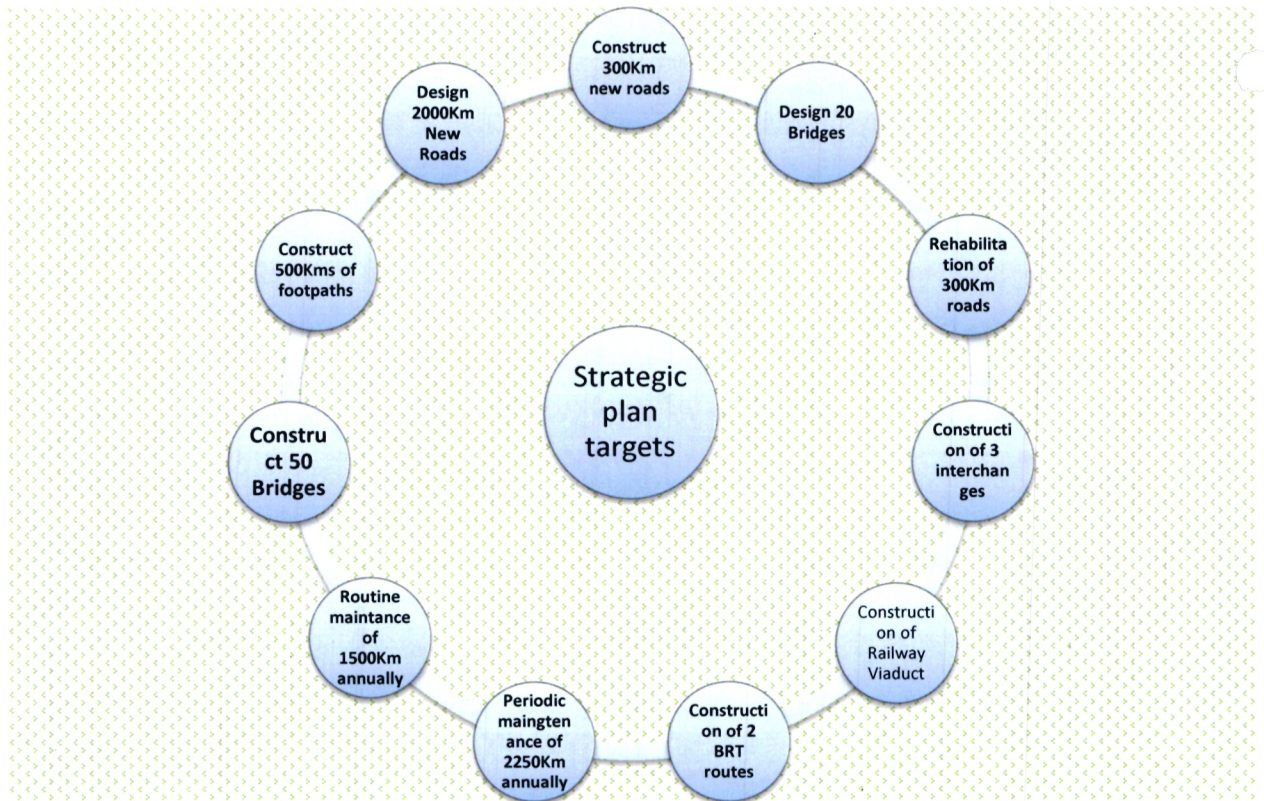
The urban road network is vital to our transportation system, making it possible to meet the, nobility and socio-economic needs of the urban communities and nation as a whole. The Kenya Vision 2030 seeks to make Kenya a middle-income, quickly industrializing country by the year 2030. Within the over-arching framework of vision 2030, the urbanization component of the Second Medium Term Plan (MTP2) 2013-17 aims to facilitate a sustainable urbanization process through an integrated urban and regional planning management framework of Kenyan urban centers and towns. Infrastructure development in general and roads infrastructure in particular forms a key foundation and enabler of this Vision.

To realize the mandate of the Authority, the new Strategic Plan, 2018-2022 has been developed to ensure that resources are well deployed and to address attendant challenges. It is worth noting that, KURA ensured that its strategic planning processes are in line with Government's Strategic and Annual planning framework, which emphasizes on outcomes, oriented monitoring and evaluation methodology.

The strategic plan is anchored on three pillars namely;

- Planning development of world class urban roads network,
- Research innovation and development,
- Institutional capacity and corporate governance.

The 2018-2022 strategic plan is set out on the Authority's core mandate with the following measurable targets.



The above planned projects are in line with the National strategic direction the “Big Four” Agenda.

The Authority continues to receive support from the government through the parent ministry.

Eng. Silas M. Kinoti

**AG. DIRECTOR GENERAL**

## CORPORATE GOVERNANCE STATEMENT

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

### a) Organization Structure

The Authority is managed by a Board of Directors under the leadership of a non-executive chairman and eight other members. The Director General is an ex-officio member of the Board. KURA is organized into the Office of the Director General, Six directorates and two stand-alone departments as depicted below.



**Figure 1: KURA Organisation structure**

### b) The Board of Directors

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

The Board is composed of competent, diverse and qualified members capable of exercising objective and independent judgment. The Board has appropriate autonomy and authority to exercise its functions and is accountable to the appointing Authority and acted responsibly towards stakeholders.

### c) Board Charter

The Board Charter sets out the role, composition and responsibilities of the Board of Directors of the Kenya Urban Roads Authority (KURA) within the governance structure of the Authority and its delegation of authority to Management. The Charter has been adopted by KURA, acting in

accordance with *Mwongozo*, Code of Governance for State Corporations and in line with best practice, and is complementary to the requirements regarding the Board and Board members contained in applicable Kenyan laws and regulations.

The Charter provides for the following among others:-

- i) Board size composition and term limits
- ii) Establishment of Board Committees
- iii) The Responsibilities of the Board
- iv) The Code of Conduct the Board of Directors are expected to comply with
- v) The relationship between the Board and Management
- vi) Attendance, scheduling and proceedings at Meetings
- vii) Delegated authority to Management
- viii) Board performance appraisal through annual Board Evaluation
- ix) Board and Management succession

The Board Charter further provides for review of the same annually and has incorporated a Schedule of the delegated powers on recruitment and discipline as adopted in the approved Human Resource Manual of the Authority.

#### **d) Appointment, Composition and Size**

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

- i) Audit, Risk & Compliance Committee
- ii) Human Resource Committee
- iii) Finance & Strategy Committee
- iv) Technical Committee

##### **i. Audit, Risk & Compliance Committee**

This is an advisory Committee of the Board providing independent oversight so as to ensure integrity of financial statements. It reviews the effectiveness of the system of internal controls and management of financial and other risks. The Committee ensures Compliance with relevant laws and oversees Risk Management through relevant Plan and receipt of status Reports. The Committee held **5No.** meetings in the FY2018/2019

##### **ii. Human Resource Committee**

This Committee is responsible for offering advice and guidance to Management and the Board on development of effective and appropriate Human Resource Policies and adoption of best practices for efficient strategies in human resource management. The Committee examines, reviews and recommends for approval by Board the Authority's staff establishment, appointment, termination of staff and any disciplinary action as delegated. The Committee held **5No.** meetings during the FY2018/2019.

### **iii. Finance & Strategy Committee**

This Committee is mandated to consider and make recommendations to the Board regarding issues affecting financial and strategic direction of the Authority. This includes resource mobilization for new projects, investment of surplus funds and financial management procedures. The Committee held **6**No. meetings during the FY 2018/2019.

### **iv. Technical Committee**

The Technical Committee is mandated to consider and make recommendations to the Board regarding policy issues affecting technical operations of the Authority including:-

- i) Quality Assurance
- ii) Technical Standards
- iii) Environment, Health & Safety Standards on projects
- iv) Contract Management Standards

The Committee held **4**No. meetings during the FY2018/2019.

### **v. Board Work Plan and Meetings**

The Board work plan and calendar of meetings are annually prepared in advance. Adequate notice is given for each Board meeting and Directors receive detailed papers on issues to be discussed in good time before the meeting. There were a total of 9 board meetings held during the year in addition to board committee meetings.

#### **e) Board Evaluation**

During the year, the Board undertook a self-evaluation as required under Mwongozo Code of Governance of State Corporations in line with best practices. The issues of the effectiveness of the whole board, individual director assessment and the performance of the Acting Director General/CEO were addressed in the evaluation.

#### **f) Directors' Remuneration**

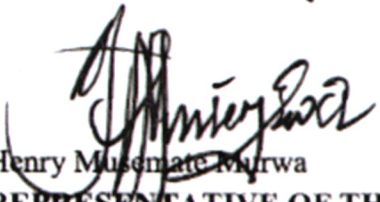
Details of Directors' remuneration are set out in the report in note 12 of the financial year under review. Directors are paid sitting allowance for every meeting attended, lunch allowance (in lieu of lunch being provided), accommodation allowance and mileage reimbursement where applicable, all in line with the ceilings approved for state corporations by the Government. There were no Directors' loans at any time during the year.

#### **g) Internal Controls**

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

#### **h) Ethical Standards**

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



Henry Musenata Murwa  
**REPRESENTATIVE OF THE BOARD**

## MANAGEMENT DISCUSSION AND ANALYSIS

### 1. Operational Performance

During the year under review, the Authority managed to achieve considerable performance in most of the operational areas exceeding the targets in some areas. The 2018/2019 Authority's PC had seven (7) Performance Criteria Categories based on 15<sup>th</sup> Cycle Guidelines namely:

- i) Financial Stewardship & Fiscal Discipline;
- ii) Service Delivery;
- iii) Core Mandate;
- iv) Implementation of Presidential Directives;
- v) Access to Government Procurement Opportunities (AGPO);
- vi) Promotion of Local Content in Procurement; and
- vii) Cross-Cutting Issues.

Each of these broad categories have been subdivided into specific indicators. A Work Plan for implementation of these targets was been prepared to tally with planned activities and budgetary c  
The table below summarises the key performance indicators for the Authority and the achievements during the year.

KEY PERFORMANCE INDICATORS FOR THE YEAR AENDED 30 JUNE 2019				
Performance Criteria category	Unit of Measure	Cumulative for the year		
		Actual A	Target B	Variance(A-B) C
<b>UPGRADING/ CONSTRUCTION OF NEW ROADS</b>				
<b>Vision 2030 Flagship Projects/ Programmes</b>				
Construction of New Roads (Under vision 2030 flagship projects)	Lane Km	46.66	37.4	9.26
<b>Priority Projects/ Programmes (Outcomes aligned to SDGs and Sector Performance Standards (SPS))</b>				
Construction of New Roads	Lane Km	140.64	197.4	-56.76
Construction of Roads under the Low Volume Sealed Roads (LVSR) Programme	Lane Km	86.4	127	-40.6
Construction of New Bridges	No	11	12	-1
Construction of Walkways	Km	95.67	160.4	-64.73
Signalization of Junctions	%	100	100	0
<b>MAINTENANCE OF ROADS</b>				
Periodic Maintenance of Roads	Lane Km	736.17	605.84	72.32
Routine Maintenance of Roads	Lane Km	1,905.97	1,761.20	144.77
<b>ENGINEERING SERVICES</b>				
Design of Roads	Km	0	433.68	-433.68
Design of New Bridges	No	3	10	-7
Identification and Preservation of Road Reserves	%	100	100	0
Roads 2000 Strategy (Jobs Created)	No	1,010	1,388	-378
Monitor and Enforce Axle Load Compliance	%	100	100	0
Monitoring and Evaluation of Projects	%	100	100	0
Environmental and Social Impact Assessment (ESIA) Study	%	100	140	40
Environment Audits	%	28	33	5
Feasibility Studies and preliminary engineering designs for Road Projects	No	8	8	0
Traffic Surveys	%	80	100	-20
Road Safety	%	100	100	0
<b>OTHER AREAS</b>				
Ease of Doing Business	%	0	100	-100
Project Completion Rate	%	100	100	0

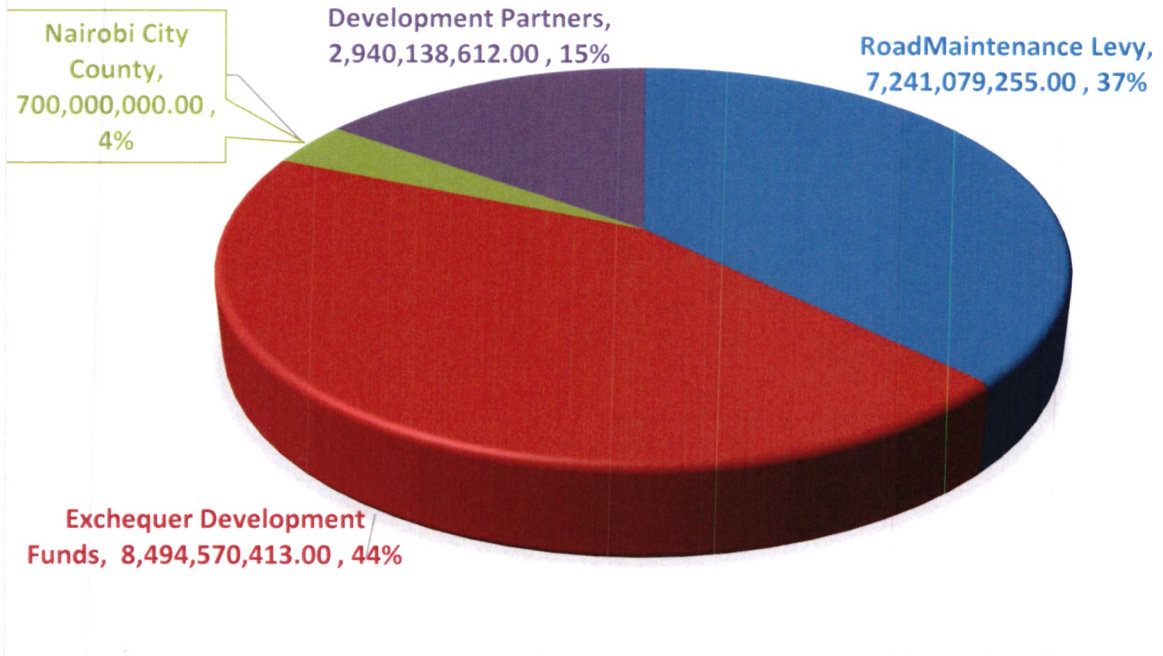
Overall performance for the authority since inception is shown below.

Financial Year	Composite Score	PC Guidelines	Rating	State Corporations Ranking	Road Subsector Ranking
<b>2009/2010</b>	2.4199	6 <sup>th</sup> Cycle	V. GOOD	85/162	1
<b>2010/2011</b>	2.2957	7 <sup>th</sup> Cycle	V. GOOD	58/178	1
<b>2011/2012</b>	2.6451	8 <sup>th</sup> Cycle	V. GOOD	**	**
<b>2012/2013</b>	2.8972	9 <sup>th</sup> Cycle	V. GOOD	**	**
<b>2013/2014</b>	2.9227 (2.8838*)	10 <sup>th</sup> Cycle	V. GOOD	**	**
<b>2014/2015</b>	2.8615	11 <sup>th</sup> Cycle	V. GOOD	**	**
<b>2015/2016***</b>	3.042	12 <sup>th</sup> Cycle	GOOD	**	**
<b>2016/2017***</b>	2.839	13 <sup>th</sup> Cycle	V.GOOD	**	**
<b>2017/2018***</b>	3.067	14 <sup>th</sup> Cycle	GOOD	**	**
<b>2018/2019***</b>	3.027	15 <sup>th</sup> Cycle	GOOD	**	**

Key: \* - Composite score when exogenous factors are taken into account  
 \*\* - Ranking not done by the Performance Contracting Department nationally  
 \*\*\* - Self-Evaluated Achievements based on submitted periodic PC reports

## Financial Performance

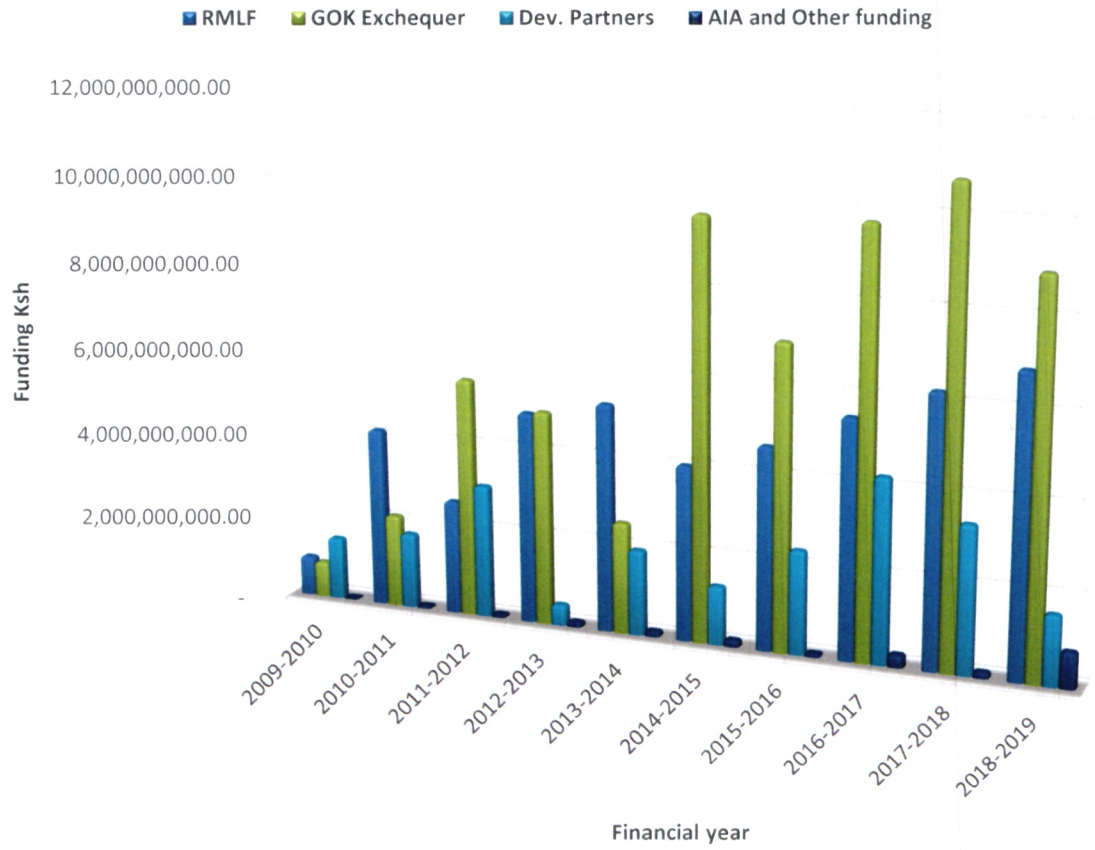
The Authority Received considerable funding from the Government and Development partners. Further funding was received from the Nairobi County Government towards the Nairobi regeneration Programme.



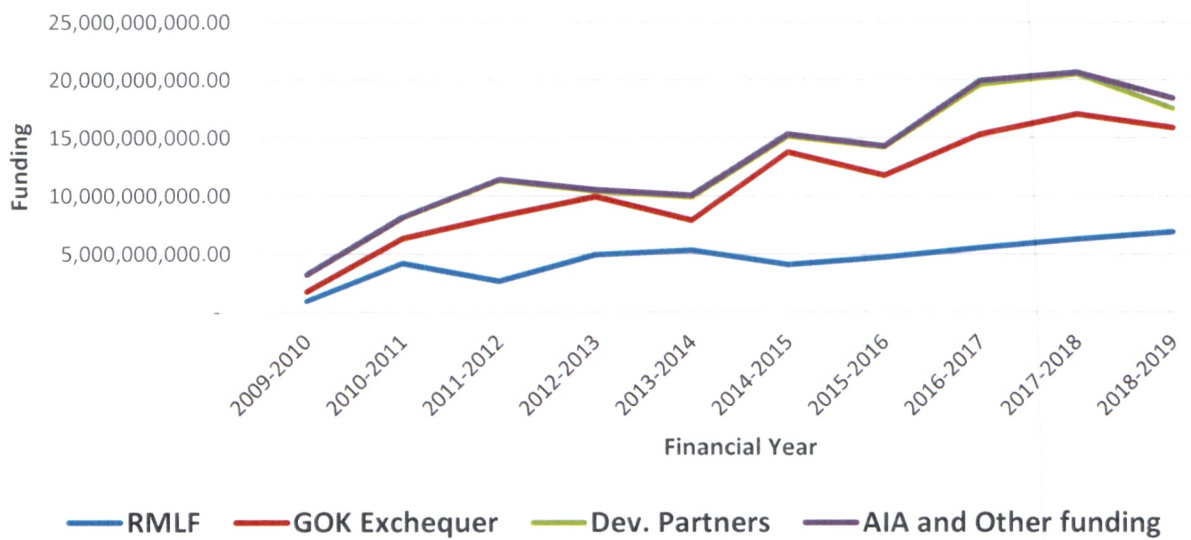
**Figure 2: Current year funding**

### 1.1.1 Funding Trend

There have been considerable improvements in the Authority's funding over the years albeit with increased needs for road maintenance and new construction.



**Figure 3: Funding History**



**Figure 4: Funding trend**

### **1.1.2 Funding Gap**

Even with improved funding over the years, funding requirements both for maintenance of the existing urban road network and construction of new roads far outweighs the funding levels resulting in a wide gap that remains a challenge to the Authority.

The Authority's 2018-2022 Strategic Plan is pillared on adoption of Sustainable development approaches for socio economic development. The Authority remains conscious of its operating environment and the effect certain factors in this affect its mandate and long term sustainability. Consequently various support initiatives are undertaken which are geared towards managing its triple bottom-line namely financial, environmental, social and the associated risks, obligations and opportunities.

### **Corporate Social Responsibility Initiatives**

The Authority beyond its mandate undertakes certain Corporate Social Responsibility initiatives aimed at addressing wider social issues. The following are the CSR initiatives undertaken during the year.

#### ***Installation of a Biogas Plant for Talitha Kum Children's Home***

The Authority installed a biogas plant for Talitha Kum Children's Home to help the orphanage in meeting its energy needs. Tabitha Kum orphanage is a faith based organization located in Nyahururu Town, Nakuru County and is managed by the Diamesse Sisters from the Catholic Church. The home takes care of disadvantaged and vulnerable children from various parts of the Country. The installation of the biogas plant will go a long way in reducing the cost of electricity which previously served as the main source of energy for more than one hundred (100) disadvantaged children housed by the home.

#### ***Improvement of security for Lavington Secondary School***

During the period under review the Authority implemented a project to improve security and access for 700 students from Lavington Secondary School. The School located in Nairobi County is a public school serving students from the low income areas of Kawangware and Kibera informal settlement zones. In a bid to improve the security for the 700 students while accessing the dormitory from the classroom block, KURA installed seven high powered solar flood lights to help light the school compound.

#### ***Support for beyond Zero and Matar Heart run programmes***

During the period under review the Authority supported several causes by partnering with various organizations on causes anchored on environmental conservation and access to universal health care as espoused by the Governments Agenda Four priority areas. The Authority sponsored the 3<sup>rd</sup> Edition of the First Lady Half Marathon in support of the 'Beyond Zero' campaign. The Authority further sponsored a total of Thirty Six participants in the Mater Heart Run Marathon. The Marathon is a cardiac fundraising program held in nine different towns to help needy children in need of cardiac surgery.

## **Sustainability Initiatives**

### ***Competency Development and Capacity Building***

In the Financial Year 2018/2019, The Authority focused on Capacity enhancement through competency development and training for both internal and external stakeholders through training and strategic stakeholder engagement forums. A total of One Hundred and ten (110) members of staff were exposed to various competency development trainings for skills enrichment for effective service delivery in the discharge of the Authorities mandate.

### ***Capacity building for Service providers and suppliers***

During the period under review the Authority put in place measures to enhance the Capacity for Special groups under the Access to Government Procurement Opportunities (AGPO) to uptake procurement opportunities in the Authority. A total of 108 firms were sensitized .The sensitization forums held in Four Regions, Nairobi, Nyanza, Central and South Rift were aimed at enhancing awareness, increasing transparency and promoting competition amongst the targeted group.

### ***Environmental Sustainability and conservation***

Environmental stewardship has been at the heart of the Authority operations to this end the Authority carried out Environmental and Social Impact Assessment for fifty three (52) major road projects under construction, rehabilitation and periodic maintenance.

Further to this the Authority participated in the World Environment Day themed “beating plastic pollution” in partnership with the National Environment Management Authority (NEMA).The Authority sponsored celebration of the World Environment day to the tune of Ksh.450,000.The World Environment Day is an annual event set aside by the United Nations and commemorated every year in the month of June to create awareness on emerging environmental issues from marine pollution, human overpopulation, global warming, sustainable consumption and wildlife crime.

## **Information Management**

During the period under review the Authority begun implementation of the Information Security Management System (ISMS) to enhance access to information and knowledge management in the Authority by maintaining the Confidentiality, Integrity and Accuracy of information held by the Authority.

### **Automation of Traffic Management**

The Authority continued to make improvements on the Intelligent Traffic Management System (ITS) which has automated traffic management in Nairobi. Some of the improvements made include strategic linkages through enlargement of the stakeholder base for consultation on aspects for improvement to help decongest our roads through automation, Inclusion of enforcement and incorporation of Behaviour change aspects to ensure compliance. The ITS project is expected to automate traffic management and ease congestion on our roads. The project is being piloted in Nairobi with an intention to roll it out in the major cities and towns in the Country.

### **Implementation of Quality Management Systems**

The Authority continued to implement Quality Management Systems (QMS) to ensure effective Service Delivery in the organization. Some of the QMS systems include implementation of the International Standards Organization ISO: 9001:2015 and Performance Contracts.



Eng. Silas Murira Kinoti  
**AG. DIRECTOR GENERAL**

## **REPORT OF THE DIRECTORS**

The directors submit their report together with the audited financial statements for the year ended 30th June 2019, 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 Authority is responsible for the management, development, rehabilitation and maintenance of all public roads in the cities and municipalities in Kenya except where those roads are national roads.

### **Results**

The results for the Authority for the financial year ended 30 June 2019 are set out on page 27.

### **Directors**

The directors who held office during the year and to the date of this report are set out on page 3-6.

### **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



Eng. Silas Murira Kinoti

**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 the Authority, which give a true and fair view of the state of affairs of the Authority at the end of the financial year and the operating results of the Authority for that year. 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.

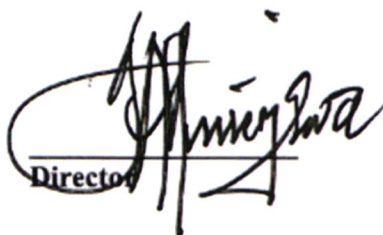
The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on June 30, 2019. This responsibility includes: (i) maintaining adequate 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, 2019, 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 26-09-2019 and signed on behalf by:



Director



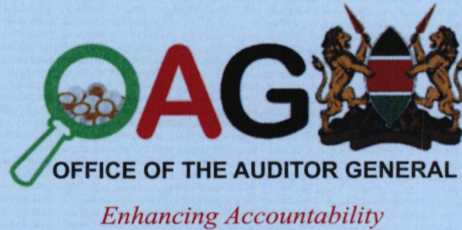
Ag. Director General



Director

# REPUBLIC OF KENYA

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

## **REPORT OF THE AUDITOR-GENERAL ON KENYA URBAN ROADS AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2019**

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

#### **Opinion**

I have audited the accompanying financial statements of Kenya Urban Roads Authority set out on pages 29 to 60, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Kenya Urban Roads Authority as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Kenya Roads Act, 2007.

#### **Basis for Opinion**

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

#### **Key Audit Matters**

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

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

### **Conclusion**

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

### **Basis for Conclusion**

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

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

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

### **Basis for Conclusion**

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

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall 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 financial reporting process, reviewing the effectiveness of how the Authority monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

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

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the 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.



**Nancy Gathungu**  
**AUDITOR-GENERAL**

**Nairobi**

**08 February, 2021**

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

	Note	2018-2019 Kshs	2017-2018 Kshs
<b>REVENUE</b>			
<b>Revenue from non-exchange transactions</b>			
Road maintenance Levy Fund	6	7,241,079,255	6,284,702,129
Grants from Exchequer and Other Government Agencies	7	1,181,291,165	485,728,199
Penalties and levies	9	12,673,572	16,941,236
<b>Total Revenue from non-exchange transactions</b>		<b>8,435,043,992</b>	<b>6,787,371,564</b>
<b>Revenue from exchange transactions</b>			
Finance income	10	144,723,647	127,920,462
Other income	11	2,610,400	595,003
<b>Total Revenue from exchange transactions</b>		<b>147,334,047</b>	<b>128,515,465</b>
<b>Total Revenue</b>		<b>8,582,378,040</b>	<b>6,915,887,029</b>
<b>EXPENDITURE</b>			
Directors' expenses	12	28,165,735	17,356,690
Employment costs	13	1,044,576,058	960,170,732
Depreciation and amortization costs	14	100,983,482	90,214,037
General expenses	15	200,129,855	202,736,993
Repairs and maintenance	16	26,926,133	36,471,231
Road rehabilitation and maintenance costs	17	6,597,428,500	4,302,210,557
<b>Total expenditure</b>		<b>7,998,209,763</b>	<b>5,609,160,241</b>
<b>Surplus for the year</b>		<b>584,168,277</b>	<b>1,306,726,788</b>

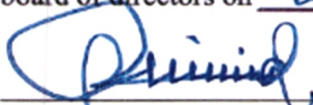
The significant accounting policies on pages and the notes on pages 34 to 59 form an integral part of these financial statements.


**STATEMENT OF FINANCIAL POSITION**

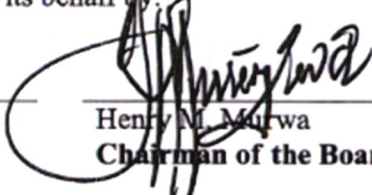
AS AT 30 JUNE 2019

	Note	2018-2019 Kshs	2017-2018 Kshs
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	18	6,204,447,649	4,249,493,193
Receivables from exchange transactions	19a	1,888,199,174	2,554,138,838
Receivables from non-exchange transactions	19b	1,274,030,984	3,229,544,731
Inventories	20	15,455,637	6,971,956
<b>Total Current assets</b>		<b>9,382,133,444</b>	<b>10,040,148,718</b>
<b>Non-current assets</b>			
Property, plant and equipment	21	227,404,164	254,770,330
Infrastructure Work-In-Progress	22	87,915,893,669	70,799,351,512
Intangible assets	23	4,985,205	48,941,252
<b>Total non-current assets</b>		<b>88,148,283,038</b>	<b>71,103,063,094</b>
<b>Total Assets</b>		<b>97,530,416,482</b>	<b>81,143,211,812</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables from exchange transactions	24a	6,646,929,944	2,774,597,133
Payables from Non exchange transactions	24b	101,590,120	19,998,669
Employee Benefits Obligations	24c	37,984,800	27,150,191
<b>Total current liabilities</b>		<b>6,786,504,864</b>	<b>2,821,745,993</b>
<b>Non-current liabilities</b>			
Payables from exchange transactions	24a	1,741,377,405	1,337,808,908
<b>Total liabilities</b>		<b>8,527,882,269</b>	<b>4,159,554,901</b>
<b>Net assets</b>		<b>89,002,534,213</b>	<b>76,983,656,911</b>
<b>REPRESENTED BY:</b>			
Capital Reserves		0	19,652,510
Revaluation Reserve		19,800,687	30,070,037
Accumulated surplus		6,202,809,424	5,598,988,637
Road Assets reserve Fund		82,779,924,102	71,334,945,727
<b>Total Nets Assets and Liabilities</b>		<b>89,002,534,213</b>	<b>76,983,656,911</b>

The significant accounting policies and the notes on pages 34 to 59 form an integral part of these financial statements. The financial statements on pages 29 to 59 were approved by the board of directors on 26-09-2019 and were signed on its behalf by:

  
 Eng. Silas Murira Kinoti  
 Ag Director General

  
 CPA Reuben Mayienda  
 Director corporate services  
 ICPAK Member No:4941

  
 Henry M. Murwa  
 Chairman of the Board

## STATEMENT OF CHANGES IN NET ASSETS

	Capital Reserve	Accumulated Surplus	Revaluation Reserve	Road Assets reserve Fund	Total
	Kshs	Kshs	Kshs	Kshs	Kshs
<b>As at 1st July 2017</b>	19,652,510	4,292,261,849	-	57,594,196,460	61,906,110,819
Surplus for the year	-	1,306,726,788	-	-	1,306,726,788
Revaluation gain		-	40,339,387	-	40,339,387
Transfer of excess depreciation on revaluation			(10,269,350)	10,269,350	-
Grants from Exchequer	-	-	-	10,287,655,491	10,287,655,491
Grants from Development Partners	-	-	-	3,442,824,427	3,442,824,427
<b>As at 30th June 2018</b>	<b>19,652,510</b>	<b>5,598,988,637</b>	<b>30,070,037</b>	<b>71,334,945,727</b>	<b>76,983,656,911</b>
<b>As at 1st July 2018</b>	19,652,510	5,598,988,637	30,070,037	71,334,945,727	76,983,656,911
Surplus for the year	-	584,168,277	-	-	584,168,277
Depreciation of Donated Assets	(19,652,510)	19,652,510	-	-	-
Transfer of excess depreciation on revaluation			(10,269,350)	10,269,350	-
Grants from Exchequer	-	-	-	8,494,570,413	8,494,570,413
Grants from Development Partners	-	-	-	2,940,138,612	2,940,138,612
<b>As at 30th June 2019</b>	<b>-</b>	<b>6,202,809,424</b>	<b>19,800,687</b>	<b>82,779,924,102</b>	<b>89,002,534,213</b>

See note 4(q) on the nature and purpose of reserves

**REVENUE AND EXPENDITURE STATEMENT FOR THE YEAR ENDED JUNE 30, 2019**

	Original budget 2018-2019 Kshs	Adjustments 2018-2019 Kshs	Final budget 2018-2019 Kshs	Actual on comparable basis 2018-2019 Kshs	Performance difference 2018-2019 Kshs
<b>REVENUE</b>					
RMLF Funds	5,629,787,234	-	5,629,787,234	7,241,079,255	(1,611,292,021)
AIA -Interests and other incomes	50,000,000	-	50,000,000	160,007,619	(110,007,619)
Nairobi City County		700,000,000	700,000,000	700,000,000	-
GOK exchequer-Development	9,110,861,579	(369,999,999)	8,740,861,580	8,975,861,578	(234,999,998)
Donor funds AIA	1,706,000,000	-	1,706,000,000	2,940,138,612	(1,234,138,612)
<b>Total income</b>	<b>16,496,648,813</b>	<b>330,000,001</b>	<b>16,826,648,814</b>	<b>20,017,087,065</b>	<b>(3,190,438,251)</b>
<b>EXPENDITURE</b>					
Property plant and Equipment	22,105,000	-	22,105,000	29,661,270	(7,556,270)
Board of Directors Expenses	36,282,500	-	36,282,500	28,165,735	8,116,765
Compensation to employees	1,090,370,164	-	1,090,370,164	1,044,576,058	45,794,106
Depreciation & Amortization Costs	90,214,037	-	90,214,037	100,983,482	(10,769,445)
Operating & other Administrative Costs	233,264,645	-	233,264,645	200,129,855	33,134,790
Repairs and maintenance	51,227,691	-	51,227,691	26,926,133	24,301,558
Road Rehabilitation & Maintenance Costs	4,246,537,234	700,000,000	4,946,537,234	6,597,428,500	(1,650,891,266)
Road Infrastructure Assets	10,816,861,579	(369,999,999)	10,446,861,580	17,116,542,157	(6,669,680,577)
<b>Total expenditure</b>	<b>16,586,862,850</b>	<b>330,000,001</b>	<b>16,916,862,851</b>	<b>25,144,413,190</b>	<b>(8,227,550,339)</b>
<b>Surplus for the year</b>	<b>(90,214,037)</b>	<b>-</b>	<b>(90,214,037)</b>	<b>(5,127,326,125)</b>	<b>5,037,112,088</b>
<b>RECONCILIATION</b>					
<b>Surplus as per statement of budget and actual amounts</b>				(5,127,326,125)	
Add:Purchase of Assets				29,661,270	
Add:Road infrastructure assets				17,116,542,157	
Less: Transfer to Road Assets Reserve				(11,434,709,025)	
<b>Deficit as per statement of financial performance</b>				<b>584,168,276</b>	

The significant accounting policies on pages and the notes on pages 32 to 57 form an integral part of these financial statements.

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

	Note	2018-2019 Kshs	2017-2018 Kshs
<b>Cashflow from/(used in) operating activities</b>	25	<u>7,118,156,715</u>	<u>(1,338,868,757)</u>
<b>Cash flows from investing activities</b>			
Interest Income		144,723,647	127,920,462
Purchases of Property Plant and equipment		(29,661,270)	(123,424,552)
Revaluation of assets		-	(40,339,387)
Infrastructure work In progress		<u>(17,116,542,157)</u>	<u>(12,671,870,420)</u>
<i>Net cash used in investing activities</i>		<u>(17,001,479,780)</u>	<u>(12,707,713,897)</u>
<b>Cash flows from Financing activities</b>			
Movement in retention funds		403,568,497	-
Capital Grant received		<u>11,434,709,025</u>	<u>13,730,479,917</u>
<i>Net cash used from financing activities</i>		<u>11,838,277,522</u>	<u>13,730,479,917</u>
Net increase in cash and cash equivalents		1,954,954,457	(316,102,737)
Cash and cash equivalents at start of year		<u>4,249,493,193</u>	<u>4,565,595,930</u>
Cash and cash equivalents at end of year	18	<u>6,204,447,649</u>	<u>4,249,493,193</u>

The significant accounting policies on pages and the notes on pages 32 to 57 form an integral part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. General Information

Kenya Urban Roads Authority (KURA) is a State Corporation established under the Kenya Roads Act 2007. The Authority is wholly owned by the Government of Kenya and is domiciled in Kenya. The principal activities of the Authority remains that of management, development, rehabilitation and maintenance of all public roads in the cities and municipalities in Kenya except where those roads are national roads.

### 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, and financial instruments at fair value, impaired assets at their estimated recoverable amounts.

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 the Authority's 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 5. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the 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. The accounting policies adopted have been consistently applied to all the years presented.

### 3. Adoption of new and revised Standards

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

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

Standard	Impact
<b>IPSAS 40:</b> Public Sector Combinations	<b>Applicable: 1<sup>st</sup> January 2019</b> The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations. This standard is not applicable to the Authority.

<p><b>IPSAS 41:</b> Financial Instruments</p>	<p><b>Applicable: 1<sup>st</sup> January 2022:</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. 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>This standard is not relevant to the Authority and therefore has no impact on the Authority's financial statements.</p>
<p><b>IPSAS 42:</b> Social Benefits</p>	<p><b>Applicable: 1<sup>st</sup> January 2022</b> The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ol style="list-style-type: none"> <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> </ol>

**ii. Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2019.

**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.

**(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 26.

**(c) Budget Information**

The original budget for FY 2018-2019 was approved by the National Assembly on 9<sup>th</sup> June 2018. 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 Authority 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. Payables or receivables 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 urban 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 10% 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) 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.

**iii) 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.

**iv) Fees, Penalties and 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 Central 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 Partitions	12.5%
Computer Equipment and software	33.3%
Furniture and Fittings	12.5%
Office Equipment	12.5%
Motor Vehicles	25.0%
Road Work In Progress	Nil

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-Road Work In Progress**

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. Currently the Authority classifies these assets as capital work in progress

**(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. **Road projects reserve funds** which relates to cumulative exchequer and development partners' funds received for development projects which currently stands. This represents the Authority's Investment in Road works to 30 June 2019.
- ii. **Capital reserves** relates to assets (Motor vehicles) donated to the Authority by KTTSP Project as part of capacity building.
- iii. **Accumulated surplus** relates to accounting surplus which accrues from unutilised funds, interest income and other miscellaneous income and is available for future utilisation by the Authority.

**(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.

**(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, 2019.

## **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.

**6. Road Maintenance Levy Fund (RMLF)**

	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Kshs</b>	<b>Kshs</b>
Road Maintenance Levy Fund (15%)	5,825,531,915	5,361,702,129
Road Maintenance Levy Fund(10% Special Allocation)	1,415,547,340	923,000,000
<b>Total Road Maintenance Levy Fund</b>	<b>7,241,079,255</b>	<b>6,284,702,129</b>

**7. GOK (Exchequer) and Other Government Agencies**

Decongestion and GES Programmes	481,291,165	485,728,199
Nairobi City County	700,000,000	-
Development Funds	8,494,570,413	10,287,655,491
Total	9,675,861,578	10,773,383,690
Transfer to Road Assets Reserve	(8,494,570,413)	(10,287,655,491)
Total Revenue	1,181,291,165	485,728,199

**8. Development Partners Grants**

African Development Bank (AfDB)	1,311,924,010	2,154,671,655
Japanese International Cooperation Agency(JICA)	969,919,930	452,419,000
World Bank-NUTRIP Programme	338,294,720	418,721,827
European Union	319,999,952	417,011,945
<b>Total Funds</b>	<b>2,940,138,612</b>	<b>3,442,824,427</b>
Transfer to Road Assets Reserve	(2,940,138,612)	(3,442,824,427)
<b>Total Revenue</b>	<b>-</b>	<b>-</b>

	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>9. Licences, Penalties and Levies</b>		
Donated Vehicles (NCIP)	2,563,612	2,563,612
Liquidated Damages	6,839,960	9,267,624
Road cutting fees	3,270,000	5,110,000
<b>Total</b>	<b>12,673,572</b>	<b>16,941,236</b>
<b>10. Finance Income</b>		
Interest on bank deposits	144,723,647	127,920,462
<b>11. Other Income from Exchange Transactions</b>		
Tender sales	38,000	595,003
Insurance claim	2,572,400	-
<b>Total Other Income</b>	<b>2,610,400</b>	<b>595,003</b>
<b>12. Directors' Expenses</b>		
Directors' Emoluments	6,802,734	5,272,499
Training and Development	7,345,322	7,086,989
Travelling and other field costs	14,017,679	4,997,202
<b>Total directors' expenses</b>	<b>28,165,735</b>	<b>17,356,690</b>
<b>13. Employment Costs</b>		
Salaries and wages	762,755,336	686,486,743
Pension and Garatuity costs	78,926,114	72,426,811
Medical and Insurance	75,872,717	67,099,192
Training and Development	34,332,244	40,496,732
Travelling and subsistence	91,753,656	92,561,533
Other Staff Welfare costs	935,991	1,099,721
<b>Total employment costs</b>	<b>1,044,576,058</b>	<b>960,170,732</b>
<b>14. Depreciation and amortisation costs</b>		
Depreciation on Property Plant and Equipment	57,027,435	65,743,411
Armotisation of Intangible Assets	43,956,047	24,470,626
	<b>100,983,482</b>	<b>90,214,037</b>

	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>15. General expenses</b>		
Audit fees	2,900,000	2,900,000
Consulting fees	3,405,032	9,955,260
Conference and seminars	25,449,590	19,593,055
Communication costs	9,897,326	14,474,994
Vehicle running expenses	13,166,727	24,033,566
Printing and stationery	19,186,475	11,548,053
Occupancy costs	79,235,450	73,762,316
Advertising , publicity and CSR activities	11,547,568	18,273,083
Bank charges and commissions	1,477,812	1,669,132
Other office running costs	33,863,875	26,527,533
<b>Total General Expenses</b>	<b>200,129,855</b>	<b>202,736,993</b>
<b>16. Repairs and maintenance</b>		
Equipment and Machinery	6,544,549	8,530,568
Motor vehicles	10,850,084	13,731,861
Computer and accessories	9,531,500	14,208,803
<b>Total Repairs and Maintenance Costs</b>	<b>26,926,133</b>	<b>36,471,231</b>
<b>17. Road Maintenance and Rehabilitation Costs</b>		
Routine maintenance	2,097,860,859	1,946,363,306
Periodic maintenance	3,185,995,573	1,687,455,666
Decongestion programme	481,291,165	485,728,199
Nairobi City County Roads	700,000,000	39,437,232
Consultancy, Planning, Feasibility ESIA Costs	46,670,494	82,730,038
Road Safety and Children's Traffic Parks Costs	45,718,980	11,503,933
Road Furniture and Road Marking	10,515,243	7,355,021
Traffic census and forward planning	2,052,553	21,132,651
Axle load control costs	7,829,464	13,744,736
Road reserve mapping and control costs	6,268,639	1,965,733
Emergency road works	-	44,200
Design inhouse	1,323,663	1,426,514
Special Programmes and environmental awareness costs	11,901,866	3,323,329
<b>Total road maintenance and Rehabilitation expenses</b>	<b>6,597,428,500</b>	<b>4,302,210,557</b>

	2018-2019 Kshs	2017-2018 Kshs
<b>18. Cash and cash equivalents</b>		
Current accounts	5,904,284,117	4,049,242,634
Staff Mortgage Fund	300,000,000	200,000,000
Cash in hand	163,533	250,559
	<u>6,204,447,649</u>	<u>4,249,493,193</u>

The cash in hand and at bank is held with the following approved commercial banks in Kenya.

**Current accounts**

KCB Bank Limited	3,836,119,177	2,886,682,043
National Bank of Kenya	575,448,789	94,222,496
Co-operative Bank of Kenya	1,492,716,151	1,268,338,094
<b>Total current accounts</b>	<u>5,904,284,117</u>	<u>4,249,242,634</u>

**Staff Mortgage Fund**

KCB Bank Limited	<u>300,000,000</u>	<u>200,000,000</u>
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**Others**

Cash in Hand	<u>163,533</u>	<u>250,559</u>
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**19. Receivables**

**a) Receivables From Exchange Transactions**

Contractor advances	<u>1,888,199,174</u>	<u>2,554,138,838</u>
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**b) Receivables From Non-Exchange Transactions**

Staff Debtors	1,629,673	3,545,942
Grants Receivable-Development Funds	-	1,762,752,369
Grants Receivable-RMLF	1,269,756,350	1,460,601,459
Deposits and other prepayments	<u>2,644,962</u>	<u>2,644,962</u>
<b>Total Receivables From Non-Exchange Transactions</b>	<u>1,274,030,984</u>	<u>3,229,544,731</u>
<b>Total receivables</b>	<u>3,162,230,158</u>	<u>5,783,683,570</u>

Receivables constitute short term liquid assets which are recoverable within one year. Contract advances represent funds provided to the contractors and are recoverable in accordance with the contract terms. Grants receivables represent Road Maintenance Levy Funds due from the Kenya Roads Board. 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:

	<b>0-3 Months</b>	<b>3-12 Months</b>	<b>Over 12 Months</b>	<b>Total</b>
	<b>Ksh</b>	<b>Ksh</b>	<b>Ksh</b>	<b>Ksh</b>
Contractor advances	-	1,888,199,174	-	1,888,199,174
Staff Debtors	1,629,673	-	-	1,629,673
Grants Receivable	1,093,829,730	175,926,620	-	1,269,756,350
Deposits & Other Prepayments	2,644,962	-	-	2,644,962
<b>Total</b>	<b>1,098,104,364</b>	<b>2,064,125,793</b>	<b>-</b>	<b>3,162,230,158</b>

	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>20. Inventories</b>		
Consumable supplies	15,455,637	6,971,956

Inventories comprise of consumable supplies for office use. In the opinion of the directors the carrying amounts of the inventories approximate to their fair value.

## 21. Property Plant and equipment

	Furniture and Fittings	Computers and Technical Equipment	Motor Vehicles	Total
	Kshs	Kshs	Kshs	Kshs
<b>Cost/ Valuation</b>				
As at 1st July 2017	152,891,850	312,457,464	227,219,569	692,568,883
Transfer to intangible assets	-	(156,338,767)	-	(156,338,767)
Accumulated depreciation	<u>(72,497,175)</u>	<u>(127,573,006)</u>	<u>(179,410,133)</u>	<u>(379,480,314)</u>
Net book value	80,394,675	28,545,691	47,809,436	156,749,802
Gain on revaluation	257,914	2,600,909	37,480,564	40,339,387
As revalued	80,652,589	31,146,600	85,290,000	197,089,189
Additions during the year	<u>71,749,089</u>	<u>25,062,863</u>	<u>26,612,601</u>	<u>123,424,552</u>
<b>As at 30 June 2018</b>	<b><u>152,401,677</u></b>	<b><u>56,209,463</u></b>	<b><u>111,902,601</u></b>	<b><u>320,513,741</u></b>
Additions during the year	8,998,543	7,067,528	13,595,200	29,661,270
<b>As at 30 June 2019</b>	<b><u>161,400,220</u></b>	<b><u>63,276,990</u></b>	<b><u>125,497,801</u></b>	<b><u>350,175,011</u></b>
<b>Depreciation</b>				
As at 1st July 2017	72,497,175	210,499,896	179,410,133	462,407,204
Transfer to intangible assets	-	(82,926,889)	-	(82,926,889)
On revaluation	<u>(72,497,175)</u>	<u>(127,573,006)</u>	<u>(179,410,133)</u>	<u>(379,480,314)</u>
As restated	-	-	-	-
Charge for the Year	<u>19,050,210</u>	<u>18,717,551</u>	<u>27,975,650</u>	<u>65,743,411</u>
<b>As at 30 June 2018</b>	<b><u>19,050,210</u></b>	<b><u>18,717,551</u></b>	<b><u>27,975,650</u></b>	<b><u>65,743,411</u></b>
Charge for the Year	18,023,610	14,623,287	24,380,538	57,027,435
<b>As at 30 June 2019</b>	<b><u>37,073,820</u></b>	<b><u>33,340,838</u></b>	<b><u>52,356,188</u></b>	<b><u>122,770,846</u></b>
<b>Net Book Value</b>				
<b>As at 30 June 2019</b>	<b><u>124,326,400</u></b>	<b><u>29,936,152</u></b>	<b><u>73,141,613</u></b>	<b><u>227,404,164</u></b>
<b>As at 30 June 2018</b>	<b><u>133,351,467</u></b>	<b><u>37,491,912</u></b>	<b><u>83,926,951</u></b>	<b><u>254,770,330</u></b>

Property plant and equipment was revalued on 1<sup>st</sup> July 2017 by professional valuers.

	2018-2019 Kshs	2017-2018 Kshs
<b>22. Infrastructure Work In Progress</b>		
As at 1st July	70,799,351,512	58,127,481,092
Additions during the year	<u>17,116,542,157</u>	<u>12,671,870,420</u>
<b>As at 30 June</b>	<b><u>87,915,893,669</u></b>	<b><u>70,799,351,512</u></b>

## 23. Intangible Assets

	Computer software	
	2018-2019	2017-2018
	Ksh	Ksh
<b>Cost/ Valuation</b>		
As at start of the year	<u>156,338,767</u>	<u>156,338,767</u>
<b>Depreciation</b>		
As at start of the year	107,397,515	82,926,889
Charge for the year	<u>43,956,047</u>	<u>24,470,626</u>
<b>As at end of the year</b>	<u><b>151,353,562</b></u>	<u><b>107,397,515</b></u>
<b>Net Book Value</b>		
As at 30 June	<u><b>4,985,205</b></u>	<u><b>48,941,252</b></u>

## 24. Payables

### Payables from Non-Exchange Transactions

#### a) Payables from Exchange Transactions

##### Current

Due to Suppliers and Contractors	6,623,702,444	2,754,159,633
Refundable Deposits	<u>23,227,500</u>	<u>20,437,500</u>
	<u><b>6,646,929,944</b></u>	<u><b>2,774,597,133</b></u>

##### Non Current

Contract Retention	<u>1,741,377,405</u>	<u>1,337,808,908</u>
<b>Total Payables from Exchange Transactions</b>	<u><b>8,388,307,349</b></u>	<u><b>4,112,406,042</b></u>

#### b) Payables from Non-Exchange Transactions

Taxes payable	101,590,120	16,847,739
Other Payables	-	587,318
Deferred Income Liability	-	<u>2,563,612</u>
<b>Total Payables from Non-Exchange Transactions</b>	<u><b>101,590,120</b></u>	<u><b>19,998,669</b></u>

#### c) Employee Benefits Obligations

Staff gratuity	26,903,028	25,568,583
Other Staff statutory obligations	<u>11,081,773</u>	<u>1,581,608</u>
<b>Total Employee Benefits Obligations</b>	<u><b>37,984,800</b></u>	<u><b>27,150,191</b></u>

<b>Total Payables</b>	<u><b>8,527,882,269</b></u>	<u><b>4,159,554,901</b></u>
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## 25. Cash generated from operations

	2018-2019 Kshs	2017-2018 Kshs
Surplus for the year	584,168,277	1,306,726,788
<i>Adjustments for:</i>		
Revaluation of Property plant and equipment	-	40,339,387
Depreciation of property, plant and equipment	57,027,435	65,743,411
Amortisation of intangible assets	43,956,047	24,470,626
Interest Income	(144,723,647)	(127,920,462)
<b><i>Changes in operating assets and liabilities</i></b>		
Receivables from exchange transactions	665,939,665	(813,643,741)
Receivables from non exchange transactions	1,955,513,747	(2,990,279,024)
Inventories	(8,483,680)	(1,333,597)
Payables from exchange transactions	3,872,332,811	1,186,919,566
Payables from Non-exchange transactions	81,591,451	(32,873,717)
Employee benefit obligation	10,834,610	2,982,005
<b><i>Net cash from operating activities</i></b>	<b>7,118,156,715</b>	<b>(1,338,868,757)</b>

## 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:

- i) 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,
  - ii) 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

**Year Ended 30 June 2019**

	<b>Less Than 1 Month Ksh</b>	<b>Between 1-3 Months Ksh</b>	<b>Between 3-12 Months Ksh</b>	<b>Over One Year Ksh</b>
Due to Suppliers and Contractors	-	-	6,617,594,033	-
Refundable Deposits	-	-	23,227,500	-
Contract Retention	-	-	-	1,741,377,405
Tax payable	101,590,120	-	-	-
Other Payables	6,108,411	-	-	-
Employee Benefits obligations	37,984,800	-	-	-
<b>Total</b>	<b>145,683,332</b>	<b>-</b>	<b>6,640,821,533</b>	<b>1,741,377,405</b>

**Year Ended 30 June 2018**

	<b>Less Than 1 Month Ksh</b>	<b>Between 1-3 Months Ksh</b>	<b>Between 3-12 Months Ksh</b>	<b>Over One Year Ksh</b>
Due to Suppliers and Contractors	-	-	1,862,246,897	-
Refundable Deposits	-	-	15,777,500	-
Contract Retention	-	-	-	1,047,462,079
Tax payable	47,035,065	-	-	-
Other Payables	5,837,321	-	-	-
Employee Benefits obligations	24,168,185	-	-	-
<b>Total</b>	<b>77,040,571</b>	<b>-</b>	<b>1,878,024,397</b>	<b>1,047,462,079</b>

**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, 10% 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:

#### Year Ended 30 June 2019

	Fully Performing	Past Due But Not impaired	Past due and Impaired	Total
	Ksh	Ksh	Ksh	Ksh
Contractor advances	1,888,199,174			1,888,199,174
Staff Debtors	1,629,673	-	-	1,629,673
Grants Receivable	1,093,829,730	175,926,620	-	1,269,756,350
Deposits & Other Prepayments	2,644,962			2,644,962
Cash at Bank	6,205,084,418	-	-	6,205,084,418
<b>Gross Financial Assets</b>	<b>9,191,387,956</b>	<b>175,926,620</b>	<b>-</b>	<b>9,367,314,576</b>

#### Year Ended 30 June 2018

	Fully Performing	Past Due But Not impaired	Past due and Impaired	Total
	Ksh 000'	Ksh 000'	Ksh 000'	Ksh 000'
Contractor advances	2,554,138,838	-	-	2,554,138,838
Staff Debtors	3,545,942	-	-	3,545,942
Grants Receivable	3,047,427,208	175,926,620	-	3,223,353,828
Deposits & Other Prepayments	2,644,962	-	-	2,644,962
Cash at Bank	4,249,242,634	-	-	4,249,242,634
<b>Gross Financial Assets</b>	<b>9,856,999,584</b>	<b>175,926,620</b>	<b>-</b>	<b>10,032,926,204</b>

### 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. Explanation for budget variances

The original budget for FY 2018-2019 was approved by the National Assembly on 9<sup>th</sup> June 2018. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. Significant budget variances are explained below.

Budget Item	2018-2019	2018-2019	2018-2019	2018-2019	Budget Performance	Explanation for variance
<b>REVENUE</b>						
a) RMLF Funds	5,629,787,234	-	5,629,787,234	7,241,079,255	29%	All funds received as budgeted
b) AIA -Interests and other incomes	50,000,000	-	50,000,000	160,007,619	220%	Additional interest from increased retention funds
c) Nairobi City County	-	700,000,000	700,000,000	700,000,000	0%	
d) GOK exchequer	9,110,861,579	(369,999,999)	8,740,861,580	8,975,861,578	3%	Funds for 2016/2017 received and accounted for in current financial year
e) Donor funds AIA	1,706,000,000	-	1,706,000,000	2,940,138,612	72%	Low absorption of funds attributed to slow progress caused by prolonged rains
<b>EXPENDITURE</b>						
f) Property plant and Equipment	22,105,000		22,105,000	29,661,270	34%	Reduced budget allocation
g) Board of Directors Expenses	36,282,500		36,282,500	28,165,735	-22%	Delayed reconstitution of the board
h) Compensation to employees	1,090,370,164		1,090,370,164	1,044,576,058	-4%	No significant variance
i) Depreciation & Amortization Costs	90,214,037		90,214,037	100,983,482	12%	Revaluation of assets during the year
j) Operating & other Administrative Costs	233,264,645		233,264,645	200,129,855	-14%	Enhanced budgetary controls following reduced budgetary allocations
k) Repairs and maintenance	51,227,691		51,227,691	26,926,133	-47%	Software maintenance licences following completion of implementation period
l) Road Rehabilitation & Maintenance Costs	4,246,537,234	700,000,000.00	4,946,537,234	6,597,428,500	33%	No significant variance
m) Road Infrastructure Assets	10,816,861,579	(369,999,999)	10,446,861,580	7,998,209,763	-23%	Reduced budget allocation

## 28. 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.

	2018-2019 Kshs	2017-2018 Kshs
<b>(a) Related party transactions</b>		
The following transactions were carried out with related parties during the year.		
<b>(a) Grants from the Government</b>		
Grants from National Government	16,216,940,833	17,058,085,819
Grants from county government	700,000,000	-
	<u>16,916,940,833</u>	<u>17,058,085,819</u>
<b>(b) Key management personnel compensation</b>		
Directors emoluments	6,802,734	5,272,499
Compensation to the Ag. Director General	9,104,720	9,104,720
Compensation to the key management	199,118,422	200,999,225
	<u>215,025,876</u>	<u>215,376,444</u>

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

The following were outstanding balances with related parties as at 30<sup>th</sup> June 2019

Receivable from related parties	<u>1,269,756,350</u>	<u>3,223,353,828</u>
Payable to related parties	<u>26,903,028</u>	<u>25,568,583</u>
Receivables from related parties can be analysed as follows:		
Road maintenance Levy (RMLF)	1,269,756,350	1,460,601,459
Development Funds	-	1,587,001,676
	<u>1,269,756,350</u>	<u>3,047,603,135</u>
Payables to related parties can be analysed as follows:		
Key management personnel	<u>26,903,028</u>	<u>25,568,583</u>

## 29. 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.

**30. Capital Commitments**

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

**31. Currency**

The financial statements are presented in Kenya Shillings (Kshs)

## **APPENDIX 1: PROGRESS ON THE FOLLOW UP OF AUDITOR GENERAL RECOMMENDATIONS**

The Authority received unqualified audit report for the Financial Year 2017-2018 with all the audit matters having been resolved and closed.

**APPENDIX 2: DEVELOPMENT PARTNERS PROJECTS IMPLEMENTED BY THE AUTHORITY**

<b>Project title</b>	<b>Project Number</b>	<b>Donor</b>	<b>Period/duration</b>	<b>Donor Commitment (Total)</b>	<b>Separate Donor reporting required as per the donor agreement (Yes/No)</b>	<b>Consolidated in these financial statements (Yes/No)</b>
1. National Urban Improvement Project	IDA 5140-KE	World Bank	7 years	2,255,464,221.60	YES	YES
2. Nairobi Outer Ring Road Improvement Project.	P-KE-DB0-020	AfDB	5 years	7,553,819,905.45	YES	YES
3. Nairobi Missing Link Roads and Non-Motorised Transport Facilities - Kenya Project	KE/FED/022-51	EU	7 years	3,239,476,730.00	YES	YES
4.The Project for dualling of Nairobi – Dagoretti Corner Road C60/C61 (Phase 1) - Kenya	NO. 24–VJ-174	JICA	18 Months	1,341,943,019	YES	YES
5.The Project for dualling of Nairobi – Dagoretti Corner Road C60/C61 (Phase 2) - Kenya	NO. 24–VJ-174	JICA	18 Months	1,341,943,019	YES	YES

**APPENDIX 4: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES****a) BREAKDOWN OF TRANSFERS FROM THE STATE DEPARTMENT OF INFRASTRUCTURE**

Date Received	Received from	Financial Year	Amount (Kshs)	Statement of Financial Performance	Statement of Financial position	
					Receivables	Road asset Reserves
3-Jul-18	KRB	FY 17/18	1,340,425,532	1,340,425,532		
			<b>1,340,425,532</b>	<b>1,340,425,532</b>		
25-Sep-18	KRB	FY 18/19	1,951,319,531	1,951,319,531		
7-Mar-19	KRB	FY 18/19	3,311,765,957	3,311,765,957		
29-Nov-18	KRB	FY 18/19	597,900,000	597,900,000		
24-Dec-18	KRB	FY 18/19	40,000,000	40,000,000		
7-Mar-19	KRB	FY 18/19	216,264,037	216,264,037		
28-Mar-19	KRB	FY 18/19	30,000,000	30,000,000		
			<b>6,147,249,525</b>	<b>6,147,249,525</b>	-	-
3-Sep-19	KRB	FY 18/19	1,093,829,730	1,093,829,730	1,093,829,730	
1-Jul-19	KRB	FY 18/19			175,926,620	
			<b>1,093,829,730</b>	<b>1,093,829,730</b>	<b>1,269,756,350</b>	-
<b>Total</b>			<b>7,241,079,255</b>	<b>7,241,079,255</b>	<b>1,269,756,350</b>	-

**b) EXCHEQUER DEVELOPMENT FUND**

Date Received	Received from	Financial Year	Amount (Kshs)	Statement of Financial Performance	Statement of Financial position	
					Receivables	Road asset Reserves
11-Oct-18	Exchequer	FY 18/19	401,110,583			401,110,583
11-Oct-18	Exchequer	FY 18/19	865,305,470			865,305,470
11-Oct-18	Exchequer	FY 18/19	2,301,880,367			2,301,880,367
28-Dec-18	Exchequer	FY 18/19	425,264,367			425,264,367
11-Mar-19	Exchequer	FY 18/19	828,129,530			828,129,530
11-Mar-19	Exchequer	FY 18/19	1,108,552,290			1,108,552,290
11-Mar-19	Exchequer	FY 18/19	1,360,125,321			1,360,125,321
12-Jun-19	Exchequer	FY 18/19	722,797,184			722,797,184
12-Jun-19	Exchequer	FY 18/19	962,696,466			962,696,466
	<b>Sub -Total</b>		<b>8,975,861,578</b>	-	-	<b>8,975,861,578</b>
	<b>GRAND TOTAL</b>		<b>16,216,940,833</b>	<b>1,093,829,730</b>	<b>1,269,756,350</b>	<b>8,975,861,578</b>

<b>DEVELOPMENT PARTNERS GRANTS</b>			
<b>Date</b>	<b>Nature</b>	<b>Amount</b>	<b>Where recorded</b>
			<b>Road Reserve Fund</b>
<b>JICA- Grant</b>			
7/2/2018	Donor Direct Payment	51,267,982.92	51,267,982.92
7/2/2018	Donor Direct Payment	38,450,987.19	38,450,987.19
7/2/2018	Donor Direct Payment	880,200,960.00	880,200,960.00
<b>Subtotal</b>		<b>969,919,930.11</b>	<b>969,919,930.11</b>
<b>NUTRIP-Grant</b>			
7/9/2018	Donor Fund	39,615,181.31	39,615,181.31
8/27/2018	Donor Fund	75,204,028.46	75,204,028.46
10/4/2018	Donor Fund	92,216,737.27	92,216,737.27
10/24/2018	Donor Fund	4,407,583.77	4,407,583.77
10/29/2018	Donor Fund	18,546,250.00	18,546,250.00
11/13/2018	Donor Fund	106,138,310.85	106,138,310.85
3/25/2019	Donor Fund	2,166,627.90	2,166,627.90
<b>Subtotal</b>		<b>338,294,719.56</b>	<b>338,294,719.56</b>
<b>AfDB</b>			
9/25/2018	Donor Fund	267,339,968.36	267,339,968.36
12/4/2018	Donor Fund	32,334,517.52	32,334,517.52
12/12/2018	Donor Fund	107,190,602.51	107,190,602.51
12/24/2018	Donor Fund	1,794,880.00	1,794,880.00
12/24/2018	Donor Fund	11,998,750.93	11,998,750.93
1/25/2019	Donor Fund	112,097,611.81	112,097,611.81
1/25/2019	Donor Fund	105,968,981.35	105,968,981.35
2/8/2019	Donor Fund	103,671,116.64	103,671,116.64
4/15/2019	Donor Fund	16,983,708.51	16,983,708.51
4/15/2019	Donor Fund	15,744,054.90	15,744,054.90
4/15/2019	Donor Fund	15,022,327.76	15,022,327.76
4/15/2019	Donor Fund	15,234,452.95	15,234,452.95
4/15/2019	Donor Fund	14,620,543.59	14,620,543.59
4/15/2019	Donor Fund	12,602,596.11	12,602,596.11
5/9/2019	Donor Fund	7,999,167.29	7,999,167.29
6/3/2019	Donor Fund	66,373,152.43	66,373,152.43
6/3/2019	Donor Fund	237,669,757.30	237,669,757.30
6/30/2019	Donor Fund	151,793,752.26	151,793,752.26
3/25/2019	Donor Fund	15,484,068.10	15,484,068.10
<b>Subtotal</b>		<b>1,311,924,010.32</b>	<b>1,311,924,010.32</b>
<b>EU</b>			
10/30/2018	Donor Fund	27,410,092.54	27,410,092.54
11/13/2018	Donor Fund	34,430,217.55	34,430,217.55
5/30/2019	Donor Fund	84,168,552.27	84,168,552.27
5/30/2019	Donor Fund	67,483,192.58	67,483,192.58
5/30/2019	Donor Fund	33,509,276.19	33,509,276.19
6/24/2019	Donor Fund	72,998,620.88	72,998,620.88
<b>Subtotal</b>		<b>319,999,952.01</b>	<b>319,999,952.01</b>
<b>Total</b>		<b>2,940,138,612.00</b>	<b>2,940,138,612.00</b>



## **KENYA URBAN ROADS AUTHORITY**

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### **RESOLUTION OF THE BOARD OF DIRECTORS OF KENYA URBAN ROADS AUTHORITY APPROVING THE FINANCIAL STATEMENTS FOR FY 2018/2019**

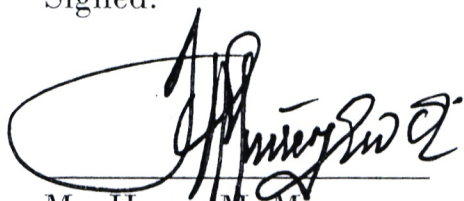
**WHEREAS** At the 76<sup>th</sup> Regular Meeting of the Board of Directors of Kenya Urban Roads Authority held on 26<sup>th</sup> September, 2019 at Barabara Plaza, Block D 4<sup>th</sup> Floor, the board of directors reviewed and deliberated on the tabled Financial Statements for FY2018/2019. The following Board Members were present:-

1. Mr. Henry M. Murwa - (Chairing)
2. Mr. Isaac N. Githui
3. Plan. Hellen K. Nzainga
4. Mr. Taraiya Ole Kores
5. Mr. Basil N. Nyagah
6. Eng. Charles M. Chiuri
7. Eng. James Kung'u
8. Mr. Joseph Kiarri
9. Eng. Silas M. Kinoti - (Ag. Director General/Board Secretary)

**WHEREAS BE IT RESOLVED** that the Financial Statements for the Kenya Urban Roads Authority for the Financial Year 2018/2019 presented to the Board are hereby adopted and duly approved as tabled.

**IT WAS SO RESOLVED**

Signed:



Mr. Henry M. Murwa  
Chairing/Board Director

Date: 26/02/19



Eng. Silas M. Kinoti  
Ag. Director General/Board Secretary

Date: 26/2/19