

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

THE NATIONAL ASSEMBLY
PAPERS LAID

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Hon. Ahmed

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
KENYA NATIONAL HIGHWAYS
AUTHORITY**

**FOR THE YEAR ENDED
30 JUNE 2018.**





Kenya National Highways Authority

Quality Highways, Better Connections

KENYA NATIONAL HIGHWAYS AUTHORITY

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
30 JUNE 2018**

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

12 JUN 2019

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

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KENYA NATIONAL HIGHWAYS AUTHORITY

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I. KEY AUTHORITY INFORMATION AND MANAGEMENT

(a) Background Information

The Authority was established vide the Kenya Roads Act, 2007. The Authority is under the State Department of Infrastructure in the Ministry of Transport, Infrastructure, Housing, Urban Development & Public Works for the general policy and strategic direction.

(b) Principal Activities

The principal activity/mission of the Authority is to manage, develop, rehabilitate and maintain the national road network.

(c) Key Management

The Authority's day-to-day management is under the Director General who is an *ex officio* member of the Board of Directors and Secretary to the Board.

(d) Fiduciary Oversight Arrangements

The Board of Directors exercise the oversight role on the Authority. The Board of Directors who held office during the financial year ended 30th June 2018 were:

No.	Designation	Name
1.	Chairman (<i>non-executive</i>)	Eng. Erastus K. Mwangera, CBS, FIEK, RCE (<i>Reappointed 18th April, 2018</i>)
2.	Director	Mrs. Marykaren C. Kigen-Sorobit
3.	Director	Dr. Lydia Muriuki; Alternate to Mr. Julius Korir, CBS. PS Infrastructure
4.	Director	Mr. Humphrey Muhu; Alternate to Mr. Henry Rotich, EGH. CS National Treasury
5.	Director	Mr. George Wanjau; Alternate to Prof. Arch. Paul Mwangi Maringa (Phd), CBS. PS Transport
6.	Director	Mr. Andrew C. Mitei (<i>Reappointed 17th September, 2017</i>)
7.	Director	Ms. Mary Gesare (<i>Reappointed 17th September, 2017</i>)
8.	Director	Charles Gathogo (<i>Appointed 18th September, 2017</i>)
9.	Director General/Board Secretary (<i>ex-officio member</i>)	Eng. Peter M. Mundinia

The Board of Directors constituted four Board Committees which included the Technical and Strategy Committee, the Finance, Human Resource and General Purpose Committee, the Audit, Risk and Governance Committee and the Procurement and Disposal Oversight Committee. The Finance, Human Resource and General Purpose Committee, and the Audit, Risk and Governance Committee are responsible for the fiduciary oversight of the Authority.

KENYA NATIONAL HIGHWAYS AUTHORITY

Reports and Financial Statements for the year ended 30th June 2018

Their key responsibilities are outlined below:

i) Finance, Human Resource and General Purpose Committee

This is a committee of the Board whose key responsibilities are to;

- Review, approve and/or recommend for Board's approval;
 - 1) Financial, Human Resources, ICT, Legal & Regulatory Affairs and Corporate Communications policies and procedures,
 - 2) Estimates of receipts and expenditures including their revisions,
 - 3) Re-allocation of funds between budget heads,
 - 4) Special funding proposals including borrowings and grants,
 - 5) Proposals for opening bank accounts,
 - 6) Proposals for investments and their returns,
 - 7) Annual Corporate Social Responsibility activities and
 - 8) Staff terms and conditions of service.
- Ensure that
 - 1) Proper books of accounts and records are maintained for the Authority's transactions,
 - 2) All expenditures are within the approved budget,
 - 3) Proper records are maintained on property and material liabilities.

ii) Audit, Risk and Governance Committee

This is a committee of the Board whose key responsibilities are to;

- Review, approve and/or recommend for Board's approval;
 - 1) The external auditor's management letter and management's response to the external auditor's findings and recommendations,
 - 2) The Authority's procedures for detecting fraud and to review the investigation and remediation of any alleged or suspected fraud;
 - 3) At least annually, the status of the enterprise risk management program and
 - 4) The annual internal audit work plan.
- Ensure that;
 - 1) Unsettled and unimplemented Public Investment Committees' (PIC) issues are resolved,
 - 2) Clarity of disclosure in financial reporting and the presentation of a balanced and understandable assessment of the Authority's financial position;
 - 3) Recommendations of the Auditor General are implemented.
 - 4) Integrity of the financial statements of the Authority is maintained at all times
 - 5) Disagreements between management and any auditor regarding the Authority's financial reporting are resolved
 - 6) Special audit/ investigation on any allegations, concerns and complaints regarding corruption, lack of accountability and transparency are conducted

iii) The other two Committees are the Technical and Strategy and the Procurement and Disposal Oversight Committees.

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Reports and Financial Statements for the year ended 30th June 2018

iv) Office of the Auditor General

The Annual Report and Financial Statements of the Kenya National Highways Authority are audited in accordance with Article 229 *sub article 7* of the Constitution of Kenya and Section 35 of the Audit Act 2015

v) Development Partner Oversight Activities

This group constitutes Bi/Multi – lateral lenders to the Government of the Republic of Kenya for development projects under implementation of the Authority, whose key responsibilities include;

- 1) To examine the annual reports of the Auditor General on the financial statements of projects
- 2) To conduct financial management supervision and offer project implementation support
- 3) Review of quarterly Interim Financial Reports
- 4) Commission independent auditors to undertake financial and technical review of projects they have financed.

(vi) The Public Investments Committee

This is a Parliamentary Select Committee charged with the responsibility of examining the activities of state agencies. It receives audit reports from the Clerk of the National Assembly who in turn would have received them from the Authority.

Its key responsibilities as appertains to the Authority are to;

- 1) Examine the reports of the Auditor General on the financial statements of the Authority,
- 2) Examine, in the context of the autonomy and efficiency of the public investments, whether the affairs of the public investments, are being managed in accordance with sound financial or business principles and prudent commercial practices.
- 3) Within three months after receiving the PIC report, Parliament shall debate and consider the report and take appropriate action.

(e) Senior Management

The key management personnel who held office during the financial year ended 30th June 2018 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Director General	Eng. Peter M. Mundinia
2.	Director, Highway Planning and Design and Acting Director, Policy, Strategy and Compliance	Eng. Samuel O. Omer
3.	Director, Development	Eng. David Muchilwa
4.	Director, Road Asset and Corridor Management	Eng. Njuguna Gatitu
5.	Director, Corporate Services	CPA James Bowen
6.	Director, Audit Services	CPA. William Masita
7.	Corporation Secretary/Deputy Director, Head Legal Services	Ms. Norah Odingo-Kajwang'
8.	Deputy Director, Head Supply Chain Management	Ms Levina Wanyonyi

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Reports and Financial Statements for the year ended 30th June 2018

(f) Kenya National Highways Authority Headquarters

Blue Shield Towers
Hospital Road
Nairobi, Kenya

(g) Kenya National Highways Authority Contacts

P.O. Box 49712
GPO 00100
Nairobi, Kenya
Telephone: (254) 02 8013842
E-mail: dg@kenha.co.ke
Website: www.kenha.co.ke

(h) Kenya National Highways Authority Bankers`

1. Kenya Commercial Bank Limited
Moi Avenue Branch
P.O Box 30081
GPO 00100
Nairobi, Kenya

2. Co-operative Bank of Kenya
Upper Hill Branch
P.O Box 30415-00100
GPO 00100
Nairobi, Kenya

3. National Bank of Kenya
Hill Plaza Branch
P.O. Box 45219
GPO 00100
Nairobi, Kenya

4. NIC Bank
Masaba Road Branch,
NIC House
P.O Box 44599
GPO 00100
Nairobi, Kenya

5. Equity Bank Limited
Equity Centre Branch
P.O Box 75104-00200
City Square 00200
Nairobi, Kenya

(i) Independent Auditor

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






(j) Principal Legal Adviser





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

KENYA NATIONAL HIGHWAYS AUTHORITY

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II. THE BOARD OF DIRECTORS






Director	Brief Profile
 <p>1. Eng. Erastus K. Mwangera, CBS, FIEK, RCE Chairman of the Board of Directors</p>	<p>Date of Birth: 2nd December, 1949. Fellow of the Institution of Engineers of Kenya Registered Consulting Engineer BSc (Civil Engineering) HND. Construction Dip. Water Engineering Civil Engineering Consultant 43 years of Public Sector Administration and Management experience (Reappointed 18th April, 2018)</p>
 <p>2. Mrs. Marykaren C. Kigen-Sorobit Director</p>	<p>Date of Birth: 14th February, 1969 LL.B (Hons) PGD. KSL, CPS(K) Advocate of the High Court of Kenya Member, Law Society of Kenya 23 years' experience in legal and compliance management.</p>
 <p>3. Mr. Humphrey Muhu Director – Alt. to CS (National Treasury)</p>	<p>Date of Birth: 28th August, 1964. Economist and Financial advisor9 The National Treasury). BSc (Statistics and Mathematics) B. Phil Economics MA (Economics) Dip. Financial Management 25 years of Public Sector Management experience</p>
 <p>4. Mr. George Wanjau Director – Alt. to PS (Transport)</p>	<p>Date of Birth: 19th January, 1962, Economist and Urban Transport Planner. MSc (Project Planning & Financing) BA (Economics) 31 years of Public Sector Management experience</p>
 <p>5. Mr. Andrew C. Mitei Director</p>	<p>Date of Birth: 9th June 1956 Certified Public Accountant Bachelor of Commerce (Accounting) Member, Institute of Certified Public Accountants (K) 38 years of Private Sector Management experience (Reappointed 17th September, 2017)</p>

 <p>6. Mr. Charles R. Gathogo Director</p>	<p>Date of Birth: 24th February 1966 Licensed Land Surveyor and GIS Consultant Bsc. (Surveying and Photogrammetry). Master's Degree in Cadastral Application Member of ISK (MISK). 20 years of Private Sector Management experience in Engineering Survey, Cadastral Surveying and planning. <i>(Appointed 18th September, 2017)</i></p>
 <p>7. Ms. Mary Gesare Director</p>	<p>Date of Birth: 31st January 1968 Bachelor of Business Management Member, Infrastructure Committee and Devolution and Security Committee (KAM) Member, Institute of Human resource management (IHRM) 28 years` of management experience <i>(Reappointed 17th September, 2017)</i></p>
 <p>8. Dr. Lydia Muriuki, Director – Alt. to PS (Infrastructure)</p>	<p>Date of Birth 28th November, 1958 Director of Administration (MOTIHUD) Doctor of Philosophy (Strategic Management Option) Member, Kenya Institute of Management (KIM) MEMBER, Institute of Directors (Kenya) 28 years of Public Sector Management experience in Strategic leadership in Public Administration & Security Management</p>
 <p>9. Eng. Peter M. Mundinia Director General & Secretary to the Board</p>	<p>Date of Birth: 7th December, 1963, MBA (Business Management) BSc. (Civil Engineering) Diploma in Theology Member of Institute of Engineers of Kenya Registered Engineer with Engineers Board of Kenya and Member of Kenya Institute of Management (KIM) 28 years of management experience</p>

KENYA NATIONAL HIGHWAYS AUTHORITY




Reports and Financial Statements for the year ended 30th June 2018

III. MANAGEMENT TEAM

Manager	Brief Profile
 <p>1. Eng. Peter M. Mundinia Director General</p>	<p>Date of Birth: 7th December, 1963, MBA (Business Management) BSc. (Civil Engineering) Diploma in Theology Member of Institute of Engineers of Kenya Registered Engineer with Engineers Board of Kenya and Member of Kenya Institute of Management (KIM) 29 years' of management experience</p>
 <p>2. Eng. Samuel O. Omer Director , Highway Planning & Design</p>	<p>Date of Birth: 17th February 1962, MSc. (Civil Engineering) BSc. (Civil Engineering) Member of The Engineers Registration Board 31 years of management experience</p>
 <p>3. CPA James K. Bowen Director, Corporate Services</p>	<p>Date of Birth: 1st January, 1973 MBA, BCom (Accounting) Certified Professional Credit Manager (CMP), Certified Public Secretaries (CPS K), Certified Public Accountant (CPAK) Member of, ICPAK, ICPSK 21 years management experience</p>
 <p>4. Eng. David Muchilwa Director, Development</p>	<p>Date of Birth: 28th December 1964 BSc. (Civil Engineering) Member, Institution of Engineers of Kenya 29 years management experience</p>
 <p>5. Eng. Njuguna Gatitu Director, Road Asset and Corridor Management</p>	<p>Date of Birth: 1965. BSc (Civil Engineering) Post Graduate Diploma in Computer Science Member, Institution of Engineers of Kenya 29 years' management experience</p>

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Reports and Financial Statements for the year ended 30th June 2018

 <p>6. CPA. William O. Masita Director, Audit Services</p>	<p>Date of Birth: 2nd February 1979 MBA, BA (Economics) Certified Information Systems Auditor (CISA) Certified Internal Auditor (CIA) Certified Public Accountant (CPA) Certified Public Secretary (CPS) Member of ICPAK, ISACA, IIA 14 years` Management Experience</p>
 <p>7. Ms. Norah Odingo-Kajwang` Corporation Secretary/Deputy Director, Head Legal Services</p>	<p>Date of Birth: 27th April 1969 Degrees: MBA Bachelor of Laws Registered Advocate Member Law Society of Kenya Member Public Secretaries of Kenya 24 years` Management Experience.</p>
 <p>8. Ms Levina Wanyonyi Deputy Director, Head Supply Chain Management</p>	<p>Date of Birth: 13th February 1972 Degrees: MBA Bachelor of Science Member: Kenya Institute of Supplies Management , The Chartered Institute of Purchasing & Supply Institute for Management of Information Systems 22 years` of Management experience.</p>

IV. CHAIRMAN'S STATEMENT

On behalf of the Kenya National Highways Authority (KeNHA) Board of Directors, it gives me great pleasure to present this Annual Report and Financial Statements for the year ended 30th June 2018. The period under review marked the end of the Second Medium Term Plan as well as the Authority's 2013/2014 – 2017/2018 Strategic Plan. The Authority is finalizing its 2018/2019-2022/2023 Strategic Plan together with its corresponding Business Plan. Ambitious targets and innovative strategies have been included in the new Plan. The Plan has been aligned to key national and international policies while taking cognisance of the "Big Four" Development Agenda through provision of back-bone road infrastructure to support affordable housing, manufacturing, food security and access to universal health care facilities.

In the implementation of our mandate of development, maintenance and management of the national trunk road network, the Authority enhanced its efforts towards completion of ongoing projects and maintenance of existing roads in the year under review. Further, the Authority with guidance from the parent Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works continued to deliver the Government's ambitious plan of investing in national road infrastructure network. The Authority is tasked with delivering high quality services for the public by ensuring that all our road network totalling 18,549 kilometres is motorable and in good condition. This results to enhanced service levels, reduced travel times and improved mobility.

The Board of Directors continued to provide oversight role to Management, to ensure that all projects were implemented as planned. To this end, the Board's Technical and Strategic Committee facilitated continuous inspection of the Authority's road projects under implementation throughout the Country. In the year under review, the Board inspected several road projects and identified specific areas that required improvement to facilitate smooth project implementation. The Board guided Management to take note of common challenges occurring across various projects, draw lessons learnt and avoid their future re-occurrences.

The Financial Year 2017/2018 was an ambitious one for the Authority in many ways. Following the Authority re-categorisation from Category 3A to Category 7A1, the Board of Directors approved and oversaw the implementation of the new Organisation Structure in line with the re-categorization. The new structure is expected to enable the Authority to deliver its mandate in a more effective and efficient manner. The process of ensuring that members of staff are suitably assigned responsibilities within the new structure is almost complete. This process depicts the Board's commitment in ensuring that the Authority has optimal staffing as well as adherence to the two-thirds (2/3) gender rule and regional balance as stipulated in the Constitution of Kenya, 2010 and the Executive Order No. 6 of 2015.

In the year under review, His Excellency the President Hon. Uhuru Kenyatta, CGH, defined his "Big Four" Transformation Agenda for the Nation which identified four priority initiatives namely Universal Healthcare for all, Manufacturing, Food Security and Affordable Housing to be implemented over the next five years 2018/2019 – 2022/2023. National Trunk Roads are a key enabler of this Big Four Transformation Agenda as well as a key component of communication and economic development of any nation. The Authority has aligned all its projects in support of the Big Four Transformation Agenda for the next five years.

KENYA NATIONAL HIGHWAYS AUTHORITY

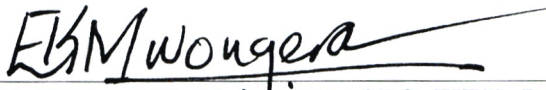
Reports and Financial Statements for the year ended 30th June 2018

Equally, the Board of Directors remained focused on efficient and timely delivery of major road projects to ensure that the public promptly derives benefits from these investments. This past year saw KeNHA engaging with the community at a number of events together and specifically on Resettlement Action Plans for Project Affected Persons and sensitization forums on illegal encroachment on road reserves. These were undertaken in cognizance of the Government's commitment on the delivery of infrastructure, as well as its continued commitment to improving the lives of Kenyan people. In general, the Authority continued to deliver its mandate by achieving its targets as set out in the Strategic Plan and Annual Performance Contract. The Authority also embarked on its Strategic Plan for the next five years 2018/2019 – 2022/2023.

The second phase of the Road Sector Investment Plan is ongoing and will inform the medium to long term prioritization of road development and maintenance needs in the sub-sector. The Strategic Plan and Business Plan have been programmed for heightened lane kilometres of roads to be upgraded, rehabilitated and maintained. The Plan envisages upgrading of the entire class "A" roads to bitumen standard subject to availability of funds. Various projects are under design for future improvement including Kenol– Muranga - Sagana Road, Marua - Nanyuki-Lewa Road, Nakuru - Loruk-Marichpass Road, Malindi – Madogo - Garissa Road and Isiolo -Nginyang - Lokichar Road section of the Lamu Port South Sudan Ethiopia Transport (LAPSSET) Corridor.

On behalf of the Board, I wish to express our sincere gratitude to the Management and Staff Members of KeNHA for their dedicated team work that enabled the Authority deliver on its mandate during the 2017/2018 financial year. I also extend my sincere gratitude and thanks to my colleagues, Directors of the Board for their support, contribution and strategic guidance to senior management during the year. Finally, I wish to thank the Government through the State Department for Infrastructure, our customers, Development Partners and key stakeholders for the confidence and support they bestowed upon the Kenya National Highways Authority.

God bless the Kenya National Highways Authority; God bless Kenya.


Eng. Erastus K. Mwangera, CBS, FIEK, RCE
Chairman of the Board of Directors
24/09/2018

V. REPORT OF THE CHIEF EXECUTIVE OFFICER/ DIRECTOR GENERAL

This Report and Financial Statements for the year ended 30th June 2018 sets out what the Authority has achieved over the past year and highlights how funds allocated were utilized. It also gives an overview of the activities undertaken by the Authority during the Financial Year 2017/2018. In the period under review, the Authority experienced delays in receipts of Exchequer for development projects hence absorbed 70% of its total annual budget of Kshs. 73 billion. Development Partner funding, the Exchequer and the Road Maintenance Levy Funds & Transit Tolls components recorded absorption rates of 98%, 70% and 68% respectively. The inability to absorb 100% of the development budget was a result of budget cuts in the second revision of the development budget for FY 2017/2018 which saw some development projects with substantial pending bills lose significant allocations in their individual budget line items while retaining funds to projects that had slowed down due to payment delays. Under absorption of Road Maintenance and Axle Load funds was a result of the heavy rains across the country between the months of March and June 2018 which curtailed road maintenance activities during that period. To supplement government grants, Internally Generated Funds worth Kshs. One billion were collected during the year under review from Road User fees and Interest Income from bank deposits.

During the year, the Authority delivered key road infrastructure projects geared towards efficient movement of goods and services across the country and the region at large. In the year under review, the Authority completed various road projects and commenced new works towards opening up of new important corridors. Projects that were substantially completed by 30th June 2018 (some of which were commissioned by His Excellency the President of the Republic) include Merille River – Marsabit Road, Marsabit – Moyale Road, Mbita Causeway Bridge, Voi - Mwatate Road, Multinational Mwatate – Taveta Road, Port Reitz – Moi International Airport Road, Bachuma Gate – Maji ya Chumvi Road, Webuye – Kitale Road, Kangema-Gacharage Road, Kaloleni-Kilifi Road, Rumuruti-Maralal Road, Siaya-Ruambwa Road, Suna- Masara - Kehancha Road, KCC (Sotik)-Ndanai-Gorgor Road and Package I of Dongo Kundu (Miritini – Mwache – Kipevu Link Road)

The Authority continued to embrace Performance Based Maintenance Contracting (PBC) and Road Asset & Corridor Management of the road network. This aims at ensuring that efficient customer service is delivered through timely offering a road network of high quality and standards. The road works program has been successful with the continuous implementation of PBC on major roads which has since resulted in reduction of vehicle operating cost, risk sharing with contractors, achievement of a sustainable road management system, increased flexibility in

attending to emergency situations, determent of road encroachments hence improvement of road safety and curtailing of expensive relocation costs, to pave way for road expansion.

The Authority continued to oversee the implementation of ongoing construction of Nuno – Modogashe Road; Loichangamatak – Lodwar – Nadapal (A1) Road; Isebania – Kisii – Ahero (A1) Road, James Gichuru Junction – Rironi road, Second carriageway between Athi River – Machakos Turnoff Road, Kainuk Bridge, Garsen-Witu-Lamu Road; Narok-Masai Mara (Sekenani Gate) Road; Kisiriri-Mau Narok Road; Kapchorwa – Suam – Kitale Road; Eldoret Town Bypass; Busia –Malaba Road; Rumuruti Maralal Road; Ruiru Githunguri-Uplands Road, Kibwezi – Mutomo – Kitui Road Dualling of; Kisumu Boys – Mamboleo Road; Phase I of Mombasa-Mariakani (Mombasa – Kwa Jomvu) Road, Magongo Road among other road projects which are at various stages of completion.

The key challenges that impacted negatively on project delivery during the year included low development budget ceilings and development budget cuts during the financial year 2017/2018 which led to the growth of pending development bills. The Authority experienced destruction of its road network through fires lit by protesters during the General Election of 2017; destruction of the road network due to the countrywide heavy rains between the months of March and June 2018, vandalism of road furniture which compromises road safety; high cost and delays in land acquisitions and relocation of utilities and encroachment on road reserves which resulted into escalated costs and delays in project commencement, implementation and completion.

To augment the Exchequer and leverage on Private Sector Expertise and Finances, the Authority is engaging the Private Sector under the Public Private Partnerships (PPP) and the Annuity Framework. There are several road projects that are planned for construction and maintenance under the PPP and Annuity financing framework. During the concluded financial year under review, the Authority continued to work towards the Financial Close for Annuity Construction of 68 Kms between Modogashe and Samatar and 75 Kms between Rhamu and Mandera. The Authority also signed a Heads of Terms Agreement with the Lamu Road Consortium for the Design, Build, Finance, Maintain, Operate and transfer of the 530 Kilometres Lamu – Garissa – Isiolo Road which is a component of the LAPSSÉT Development Corridor. The other priority project is the Dualling of Nairobi – Nakuru – Mau Summit Highway (A8) which was tendered and evaluation completed by the end of June 2018. The evaluation report has been submitted to the PPP Committee at the National Treasury for deliberation.

KENYA NATIONAL HIGHWAYS AUTHORITY

Reports and Financial Statements for the year ended 30th June 2018

I take this opportunity to assure all our stakeholders that the Authority remains steadfast in enabling the realization of the Kenya Vision 2030 and the “Big Four” Development Agenda. I wish to thank the Board of Directors for the support and guidance extended to the Management throughout the year. I also commend members of staff for working tirelessly to deliver our mandate. I also extend my gratitude to the Government through the parent Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works and our various Development Partners for financing the ongoing projects and programmes. Last but not least, I wish to thank all other stakeholders for their invaluable contribution to the continuous improvement of the national trunk road network.



Eng. Peter M. Mundinia

Director General

24/09/2018

VI. CORPORATE GOVERNANCE STATEMENT

The Kenya National Highways Authority is committed to the values and principles of good corporate governance as an integral part of the corporate culture established at the Authority and guides the manner in which its directors, management and staff conduct the business of the organization. As a public sector organization dedicated to providing quality service to its stakeholders, the Authority's decisions are guided by the core tenets prescribed in the Public Officers Ethics Act, the Leadership and Integrity Act, the Authority's code of conduct, corporate governance guidelines and Board and Board Committee Charters. The Authority endeavors to develop, strengthen and sustain the trust that the Government, employees and the public have placed in it. The Board is committed to regularly evaluating national and international standards in responsible, transparent and efficient management with a view of enhancing corporate governance at the Authority and consistently delivering on its statutory mandate.

This report describes the Authority's corporate governance practices that were in place throughout the financial year ended 30th June 2018.

Role of the Board of Directors'

The primary function of the Board of Directors' (the Board) is to provide effective strategic leadership and direction to enhance the long-term value of the Authority to its stakeholders. The Board has the overall responsibility for overseeing the development and implementation of the strategic plan, performance objectives, financial plans, annual budget, key operational initiatives, major funding and investment proposals, financial performance reviews, and corporate governance practices. They are also responsible for instilling the appropriate culture, values and behaviour throughout the organization. The Board is therefore committed to maintaining very high standards of corporate governance and ethical conduct.

Membership of the Board

The KeNHA Board is constituted as per the provisions of the Roads Act, 2007 with membership drawn from both the public and private sector. The Board is composed of nine (9) Directors with six directors having a background or knowledge in the following areas:

- Business Industry;
- Highway engineering;
- Transport economics;
- Surveying;
- Accountancy
- Law.

Tenure of Directors

In line with the provisions of the Kenya Roads Act 2007, the Chairman and other members of Board, other than designated public officers, shall hold office for a period of three years from the date of appointment and may be eligible for re-appointment for one further term. The appointment of all members of the Board as first constituted and at every change in membership thereafter shall be by notice published in the Kenya Gazette. The Director General is appointed by the Board in consultation with the Cabinet Secretary in charge of roads following a competitive recruitment process.

Induction, Training and Development of Directors

New Directors are provided with extensive materials on the Authority and its operations, the procedures relating to the Board and its Committees and their duties and responsibilities as Directors.

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Committees of the Board

The Board has established four permanent Committees to assist in the execution of its responsibilities. These are the Audit, Risk and Governance Committee, the Finance Human Resource and General Purpose Committee, Procurement and Disposal Oversight Committee and the Technical & Strategy Committee. Each of the permanent Committees operates pursuant to approved terms of reference delegated to them by the Board.

Meetings of the Board

The Board and each committee have scheduled meetings held in every quarter of the financial year. Special meetings are held as and when required. The Chairman of each Committee regularly reports to the full Board on the Committee's deliberations.

A schedule of individual board members, their position and number of meetings attended are is per schedule below.

No.	Name of Director	Board Position	No. of Meetings Attended
1	Eng.Erastus K.Mwongera, CBS, FIEK, RCE (Reappointed 17 th April,2018)	Chairman	23
2	Mrs.Marykaren C. Kigen-Sorobit	Member	22
3	Mr.Humphrey Muhu	Member	19
4	Mr.George Wanjau	Member	11
5	Mr.Andrew C.Mitei (Reappointed 17 th September,2017)	Member	20
6	Ms.Mary Gesare (Reappointed 17 th September,2017)	Member	20
7	Dr.Lydia Muriuki	Member	11
8	Charles Gathogo (Appointed 18 th September,2017)	Member	11

VII. MANAGEMENT DISCUSSION AND ANALYSIS

Mandate

To manage, develop, rehabilitate and maintain national roads.

SECTION A

The Entity's Operational and Financial Performance

Road Maintenance

The Authority is undertaking numerous road maintenance projects on our entire road network as summarized in the table below.

S/No.	Project Activity	Ongoing Projects Targeted Output(km)	Source of Funding
1.	Periodic maintenance	3,083	Road Maintenance Levy Fund
2.	Routine maintenance	7,940	Road Maintenance Levy Fund
3.	Performance Based Contracts	7,092	Road Maintenance Levy Fund
	Total	18,115	

Development & Rehabilitation Projects

The Authority is implementing a number of development projects across the country on behalf of the Government. A number of these projects are co-funded with our key Development Partners such as IDA, AfDB, EU, TMEA, Spanish Kingdom, EXIM Bank.

S/No.	Project	Unit of Measure	Planned Output (Km Length of Road)	Actual Output (Cumulative Km length achieved June 2018)	Source of Funding
	Projects Financed by AfDB and GoK				
1	Mombasa-Mariakani Lot 1: Mombasa-Kwa Jomvu	Km	11.3	1.36	AfDB/GoK
2	Isebania-Kisii-Ahero Lot 1 Isebania-Kisii	Km	184	0	AfDB/GoK
3	Isebania-Kisii-Ahero Lot 2 Kisii-Ahero	Km	192	0.12	AfDB/GoK
4	Kitale-Endebess-Suam	Km	45	0	AfDB/GoK
5	Eldoret Town Bypass	Km	32	0	AfDB/GoK
	Projects Financed by BADEA and GoK				
6	Nuno-Modogashe	Km	135	41	BADEA/KUWAIT/GOK
	Projects Financed by China EXIM and GoK				
7	Kibwezi - Mutomo - Kitui	Km	196	15.5	China EXIM
	Projects Financed by				

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	IDA and GoK				
8	Kisumu Boys - Mamboleo	Km	4.5	2.79	KTSSP_IDA/GOK
9	Bachuma Gate – Maji ya Chumvi	Km	53.4	10	KTSSP_IDA/GOK
10	Nakuru Interchanges	%	100%	Substantiall y completed	KTSSP_IDA/GOK
11	Kakamega- Webuye	Km	40	31.78	KTSSP_IDA/GOK
12	Kisumu – Kakamega	Km	46.5	7.5	KTSSP_IDA/GOK
13	EASA Access Road	Km	3 (100%)	3 (100%)	KTSSP_IDA/GOK
14	Office Complex	%	100%	75%	KTSSP_IDA/GOK
15	Athi River - Machakos Turnoff	Km	21	3.36	KTSSP_IDA/GOK
16	Kericho Interchange	%	100%	16.48%	KTSSP_IDA/GOK
17	Ahero Interchange	%	100%	13.99%	KTSSP_IDA/GOK
18	Webuye – Kitale- (Interchanges)	%	100%	71.43%	KTSSP_IDA/GOK
19	James Gichuru - Rironi	Km	25.3	0(4%)	NUTRIP_IDA/GOK
20	Kalobeiyei River — Nadapal	Km	88	0	EARTTDFP_IDA/GO K
21	Lokitaung Junction to Kalobeiyei River	Km	80	0	EARTTDFP_IDA/GO K
22	Lokitaung Junction to Lodwar	Km	80	0	EARTTDFP_IDA/GO K
23	Kainuk Bridge	%	Bridge	0	EARTTDFP_IDA/GO K
24	Lodwar-Loichangamatak	Km	50	0	EARTTDFP_IDA/GO K
	Projects Financed by JICA and GoK				
25	Miritini – Mwache incl. Kipevu Link	Km	10.6	10.6	MPARD_JICA/GOK
	Projects Financed by TMEA and GoK				
26	Port Reitz/Moi International Airport Access Road	Km	2	2	TMEA/GOK
	Projects Financed by GoK				
27	Chebilat-Ikonge-Chabera	Km	38	37.5	GOK
28	Loruk-Barpelo	Km	66	4	GOK
29	Chiakariga-Meru	Km	55	8	GOK
30	OljoOrok-Dundori	Km	35	9	GOK
31	Uplands - Githunguri	Km	47	0	GOK
32	Garsen-Witu-Lamu	Km	135	0	GOK
33	Busia - Malaba	Km	28.3	4.66	GOK
34	Nyaru - Iten	Km	54	0	GOK
35	Mau Narok - Kisiriri	Km	34	0	GOK
36	Posta (Naibor) – Kisima -	Km	65	0	GOK

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	Maralal				
37	Ugunja-Ukwala-Ruambwa (C92)	Km	27	0	GOK
38	Narok - Sekenani	Km	75	19.5	GOK

SECTION B

Entity's compliance with statutory requirements

The Authority has complied with all statutory requirements which include: -

- 1) Accurate and timely remittance of monthly
 - i. National Hospital Insurance Fund contributions,
 - ii. National Social Security Fund contributions,
 - iii. Pay As You Earn recoveries
 - iv. Withholding Tax
 - v. Value Added Tax
 - vi. Training Levy

SECTION C

Key Projects and Investment Decisions the Entity is Implementing

The Authority is planning/ implementing 37 projects using funds from Development Partners and the Government of Kenya as summarized in Appendix 1.

SECTION D

Major risks facing the Authority

The following outlines what the Board and Management currently believe are the key risks that could impact KeNHA's operations and mandate. The risks highlighted below should not be considered a complete narration of all the risks and uncertainties that KeNHA may face.

No	Risk	Drivers	Mitigation
1	Road Encroachment Reserve	<ul style="list-style-type: none"> • Inadequate road reserve protection • Political interference • Inadequate funds for enforcement of road reserve mapping • Limited public awareness and sensitization on land encroachment 	<ul style="list-style-type: none"> • Mapping road reserve boundaries • Sensitize public • Provide funding for road reserve protection • Enforce law
2	Employee Risk	<ul style="list-style-type: none"> • Inadequate organization structure thus no upward mobility 	<ul style="list-style-type: none"> • Restructuring the organization • Increase funding for

		<ul style="list-style-type: none"> • Inadequate funding for remuneration • Possible gaps in human resources procedures and policies • Inadequate funds for training and capacity building 	<ul style="list-style-type: none"> • training and capacity building • Review controls and procedures <ul style="list-style-type: none"> • Better remuneration
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3	Contract Management	<ul style="list-style-type: none"> • Inadequate contract document preparation and review • Inadequate project cost estimation (Engineer's Estimate) • Possibility of bid rigging • Inadequate designs, necessitating unplanned reviews • Poor project implementation team selection • Inadequate project supervision • Possibility of Corruption • Inadequate project funding resulting in delays in payments of IPCs • Inadequate capacity to manage contracts • Delays in land acquisition, resulting in delayed project completion • Delays in relocation of utilities, resulting in delayed project completion 	<ul style="list-style-type: none"> • Review bid and contract documents and close gaps for claims • Review project costing to take cognize of all parameters • Take disciplinary action against staff confirmed to be involved in improprieties • Interrogate designs to minimize inadequacies • Take action against consultants and contractors who fail to perform • Employ adequate staff and build capacity • Ensure inclusion of all required skills in project implementation and supervision teams
4	Overloading (Axle Load Control)	<ul style="list-style-type: none"> • Integrity issues / corruption • Political interference • System weaknesses • Lack of awareness by some stakeholders 	<ul style="list-style-type: none"> • Take disciplinary action against staff confirmed to be involved in improprieties. • Enforce the law • Improve on the systems weaknesses at the weighbridge • Sensitize transporters

			and public
5	Access to Capital	<ul style="list-style-type: none"> • Inadequate budgetary allocation • Chronic delays in receipt of budgeted amounts. • Budget cuts after budgeting process • Lack of alternative sources of funds 	<ul style="list-style-type: none"> • Ask Treasury for more funds • Alternative sources of funding • Engage county government in maintenance of roads • Legislation on advertisement on road reserve

SECTION E

Material arrears in statutory/financial obligations

The Authority has pending development bills amounting to Kshs. 40.6 billion. This is made up of payment certificates and fee notes for certified development works amounting to Kshs.19.5billion and outstanding dues to Project Affected Persons amounting to Kshs.21.1 billion as a result of inadequate GOK Development Budget and delayed release of Exchequer funds. This has led to accumulation of interest on delayed payments and other contractual claims.

SECTION F

The Authority’s Financial Probity and Serious Governance Issues

The Board of Directors takes overall responsibility for establishing systems of internal control and for reviewing and evaluating their effectiveness. The day-to-day responsibility for implementation of these systems and for ongoing monitoring of risk and the effectiveness of controls rests with senior management.

The systems, which have been in place throughout the financial year and up to the date of approval of these financial statements, include the following: -

- The Audit, Risk & Governance Committee of the Board provides oversight over the internal and external audit work and implementation of recommendations contained in audit reports.
- The Risk Management Committee comprising of senior management is responsible for ensuring that controls are in place to identify, evaluate and manage risk.
- Enterprise Risk Management Section documents risks and the responses to them, carry out risk assessments annually and report to the Risk Management Committee and the Audit, Risk & Governance Committee of the Board on how effectively risks have been managed during the year.
- Periodic reviews of performance and quality in road construction and maintenance are carried out by the Quality Assurance Section.
- Internal Audit Section reviews the effectiveness of the financial and operational systems and controls throughout the Authority and reports to the Audit, Risk & Governance Committee.
- External auditors comprising of the Office of the Auditor General, Office of the Internal Auditor General, Kenya Roads Board and Development Partners review the Authority’s financial statements and effectiveness of systems of internal controls.

The Authority’s systems of internal control and corporate governance arrangements in operation during the year were reviewed based on these institutional arrangements and found to be effective.

KENYA NATIONAL HIGHWAYS AUTHORITY

Reports and Financial Statements for the year ended 30th June 2018

Our internal control systems are designed to manage, rather than eliminate, the risk of failure to achieve corporate objectives or in the case of financial controls, the risk of material misstatement in our financial statements. Accordingly, they provide reasonable but not absolute assurance against such failure or material misstatement.

VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT**“Working with communities for a sustainable economic development”**

In line with our mission to construct and manage national trunk roads that enhance socio economic growth and prosperity, the Authority has always tried to integrate projects with community needs and aspirations. Indeed the Authority does not just build roads, but create development corridors that impact on livelihoods of Kenyans. While the roads facilitate development in a literal sense, our CSR initiatives promote inclusive growth and overall community development.

As a corporate citizen, the Authority remains committed to giving back to the community through Corporate Social Responsibility initiatives to secure socio – economic development of the Citizenry. To achieve this, we are guided by our Corporate Responsibility Policy and guidelines.

Pillars of CSR

Our Corporate Social Responsibility programmes focus on areas of:

- Education
- Health and Sanitation
- Security enhancement
- Youth and Women Empowerment
- Promoting sustainable livelihoods
- Improving access to social amenities.

In the year under review, the CSR activities carried out were drilling of boreholes and construction of water pans in arid and semiarid region, construction of classrooms, police stations, town roads and feeder roads to public institutions as well as charity donations.

Project Name	List of CSR interventions to be implemented/implemented in the project
Bachuma Gate – Maji ya Chumvi	<ul style="list-style-type: none"> • Built Market stalls just before km 0 at Bachuma Gate
Chebilat - Ikonge - Chabera	<ul style="list-style-type: none"> • Construction of Access roads at Makwakwa and Ikonge Centres
Isebania - Kisii– Ahero	<ul style="list-style-type: none"> • Donation of 6no. Ambulances to Kisumu, Migori, Kisii, Nyamira and Homabay Counties • Commenced construction of a fully equipped ultra-modern trauma center at Nyabondo Hospital • Grading of roads to Asumbi Teachers Training College
Kakamega- Webuye	<ul style="list-style-type: none"> • Constructed market stalls and 2 AP houses at Lumbao • Musemwa Primary School: <ul style="list-style-type: none"> -Constructed 1 stored block of classrooms, -Constructed a staffroom for teachers -Constructed Toilets • Constructing a Maternity Wing at Matete Dispensary
Kisumu Boys - Mamboleo	<ul style="list-style-type: none"> • Construction of Parking at Kibuye, • Access roads and ablution block for

KENYA NATIONAL HIGHWAYS AUTHORITY

Reports and Financial Statements for the year ended 30th June 2018

	Kibuye market are on going:
Kisumu- Kakamega	<p>Activities undertaken during the year at Mwoki Primary School</p> <ul style="list-style-type: none"> • Provision of Lockers and chairs for pupils and teachers • Provision of 1 Computer, 1 Printer, 1 Scanner • Construction of Latrines new for girls, boys; teachers and ECD - Completed and commissioned on 12th Feb, 2018 • Repair of School blocks - ongoing • 2 New school blocks - The 4 classroom (2 blocks) are complete and commissioned on 12th February, 2018 • Provided uniforms for students <p>Mangongo Water Project (Mwoki Masana) - Construction works complete and tests done in December 2017 and to be officially opened by the County Government of Vihiga.</p>
Loruk- Barpelo	<ul style="list-style-type: none"> • Construction of 2 Classrooms at Cheptonoi Primary School:
Mombasa Southern Bypass	<ul style="list-style-type: none"> • Sponsored of Football Match and Donation of jerseys at Jaribuni • Levelling of Playground at Jaribuni Primary school • Planting of seedlings in the community • Renovation of the ACC's office at Jaribuni • Provision of soil and levelling of the road at Miritini village and Jaribuni • Food Catering for the Orphans at Miritini Orphanage • Organized the Kenya Police Service New Year celebration party at Changamwe
Webuye - Kitale	<ul style="list-style-type: none"> • Construction of markets at Sikhendu , Kiminini and Misiku • Construction of a bus park at Kamukuywa
Rumuruti-Maralal	<ul style="list-style-type: none"> • Construction of one(1) classroom and ablution block at Kandutura Primary School at KM 3 and Mathanji Primary School at KM 9 • Sinking of 3 boreholes at Km 3, Km 20 and Km 37 • Construction of a guard house, rest rooms, water trough , generator room and fencing at KM 3, Km 20 and KM 37

IX. REPORT OF THE DIRECTORS

The Directors submit their report together with the un-audited financial statements for the year ended 30th June, 2018 which show the state of the Authority's affairs.

Principle Activities

The principal activities of the Authority are to manage, develop, rehabilitate and maintain national roads

Results

The results of the Authority for the year ended 30th June, 2018 are set out on page 1

Directors

Directors of the Board who served during the year are shown on page *vi* and *vii*. During the year, Eng. Erastus Mwongera's tenure as Chairperson of the Board was renewed with effect from 18th April, 2018. Mr. Charles Gathogo was appointed with effect from 18th September, 2017 while CPA Andrew C. Mitei and Ms. Mary Gesare had their tenures renewed on 17th September, 2017 for a further three year term.

Auditors

The Auditor General is responsible for the statutory audit of the Authority in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the year ended 30th June, 2018

By Order of the Board



Eng. Peter M. Mundinia
Director General and Secretary to the Board

Nairobi
24/09 September 2018

X. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, require the Board of Directors to prepare financial statements in respect of that Kenya National Highways Authority (herein after referred to as the Authority) which give a true and fair view of the state of affairs of the Authority at the end of the financial year/period and the operating results of the Authority for that year/period. The Board of 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 Board of Directors is responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year (period) ended on 30th June, 2018. This responsibility includes:

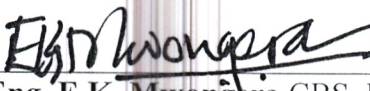
- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Authority;
- (iii) Designing, 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 Authority;
- (v) Selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the prevailing circumstances.


The Board of Directors accepts responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS) and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the Authority's financial statements give a true and fair view of the state of Authority's transactions during the financial year ended 30th June, 2018, and of the Authority's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for 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.

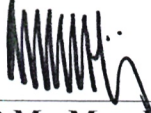
Nothing has come to the attention of the Directors to indicate that the Authority will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Authority's financial statements were approved by the Board on **24th September 2018** and signed on its behalf by:


Eng. E.K. Mwangira CBS, FIEK, RCE
Chairman of the Board


CPA A.C. Mitei
Director


Eng. P.M. Mundinia
Director General

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P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR GENERAL ON KENYA NATIONAL HIGHWAYS AUTHORITY FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya National Highways Authority for the year ended 30 June 2018, set out on pages 1 to 49 which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, the statement of cash flows, the statement of changes in net assets and the statement of comparison of budget and actual amount for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenya National Highways Authority as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with Kenya Roads Act, 2007.

Basis for Qualified Opinion

Property, Plant and Equipment-Undetermined Value of Rental Property

The statement of financial position reflects Property, Plant and Equipment balance of Kshs.372,411,102,018; (2017-Kshs-315,677,638,402) and as disclosed under Note 27 to the financial statements. Available information indicates that this balance excludes value of land and houses occupied by staff in the South Rift region. Their value has not been determined despite the Authority reporting an annual income of Kshs.1,211,500 during the year. The ownership documents were not made available for audit. Consequently, the accuracy and completeness of Property, Plant and Equipment balance of Kshs.372,411,102,018 as at 30 June 2018 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kenya National Highways Authority

Report of the Auditor-General on Financial Statements of Kenya National Highways Authority for the year ended 30 June 2018

in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

Negative Working Capital

The statement of financial position reflects current assets and liabilities balances of Kshs.40,845,296,104; (2017- Kshs.40,021,627,608) and Kshs.45,507,442,377; (2017- Kshs 26,625,629,243) respectively resulting into negative working capital of Kshs.4,662,146,273. Management has not satisfactorily explained measures being undertaken to reverse this trend which may affect the Authority's ability to meet its obligations as and when they fall due.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in the audit of the financial statements. I have determined that there are no Key Audit Matters to communicate in my report.

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, except for the matters discussed in the Basis for Qualified Opinion section of my report, 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 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, except for the matters discussed in the Basis for Qualified Opinion section of my report, nothing has come to my attention to

cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standard requires that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, management is responsible for assessing the ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the applicable basis of accounting unless the management either intends to liquidate the or to cease operations, or have no realistic alternative but to do so.

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

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 money is applied in an effective manner.

Those charged with governance are 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 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 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 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 scepticism throughout the audit. I also:

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

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern or to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the to cease to continue as a going concern or 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 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.



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

Nairobi

21 August 2019

XII. STATEMENT OF FINANCIAL PERFORMANCE
For the year ended 30 June 2018

	Note	<u>2017-2018</u>	<u>2016-2017</u>
		Kshs	Kshs
Revenue from non-exchange transactions			
Road maintenance contributions	5	19,464,127,999	17,645,828,000
Fines, penalties and levies	6	521,247,647	570,361,054
Transfer from other Government's -Recurrent Revenue	7	369,339,721	649,619,565
		20,354,715,367	18,865,808,619
Revenue from exchange transactions			
Rental revenue from facilities and equipment	8	1,211,500	1,076,000
Finance income-external investments	9	580,952,999	444,204,301
Other income	10	50,714,121	70,622,629
		632,878,620	515,902,930
Total revenue		20,987,593,987	19,381,711,549
Expenses			
Road Maintenance and Axle Load expenses	11	16,630,870,822	11,754,089,545
Employee costs	12	1,360,698,939	1,259,945,483
Board Expenses	13	48,751,858	71,673,144
Depreciation and amortization expense	14	217,048,858	217,423,614
Repairs and maintenance	15	89,134,282	89,055,490
General expenses	16	494,501,010	383,168,270
Project Administration expenses	7	369,339,721	649,619,565
Finance costs	17	2,967,652	3,169,528
Total expenses		19,213,313,142	14,428,144,639
Other gains/(losses)			
Gain on sale of assets	18	4,493,312	1,256,048
Provision for doubtful debtors	19	(15,000,000)	(4,923,265)
Loss on foreign exchange transactions	20	(13,505,986)	(537,001)
Profit on foreign currency translations	21	551,842	2,636,784
Surplus before Tax		1,750,820,013	4,951,999,476
Taxation	22	230,279,690	-
Surplus for the Period		1,520,540,323	4,951,999,476


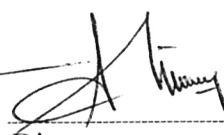

The notes set out on pages 9 to 32 form an integral part of the Financial Statements

XIII. STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Note	2017-2018 Kshs	2016-2017 Kshs
Assets			
Current assets			
Cash and cash equivalents	23	8,750,326,227	11,732,046,105
Receivables from non- exchange transactions	24	18,486,568,238	18,430,754,231
Receivables from exchange transactions	25	13,604,169,625	9,853,873,353
Inventories	26	4,232,014	4,953,919
Total current assets		40,845,296,104	40,021,627,608
Non-current assets			
Property, plant and equipment	27	372,411,102,018	315,677,638,402
Intangible assets	28	119,027,141	115,470,661
Total non-current assets		372,530,129,159	315,793,109,063
Total Assets		413,375,425,263	355,814,736,671
Liabilities			
Current liabilities			
Trade other payables from exchange transactions	29	45,306,993,242	26,550,595,252
Refundable deposits from customers	30	150,505,960	67,210,651
Provisions	31	49,943,175	7,823,340
Total liabilities		45,507,442,377	26,625,629,243
Net assets		367,867,982,886	329,189,107,428
Reserves		356,556,025,115	319,397,689,980
Accumulated Surplus		11,311,957,771	9,791,417,448
Total Net assets and Liabilities		413,375,425,263	355,814,736,671

The Financial Statements set out on pages 1 to 8 were signed on behalf of the Board of Directors by:

		
Chairman of the Board	Director	For: Director –Corporate Services
Eng. Erastus K. Mwangera, CBS, FIEK, RCE	CPA A. C. Mitei ICPAK No. 1514	CPA Chanje Kera ICPAK No. 8279
Date : 24/09/2018	Date : 24/09/2018	Date : 24/09/2018

XIV. STATEMENT OF CHANGES IN NET ASSETS
For the year ended 30 June 2018

	Accumulated Surplus	Reserves Grants	Total
	Kshs.	Kshs.	Kshs.
Balance as at 30th June 2016	4,839,417,972	258,061,269,046	262,900,687,018
Surplus for the period	4,951,999,476	-	4,951,999,476
Government Grants		61,336,420,934	61,336,420,934
Balance as at 30th June 2017	9,791,417,448	319,397,689,980	329,189,107,428
Surplus for the period	1,520,540,323	-	1,520,540,323
Government Grants	-	37,158,335,135	37,158,335,135
Transfers to Accumulated Surplus	-	-	-
Balance as at 30th June 2018	11,311,957,771	356,556,025,115	367,867,982,886

XV. STATEMENT OF CASH FLOWS

For the year ended 30 June 2018

	<i>Note</i>	Current Year Kshs.	Actual Audited Prior Year Kshs.
Cash and cash equivalents at the beginning of the year	<i>23</i>	11,732,046,105	10,394,535,104
Cash flows from operating activities			
Receipts			
Road maintenance contributions	<i>5</i>	19,464,127,999	17,645,828,000
Fines, penalties and levies	<i>6</i>	521,247,647	570,361,054
Transfers from other governments—recurrent expenditure	<i>7</i>	369,339,721	649,619,565
Rental revenue	<i>8</i>	1,211,500	1,076,000
Other gains	<i>18-21</i>	(12,954,144)	(1,179,096)
Other income	<i>10</i>	50,714,121	70,622,629
		20,393,686,844	18,936,328,152
Payments			
Road Maintenance and Axle Load expenses	<i>11</i>	16,630,870,822	11,754,089,545
Employees Costs	<i>12</i>	1,360,698,939	1,259,945,483
Board Expenses	<i>13</i>	48,751,858	71,673,144
Repairs & Maintenance	<i>15</i>	89,134,282	89,055,490
General Expenses	<i>16</i>	494,501,010	383,168,270
Transfers from other governments – recurrent expenditure	<i>7</i>	369,339,721	649,619,565
Finance cost	<i>17</i>	2,967,652	3,169,528
Provision for doubtful debts	<i>19</i>	15,000,000	4,923,265
Taxation	<i>22</i>	230,279,690	-
		19,241,543,974	14,210,721,025
Net cash flows from operating activities		1,152,142,870	4,725,607,127
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		(56,954,151,940)	(50,403,370,606)
Proceeds from sale of property plant and equipment		4,576,298	
(Increase)/ Decrease in trade payables		18,839,693,299	1,005,636,694
(Decrease)/increase in exchange receivables		(3,750,296,272)	(5,580,307,548)
(Decrease)/increase in non-exchange receivables		(55,814,007)	(10,186,322,953)
Decrease/(increase) in inventory		721,905	(77,097)

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	<i>Note</i>	Current Year Kshs.	Actual Audited Prior Year Kshs.
Decrease/(increase) in payments received in advance		42,119,835	(4,279,851)
Net cash flows used in investing activities		(41,873,150,882)	(65,168,723,361)
Cash flows from financing activities			
Proceeds from borrowings		37,158,335,135	61,336,420,934
Interest Income	9	580,952,999	444,204,301
Net cash flows used in financing activities		37,739,288,134	61,780,625,235
Net increase/(decrease) in cash and cash equivalents		(2,981,719,878)	1,337,511,001
Cash and cash equivalents at end of the year	23	8,750,326,227	11,732,046,105

(IPSAS 2 allows an entity to present the cash flow statement using the direct or indirect method but encourages the direct method. PSASB also recommends the use of direct method of cash flow preparation. The above Statement of Cash Flows is prepared using the direct method.)

XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Performance Difference	
	2017-2018	2017-2018	2017-2018	2017-2018	2017-2018	
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Road Maintenance Contributions	21,464,128,000	6,412,988,621	27,877,116,621	19,464,127,999	(8,412,988,622)	<i>a</i>
Fines, Penalties and Levies	266,000,000	67,000,000	333,000,000	521,247,647	188,247,647	<i>b</i>
Government Grants	369,339,721	-	369,339,721	369,339,721	-	
Rental Revenue from Facilities	1,200,000	-	1,200,000	1,211,500	11,500	
Finance Income	100,000,000	200,000,000	300,000,000	580,952,999	280,952,999	<i>c</i>
Other Income	5,300,000	(3,000,000)	2,300,000	50,714,121	48,414,121	<i>d</i>
Total income	22,205,967,721	6,676,988,621	28,882,956,342	20,987,593,987	(7,895,362,355)	
Expenses						
Road Maintenance and Axle Load	19,364,128,000	5,678,517,128	25,042,645,128	16,630,870,822	8,411,774,306	<i>e</i>
Compensation of Employees	1,731,141,076	631,720,392	2,362,861,468	1,360,698,939	1,002,162,529	<i>f</i>
Finance Cost	3,902,633	-	3,902,633	2,967,652	934,981	<i>g</i>
Board Expenses	60,568,245	10,499,999	71,068,244	48,751,858	22,316,386	<i>h</i>
Repairs and Renewals	125,745,062	6,645,742	132,390,804	89,134,282	43,256,522	<i>i</i>
Depreciation	-	-	-	217,048,858	(217,048,858)	<i>j</i>
General Expenses	462,974,873	304,461,883	767,436,756	494,501,010	272,935,746	<i>k</i>
Government Grants	369,339,721	-	369,339,721	369,339,721	-	
Capital Expenditure	88,168,111	45,143,477	133,311,588	-	133,311,588	
Gain on Disposal of Asset	-	-	-	(4,493,312)	4,493,312	
Provision for Doubtful Debts	-	-	-	15,000,000	(15,000,000)	
Taxation Expense	-	-	-	230,279,690	(230,279,690)	
Loss on Foreign Exchange	-	-	-	13,505,986	(13,505,986)	<i>l</i>
Gain on Foreign Currency Translation	-	-	-	(551,842)	551,842	<i>m</i>
Total expenditure	22,205,967,721	6,676,988,621	28,882,956,342	19,467,053,664	9,415,902,678	
Surplus / (Deficit) for the Period	-	-	-	1,520,540,323	1,520,540,323	

KENYA NATIONAL HIGHWAYS AUTHORITY

Report and Financial Statements for the year ended 30th June 2018

NOTES ON MATERIAL VARIANCES BETWEEN BUDGETED & ACTUAL AMOUNTS.

Budget notes

1. Provide explanation of differences between actual and budgeted amounts (10% over/under) IPSAS 24.14
2. Provide an explanation of changes between original and final budget indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)
3. Where the total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis (budget is cash basis; statement of financial performance is accrual) provide a reconciliation.

a) Road Maintenance Contributions

The variance was as a result of budget that was unutilised in the financial year. These funds will be rolled over as carry over budget upon approval of the carry overs in the FY 2018/2019

b) Fines, Penalties & Levies

The income from weighbridges was substantially above budget. Most of the income was overload fees and exemption permits. The Authority continued to sensitize transporters on the need to acquire the necessary exemption permits.

c) Finance Income

The favourable variance was as a result of increased interest mainly from the call deposit investments. The Authority endeavoured to negotiate the best rates in the market despite the interest rate capping. These rates ranged 9-12%

d) Other Income

The performance of these incomes was above the budgeted amount in the year due to the income realised from liquidated damages from road projects including Mbita causeway, Saba saba-Malindi, Kisumu-Busia and Thika-Kithimani.

e) Road Maintenance & Axle Load Expenses

The variance was as a result of slow uptake and delayed procurement of works.

f) Compensation of Employees

The variance is mainly due to the fact that the Authority operates below the approved staff compliment which was factored in the budget estimates. However recruitment process is underway to fill the key vacancies in the approved compliment. In addition, the variance was also contributed by phased implementation of the new structure upon recategorization from PC3A to PCA7A1 in October, 2016, non-payment of arrears as budgeted, and the fact that most employees were placed at entry level in the new structure.

g) Finance Costs

The Authority closed down the equity bank accounts at the regions offices bringing down the finance costs

h) Board Expenses

Board activities took place within the financial year as planned. Two directors who had served two full terms retired in June, 2017; one was replaced in September, 2017 while the other one is yet to be replaced

i) Repairs & Renewals

Repairs and maintenance activities were undertaken within the year as planned. The Authority strived to keep the costs to minimum

KENYA NATIONAL HIGHWAYS AUTHORITY

Report and Financial Statements for the year ended 30th June 2018

j) Depreciation

The depreciation charge is a non-cash item not budgeted for. These emanate to Capital items that are budgeted for in the operations budget but posted in the Statement of Financial position as per the accrual basis of accounting when bought with only depreciation appearing in the Statement of Financial performance.

k) General Expenses

The Authority strived to keep the costs to minimum by entering into framework contracts.

l) Loss on foreign exchange transactions

This relates to payments on invoices denominated in currencies.

m) Gain on foreign currency translations

The gain was as a result of the closing rate used for translation of bank balances at the reporting date.

n) Changes between Original and Final budget.

The changes between original and final budget were as a result of revision of the budget within the Financial Year and inclusion of the approved carry over budget from Financial Year 2016-2017

XVII. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Authority is established by and derives its authority and accountability from Kenya Roads Act, 2007. The Authority is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is the management, development, rehabilitation and maintenance of national roads

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30th June 2018

Standard	Impact
IPSAS 33: First time adoption of Accrual Basis IPSAS	(Effective for annual periods beginning on or January 1, 2017) In January 2015, the IPSASB published IPSAS 33, First-time Adoption of Accrual Basis IPSASs. IPSAS 33 grants transitional exemptions to entities adopting accrual basis IPSASs for the first time, providing a major tool to help entities along their journey to implement IPSASs. It allows first-time adopters three years to recognize specified assets and liabilities. This provision allows sufficient time to develop reliable models for recognizing and measuring assets and liabilities during the transition period. <i>The Authority adopted IPSAS in the year ended 30 June 2014 and therefore provisions of first time adoption of accrual basis does not apply to the entity.</i>
IPSAS 34: Separate Financial Statements	(Effective for annual periods beginning on or January 1, 2017) In January 2015, the IPSASB published IPSAS 34, Separate Financial Statements. IPSAS 34 prescribes the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements. <i>The Authority does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply</i>
IPSAS Consolidated Financial Statements	35: (Effective for annual periods beginning on or January 1, 2017) In January 2015, the IPSASB published IPSAS 35, Consolidated Financial Statements. IPSAS 35 establishes principles for the preparation and disclosure of consolidated financial statements when an entity controls one or more entities. It requires an entity that controls one or more other entities to assess control over those entities based on the following: - Its power over the other entity

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 NOTES TO THE FINANCIAL STATEMENTS (Continued)

Standard	Impact
	<ul style="list-style-type: none"> - Its exposure or rights to variable benefits from involvement with the other entity - Its ability to control the nature, timing and amount of benefits from the other entity. <p>Once control is assessed the controlling entity is supposed to prepare consolidated financial statements unless it meets all the criteria under section 5 of IPSAS 35.</p> <p><i>The Authority does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply.</i></p>
<p>IPSAS 36: Investments in Associates and Joint Ventures</p>	<p>(Effective for annual periods beginning on or January 1, 2017)</p> <p>In January 2015, the IPSASB published IPSAS 36, Investments in Associates and Joint Ventures. The Standard prescribes for the accounting for investments in associates and joint ventures and to set out requirements for the application of the equity method when accounting for investments in associates and joint ventures. The standard shall be applied by all entities with significant influence over, or joint control of, an investee where the investment leads to the holding of a quantifiable ownership interest.</p> <p><i>The Authority does not have investments in associates or joint ventures/ the entity holds investments in associates and joint ventures and the following is the impact of application of the new standard IPSAS 36:</i></p>
<p>IPSAS 37: Joint Arrangements</p>	<p>(Effective for annual periods beginning on or January 1, 2017)</p> <p>In January 2015, the IPSASB published IPSAS 37, Joint Arrangements. IPSAS 37 establishes principles for financial reporting by entities that have an interest in arrangements that are controlled jointly.</p> <p><i>The Authority does not have an interest in a joint arrangement and therefore the standard does not apply.</i></p>
<p>IPSAS 38: Disclosure of Interests in Other Entities</p>	<p>(Effective for annual periods beginning on or January 1, 2017)</p> <p>In January 2015, the IPSASB published IPSAS 38, Disclosure of Interests in Other Entities. IPSAS 38 requires an entity to disclose information that enables users of its financial statements to evaluate the nature of and risks associated with, its interests in controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and the effects of those interests on its financial position, financial performance and cash flows.</p> <p><i>The Authority does not have an interest in other entities and therefore the standard does not apply.</i></p>

ii. **New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2017**

Standard	Effective date and impact:
<p>IPSAS 39: Employee Benefits</p>	<p>Applicable: 1st January 2018</p> <p>The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.</p>

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 Report and Financial Statements for the year ended 30th June 2018
NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2018.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Fines, penalties & Levies

The Authority recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria is met. To the extent that there is a related condition attached, that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the Authority and the fair value of the asset can be measured reliably.

Transfers from other government entities

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

ii) Revenue from exchange transactions

a) Interest and other incomes

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

Other income relates to incomes that arise from miscellaneous activities that are not primarily aimed at raising revenue.

b) Budget information

The annual budget is prepared on the accrual basis where all planned costs and income are presented in a single statement to determine the needs of the Authority. As a result of the adoption of the accrual basis for budgeting purposes, there is no basis for timing differences on the Authority that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

c) Property, plant and equipment

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

The annual depreciation rates in use are: -

(i) Computer Equipment & Accessories	33.3%
(i) ICT Infrastructure and Telephony	33.3%
(ii) Motor Vehicles	25.0%
(iii) Office Equipment and Furniture	12.5%
(iv) Office Partitioning and fixtures	16.7%
(v) Plant & Machinery	10.0%
(vi) Buildings	2.5%

- An item of property and equipment is de-recognised upon disposal. Any gain or losses on de-recognition of the asset is included in the Statement of Financial Performance in the year the asset is de-recognised.
- There are no restrictions on property, plant and equipment
- Contractual commitments for the acquisition of property, plant & equipment in the FY 2017/2018 amounted to Kshs. 171,744,638,958.97 [2016/2017 Kshs.82,664,568,739]
- There was no compensation from third parties for impaired, lost or given up items of PPE
- Assets that cost Kshs. 458m and Kshs. 372m were fully depreciated as at 30.06.2018 and 30.06.2017 respectively

d) Leases

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

Non-cancellable operating lease rentals are payable as follows;

	<u>2018</u>	<u>2017</u>
	<u>Kshs</u>	<u>Kshs</u>
Not Later than one year	82,927,530	60,929,903
Later than one year and not later than three years	168,964,842	111,338,776
	<u>251,892,372</u>	<u>172,268,679</u>

The Authority leased head office premises under two operating lease. The leases typically run for 6 years with an option for renewal upon expiry on 30 November, 2017 and 30 March 2019 respectively.

Lease payments are increased according to the contract stipulations. The Board does not have an option to purchase the leased asset at the expiry of the lease period. There are no contingent rents recognised in the statement of financial performance.

e) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The only intangible assets in the Authority's books of accounts are computer software.

The useful life of these intangible assets is assessed as indefinite.

f) Research and development costs

The Authority expenses research costs as incurred.

g) Financial instruments

Financial Assets

Initial recognition and measurement

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

Impairment of financial assets

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

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

h) Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or

KENYA NATIONAL HIGHWAYS AUTHORITYReport and Financial Statements for the year ended 30th June 2018**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

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

i) Financial Risk Management

The Authority has initiated and facilitated the process that will see the enhancement of risk management. 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 following risks arise in regard to financial instruments such as payables, receivables and cash and cash equivalents held by the Authority;

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

Below are the undiscounted cash flows on the Authority's financial assets and liabilities on the earliest possible contractual/maturity date. The liquidity ratio is 0.90 (*FY 2016/2017: 1.50*)

	Note	2017-2018 Kshs	2016-2017 Kshs
Financial Assets			
Cash and cash equivalents	23	8,750,326,227	11,732,046,105
Receivables from non- exchange transactions	24	18,486,568,238	18,430,754,231
Receivables from exchange transactions	25	13,604,169,625	9,853,873,353
Total financial assets		40,841,064,090	40,016,673,689
Financial Liabilities			
Trade other payables from exchange transactions	29	45,306,993,242	26,550,595,252
Refundable deposits from customers	30	150,505,960	67,210,651
Total financial liabilities		45,457,499,202	26,617,805,903
NET LIQUIDITY		(4,616,435,112)	13,398,867,786
LIQUIDITY RATIO		0.90	1.50

The primary sources of revenue for the Authority are receipts from fuel levy fund and government exchequer. Other sources include fines and penalties as approved by the subsidiary legislation through legal notice no 86 of 2013.

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

Currency risk arises primarily from purchasing imported goods and services from overseas or indirectly via local supplies. The currency risk is minimal as cash and cash equivalents held with banks are dominated in Kenya Shillings and there are minimal dealings in foreign currency.

(ii) Interest Rate Risk

The Authority is exposed to various risks associated with effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margin may increase as a result of such changes but may reduce losses in the event that unexpected movement arises.

The Authority closely monitors interest rate movements and seeks to limit its exposure by managing the interest rate and maturity structure of assets and liabilities on the statement of financial position. The interest rates on call deposits held in financial institutions are fixed and agreed upon on monthly basis. The management is in regular contact with the approved banks in a bid to obtain the best interest rates and therefore able to plan for the resulting income.

The interest rate risk is minimal as the Authority does not have any borrowings.

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 behaviour.

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: -

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

Operational risks are documented in the ‘Enterprise Risk Management’ and are managed by the Enterprise Risk Management Section established to spearhead and coordinate risk management activities. The measures taken include proactively identifying, analysing 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 are 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 liability 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 ‘Audit Risk & Governance Committee’, legal function, legal risk policies and procedures and the effective use of internal controls and external lawyers.

f) 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.

After initial recognition, inventory is measured at the lower of cost and current replacement cost. 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.

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

g) Provisions

Provisions are recognized when the Authority has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or

KENYA NATIONAL HIGHWAYS AUTHORITY

Report and Financial Statements for the year ended 30th June 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

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

Contingent liabilities

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

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.

h) Nature and purpose of reserves

The Authority creates and maintains reserves in terms of specific requirements. The Authority maintains grants and surplus reserves. The grant reserves are exchequer and donor funds received from the Government and Development Partners for development of roads. The surplus reserve represents the surplus or deficit of Road maintenance contributions and other internally generated funds against road maintenance and operation expenses.

The exchequer and Development partner funds are capitalized in the statement of financial position whereas Road maintenance contributions are expensed in the statement of financial performance. However, the portion of exchequer funds spent on non-capital items or project expenses is transferred to recurrent transfers and treated as recurrent government grants and expenditures accordingly.

i) 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.

j) Employee benefits

Retirement benefit plans

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

k) Foreign currency transactions

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

l) Related parties

The Authority regards a related party as a person 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 Board and senior managers.

m) Cash and cash equivalents

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

n) Comparative figures

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

o) Significant judgments and sources of estimation uncertainty

The preparation of the Authority's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period.

However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

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

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 24.

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

p) Subsequent events

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

q) Capital Commitments

All capital commitments contracted for/authorised at the reporting period end have been recognised in the financial statements.

5. Road maintenance contributions

	2018	2017
	Kshs	Kshs
Road Maintenance Funds	16,899,999,999	15,186,600,000
Administration & Operations Fund	2,100,000,000	2,000,000,000
Transit Tolls	464,128,000	459,228,000
Total maintenance contributions	19,464,127,999	17,645,828,000

6. Fines, penalties and levies

	2018	2017
	Kshs	Kshs
Overload Penalties	253,146,175	273,672,710
Transgression fees	2,535,600	19,629,587
Parking fees	1,412,000	42,183,220
Exemption permit fees	208,053,360	191,202,930
Road cutting fees	40,896,617	35,518,643
Road reserve user fees	15,010,295	6,499,027
Sale of tender documents	193,600	1,654,937
Total	521,247,647	570,361,054

7. Transfer from other Government's-Recurrent Revenue/Project Administration Expenses

	2018	2017
	Kshs	Kshs
Northern Corridor Transport Improvement Project	84,000	4,230,936
Consultancy & Design	10,046,894	5,925,799
Road Reserves Mapping	17,396,027	19,196,366
Road Network Management Systems	27,075,164	26,628,707
Monitoring & Evaluation	25,190,493	28,544,335
Mombasa-Mariakani	30,492,387	9,097,370
Muranga-Sagana	-	321,986,587
Kibwezi-Kitui-Isiolo	4,542,880	12,914,379
Mwatate-Taveta	454,123	7,367,213
Mukuyu-Kisii-Ahero	23,122,057	19,000,085
Garsen-Witu-Lamu	368,075	10,240,458
Kenya Transport Sector Support Project	44,840,699	35,784,552
South Sudan-EARTTDF/SS	33,809,017	17,947,422
Nairobi Urban Transport Improvement Project	33,425,433	23,077,071
Other Gok Development Projects	118,492,472	107,678,285
Total government grants and subsidies	369,339,721	649,619,565

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income	Amount recognised in capital fund.	Total received grants during the year Kshs.	2016-2017 Kshs.
MOTIH&UD	369,339,721	16,018,306,138	16,387,645,859	25,745,897,726
KRB	19,464,127,999	-	19,464,127,999	20,876,828,000
Total	19,833,467,720	16,018,306,138	35,851,773,858	46,622,725,726

The details of the reconciliation have been included under appendix 2)

8. Rental revenue from facilities and equipment

	2018 Kshs	2017 Kshs
Rental income	1,211,500	1,076,000
Total rentals revenue	1,211,500	1,076,000

**This rental revenue was generated by houses in South Rift region that were built as resident engineer's premises through bill 1 of the road construction contract. The value of land alongside the development expenditures met by the Government over the years were not made available to the Authority.*

9. Finance income-external investments

	2018 Kshs	2017 Kshs
Call deposits	296,297,448	282,024,758
Bank account interest	284,655,551	162,179,543
Total finance income-external investments	580,952,999	444,204,301

10. Other income

	2018 Kshs	2017 Kshs
Interest on salary advances	54,131	46,481
Quarry use by SGR	-	21,051,514
Sale of disposable items	1,615,700	1,811,087
Liquidated Damages	49,044,290	47,713,547
Total other income	50,714,121	70,622,629

11. Road maintenance and axle load expenses

	2018	2017
	Kshs	Kshs
Road maintenance works	15,184,593,648	10,254,587,294
Emergency road works	811,309,585	594,017,257
Weighbridges management contract	607,103,462	885,423,644
Weighbridge operational expenses	27,864,127	20,061,350
Total road maintenance and axle load expenses	16,630,870,822	11,754,089,545

12. Employee costs

	2018	2017
	Kshs	Kshs
Salaries & allowances	1,039,811,996	1,012,926,305
Pension	78,513,066	59,228,057
Gratuity	40,281,090	-
Training & subscription	84,584,066	74,343,656
Welfare	24,329,190	24,299,123
Staff medical & group life insurance	86,580,232	83,477,977
Recruitment	6,599,299	5,670,365
Total employee costs	1,360,698,939	1,259,945,483

13. Board expenses

	2018	2017
	Kshs	Kshs
Salaries & allowances	18,333,379	14,611,275
Honoraria & telephone	1,044,000	1,044,000
Lunch allowance	604,000	570,000
Transport, travelling & accommodation	11,646,443	27,476,720
Insurance	517,453	375,754
Training	6,607,451	9,360,035
Refreshments	324,745	460,436
Induction	-	90,820
Ministerial & other official functions	7,805,141	16,463,967
Gratuity	1,869,246	1,220,137
Total board expenses	48,751,858	71,673,144

14. Depreciation and amortization expense

	2018	2017
	Kshs	Kshs
Property, plant and equipment		
Office Equipment	11,052,393	12,167,163
Office Partitions & Fixtures	4,993,128	4,141,590
Computer Equipment & Accessories	18,238,934	26,388,606
ICT Infrastructure & Accessories	8,951,038	15,606,381
Furniture & Fittings	5,520,896	10,092,145
Motor Vehicles	62,955,824	71,203,593
Plant & Machinery	101,114,598	76,607,086
Buildings	4,222,047	1,217,050
Total depreciation and amortization	217,048,858	217,423,614

15. Repairs and maintenance

	2018	2017
	Kshs	Kshs
Repairs property, plant and equipment	3,114,978	2,757,648
Vehicles	67,211,656	74,743,180
Renewals	18,807,648	11,554,662
Total repairs and maintenance	89,134,282	89,055,490

* Motor Vehicle expenses include insurance, parking fees, fuel & oil, tyres & tubes and parts, service & maintenance. The Authority entered into a framework contract with Toyota Kenya ensuring costs were kept at minimum. In addition the Authority purchased five new motor vehicles at the beginning of the financial year.

16. General expenses

The following are included in general expenses:

	2018	2017
	Kshs	Kshs
Postage & courier services	1,424,135	1,411,649
Reference material	69,395	124,180
Telephone & Wide Area Network connectivity	13,326,413	15,030,585
Newspapers & magazines	2,925,850	2,893,230
Drinking water	1,324,251	1,272,826
Printing & photocopy	645,267	1,013,019
Hire of transport	2,404,972	3,382,559
Kitchen utensils	284,252	179,850
General insurance	1,631,882	987,016
Stationery & consumables	21,917,714	17,810,248
Cleaning & sanitation	10,345,952	8,657,917
Security expenses	33,240,739	30,597,261
Professional fees	74,869,289	46,515,524
Conference & seminars	35,309,840	39,754,222
Advertising, Publicity & Corporate Social Responsibility	25,931,534	28,243,128
Anti-Corruption & Integrity Issues	7,515,164	4,536,975

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. General expenses	2018	2017
The following are included in general expenses:	Kshs	Kshs
Staff Uniforms	1,927,520	537,624
Donations	81,495	-
Field activities	164,013,149	90,326,123
Utilities	3,038,541	2,710,637
Rent	92,273,656	87,183,697
Total general expenses	494,501,010	383,168,270

* The substantial increase in field activities expenses from Kshs. 90,326,123 to Kshs. 164,013,149 was as a result of Public Private Partnerships engagements for Nakuru-Mau Summit and Nairobi – Mombasa Expressway projects, Board inductions for grade 6 and above after the suitability tests, enhanced corridor management activities, quarterly quality assurance monitoring of projects and annual departmental retreats.

17. Finance costs	2018	2017
	Kshs	Kshs
Bank Charges	2,967,652	3,169,528
Total finance costs	2,967,652	3,169,528

18. Gain on sale of assets	2018	2017
	Kshs	Kshs
Property, plant and equipment	4,493,312	1,256,048
Total gain on sale of assets	4,493,312	1,256,048

19. Provision for doubtful debtors	2018	2017
	Kshs	Kshs
Provision for doubtful debtors	15,000,000	4,923,265
Total provision for doubtful debtors	15,000,000	4,923,265

20. Loss on foreign exchange transactions	2018	2017
	Kshs	Kshs
loss on foreign exchange transactions	13,505,986	537,001
Total loss on foreign exchange transactions	13,505,986	537,001

21. Profit on foreign currency translation	2018	2017
	Kshs	Kshs
Profit on foreign currency translation	551,842	2,636,784
Total Profit on foreign currency translation	551,842	2,636,784

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. Taxation	2018	2017
	Kshs	°Kshs
Taxation on Bank Interest & Call Deposits	<u>230,279,690</u>	-
Total Taxation	<u>230,279,690</u>	-

	Kshs
Gross Interest Income Earned	580,952,998
Less: Bank Charges	(2,967,157)
Net Taxable Interest Income	577,985,841
Corporate Tax(30%)	173,395,752
Less: Withholding Tax Paid FY 2017/2018	(114,685,344)
Corporate Tax Payable (FY 2017/2018)	58,710,408

23. Cash and cash equivalents

	<u>Account Number</u>	<u>2018</u> Kshs	<u>2017</u> Kshs
Cash-on-hand		938,891	816,043
NIC Bank -NCTIP A/C)	1-110-000895	50,178,296	52,232,754
NIC Bank -EATTFP A/C	1-110-000985	10,260,142	10,002,087
NIC Bank -Timboroa-Eldoret Road A/C	1-110-001311	15,866,213	15,467,159
NIC Bank -KTSSP A/C	1-110-001524	88,542,249	181,286,941
NIC Bank -Marsabit- Turbi Road A/C	1000015004	17,703,340	4,015,130
NIC Bank-NETIP A/C	1005164164	6,414,100	-
NIC Bank -USD A/C	1001936677	21,838,097	76,339,406
Co-operative Bank-GoK	01141160979900	813,822,921	1,696,141,995
Co-operative Bank-RMLF	01141160979901	802,517,000	3,472,108,045
National Bank – Salaries A/C	01001-326625	94,859,638	180,604,263
National Bank – Gratuity A/C	01001-327333	411,797,376	255,065,923
National Bank – Retention A/C	01001-327332	402,845,331	1,130,440,111
National Bank – EARTTDFT- A/C	01001032662501	9,995,937	91,396,999
Kenya Commercial Bank-Operations A/C	1110623704	1,087,579,818	867,388,446
Kenya Commercial Bank-NUTRIP A/C	1138238945	79,023,346	127,180,742
Kenya Commercial Bank-Nairobi Region	1114840149	84,651,942	12,700,316
Kenya Commercial Bank-Coast Region	1114772089	28,169,288	5,652,857
Kenya Commercial Bank-South rift Region	1114781592	19,065,004	2,002,226
Kenya Commercial Bank-North Eastern Region	1114751928	6,776,777	5,796,208
Kenya Commercial Bank- North rift Region	1114793272	5,240,805	4,870,054
Kenya Commercial Bank-Central Region	1114745707	19,349,778	2,146,485
Kenya Commercial Bank-Upper Eastern Region	1114752045	12,477,104	6,651,560
Kenya Commercial Bank- Lower Eastern Region	1114756326	18,174,949	6,440,639
Kenya Commercial Bank-Nyanza Region	1114756229	18,307,773	4,008,254
Kenya Commercial Bank-Western Region	1114774405	7,767,683	6,459,662

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. Cash and cash equivalents	Account Number	2018 Kshs	2017 Kshs
Equity Bank-Headquarters A/C	0810295139897	732,227,429	463,665,381
Equity Bank-Nairobi Region	0810295139932	-	82,329,179
Equity Bank-Coast Region	0810295139911	-	19,736,171
Equity Bank-South rift Region	0810295140000	-	14,485,345
Equity Bank-North Eastern Region	0810295139966	-	1,065
Equity Bank- North rift Region	0810295139943	-	2,070,639
Equity Bank-Central Region	0810295140010	-	12,453,218
Equity Bank-Upper Eastern Region	0810295139991	-	1,132,473
Equity Bank- Lower Eastern Region	0810295139954	-	3,924,330
Equity Bank-Nyanza Region	0810295140022	-	14,840,868
Equity Bank-Western Region	0810295139924	-	193,131
Cash on hand & at Bank		4,866,391,227	8,832,046,105
Short-term deposits			
Co-operative Bank	01150160979902	1,000,000,000	1,000,000,000
Kenya Commercial Bank	1134650795	1,000,000,000	1,000,000,000
National Bank	01329032733212	300,000,000	300,000,000
Central Bank of Kenya	138217-1	983,935,000	-
Chase Bank*	0053061735030	100,000,000	100,000,000
Commercial Bank of Africa	703148	-	-
NIC Bank	1003680278	500,000,000	500,000,000
Total Short-term deposits		3,883,935,000	2,900,000,000
Total cash and cash equivalents		8,750,326,227	11,732,046,105

* The Authority had placed a call deposit of Kshs. 100 Million in Chase Bank on 23rd February 2016. The Bank was placed under receivership on 07.04.2016. A full provision of Kshs.25m has been made for the Call Deposit portion transferred to KDIC of which Kshs. 15m has been provided in FY 2017/2018

24. Receivables from non-exchange transactions

Current receivables	2018 Kshs	2017 Kshs
Voi – Mwatate-Wundanyi	-	57,854,996
Loruk-Barpelo	-	21,030,044
KCC (Sotik) - Ndanai-Gorgor	-	35,163,401
Webuye - Malaba	430,916	430,916
Chiakariga - Mitunguu-Meru	171,864,422	211,169,566
Chebilat - Ikonge-Chabera	310,208,884	310,975,844
Kangema - Gacharage	63,999,951	212,048,450
One-Stop Border Post –Malaba	17,669	17,669
Rehabilitation of Kisumu-Kakamega	64,922,640	248,999,290
Kakamega-Webuye	133,842,046	246,456,506
Rehabilitation of Ndhiwa Karungu	-	14,437,646

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Renovation of MoR/MoP offices in Homabay, Oyugis, Kisumu	7,735,779	7,735,779
Masara – Suna - Kehancha/Awendo Mariwa	4,674,633	4,674,632
Mombasa Port Area Devt Road	978,887,734	1,691,120,182
Marsabit-Turbi	11,656	11,656
Oljoro – Orok - Dundori	-	1,229,960
Merille - Marsabit A2	-	187,748,178
Office Complex	165,069,299	361,510,481
Kisumu Boys-Mamboleo	256,552,131	292,540,905
Mwatate –Taveta	18,805,968	3,816,695
Bachuma Gate –Maji ya Chumvi	-	82,932,843
Construction of three interchanges on A104	-	112,656,620
Dualling of Magongo	484,065,506	-
Posta(Naibor)-Maralal	268,925,268	-
Eldoret Bypass	903,025,368	-
Kitale-Endebes-Suam	795,554,027	-
KWS Gate-Kalemingorok	40,834,421	-
Footbridge Witeithie-Mangu	43,032,716	-
Access Road EASA	2,167	-
Wajir-Kotulo	16,299,682	-
Kotulo-Elwak	16,643,848	-
Marua-Nanyuki-Lewa	27,840,383	-
Bomas Karen Kikuyu	-	56,000,000
Nuno-Modogashe	528,322,359	595,788,527
Morpus Junction Marich Pass	-	18,196,898
Kitale- Morpus	-	19,824,298
Marich Pass- Kainuk	13,549,197	93,481,528
Kaleminjorok-Lokichar	41,487,371	48,388,826
Lokichar-Amosing	36,982,089	62,130,971
Mombasa-Mariakani Dualling	865,284,884	852,698,178
Narok-Sekenani	219,433,413	219,433,413
Kainuk bridge & Approach Roads	236,381,323	230,846,051
Garsen-Witu-Lamu	891,000,000	891,000,000
Nyaru-Iten	241,881,964	197,000,000
Busia-Malaba	96,136,027	96,136,027
Isebania-Kisii-Ahero	3,673,372,518	3,803,907,258
Lodwar-Lakitaung	1,286,393,368	1,315,471,948
Kericho-Ahero-Interchange	1,750,550,192	1,770,574,807
Athi River -Machakos Turn Off	793,282,381	793,282,381
Loichangamatak-Lodwar	928,999,460	949,955,247
Lokitaung-Kalobeiyei	1,093,287,914	1,093,287,914
Kalobeiyei-Nadapal	1,016,105,666	1,089,821,274
James Gichuru-Rironi	870,998	49,734,261
Port Reitz/Moi International Airport Access Road	-	79,232,165
Total receivables from non-exchange transactions	18,486,568,238	18,430,754,231

25. Receivables from exchange transactions

Current receivables	2018	2017
	Kshs	Kshs
Interest receivable on call deposits	24,673,878	31,725,018
Travel imprest	8,789,776	11,497,110
Bank guarantee and deposits	9,728,780	8,965,300
Advertising receivables	290,134,655	255,596,852
Road maintenance funds	8,757,876,308	3,703,684,470
Staff mortgage deposit fund with Housing Finance Co.	542,056,062	516,263,734
Debtors & Prepayments	25,323,381	24,904,689
Receivable from Sapon Insurance Brokers	-	500,000
Receivable from MOTIH & UD	4,260,799,478	5,600,948,873
Current receivables	13,919,382,318	10,154,086,046
<i>Less: Provision for doubtful debtors</i>	<i>(315,212,693)</i>	<i>(300,212,693)</i>
Total Current receivables from exchange transactions	<u>13,604,169,625</u>	<u>9,853,873,353</u>

26. Inventories

	2018	2017
	Kshs	
Stationaries and Consumable stores	4,232,014	4,924,760
Fuel supplies	-	29,159
Total inventories at the lower of cost and current replacement cost	<u>4,232,014</u>	<u>4,953,919</u>

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Notes to the Financial Statements (Continued)

27. Property, plant and equipment

Cost	Road assets*		Office equipment		Office partitions and fixtures		Computer equipment and accessories		ICT infrastructure and accessories		Furniture and fittings		Motor vehicles		Plant and machinery		Buildings		Total	
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
At 1 July 2016	264,403,097,509	90,470,369	68,568,266	156,675,284	69,875,594	49,973,527	370,063,222	764,696,253	40,515,322	266,013,935,346										
Additions	50,348,915,049	4,108,230	744,865	11,582,556	14,219,263	2,937,300	-	-	-	50,382,507,263										
Disposals		(303,171)	-	(1,359,502)	-	(926,782)	(7,199,000)	-	-	(9,788,455)										
Transfers/adjustments																				
As at 30 June 2017	314,752,012,558	94,275,428	69,313,131	166,898,338	84,094,857	51,984,045	362,864,222	764,696,253	40,515,322	316,386,654,154										
Additions	56,347,251,343	6,103,823	397,549	17,147,730	10,964,573	4,199,441	37,469,820	398,694,575	128,366,606	56,950,595,460										
Disposals		(47,352)	-	-	-	(429,700)	(16,195,299)	-	-	(16,672,351)										
Transfer adjustments																				
As at 30 June 2018	371,099,263,901	100,331,899	69,710,680	184,046,068	95,059,430	55,753,786	384,138,743	1,163,390,828	168,881,928	373,320,577,263										
Depreciation and impairment																				
As at 1 July 2016		25,839,813	54,857,107	120,825,610	52,058,401	27,425,733	174,086,217	43,021,800	2,877,574	500,992,255										
Depreciation		12,167,162	4,141,590	26,388,606	15,606,381	10,092,145	71,203,592	76,607,088	1,217,050	217,423,614										
Disposal		(228,065)	-	(1,233,266)	-	(740,786)	(7,199,000)	-	-	(9,400,117)										
Transfer adjustment																				
As at 30 June 2017		37,778,910	58,998,697	145,981,950	67,664,782	36,777,092	238,090,809	119,628,888	4,094,624	709,015,752										
Depreciation		11,052,393	4,993,128	18,238,934	8,951,038	5,530,896	62,955,824	101,114,598	4,222,047	217,048,858										
Disposals		(33,372)	-	-	-	(360,694)	(16,195,299)	-	-	(16,589,365)										
Transfer/adjustment																				
As at 30 June 2018		48,797,931	63,991,825	164,220,884	76,615,820	41,937,294	284,851,334	220,743,486	8,316,671	909,475,245										
Net book values																				
As at 30 June 2018	371,099,263,901	51,533,968	5,718,855	19,825,184	18,443,610	13,816,492	99,287,409	942,647,342	160,565,257	372,411,102,018										
As at 30 June 2017	314,752,012,558	56,496,518	10,314,434	20,916,388	16,430,075	15,206,953	124,773,413	645,067,365	36,420,698	315,677,638,402										

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^aProperty, plant and equipment (Work-in-progress – Road assets)

	2018 Kshs	2017 Kshs
GoK Payments		
Other GoK Development Projects	25,775,126,202	18,467,920,044
Northern Corridor Transport Improvt. Project	752,531,487	1,033,769,235
Nairobi - Thika highway development project	574,115,191	105,569,080
Nairobi Southern by pass	423,727,574	1,199,617,136
Kenya Transport Sector Support Project	4,991,986,241	1,584,996,725
Nairobi Urban Transport Improvement Project	237,138,675	61,377,507
East African Trade & Transport Facilitation Project	-	852,781,904
Mombasa Southern bypass	998,661,684	2,181,463,069
South Sudan EARTTDFP	165,042,238	28,800
Total expenditure including pending bills	<u>33,918,329,292</u>	<u>25,487,523,500</u>
Foreign Direct Payments		
Nairobi-Thika highway development Project	-	49,000
Other development projects	7,227,332,117	12,150,082,386
Nairobi Southern by-pass	-	1,464,208,648
East African Trade & Transport Facilitation Project	43,688,367	106,133,377
Nairobi Urban Transport Improvement Project	630,080,013	64,523,861
Mombasa Southern by pass	1,827,345,353	3,558,134,447
South Sudan EARTTDFP	1,216,475,898	-
North Eastern Transport Improvement Project	153,611,069	-
Kenya Transport Sector Support Project	11,330,389,234	7,518,259,830
Total Foreign Direct Payments	<u>22,428,922,051</u>	<u>24,861,391,549</u>
Grand total	<u>56,347,251,343</u>	<u>50,348,915,049</u>
28. Intangible assets-software	2018	2017
Cost	Kshs	Kshs
At the beginning of the year	115,470,661	94,607,318
Additions		
Provision of ICT help desk system	1,908,500	3,092,560
Human resource & Payroll ERP System	1,227,980	90,625
Provision of Autocad/Archicad Software Suite	420,000	17,680,158
Total additions	<u>3,556,480</u>	<u>20,863,343</u>
At end of the year	<u>119,027,141</u>	<u>115,470,661</u>
Amortization and impairment		
At the beginning of the year	-	-
Amortization	-	-
At the beginning of the year	-	-
Impairment loss	-	-
At end of the year	-	-
Net Book Value	<u>119,027,141</u>	<u>115,470,661</u>

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29. Trade and other payables from exchange transactions

	2018	2017
	Kshs	Kshs
Retention monies	3,496,091,051	3,531,273,717
Road maintenance contractors	990,664,215	452,429,128
Sundry creditors	80,380,114	282,140,052
Tax Liability	58,710,408	-
Development Projects	40,681,147,454	22,284,752,355
Total trade and other payables	<u>45,306,993,242</u>	<u>26,550,595,252</u>

30. Refundable deposits from customers

	2018	2017
	Kshs	Kshs
Road cutting deposits	150,505,960	67,210,651
Total deposits	<u>150,505,960</u>	<u>67,210,651</u>

Note: Road cutting deposits relate to moneys owed to customers in respect of deposits related to laying of telephone cables, water pipes and sewer lines across our roads.

31. Current provisions

	Gratuity	Audit fees	Total
	Kshs	Kshs	Kshs
Balance at the beginning of the year	<u>1,823,340</u>	<u>6,000,000</u>	<u>7,823,340</u>
Utilized during the year	-	(3,000,000)	(3,000,000)
Additional during the year	42,119,835	3,000,000	45,119,835
Balance as at 30 June 2018	<u>43,943,175</u>	<u>6,000,000</u>	<u>49,943,175</u>

32. Related party disclosures

	2018	2017
	Kshs	Kshs
Receivables from Kenya Roads Board (note 25)	8,757,876,308	3,703,684,470
Receivables from MOTIH & UD (note 25)	4,260,799,478	5,600,948,873

Transactions with related parties

i) Kenya Roads Board	15,459,936,161	20,594,394,497
ii) MOTIH, UD&PW	21,406,709,235	22,116,635,128
iii) Key Management Compensation	301,143,311	195,967,536

Key management compensation is included in salaries and allowances as disclosed in note 13.

33. Contingencies

It is estimated that the Authority has contingent liabilities amounting to approximately KShs. 8,884,134,035 [FY 2016/2017: Ksh. 10,204,246,405] arising from land compensation claims, contractors' claims resulting from foreign exchange fluctuations, interest on delayed payments charged by contractors and other court awards. The exact amount will however be established on occurrence of the events.

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34. Surplus for the period

The surplus for the period of Kshs. 1,520,540,323 [*FY 2016/2017: Kshs. 4,951,999,476*] is arrived after charging expenses from the revenues of the Authority as stated in the Statement of Financial Performance.

35. Events after the reporting period

There are no material non-adjusting events after the reporting date.

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XVIII PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments
1	<p>Property ,Plant and Equipment</p> <p>1.1 Undetermined value of Rental Property</p> <p>The Property, Plant and Equipment balance of Ksh.315, 677,638,402 as at 30 June 2017 excluded undetermined value of land and houses occupied by staff in South Rift Region from which the Authority earned an income of Ksh. 1,076,000.00 during the year under audit. As such, the accuracy and correctness of Property Plant and Equipment balance of Ksh. 315,677,638,402 as at 30 June 2017 could not be confirmed</p>	<p>We agree with the audit observation that the value of land and houses occupied by some KeNHA staff at the South Rift Region is not included under the Property, Plant and Equipment whose value as at 30th June, 2017 was Kshs. 315 billion. This amount of Kshs. 315 billion represents Government’s Development Expenditure through KeNHA for the eight year period from financial year 2009/2010 to end of financial year 2016/2017 on 30th June, 2017. The houses where a few of KeNHA staff reside and rent collected amounting to Kshs. 1,173,500 during the financial year were built as Resident Engineer’s premises under then Lanet- Nakuru - Njoro Turnoff road construction contract. The contract was managed by the Parent Ministry. The undetermined value of land and houses therefore relates to land previously acquired by the Government and payments made to the Contractor prior to the establishment of the Authority. These values alongside the development expenditures met by the Government over the years up to FY 2009/2010 in all trunk roads were not made available to the Authority.</p> <p>Management is currently developing a mechanism of obtaining ownership documents for all the land, structures and developments on the road, road reserves or former camps that are under the jurisdiction of KeNHA. Upon obtaining such title deeds, the Authority will proceed to the next stage of professionally establishing the values of its</p>

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		<p>road network including all developments and structures on/ along its corridors, road reserves and camps. The values so established will be entered in the Authority's books of accounts as provided by <i>IPSAS 17 on Property, Plant and Equipment</i>.</p> <p>Section 51 of IPSAS 17 requires that <i>if an item of property, plant and equipment is revalued, the entire class of property, plant and equipment to which that asset belongs shall be revalued</i> simultaneously. This therefore prevents the Authority from piece meal valuations and recognition of property, plant and equipment.</p>
<p>Focal Point person to resolve the issue</p>	<p>Status: <i>(Resolved / Not Resolved)</i></p>	<p>Timeframe: <i>(Put a date when you expect the issue to be resolved)</i></p>
<p>Director- Highway planning and Design</p>	<p>Ongoing. Physical Development Plans have since been received from the respective county governments. The Authority has engaged a consultant who is installing road reserve marker posts to facilitate the process of issuance of title deeds and eventually valuation of the road assets.</p>	<p>Next five years</p>

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments
2	<p>Kenya Transport Sector Support Programme IDA credit No. 4926 Projects</p> <p>Rehabilitation of Kisumu –Kakamega Road Section (Lot1)</p> <p>As reported in the previous year, the contract awarded to M/s China Overseas Engineering Group Co. Ltd at contract sum of Kshs.4,452,053,438,.28 for a period of two years .The Project commenced on 5th January 2013 and was originally scheduled to be completed in October 2015</p>	<p>We concur with the Auditors observation that progress was behind schedule. We wish however to state as follows:</p> <ul style="list-style-type: none"> • The Contractor’s progress was slowed down due to various circumstances beyond the control of the parties such as adverse weather (unseasonably heavy rain), delay in availability of exchequer releases and delays in compulsory acquisition of parcels of land essential to the project. These circumstances entitled the contractor to extensions of time in the programme, as per contractual provisions. • Arising from the project being behind the schedule, the contractor was instructed to work extra hours in order to recover the lost time. He was further instructed to deploy additional road works equipment to facilitate completion of the pending works as per the program of works earlier approved. Currently, the contractor has achieved 95% physical progress of work which is expected to be completed by end of August 2018.

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	<p>after an extension of time was awarded to the contractor revising the completion date 10 October .2016. The project was behind schedule .Review of the Progress in the year under audit revealed that Monthly progress report No.41 of June 2017 shows that the percentage of time elapsed was 115% while the physical works completed were at 64% an indication of slow progress in project implementation.</p> <p>In addition, the contract sum was revised by an additional Kshs. 3,509,473,923 to Kshs.7, 961,527,361.84 a Variation of 78.8% contrary to the Public Procurement Disposal Act,2005 thereby contravening the law.</p>	<p>In regard to the change in the contract sum for the project road, the detailed clarifications are as given in the subheadings below:</p> <p>(a) <u>Overview of the Kenya Transport Sector Support Project (KTSSP)</u> The Kenya Transport Sector Support Project is a development initiative formulated by the Government(GOK) and the World Bank(WB) in accordance with the priorities outlined in the Country Assistance Strategy. As with other GOK/WB projects, this project is implemented under stringent technical, administrative and governance conditions. The General Conditions, describe the legal agreement between the parties and the remedies applicable in case of non-compliance. The remedies include suspension or cancellation of the financing. The implementing entities assigned to implement various project components therefore strive to ensure consistent compliance and application of best practices so as to maintain continued sector access to the concessionary development financing. The implementing agencies for KTSSP include Kenya National Highways Authority, Kenya Airports Authority, Kenya Civil Aviation Authority and the Ministry of Transport and Infrastructure.</p> <p>(b) <u>Explanation of KTSSP Credits</u> The World Bank development financing framework provides that a project can be financed by one or more loans (“Credit”). In the case of the Kenya Transport Sector Support Project, the original Credit, having the reference number Credit 49260 was approved in April 2011.In 2014 following a fire event at Kenya’s main airport as well as financing gaps in various KTSSP components, a second Credit having reference number Credit 54100 was approved in March 2014.</p> <p>(c) <u>Credit 49260 for XDR 190,800,000 (equivalent to USD 300,000,000)</u> Credit IDA49260 was the original credit which was approved by the World Bank Board on 21st April 2011 and thereafter became effective on 22nd August 2011. The credit will close on 31st December 2018. The total amount of this credit was XDR 190,800,000 equivalent to USD 300,000,000. The amount allocated to works under KeNHA was XDR 124,700,000.</p> <p>(d) <u>Credit 54100 for XDR 123,600,000 (equivalent to USD 203,500,000)</u> Credit IDA54100 was an additional credit which was approved by the World Bank Board on 26th March 2014 and thereafter became effective on 20th June 2014. The credit will close on 31st December 2018.The total amount of this credit was XDR 123,600,000 equivalent to USD 203,500,000. The amount allocated to works under KeNHA in this Credit was XDR 80,211,000. Once the additional funding was available, the various implementing agencies were able to proceed with procurement processes in the manner approved in the financing agreements.</p> <p>(e) <u>Need for additional funding on the Kisumu – Kakamega road</u></p>
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		<p>The additional funding for the Kisumu – Kakamega road provided resources towards construction of grade-separated interchanges, improvement of existing bridges and completion of dual sections at the southern and northern ends of the project roads.</p> <p>(f) <u>Compliance with the Public Procurement and Disposal Act</u></p> <p>The variation in the contract for the Kisumu – Kakamega road under KTSSP was implemented in compliance with the Public Procurement and Disposal Act as follows: – The Financing Agreement of 2014 negotiated between GOK and the World Bank for KTSSP specifically provides that all goods ,works, consulting services and non consulting services under the project shall be procured in accordance with the WB procurement guidelines. The applicable clauses from the Agreement include:</p> <ul style="list-style-type: none"> • The Public Procurement and Asset Disposal Act Section 6 provides that where negotiated grants or loans are in effect, they take precedence over the PPDA <p>The coming into effect of the Financing Agreements for KTSSP was conditional upon an affirmative legal opinion from the Attorney General. The Agreements, including the clauses specifying that all procurement should follow WB Guidelines, were therefore submitted to the Attorney General for legal opinion and subsequently received the Attorney General’s approval as being valid and legitimate. Word Bank Procurement Guidelines, , require that addendums be subject to prior review.</p> <p>From the above it is noted that:</p> <ul style="list-style-type: none"> • The Government and World Bank agreed to implement KTSSP using World Bank procurement procedures, an agreement ratified and endorsed by the Attorney General • World Bank procurement procedures were correctly applied in processing the addition to the contract price • The PPDA anticipates and explicitly authorises use of development partner procurement procedures, in this case World Bank procurement procedures • Stringent reviews and approval procedures are applicable to the KTSSP financing agreements and significant sector-wide remedies are applicable in the event of non-compliance. The implementing agencies are well aware of this. <p>In summary, the variation to the contract for the Kisumu – Kakamega road was fully compliant with the</p>
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		PPDA and with the World Bank Guidelines.
Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Director-Development	Resolved, The project eventually picked up and is now substantially completed The variation was done as per the procurement guidelines of the donor partner .	Concluded

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments
3	<p>Rehabilitation of Bachuma Gate-maji ya chumvi section of Nairobi –Mombasa Road (A109).</p> <p>As reported in the previous year, the project was awarded on 10th December, 2013 to M/s China Dalian International Economic and Technical Co-operation Group Co. Ltd at a contract sum of Kshs.4,986,218,100.73 for period of 24 months commencing 3rd November ,2014 and a defects liability period of 12 months .The Project was behind schedule .Review of the progress in the year under audit revealed that the monthly progress report no.32 of June 2017 showed that the percentage of physical work completed was 85% while</p>	<p>We concur with Auditor’s observation that the implementation of the project was behind schedule. Delay in implementation of the project was occasioned by various circumstances beyond the control of the parties such as delay in the granting of temporary exemptions of customs duty on construction equipment, which is a provision contained in the project documentation agreed between the Government and the Development Partner. As a consequence of this, the contractor was unable to deploy equipment which was held up at Mombasa Port.</p> <p>Arising from the project being behind schedule, the contractor was instructed to undertake the following: -</p> <ul style="list-style-type: none"> • Work extra hours in order to recover the lost time. • Acquire additional roads works equipment to facilitate completion of the pending works as per programme of works earlier approved. <p>The physical progress of work is currently at 98%. The project is substantially complete, is open to traffic and has reduced travel time and vehicle operating costs for traffic to and from Mombasa along the A8 highway. The remaining part is also due for issuance of substantial completion certificate, subject to an inspection to be carried out.</p>

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	percentage of the time elapsed was 128%, an indication of slow progress in project implementation.		
Focal Point person to resolve the issue		Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
Director-Development	Resolved, The project eventually picked up and is now substantially completed	Concluded	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments
4	<p>Construction of three (3) interchange along A104 at Nyahururu turnoff, Njoro turnoff and Mau summit.</p> <p>As reported in the previous year, the contract was awarded to M/s China Railway No.10 Eng Group Co at a contract sum of Kshs.2, 690, 008, 029.77 for a period of fifteen months. The project commenced 2 February, 2015 and was originally scheduled to be completed on 2 May 2016. The project was behind schedule. Review of the progress in the year under audit revealed that monthly progress report No.24 of May 2017 shows that the percentage of time elapsed was 80% while the physical works completed were at 56.5% an indication of slow Progress in project</p>	<p>We agree with the Audit observation that the project was behind schedule. We wish to clarify that the same was occasioned by the following;</p> <ol style="list-style-type: none"> a. Delayed acquisition of land from project affected persons as listed below:- <ul style="list-style-type: none"> • Mau Summit Interchange-Chamгаа petrol station compulsory land acquisition was delayed. The same was resolved on 4th March, 2016. • Njoro Interchange land had a court case resulting in injunction against KeNHA under ELC petition 33 of 2015. The matter was resolved on 15th May, 2016. • Nyahururu Interchange, compulsory acquisition of part of Shell petrol station, Hotel Kunste and Total petrol station was delayed. The issue was resolved on 15th May, 2016 b. Significant delays in clearance of plant and equipment from the port of Mombasa took place due to delayed issuance of temporary exemptions of customs duty on construction equipment. c. Unseasonable adverse climatic conditions were experienced d. Delays in relocation of services from the right of way were experienced, affecting utilities such as water pipes and electrical infrastructure. <p>However every effort was made to mitigate the delays and accelerate progress, such that the status of the three interchanges is listed below:-</p> <ul style="list-style-type: none"> • Mau and Njoro Turnoff interchanges were substantially completed by 21st December, 2107 and are open to public traffic. The project objectives of decongestion and improvement in road safety

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	implementation.	<p>have been realised at these locations.</p> <p>Nyahururu Interchange is 92% complete and is due for substantial completion inspection by 30th June, 2018.</p>	
<p>Focal Point person to resolve the issue</p>		<p>Status: <i>(Resolved / Not Resolved)</i></p>	<p>Timeframe: <i>(Put a date when you expect the issue to be resolved)</i></p>
<p>Director-Development</p>		<p>Resolved, The project eventually picked up and is now substantially completed</p>	<p>Concluded</p>

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments
5	<p>Rehabilitation of Kakamega-Webuye road</p> <p>The Project was awarded on 18 January 2012 to a construction company at a contract sum of Kshs .2. 505,924,536.66. The works commenced on 1 April.2013 for period of 24 months with a completion date 31 March 2015 The project is financed by World Bank and the Government of Kenya at 75% and 25% respectively.</p> <p>Evidence available indicated that notice of termination of the contract was issued on 8 May 2014 due to contractor's non-performance .However the contractor obtained a court injunction stopping KeNHA from removing equipment from the site .The contractor later formally</p>	<p>We concur with the Audit observations that KeNHA was dissatisfied with contractual performance and proceeded to issue a notice of termination, the matter was contested in court by the contractor, a settlement was reached to enable the termination to take effect and a replacement contractor was subsequently engaged. We wish to state as follows: -</p> <ul style="list-style-type: none"> • The original contractor, upon going to court after KeNHA issued a notice of termination in May 2014, was able to secure an injunction against KeNHA that prevented termination of the contract, expulsion of the contractor from site and encashment of advance payment and performance guarantees. • Between May 2014 and June 2015 KeNHA pleaded its case in court as it sought to overturn the court injunction and demonstrate the public interest in the matter. During this time, little work was undertaken on site and KeNHA was still enjoined against taking corrective action. • However the court ruling on 12th June 2015 directed the parties to commence an arbitration process and did not set aside the prevailing injunction against KeNHA. • Given that the designated arbitrators under this contract were to be appointed by the Permanent Court of Arbitration in the Hague and the arbitration process is known to have a duration of many months or years, it was clear that upon expiry of the project financing agreement in December 2018, the matter would likely still be under arbitration and the road would not be constructed. The Authority therefore determined, with legal advice that the best option for service delivery in

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<p>proposed to the employer a negotiated settlement to the dispute which resulted into a Deed of Settlement and Release. In view of the development it was not clear when the project would be completed.</p> <p>Review of the project in the year under audit revealed that negotiated contract was awarded on 26 August 2016 to M/s Jiangxi Zhongmei Eng to complete the works at a contract sum of Kshs. 4,168,686,096.23 for a period of 24 months ending 30 November 2018. Progress report no.6 of May 2017 shows that the percentage of time elapsed was 24.56% while the physical works completed were at 7.1% an indication of slow progress in project implementation which may further lead to escalation of project costs.</p>	<p>accordance with its mandate would be to settle the matter to enable timely appointment of a replacement contractor. The contract was eventually terminated and the advance payment guarantees recovered in full. The Authority received the full sum advanced to the Contractor at its NIC Bank Ltd accounts no. 1001936677 and 1110001524 on 24th June 2016, 28th June, 2016 and finally on 29th June, 2016. The works were awarded to a new contractor whose progress of works is satisfactory and has so far achieved 45% physical progress of works. The contractual completion date is end of November 2018.</p>
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Focal Point person to resolve the issue	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
Director-Development	Resolved, The project eventually picked up and is now substantially completed	Concluded

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments
6	<p>Consultancy Services for Management Contracts of weighbridge Stations across the National Road Network Kenya National Highway Authority (KeNHA) has privatized the management and operations of all overloading control centers also known as weighbridges on major trunks roads. The objective of this is to attain a sustainable and safe road network by ensuring that axle loads applied to road pavements are not exceeded. The weighbridge stations were divided into five clusters for purposes of these management consultant contracts.</p> <p>6.1 Requests for Expression of Interest and Request for Proposals. Interested firms were invited for expression of interest after which selected four consultancy firms were shortlisted. The Shortlist was approved by the Tender Committee in their meeting held on 21 June 2012. Request for Proposal; (RFP) were issued to the shortlisted firms on 25 July 2012.</p> <p>6.2 Proposal Response and Evaluations The firms return the RFP depending on the cluster for evaluation and as detailed in the table below (4.4). However, only one firm was found to be responsive upon preliminary evaluation in all clusters and was awarded the contracts after technical and financial evaluations. The reasons for the rest being non-responsive were having provided bid bonds valid for 120 days instead of 150 days.</p> <p>6.3 Tender Committee, Award and Negotiations The Tender Committee in their meeting No.92 held on 22 November 2012 approved the award of the five contracts to M/s SGS Kenya Limited being the only evaluated tenderer. The consultant was notified of the award on 22 November 2012. This was followed by negotiations between the KeNHA and consultants on 11 December</p>	<p>The procurement process had commenced with calling for Expression of Interest (EOI) which was evaluated, and the shortlisted bidders invited for RFP. The RFP bid document required the bidders to bid for the weighbridge management, operation and maintenance components, but also propose and provision (in form of Provisional Sums) for weighbridge improvements and automation, in order to remove discretion (which, had hitherto, tended to promote corrupt tendencies) at the weighbridges. At the RFP tender submission date, the Engineer was required to come up with an Engineering estimate based on the human capital required for weighbridge management activities during the life of the contract. This figure was to be used to compare the bids and for conducting sensitivity analysis of the bids but was not for use as bases for tender award. It was expected that the RFP bids would excite good response to allow for picking of the lowest responsive and evaluated bidder. But at the end only one bidder reached the financial evaluation of the two-envelope evaluation process.</p> <p>From the foregoing, Engineer's Estimate was for weighbridge management component, and did not include the cost of improvements of the</p>

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2012. The contracts were later signed between the two parties on 04 February 2013 and order to commence given on the same date for period of three (3) years ending 04 February 2016.

6.4 Tender Sums Visa Vis Engineer's Estimates

Examination of records documents relating to these consultancy contracts revealed that tender sums may not have been competitive and consequently exceeded the engineers estimates by a total of Kshs.1,177,105,157.53 as follows:-

No	Weighbridge station cluster	Engineer's estimate	Contractor's tender sum	Variance
1.	Webuye, Malaba and Eldoret cluster plus adjacent road network	263,978,880	519,321,725.85	255,342,845.83
2.	Gilgil and Mai mahiu cluster plus adjacent road network	287,508,320	508,704,606.32	221,196,286.32
3.	Mariakani and Mtwapa cluster plus adjacent road network	361,605,640	532,728,641.29	171,123,001.29
4.	Athi River, Thika Road and Isinya Cluster plus adjacents road network	340,277,300	650,869.902.86	310,592,602.86
5.	Busia, Isebania and Kisumu cluster pls adjacents roads network	233,354,880	452,205,301.23	218,850,421.23
	Total	1,486,725,020	2,663,830,177.53	1,177,105,157.53

weighbridge. The improvements and weighbridge automation, as per RFP document, was to be proposed and appropriate cost provisioned (in Provisional Sums) by the bidders. However, the tender sum (by bidders) as per Request for Proposal relates to weighbridge management component, improvement and automation costs.

The Engineers estimate was used for sensitivity analysis i.e. to determine whether contractors were frontloading or had submitted imbalanced bids. The Engineers estimate could have not been the basis for disqualifying a bidder, as this was provided for in Public Procurement and Disposal Act 2005.

The Engineers Estimate, as illustrated in the request to Director General (DG) for authority for the Evaluation Committee to proceed with Negotiations (before procedural award), for the weighbridge management only was KSh 1,486,725,020.00 while the successful bidder had KSh 1,810,638,585.00 for the same. For Capex (Provisional Sums), the provisional capital expenditure was KSh 869,269,192.70. The Contract, therefore was for continuation of operation, management and maintenance of the thirteen weighbridges at KSh 1,810,638,585 with a provision of expending the KSh 869,269,193 if Kenya National Highways Authority were to source for these extra funds. The Authority thereafter approached the Kenya Roads Board with a view of requesting for allocation from the Minister's 10% of Fuel Levy Funds. KRB agreed to KeNHA's request and an allocation of KSh 200 Million was promised for 2013/2014, 2014/2015 and 2015/2016 Financial Years

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6.5 Exhaustion of contract sums

It was observed that three (3) year contracts period ended on 31 December 2015 and as at the end of contract period, the consultant had been paid in excess of the contract amounts in some items as shown below:-

No	Weighbridge Station Cluster	Item Description	Pc No	Amount in Contract Kshs.	Amount Paid Kshs.	Excess Paid Kshs.
1.	Webuye, Malaba and Eldoret cluster plus adjacent road network	Engineer's superintendence	34	30,500,000	58,028,748	27,528,748
2.	Gilgil and Mai mahiu cluster plus adjacents road network	Engineer's superintendence	34	25,250,000	62,214,275	36,964,275
3.	Mariakani and Mtwapa cluster plus adjacents road network	Engineer's superintendence	33	41,000,000	71,390,898	30,390,898
4.	Ath River, Thika road and Isinya Cluster plus adjacent road network	Management and operation	31	137,005,163	293,064,158	156,058,995
		Engineer's superintendence	31	41,000,000	85,056,500	44,056,500

respectively, adding up to KSh 600 Million. The Authority was then to provision for KSh 269 Million. Consequently, the Contractor was instructed to proceed with the Provisional Capex amounts of the KSh 869 Million which included high speed weigh in motion scales at four weighbridges along the Northern Corridor (Mariakani, Athi River, Gilgil and Webuye) with their automated weighbridge and traffic control as well as weighbridge traffic control systems at all the 9 weighbridges.

I. This approval was given after the assurance that the Authority would provide enough budgets for the 3-year projects period to take care of the management, operation and maintenance component of the contracts.

a) The first three years contract for Management, Operation and Maintenance for the five (5) Weighbridge Stations Clusters ended on 31st December 2015 while the current three year contract commenced on 1st January 2016. Therefore, there was never any need to vary the previous contracts. b) Payment of consultants in excess of contract sum: Projects appraisals were carried out and approved by the tender committee in September, 2015. The appraisal resulted increase of the contract sums .

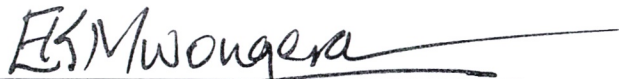
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5.	Busia, Isebania and Kisumu Cluster and adjacent road network	Management and operation	31	76,704,263	183,960,109	107,255,846
		Engineer's superintendence	31	18,400,000	51,332,138	32,932,138
Total				369,859,426	805,046,826	435,187,400

In the foregoing, it was not possible to confirm whether the Authority obtained value for money in incurring the above expenditure.

Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Director- Road Assets and Corridor Management	The matter is before the Public Investments Committee(PIC)	Ongoing



Eng. Erastus K. Mwangera, CBS, FIEK, RCE
Chairman of the Board of Directors
September 2018



Eng. Peter M. Mundinia
Director General
September 2018

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XIX Appendix 1: PROJECTS IMPLEMENTED BY THE AUTHORITY

Projects

Projects Implemented by the State Corporation/SAGA Funded by Development Partners

	Projects title	Project Number	Donor	Period/ Duration	Donor commitment	Report * (Yes/No)
1.	Rehabilitation of Kisumu - Kakamega	KeNHA/RD/SP/171/2010	WB	58Months	KES 7,961,527,362	Yes
2.	Rehabilitation of Kakamega – Kaburengu (Webuye) New	KeNHA/RD/CS/SP/2100/2016	WB	24 months	KES 4,168,686,096	Yes
3.	Rehabilitation of Webuye - Kitale Road Section	KeNHA/RD/SP/173/2010	WB	60 months	KES. 5,439,538,333	Yes
4.	Rehabilitation of Bachuma Gate – Maji ya Chumvi	KeNHA/RD/CS/SP/1369/2014	WB	34 months	KES 4,986,218,101	Yes
5.	Construction of the 3 Interchanges along A104 at Nyahururu Turnoff, Njoro Turnoff and Mau Summit	KeNHA/RD/SP/1380/2014	WB	35 months	KES 2,690,008,030	Yes
6.	Construction of the 2 nd Carriageway from Athi River – Machakos Turnoff	KeNHA/RD/SP/1976/2016	WB	21 months	KES. 5,288,549,208	Yes
7.	Construction of an Office Complex for the Road Sector Institutions	KeNHA/ADM/SP/217/2016	WB	19 months	KES. 2,938,509,208	Yes
8.	Dualling of Kisumu Boys Roundabout – Mamboleo Junction	KeNHA/RD/SP/1912/2016	WB	18months	KES. 2,565,076,333	Yes
9.	Construction of The Access Road Network for The East Africa School of Aviation	KeNHA/RD/SP/2246/2017	WB	7 Months	KES 298,725,527	Yes

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10.	Rehabilitation and Capacity Enhancement of James Gichuru Road Junction - Rironi Highway	KeNHA/RD/SP/1957/2016	WB	36 months	KES. 16,366,586,563	Yes
11.	Upgrading of Kalobeiyei River — Nadapal	KeNHA/RD/SP/2211/2017	WB	36 months	KES. 7,856,051,265	Yes
12.	Upgrading of Lokitaung Junction to Kalobeiyei River	KeNHA/RD/SP/2213/2017	WB	36 months	KES. 8,456,315,608	Yes
13.	Upgrading of Lokitaung Junction To Lodwar	KeNHA/RD/SP/2210/2017	WB	36 months	KES. 8,333,852,292	Yes
14.	Replacement of Kainuk Bridge	KeNHA/RD/SP/1967/2016	WB	15 months	KES. 1,538,973,674	Yes
15.	Upgrading of Lodwar-Loichangamatak	KeNHA/RD/SP/2093/2016	WB	30 months	KES. 6,782,439,480	Yes
16.	Kitale-Endebes-Suam	KeNHA/D&C/RD/2270/2017	AfDB	30 months	KES. 4,340,741,660.64	Yes
17.	Ahero -Kisii	KeNHA/RD/D&C/2118/2017	ADB	36months	USD 163,222,061	Yes
18.	Isebania -Kisii	KeNHA/RD/D&C/2138/2017	ADB	36months		Yes
19.	Mombasa - Kwa Jomvu (A109)	KeNHA/ D&C/1280/ 2016	ADB	36months	UA 80,000,000	Yes
20.	Nuno- Madogashe	KeNHA/CS/D&C/1012/2013	BADEA/SAUDI/ADFD/KFAED	36 months	USD 63,000,000	Yes
21.	Upgrading of Kibwezi - Mutomo - Kitui - Kabati - Migwani Road	KeNHA/1469/2016	Exim	42 Months	KES 18,404,888,139	Yes
22.	MPARD Package 1: Miritini-Mwache Road including Kipevu Link Road	KeNHA/RD/SP/1588/2015	JICA	36 months	KES 12,675,879,985	Yes
23.	Dualling of Magongo Road	KeNHA/RD/D/2514/2015	TMEA	24 months	USD 9,400,000	Yes
24.	Port Reitz/Moi International Airport (C110)	KeNHA/RD/D&C/1600/2015	TMEA	15months	USD18,000,000	Yes

*Separate donor reporting required as per the donor agreement

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Status of Projects completion

	Projects title	Total project cost (Kshs.)	Total expended to date	Completion % to date	Annual Budget (Kshs.)	Actual per quarter (Kshs.)	Sources of funds
1.	Loruk – Barpelo	6,040,880,207	5,049,297,213	86%	459,375,000	367,501,405	GOK
2.	Busia - Malaba	961,360,266	245,758,941	29%	176,557,438	126,781,181	GOK
3.	Kitale – Endebes - Suam	4,474,991,402	3,453,567,027	1%	919,887,457	32,400,854	AfDB/GOK
4.	Nyaru - Iten	2,418,819,638	127,428,194	13%	191,199,646	121,444,435	GOK
5.	Kakamega - Kaburengu (Webuye) New	4,168,686,096	2,184,521,460	47.7%	2,113,249,375	712,391,780	WB/GOK
6.	Construction of Interchange at Kericho Jn (B1/C23)	671,880,126	63,394,902	19%	210,002,462	59,541,390	WB/GOK
7.	Uplands - Githunguri	3,988,058,395	510,338,952	7.5%	48,750,000	-	GOK
8.	Kisii – Ahero –Isebania (A1) Lot 2: Kisii - Ahero	9,467,004,191	4,764,887,166	4.6%	367,271,259	32,827,107	AfDB/GOK
9.	Kisii – Ahero –Isebania (A1) Lot 1: Isebania - Kisii	8,597,817,890	1,340,566,921	3%	367,271,259	29,031,847	AfDB/GOK

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	Projects title	Total project cost (Kshs.)	Total expended to date	Completion % to date	Annual Budget (Kshs.)	Actual per quarter (Kshs.)	Sources of funds
10.	Construction of Interchange at Ahero Jn (A1/B1)	655,908,412	3,727,626,231	15.43%	219,633,006	100,116,410	WB/GOK
11.	Kisumu Boys - Mamboleo	2,565,076,332	4,303,185,720	64.60%	937,541,904	63,468,286	WB/GOK
12.	Bachuma Gate – Maji ya Chumvi	4,986,218,100	2,203,776,253	99.5%	1,517,069,376	469,530,888	WB/GOK
13.	Naibor - Kisima - Maralal	2,689,252,684.	18,018,667	8%	37,500,000	-	GOK
14.	Garsen – Lamu – Witu	10,868,627,394	1,085,184,312.00	7%	398,692,210	323,134,083	GOK
15.	Dualling of Athi River - Machakos Turnoff	5,288,549,207	1,424,378,021	33%	1,853,061,569	374,705,966	WB/GOK
16.	Construction of Kibwezi - Mutomo - Kitui	18,404,888,139	2,137,677,967	23%	2,153,125,000	125,363,829	China EXIM
17.	El Wak - Wargadud	504,099,750	520,730,125	64.7%	206,135,864	-	GOK
18.	Mombasa – Mariakani Contract 1: Mombasa – Kwa Jomvu Rd (A109)	6,016,868,250	601,280,706	18%	795,136,406	252,373,686	AfDB/GOK
19.	MPARD Package 1(Miritini - Mwache)	12,675,879,985	988,589,812	98%	2,818,272,713	485,541,495	JICA

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	Projects title	Total project cost (Kshs.)	Total expended to date	Completion % to date	Annual Budget (Kshs.)	Actual per quarter (Kshs.)	Sources of funds
20.	Karen Round- About	585,904,016	439,669,279	100%	208,774,683	142,982,489	GOK
21.	Capacity Enhancement for James Gichuru - Rironi	16,366,586,563	892,356,659	8%	1,432,680,471	540,123,169	WB/GOK
22.	Construction of 3 Interchanges at Nakuru	2,690,008,029	942,255,996	92%	1,311,979,236	105,145,523.10	WB/GOK
23.	Mau Narok - Kisiriri	1,222,217,429	199,141,523.49	11.64%	45,000,000	-	GOK
24.	Narok - Sekenani	2,194,334,126	835,991,808.74	50%	356,267,956	316,837,241	GOK
25.	Nuno-Modogashe (A13)	6,135,690,270	1,439,223,258	50%	935,312,500	98,416,742	BADEA
26.	Chebilat – Ikonge – Chabera (C750)	3,109,756,435	2,312,363,180.28	98%	328,125,000	236,706,056	GOK
27.	Oljo Orok - Dundori (C83) Road	1,911,067,408	2,086,688,704.64	82%	271,875,000	205,688,834	GOK
28.	Ugunja - Ruambwa	1,241,805,624	431,889,391.83	19.8%	56,250,000	-	GOK
29.	Chiakariga – Meru (C92)	4,667,635,582	3,346,526,159	70%	402,305,632	31,262,342	GOK

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	Projects title	Total project cost (Kshs.)	Total expended to date	Completion % to date	Annual Budget (Kshs.)	Actual per quarter (Kshs.)	Sources of funds
30.	Upgrading of Kalobeiyei River - Nadapal	7,856,051,265	8,464,371,895	1.3%	246,472,462	22,875,722	WB/GOK
31.	Upgrading of Lodwar - Lokitaung Junction	8,333,852,291	6,151,728,505	7.14%	792,090,278	670,546,371	WB/GOK
32.	Upgrading of Loichangamatak - Lodwar	6,782,439,479	64,648,059	5.27%	595,935,112	24,342,968	WB/GOK
33.	Upgrading of Lokitaung Junction - Kalobeiyei River	8,456,315,607	37,002,222	4.3%	542,571,238	36,382,323	WB/GOK
34.	Eldoret Bypass	5,079,517,696	22,109,679	1%	907,556,726	19,334,979	AfDB/GOK
35.	Kisumu - Kakamega	7,961,527,361	1,832,092,221	96.9%	1,726,258,377	934,766,517	WB/GOK
36.	Replacement of Kainuk Bridge	1,538,973,674	56,697,449	11%	295,069,583	36,221,699	WB/GOK
37.	Dualling of Magongo Road	2,420,327,530	1,419,634	N/a	37,500,000	1,419,634	TMEA/GOK

XX Appendix 2: INTER ENTITY TRANSFERS

Break down of Transfers from the State Department of Infrastructure			
FY 17/18			
a(i)	Recurrent Grants(RMLF)		
		Bank Statement Date	Amount (KShs)
		28-Sep-17	5,440,243,776
		7-Dec-17	25,000,000
		7-Dec-17	3,640,530,905
		29-Jun-18	2,111,349,010
		29-Jun-18	75,000,000
		28-Sep-17	452,942,655
		7-Dec-17	11,185,345
	Receivable		4,572,025,320
	Receivable		3,135,850,988
		Total	19,464,127,999
a(ii)	Development (RMLF)		
		Bank Statement Date	Amount (KShs)
	Receivable		525,000,000
	Receivable		525,000,000
		Total	1,050,000,000
b(i)	Recurrent(GoK)		
		Bank Statement Date	Amount (KShs)
b(ii)	Development(GoK) (Exchequer)		
		Bank Statement Date	Amount (KShs)
		30-Nov-17	218,525,315
		8-Dec-17	75,000,000
		8-Dec-17	56,658,210
		13-Dec-17	1,810,702,877
		30-Jan-18	525,000,000
		14-Feb-18	70,209,831
		14-Feb-18	485,531,279
		14-Feb-18	1,494,961,873
		10-Apr-18	59,432,119
		10-Apr-18	60,467,547
		10-Apr-18	135,263,780
		10-Apr-18	251,500,000
		10-Apr-18	318,127,259

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		10-Apr-18	321,664,026
		10-Apr-18	436,472,449
		10-Apr-18	529,629,802
		10-Apr-18	1,866,825,690
		10-Apr-18	1,943,272,979
		10-Apr-18	525,000,000
		11-Apr-18	330,877,948
	Receivable		266,815,149
	Receivable		1,064,538,650
	Receivable		1,114,317,457
	Receivable		115,264,969
	Receivable		1,261,586,647
		Transfer to recurrent	(369,339,721)
		Total	14,968,306,135
		Total Development- (a+ii+bii)	16,018,306,135
c.	Direct Payments		
		Bank Statement Date	Amount (KShs)
	ADFD		
		12-Jul-17	48,271,101
		12-Jul-17	8,518,429
		18-Oct-17	22,627,892
		18-Oct-17	3,993,158
		30-Nov-17	18,613,386
		30-Nov-17	3,284,715
		31-Jan-18	16,030,738
		31-Jan-18	2,828,954
		17-Apr-18	38,338,759
		17-Apr-18	6,765,663
		17-Apr-18	23,931,801
		17-Apr-18	4,223,259
		Total	197,427,856
	EU		
		1-Jun-18	139,735,561
		1-Apr-18	(240,932,009)
		12-Jul-17	24,727,076
		18-Jul-17	123,545,807
		23-Aug-17	22,462,637
		21-Aug-17	3,984,226
		21-Aug-17	3,984,226
		21-Aug-17	3,864,700
		21-Aug-17	3,984,226
		21-Aug-17	3,984,226
		21-Aug-17	3,585,803
		21-Aug-17	3,984,226
		21-Aug-17	1,347,613
		21-Aug-17	1,406,228
		23-Aug-17	4,904,099
		23-Aug-17	3,984,226
		23-Aug-17	1,288,999

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	23-Aug-17	5,273,225
	23-Aug-17	5,273,225
	23-Aug-17	3,864,700
	23-Aug-17	3,984,226
	23-Aug-17	3,984,226
	23-Aug-17	3,984,226
	31-Oct-17	38,212,600
	22-Mar-18	96,998,204
	Total	271,416,501
AfDB		
	1-Aug-17	(135,692,268)
	30-Nov-17	(29,070,025)
	12-Feb-18	1,205,317
	4-Aug-17	2,905,398
	4-Aug-17	2,905,398
	4-Aug-17	2,050,869
	3-Aug-17	190,717
	3-Aug-17	25,173,739
	12-Jul-17	198,664
	12-Jul-17	29,275,174
	12-Jul-17	3,604,442
	12-Feb-18	2,676,120
	12-Jul-17	2,922,598
	12-Jul-17	2,013,564
	12-Jul-17	997,236
	12-Jul-17	938,505
	12-Jul-17	625,670
	12-Jul-17	677,552
	12-Jul-17	677,552
	12-Jul-17	1,116,060
	12-Jul-17	2,075,433
	12-Jul-17	2,922,900
	1-Aug-17	2,240,464
	1-Aug-17	4,156,958
	1-Aug-17	823,060
	1-Aug-17	1,642,410
	1-Aug-17	135,692,268
	3-Aug-17	2,478,646
	3-Aug-17	2,500,072
	3-Aug-17	20,608,532
	3-Aug-17	23,103,392
	4-Aug-17	14,928,899
	16-Aug-17	142,661,431
	16-Aug-17	155,342,448
	21-Aug-17	6,371,367
	21-Aug-17	1,234,371
	21-Aug-17	2,463,615
	21-Aug-17	12,883,358

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	21-Aug-17	2,467,951
	21-Aug-17	4,927,230
	24-Aug-17	868,417
	24-Aug-17	1,561,807
	1-Oct-17	25,603,448
	1-Oct-17	25,603,448
	9-Nov-17	1,473,200
	9-Nov-17	1,473,200
	9-Nov-17	1,473,200
	31-Oct-17	57,674,167
	19-Jun-18	47,292,807
	30-Nov-17	29,070,025
	18-Oct-17	546,371
	18-Oct-17	1,048,752
	18-Oct-17	61,767,732
	18-Oct-17	2,803,637
	24-Oct-17	98,308,709
	1-Dec-17	7,877,740
	24-Oct-17	86,105,415
	31-Oct-17	15,716,476
	19-Jun-18	12,887,477
	18-Oct-17	334,119,386
	18-Oct-17	541,815,221
	9-Nov-17	1,260,000
	6-Nov-17	906,636
	6-Nov-17	2,191,165
	9-Nov-17	11,931,704
	27-Nov-17	3,384,129
	27-Nov-17	246,336
	27-Nov-17	3,516,049
	27-Nov-17	123,168
	30-Nov-17	3,304,369
	30-Nov-17	123,168
	6-Dec-17	6,816,866
	14-Dec-17	556,887,819
	14-Dec-17	214,799,587
	14-Dec-17	79,119,770
	14-Dec-17	62,188,139
	21-Dec-17	12,883,358
	21-Dec-17	2,467,951
	21-Dec-17	4,927,230
	21-Dec-17	6,441,680
	21-Dec-17	1,233,976
	21-Dec-17	2,463,615
	21-Dec-17	8,534,000
	21-Dec-17	4,634,000
	22-Dec-17	54,164,837
	22-Dec-17	51,781,576
	22-Dec-17	907,263
	22-Dec-17	2,848,282

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	22-Dec-17	3,675,619
	22-Dec-17	123,168
	17-Jan-18	945,000
	7-Feb-18	26,019,861
	7-Feb-18	2,324,517
	17-Jan-18	259,489,327
	17-Jan-18	122,972,164
	17-Jan-18	68,314,766
	17-Jan-18	20,098,402
	29-Jan-18	3,472,880
	29-Jan-18	1,844,968
	7-Feb-18	9,402,000
	7-Feb-18	4,701,000
	7-Feb-18	4,701,000
	7-Feb-18	79,700,326
	7-Feb-18	62,644,457
	12-Feb-18	1,473,200
	13-Feb-18	14,280,190
	13-Feb-18	14,280,190
	20-Feb-18	3,258,830
	20-Feb-18	19,552,979
	20-Feb-18	3,258,830
	20-Feb-18	4,805,923
	13-Feb-18	3,541,487
	21-Feb-18	83,107,531
	21-Feb-18	79,450,800
	5-Mar-18	907,263
	5-Mar-18	3,811,509
	14-Mar-18	907,263
	14-Mar-18	3,072,444
	14-Mar-18	3,370,950
	14-Mar-18	4,260,541
	1-Apr-18	8,004,810
	16-Mar-18	3,093,369
	16-Mar-18	123,168
	28-Mar-18	9,578,384
	3-Apr-18	3,588,939
	3-Apr-18	123,168
	3-Apr-18	186,744
	3-Apr-18	24,027,969
	5-Apr-18	3,686,689
	30-Jun-18	(4,571,419)
	5-Apr-18	123,168
	17-Apr-18	24,864,386
	17-Apr-18	2,975,997
	17-Apr-18	89,248,684
	17-Apr-18	85,321,713
	26-Apr-18	8,826,467
	9-May-18	4,571,419
	9-May-18	121,751

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	9-May-18	3,279,405
	4-May-18	907,263
	4-May-18	3,501,662
	1-Jun-18	(72,878,706)
	1-Jun-18	(59,760,539)
	12-Jun-18	72,878,706
	12-Jun-18	59,760,539
	12-Jun-18	36,311,463
	12-Jun-18	29,775,399
	19-Jun-18	6,318,468
	19-Jun-18	12,579,112
	21-Jun-18	2,427,538
	21-Jun-18	1,279,291
	21-Jun-18	3,428,639
	21-Jun-18	2,370,214
	21-Jun-18	3,824,715
	21-Jun-18	2,441,481
	21-Jun-18	3,992,904
	21-Jun-18	2,053,042
	30-Jun-18	(121,751)
	30-Jun-18	(8,826,467)
	30-Jun-18	(3,279,405)
	30-Jun-18	(3,501,662)
	30-Jun-18	(28,603,912)
	Total	4,159,916,585
BADEA		
	12-Jul-17	30,083,415
	12-Jul-17	5,308,838
	18-Oct-17	14,102,109
	18-Oct-17	2,488,607
	30-Nov-17	11,600,195
	30-Nov-17	2,047,093
	31-Jan-18	9,990,643
	31-Jan-18	1,763,055
	17-Apr-18	14,914,728
	17-Apr-18	2,632,011
	Total	94,930,694
CHINA		
	1-Feb-18	1,908,586,900
	Total	1,908,586,900
TMEA		
	20-Sep-17	8,111,783
	Total	8,111,783
JICA		
	12-Jul-17	12,315,602
	12-Jul-17	15,042,460

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	25-Jul-17	9,778,309
	25-Jul-17	13,900,093
	24-Aug-17	141,145,802
	11-Sep-17	10,061,654
	13-Sep-17	11,511,176
	1-Oct-17	146,181,627
	12-Oct-17	9,922,656
	12-Oct-17	8,713,688
	27-Oct-17	94,499,945
	6-Dec-17	11,613,034
	6-Dec-17	8,878,639
	6-Dec-17	10,724,907
	6-Dec-17	8,787,904
	13-Dec-17	164,579,515
	22-Dec-17	10,520,970
	22-Dec-17	8,829,724
	2-Mar-18	6,407,404
	2-Mar-18	7,517,773
	21-Feb-18	181,332,024
	21-Feb-18	102,150,208
	2-Mar-18	6,710,346
	2-Mar-18	7,305,181
	28-Mar-18	9,414,469
	28-Mar-18	2,549,016
	28-Mar-18	11,055,299
	28-Mar-18	8,627,580
	28-Mar-18	12,051,762
	28-Mar-18	10,676,291
	28-Mar-18	8,851,602
	28-Mar-18	12,072,849
	28-Mar-18	5,615,329
	28-Mar-18	3,721,621
	28-Mar-18	2,015,494
	28-Mar-18	2,529,792
	28-Mar-18	424,804
	5-Apr-18	8,899,154
	5-Apr-18	9,378,650
	Total	1,116,314,354
KUWAIT		
	12-Jul-17	65,541,209
	12-Jul-17	11,566,096
	3-Aug-17	5,656,734
	1-Oct-17	5,852,483
	3-Oct-17	6,035,561
	18-Oct-17	30,723,548
	18-Oct-17	5,421,803
	6-Nov-17	5,852,483
	27-Nov-17	5,852,483
	30-Nov-17	25,272,757

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	30-Nov-17	4,459,898
	31-Jan-18	21,766,107
	31-Jan-18	3,841,078
	31-Jan-18	5,852,483
	14-Feb-18	5,852,483
	13-Mar-18	6,041,315
	5-Apr-18	6,039,920
	Total	221,628,442
SAUDI		
	12-Jul-17	57,315,787
	12-Jul-17	10,114,551
	18-Oct-17	26,867,742
	18-Oct-17	4,741,366
	30-Nov-17	22,101,026
	30-Nov-17	3,900,181
	6-Feb-18	19,034,461
	31-Jan-18	3,359,023
	Total	147,434,138
IDA		
	12-Jul-17	2,894,071
	12-Jul-17	31,101,968
	12-Jul-17	18,050,201
	12-Jul-17	20,061,659
	12-Jul-17	26,643,845
	12-Jul-17	110,972,260
	12-Jul-17	11,115,448
	12-Jul-17	77,936,926
	12-Jul-17	35,732,763
	12-Jul-17	42,946,249
	12-Jul-17	32,275,278
	12-Jul-17	45,825,965
	12-Jul-17	68,738,947
	18-Jul-17	49,353,510
	18-Jul-17	91,156,229
	20-Jul-17	16,207,692
	20-Jul-17	49,048,188
	20-Jul-17	25,201,324
	20-Jul-17	12,412,592
	25-Jul-17	3,143,381
	25-Jul-17	9,484,009
	26-Jul-17	69,462,766
	26-Jul-17	83,933,115
	26-Jul-17	(112,702,805)
	26-Jul-17	(41,777,725)
	1-Aug-17	19,172,059
	1-Aug-17	23,963,126
	2-Aug-17	42,131,953
	2-Aug-17	30,783,707

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 Report and Financial Statements for the year ended 30th June 2018

	4-Aug-17	1,610,092
	4-Aug-17	2,155,567
	4-Aug-17	11,866,368
	4-Aug-17	3,060,453
	4-Aug-17	8,207,362
	4-Aug-17	3,006,490
	4-Aug-17	3,143,381
	4-Aug-17	8,559,191
	24-Aug-17	5,017,654
	24-Aug-17	5,820,383
	24-Aug-17	5,823,272
	24-Aug-17	3,647,149
	24-Aug-17	3,881,349
	25-Aug-17	11,899,599
	25-Aug-17	7,169,577
	25-Aug-17	7,624,044
	25-Aug-17	7,435,663
	31-Aug-17	188,353,469
	31-Aug-17	51,633,186
	31-Aug-17	30,050,017
	31-Aug-17	46,093,261
	31-Aug-17	60,572,832
	5-Sep-17	1,025,949
	5-Sep-17	7,861,775
	5-Sep-17	4,005,652
	5-Sep-17	8,094,264
	5-Sep-17	4,463,152
	11-Sep-17	3,887,247
	11-Sep-17	8,393,361
	11-Sep-17	9,001,145
	11-Sep-17	628,557
	11-Sep-17	1,922,023
	11-Sep-17	141,042,915
	11-Sep-17	29,567,289
	12-Sep-17	3,140,961
	12-Sep-17	9,476,708
	12-Sep-17	3,140,961
	12-Sep-17	8,552,602
	12-Sep-17	3,140,961
	12-Sep-17	8,552,602
	13-Sep-17	6,454,252
	13-Sep-17	68,862,071
	13-Sep-17	49,211,255
	20-Sep-17	13,537,651
	20-Sep-17	24,863,311
	28-Sep-17	52,974,005
	28-Sep-17	57,348,613
	28-Sep-17	85,548,723
	28-Sep-17	66,473,414
	28-Sep-17	105,446,471

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	28-Sep-17	74,354,084
	28-Sep-17	108,786,807
	28-Sep-17	61,617,113
	28-Sep-17	99,662,578
	1-Oct-17	44,808,829
	1-Oct-17	36,573,701
	1-Oct-17	18,013,912
	3-Oct-17	5,568,134
	3-Oct-17	2,786,090
	3-Oct-17	6,704,131
	3-Oct-17	3,005,190
	3-Oct-17	1,853,914
	3-Oct-17	2,806,018
	3-Oct-17	73,537,807
	3-Oct-17	51,930,397
	3-Oct-17	38,276,536
	3-Oct-17	56,067,081
	3-Oct-17	79,800,015
	3-Oct-17	2,614,783
	5-Oct-17	47,245,677
	5-Oct-17	59,097,272
	12-Oct-17	2,958,430
	12-Oct-17	1,291,744
	12-Oct-17	85,522,432
	12-Oct-17	60,968,757
	27-Oct-17	8,101,688
	27-Oct-17	4,824,470
	27-Oct-17	7,867,847
	31-Oct-17	107,726,474
	31-Oct-17	22,583,054
	6-Nov-17	41,630,348
	6-Nov-17	62,504,062
	6-Nov-17	85,267,786
	6-Nov-17	70,035,451
	6-Nov-17	48,681,807
	6-Nov-17	14,594,635
	6-Nov-17	16,360,895
	6-Nov-17	33,393,544
	9-Nov-17	35,531,115
	9-Nov-17	14,500,400
	14-Nov-17	104,132,395
	14-Nov-17	130,154,913
	23-Nov-17	(3,350,700)
	30-Nov-17	4,070,117
	30-Nov-17	4,989,419
	1-Dec-17	(163,665,866)
	1-Dec-17	163,696,429
	11-Dec-17	49,985,966
	11-Dec-17	70,972,439
	11-Dec-17	106,458,660

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 Report and Financial Statements for the year ended 30th June 2018

	14-Dec-17	26,862,088
	14-Dec-17	21,578,746
	14-Dec-17	82,161,627
	14-Dec-17	62,719,080
	14-Dec-17	28,783,301
	14-Dec-17	8,753,600
	14-Dec-17	7,606,070
	22-Dec-17	39,401,901
	22-Dec-17	28,352,879
	22-Dec-17	234,646,975
	22-Dec-17	37,025,308
	22-Dec-17	157,821,286
	22-Dec-17	51,902,300
	22-Dec-17	64,872,601
	17-Jan-18	535,411
	17-Jan-18	7,066,513
	17-Jan-18	48,320,331
	17-Jan-18	33,733,061
	17-Jan-18	29,910,261
	17-Jan-18	51,868,876
	17-Jan-18	59,353,174
	24-Jan-18	108,672,999
	24-Jan-18	15,929,365
	24-Jan-18	81,407,499
	24-Jan-18	48,844,599
	29-Jan-18	5,322,499
	29-Jan-18	4,576,459
	7-Feb-18	4,433,046
	7-Feb-18	3,917,038
	7-Feb-18	3,757,082
	7-Feb-18	3,509,685
	7-Feb-18	59,573,447
	7-Feb-18	42,808,012
	7-Feb-18	37,868,135
	12-Feb-18	127,277,885
	12-Feb-18	159,265,293
	19-Feb-18	64,401,049
	19-Feb-18	87,819,612
	19-Feb-18	131,729,418
	19-Feb-18	166,773,854
	19-Feb-18	17,606,149
	19-Feb-18	115,427,566
	1-Mar-18	3,735,053
	1-Mar-18	2,197,200
	2-Mar-18	5,528,742
	2-Mar-18	4,177,312
	2-Mar-18	2,018,961
	2-Mar-18	5,896,403
	2-Mar-18	2,980,280
	2-Mar-18	3,439,515

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	2-Mar-18	1,960,989
	2-Mar-18	70,475,019
	2-Mar-18	34,711,576
	16-Mar-18	42,407,369
	22-Mar-18	42,208,280
	22-Mar-18	4,842,233
	22-Mar-18	4,948,608
	22-Mar-18	5,065,579
	22-Mar-18	5,916,922
	22-Mar-18	5,330,163
	22-Mar-18	6,259,713
	22-Mar-18	1,543,591
	22-Mar-18	606,205
	22-Mar-18	6,158,760
	22-Mar-18	5,561,416
	22-Mar-18	5,642,672
	22-Mar-18	5,534,526
	22-Mar-18	6,464,240
	22-Mar-18	5,721,570
	22-Mar-18	5,680,562
	22-Mar-18	7,020,825
	22-Mar-18	5,407,038
	22-Mar-18	3,898,396
	22-Mar-18	5,406,668
	22-Mar-18	4,287,605
	22-Mar-18	5,469,722
	22-Mar-18	6,340,244
	22-Mar-18	5,625,920
	22-Mar-18	6,599,123
	22-Mar-18	5,120,863
	22-Mar-18	5,341,661
	22-Mar-18	4,843,524
	22-Mar-18	5,731,332
	22-Mar-18	147,846,830
	22-Mar-18	25,237,722
	22-Mar-18	18,960,451
	22-Mar-18	22,429,620
	22-Mar-18	69,496,733
	22-Mar-18	98,542,058
	22-Mar-18	138,378,620
	28-Mar-18	27,809,971
	28-Mar-18	9,341,520
	5-Apr-18	113,473,986
	5-Apr-18	68,084,392
	5-Apr-18	46,911,464
	5-Apr-18	58,070,959
	17-Apr-18	96,114,817
	17-Apr-18	85,966,876
	17-Apr-18	50,523,079
	17-Apr-18	59,430,222

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	27-Apr-18	265,866,022
	27-Apr-18	46,510,270
	27-Apr-18	158,616,054
	27-Apr-18	115,083,997
	27-Apr-18	168,053,285
	27-Apr-18	224,278,522
	4-May-18	5,945,758
	4-May-18	21,844,357
	4-May-18	16,758,770
	4-May-18	57,710,629
	4-May-18	5,857,585
	4-May-18	7,464,417
	4-May-18	5,519,437
	4-May-18	6,587,511
	4-May-18	5,378,482
	4-May-18	6,688,724
	4-May-18	6,015,417
	4-May-18	2,457,569
	4-May-18	4,854,588
	4-May-18	1,277,093
	4-May-18	5,822,810
	4-May-18	4,887,998
	5-May-18	3,613,948
	9-May-18	6,193,926
	9-May-18	2,948,710
	9-May-18	6,383,290
	9-May-18	3,192,248
	9-May-18	4,826,839
	9-May-18	3,435,710
	9-May-18	377,854
	9-May-18	6,175,309
	16-May-18	24,150,764
	28-May-18	188,067,281
	28-May-18	125,378,187
	28-May-18	87,859,504
	28-May-18	81,172,315
	28-May-18	55,197,174
	1-Jun-18	3,000,000
	1-Jun-18	3,613,948
	5-Jun-18	26,360,340
	5-Jun-18	19,673,885
	5-Jun-18	70,190,911
	5-Jun-18	4,649,315
	5-Jun-18	3,572,220
	5-Jun-18	25,494,118
	5-Jun-18	15,392,787
	5-Jun-18	60,242,729
	5-Jun-18	41,161,796
	5-Jun-18	31,974,812
	5-Jun-18	25,061,541

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 Report and Financial Statements for the year ended 30th June 2018

	5-Jun-18	12,343,744
	5-Jun-18	20,019,170
	5-Jun-18	9,860,188
	5-Jun-18	9,091,750
	5-Jun-18	4,872,821
	5-Jun-18	21,297,146
	5-Jun-18	11,049,020
	12-Jun-18	107,062,407
	12-Jun-18	64,237,444
	12-Jun-18	35,267,935
	12-Jun-18	17,370,774
	12-Jun-18	211,303,804
	12-Jun-18	43,863,677
	15-Jun-18	5,862,978
	15-Jun-18	4,651,239
	19-Jun-18	108,921,891
	19-Jun-18	2,828,337
	19-Jun-18	5,606,954
	19-Jun-18	3,685,093
	19-Jun-18	4,504,752
	19-Jun-18	3,381,903
	19-Jun-18	7,278,017
	19-Jun-18	4,607,674
	19-Jun-18	53,625,211
	19-Jun-18	59,117,897
	20-Jun-18	150,710,784
	20-Jun-18	22,815,690
	20-Jun-18	538,030
	20-Jun-18	4,576,192
	21-Jun-18	2,386,239
	21-Jun-18	12,363,679
	21-Jun-18	6,011,601
	21-Jun-18	3,013,822
	21-Jun-18	13,091,029
	21-Jun-18	3,770,112
	21-Jun-18	49,872,937
	21-Jun-18	8,155,827
	21-Jun-18	2,575,877
	21-Jun-18	482,004
	21-Jun-18	5,938,827
	21-Jun-18	52,984,488
	21-Jun-18	232,320,999
	21-Jun-18	157,978,280
	22-Jun-18	14,960,165
	22-Jun-18	11,175,867
	22-Jun-18	39,824,694
	22-Jun-18	10,128,943
	22-Jun-18	4,988,883
	22-Jun-18	(17)
	Total	11,819,555,044

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	OPEC		
		12-Jul-17	45,682,223
		12-Jul-17	8,061,567
		18-Oct-17	21,414,313
		18-Oct-17	3,778,996
		30-Nov-17	17,615,112
		30-Nov-17	3,108,549
		31-Jan-18	15,170,977
		31-Jan-18	2,677,231
		Total	117,508,968
d.	Donor Receipts		
		Bank Statement Date	Amount (KShs)
	IDA	7-Feb-18	18,709,684
		7-Feb-18	46,900,000
		23-Feb-18	46,900,000
		7-Feb-18	46,900,000
		7-Feb-18	46,900,000
		11-Jan-18	82,781,651
		19-Mar-18	63,105,000
		23-Mar-18	75,000,000
		19-Mar-18	135,000,000
		20-Apr-18	76,724,794
	Receivable		22,411,450
	Receivable		99,990,316
	Receivable		165,874,840
	Receivable		150,000,000
		Total	1,077,197,735
		Total Direct Payments(c+d)	21,140,028,997

The above amounts have been communicated to and reconciled with the parent Ministry Finance Manager Head of Accounting Unit and State Department of Infrastructure