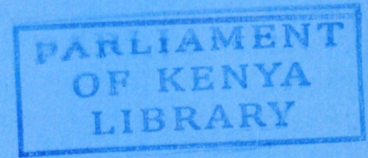
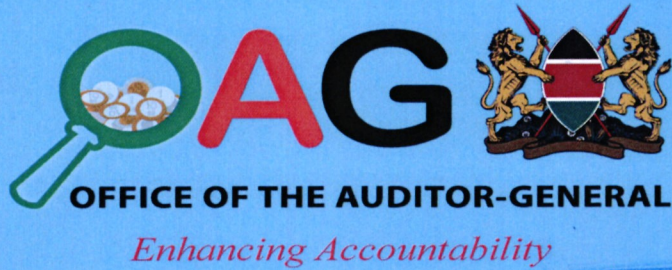


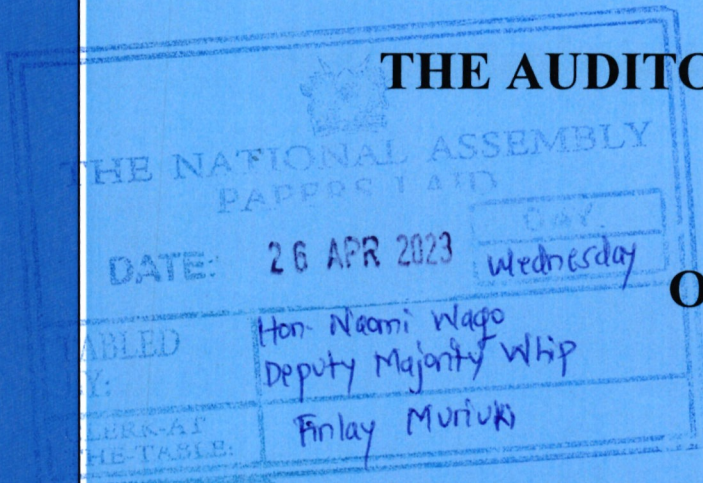
REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL



ON

KENYA ROADS BOARD OPERATIONS

FOR THE YEAR ENDED
30 JUNE, 2022



KENYA ROADS BOARD - OPERATIONS

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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

KENYA ROADS BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

TABLE OF CONTENTS

KEY ENTITY INFORMATION AND MANAGEMENT	5
THE BOARD OF DIRECTORS	8
MANAGEMENT TEAM	11
CHAIRMAN'S STATEMENT	13
REPORT OF THE DIRECTOR GENERAL	16
REVIEW OF KENYA ROAD BOARD'S PERFORMACE FOR FY 2021/2022	19
MANAGEMENT DISCUSSION AND ANALYSIS - KRB OPERATIONS	26
CORPORATE GOVERNANCE STATEMENT	28
CORPORATE SOCIAL RESPOSIBILITY STATEMENT	35
REPORT OF THE DIRECTORS	37
STATEMENT OF THE BOARD'S RESPONSIBILITIES	38
REPORT OF THE INDEPENDENT AUDITORS	39
STATEMENT OF FINANCIAL PERFORMANCE	42
STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2022	43
STATEMENT OF CHANGES IN NET ASSETS	44
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2022	45
STATEMENT OF COMPARISON ON BUDGET AND ACTUAL AMOUNTS	46
NOTES TO THE FINANCIAL STATEMENTS	47
PROGRESS ON FOLLOW UP OF AUDITOR RECOMENDATIONS	72

KENYA ROADS BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

Our Vision:

An efficient road network for a prosperous nation

Our Mission:

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

Our Core Values:

(a) *Professionalism*

We shall maintain high standards and professional competence in the discharge of responsibilities and delivery of quality services. We shall abide to professional considerations on the methods, standards and procedures in our work and focus on achieving excellence with a view to exceeding the expectations of our clients and stakeholders.

(b) *Passion for quality*

We shall stand up for what we believe in; perform our roles with purpose, pride, enthusiasm, and dedication in everything that we do. We are committed to providing and delivering high quality services.

(c) *Customer Service Excellence*

We are committed to uphold customer driven and focused service delivery by honoring commitments that we have made to our customers. We shall treat our customers with courtesy, respect and be sensitive to and deal with issues and situations in a proactive and timely manner, using flexible decision-making processes. KRB shall ensure that every employee shares the same ideals in regard to the central position of the customer and as such continue to motivate its employees to be committed to high standards of service delivery to meet customers' requirements in a consistent manner.

(d) *Integrity*

We are committed to promoting transparency, accountability, and professionalism in our work. We shall be impartial, honest, objective, and unbiased in how we relate to each other and our stakeholders.

(e) *Inclusiveness*

We shall embrace inclusiveness and promote diversity in our organization and ensure adherence to constitutional requirements on gender, disability, minorities among others.

(f) *Innovation*

We shall endeavour to be innovative, creative and embrace technology to achieve efficiency and effectiveness in service delivery.

KEY ENTITY INFORMATION AND MANAGEMENT

a) Background Information:

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

The Board is domiciled and operates within the Republic of Kenya. The registered office is as set out on page 7.

b) Principle Activity:

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

Specific Mandates:

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

- (a) *'Coordinate the optimal utilization of the Fund in implementation of programmes relating to the maintenance, rehabilitation and development of the road network;*
- (b) *seek to achieve optimal efficiency and cost effectiveness in roadworks funded by the Fund;*
- (c) *manage the Fund;*
- (d) *based on a five-year road investment programme approved by the Minister and the Minister for Finance, determine the allocation of financial resources from any other source available to the Board required by road agencies for the maintenance, rehabilitation and development of the road network to ensure that the allocation of funds is pegged to specific categories of roads and that not less than*
 - (i) *twenty two percent (22%), which shall be deposited into a special bank account to be called Constituency Road Fund Account to be maintained by every constituency of monies from the Fund is allocated equally to all Constituencies in the country to be administered by the Rural Roads Authority;*
 - (ii) *ten percent (10%) of the monies from the Fund is allocated for the maintenance or development of link roads between constituencies and to serve as Government counterpart funds in funding works on rural roads, to be administered by the Kenya Rural Roads Authority and that the said per centum shall be equally distributed to the constituencies where Kenya Rural Roads Authority has the mandate.*
 - (iii) *forty percent (40%) of the monies from the Fund is allocated in respect of the national roads to be administered by the National Highways Authority;*
 - (iv) *fifteen percent (15%) of the monies from the Fund is allocated in respect of the Urban Roads Authority;*
 - (v) *one percent (1%) of the monies from the Fund is allocated in respect of roads in national parks and reserves to be administered by the Kenya Wildlife Service, and*
 - (vi) *a maximum of two percent (2%) of the monies from the Fund is allocated in respect of recurrent expenditure of the Board under section 31(5).*

KENYA ROADS BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

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

c) Key Management:

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

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

d) Fiduciary Management:

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

1. Director General - Rashid Mohamed, MBS
2. Director, Finance & Finance Management - CPA Martin Agumbi
3. Director, Highways - Eng. David O. Orwenyo
4. Director, Policy & Strategy - Eng. Tom Omai
5. Deputy Director, Human Resources Management & Administration - Mr. Hamoud M. Mguza

e) Fiduciary Oversight Arrangements:

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

- Audit and Risk Management Committee of the Board
- Finance Committee of the Board
- Technical Committee of the Board
- Human Resources and Management Committee of the Board

KENYA ROADS BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

f) Financial Statements:

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

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

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

g) Registered Office/Headquarters:

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

h) Contacts:

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

i) Principal Bankers:

Citibank N.A
Citibank House, Upper Hill
P.O Box 30711-00100, GPO
NAIROBI, KENYA

j) Independent Auditors:

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

k) Principal Legal Adviser:

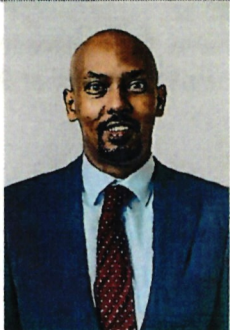


The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112, City Square 00200
Nairobi, Kenya

KENYA ROADS BOARD
 FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022






THE BOARD OF DIRECTORS

The Board draws representatives from public and private stakeholders as set out in Section 7 of the Kenya Roads Board Act, 1999.

Board members in FY 2021/2022 include the following:-

Representative	Organization
 <p>CPA. Rashid Mohamed, MBS (Director General)</p>	<p>Kenya Roads Board</p>
 <p>Prof. Arch. Paul M. Maringa, (PHD) CBS</p>	<p>PS, State Department of Infrastructure - Ministry of Transport, Infrastructure, Housing and Urban Development</p>
 <p>Dr. Julius Monzi Muia, CBS</p>	<p>PS, The National Treasury</p>

KENYA ROADS BOARD
 FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

 <p>Mr Charles T. Sunkuli, CBS</p>	<p>PS, State Department for Devolution - Ministry of Devolution and the Arid and Semi-Arid Lands</p>
 <p>Dr. Kevit Desai</p>	<p>PS, State Department for EAC - Ministry of EAC and Regional Development</p>
 <p>Mr. Solomon Kitungu</p>	<p>PS, State Department of Transport - Ministry of Transport, Infrastructure, Housing and Urban Development</p>
 <p>Eng. John Nyaguti</p>	<p>Institution of Engineers of Kenya</p>
 <p>Mr. Wilson Ndirangu Kamau</p>	<p>Institute of Surveyors of Kenya</p>

KENYA ROADS BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

 CPA Charles Tirok	Institute of Certified Public Accountants
 Dr. Mary Ragui (Retired on 15 th February 2022)	Kenya Association of Tour Operators



Alternate Board members in FY 2021/2022 include the following:

Alternate Representative	Organization
Mr. Abednego Etyang	State Department of Infrastructure - Ministry of Transport, Infrastructure, Housing and Urban Development
Hon. Nelson Gaichuhie (Retired in May 2022)	The National Treasury
Mr. James Mwanzia	State Department for Devolution - Ministry of Devolution and the Arid and Semi-Arid Lands
Mr. Julius Mwabu	State Department for EAC - Ministry of EAC and Regional Development
Mr. Paul King'ori	State Department of Transport - Ministry of Transport, Infrastructure, Housing and Urban Development

MANAGEMENT TEAM

<u>Name</u>	<u>Profile</u>
 <p>R. Mohamed, MBS <i>Director General</i></p>	<p>The Director General holds a Master's in Business Administration from Oxford University, United Kingdom, and a Bachelor of Commerce from the University of Nairobi. He is a registered member of the Institute of Certified Public Accountants of Kenya (ICPAK) and has served in the Council of ICPAK. The Director General joined the Board as a Financial Controller and was appointed the Director Finance in 2008 on return from the University of Oxford. He briefly served as the inaugural Director Corporate Services in Kenya National Highways Authority and was instrumental in setting up the institution during its formative years.</p> <p>The Director General has over 25 years managerial experience in finance in both public and private sector institutions and has been engaged in public policy and governance matters. He is a highly respected thought leader with exposure in advocacy, strategy, risk management, private equity, and resource mobilization initiatives. He was recognized for his exemplary service to the nation and conferred with the prestigious Moran of the Order of the Burning Spear (MBS) award.</p> <p>The Director General is also involved in various social enterprise initiatives in Northern Kenya targeting the youth and women.</p>
<p>Eng. David Orwenyo Director - Highways</p>	<p>Eng. Orwenyo holds a Master of Science in Civil Engineering from Moscow State University of Civil Engineering. He is a registered engineer with the Engineers Board of Kenya and a member of the Institution of Engineers of Kenya.</p> <p>Eng. Orwenyo has over 30 years' experience encompassing road management; design, construction supervision, maintenance, monitoring and evaluation of roadworks programmes, contract management and procurement of civil works and selection of consultants in the Public Sector. He has also served as an adjunct lecturer at JKUAT and Moi Universities.</p>

KENYA ROADS BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

 <p>CPA Martin Agumbi <i>Director - Finance & Fund Management</i></p>	<p>CPA Martin Agumbi holds a Bachelor of Science in Commerce from the University of Nairobi and is a registered member of the Institute of Certified Public Accountants of Kenya (ICPAK).</p> <p>CPA Martin has over 20 years' experience in financial management, audit, financial reporting, Strategic Planning, and budgeting. He has gained experience in borrowing and financial market structuring gained in both the Public and Private sectors. CPA Martin has attended leadership programmes in Strategic Development, Enterprise Risk Management, Ethics & Governance and Performance Budgeting.</p>
 <p>Eng. Tom Omai <i>Director - Policy & Strategy</i></p>	<p>Eng. Omai holds a Masters in Project Planning & Management and a Bachelor of Science in Civil Engineering from the University of Nairobi. He is a registered engineer with the Engineers Board of Kenya and a member of the Institution of Engineers of Kenya.</p> <p>Eng. Omai has over 15 year's practical experience in Strategic Planning, Project management, Performance Based Contracting, Procurement of Roadworks and services, Highway designs and management using computer aided tools and Road Management Systems, Roadworks Cost Estimation Systems, Road Transport Policy formulation and Research & Development.</p>

CHAIRMAN’S STATEMENT

On behalf of the Members of the Board, it is my pleasure to present the Annual Report and Financial Statements for Kenya Roads Board Fund for the year ended 30th June 2022.

General Economic Environment

Kenya managed to contain the health and economic impacts of multiple COVID-19 waves in 2021, helped by targeted containment measures and progress on vaccination, but is now facing a potentially large economic shock from the war in Ukraine.

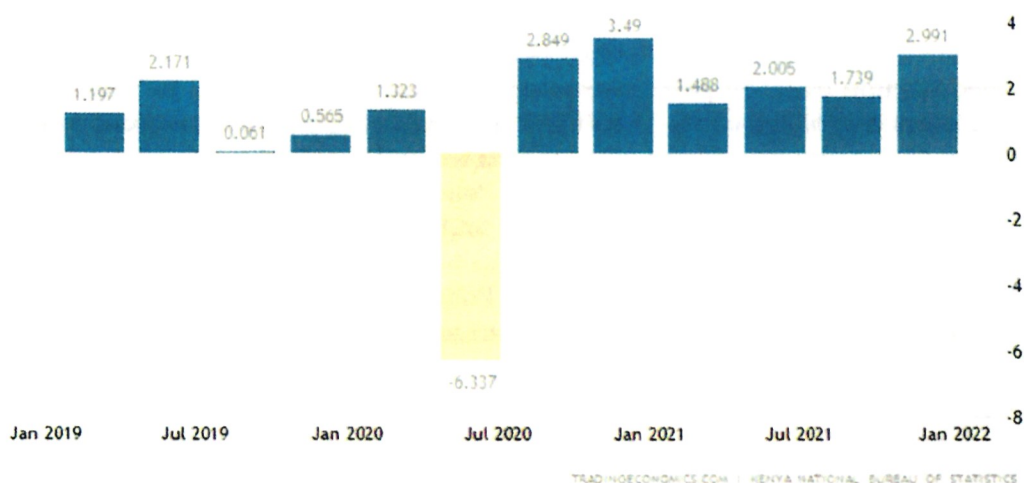
Kenya’s economic performance remained strong in the early months of 2022, but external challenges have mounted. Kenya’s exposure to the war in Ukraine through direct trade linkages is moderate, with Russia and Ukraine accounting for only 2.1 percent of total goods trade between 2015 and 2022.

However, the economy is vulnerable to the commodity price shocks resulting from the war, particularly through fuel, fertilizer, wheat, and other food imports. Global financial conditions have also tightened sharply, increasing external financing costs.

A strong recovery in revenue collection by Kenya Revenue Authority (KRA) has supported fiscal performance but this is now being countered by the cost of subsidizing fuel. The rebound in economic activity and ongoing tax reforms and revenue administration improvements have boosted revenue collection. Revenue in the current fiscal year through Q3 remained on target and performed above the previous year’s outturn.

Kenya’s economy has staged a moderate recovery from the worst economic effects of the pandemic. Estimates released by the Kenya National Bureau of Statistics (KNBS) indicate that the economy advanced 2.99 per cent year-on-year in January 2022 slightly lower than the estimated growth in Sub-Saharan Africa of 4 percent.

Looking ahead, economic growth is expected to moderate in 2022 with real GDP projected to grow by 5.5 percent in 2022 and 5.2 percent on average in 2023–24.



KENYA ROADS BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

Going forward into the medium term, the Government will continue with its expenditure prioritization policy with a view to achieving the transformative development agenda, which is anchored on provision of core services, ensuring equity, and minimizing costs through the elimination of duplication and inefficiencies, creation of employment opportunities and improving the general welfare of the people. This will curtail growth in public expenditures to ensure it attains its fiscal consolidation path over the medium term and ensure debt is maintained within sustainable levels.

National Agenda

The 2021 Budget Policy Statement (BPS) was prepared against a background of a weak global economy. The policy measures outlined in the 2021 Budget Policy Statement prioritize investments in the “Big Four” Agenda and are anchored on the National Development Plan as outlined in the Third Medium Term Plan (MTP III) of Kenya Vision 2030.

To respond to the current challenges and cushion Kenyans and businesses from the adverse effects of the Pandemic, the Government is currently implementing an Economic Stimulus Programme - whose objective is to return the economy to the pre Covid-19 growth trajectory by increasing demand for local goods and services, cushioning vulnerable Kenyans, securing household food security for the poor, and creating employment and incomes. Great gains have been realized under the Programme including job creation for our youth under the “Kazi Mtaani” Programme; enhanced liquidity to support businesses through monetary measures that were introduced; and enhanced cash transfers to the vulnerable and the emerging urban vulnerable as a result of the Pandemic.

Building on the gains made, the Government will implement the Post Covid-19 Economic Recovery Strategy (ERS) which will mitigate the adverse impact of the Pandemic on the economy and further re-position the economy on a steady and sustainable growth trajectory. Successful implementation of the PostCovid-19 ERS is predicated on faster implementation of policy, legal and institutional reforms that are necessary for effective implementation of the Strategy. The Government will ensure that all the proposed policies and legislation are implemented within the specified timelines. In this regard, the Parliamentary Calendar will be amended to accommodate the passing of key legislations required to facilitate implementation of the Post-Covid-19 ERS.

Further, the Government will accelerate implementation of the “Big Four” Agenda which has gained traction over the past three years. The agenda is designed to help achieve the social and economic pillars of our Vision 2030 and the development aspirations espoused in the Kenyan Constitution. Actualization of policies and programmes under each pillar is expected to accelerate and sustain the Budget Policy Statement inclusive of growth, create opportunities for decent jobs, reduce poverty and income inequality and ensure that we create a healthy and food secure society in which Kenyans have access to affordable and decent housing. This being the fourth Budget Policy Statement since the onset of the “Big Four” Plan, the Government has made great strides in the implementation of the strategic interventions under the Plan which have contributed immensely to stimulating the economy and improving the lives of Kenyans. Building on these gains, the Government will strengthen implementation of programmes that make growth more inclusive and pursue measures that avail liquidity to private sector, including initiating innovative products to boost credit to Micro, Small and Medium Enterprises (MSME).

KENYA ROADS BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

Kenya Roads Board Strategy

The Board's Strategic Plan (2018 – 2022) targeted to have 100% of maintainable roads (roads in good or fair condition) included in the APRP by the end of the plan period. The Board has continued to implement its five-year Strategic Plan, and formulated a Business Plan for FY 2021/22, from the Strategic Plan. The deliverables that were set out in the business plan and performance contract for FY 2021/22 were achieved.

Specifically, the Kenya Roads Board Fund collections exceeded the estimates; the APRP for FY 2021/22 was approved and implemented during the year; the Board carried out monitoring and evaluation of utilization of the KRB Fund; and the internal capacity was strengthened to ensure effective delivery of the Board's mandates. Other achievements are enumerated in a different section of this report.

The Annual Public Roads Programme (APRP) for FY 2022/23 is aligned to the BPS 2022 and will contribute to maintenance and rehabilitation of roads in the medium term to spur economic growth and development. Further, the APRP will promote Roads 2000 strategy where applicable, through investments that utilize more local resources, create jobs, and thereby support the Government's Local Content Policy.

Future Outlook

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

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

Acknowledgement

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

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

I look forward to a promising financial year 2022/23. God Bless you all.



PHYLLIS WAKIAGA
CHAIRPERSON

19 Dec 2022
DATE

REPORT OF THE DIRECTOR GENERAL

Overview

Kenya Roads Board has continued to carry out its mandate of effectively and efficiently managing the Kenya Roads Board Fund. During the year under review, the Kenya Roads Board Act was amended, giving the Board powers to borrow funds. This provides the Board with a great opportunity to raise funds to address the road maintenance backlog in the country.

We are happy to note that the Board has achieved its ambitious performance targets set in the annual business plan for FY 2021/2022.

The Road Sector Investment Programme

The Road Sector Investment Programme (RSIP) is a medium-term plan that outlines the development and maintenance priorities for the road network. It provides the framework to guarantee road network quality through systematic planning and budgeting and a rational approach to funding road subsector spending. Currently, the maintenance backlog in Kenya is estimated at Kshs. 700 billion, constituting of roads in poor conditions that need to be restored to good condition.

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

Road Reclassification

The transport sector is one of Kenya's most important pillars of economic development contributing 6% to the country's GDP. Road is the most predominant mode of transport and accounts for over 90% of all freight and passenger traffic. Moreover, road transport serves as an intermediary service to all sectors and is critical to economic growth and social wellbeing. The country's road assets are estimated at over Kshs 2.5 trillion and represent one of the country's largest public investments. Thus, there is need to entrench the road asset management in the country's development strategy so as to facilitate their development and maintenance in an effective manner.

Kenya Roads Board by virtue of its mandate carries out periodic reviews of the classification system in consultation with road authorities and other stakeholders on behalf of the Ministry. Periodic reviews are to ensure that the classification system is aligned with the country's needs for mobility, access, and safety.

Roads Inventory and Condition Survey (RICS)

Road Inventory and Conditions Survey (RICS) is the process by which a country acquires data on the road assets to enable them to make evidence-based decisions on how to invest in physical infrastructure. The data provides an insight into how the condition of their road assets can be affected by their financial decisions and helps organizations to align maintenance and capital plans with a country's strategic goals.

KENYA ROADS BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

The Annual Public Roads Programme

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

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

The approved APRP FY 2021/2022 was fully funded and the APRP FY 2022/2023 has been compiled. The APRP funding reports for FY 2021/2022 have been published and publicized.

In addition to funding the APRP, Technical, Performance and Financial inspections for FY 2021/22 are planned to be conducted from the first quarter of FY 2022/2023. The terms of reference for inspections have been reviewed to include value for money audits and staff sensitized on value for money audits. The procurement of the next series of Technical, Performance and Financial inspections was completed, and the audits are on-going.

Section 19 (4) of the KRB Act requires the Board to review individually the annual road programmes submitted by the road agencies and consolidate the annual roads programme into annual public roads programme which shall:-

- (a) Specify the amount allocated for the maintenance, rehabilitation, and development of each class of roads;
- (b) Match the cost of implementing the annual roads programme with revenues collected or estimated to be collected by the and within the Fund; and
- (c) Identify roads requiring maintenance, rehabilitation, or development in order of priority, taking into account social and economic requirements of the country or any part thereof in which roads are located.

Further, Section (5) of the Act requires the Board to submit the APRP to the Cabinet Secretaries for Roads and Finance for approval. The approved APRP shall form the basis for funds allocation and auditing of works by the Board and shall not be varied by the road agency without the prior written approval by the Board.

Performance Contracting

Kenya Roads Board signed the FY 2021/2022 performance contract with the Government of Kenya through the Ministry of Transport, Infrastructure, Housing, and Urban Development & Public Works.

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

Appreciation

I would like to thank the Board of Directors, Management and Staff of Kenya Roads Board for their continued support and dedication, without which our ambitious objectives could not have been achieved. I would also wish to extend our gratitude to the Government of

KENYA ROADS BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

Kenya, the Ministry of Transport, Infrastructure, Housing and Urban Development & Public Works, the National Treasury and Road Agencies for their co-operation and support.

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



R. MOHAMED, MBS
DIRECTOR GENERAL

16 Dec 2022
DATE

REVIEW OF KENYA ROAD BOARD'S PERFORMANCE FOR FY 2021/2022

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

1. Key Result Areas (KRA's)

In line with KRB's Vision and Mission, three key result areas which reflect KRB's mandate were identified and formed the pillars of the Business Plan for FY 2021/22. The Key Result Areas were:

KRA 1: Management of the Road Fund

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

KRA 2: Oversight and Coordination of Road Network

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

KRA 3: Institutional Capacity

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

KENYA ROADS BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

2. Strategic Objectives

The Key Result Areas would be achieved through the following strategic objectives:

No.	KRA	Strategic Objective	Strategies
1	Management of the Road Fund	To mobilize resources to meet the current and future demand for road maintenance, rehabilitation, and development	Enhance and Safeguard Road Maintenance Levy
			Source additional Funds for road maintenance
			Enlist support from Development Partners for KRB programmes
		Develop a framework for transition to 3rd generation fund	
		To ensure prudent and sustainable utilization of the Fund	Strengthen Financial Reporting of KRB Fund
			Enhance Internal Controls
2	Oversight and coordination of road network	To facilitate maintenance of 161,451km National Trunk and County Roads	Institutionalize long term planning for the road maintenance and development
			Enhance coordination, monitoring and evaluation of APRP
		To promote cost effectiveness in delivery of road works	Enhance value for money in the application of the Fund
			Promote the use of appropriate technology and resources in delivery of roadworks
			Strengthen KRBs advisory role on all matters related to road maintenance and development
Promote road safety within the road subsector			
3	Institutional Capacity	To promote good Corporate Governance	Enhance Corporate Image and Customer Service
			Ensure Compliance with laws and policies
			Enhance Effectiveness of the Board of Directors
			Safeguard KRB assets
			Strengthen KRB systems and procedures
			Enhance effective supply chain management practices

KENYA ROADS BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

No.	KRA	Strategic Objective	Strategies
		To attract, develop and retain human capital	Ensure Optimal staffing levels
			Strengthen Human Resource development
			Institutionalize knowledge management practices
			Institutionalize performance-based management
			Raise and sustain employee satisfaction
			Ensure conducive work environment
		To Institutionalize use ICT in KRB operations	Establish and maintain KRB integrated Management Information System
			Secure KRB ICT Systems and enhance efficiency in service delivery

3. Key Performance Metrics

The Business Plan 2020-2021 would deliver the following Key Performance Indicators;

Key Result Area		Key Performance Indicator
Management of the Road Fund	1	Increase RMLF funds
	2	Approval from National Treasury to issue infrastructure bond and launch Private Finance Initiatives
Oversight and coordination of road network	3	Improve the Performance of Road Agencies by raising their accountability index
	4	Ensure national trunk and county roads receive maintenance interventions
Institutional Capacity	5	Raise customer satisfaction
	6	Raise employee satisfaction
	7	Roll out the ERP to additional functional areas of the organization

4. Performance Review for FY 2021-2022 – APRP FY 2021/2022 Preparation Guidelines and Priorities

The APRP 2021-22 has taken into consideration priorities as set out in the Road Sector Investment Plan (2010 – 2024), KRB-F works planning guidelines and is aligned to the Government Medium Term Expenditure Framework. The key considerations include:-

- (i) Road Asset Preservation - routine and periodic maintenance will be applied to the roads in good and fair condition as far as possible in order to preserve the existing road assets.
- (ii) Road Asset Restoration - some critical roads which are in poor condition have been included in FY 2021/22 APRP to receive full scale/partial rehabilitation or

reconstruction. In addition, spot improvement will be undertaken on selected roads which are in poor condition or those that have failed in order to keep these roads in a motorable condition until major interventions are undertaken.

- (iii) Road Improvement and Development - to respond to traffic growth, the capacity of roads will be improved through upgrading, widening, junction improvement and new construction. Other improvements include provision of non-motorized transport facilities such as cycle tracks, footpaths, and construction of pedestrian crossings. A maximum of 10% KRB-F will be applied for road improvement and development.
- (iv) Multi-year road projects - All ongoing multi-year projects are included and are adequately resourced.
- (v) Support Big 4 Agenda Initiatives by prioritizing maintenance of feeder road network and critical links for County & KeRRA road networks to provide access roads to hospitals, markets, trunk roads, affordable housing, and manufacturing areas especially Nairobi and Mombasa.
- (vi) Support Government Post Covid-19 Economic Recovery Strategy - the Board issued guidelines to promote local resource-based approaches set out under R2000 strategy and Kazi Mtaani program.
- (vii) Emergencies - Funds have been set aside for emergencies resulting from climate change, natural and man-made factors.
- (viii) The APRP was also subjected to joint review with the parent Ministry.
- (ix) Other considerations - the Board has ensured that there is no duplication of road programs across the road agencies and the maintenance interventions are guided by road inventory & condition surveys undertaken by road agencies.

5. Road Maintenance Funding

Kenya has a total network estimated at 246,757 Km, of which 162,055 Km is classified network. According to the RICS data of 2018, about 100,000 Km of the network is maintainable. The National Trunk Road network currently stands at 44,021 Km and the rest are County roads.

The table below gives the total planned length of the National Trunk Roads with a portion of the County Roads in Km which have been planned for maintenance over the last five (5) years. The corresponding roadworks amount budgeted in APRPs by the four (4) road agencies for the last five years is also shown. The network managed and maintained by the County Governments is not included.

KENYA ROADS BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

Table: APRP Planned Km and Roadworks Amounts in the last Five (5) Years

Financial Year	Planned Km	Amount in Ksh.
2022/23	50,978	58,682,294,217
2021/22	48,418	47,043,904,367
2020/21	41,182	43,889,949,374
2019/20	42,151	41,585,793,465
2018/19	40,537	42,462,666,672
2017/18	43,398	38,798,600,000

In FY 2022/23, the road agencies have planned to maintain a total of 50,978 kms of road network through various intervention measures as follows:

Routine Maintenance - This is a regular planned maintenance of roads that involves cleaning of drainage systems, light grading of gravel and earth roads, filling of potholes, patching and repair of edges of a pavement for paved roads, repair of shoulders and side slopes, and vegetation control on the road reserves.

Periodic Maintenance - This is maintenance carried out in periodic intervals of years to preserve the pavement structure of a road. It involves activities aimed at strengthening the road surface covering long stretches. The activities range from re-gravelling a gravel road to overlay of tarmac (AC) or surface dressing of a paved road.

Spot improvement - Spot improvement is a measure undertaken to restore a failed section of a road. This approach tries to keep roads in poor condition motorable by improving soft spots on gravel or earth roads and reconstructing failed sections of paved roads as they await periodic maintenance or rehabilitation. Spot improvement may also be carried out on specific failed sections of roads in good and fair condition or re-construction of collapsed culverts and short bridges.

PBC - Performance Based Contracting (PBC) is an approach in road maintenance where most of the risks in road maintenance contracts are transferred to the contractor. In this approach the Road Agency sets out service levels (standards) of a road required to be achieved by the contractor and makes fixed monthly or quarterly payments to the contractor for achieving the set service levels. The contract period varies from country to country but in Kenya a period of 3 years is currently being used by KeNHA.

Upgrading - This involves changing or improving the carriageway of a road from one surface type to a higher standard surface type. For instance, a road may be upgraded from earth to gravel standard or from gravel to bitumen standard (tarmac).

KENYA ROADS BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

The table below is a summary of the planned interventions in FY 2022/2023.

Table: Consolidated APRP FY 2022/2023 Outputs

Road Agency	Road Network	Routine Mtce.	Periodic Mtce.	Spot Improvement	PBC Mtce.	Up Grading	Total Length Planned (Km)	Roadworks Budget (KShs)
KENHA	21,874	8,160	334		8,980		17,474	22,925,218,024
KeNHA Development Support								2,100,000,000
KURA	3,825	1,468	386		847	58	2,759	8,249,455,908
KeRRA	18,322	12,326		10,849			23,175	17,968,952,080
KWS		2,368			154	48	2,570	638,302,898
Board/CS Allocation							5,000	6,800,365,306
TOTAL	44,021	24,322	720	10,849	9,981	106	50,978	58,682,294,217
Previous FY 2021-22	44,021	25,361	916	7,695	9,422	24	48,418	47,043,904,367

The national trunk road network to be covered in FY2022/2023 APRP is a total length of 32,224km. This represents 73% of the classified national trunk road network of 44,021Km as per the updated road register 2021 and represents 20% of entire road network of 162,055km which includes County roads.

A network of approximately 5,000 km is planned during the financial year under the 10% CS allocation budget as shown in the table above. Communication to the Road Agencies on the prioritized roads will be done as per the Minister's approval.

KeRRA has also included in the planned network a total of 11,543 Kms of County roads in their FY 2022/23 ARPWs representing 10% of the total County Road network. KWS has also planned to maintain 1,425 kms of county roads and 785 kms of unclassified within the National parks and Game reserves.

The planned network in FY 2022/23 has increased by 3% compared to the previous Financial Year.

KENYA ROADS BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

The cost per Km for the various type of roadworks interventions has been analyzed per Road Agency. The summary is given in the table below:

Table: Summary of Cost per Km per RA per Intervention Measure

S/No.	Works Category / Intervention Type	Cost per Km			
		KeNHA	KURA	KeRRA	KWS
1	PBC Maintenance	1,535,595	1,855,730	-	216,059
2	Routine Maintenance	494,152	1,727,847	257,013	237,728
3	Spot Improvement	-	-	1,364,015	-
4	Periodic Maintenance	3,937,126	7,814,683	-	-
5	Upgrading/Reconstruction	-	15,874,253	-	317,453

The Road Sector Investment Programme (RSIP II) determined the road maintenance needs at approximately KShs 100 billion annually against current year's allocation of KShs 58.9 billion, resulting to a deficit of KShs 41.1 billion. There is therefore need for the Board to source for additional funds to bridge the funding gap.

KENYA ROADS BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

MANAGEMENT DISCUSSION AND ANALYSIS - KRB OPERATIONS

1. INCOME

The Board received total income of Kshs. 1.583 billion against the budget of Kshs. 1.581 billion. This accounts for 100% of the budget – as detailed in table below.

Table: Income

	ACTUAL	ANNUAL	ANNUAL	VARIANCE:	PERCENTAGE
	PRIOR YEAR	BUDGET	CURRENT YEAR	ACTUAL TO	OF ACTUAL
	FY 2020/2021	FY 2021/2022	FY 2021/2022	ANNUAL	TO
				FORECAST	ANNUAL
	(KSHS)	(KSHS)	(KSHS)	(KSHS)	BUDGET
	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)
INCOME					
1 Fuel Levy Fund	1,525,180,000	1,577,800,000	1,577,800,000	0	100%
2 Interest Earned	11,044,546	3,400,000	4,686,324	1,286,324	138%
3 Gain on disposal	319,251	100,000	139,532	39,532	140%
4 Unrealized Gain/(Loss) on Foreign Exchange Transactions	-2,708,911	0	1,153,392	0	0%
	1,533,834,886	1,581,300,000	1,583,779,248	1,325,856	100%

Income from Road Maintenance Levy Fund (RMLF) amounted to Kshs. 1.57 billion, which is 100% of the forecast.

2. EXPENDITURE

The Board incurred total expenditure amounting to Kshs. 1.388 billion during the review period, compared to a budget of Kshs. 1.474 billion. This accounts for 94% of budget utilization – as summarized in table below.

Table: Summarized Expenditure

	ACTUAL	ANNUAL	ANNUAL	VARIANCE:	PERCENTAGE
	PRIOR YEAR	BUDGET	CURRENT YEAR	ACTUAL TO	OF ACTUAL
	FY 2020/2021	FY 2021/2022	FY 2021/2022	ANNUAL	TO
				FORECAST	ANNUAL
	(KSHS)	(KSHS)	(KSHS)	(KSHS)	BUDGET
	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)
EXPENDITURE					
1 Directors Costs	29,657,891	59,910,000	57,694,170	2,215,830	96%
2 Staff Costs	407,548,710	517,234,303	503,667,139	13,567,164	97%
3 Operating Costs	396,375,970	511,369,289	457,521,029	53,848,261	89%
4 Audit Fees	2,900,000	2,900,000	2,900,000	0	100%
5 Dept. Costs	53,817,257	115,000,000	113,090,810	1,909,190	98%
6 C.S.R.	528,031,080	268,486,408	253,791,875	14,694,533	95%
TOTAL EXPENSES	1,418,330,907	1,474,900,000	1,388,665,023	86,234,977	94%

KENYA ROADS BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

During the period, the surplus of recurrent budget over expenditure amounted to Kshs. 140.76 million (FY 2020/2021: Kshs. 350.60 million).

3. FINANCIAL POSITION

As at 30th June 2022 the Board held:

- a) Total Current assets amounting to Kshs. 887.14 million (FY 2020/21: Kshs. 618.64 million).
- b) Non-Current assets amounting to Kshs. 92.93 million (FY 2020/21: Kshs. 52.35 million).
- c) Current liabilities amounting to Kshs. 315.32 million (FY 2020/21: Kshs. 154.41 million).
- d) Non-Current liabilities (Reserves) amounting to Kshs. 663.60 million (FY 2020/21: Kshs. 516.58 million).

CORPORATE GOVERNANCE STATEMENT

1. Introduction

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

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

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

2. The Board

Board Size and Composition

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

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

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

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

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

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

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

Independence and Separation of Roles & Responsibilities

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

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

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

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

Board Responsibilities

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

The Board is charged with the following responsibilities:-

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

KENYA ROADS BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

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

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

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

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

Meetings Attended by Board Members

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

	BOARD MEMBERS	REGULAR BOARD MEETINGS ATTENDED	% Attendance
1	ABEDNEGO REUBEN OKARIKODI ETYANG	7	100%
2	CHARLES TIROK	6	86%
3	JAMES MWANZIA MATHUVA	6	86%
4	JOHN OTIENO NYAGUTI	6	86%
5	JULIUS NYAGAH MWABU	7	100%
6	MARY NJOKI RAGUI	5	71%
7	NELSON RIBUTHI GAICHUHIE	6	86%
8	PAUL KINYUA KINGORI	6	86%
9	PAUL MWANGI MARINGA	1	14%
10	THEODORA GICHANA	2	29%
11	WILSON NDIRANGU KAMAU	7	100%
	Total Number of Meetings during the year	7	

Board Committees and Responsibilities

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

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

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

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

Finance Committee

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

The responsibilities of the committee are as follows:-

- (a) Management of KRB Fund (Funds allocation, collections, and disbursements)
- (b) Budgeting and Planning (Review of KRB Operations Budget and the APRP)
- (c) Identification and recommending other potential sources of Revenue
- (d) Recommending periodic reviews of the fuel levy
- (e) Recommending appropriate levels of road user charges
- (f) Financial Reporting
- (g) Compliance with Public Finance Management (PFM) Act and other related legislation
- (h) Review of funds utilization and absorption

Audit & Risk Management Committee

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

The committee has the following responsibilities:-

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

KENYA ROADS BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

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

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

Human Resources and Management Committee

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

Specifically, the committee is responsible for the following:-

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

Technical Committee

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

Specifically, the committee is responsible for the following:-

- a) Coordinating the optimal utilization to achieve efficiency and cost effectiveness in road works;
- b) Monitor and evaluate by means of Technical, financial and performance audits the delivery of road works;
- c) Coordinate/Monitor implementation of road maintenance programmes;
- d) Implementation of the Road Sector Investment Programme;
- e) Research and Development in Roads sub sector;
- f) R2000 Strategy;
- g) Road Maintenance Management System(RMMS); and
- h) Advising the Cabinet Secretary on Road maintenance policies.

3. Remuneration of the Board

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

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

4. Directors Induction and Training

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

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

5. Board Effectiveness and Evaluation

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

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

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

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

6. Conflict of Interest, Code of Conduct and Ethics

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

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

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

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

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

KENYA ROADS BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

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

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

1. Introduction

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

2. Research and Development

One of the mandates of KRB is to ensure optimal utilization of Road Maintenance Levy Fund and the coordination of the road maintenance, rehabilitation, and development. To achieve this, it calls for a collaboration effort between KRB and MTRD on matters of innovations, research, and development in the road sub-sector in order to keep up with emerging trends and technologies that could lead to more efficient road construction and maintenance methods. As a result, KRB has undertaken to support road related innovations and research in the application of emerging technologies such as cobblestones and Roads 2000 Strategy. KRB has therefore included the promotion of Innovations, Research and Development in its Performance Contracts with the Ministry.

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

3. Roads 2000 (R2000) Strategy

The Roads 2000 Strategy is a road development and maintenance delivery mechanism that optimizes utilization and development of locally available resources where technically and economically feasible, and in a socially responsible manner. The Roads 2000 Strategy was initiated with the vision of implementing the approach throughout Kenya by the year 2000, thus the nametag "Roads 2000".

The Board, through the R2000 Secretariat at KRB, has been coordinating the strategy since the start of the 2nd R2000 Strategic Plan in 2013. The main premise behind the "Local Resource Based Approach" is to deliver road infrastructure through cost-effective use of local skills, enterprises, labour, and materials. The delivery process optimizes the social and economic impact of investments in infrastructure by ensuring that these investments are channeled through the local economy, thus creating job opportunities, and stimulating local markets, entrepreneurship, and industry, while safeguarding cost-effectiveness, quality, and sustainable asset delivery.

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

KENYA ROADS BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

The Government adopted the strategy for full National implementation in 2005. Since then, the strategy has gone through two complete planning cycles. The 3rd Strategic plan for the period 2018-2023 is currently being implemented.

The targets of the 3rd R2000 Strategic plan for the five years include periodic, routine maintenance and Performance Based Contracting, of over 73,000 km of roads, creation of over 190,810 full time jobs and training of Road Agency and Contractors' staff among others. In the Financial year 2020/2021, the strategy targeted a total of 12,346km to be maintained under R2000. As at the end of quarter 2 the road agencies had reported an achievement of 15,806km which was 128% of the annual target. This was due to the inclusion of Kazi Mtaani projects that were introduced to cushion disadvantaged citizens against economic effects of Covid 19 Pandemic.

A review of existing policies indicates that the objectives of the R2000 Strategy are in coherence with, and contributes to achievement of global, national, and sectoral policies, such as the Kenya's Vision 2030, United Nations' Sustainable Development Goals, African Union's Agenda 2063, the Transport Sector's Integrated National Transport Policy, and the current Government's "Big Four Agenda".

4. Standard Chartered Marathon

KRB staff and families participated in the 2021 Standard Chartered Marathon. The Marathon is the flagship project for the Standard Chartered Banks initiative that aims to raise funds for the needy in the community. To ensure sustainability, the annual Standard Chartered Marathon now forms an important part of the Board's calendar as the Board 'shares vision' with needy and disadvantaged persons.

5. Protecting the Environment

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

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

KENYA ROADS BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

REPORT OF THE DIRECTORS

The Directors have the pleasure of presenting their report together with the audited financial statements for the year ended 30th June 2022, which show the state of the Board's affairs.

PRINCIPAL ACTIVITIES

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

RESULTS

The results for the year ended 30th June 2022 are set out on page 42 to 72.

DIRECTORS

The Board of Directors who held office during the year is shown on pages 8 to 10.

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

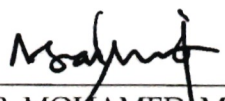
FINANCIAL STATEMENTS

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

AUDITORS

The Auditor General is responsible for the statutory audit of the Board's books of account in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

BY ORDER OF THE BOARD



R. MOHAMED, MBS
SECRETARY TO THE BOARD

16 Dec 2022
DATE

STATEMENT OF THE BOARD'S RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and the Kenya Roads Board Act, 1999 require the Directors to prepare financial statements in respect of the Board, which give a true and fair view of the state of affairs of the Board at the end of the financial year and the operating results of the Board for that year. The Directors are also required to ensure that the Board keeps proper accounting records which disclose with reasonable accuracy the financial position of the Board. The Directors are also responsible for safeguarding the assets of the Board.

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

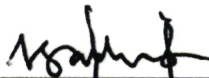
The Directors accept responsibility for the Board's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the Kenya Roads Board Act, 1999. The Directors are of the opinion that the Board's financial statements give a true and fair view of the state of the Board's transactions during the financial year ended 30th June 2021, and of the Board's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Board, which have been relied upon in the preparation of the Board'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 Board will not remain a going concern for at least the next twelve months from the date of this statement.


Approval of the Financial Statements - The Kenya Roads Board Fund Financial Statements were approved by the Board on 29th July 2022 and signed on its behalf by:



PHYLLIS WARIAGA
CHAIRPERSON
DATE:



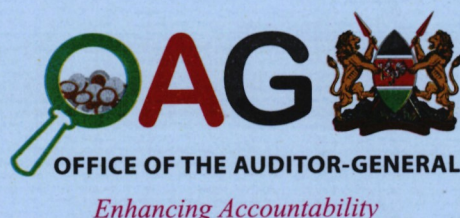
R. MOHAMED MBS
DIRECTOR GENERAL
DATE:



CHARLES TIROK
DIRECTOR
DATE:

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON KENYA ROADS BOARD OPERATIONS FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kenya Roads Board Operations set out on pages 42 to 72, which comprise of the statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of changes in net

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

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Kenya Roads Board Operations as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Kenya Roads Board Act, Cap 408 of the Laws of Kenya and the Public Finance Management Act, 2012.

Basis Opinion

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

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

Responsibilities of Management and the Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error,

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

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

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

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

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

29 March, 2023

KENYA ROADS BOARD
 FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

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

	Note	KShs'000 2021/2022	KShs'000 2020/2021
OPERATING REVENUE	8	1,583,639	1,533,516
OPERATING EXPENSES			
Director Costs	9	57,694	44,513
Staff Costs	10	503,667	407,549
Field Activity Costs	11	113,091	53,817
Other Operating Costs	12A	460,421	399,276
Depreciation	12B	54,351	34,895
Corporate Social Responsibility	13	253,792	528,031
TOTAL OPERATING EXPENSES		1,443,016	1,468,081
SURPLUS FROM OPERATIONS		140,623	65,435
Gain on Disposal of Property & Equipment	17	140	319
NET SURPLUS FOR THE YEAR	14	140,763	65,754

The notes form an integral part of these financial statements.

KENYA ROADS BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2022

	Note	KShs'000 2021/2022	KShs'000 2020/2021
ASSETS			
<i>Current Assets</i>			
Cash and Cash equivalents	15	884,027	614,493
Receivables	16	3,114	4,148
		887,141	618,641
<i>Non-Current Assets</i>			
Property & Equipment	17	92,937	52,357
TOTAL ASSETS		980,078	670,999
LIABILITIES			
<i>Current Liabilities</i>			
Payables	18	315,324	154,413
		315,324	154,413
TOTAL NET ASSETS		664,754	516,586

NET ASSETS/EQUITY			
<i>Reserves</i>			
KRB Staff Fund	19 (a)	315,491	308,085
Accumulated Surpluses	19 (b)	349,263	208,500
TOTAL NET ASSETS/EQUITY		664,754	516,586

The notes form an integral part of these Financial Statements. The financial statements were submitted by the Board and signed on its behalf by:



CPA MARTIN AGUMBI (ICPAK No. 8983)
DIRECTOR, FINANCE & FUND MANAGEMENT

16 Dec 2022
DATE



R. MOHAMED, MBS
DIRECTOR GENERAL

16 Dec 2022
DATE



CHARLES TIROK
DIRECTOR

16 Dec 2022
DATE

KENYA ROADS BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

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

	Note	Accumulated Surpluses	Staff Fund	Total
		KShs'000	KShs'000	KShs'000
As at 1st July 2021		208,500	308,085	516,585
Growth in Staff fund (Interest)	19(a)		7,406	7,406
Net Surplus for the period	19(b)	140,763		140,763
As at 30th June 2022		349,263	315,491	664,754

	Note	Accumulated Surpluses	NCBA Fixed Deposit	Staff Fund	Total
		KShs'000	KShs'000	KShs'000	KShs'000
As at 1st July 2020		431,916	58,313	302,253	792,482
Growth in Staff fund (Interest)	19(a)			5,832	5,832
Growth in Fixed Deposit (Interest)	19(b)		3,119		3,119
Transfer of Fixed Deposit to Surplus	19(b)	61,432	(61,432)		-
Road Maintenance interventions	19(b)	(350,602)			(350,602)
Net Surplus for the period	19(b)	65,754			65,754
As at 30th June 2021		208,500	0	308,085	516,586

The notes form an integral part of these financial statements.

KENYA ROADS BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2022

		2021/2022	2020/2021
	Notes	KShs '000	KShs '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net surplus from operating activities		140,763	65,754
<i>Adjustments for:</i>			
Depreciation	17	54,351	34,895
Interest Income	8	-4,686	-11,045
Gain on disposal of property and equipment	17	-140	-319
Operating income before working capital changes		190,288	89,285
<i>Changes in working capital balances:</i>			
(Increase)/Decrease in receivables		1,034	2,069
Increase/(Decrease) in Payables		160,910	-106,692
Net cash flows generated from operating activities	14	352,233	-15,338
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	8	4,686	11,045
Purchase of property and equipment	17	-94,973	-10,010
Proceeds on disposal of equipment	17	140	319
Net Book Value of disposed assets		42	13
Net cash (used in) investing activities		-90,105	1,367
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase/(Decrease) in KRB Staff fund (Interest)	19(a)	7,406	5,832
Increase/(Decrease) in Capital Fund (Interest)	19(b)		3,119
Increase/(Decrease) in Accumulated surpluses	19(b)		-350,602
Net cash inflow from financing activities		7,406	-341,651
NET INCREASE IN CASH AND CASH EQUIVALENTS		269,533	-355,622
MOVEMENT IN CASH AND CASH EQUIVALENTS			
At the beginning of the year		614,493	970,060
Net increase in cash and cash equivalents		269,533	-355,566
At the end of the year	15	884,027	614,493

KENYA ROADS BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

STATEMENT OF COMPARISON ON BUDGET AND ACTUAL AMOUNTS

		COL 1	COL 2	COL 2	COL 4
		ANNUAL	ACTUAL	VARIANCE:	% OF
		FORECAST	YEAR	ACTUAL TO	ACTUAL TO
		FY 2021/2022	FY 2021/2022	ANNUAL	ANNUAL
		(KSHS'000)	(KSHS'000)	FORECAST	FORECAST
INCOME	Notes				
Fuel Levy Fund		1,577,800	1,577,800	0	100%
Interest Earned	a	3,400	4,686	1,286	138%
Unrealized Gain/(Loss) on Foreign Exchange Transactions			1,153		
TOTAL INCOME		1,581,300	1,583,639	1,326	100%
EXPENDITURE					
Directors Costs		59,910	57,694	2,216	96%
Staff Costs		517,234	503,667	13,567	97%
Operating Costs		511,369	457,521	53,848	89%
Audit Fees		2,900	2,900	0	100%
Dept. Costs		115,000	113,091	1,909	98%
C.S.R.		268,486	253,792	14,695	95%
TOTAL EXPENSES	b	1,474,900	1,388,665	86,235	94%
Depreciation/CAPEX		0	54,351	0	N/A
Gain on disposal	c	100	140	40	1%
Operations Surplus/(deficit)			140,763		

Budget Notes:

- a) Interest income amounted to Kshs. 4.68 million (FY 2020/21: Kshs. 11.04 million), which exceeds the annual forecast of Kshs. 3.40 million. This is mainly on account of interest earned on cash assets held by the Board for its Operations.
- b) All expenses incurred during the period under review were within Budget.
- c) Gains on disposal of fully depreciated assets amounted to Kshs. 0.14 million (FY 2020/21: Kshs. 0.319 million) compared with an annual forecast of Kshs. 0.10 million. Resulting from the sale assorted computer and office equipment.

NOTES TO THE FINANCIAL STATEMENTS

1.0 GENERAL INFORMATION

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

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

2.0 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

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

3.0 ADOPTION OF NEW AND REVISED STANDARDS

i. **Relevant new standards and amendments to published standards effective for the year ended 30 June 2022.**

i. *New and amended standards and interpretations in issue effective in the year ended 30 June 2022.*

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

ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.*

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing, and uncertainty of an Entity’s future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset’s cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness, and comparability of the information that a reporting Entity provides in its financial statements about social</p>

KENYA ROADS BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

Standard	Effective date and impact:
	<p>benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the Entity.</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Entity's financial performance, financial position, and cash flows.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p>
<p>IPSAS 43</p>	<p>Applicable 1st January 2025</p>

KENYA ROADS BOARD
 FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

Standard	Effective date and impact:
	<p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
<p>IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations</p>	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

ii. **Early adoption of standards**

The entity did not early - adopt any new or amended standards in year 2021/2022.

4.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Statement of Compliance

The financial statements for the year ended 30th June 2022 have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) as issued by International Public Sector Accounting Standards Board (IPSASB), the Public Finance Management Act, 2012, Public Audit Act, 2015 and Kenya Roads Board Act.

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

(b) Basis of Preparation

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

(c) Presentation of Financial Statements

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

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

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

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

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

KENYA ROADS BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

The requirement by the Auditor General to present separate financial statements for the Kenya Roads Board Operations and the Kenya Roads Board Fund has led to reclassification of assets and liabilities including prior year to each set of financial statements.

(d) Budget Information

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

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

(e) Functional Currencies

(i) Functional and Presentation Currency

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

(ii) Transactions and Balances

a) Translation of Foreign Currencies

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

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

b) Translation of Foreign Operations

The Board does not have any foreign operations.

(f) Revenue Recognition

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

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

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

(g) Cash and Cash Equivalents

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

(h) Receivables

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

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

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

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

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

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

(i) Inventories

Given the nature of the Board's operations and mandates, items in stock relate to stationery. Stationery costs are recognized as an expense when deployed for utilization in the ordinary course of the Board's operations. As at 30th of June 2022, the Board did not have any inventory.

(j) Property and Equipment and Depreciation

All property and equipment are initially stated at cost and thereafter at historical cost less accumulated depreciation and any accumulated impairment loss. Historical cost comprises expenditure initially incurred to bring the asset to its location and condition ready for its intended use.

KENYA ROADS BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Board and the cost can be reliably measured. All other repairs and maintenance are charged to the Statement of Financial Performance during the financial year in which they are incurred.

Depreciation is calculated on straight line basis at annual rates estimated to write down the carrying value of the assets over their expected useful lives. The annual depreciation rates in use are:-

	<u>Rate</u>		
Computer Equipment	33 ¹ / ₃ %	Motor Vehicles	25.0%
Office Equipment	12.5%	Furniture & Fittings	12.5%

An item of property and equipment is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. 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-recognized.

Depreciation is charged in full in the year of acquisition of an item of property and equipment while nil depreciation is charged in the year of disposal.

(k) Payables

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

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

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

(l) Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all risks and rewards of ownership to the Board as the lessee. All other leases are classified as operating leases.

Where the Board is the lessee, the total payments made under operating leases are charged to the statement of financial performance on a straight-line basis over the

period of the lease. When an operating lease is terminated before the expiry of the lease period, any payment required to be made to the lessor by way of penalty is recognized as expense in the year in which termination takes place.

Rentals payable under operating leases are amortized on the straight-line basis over the term of the relevant lease.

(m) Impairment of Non-financial Assets

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

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

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

(n) Provisions

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

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

(o) Retirement Benefit Obligations

The Board operates a defined contribution provident fund for eligible employees. The fund is administered by an independent administration company and Trustees. It is funded by contributions from both the employer and employees.

The Board and its employees also contribute to the statutory pension scheme, the National Social Security Fund (NSSF). Contributions are determined by the local statute and are currently limited to Kshs. 200 per employee per month. The Board also sets aside on quarterly basis the gratuity for its employees who are on contract basis.

KENYA ROADS BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

The Board's contributions in respect of staff retirement benefit costs are charged to the statement of financial performance, as they fall due or in case of service gratuity as they accrue to each employee.

(p) *Guarantees, Acceptances and Letters of Credit*

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

(q) *Subsequent Events*

There have been no subsequent events that would have an impact on the financial statements for the year ended 30th June 2022.

(r) *Comparatives*

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

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

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

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

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

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

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

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

(b) Critical Accounting Estimates and Assumptions

(i) Useful Lives of Property, Plant and Equipment

The directors make estimates in determining the depreciation rates for property and equipment. The rates used are set out in the accounting policy (j) above for property and equipment.

The Board reviews the estimated useful lives of plant and equipment at the end of each reporting period. During the financial year, no changes to the useful lives were identified by the directors.

(ii) Contingent Liabilities

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

The Directors evaluate the status of these exposures on a regular basis to assess the probability of the Board incurring related liabilities. However, provisions are

only made in the financial statements where, based on the directors' evaluation, a present obligation has been established.

(iii) Provision for Doubtful Debts

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

(iv) Other Provisions

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

(v) Impairment Losses

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

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

6.0 SEGMENT REPORTING

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

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

7.0 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

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

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

One of the key risks the Board has identified in both the operational and strategic areas is the sustainability of the Road Maintenance Levy in line with the Constitution.

KENYA ROADS BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

Financial risk as defined in IPSAS 15 and the management thereof, form part of this risk area.

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

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

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

a) *Liquidity Risk*

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

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

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

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

The table shows the undiscounted cash flows on the Board's financial assets and liabilities on the earliest possible contractual/ maturity date. The liquidity ratio in FY 2020/21 is 2.81 (FY 2020/21: 4.01)

KENYA ROADS BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

Financial Assets	Note	2021/22 KShs '000	2020/21 KShs '000
Bank and Cash Balances	15	884,027	614,493
Receivables	16	3,114	4,148
Total Financial Assets		887,141	618,641
Financial Liabilities			
Payables	18	315,324	154,413
Total Financial Liabilities		315,324	154,413
NET LIQUIDITY		571,817	464,228
LIQUIDITY RATIO		2.81	4.01

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

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

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 Board 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) Price Risk

The Board is exposed to the price risk of the fuel levy. The Board collects Kshs. 18 per liter of diesel/petrol imported into the country. The Board is exposed to the extent that the levy on diesel and petrol is reduced or eliminated due to changes in the international fuel prices, inflation, or other macro indicators. The Road Maintenance Levy is backed up by an Act of Parliament; changes thereof require approval by Parliament.

(iii) Interest Rate Risk

The Board 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 Board 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 Board 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 Board's processes, personnel, technology, and infrastructure and from external factors other than credit, market, and liquidity risks such as legal and regulatory requirements and generally acceptable standards of corporate behavior.

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

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

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

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

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

d) Compliance and Regulatory Risk

Compliance and regulatory risk include the risk of non-compliance with regulatory requirements. The Board 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 Board, failure to protect the title to and liability to control the rights to assets of the Board (including intellectual property right), changes in law, or jurisdictional risk.

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

KENYA ROADS BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8.0 OPERATING REVENUE

	2021/22	2020/21
Particulars	KShs '000	KShs '000
Revenue	1,577,800	1,525,180
Interest Earned	4,686	11,045
Unrealized Gain/(Loss) on Foreign Exchange transactions	1,153	-2,709
Total Operating Revenue	1,583,639	1,533,516

Revenue mainly represents the 2% portion from the Kenya Roads Board Fund which is allocated in accordance with Section 6(2) (e) of the Kenya Roads Board Act. Interest is earned on the balances held in the bank accounts. The operating revenue is recognized in accordance with the accounting policy on revenue recognition set out in policy 2 (f) above.

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

9.0 DIRECTORS COSTS

	2021/22	2020/21
Particulars	KShs '000	KShs '000
Directors Emoluments	21,778	29,598
Insurance	343	373
Field Activities	6,134	4,675
Training	29,399	8,914
Board Evaluation/Induction	40	953
Total Directors Costs	57,694	44,513

Directors' emoluments include members sitting allowances, lunches, and chairpersons honoraria. Field activity costs include costs incurred for directors' field activities and transport & accommodation.

10.0 STAFF COSTS

	2021/22	2020/21
Particulars	KShs '000	KShs '000
Staff Emoluments	366,798	329,101
Training & Development	68,598	39,748
Staff Insurance	41,404	35,328
Other Staff Costs	26,867	3,373
Total Staff Costs	503,667	407,549

Other Staff Costs include staff welfare costs and staff recruitment & surveys costs.

KENYA ROADS BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The average number of employees during the year was:-

No. of Employees	2021/22	2020/21
Regular Employees	91	89
Internship Programme	12	
Graduate Engineers Programme	43	34
Total Employees	146	123

11.0 FIELD ACTIVITY COSTS

Departments/Sections	2021/22 KShs '000	2020/21 KShs '000
Executive office of Director General	14,887	9,600
Urban & Park Roads Directorate	12,763	0
Policy & Strategy Directorate	12,362	9,802
Highways Directorate	12,873	0
Rural & County Roads Directorate	12,940	9,157
Finance & Fund Mgmt. Directorate	14,973	7,015
Human Resource & Admin. Dept.	14,688	9,914
Legal Services Directorate	9,872	5,549
Business & Infor. Systems Dept.	4,762	2,087
Supply Chain Management Dept.	2,971	694
Total	113,091	53,817

Field activity costs are incurred by departments and sections towards the realization of the Board's Strategic plan implementation and other routine functions of the Board.

12.0 OTHER OPERATING COSTS

Particulars	2021/22 KShs '000	2020/21 KShs '000
Advertising & Publicity	59,978	25,233
Audit fees	2,900	2,900
Conferences & Seminars	74,782	26,374
Consultancies	179,293	210,841
Rent & Rates	55,821	57,682
Telephone, Postages & Internet	10,395	10,006
Travelling, Vehicle Maintenance & Repairs	21,235	18,618
Legal Fees	838	6,274
General Office Expenses	43,033	34,899
Stationery & Office Printing	7,399	4,622
Security	4,747	1,827
Total Other Operating Costs	460,421	399,276

KENYA ROADS BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

12B DEPRECIATION COSTS

	2021/22	2020/21
Particulars	KShs '000	KShs '000
Depreciation	54,351	34,895
Total Other Operating Costs	<u>54,351</u>	<u>34,895</u>

13.0 CORPORATE SOCIAL RESPONSIBILITY

The Board's contribution towards the Corporate Social Responsibility (CSR) amounted to Kshs 253.79 million (FY 2020/21: Kshs. 528.03 million).

These costs mainly related to Road Maintenance interventions undertaken by the Board amounting to Kshs. 180.47 million, Graduate Engineers programme amounting to Kshs. 38.72 million and Other CSR activities amounting to a total of Kshs. 34.59 million.

14.0 OPERATING SURPLUS

The Net operating surplus amounted to Kshs. 140.76 million (FY 2020/21: Kshs. 65.75 million), while the net cash flows generated from operating activities amounted to Kshs. +352.23 million (FY 2020/21: Kshs. -17.40 million) – as shown below;

		2021/22	2020/21
	Notes	KShs '000	KShs '000
Net surplus from operating activities	14	140,763	65,754
<i>Adjustments for:</i>			
Depreciation	17	54,351	34,895
Interest Income	8	-4,686	-11,045
Gain on disposal of property and equipment	17	-140	-319
Operating income before working capital changes		190,288	89,285
<i>Changes in working capital balances:</i>			
(Increase)/Decrease in receivables		1,035	0
Increase/(Decrease) in payables		160,910	-106,692
Net cash flows generated from operating activities		<u>352,233</u>	<u>-17,407</u>

15.0 CASH AND CASH EQUIVALENTS

(a) Analysis of bank and cash balances:

	Note	2021/22	2020/21
Particulars		KShs '000	KShs '000
Cash at Bank		567,836	305,788
Cash at in Hand		700	620
KRB Staff Fund	19 (a)	315,491	308,085
Bank Term Deposit	19 (b)	0	0
		884,027	614,493

The Board is not exposed to credit risk on cash and bank balances as they are held with sound financial institutions approved by Central Bank of Kenya. The carrying amounts of the Board's cash and cash equivalents are dominated in Kenya Shillings.

(b) Cash and cash equivalents:

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

16.0 RECEIVABLES

Receivables constitute short term liquid assets which are recoverable within one year. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Board does not hold any collateral as security.

	2021/22	2020/21
Particulars	KShs '000	KShs '000
Prepayments & Deposits	1,729	1,869
Cash Imprests and Advances	<u>1,385</u>	<u>2,279</u>
	<u>3,114</u>	<u>4,148</u>

The aged analysis of receivables is as follows:

	0-3 months	3-12 months	Total
Particulars	KShs '000	KShs '000	KShs '000
Deposits & Prepayments	-	1,729	1,728
Cash Imprests and Advances	-	<u>1,385</u>	1,385
	<u>0</u>	<u>3,114</u>	<u>3,114</u>

KENYA ROADS BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

17.0 PROPERTY AND EQUIPMENT

	COMPUTER & SOFTWARE	FURNITURE & FITTINGS	MOTOR VEHICLES	OFFICE EQUIPMENT	TOTAL
Depreciation Rate	33%	13%	25%	13%	
Acquisition Cost					
1. Cost at start of the year	104,505,476	76,678,565	91,118,941	50,033,900	322,336,882
2. Additions during the period	43,154,783	31,815,070	16,270,000	3,733,260	94,973,113
3. Cost of disposed assets	(2,334,900)				(2,334,900)
Total - Acquisition Cost	145,325,359	108,493,635	107,388,941	53,767,160	414,975,095
Depreciation (Accumulated)					
1. Depn. at start of the year	(90,245,242)	(69,888,352)	(65,180,920)	(44,664,947)	(269,979,460)
2. Depn. for the Period	(26,206,100)	(6,962,768)	(19,546,028)	(1,636,237)	(54,351,133)
3. Depn. of Disposed assets	2,292,925				2,292,925
Total - Depreciation (Accumulated)	(114,158,417)	(76,851,120)	(84,726,948)	(46,301,184)	(322,037,669)
Net Book Value @ 30 Jun 2022	31,166,942	31,642,515	22,661,993	7,465,976	92,937,426

The net book value of non-current assets amounted to Kshs. 92.93 million (FY 2020/21: Kshs. 52.35 million) in the review period. This is as a result of asset additions amounting to Kshs. 94.97 million, net of depreciation charge for the year amounting to Kshs. 54.35 million and disposals with accumulated cost of Kshs. 2.33 million (and depreciation of Kshs. 2.29 million). Gain on disposal of assets during the year ended 30th June 2022 amounted to Kshs. 0.14 million (FY 2020/21: Kshs. 0.319 million).

The Board is of the opinion that the net book values represent the fair value of the equipment.

18.0 PAYABLES

Payables are expected to be settled in KRBs normal operating cycle and within twelve months after the reporting period and are not attached to an unconditional right to defer payment of the liability for at least twelve months after the reporting period.

	2021/22	2020/21
Particulars	KShs '000	KShs '000
Provisions and accruals	307,249	144,641
Other Payables	8,075	9,772
	315,324	154,413

Provisions and accruals relate to accrued expenses during the year, while other payables relate to taxes payable to Kenya Revenue Authority. The payables are incurred in the normal course of business and were settled in the period subsequent to the report date.

KENYA ROADS BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

The maturity analysis of payables is as follows:

	0-3 months	3-12 months	0-12 months
Particulars	KShs '000	KShs '000	KShs '000
Provisions and accruals	-	307,249	307,248
Other Payables	8,075	0	8,075
	<u>8,075</u>	<u>307,249</u>	<u>315,324</u>

19.0 NET ASSETS

The net assets are made of up of designated funds and accumulated reserve which are explained as follows:

19 (a) KRB Staff Fund

	2021/22	2020/21
Particulars	KShs '000	KShs '000
Car Loan Staff Fund	57,171	56,603
Mortgage Scheme Fund	<u>258,320</u>	<u>251,482</u>
	<u>315,491</u>	<u>308,085</u>

The Board established independently managed Car Loan and Mortgage Scheme Funds for members of staff. Staff funds increased from Kshs. 308.08 million in prior period to Kshs. 315.49 million. The growth is represented by Kshs. 7.40 million being bank interest earned during the year.

19 (b) Accumulated Reserves

Accumulated reserves increased from Kshs. 208.50 million in prior period to Kshs. 349.26 million in the review period. This is attributed to Net surplus for the current year amounting to Kshs. 140.76 million (FY 2020/21 - Kshs. 65.74 million).

	2021/22	2020/21
Particulars	KShs '000	KShs '000
Accumulated reserves	349,263	208,500
	<u>349,263</u>	<u>208,500</u>

20.0 CONTINGENT ASSETS & LIABILITIES

a) Guarantees

Guarantees commit the Board to make payments on behalf of the guaranteed in the event of a specific act and carry a certain risk. In the year under review, the Board had not issued any guarantees.

KENYA ROADS BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

b) Legal matters

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

21.0 COMMITMENTS : OPERATING LEASE RENTALS

Non-cancellable operating lease rentals are payable as follows:

	2021/22	2020/21
	KShs '000	KShs '000
Not later than one year	48,977	44,525
Later than one year and not later than five years	244,891	222,628
	<u>293,868</u>	<u>267,153</u>

The Board has leased office premises under an operating lease. The lease typically runs for 5 years with an option for renewal. Lease payments are increased accordingly to reflect market rentals. The Board does not have an option to purchase the leased asset at the expiry of the lease period. There are no contingent rents recognized in the Statement of Financial Performance.

22.0 RETIREMENT BENEFITS SCHEME OBLIGATIONS

The Board operates a defined contribution retirement benefit plan for eligible employees. The assets of the plan are held separately from those of the Board in funds under the control of trustees. The scheme is administered by an independent administration company and is funded by contributions from the Board and employees. The Board's obligations to the staff retirement benefits plan are charged to the Statement of Financial Position as they fall due or, in the case of service gratuity, as they accrue to each employee.

The Board also makes contributions to the statutory defined contribution scheme, National Social Security Fund. This is a defined contribution scheme registered under the National Social Security Act. The Board's obligations under the Scheme are limited to specific contributions legislated from time to time, which are currently at Kshs. 200 per employee per month.

The total pension expense recognized in the income statement of Kshs. 27.81 million (FY 2020/21: Kshs. 27.74 million) represents contributions payable to the plan by the Board at rates specified in the rules of the plan. The expense has been included within the staff pension costs under staff costs.

23.0 FAIR VALUE

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

24.0 CAPITAL COMMITMENTS

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

25.0 POST BALANCE SHEET EVENTS

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

26.0 COMPARATIVES

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

27.0 CURRENCY

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

KENYA ROADS BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

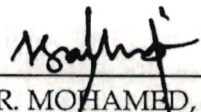
PROGRESS ON FOLLOW UP OF AUDITOR RECOMENDATIONS

There are no audit issues that were carried forward from FY 2020/2021.



PHYLLIS WAKIAGA
CHAIRPERSON

19 Dec 2022
DATE



R. MOHAMED, MBS
DIRECTOR GENERAL

16 Dec 2022
DATE