

REPUBLIC OF KENYA



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REPORT

OF

[Hon. Benjamin Wachiari] on Thursday

THE AUDITOR-GENERAL

21st June 2018 [Afternoon]

ON

THE FINANCIAL STATEMENTS OF KENYA URBAN ROADS AUTHORITY

FOR THE YEAR ENDED 30 JUNE 2017



KENYA URBAN ROADS AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2017

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

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I. KENYA URBAN ROADS AUTHORITY INFORMATION AND MANAGEMENT

(a) Background information

The *Kenya Urban Roads Authority* was formed on enactment of the Kenya Roads Act, 2007. At cabinet level, Kenya Urban Roads Authority is represented by the Cabinet Secretary for the Ministry of Transport, Infrastructure, Housing and Urban Development, who is responsible for the general policy and strategic direction of the *Authority*.

(b) Principal Activities

The principal activity of the *Kenya Urban Roads Authority* is to professionally provide quality, safe and adequate urban road network that satisfies stakeholder needs.

(c) Key Management

The Kenya Urban Roads Authority day-to-day management is under the following key organs:

- Principal Secretary; State Department of Infrastructure and the;
- Director General

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June, 2017 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Ag. Director General	- Eng. Silas Murira Kinoti
2.	General Manager (Finance & Administration)	- Wilson K. Chirchir
3.	General Manager (Design & Construction)	- Eng. John Mwicha Mwatu, OGW
4.	Ag. General Manager (Planning & Environment)	- Eng. Daniel G. Muchiri
5.	Ag. General Manager (Maintenance)	- Eng. Amos Onyango Ombok
6.	Ag. General Manager (Special Projects)	- Eng. Abdulrashid Mohamed

Fiduciary Oversight Arrangements

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

(e) Entity Headquarters

Kenya Urban Roads Authority,
P.O. Box 41727-00100,
IKM Place, Bishops Road,
5th Avenue Ngong,
NAIROBI - KENYA

(f) Entity Contacts

Telephone: (254) 020-8013844,
E-mail: info@kura.go.ke
Website: www.kura.go.ke

(g) Entity Bankers

1. KENYA COMMERCIAL BANK

Moi Avenue Branch
P O Box 30081 -00100
NAIROBI – KENYA

BRANCHES

KCB MOI AVENUE-NAIROBI-Head office.
KCB INDUSTRIAL AREA-KURA-Nairobi Region.
KCB NYERI-KURA-Central Region.
KCB MERU-KURA-Upper Eastern Region.
KCB GARISSA-KURA-North Eastern Region.
KCB MVITA-KURA-Coast Region.
KCB Machakos-KURA-Lower Eastern Region.
KCB Eldoret-KURA-North Rift Region.
KCB Nakuru-KURA-South Rift Region.
KCB Kakamega-KURA-Western Rift Region.
KCB Kisumu- KURA – Nyanza Region

**2. CO-OPERATIVE BANK OF KENYA LTD,
UPPER HILL BRANCH,
P.O BOX 48231-00100,
NAIROBI.**

**3. NATIONAL BANK OF KENYA,
HILL BRANCH,
P.O BOX 45219-00100,**






(h) Independent Auditors




Auditor General,
Kenya National Audit Office,
Anniversary Towers, University Way,
P.O. Box 30084 - GOP 00100,
NAIROBI, KENYA.

(i) Principal Legal Adviser

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





II. THE BOARD OF DIRECTORS

 <p>1. Eng. Daniel Waithaka Njora</p>	<p>MSC, Highway Engineering, BSC, Civil Engineering for Developing Countries, Member IEK, Member Association of Consulting Engineers of Kenya (ACEK) DOB – 1952</p> <p><i>Non-Executive Director</i></p>
 <p>2. Hellen Kithuma Nzainga</p>	<p>Postgraduate Diploma, Housing Planning & Building Construction, M.A. (Urban & Regional Planning), B.Ed. (Geography & Economics), Member Kenya Institute of Planners (KIP), Licenced/Registered Physical Planner, Registered/Licensed EIA/EA Head Expert DOB – 1956</p> <p><i>Non-Executive Director</i></p>
 <p>3. Eng. James M. Kungu</p>	<p>Alternate Member- State Department of Infrastructure MSC, Construction Management BSC, Civil Engineering DOB - 1966</p> <p><i>Non-Executive Director</i></p>
 <p>4. Mr. Isaac Githui</p>	<p>Alternate Member – Principal Secretary Ministry of Devolution and Planning, State Department of Devolution PhD Business Administration Ongoing MBA Strategic Management BBA Accounting & Finance</p> <p><i>Non-Executive Director</i></p>
 <p>5. Mr. Eric Murungi</p>	<p>Alternate Member – Principal Secretary The National Treasury MBA Finance Bachelor of Arts Economics</p> <p><i>Non-Executive Director</i></p>

 6. Stephen Robert Brooks	<p>Representative Kenya Association of Manufacturers (KAM) DOB 1958</p> <p><i>Non-Executive Director</i></p>
 7. Lucy Wachuka Mathenge	<p>Representative Matatu Welfare Association (MWA) DOB 1961</p> <p><i>Non-Executive Director</i></p>
 8. Eng. Silas Murira Kinoti	<p>Ag. Director General – Secretary to the Board Bachelor of Science(Civil Engineering) Member-IEK</p> <p><i>Executive Director</i></p>

III. MANAGEMENT TEAM

 1. Eng. Silas Murira Kinoti	<p>Ag. Director General – Secretary to the Board Bachelor of Science(Civil Engineering) Member-IEK</p>
 2. Mr. Wilson Kipng'eno Chirchir	<p>General Manager-Finance & Administration MBA (Finance) Bachelor of Education (Science) Member-ICPAK</p>

 <p>3. Eng. Amos Onyango Ombok</p>	<p>Ag. General Manager - Maintenance Bachelor of Science (Civil Engineering) Member-IEK</p>
 <p>4. Eng. John Mwicha Mwatu, OGW</p>	<p>General Manager – Design & Construction Bachelor of Science (Civil Engineering) Member-IEK</p>
 <p>5. Eng. Daniel G Muchiri</p>	<p>Ag. General Manager – Planning & Environment Bachelor of Science (Civil Engineering) Member-IEK</p>
 <p>6. Eng. Abdurashid Mohamed</p>	<p>Ag. General Manager – Special Projects Bachelor of Science (Civil Engineering) Member-IEK</p>

IV. CHAIRMAN'S STATEMENT

I am delighted to present the Financial Statements for Kenya Urban Roads Authority for the year ended 30th June, 2017. During the period under review, the Authority continued to maintain high quality professional services in the development and management of roads in Urban Areas and Cities in the country using ISO 90001: 2008 management systems. The Board and Management remains committed to these procedures and improved working conditions which is the foundation for efficiency and production.

The Authority has continued to implement its budgeted projects, programs and activities for FY 2016/2017 in line with the strategic plan. All implemented activities were within the approved budget. It has continued to enjoy goodwill, moral and financial support from the Government, development partners and the public in its efforts to improve road network and ease traffic congestion in the urban set up.

The Authority received Kshs. 5,546,982,979 out of which Kshs. 5,241,382,979 related to 15% allocation of Road Maintenance Fuel Levy (RMLF) and Kshs. 305,600,000 being the 10% CS allocation from Kenya Roads Board. Major milestones in the year include; the construction of roads in major towns in most counties, maintenance of roads, Rehabilitation of Roads, staff capacity building, construction of Bridges, walkways and improvement of Children traffic Parks in the country.

The Authority has continued to implement measures to promote the realization of National Cohesion and National Values in all its activities, projects and programs. It has also put in place institutional structures that promote good governance and prudent management of public resources. The Board has been inducted and sensitized on Mwongozo Code of Conduct and have signed SCAC Form1 - 2015 as part of commitment to good governance. The Board is committed in ensuring the public get value for money in all our projects.

During the period, the Authority maintained 3,119.56 km of roads, Laid 181 lane km of road under periodic maintenance and rehabilitated 33.4 lane km of road. The Authority also constructed 33.22 lane km of new roads under the year in review. I am delighted to report that the Board played its role effectively. The various committees of the Board continue to play a vital role in supporting the Board in discharging its duties. We are confident that KURA's mandate is executed prudently and in compliance with all regulatory obligations.

The success we have achieved was not without the support of our stakeholders & development partners. I wish to extend my sincere appreciation for their seamless support in enabling the Authority, achieve its mandate and deliver safe and efficient urban roads and enable the country attain its dream of Vision 2030.



Eng. Daniel Njora
Board Representative

V. REPORT OF THE CHIEF EXECUTIVE OFFICER

I am delighted to present to you the Financial Statements of Kenya Urban Roads Authority for FY2016/2017. During the period under review the Authority has had a robust performance executing key infrastructure programs aimed at enhancing efficient and safe urban roads. This comes at a time when the Country is consolidating its efforts to entrench itself as a middle income economy with the Authority playing an enabling role through improvement of the business environment by provision of an adequate and safe urban road network.

Kenya Urban Roads Authority has aligned its strategy to road development, enhancing road maintenance and strategic initiatives to tackle urban areas traffic congestion. To this end the Authority has continued to prioritize projects that help decongest urban areas and thus improve the business environment. In the FY 2016/17, We upgraded and constructed a total of 74.95 Lane Kms some of this new projects include Construction of the Eastern Missing Links, The Nairobi Outering Road Improvement Project, Construction of the Meru Bypass, Rehabilitation and Upgrading of Eastleigh Estate Roads Phase 11 , Dualling of Ngong Road and Rehabilitation of Upper Hill Roads Phase 11.

Other Initiatives include reconstruction and rehabilitation of roads in various parts of the Country where a total of 33.4 Lane Kms were rehabilitated, conducting scheduled periodic and routine maintenance .During the FY, the Authority undertook periodic maintenance on 180.7 Lane KMs including 60.28 lane KMs of roads carried over from the previous financial year in Nairobi and other Counties. A total of 3,119.56 Lane KMs including 1,265.85 lane KMs of roads carried over from the previous financial year in Nairobi and other Counties were maintained under routine maintenance.

Stakeholder engagement remains at the heart of our corporate strategy and to this end the Authority continues to pursue strategic partnerships that continue to fortify our efforts to discharge the Authority's mandate. We continue to engage with development partners, Pursue Public Private Partnerships and engage with all our stakeholders to ensure seamless delivery of a safe and efficient Urban Road network.

The Authority's performance has been driven by prudent financial management, dedicated staff and effective guidance from the Board of Directors. A more customer focussed approach in our operations all geared towards ensuring that the urban infrastructure is developed, maintained and managed with dedication to support robust economic growth in the Country.

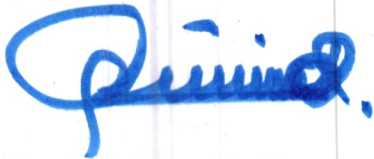
We shall continue to build on the growth momentum we have established, remain focused on executing our strategy and drive the organizational changes needed to realize our goal of transforming Kenya Urban Roads Authority into a global leader in the provision and management of urban road network.

The Authority remains committed to improving our Country's business viability and creating a favourable economic environment through provision of a suitable urban road network making the Country a centre of socio-economic development in the Region and beyond

Kenya Urban Roads Authority
Reports and Financial Statements for the year ended June 30, 2017

Let me conclude by thanking our Stakeholders, Development Partners, The Ministry of Transport Infrastructure Housing and Urban Development, The National Treasury and all our other partners for their distinguished role in helping us achieve this success.

I would also like to appreciate the Board of Directors for the support and guidance they provided to the Management throughout the year. Finally, I wish to thank all the KURA staff for working tirelessly to deliver this great performance



Eng. Silas Murira Kinoti

AG. DIRECTOR GENERAL

VI. CORPORATE GOVERNANCE STATEMENT

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

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

THE BOARD OF DIRECTORS

The Authority achieved its strategic objectives in the financial year 2016-2017, because it was led by an effective Board. The Board is composed of competent, diverse and qualified members capable of exercising objective and independent judgment. The Board has appropriate autonomy and authority to exercise its functions and is accountable to its shareholder (GoK) and acted responsibly towards stakeholders.

Appointment, Composition and Size

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

- Finance & Strategy Committee.
- Audit Committee.
- Human Resource Committee.
- Technical Committee.

Board Work Plan and Meetings

The Board work plan and calendar of meetings are annually prepared in advance. Adequate notice is given for each Board meeting and Directors receive detailed papers on issues to be discussed in good time before the meeting. The Board held a total of seven (10) Full Board meetings during the year, which were very well attended.

Board Manual, Charter and Code of Conduct

During the year, the Board formulated a Manual, a Board Charter and Code of Conduct. These documents serve as reference guides for Directors. They seek to expound and explain to each Board member the collective and individual powers, duties, obligations, responsibilities and liabilities of Directors. They also set out the requirements and standards of good corporate governance necessary to bring the level of standards of corporate governance in the Authority to international best practices.

Board Evaluation

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

In general, the performance for the whole Board was “Excellent” as per the criteria applied therein. The Board scored very well in the overall evaluation at a mean score of 4.89 out of 5 (compared with 4.64 in the previous Financial Year). The average individual director assessment score was at a level of 4.79 out of 5 (compared with 4.69 in the previous Financial Year) and the Acting Director General/Chief Executive Officer was rated at 4.87 out of 5 (compared with 4.79 in the previous Financial Year).

Directors’ Remuneration

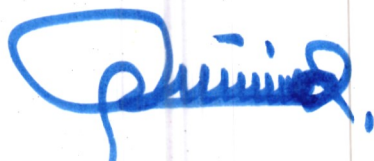
Details of Directors’ remuneration are set out in the report on page 16 for the financial year under review. Directors are paid sitting allowance for every meeting attended, lunch allowance (in lieu of lunch being provided), accommodation allowance and mileage reimbursement where applicable, all in line with the ceilings approved for state corporations by the Government. There were no Directors’ loans at any time during the year.

INTERNAL CONTROLS

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

ETHICAL STANDARDS

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



Eng. Silas Murira Kinoti
AG. DIRECTOR GENERAL

VII. MANAGEMENT DISCUSSION AND ANALYSIS

THE AUTHORITY'S OPERATIONAL AND FINANCIAL PERFORMANCE

The Government of Kenya embraced the Road Management Initiatives pillared on stable financing, ownership, responsibility and commercial management of roads. The Kenya Urban Roads Authority facilitates effective and efficient management of urban roads.

Roads, among other transport and communication infrastructure, are key enablers on which the three pillars of Economic Blue Print; the Kenya Vision 2030 are founded. Moreover, road transport is the predominant mode of transport and carries about 93% of all freight and passenger traffic in the Country. To realise this growth, our infrastructure particularly roads, must be constructed, upgraded, rehabilitated and maintained to high standards. The achievement of a world class Urban Road network is one of the main priorities of the Government of Kenya as it works towards reaching its national development goals and objectives for wealth and employment creation for all its citizens, to provide prosperity to all Kenyans, the average GDP has to grow at a rate of not less than 10% per annum over the next 20 years. This is according to Kenya's Vision 2030

OPERATIONAL PERFORMANCE

Below is a summary of operational performance for the year ended 30th June, 2017.

ANNUAL REPORT 2016/2017 PERFORMANCE INDICATORS						
	Performance Criteria Category	Units	Target For FY 2016/17	Cumulative to Date		
				Actual	Target for Period	Variance (E-F)
			A	E	F	G
	CORE MANDATE/ FUNCTIONS					
B1.	Upgrading/ Construction of New Roads					
	Vision 2030 Flagship Projects/Programmes					
i.	Construction of New Roads (Under vision 2030 flagship projects)	Lane Km	50.6	74.95	50.6	24.35
	Priority Projects/Programmes (Outcomes aligned to SDGs and Sector Performance Standards (SPS))					
i.	Construction of New Roads	Lane Km	38.4	33.22	38.4	-5.18
ii.	Reconstruction and Rehabilitation of Roads	Lane Km	15.8	33.4	15.8	17.6
iii.	Construction of New Bridges	No	16	25	16	9
iv.	Construction of Walkways	Km	28	29.93	28	1.93

Kenya Urban Roads Authority
Reports and Financial Statements for the year ended June 30, 2017

ANNUAL REPORT 2016/2017 PERFORMANCE INDICATORS						
	Performance Criteria Category	Units	Target For FY 2016/17	Cumulative to Date		
				Actual	Target for Period	Variance (E-F)
			A	E	F	G
v.	Signalization of Junctions	%	100	72	100	(28)
B2.	Maintenance of Roads					
i.	Periodic Maintenance of Roads	Lane Km	225.70	180.7	225.7	(45.0)
ii.	Routine Maintenance of Roads	Lane Km	3,171.30	3,120	3,171.30	(51.74)
B3.	Engineering Services					
i.	Design of Roads	Km	85.3	76	85.3	(9.3)
ii.	Design of New Bridges	No	3	3	3	0
iii.	Automation of Traffic Data Collection	%	100	0	100	(100)
iv.	Identification and Preservation of Road Reserves	%	100	100%	100%	0
v.	Roads 2000 Strategy (Jobs Created)	No.	7,200	7198	7200	(2)
vi.	Monitor and enforce Axle Load Compliance	%	100	100	100	0
vii.	Screen and Cordon Surveys	%	100	0	100	(100)
viii.	Environmental and Social Impact Assessment (ESIA) Study	%	100	100	100	0
ix.	Feasibility Studies for Road Projects	%	100	50	100	(50)
x.	Traffic Surveys	%	100	78	100	(22)
xi.	Road Safety	%	100	75	100	(25)
B4.	Ease of Doing Business	%	100	60	100	(40)
B5.	Project Completion Rate	%	100	100	100	0

NOTES:

B1: Upgrading/Construction of New Roads (Vision 2030 Flagship Projects/Programmes):

In this FY, the Authority achieved 74.95 Lane KMs including Q4 33.61 Lane KMs from the following roads: Construction of Eastern Missing Link Roads (2 Lane Km), Nairobi Outerring Road Improvement project (23.61 Lane Km), Construction of Meru Bypass (2.8 Lane Km), Rehabilitation and Upgrading of Eastleigh Estate Roads Phase II - (2.0Lane Km), Dualling of Ngong Road Phase I

(All Saints - Adams Arcade) - (3.2), Rehabilitation and Upgrading of Upper Hill Roads Phase II (5.3%).

B1: Priority Projects/Programmes (Outcomes aligned to SDGs and Sector Performance Standards (SPS))

i. Construction of New Roads:

In this FY, the Authority achieved 33.22 Lane KMs of newly constructed roads as follows: Construction of Eastlands Roads Phase I (0 Lane Km - 95% substantially Complete), Upgrading to Bitumen Standards of Kinunga Kamuyu Road Phase II in Nyeri County (0 Lane Km – 95% substantially complete), Upgrading of Syokimau/Katani road phase II - (2.0 Lane Km), Upgrading of Githurai - Kimbo Link Phase II - (3.0 Lane Km), Construction of Ngong road - kibera - kungukarumba - langata road (missing link no. 12) – (3.72), Construction of Waiyaki way -Redhill link road – (36.5%), Construction of Access Road to Embakassi Infinity Park – (50.3%), Eldoret Annex Loop Road (9.0 Lane Km), Construction of Upperhill - Mbagathi way link Road – (0.4 Lane Km), Construction of Mlolongo-Kware-Katani-Kamulu Link Road – (0.5 Lane Km), Access Road to Ruai Police Station – (1.4 Lane Km), Eastlands Roads Phase II – (Mobilization)

ii. Reconstruction and Rehabilitation of Roads:

The Authority rehabilitated 33.4 Lane KMs during the FY of the following roads:

11.7 Lane Km of Roads from carry-over works from the previous financial year (FY 2015/2016); Mumias Town-Lureko Rd in Mumias (2.0 Km Lane), National Estates Roads in Webuye (3.4 Lane Km), A1-Bishop Sulumeti Sec School Rd in Kakamega (2.0 Lane km), Access to MOW Offices in Kakamega (1.0 Lane Km), Chavakali- Bendera Road in Vihiga (0.6 Lane Km), Posta - Market Road in Bungoma (0.5 Lane Km), Access to Friends School Kamusinga in Kimilili (1.2 Lane Km) and Township Roads (1.0 Lane Km). In Q2 - The Authority rehabilitated 1km of Muthurwa road.

The Authority rehabilitated 21.7 Lane Km of Roads during the fourth quarter of the financial year (FY 2016/2017); Forest Lane Rd in Nairobi (3.2 Km Lane), Forest View Roads in Nairobi (4.0 Lane Km), Mgwani Rd in Nairobi (1.8 Lane km), Digo Rd in Nairobi (4.1 Lane Km), Mwangaza Road in Nairobi (1.6 Lane Km), Kigwa Close in Nairobi (0.6 Lane Km), Fedha-Nyayo Rd in Nairobi (3.4 Lane Km) and KISE-Sports View (3.0 Lane Km). During the fourth quarter, the remaining Rehabilitation Projects were progressing well.

iii. Construction of New Bridges:

The Authority managed to construct 25 Bridges in the following projects; Nairobi Outer ring Road Improvement project (1 No), Construction of Meru Bypass (1 No.), Construction of Waiyaki way - Redhill link road (2 No.), Construction of Ngong road - kibera - kungukarumba - langata road (missing link no. 12) – (20%), Construction of Kahawa West fly over Bridge and adjoining access – (70%), Construction of Eastern Missing links – (1 No).

iv. Construction of Walkways:

The Authority achieved 29.93 KMs of Walkways during construction of the following roads: Nairobi Outer Ring road project (5.0 Km), Construction of Eastern Missing Links (3.0 Km), Construction of Githurai -Kimbo Link road Phase II – (3.0 Km), Construction of Access Road to Embakassi Infinity Park – (50.3%), Construction of Ngong road - kibera - kungukarumba - langata road (missing link no. 12) – (37.0%), Construction of Waiyaki way -Redhill link road – (36.5%).

v. Signalization of Junctions:

Contract for works is ongoing-25% complete. Design for 7no. Junctions completed and approved. In Q4, works progress is 72%. Excavation for footings for poles installation is ongoing.

B2: Maintenance of Roads

i. Periodic Maintenance of Roads:

During the FY, the Authority undertook periodic maintenance on 180.7 Lane KMs including 60.28 lane KMs of roads carried over from the previous financial year in Nairobi and other Counties.

In Q3: The Authority undertook periodic maintenance on 51.56 lane Km of roads

In Q4: The Authority undertook periodic maintenance on 68.84 lane Km of roads mainly from works programmed in the FY 2016-2017 ARWP across all the 10 regions.

ii. Routine Maintenance of Roads:

During the FY, the Authority undertook routine maintenance on 3,119.56 Lane KMs including 1,265.85 lane KMs of roads carried over from the previous financial year in Nairobi and other Counties.

In Q3: The Authority undertook routine maintenance on 964.71 lane Km of roads

In Q4: The Authority undertook routine maintenance on 889.2 lane Km of roads mainly from works programmed in the FY 2016-2017 ARWP across all the 10 regions.

B3: Engineering Services

i. Design of Roads:

The Authority undertook the designs for the following roads during the FY; Design of Lenana - Muguchia - Dagoretti Road, Nairobi Eastern Region Missing Link, Upper Hill Over passes and Nairobi Western region Missing Links, Kayole Spine road – Manyanja road- Komarock Road and John Onsogo road. The projects are at 100% tallying to 76 KMs.

ii. Design of New Bridges:

The Authority undertook the design of the following 3 Bridges during the FY: Webuye - Lufwindiri Box Culvert, Design of road - over - rail bridge on Komarock road. The projects are at 100%.

FINANCIAL PERFORMANCE

Kenya Urban Roads Authority receives funding from different sources as follows:

- (a) GoK Exchequer Funding
- (b) Road Maintenance Fuel Levy Fund
- (c) Development Partners

During the FY 2016-2017 the Authority's recurrent grants recorded an increase of about 18% whilst an expenditure increase of 15% compared to the previous Financial Year as show in the table below:

Funding Source	2017	2016	% Change
Fuel Levy (RMLF 15%)			
Recurrent Grant	5,546,982,979	4,713,031,962	18%
Expenditure	5,814,758,454	5,049,362,951	15%

The Authority's Development funds absorption rate was recorded as 81% while the Donor Funds recorded an absorption rate of 69% as shown in the table below:

Funding Source	Budget	Actual	% Absorption
GoK Exchequer Fund	12,069,940,770	9,773,035,320	81%
Donor Funds	6,200,000,000	4,276,747,438	69%

INCREASE IN NET ASSETS

During the Financial Year ended 30th June 2017, the Net assets increased by Kshs. 14,110,863,804 to Kshs. 61,904,736,389 indicating a 30% increase in development works as shown in the table below:

Particulars	2017	2016	% Change
Net Assets	61,904,736,389	47,793,872,585	30%

SECTION B

ENTITY'S COMPLIANCE WITH STATUTORY REQUIREMENTS

There were no major non-compliance issues brought to the attention of the Board during the Financial Year ended 30th June 2017.

SECTION C

KEY PROJECTS AND INVESTMENT DECISIONS THE ENTITY IS PLANNING/IMPLEMENTING

The Authority plans to roll out major projects financed by the GoK (exchequer). These projects seek to decongest the City of Nairobi and other towns across the country. The approved projects are part of the Vision 2030 flagship projects on infrastructure Pillar and they are sustainable until the end of the project completion period. Examples of these projects include:

- Decongestion programme in Nairobi
- Construction of Roads in County Headquarters

SECTION D

MAJOR RISKS FACING THE ENTITY

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk, and other price risk

During the period the Authority had financial instruments such as receivables and payables which are susceptible to financial risks.

Kenya Urban Roads Authority
Reports and Financial Statements for the year ended June 30, 2017

For receivables there is the risk of debtors failing to pay back amounts due. The Authority has set up systems to ensure that the debtors (staff debtors) pay back their obligations within 48 hours. Further, staff with outstanding debt is not allowed new cash advances.

For payables there is a risk of the Authority failing to meet its obligations. The Authority ensures that it meet its obligations, by fixing credit period of thirty (30) days from the time Interim Payments Certificates are received to the time settled.

Price risk

The Authority does not hold investments that would be subject to price risk hence the risk is not relevant.

Foreign exchange risk

The Authority does not undertake transactions denominated in foreign currencies. Therefore, exposures to exchange rate fluctuations do not arise.

Credit risk

The table below shows the Authority's maximum exposure to credit risk as at 30th June, 2017

Description	Fully performing	Past due	Impaired	Total
	Kshs	Kshs	Kshs	Kshs
Receivables from non-exchange transactions	1,753,824,805	225,926,620	-	1,979,760,805
Other receivables		-	-	
Bank balances	4,565,595,930	-	-	4,565,595,930
Total	6,319,430,735	225,926,620		6,545,356,735

Liquidity risk quantitative disclosures

Description	Within 3 months	Over 3 months
	Kshs	Kshs
At 30th June, 2017:		
Trade payables	2,997,399,821	-
Borrowings	-	-
	2,997,399,821	-
At 30th June, 2017:		
Trade payables	2,997,399,821	-
Borrowings	-	-
	2,997,399,821	-

SECTION E

MATERIAL ARREARS IN STATUTORY/FINANCIAL OBLIGATIONS

At the close of the Financial Year 2016-2017 the Authority had accumulated pending bills to the tune of Kshs. 102,376,421. This was mainly because of budgetary constraint on the specific projects. The bills will be settled in the FY 2017-2018 as first charge.

SECTION F

THE ENTITY'S FINANCIAL PROBITY AND SERIOUS GOVERNANCE ISSUES

The directors state that no major issues of financial improbity have been brought to their attention in the period under review. The Directors further state that there are no serious governance issues amongst neither the Board Members nor any conflict of interest while discharging their duties.

VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

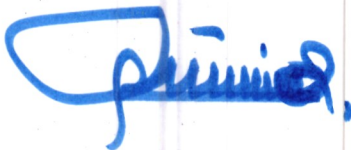
The Authority Corporate Social Responsibility (CSR) initiatives are premised on the need to positively touch the lives of those around us through Corporate giving. Kenya Urban Roads Authority CSR activities are strategically anchored on community support. In the FY 2016/2017 the Authority focused on touching the hearts and lives of needy children.

During the period under review we partnered with the Mater Hospital in support of its Cardiac program that is financed by donors and well-wishers by fundraising through a charity run dubbed “The Mater Heart Run”.

The Charity run is organized annually to raise funds for children from economically disadvantaged backgrounds who are in need of cardiac medical interventions. Funds raised from the run are used to subsidize the cost of cardiac surgeries and cathetizations as well as funding cardiac screening camps across the Country.

Through the Authority CSR arm we sponsored a total of Thirty Six (36 No.) members of staff drawn from our Head office and four of our Regions namely Central, Upper Eastern South Rift and Nairobi Region to participate in this charity event.

KURA is committed to ensuring that our CSR programs are designed to improve and better the lives of the less privileged amongst us. We look forward to more vibrant programs that will positively transform the lives of the needy around us.



Eng. Silas Murira Kinoti
**Secretary to the Board &
Ag. DIRECTOR GENERAL**

IX. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2017 which show the state of the Kenya Urban Roads Authority's affairs.

Principal activities

The principal activities of the Kenya Urban Roads Authority are (continue to be) Provide quality, safe and adequate urban road network that satisfies stakeholder needs.

Results

The results of the Kenya Urban Roads Authority for the year ended June 30, 2017 are set out on page 1 to 5.

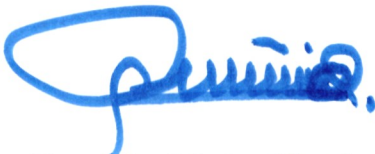
Directors

The members of the Board of Directors who served during the year are shown on page (v) and (vi).

Auditors

The Auditor General is responsible for the statutory audit of the *Kenya Urban Roads Authority* in accordance with the Section 35 of the Public Audit Act 2015, which empowers the Auditor General to conduct Audits of financial statements under Article 229 of the Constitution for State Organs and public entities and report annually to Parliament.

By Order of the Board.



Eng. Silas Murira Kinoti
**Secretary to the Board &
Ag. DIRECTOR GENERAL**

X. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 68 (2) k of the Public Finance Management Act, 2012 and section of the State Corporations Act, require the Directors to prepare financial statements in respect of that *Kenya Urban Roads Authority* which give a true and fair view of the state of affairs of the *Authority* at the end of the financial year/period and the operating results of the *Authority* for that year/period. The Directors are also required to ensure that the *Authority* keeps proper accounting records which disclose with reasonable accuracy the financial position of the *Authority*. The Directors are also responsible for safeguarding the assets of the *Authority*.


The Directors are responsible for the preparation and presentation of the *Authority's* financial statements, which give a true and fair view of the state of affairs of the *Authority* for and as at the end of the financial year (period) ended on June 30, 2017. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the authority; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the *Authority*; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the *Authority's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the *Authority's* financial statements give a true and fair view of the state of *Authority's* transactions during the financial year ended June 30, 2017, and of the *Authority's* financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the *Authority*, which have been relied upon in the preparation of the *Authority's* financial statements as well as the adequacy of the systems of internal financial control.

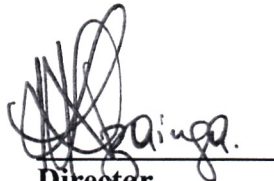
Nothing has come to the attention of the Directors to indicate that the *Authority* will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

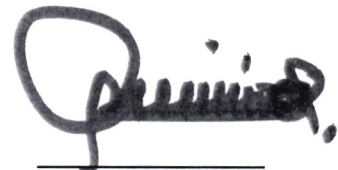
The *Authority's* financial statements were approved by the Board on 13/09/ 2017 and signed on its behalf by:



Director



Director



Director

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA URBAN ROADS AUTHORITY FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kenya Urban Roads Authority set out on pages 1 to 26, which comprise the statement of financial position as at 30 June 2017, and the statement of financial performance, the statement of changes in net assets, the statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Kenya Urban Roads Authority as at 30 June, 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with Kenya Roads Act, 2007.

In addition, as required under Article 229 (6) of the Constitution, based on the procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kenya Urban Roads Authority in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

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

Report of the Auditor-General on the Financial Statements of Kenya Urban Roads Authority for the year ended 30 June 2017

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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 such 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.

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

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.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

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.

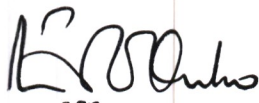
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- 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.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and for the purpose of giving an assurance on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Authority to express an opinion on the financial statements.

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

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



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

Nairobi

05 June 2018

**XII. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED
30 JUNE 2017**

Revenue from non-exchange transactions	Note	2016-2017	2015-2016
		Kshs.	Kshs.
RMLF Funds	5	5,546,982,979	4,713,031,962
Funds from GoK (Exchequer) & Other Government Agencies	6	613,271,681	834,891,544
Licences penalties, levies and Other Incomes	7	25,935,519	11,019,513
		6,186,190,179	5,558,943,019
Revenue from exchange transactions			
Income From exchange Transactions	8	110,657,533	61,547,768
Total revenue		6,296,847,713	5,620,490,787
Expenses			
Board of Directors Expenses	9	23,854,645	14,673,097
Compensation to employees	10	619,679,192	569,527,928
Depreciation & Amortization Costs	11	44,139,597	52,777,160
Operating & Administrative Costs	12	290,572,731	336,529,117
Road Rehabilitation & Maintenance Cost	13	4,832,237,857	4,072,955,648
Audit Cost	14	2,900,000	2,900,000
Total expenses		5,813,384,023	5,049,362,951
Gain on Disposal		591,500	-
Surplus/Deficit for the period		484,055,190	571,127,837


The notes set out on pages 7 to 25 form an integral part of these Financial Statements

XIII. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

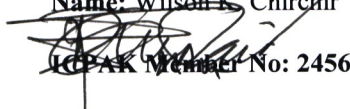
Assets			
Current assets	Note	2016-2017	Restated 2015-2016
		Kshs.	Kshs.
Cash and cash equivalents	15	4,565,595,930	5,906,425,634
Receivables from non-exchange transactions	16	1,979,760,805	964,604,709
Inventories	17	5,638,360	6,290,112
		6,550,995,095	6,877,320,455
Non-current assets			
Property, plant and equipment	20	58,357,642,770	42,428,567,545
		58,357,642,770	42,428,567,545
Total assets		64,908,637,865	49,305,888,000
Liabilities			
Current liabilities			
Payables (Suppliers & Contractors)	18	1,862,246,897	1,039,384,601
Refundable deposits Road cut permits	18	15,777,500	14,667,500
staff statutory obligations payable	18	11,804,752	2,661,117
Staff gratuity payable	18	22,746,545	18,058,601
Retention	18	1,047,462,079	374,101,258
Withholding tax payable	18	37,362,048	55,451,502
		2,997,399,821	1,504,324,579
Non-current liabilities			
Deferred Income liabilities	19	5,127,224	7,690,836
Total liabilities		3,002,527,045	1,512,015,415
Net assets		61,906,110,820	47,793,872,585
Capital Reserves		19,652,510	19,652,510
Accumulated surplus		4,292,261,850	3,808,206,660
Road projects funds reserves		57,594,196,460	43,966,013,415
Total net assets and liabilities		64,908,637,865	49,305,888,000

The Financial Statements set out on pages 1 to 5 were signed on behalf of the Board of Directors by:


Director General/C.E.O/M.D
 Name: Eng. Silas Murira Kinoti


 Date:
 13/09/2017

Head of Finance
 Name: Wilson K. Chirchir


 ICPSAK Member No: 2456
 Date:
 13/09/2017

Chairman of the Board
 Name: Eng. Daniel W. Njora


 Date:
 13/09/2017

XIV. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2017

	Capital Reserve	Accumulated Surplus	Reserves Grants	Total
	Kshs	Kshs	Kshs	Kshs
Balance as at 30th June 2015	19,652,510	3,237,078,822	35,305,305,819	38,562,037,151
Surplus/(deficit) for the period		571,127,837		571,127,837
Road Reserves Fund			8,660,707,596	8,660,707,596
Balance as at 30th June 2016	19,652,510	3,808,206,659	43,966,013,415	47,793,872,585
Balance as at 30th June 2016	19,652,510	3,808,206,659	43,966,013,415	47,793,872,585
Surplus/(deficit) for the period		484,055,190		484,055,190
Transfers to/from accumulated surplus				-
Road Reserves Fund			13,628,183,045	13,628,183,045
Balance as at 30th June 2017	19,652,510	4,292,261,849	57,594,196,460	61,906,110,820

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

Kenya Urban Roads Authority
Reports and Financial Statements for the year ended June 30, 2017

XV. STATEMENT OF CASH FLOWS AS AT 30TH JUNE, 2017

	2016-2017	2015-2016
	Kshs.	Kshs.
Cash flows from operating activities		
Receipts		
RMLF Funds	5,546,982,979	4,713,031,962
Funds from other Government Agencies	613,271,681	-
Licenses penalties, levies and Other Incomes	25,935,519	8,209,651
Other income, rentals and agency fees		4,498,862
	6,186,190,179	4,725,740,475
Payments		
Board of Directors Expenses	23,854,645	14,673,097
Compensation to Employees	619,679,192	569,527,928
Operating & Administrative Costs	290,572,731	336,529,117
Road Rehabilitation & Maintenance Cost	4,832,237,857	4,072,955,648
Audit Cost	2,900,000	2,900,000
	5,769,244,425	4,996,585,791
Cash flows from operating activities	416,945,754	(270,845,315)
Working capital Adjustment		
Increase in Creditors	1,565,229,777	(466,050,940)
Increase in receivables from non-exchange Transaction	(1,015,156,093)	795,190,082
Decrease in inventories	651,752	1,547,101
	550,725,437	330,686,243
Net Cash flows from operating activities	967,671,191	59,840,280
Cash flows from investing activities		
Purchase of property, plant, equipment and intangible assets	(12,197,951,972)	(3,814,899,471)
Development funds received	9,773,035,320	7,061,932,249
Deferred income	5,127,224	7,690,833
Proceeds from sale of property, plant and Equipment	774,000	-
Net cash flows used in investing activities	(2,419,015,428)	3,254,723,611
Cash flows from financing activities		
Bank Interest	110,514,533	59,858,769
Net cash flows used in financing activities	110,514,533	59,858,769
Net increase/(decrease) in cash and cash equivalents	(1,340,829,704)	3,374,423,308
Cash and cash equivalents at 1 July 2016	5,906,425,634	2,532,002,326
Cash and cash equivalents at 30 June 2017	4,565,595,930	5,906,425,634

*Kenya Urban Roads Authority
Reports and Financial Statements For the year ended June 30, 2017*

XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2017

	Original budget		Adjustments		Final budget		Actual on comparable basis		Performance difference	
	2016-2017	Kshs	2016-2017	Kshs	2016-2017	Kshs	2016-2017	Kshs	2016-2017	Kshs
Revenue										
RMLF Funds	5,323,199,891		435,600,000		5,758,799,891		5,546,982,979		211,816,912	
AIA -Interests and other incomes	50,000,000		-		50,000,000		328,265,021		(278,265,021)	
GOK exchequer	10,940,940,770		1,129,000,000		12,069,940,770		9,773,035,320		2,296,905,450	
Donor funds AIA	6,200,000,000				6,200,000,000		4,276,747,438		1,923,252,562	
Total income	22,514,140,661		1,564,600,000		24,078,740,661		19,925,030,758		4,153,709,904	
Expenses										
Property plant and Equipment	111,782,822		3,300,000		115,082,822		113,751,240		1,331,582	
Board of Directors Expenses	25,684,000		7,000,000		32,684,000		23,854,645		8,829,355	
Compensation to employees	636,127,053		-		636,127,053		619,679,192		16,447,861	
Depreciation & Amortization Costs	5,448,601		-		5,448,601		44,139,597		(38,690,996)	
Operating & Administrative Costs	412,158,815		(10,300,000)		401,858,815		293,472,731		108,386,084	
Road Rehabilitation & Maintenance Cost	4,181,998,600		435,600,000		4,617,598,600		4,410,638,144		206,960,456	
Work In Progress (GOK Funded)	10,940,940,770		1,129,000,000		12,069,940,770		9,773,035,320		2,296,905,450	
Work In Progress (Donor Funded)	6,200,000,000		-		6,200,000,000		4,276,747,438		1,923,252,562	
Total expenditure	22,514,140,661		1,564,600,000		24,078,740,661		19,555,318,307		2,600,169,792	
Add gain on disposal of assets							591,500			
Surplus for the period							370,303,950			
Reconciliation										
Surplus for the year							484,055,190			
GOK Funds Received							9,773,035,320			
Donor Funds Directly paid to contractors							4,276,747,438			
Purchase of Assets							(113,751,240)			
Work In Progress (GOK Funded)							(9,773,035,320)			
Work In Progress (Donor Funded)							(4,276,747,438)			
Surplus as above							370,303,950			

See note 4 (b) (Notes to the Financial Statements) for explanation of material variances

XVII. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Kenya Urban Roads Authority was formed on enactment of the Kenya Roads Act, 2007. At cabinet level, Kenya Urban Roads Authority is represented by the Cabinet Secretary for the Ministry of Transport, Infrastructure, Housing and Urban Development, who is responsible for the general policy and strategic direction of the Authority. The Authority is wholly owned by the Government of Kenya and is domiciled in Kenya. Kenya Urban Roads Authority's key mandate is to Design, Construct, Rehabilitate and maintain urban roads in Kenya.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The Public Finance Management (PFM) Act Section 192 provided the Setting up of the Public Sector Accounting Standards Board through Gazette Notice No. 1199 of 28th February, 2014. Following the Boards approval on adoption of the International Financial Reporting Standards (IFRS) for state organs operating as Commercial Business Entities and The International Public Sector Accounting Standards (IPSAS) for non-commercial entities, Kenya Urban Roads Authority has adopted the pronouncements made by the PSASB board in preparation of its current year Financial Statements.

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 Authority and all values are rounded to the nearest shilling. The accounting policies have been consistently applied to all the years presented.

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

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

e.g

- (a) IPSAS 1 several paragraphs in relation to New IPSAS 34-38, others on IPSAS 28, 29
- (b) IPSAS 17 on PPE revision: several paragraphs amended.
- (c) IPSAS 28 on financial instruments presentation paragraph 56-58 and changes in paragraph 61 are amended by IPSAS 33 which are effective for periods beginning from January 1, 2017.

IPSAS 31 on intangible assets: revision on paragraph 6 on service concessions, 79 on revaluation, 91 on technological obsolesce effective for periods beginning or after January 1, 2015. Other revisions on paragraphs 129-132C&D and 133 are effective for periods beginning from January 1, 2017 in line with new IPSAS standards 33 – 38.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. ADOPTION OF NEW AND REVISED STANDARDS

Standard	Impact
<p>IPSAS 33: First time adoption of Accrual Basis IPSAS</p>	<p>(Effective for annual periods beginning on or January 1, 2017) In January 2015, the IPSASB published IPSAS 33, First-time Adoption of Accrual Basis IPSASs. IPSAS 33 grants transitional exemptions to entities adopting accrual basis IPSASs for the first time, providing a major tool to help entities along their journey to implement IPSASs. It allows first-time adopters three years to recognize specified assets and liabilities. This provision allows sufficient time to develop reliable models for recognizing and measuring assets and liabilities during the transition period. <i>The entity adopted IPSAS in the year ended 30 June 2014 and therefore provisions of first time adoption of accrual basis does not apply to the entity.</i></p>
<p>IPSAS 34: Separate Financial Statements</p>	<p>(Effective for annual periods beginning on or January 1, 2017) In January 2015, the IPSASB published IPSAS 34, Separate Financial Statements. IPSAS 34 prescribes the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements. <i>The entity does not have any subsidiaries , joint ventures or investments and therefore the standard does not apply/ the entity is a parent company and has prepared consolidated financial statements and therefore the standard does not apply</i></p>
<p>IPSAS 35: Consolidated Financial Statements</p>	<p>Effective for annual periods beginning on or January 1, 2017) In January 2015, the IPSASB published IPSAS 35, Consolidated Financial Statements. IPSAS 35 establishes principles for the preparation and disclosure of consolidated financial statements when an entity controls one or more entities. It requires an entity that controls one or more other entities to assess control over those entities based on the following:</p> <ul style="list-style-type: none"> - Its power over the other entity - Its exposure or rights to variable benefits from involvement with the other entity - Its ability to control the nature, timing and amount of benefits from the other entity. <p>Once control is assessed the controlling entity is supposed to prepare consolidated financial statements unless it meets all the criteria under section 5 of IPSAS 35. <i>The entity does not have any subsidiaries , joint ventures or investments and therefore the standard does not apply</i></p>
<p>IPSAS 36: Investments in Associates and Joint Ventures</p>	<p>(Effective for annual periods beginning on or January 1, 2017) In January 2015, the IPSASB published IPSAS 36, Investments in Associates and Joint Ventures. The Standard prescribes for the accounting for investments in associates and joint ventures and to set out requirements for the application of the equity method when accounting for investments in associates and joint ventures. The standard shall be applied by all entities with significant influence</p>

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	over, or joint control of, an investee where the investment leads to the holding of a quantifiable ownership interest.
IPSAS 37: Joint Arrangements	(Effective for annual periods beginning on or January 1, 2017) In January 2015, the IPSASB published IPSAS 37, Joint Arrangements. IPSAS 37 establishes principles for financial reporting by entities that have an interest in arrangements that are controlled jointly. <i>The entity does not have investments in associates or joint ventures</i>
IPSAS 38: Disclosure of Interests in Other Entities	(Effective for annual periods beginning on or January 1, 2017) In January 2015, the IPSASB published IPSAS 38, Disclosure of Interests in Other Entities. IPSAS 38 requires an entity to disclose information that enables users of its financial statements to evaluate the nature of and risks associated with, its interests in controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and the effects of those interests on its financial position, financial performance and cash flows. <i>The entity does not have an interests in other entities and therefore the standard does not apply</i>

- i. **Relevant new standards and amendments to published standards effective for the year ended 30 June 2017.**
- ii. **New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2017**

Standard	Effective date and impact:
IPSAS 39: Employee Benefits	Applicable: 1st January 2018 The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019: The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3(applicable to acquisitions only) Business combinations and combinations arising from non-exchange transactions which are covered purely under Public Sector combinations as amalgamations.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees and fines

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

The Authority received Kshs. 5,546,982,979 out of which Kshs. 5,241,382,979 relates to 15% allocation of Road Maintenance Fuel Levy (RMLF) and Kshs. 305,600,000 being the 10% CS allocation from Kenya Roads Board. It is important to note that the Authority also received Kshs. 9,773,035,320 from the development fund/ exchequer. Included in this was Kshs. 421,599,712.94 used to improve Junctions to decongest the City. Although the GoK exchequer was used to fund these projects it was not feasible to capitalize them, therefore they were accounted for as revenue from non-exchange transactions.

The Authority recognised Licences, penalties and levies as income amounting to Kshs 25,935,519.00. Included in this income is Kshs. 2,563,612.00 recognition of deferred income relating to two vehicles donated by the Northern Corridor Transport Improvement Project (NCTIP) Implemented by Kenya National Highways Authority. This income will be recognised every year in the useful life of the assets.

During the year 2016/2017 the Authority had an outstanding receivable of Kshs. 225,926,620 from the Kenya Roads Board. Out of the outstanding amount the Authority received Kshs 50,000,000.00 in the FY 2017/2018 in part settlement of the receivable. This will be accounted for in the year 2017/2018.

Transfers from other government entities

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

The Authority collaborates with County Governments to do roads especially where the County Government lacks capacity. In the year 2016-2017, Nairobi City County Government partnered with Kenya Urban Roads Authority to implement roadworks in Muthurua Market and transferred Kshs. 175,000,000.00 to the Authority.

b) Budget information

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Authority. As a result of the adoption of the accrual basis for budgeting purposes, there were differences that required reconciliation between the actual comparable amounts and the amounts presented in the statement of comparison of budget and actual amounts. This has been done on the face.

Kenya Urban Roads Authority is funded through Kenya Roads Board (KRB) and the Ministry of Transport, Infrastructure, Housing and Urban Development (MOTI&UD) for Maintenance and Roads Construction respectively. The Authority prepares its annual budgets based on the annual roads work plan guided by the Authority's Strategic Plan and Vision 2030 flagship projects. KRB and MOTI&UD issues the budget ceilings based on the projects to be undertaken in a financial year in collaboration with development partners too.

During the financial year there were budget adjustments for Exchequer funds and Fuel Levy Funds due to additional allocation and re-allocation. The Exchequer budget increased from Kshs. 10,940,940,770 to Kshs. 12,069,940,770 an increase of Kshs. 1,129,000,000 to cater for the vested Low Volume Sealed Roads initially implemented by Kenya Rural Roads Authority. The Fuel Levy fund allocation increased from Kshs. 5,323,199,891 to Kshs. 5,758,799,891 an increase of Kshs. 435,600,000 which relates to 10% CS allocation.

EXPLANATION OF MATERIAL VARIANCES

Roads Maintenance Fuel Levy Fund (RMLF)

During the Financial Year 2016-2017 the Authority received Kshs 5,546,982,979 against a budget ceiling of Kshs. 5,758,799,891. The variance of Kshs. 211,816,912 relates to funds wrongly allocated to the Authority. These funds were immediately redirected to the rightful beneficiaries i.e. KeRRA (Kshs. 81,816,912 and County Government of Laikipia Kshs.130,000,000.00).

AIA -Interests and other incomes

The Authority envisaged earning interest and other incomes amounting to Kshs. 50,000,000 however this was surpassed by Kshs. 278,265,021 due to a sharp increase in interest income and liquidated damages recovered from non-performing contractors.

GOK Exchequer Funds

During the FY 2016-2017 the Authority received Kshs. 9,773,035,320 against a budget of Kshs. 12,069,940,770. An Amount of Kshs. 1,985,891,751 was attributed to FY 2015-2016 but was received in the year under review. While Kshs. 7,787,143,569 related to FY 2016-2017. It is important to note that Kshs. 4,243,710,012 was received in the beginning of FY 2017-2018.

Donor Funds AIA

During the FY 2016-2017 the Donor direct payments totalled Kshs. 4,276,747,438 against a budget of Kshs. 6,200,000,000 causing a variance of Kshs 1,923,252,562. This was occasioned by project implementation challenges that caused delays in achieving milestones for Instance;

- Delay in clearing the road corridor encroached by persons affected by the project (PAPS)
- Delays in re location of important utilities like power lines

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Depreciation Costs

During the FY 2016-2017 the Authority acquired additional assets which caused depreciation cost to move sharply upwards by Kshs. 38,690,996 against the budget.

Road Rehabilitation & Maintenance Cost

During the close of FY 2015/2016 the authority had road works rolled over to the FY 2016/2017 which were not paid due to delays in procurement. These amounts were paid in the reporting period and caused the variance of Kshs. 206,960,456.

Work In Progress (GOK)

During the FY 2016-2017 the Authority spent Kshs. 9,773,035,320 against a budget of Kshs. 12,069,940,770 causing an under absorption of Kshs 2,296,905,450. This was due to late submission of Interim Payment Certificates by contractors and some projects not being procured in time.

Board of Directors Expenses

BOD expenses were under absorbed by Kshs 8,829,355 due to the adherence of the austerity measures put in place.

Operating & Administrative Costs

The Operating & Administrative expenses were under absorbed by Kshs. 107,011,653 due to the adherence of the austerity measures put in place and good budgetary monitoring mechanism.

c) Property, plant and equipment

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

The Authority depreciates her asset using the Straight line Method. The useful life of assets per class are as follows:

- Motor Vehicle – 4 years (25%).
- Computer Equipment and Software- 3 years (33.3%).
- Office Equipment- 5 years (12.5%).
- Furniture & Fittings -5 years (12.5%).
- Building Partitions- 5 years (12.5%).

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In the financial year 2015-2016 the authority reported Kshs 42,363,594,298 as the carrying value of property plant and equipment. However post audit reconciliation revealed an understatement of the carrying value by Kshs 64,973,247. The financial statements has since been restated to reflect the correct position.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

d) Financial Instruments: Disclosures

These are disclosures that enable financial statement users to evaluate the significance of financial instruments to an entity, the nature and extent of their risks, and how the entity manages those risks.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk, and other price risk

During the year the Authority had financial instruments such as receivables and payables which are susceptible to financial risks.

For receivables there is the risk of debtors failing to pay back amounts due. The Authority has set up systems to ensure that the debtors (staff debtors) pay back their obligations within 48 hours. Further, staff with outstanding debt is not allowed new cash advances.

For payables there is a risk of the Authority failing to meet its obligations. The Authority ensures that it meet its obligations, by fixing credit period of thirty (30) days from the time Interim Payments Certificates are received to the time settled.

Price Risk

The company does not hold investments that would be subject to price risk hence the risk is not relevant.

Foreign Exchange Risk

The Authority does not directly undertake transactions denominated in foreign currencies. Therefore, exposures to exchange rate fluctuations do not arise. However for the donor funded projects which the contractor is paid directly by a specified donor the exchange rates are normally fixed at the start of the contract and there hedges against the risk of fluctuations.

Credit Risk

The table below shows the Authority s's maximum exposure to credit risk as at 30 June 2017 and 30 June 2017.

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Description	Fully performing	Past due	Impaired	Total
	Kshs	Kshs	Kshs	Kshs
Receivables from non-exchange transactions	1,753,824,805	225,926,620	-	1,979,760,805
Other receivables		-	-	
Bank balances	4,565,595,930	-	-	4,565,595,930
Total	6,319,430,735	225,926,620		6,545,356,735

Liquidity Risk Quantitative Disclosures

30 th June 2017			
Description	Within 3 months		Over 3 months
	Kshs		Kshs
At 30th June, 2017:			
Trade payables	2,997,399,821		-
Borrowings	-		-
	2,997,399,821		-
At 30th June, 2017:			
Trade payables	2,997,399,821		-
Borrowings	-		-
	2,997,399,821		-

30 th June 2016			
Description	Within 12 months		Over 12 months
	Kshs		Kshs
At 30 June 2016:			
Trade payables	1,504,324,579		-
Borrowings	-		-
Total	1,504,324,579		-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

e) Inventories

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

Costs incurred in bringing each product to its present location and condition is accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

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

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

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

f) Provisions

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

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

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

Contingent Liabilities

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Contingent Assets

The Authority does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Authority in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

g) Nature And Purpose of Reserves

The Authority creates and maintains reserves in terms of specific requirements. In the financial year 2016/2017 the authority maintained the following reserves:

- i. Road projects reserve funds which relates to cumulative exchequer funds received for development projects which currently stands at Kshs. 57,594,196,460. This shows the Authority's Investment on Roadworks to date.
- ii. Capital reserves amounting to Kshs. 19,652,510 relates to assets (Motor vehicles) donated to the Authority by KTTSP Project as part of capacity building.
- iii. Accumulated reserves amounting Kshs. 4,290,887,419 relates to accounting surplus which accrues from unutilised funds, interest income and other miscellaneous income.

h) Changes in Accounting Policies and Estimates

IPSAS 3 prescribes a hierarchy for choosing accounting policies:

- IPSAS, taking into account any relevant implementation guidance.
- In the absence of a directly applicable IPSAS, look at the requirements and guidance in IPSAS dealing with similar and related issues; and the definitions, recognition, and measurement criteria for assets, liabilities, revenue, and expenses described in other IPSASs.
- Management may also consider the most recent pronouncements of other standard-setting bodies and accepted public and private sector practices.
 - Apply accounting policies consistently to similar transactions.
 - Make a change in accounting policy only if it is required by an IPSAS, or it results in reliable and more relevant information.
 - If a change in accounting policy is required by an IPSAS, follow that pronouncement's transition requirements. If none are specified, or if the change is voluntary, apply the new accounting policy retrospectively by restating prior periods. If restatement is impracticable, include the cumulative effect of the change in net assets/equity. If the cumulative effect cannot be determined, apply the new policy prospectively.
 - Changes in accounting estimates (for example, change in useful life of an asset) are accounted for in the current period, or the current and future periods (no restatement).
 - In the situation a distinction between a change in accounting policy and a change in accounting estimate is unclear; the change is treated as a change in an accounting estimate.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

- All material prior-period errors shall be corrected retrospectively in the first set of financial statements authorised for issue after their discovery, by restating comparative prior-period amounts or, if the error occurred before the earliest period presented, by restating the opening statement of financial position.

i) Employee Benefits

Retirement Benefit Plans

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

j) Related Parties

The Authority regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the Directors and Senior Management. There were related party transactions during the Financial Year as follows:

Particulars	Type of Related Party Transaction	Amount
Directors	Emoluments	8,610,364.00
Senior Management	Remunerations & Allowances	36,882,000.00

k) Cash And Cash Equivalents

Cash and cash equivalents comprise cash at hand and cash at bank. For the purposes of these financial statements, cash and cash equivalents include cash held in our various Bank accounts and Petty cash both at Head Office and our 10 (ten) Regional Offices.

l) Comparative Figures

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

m) Significant Judgments and Sources Of Estimation Uncertainty

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

State all judgements, estimates and assumptions made: e.g.

Estimates and Assumptions

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

Useful Lives and Residual Values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 36.

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

Assumptions were used in determining the provision for rehabilitation of landfill sites. Landfill areas are rehabilitated over years and the assumption was made that the areas stay the same in size for a number of years.

Provision is made for the estimated cost to be incurred on the long-term environmental obligations, comprising expenditure on pollution control and closure over the estimated life of the landfill. The provision is based on the advice and judgment of qualified engineers.

The estimates are discounted at pre-tax discount rates that reflect current market assessments of the time value of money.

The increase in the rehabilitation provision due to passage of time is recognized as finance cost in the statement of financial performance.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The cost of ongoing programs to prevent and control pollution and rehabilitate the environment is recognized as an expense when incurred.

n) Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2017.

5 RMLF

Description	2017	2016
	Kshs	Kshs
15% - Road Maintenance Levy Fund	5,241,382,979	4,307,231,962
10% - Road Maintenance Levy Fund	305,600,000	405,800,000
Total RMLF	5,546,982,979	4,713,031,962

NOTE:

Road Maintenance Levy Fund relates to the Government recurrent grant for Rehabilitation and Maintenance of Roads. This fund is administered by Kenya Roads Board.

6 Funds from GoK (Exchequer) & Other Government Agencies

Description	2017	2016
	Kshs	Kshs
Decongestion and GES Programmes	421,599,713	834,891,544
Donor Revenue (AfDB)	16,671,968	-
Nairobi City County	175,000,000	-
Total	613,271,681	834,891,544

NOTE:

The Authority received Exchequer funding of Ksh. 421,599,713 to fund the Nairobi Rapid Decongestion Programme and some projects during the Global Enterprise Summit. It was not feasible to capitalize those projects because of their nature and scope. It is important to note that Kshs. 421,599,713 is inclusive of Kshs. 11,850,827,317 as reconciled in Appendix 2.

7 Licences penalties, levies and Other Incomes

Description	2017	2016
	Kshs	Kshs
Income- Donated Vehicles (NCIP)	2,563,612	2,563,612
Liquidated Damages (Penalties)	19,914,075	3,409,651
Road cutting fees (Levies & Licences)	2,820,000	4,800,000
Other Income-Staff Related	637,832	246,250
Total	25,935,519	11,019,513

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 Income from Exchange Transactions

Description	2017	2016
	Kshs	Kshs
Interest on bank deposits	110,514,533	59,858,768
Sale of Tender Documents	143,000	1,689,000
Total Finance and Other Incomes	110,657,533	61,547,768

9 Board of Directors Expenses

Description	2017	2016
	Kshs	Kshs
Directors Sitting Allowance	6,720,800	5,973,918
Directors Training Costs	8,749,345	1,523,000
Directors Meal Allowances	-	250,000
Board Members International Trip	3,821,485	5,280,926
Other Board Functions and Field Costs	4,563,015	1,645,252
Total board expenses	23,854,645	14,673,097

10 Compensation to Employees

Description	2017	2016
	Kshs	Kshs
Staff Salaries	476,462,467	449,273,058
Staff Pension	31,468,170	28,360,069
Staff Gratuity	4,687,944	5,076,715
Staff Medical - In Patient	56,978,811	28,710,554
Staff training	35,449,415	25,262,002
Staff Medical - Out Patient	-	16,063,702
Staff Group Personal Accident & Group Life	12,947,665	13,092,871
Staff Welfare	840,469	2,862,207
NSSF Employer's Contribution	675,400	661,400
Director of Industrial Training	168,850	165,350
Total employee costs	619,679,192	569,527,928

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11 Depreciation & Amortization Costs

Description	2017	2016
	Kshs	Kshs
Total depreciation Expense	44,139,597	52,777,160

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 Operating & Administrative Expense

Description	2017	2016
	Kshs	Kshs
Conference & seminars	27,113,651	21,543,233
Communication costs	5,766,556	4,376,043
Occupancy costs	59,001,464	75,017,891
Travel costs	92,127,583	117,303,617
Advertising , publicity& CSR	14,932,796	12,295,303
Bank charges, Commissions & Subscriptions	2,211,061	2,856,682
Other office running costs	89,419,619	103,136,349
Total Operating & Admin expenses	290,572,731	336,529,117

13 Road Maintenance & Rehabilitation costs

Description	2017	2016
	Kshs	Kshs
Routine Maintenance*	2,439,001,768	1,622,631,241
Periodic Maintenance	1,669,166,334	1,480,675,455
RMLF Pangani Bridge	-	42,014,127
Bridging Programme (Ngare Narok River)	42,387,199	-
Decongestion programme	350,051,576	388,622,692
GES Programme Roads	71,548,137	446,268,852
Nairobi City County Roads	102,089,581	-
Consultancy, Planning, Feasibility EIA Costs	76,454,947	15,206,599
Road Safety and Children's Traffic Parks Costs	28,617,334	28,754,169
Road Furniture & Road Marking	13,299,369	28,492,882
Traffic Census & Forward planning	19,852,334	
Axle Load Control costs	6,727,725	6,511,381
Road Reserve Identification& Control costs	2,707,634.00	5,182,652
Emergency road works	3,614,363	-
Design Inhouse	1,423,165	-
Special Programs & Environmental Awareness Costs	5,022,892	-
Survey Costs	273,500	8,595,598
Total road maintenance and Rehabilitation expenses	4,832,237,857	4,072,955,648

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 Audit Cost

Description	2017	2016
	Kshs	Kshs
Audit fee OAG	2,900,000	2,900,000

15 Cash and cash equivalents

Description	2017	2016
	Kshs	Kshs
Kenya Commercial Bank	2,919,889,226	2,323,036,364
National Bank of Kenya (GOK)	49,361,790	2,745,624,732
Co-operative Bank	1,101,283,774	472,142,932
Cash in Hand	114,130	247,037
Regional Bank Accounts	15,201,960	14,752,879
Kenya Commercial Bank (AIA)	316,069,983	238,356,312
Kenya Commercial Bank (Mortgage)	100,000,000	-
National Bank of Kenya (AfDB)	2,105,618	-
National Bank of Kenya (World Bank)	56,987,788	104,642,337
National Bank of Kenya (KONZA)	4,581,661	7,623,041
Total cash and cash equivalents	4,565,595,930	5,906,425,634

Detailed analysis of the cash and cash equivalents

Financial institution	Account number	2016-2017	2015-2016
		KShs	KShs
a) Current account			
KCB Bank	1110623925	2,919,889,226	2,323,036,364
KCB Bank	1130723704	316,069,982	238,356,311
KCB Bank	1117675432	3,207,602	5,903,960
KCB Bank	1117675726	2,329,450	1,210,983
KCB Bank	1117675874	139,197	128,403
KCB Bank	1117675998	1,815,338	2,242,306
KCB Bank	1117676080	2,315,265	2,256,740
KCB Bank	1117676161	1,800,231	511,404
KCB Bank	1117676552	183,930	17,609
KCB Bank	1117676633	2,049,962	353,113
KCB Bank	1117676749	617,432	50,388
KCB Bank	1117676838	743,549	2,077,968
KCB Bank	1205083235	2,105,618	-
Co-operative Bank	1141160860301	12,285,491	15,480,021
Co-operative Bank	1141160860300	1,088,998,283	456,662,909
National Bank	1001032626600	49,361,789	2,745,624,732
National Bank	1001033060000	56,987,787	104,642,337

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National Bank	1001033060002	4,581,660	7,623,040
Sub- total		4,465,481,792	5,906,178,588
a) Staff car loan/ mortgage			
KCB	1205428208	100,000,000	-
Sub- total		100,000,000	-
b) Others(specify)			
Cash in hand			
Petty Cash – HQ		324	86,801
Petty Cash - Nairobi		25,000	25,000
Petty Cash - Central		260	260
Petty Cash – Upper Eastern		2,254	9,919
Petty Cash – North Rift		25,000	25,000
Petty Cash – Coast		1,045	66
Petty Cash – Lower Eastern		25,000	100
Petty Cash- Nyanza		4,411	25,000
Petty Cash - North Eastern		25,000	25,000
Petty Cash – South Rift		-	25,000
Petty Cash – Western		5,835	24,890
Grand total		114,129	247,036

16 Receivables From Non-Exchange Transactions

Description	2017	2016
	Kshs	Kshs
Debtors: Staff	10,694,127	4,897,719
Prepayments (Road Contractors-Advance Payments)	1,740,495,097	732,780,373
KRB RMLF Funds Receivable	225,926,620	225,926,620
Deposits & Other Prepayments	2,644,962	1,000,000
Total current receivables	1,979,760,805	964,604,712

17 Inventories

Description	2017	2016
	Kshs	Kshs
Stationaries and Consumable stores	5,638,360	6,290,112
Total Inventories	5,638,360	6,290,112

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18 Payables from Non-Exchange Transactions

Description	2017	2016
	Kshs	Kshs
Payables (Suppliers & Contractors)	1,862,246,897	1,039,384,601
Refundable Deposits Road Cut Permits	15,777,500	14,667,500
Staff statutory obligations payable	11,804,752	2,661,117
Staff gratuity payable	22,746,545	18,058,601
Retention	1,047,462,079	374,101,258
Withholding tax payable	37,362,048	55,451,502
Total Payables from Non-Exchange Transactions	2,997,399,821	1,504,324,579

1. *Payables (Suppliers & Contractors) of Kshs. 1,862,246,897 relate to the Interim Payment Certificates and Invoices accrued at the end of the Financial Year that were due for payment for different contractors and suppliers.*
2. *Refundable Deposits on Road Cut Permits of Kshs. 15,777,500 relates to deposits held on behalf of contractors until the road is reinstated to its original state.*
3. *Staff gratuity payable of Kshs. 22,746,545 relates to amount held by the Authority on behalf of staff whose terms of employment are contract. This is paid upon completion of the contract period.*
4. *Retention Payable of Kshs. 1,047,462,079 relates to amounts held by the Authority on behalf of roadworks contractors until the defects and liability period lapses.*
5. *Withholding tax payable of Kshs. 37,362,048 relates to tax liability for different contractors as at 30th June 2017.*
6. *Staff statutory obligations due at the end of the Financial Year are broken down as shown below:*

Item	2017	2016
	Kshs.	Kshs.
PAYE Payable	9,673,014.54	159,263.94
NSSF Payable	29,370.00	28,970.00
HELB	2,646.00	2,646.00
Net Pay	68,878.23	74,957.07
NHIF	1,650.00	-
SACCO Contributions	147,497.28	70,116.39
Pension – KURA	39,577.22	27,832.22
Pension – Ministry	1,237,063.32	1,237,063.32
Other Staff Deductions	313,306.24	1,055,267.74
NBK	146,749.10	-
Pension- ICEA IPP (Self Contribution)	145,000.00	5,000.00
TOTAL	11,804,752	2,661,116.68

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19 Deferred Income Liability

Description	2017	2016
	Kshs	Kshs
Motor Vehicles - NCTIP Project	5,127,224	7,690,836
Total Deferred Income Liability	5,127,224	7,690,836

The Deferred Income Liability relates to the carrying cost of two Motor Vehicles donated by the NCTIP Project implemented under Kenya National Highways Authority.

KENYA URBAN ROADS AUTHORITY
Reports and Financial Statements
For the year ended June 30, 2017

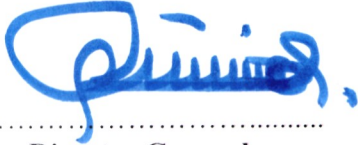
NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. Property Plant & Equipment

Note 20	Work-in-Progress	Furniture and Fittings	Computers and Technical Equipment	Motor Vehicle	Total
Year ended 30th June 2017 cost or valuation					
Opening balance 01.07.2016	42,267,287,510	132,250,771	237,796,573	209,500,299	42,846,835,153
Disposals				(730,000)	(730,000)
Transfer To Road Asset					
Adjustment					
Additions during the year	15,860,193,582	20,641,079	74,660,891	18,449,270	15,973,944,822
Closing Cost or Valuation 30.06.2017	58,127,481,092	152,891,850	312,457,464	227,219,569	58,820,049,975
Accumulated Depreciation					
Opening balance 01.07. 2016		(58,692,532)	(192,969,273)	(166,605,802)	(418,267,607)
Accumulated depreciation on disposal					
Depreciation charge for the Year		(13,804,643)	(17,530,623)	(12,804,331)	(44,139,597)
Closing Accumulated Depreciation for 2017		(72,497,175)	(210,499,896)	(179,410,133)	(462,407,204)
Closing Net book Value 30.06.2017	58,127,481,092	80,394,675	101,957,568	47,809,436	58,357,642,770


XVIII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

During the financial year 2015-2016 all the issues raised by the Auditor were resolved and closed.



.....
Ag. Director General

Date:13/09/2017



.....
Board Chairman

Date:13/09/2017

KENYA URBAN ROADS AUTHORITY
Reports and Financial Statements
For the year ended June 30, 2017

XIX. Appendix 1: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

Projects implemented by the State Corporation/ SAGA Funded by development partners

Project title	Project Number	Donor	Period/duration	Donor Commitment (Total)	Separate Donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1 National Urban Improvement Project	IDA 5140-KE	World Bank	3 years	2,255,464,221.60	YES	YES
2 Nairobi Outer Ring Road Improvement Project.	P-KE-DB0-020	AfDB	3 years	7,553,819,905.45	YES	YES
3 Nairobi Missing Link Roads and Non-Motorised Transport Facilities - Kenya Project	KE/FED/022-51	EU	2.5 years	3,239,476,730.00	YES	YES
4. The Project for dualling of Nairobi – Dagoretti Corner Road C60/C61 (Phase I) - Kenya	NO. 24-VJ-174	JICA	18 Months	1,341,943,019	YES	YES

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XX. Appendix 2: TRANSFERS FROM MOTIH &UD

ENTITY NAME:				
S/No	Break down of Transfers from the State Department of Transport & Infrastructure			
FY 2016-2017				
a.	Recurrent Grants			
		Bank Statement Date	Amount (KShs)	FY
		03-Nov-2016	1,466,147,278	16-17
		25-Jan-17	158,000,000	16-17
		7-Mar-17	2,553,191,490	16-17
		17-Mar-17	147,000,000	16-17
		9-Jun-17	1,222,044,211	16-17
		Subtotal	5,546,382,979	
		14-July-2017	50,000,000	17-18
		7- Mar-17	130,000,000	16-17
		Subtotal	180,000,000	
		Total	5,726,982,979	
b.	Development Grants			
		Bank Statement Date	Amount (Kshs)	Financial Year
		5-Jul-16	1,985,891,751	15-16
		13-Oct-16	1,056,260,485	16-17
		25-Jan-17	249,873,791	16-17
		25-Jan-17	360,601,834	16-17
		25-Jan-17	974,398,801	16-17
		7-Feb-17	500,649,983	16-17
		7-Feb-17	404,136,550	16-17
		24-Mar-17	570,468,007	16-17
		13-Apr-17	364,819,583	16-17
		13-Apr-17	511,649,299	16-17
		13-Apr-17	350,034,690	16-17
		13-Apr-17	655,012,101	16-17
		20-Apr-17	421,716,909	16-17
		30-May-17	415,200,648	16-17
		30-May-17	414,571,363	16-17
		30-May-17	217,150,886	16-17
		30-May-17	138,223,627	16-17
		29-Jun-17	182,375,014	16-17
		Subtotal	9,773,035,322	
		4-Jul-17	138,136,806	16-17
		4-Jul-17	288,251,004	16-17
		4-Jul-17	329,878,462	16-17
		4-Jul-17	1,958,240,831	16-17
		4-Jul-17	615,000,000	16-17
		4-Jul-17	731,827,895	16-17
		Subtotal	4,061,334,998	
		Total	13,834,370,320	
c.	Donor Grant	23-March-17	16,671,968	16-17
		Total	16,671,968	


The above amounts have been communicated to and reconciled with the parent Ministry

KENYA URBAN ROADS AUTHORITY
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The above amounts have been communicated to and reconciled with the parent Ministry

Finance Manager
KURA

Head of Accounting Unit
Department of Infrastructure

Sign -----

Sign-----

KENYA URBAN ROADS AUTHORITY
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CXI. APPENDIX 3: STATUS OF PROJECTS COMPLETION

Status of Projects completion

The Table below shows the ongoing and procured project in the FY 2016-2017

	Project	Total project Cost	Total expended to date	Completion % to date	Budget 2016-2017	Actual 2016-2017	Sources of funds
1	Upgrading of Eastlands Roads	347,142,134.06	345,727,253.77	97.0%	280,000,000	280,000,000	GOK=100%
2	Construction of Missing Link Roads and Non-Motorised Transport (NMT) Facilities	4,578,162,618.04	2,970,999,030.20	60.1%	600,000,000	600,000,000	GOK = 32.85% EU=67.15%
3	Nairobi Outer Ring Road Improvement Project	7,395,183,298.13	5,264,238,681.85	83.8%	2,250,116,770	2,250,116,770.00	GOK = 10.2% AfDB= 89.8%
4	Upgrading of Upper Hill Roads, Phase I	2,002,892,599.00	1,904,646,751.60	98.3%	242,000,000	170,468,186.22	GOK = 100%
5	Dualling of Ngong Road Phase I (KNLS Nairobi-Dagoretti Corner)	Yen1,454,900,000	Yen 581,960,000	69.5%	210,000,000	210,000,000	JICA = 100% GRANT
6	Construction of Waiyaki Way - Redhill Link Road	3,012,205,102.71	1,320,764,038.67	41.5%	1,288,200,000	1,228,701,234.08	GOK = 100%
7	Construction of Ngong Road - Kibera - Kungu Karumba - Langata Road (Missing Link No. 12)	2,097,520,695.00	583,458,284.01	44.0%	450,000,000	450,000,000	GOK = 100%
8	Construction of Meru Bypass Roads	2,391,755,277.10	1,150,104,866.23	41.8%	400,000,000	367,278,094.46	GOK = 20% World bank =80%
9	Construction of Access to Embakasi (Infinity) Industrial Park	382,478,143.50	74,987,974.22	55.4%	260,000,000.00	260,000,000.00	GOK = 100%

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10	Construction of Annex Loop Roads and Upper Elgon View Loop Roads	426,132,768.60	228,614,899.83		77.4%	200,000,000.00	200,000,000.00	GOK = 100%
11	Upgrading to Bitumen Standards of Githurai – Kimbo Road (Phase II)	423,184,731.00	222,806,431.89		76.0%	265,000,000.00	265,000,000.00	GOK = 100%
12	Upgrading of Eastleigh roads Phase II	677,078,139.00	282,856,852.19		69.8%	260,000,000	260,000,000	GOK = 100%
13	Upgrading of Kamuyu - Kinunga Road Phase II	237,785,753.75	171,353,403.26		95.0%	204,600,000.00	204,600,000.00	GOK = 100%
14	Upgrading of Syokimau - Katani Phase II	425,053,087.00	179,235,408.28		33.0%	200,000,000	200,000,000	GOK = 100%
15	Construction of a Flyover across the Northern Bypass and Approaches at Kahawa West	403,440,924.00	153,863,579.15		65.3%	134,300,000	134,300,000	GOK = 100%
16	Rehabilitation and Upgrading of Upper Hill Roads Phase II	2,258,531,258.11	215,000,000.00		6.5%	399,400,000.00	399,400,000.00	GOK = 100%
17	Upgrading to Bitumen Standards of Mlolongo - Kware - Katani Link Road (Phase I)	1,629,487,068.99	162,948,700.00		16.3%	370,000,000.00	370,000,000.00	GOK = 100%
18	Construction of Upper Hill - Mbagathi Link Road	1,249,921,540.63	177,303,569.31		11.0%	200,000,000	200,000,000	GOK = 100%
19	Construction of Access Road to Ruai Police Station	132,888,629.37	52,259,271.64		65.2%	90,000,000	90,000,000	GOK = 100%
20	Rehabilitation and Upgrading of Industrial Area Roads Phase I	153,053,258.82	106,227,104.84		65.0%	100,000,000.00	100,000,000.00	GOK = 100%
21	Upgrading to bitumen standards of Lenana - Muchugia – Dagoretti Market Link Road	513,177,612.75	83,819,148.28		35.2%	160,000,000.00	160,000,000.00	GOK = 100%

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22	Rehabilitation and upgrading of Eastleigh Estate Access Roads	552,976,811.10	99,739,580.31	5.4%	55,300,000.00	55,300,000.00	GOK = 100%
23	Upgrading of Old Nairobi Road and Bishop Muge Roads in Usain Gishu County	684,976,833.20	99,636,746.22	5.6%	-	-	GOK = 100%
24	Rehabilitation and Upgrading of Eastlands Roads (Phase II)	1,111,111,222.32	110,000,000.00	3.0%	110,000,000	110,000,000	GOK = 100%
25	Dualling of Ngong Road (Dagoretti Corner - Karen Roundabout Section)	1,987,981,992.59	198,798,199.26	Fully Mobilised	-	-	GOK = 100%
26	Construction of Kericho Bypass (Phase I)	445,786,294.80	-	Fully Mobilised	-	-	GOK = 100%
27	Construction of Nyahururu Bypass	562,127,004.00	-	Fully Mobilised	-	-	GOK = 100%
LOW VOLUME							
28	Bomet Town-Kapsimotwa	159,491,031.80	15,949,103.18	Fully Mobilised	16,000,000	16,000,000	GOK = 100%
29	Lady Irene - Mandizini - muslim - Nambaya - Junction D258 and wakili rd	477,150,944.94	47,715,094.49	Fully Mobilised	96,000,000	66,000,000.00	GOK = 100%
30	Mokowe Township Roads	1,147,232,220.75	111,591,222.08	Fully Mobilised	165,000,000	165,000,000	GOK = 100%
31	Watuka - Wote	348,487,148.00	34,848,714.00	Fully Mobilised	37,000,000	36,101,514.80	GOK = 100%
32	Maui Town roads	1,021,885,939.80	99,316,549.98	Fully Mobilised	103,000,000	103,000,000	GOK = 100%
33	Nakuru CBD Roads	1,861,112,216.74	181,517,621.67	Fully Mobilised	326,000,000	326,000,000	GOK = 100%
34	Hola Township Roads	549,629,977.30	54,962,997.73	Fully Mobilised	55,000,000	54,962,997.73	GOK = 100%

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35	District Hospital- NDOWASCO Rd- Showground	161,000,000.00	-	Fully Mobilised	17,000,000	15,000,000.00	GOK = 100%
36	A104 - Old Nairobi Rd, Elgon View- Eldoret Poly, Rivatex Kipkaren - A104 (Southern Ring Road), Kenya service Kapsoya - Munyaka - Hawai/Jnc C51 (Northern Ring Road)	1,156,540,963.00	114,651,843.00	Fully Mobilised	230,000,000	230,000,000	GOK = 100%
37	Posta, Lotodo & Kacheliba Roads; Cereals-Chewoyet- Bendera Road	181,870,322.00	17,886,360.00	Fully Mobilised	19,000,000	19,000,000	GOK = 100%

NOTE: Please note that the above projects are Multi-Year Projects. However, three projects were substantially completed during the year under review.



KENYA URBAN ROADS AUTHORITY

Telephone: 020-8013844
Email: info@kura.go.ke
Website: www.kura.go.ke

IKM Place, 5th Ngong Avenue
P.O. Box 41727 -00100
Nairobi

RESOLUTION OF THE BOARD OF DIRECTORS OF KENYA URBAN ROADS AUTHORITY APPROVING THE ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY 2016/2017

At meeting No. 60 of the Board of Directors of Kenya Urban Roads Authority (the "Authority") held on the 13th September, 2017 at the IKM Place 3rd floor boardroom in Nairobi, the following resolution was proposed and approved by the board;

WHEREAS the board of directors reviewed and deliberated on the tabled Annual Report and Financial Statement for the Financial Year 2016/2017.

BE IT RESOLVED that the Annual Report and Financial Statement for the financial Year 2016/2017 for the Kenya Urban Roads Authority presented to the Board is hereby adopted and duly approved as tabled.

IT WAS SO RESOLVED

Signed:

Eng. Daniel W. Njora
Chairing/Board Director

Date: 15/9/2017

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

Date: 13/09/2017