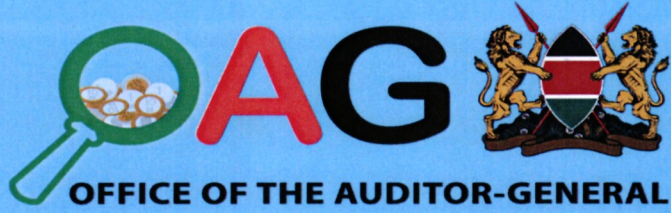


REPUBLIC OF KENYA



Enhancing Accountability



THE NATIONAL ASSEMBLY	
REPORT	
DATE: 26 JUL 2023	DAY: WED
TABLED BY: Hon. Kimani Ichungwera	The Leader, Majority Party
CLERK-OF-THE-TABLE: Miriam Mado	

PARLIAMENT
OF KENYA
LIBRARY

THE AUDITOR-GENERAL

ON

KENYA NATIONAL HIGHWAYS AUTHORITY

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

OFFICE OF THE ATTORNEY GENERAL
P. O. Box 20000, NAIROBI
KENYA

17 MAY 2023

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Kenya National Highways Authority

Quality Highways, Better Connections

KENYA NATIONAL HIGHWAYS AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING

30TH JUNE 2022

**Kenya National Highways Authority
Annual Report and Financial Statements
For the year ended June 30, 2022.**

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1. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

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

(b) Principal Activities

The principal activity/mission of the Authority is to develop and manage quality and adequate national trunk roads through innovation and optimal utilization of resources for sustainable development.

(c) Key Management

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

(d) Fiduciary Management

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

No.	Designation	Name
1.	Director General	Eng. Kungu Ndungu (Appointed 8 th October 2021)
2.	Director, Development	Eng. Charles Obuon (Appointed 14 th March, 2022)
3.	Director, Highway Planning and Design	Eng. Samuel O. Omer
4.	Director, Policy, Strategy & Compliance	Eng. Njuguna Gatitu
5.	Director, Corporate Services	CPA James Bowen
6.	Director, Audit Services	Dr. CPA Sammy Kimunguyi
7.	Director, Road Asset & Corridor Management	Eng. Ezekiel Fukwo (Appointed 9 th February, 2022)
8.	Corporation Secretary/Deputy Director, Head Legal Services	Ms. Norah Odingo-Kajwang'
9.	Deputy Director, Head Supply Chain Management	Ms. Levina Wanyonyi
10.	Director General	Eng. Peter M. Mundinia, EBS (Retired on 27 th August, 2021)
11.	Director, Development	Eng. David Muchilwa (Deployed to The Office of The Principal Secretary-State Department of Infrastructure (MOTIHUD) on 14 th March 2022)

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(e) Fiduciary Oversight Arrangements

No.	Designation	Name
1.	Chairman (<i>non-executive</i>)	Eng. Wangai Ndirangu, MIEK, RCE
2.	Director	Mr. Charles Gathogo
3.	Director	Mr. Protus Sigei, Alternate to CS National Treasury
4.	Director	Mr. George Wanjau; Alternate to PS State Department for Transport
5.	Director	Eng. Carey O. Orege, CBS
6.	Director	FCPA. Julius W Mwatu
7.	Director	Ms. Winfrida W. Ngumi
8.	Director	Ms. Brenda N. Mayabi
9.	Director	Eng. Nicholas Musuni Alternate to PS Infrastructure (Appointed 23rd August, 2021)
10.	Director General/Board Secretary (<i>ex-officio member</i>)	Eng. Kungu Ndungu (Appointed 8th October, 2021)
11.	Director	Eng. Francis Gitau: Alternate to PS Infrastructure (Resigned on 23rd August, 2021)
12.	Director General/Board Secretary (<i>ex-officio member</i>)	Eng. Peter M. Mundinia, EBS (Retired on 27th August, 2021)

The Authority's Board of Directors constituted four Board Committees namely;

- 1) The Finance, Human Resource and General Purpose Committee,
- 2) The Audit, Risk and Governance Committee,
- 3) The Technical and Strategy Committee and
- 4) The Procurement and Disposal Oversight Committee.

The Finance, Human Resource and General Purpose Committee and the Audit, Risk and Governance Committee are responsible for the fiduciary oversight of the Authority.

Their key responsibilities are outlined below:

i) Finance, Human Resource and General Purpose Committee

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

- Review, approve and/or recommend for Board's approval;
 - 1) Financial, Human Resources, ICT, Legal & Regulatory Affairs and Corporate Communications policies and procedures,
 - 2) Estimates of receipts and expenditures including their revisions,
 - 3) Re-allocation of funds between budget heads,

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- 4) Special funding proposals including borrowings and grants,
- 5) Proposals for opening bank accounts,
 - 6) Proposals for investments and their returns,
 - 7) Annual Corporate Social Responsibility activities and
 - 8) Staff terms and conditions of service.

- Ensure that;
- 1) Proper books of accounts and records are maintained for the Authority's transactions,
 - 2) All expenditures are within the approved budget,
 - 3) Proper records are maintained on property and material liabilities.

ii) Audit, Risk and Governance Committee

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

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

iii) Technical and Strategy Committee

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

- Review, approve and/or recommend for Board's approval;
- 1) Proposals formulated by Management for re-classification of roads,
 - 2) The road works programme formulated by Management for all roads under the Authority's purview,
 - 3) The viability or otherwise of Private Public Partnerships in road projects,

iv) Procurement and Disposal Oversight Committees

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

- Review, approve and/or recommend for Board's approval;
- 1) The consolidated Annual Procurement and Disposal Plans,
 - 2) Revision of the approved Consolidated Procurement Plans,
 - 3) Quarterly procurement reports,
 - 4) Procurement of goods, services and projects that would require external financing,

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5) Proposals for contract awards for strategic procurements.

➤ Ensure that;

- 1) Contracts awarded comply with the law,
- 2) The approved Annual Procurement Plan is duly implemented.

v) Office of the Auditor General

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

vi) Development Partner Oversight Activities

This group constitutes Bi/Multi – lateral co-financiers with the Government of the Republic of Kenya for development projects under implementation of the Authority, whose key responsibilities include:

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

(vii) The Public Investments Committee

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

Its key responsibilities as appertains to the Authority are to: -

- 1) Examine the Reports of the Auditor General on the financial statements of the Authority,
- 2) Examine, in the context of the autonomy and efficiency of the public investments,
- 3) Examine whether the affairs of the public investments are being managed in accordance with sound financial or business principles and prudent commercial practices.

Within three months after receiving the PIC report, Parliament shall debate and consider the report and take appropriate action.

(f) Kenya National Highways Authority Headquarters

Barabara Plaza, Jomo Kenyatta International Airport (JKIA),
Off Mazao Road
P.O. Box 49712 - 00100
Nairobi, Kenya

(g) Kenya National Highways Authority Contacts

Telephone: (254) 02 8013842
E-mail: dg@kenha.co.ke
Website: www.kenha.co.ke

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(h) Kenya National Highways Authority Bankers'

1. KCB Bank Ltd
Moi Avenue Branch
P.O. Box 30081 - 00100
Nairobi, Kenya

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

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

4. NCBA Bank Plc
NCBA House
P.O. Box 44599 - 00100
Nairobi, Kenya

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

(i) Independent Auditors

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

(j) Principal Legal Adviser

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

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2. THE BOARD OF DIRECTORS

Director	Brief Profile
 <p>1. Ms. Winfrida W. Ngumi Chairperson</p>	<p>Date of Birth: 22nd December, 1974 Bachelor of Architecture (Hons) Member of the Kenya Association of Manufacturers and the Kenya Private Sector Alliance. 19 years of experience in the building, construction and manufacturing industry. <i>(Appointed 5th August, 2022)</i></p>
 <p>2. Eng. Wangai Ndirangu, MIEK, RCE Chairman</p>	<p>Date of Birth: 20th September 1973 Master of Water Engineering Bachelor of Technology in Civil & Structural Engineering. Professional Membership: Member of the Institution of Engineers of Kenya. Registered Consulting Engineer. Lecturer, Jomo Kenyatta University of Agriculture & Technology. Consultant in Water Resources and Engineering 22 years of Management experience. <i>(Retired on 22nd July, 2022)</i></p>
 <p>3. Mr. Charles R. Gathogo Director (Independent) Chair of the Finance, Human Resource & General Purpose Committee</p>	<p>Date of Birth: 24th February 1966 Master of Cadastral Application Bachelor of Science (Survey and Photogrammetry) Professional Membership: Licensed Land Surveyor and GIS Consultant with the Institute of Surveyors of Kenya. 24 years of Management experience in Engineering Survey, Cadastral Surveying and planning.</p>

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 <p>4. Eng. Carey O. Orege, CBS Director (Independent) Chair of the Technical & Strategy Committee</p>	<p>Date of Birth: 14th October, 1955 Master of Science (Highway Engineering) Bachelor of Science (Civil Engineering) Professional Membership: Member of the Institution of Engineers of Kenya. Registered Consulting Engineer. 42 years of Management experience gained in both public and private sector.</p>
 <p>5. FCPA. Julius W. Mwatu Director (Independent) Chair of the Audit, Risk & Governance Committee</p>	<p>Date of Birth: 9th December, 1972 Master of Business Admin. (Finance) Bachelor of Science (Statistics) Professional Membership: Fellow of the Institute of Certified Public Accountants of Kenya (ICPAK), Institute of Certified Secretaries (ICS), Institute of Certified Investment & Financial Analysts (ICIFA) 21 years of experience specialising in audit, tax, finance, and integrated reporting.</p>
 <p>6. Ms. Brenda N. Mayabi Director (Independent)</p>	<p>Date of Birth: 25th June, 1992 Bachelor of Law (Hons) Professional Membership: Law Society of Kenya, East African Law Society.</p>
 <p>7. Mr. Protus Sigei Director – Alt. to CS (National Treasury & Planning)</p>	<p>Date of Birth: 1st December 1965 Master of Science. Bachelor of Arts (Hons) Economics (with Mathematics) Professional Membership: Graduate of the Australian Institute of Company Directors (GAICD) 22 years of experience in Board directorship. Member of the Society for Benefit-Cost Analysis</p>

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 <p>8. Mr. George Wanjau Director – Alt. to PS (Transport)</p>	<p>Date of Birth: 19th January, 1962 Master of Science (Project Planning & Financing) BA (Economics) Economist and Urban Transport Planner. 35 years of Public Sector Management experience</p>
 <p>9. Eng. Nicholas Musuni Director-Alternate to PS (Infrastructure)</p>	<p>Date of Birth: 5th March, 1979 Bachelor of Science (Civil Engineering) Training in leadership, corporate governance, project management and arbitration. Professional Membership: Member of the Institution of Engineers of Kenya (IEK) Registered Professional Engineer with Engineers Board of Kenya 17 years of Management experience <i>(Appointed 23rd August, 2021)</i></p>
 <p>10. Eng. Kungu Ndungu Director General</p>	<p>Date of Birth: 18th October 1972 Executive Master of Business Administration Bachelor of Science (Civil Engineering) Registered Professional Engineers Board of Kenya, Professional Membership: Member of the Institution of Engineers of Kenya (IEK) 26 Years of Management Experience <i>Member of the Kenya Institute of Management (MKIM) (Appointed 8th October 2021)</i></p>
 <p>11. Eng. Francis Gitau Director-Alternate to PS (Infrastructure)</p>	<p>Date of Birth: 1965 Executive Master of Business Administration Bachelor of Science (Civil Engineering) Advanced Professional Training in Management of Road Maintenance Professional Membership: Member of the Institution of Engineers of Kenya Chairman, Mechanical Transport Fund 33 years of public service Management experience <i>(Resigned on 23rd August, 2021)</i></p>

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12. Eng. Peter M. Mundinia, EBS
Director General & Secretary to the Board





Date of Birth: 7th December, 1963
Master of Business Administration
Bachelor of Science (Civil Engineering)
Diploma in Theology
Professional Membership: Member of the
Institution of Engineers of Kenya
34 years of Management experience
*Registered Professional Engineer with Engineers
Board of Kenya*
Member of Kenya Institute of Management (KIM)
(Retired on 27th August, 2021)

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3. MANAGEMENT TEAM

Manager	Brief Profile
 <p>1. Eng. Kungu Ndungu Director General</p>	<p>Date of Birth: 18th October 1972 Executive Master of Business Administration Bachelor of Science (Civil Engineering) Registered Professional Engineers Board of Kenya, Professional Membership: Member of the Institution of Engineers of Kenya (IEK) Member of the Kenya Institute of Management (MKIM), 26 Years of Management experience <i>(Appointed 8th October 2021)</i></p>
 <p>2. Eng. Charles Obuon Director – Development</p>	<p>Date of Birth: 20th November, 1972 Master of Philosophy in Civil and Structural Engineering (Water Engineering) Bachelor of Technology and Structural Engineering Professional Membership: Member of the Institution of Engineers of Kenya Registered Professional Engineer with Engineers Board of Kenya 24 years of Management experience <i>(Appointed 14th March, 2022)</i></p>
 <p>3. Eng. Samuel O. Omer Director, Highway Planning & Design</p>	<p>Date of Birth: 17th December 1962 Bachelor of Science (Civil Engineering) Professional Membership: Member of the Institution of Engineers of Kenya 35 years of Management experience</p>
 <p>4. CPA. James K. Bowen Director, Corporate Services</p>	<p>Date of Birth: 1st January, 1973 Master of Business Administration, Bachelor of Commerce (Accounting) Professional Membership: Certified Professional Credit Manager (CPCM), Certified Public Secretary (CPS K), Certified Public Accountant (CPAK) Professional Membership: Member of ICPAK and ICPSK 25 years of Management experience</p>

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Manager	Brief Profile
 <p>5. Eng. Njuguna Gatitu Director, Policy, Strategy & Compliance</p>	<p>Date of Birth: 1965 Bachelor of Science (Civil Engineering) Post Graduate Diploma in Computer Science Professional Membership: Member of the Institution of Engineers of Kenya 32 years of Management experience</p>
 <p>6. Eng. Ezekiel Fukwo Director Road Asset & Corridor Management</p>	<p>Date of Birth: 16th August, 1976 Master of Arts (Project Planning and Management) Bachelor of Science (Civil Engineering) Professional Membership: Member of the Institution of Engineers of Kenya Registered Professional Engineer with Engineers Board of Kenya Corporate Member of the Institution of Engineers of Kenya (IEK)- 17 years of Management experience (Appointed 9th February, 2022)</p>
 <p>7. Dr. CPA. Sammy Kimunguyi Director, Audit Services</p>	<p>Date of Birth: 22nd September, 1980 Doctor of Philosophy in Business Management Master of Arts in Project Planning & Management Bachelor of Education Professional Membership: Certified Information Systems Auditor (CISA) Certified Fraud Examiner (CFE) Certified Public Accountant (CPA) Certified Information System Auditor (CISA) Professional Membership: Member of ICPAK, ISACA, CFE 15 years of Management Experience</p>
 <p>8. Ms. Norah Odingo-Kajwang Corporation Secretary/Deputy Director, Head of Legal Services</p>	<p>Date of Birth: 27th April 1969 Master of Business Administration Bachelor of Laws Registered Advocate of the High Court of Kenya Professional Membership: Member of the Law Society of Kenya Member of the Certified Public Secretaries of Kenya 27 years of Management experience</p>

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Manager	Brief Profile
 <p>9. Ms. Levina Wanyonyi Deputy Director, Head of Supply Chain Management</p>	<p>Date of Birth: 13th February 1972 Master of Business Administration Bachelor of Science Professional Membership: Kenya Institute of Supplies Management, The Chartered Institute of Purchasing & Supply Institute for Management of Information Systems 25 Years of Management experience.</p>
 <p>10. Eng. David Muchilwa Director, Development</p>	<p>Date of Birth: 28th December 1964 Bachelor of Science (Civil Engineering) Professional Membership: Member of the Institution of Engineers of Kenya 33 years of Management experience (Deployed to The Office of The Principal Secretary-State Department of Infrastructure (MOTIHUD) on 14th March 2022)</p>
 <p>11. Eng. Peter M. Mundinia, EBS Director General</p>	<p>Date of Birth: 7th December 1963 Master of Business Administration Bachelor of Science (Civil Engineering) Diploma in Theology Professional Membership: Member of the Institution of Engineers of Kenya Registered Professional Engineer with Engineers Board of Kenya Member of Kenya Institute of Management (KIM) 34 years of Management experience (Retired on 27th August, 2021)</p>

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4. CHAIRPERSON'S STATEMENT

The FY 2021/2022 marked the fourth year of implementation of the Authority's revised FY 2018/2019 – 2022/2023 Strategic Plan. The Authority remained committed in efficient and effective management of its road investments to minimize road user cost, road agency costs, travel time and cost of travel. The KeNHA Annual Report and Financial Statements for the year ended 30th June 2022 provides an overview of the Authority's performance and financial resource utilization over the period.

The Authority prioritized the provision of an adequate, safe and efficient national trunk road network through enhanced investment in new road construction and maintenance to facilitate realization of the Vision 2030 and Big four development agenda and guarantee sustainable road investment.

During the year, the Authority completed the construction of the 27 km Nairobi Expressway through a Public Private Partnership. The project has improved the competitiveness of Nairobi city and directly created 5,500 jobs. The completion of the construction of Garsen – Witu – Lamu road has also provided faster access to Lamu port and improved access to the rich and fertile agricultural zones of Mpeketoni. In augmenting access to other agricultural zones in the country, the Authority is enroot to completing construction of 641 km Mau Mau roads and 357.5 km Isebania – Kisii - Ahero highway and access roads.

The Authority has substantially completed the Mombasa – Kwa Jomvu Road section and Makupa Causeway Bridge which have improved traffic flow into Mombasa Island and enhanced competitiveness of Mombasa port. The Authority also commenced the construction of Mtwapa – Kwa Kadzengo – Kilifi Road, which will improve tourism and speed of transportation of goods between Mombasa, Kilifi, Watamu and Malindi towns. In the FY 2022/2023 the Authority will commence the construction of Isiolo – Mandera road to enhance connectivity to the Horn Africa Countries, improve accessibility to seaports and augment domestic and regional integration.

The Authority consistently engaged stakeholders during project identification, design, and implementation and during policy development thus forging strategic partnerships that ensured effective delivery of its mandate. Beneficiary communities were also sensitized on HIV/AIDs, road safety, National Cohesion, Code of Ethics, integrity, road reserve protection and axle load control.

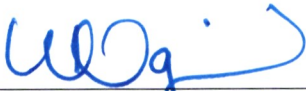
Challenges that affected project implementation included inadequate budgetary allocation, high stock of pending bills, high cost of land acquisition, and delays in relocation of utilities. The Authority

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leveraged on Public Private Partnerships to bridge the financing gap; mapped roadside amenities on the GIS platform to facilitate timely relocation of services; and embraced forward planning and early land acquisition to mitigate on some of the challenges.

The Board remained alive to its fiduciary duty in management of the Authority by ensuring efficient and transparent utilisation of resources. During the financial year, Eng. Nicholas Musuni was appointed to the board. I wish to thank my fellow Directors for their invaluable support and contribution during the year.

We wish to express our sincere gratitude to the Management, our Customers, the Government, Development Partners and other stakeholders whose support was key in facilitating effective delivery of the Authority's mandate.



Ms. Winfrida W. Ngumi
CHAIRPERSON OF BOARD OF DIRECTORS

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5. DIRECTOR GENERAL'S STATEMENT

The Authority's Annual Report and Financial Statement have been prepared in line with the requirements of section 44 of the Kenya Roads Act, 2007. It provides an overview of the Authority's activities and operations over the one-year period ending 30th June 2022 and presents a synopsis on utilization of allocated funds.

During the year, the Authority implemented initiatives in line with the revised FY 2018/2019 – 2022/2023 Strategic Plan. The Authority substantially completed 13 projects which included Nairobi Western Bypass, Lamu – Witu – Garsen, Kalobeiyei River – Nadapal, Lokitaung Junction – Kalobeiyei River, Loichangamatak – Lodwar, MPARD Pkg 3: Mteza – Kibundani, Naivasha – Njabini Road, Nyaru – Iten, Mombasa – Kwa Jomvu Rd, Nairobi Expressway, Kisumu Boys – Mamboleo, Ahero – Kisii roads and the construction of T-Mall Overpass.

The Authority initiated the construction of critical road infrastructure to enhance national and regional integration, accessibility, and road safety. The new projects included the construction of Marsabit – Segel, Mamboleo Junction – Miwani, Miwani – Chemelil, Chemelil – Muhoroni – Kipsitet, Kwale – Kinango, Barpelo – Tot Junction, Tot Junction – Kopasi River and Kopasi River – Marich Pass roads.

Construction was also ongoing for key road links that include Eldoret Bypass; Mwache – Tsunza – Mteza; James Gichuru – Rironi; Isebania – Kisii; Dualling of Magongo Road; Mau Mau Road Lot 1A: Kiambu - (Gataka – Iria - Ini – Kagua – Matimbei - Kamahindu & Spur roads); Mau Mau Road Lot 1B: Kiambu (Kamahindu – Gatamaiyu - Nduriri-Nyanduma - Wangui – Mataara – Gatakaini and spur roads); Kinyona – Gatura – Njabini; Thika - Magumu Road; Mau Mau Road Lot2 – Murang'a (Mairi – Kinyona – Mununga – Ichici – Tuthu – Wanjerere – Kagongo – Kairo); among other projects which are at various stages of completion.

The Authority also undertook design studies for Mai Mahiu – Suswa, Eldoret Eastern Bypass, Kericho Northern Bypass, Kithimani – Kabaa – Mwala – Makutano, Wamunyu – Ndukulu – Itangini Road and Ukia – Emali Road, Dualling of Eldoret Town Road, North Horr – Jn Daradhe AP Camp Road, Dif – Wajir, Wajir – Buna – Moyale Road, Isinya – Konza – Malili Road and Bomas – Ongata Rongai – Kona Baridi in preparation for their development.

The Authority continued to enhance the sustainability of its road infrastructure with the implementation of Performance-Based Contracts which has guaranteed timely maintenance

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intervention on its road network, ensuring high service levels. During the year, the Authority put 8,848 km of its road network on maintenance through Performance Based Contracts.

The Authority planted 37,360 trees through Kitale – Endeless – Suam, Kenol – Sagana – Marua and James Gichuru – Rironi road projects to promote sustainable ecological development. It also undertook environmental and social impact assessment studies for all new projects. Environmental audits were undertaken for Mau Mau Lot 1A, Mau Mau Lot 1B and Kenol – Sagana – Marua to ensure compliance to the set environmental and social safeguards.

I wish to take this opportunity to give my appreciation to the Board of Directors for the support and guidance extended to the Management throughout the year. I commend staff for their unwavering effort that ensured that the Authority remained steadfast in delivering its mandate. I extend my gratitude to the Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works, National Treasury and Development Partners for financing our projects and programmes. Finally, I wish to thank all other stakeholders for their critical contribution that facilitated continuous improvement of the national trunk road network.



Eng. Kungu Ndungu
DIRECTOR GENERAL

6. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES
FOR FY 2021/22

During the year, the Authority implemented projects and programmes as espoused in the revised FY 2018/2019 – 2022/2023 Strategic Plan, which is aligned to the Kenya Vision 2030, third medium term plan and the road sector investment plan.

During the year, the Authority substantially completed nine (9) projects which include Kalobeyei River – Nadapal, Lokitaung Jn – Kalobeyei River, Lodwar – Loichangamatak, Naivasha – Njambini, Nyaru –Iten, Nairobi Expressway, T-Mall Overpass, Garsen – Witu – Lamu, and Makupa Cuseway. Additionally, two design projects were finalized which include Mai Mahiu – Suswa and Marua – Nanyuki – Lewa.

The Authority focused on delivering its mandate in line with the six key result areas identified in its Strategic Plan. Some of the key achievements include:

Key Performance Indicator	Activities	Achievements
KRA 1: Development of Roads and Enhancement of Network Capacity and Quality		
Objective 1: To enhance efficiency and capacity within the national trunk roads network		
No. of Lane KM	Construction of 549 lane Km of New road under Vision 2030 flagship projects	640.5 Lane km
No. of Lane KM	Capacity enhancement of 326 Lane km of roads under Vision 2030 flagship projects	431.7 Lane km
No. of Designs completed	Finalize engineering Designs for two (2) roads	Final Designs for 2 No projects (Mai Mahiu – Suswa), (Marua – Nanyuki – Lewa).
No. of bridges and Bridges constructed	Complete construction of 3 No. Bridges	Construction of 3 No. Bridges were finalized – Endau, Lomut and Marigat
No. of monitoring & Evaluation Reports	Undertake biannual monitoring and evaluation of prejects	2 No. M&E Exercises undertaken and biannual reports prepared
No. of Road Safety Audits undertaken	Carry out Road Safety Audits at every phase of the project life sycle 1 No. Pre-construction 1 No. Construction 1 No. Post-Construction	Three No Road Safety Audits at different project phases undertaken
No of Technical Audits undertaken	Undertake technical audits for 29 projects 25 No. construction and 4 No. Design	43 Technical audits undertaken 25 No. Construction, 14 No. Maintenance and 4 No. Design
KRA 2: Securing and Preservation of Road Assets		
Objective 2: To preserve the Quality of the National Trunk Road Network		
No. of Km put under routine maintenance	Routine maintenance of 13,752 lane km	13,407 lane Km maintained
No. of Km put under periodic maintenance	Periodic maintenance of 313 lane km	481 Lane Km maintained

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Key Performance Indicator	Activities	Achievements
No. of Km under PBC	Performance-Based maintenance of 18,088 lane km	17,696 Lane Km maintained
Objective 3: To Define, Delineate and Clear Road Reserves and Dept. camps		
No. of road reserve marker posts installed	Install and maintain 1,893 road reserve marker posts	3,858 No. road reserve marker posts installed
No. of Km mapped	Operationalize GIS by mapping 2,000 km of road reserve corridor on GIS database	2,031 km of road reserve mapped
Objective 4: To enhance axle load control		
No. of Intergrated static and virtual weighbridges	Integrate 11 static and 23 Virtual weighbridges to Weighbridge Mangement System (Kenload)	11 No. Virtual and 23 No. Static weighbridges intergrated
KRA 3: Environment and Social Sustainability		
Objective 5: To ensure environmental Sustainability and promote social interest		
No. of trees planted	Planting 12,000 trees/seedlings.	31,000 seedlings have been planted
No. of projects Audited	Prepare and submit to NEMA the Environmental Audit reports for four (4 no.) Road Projects: Kenol – Sagana – Marua, Mau Mau Roads Lot 1(A), Mau Mau Roads Lot 1(B), Chemilil –Mohoroni lot 2	Audit report for following four (4) projects Chemilil – Muhoroni, Mau Mau Lot 1A, Mau Mau Lot 1B, and Kenol – Sagana – Marua prepared and submitted to NEMA
No. of ESIA Reports	Conduct Environment Social Impact Assessment (ESIA) for Six (6) new projects.	ESIA reports prepared for following six (6) projects: Kericho – Northern Bypass, Wikililye - Kavisuni road (B61), Emali – Ukia road, Wamunyu – Nduluku – Kilala (Itangini) road, Kithimani – Kabaa – Mwala – Makutano road and Eldoret Bypass road were submitted to NEMA
No of RAP monitoring implementation reports	Undertake monitoring of RAP implementation for five road projects	RAP impleemtation for 5 No. projects undertaken
No. of RAP studies undertaken	Undertake Resettlement Action Plan (RAP) for Mombasa Gate bridge project.	Prepared final Resettlement Action Plan for Mombasa Gate bridge project.
No. of projects with Grievance Redress Mechanism	Establish and operationalize GRM in 1 No. new development projects	GRM Committee established and operationalized in two projects Mtwapa – Kadzego and Kadzego - Kilifi
No. of stakeholder engagements in new projects	Carry out stakeholder engagement in 4 No. new projects	Stakeholder engagement conducted in 5 No. projects

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Key Performance Indicator	Activities	Achievements
KRA 4: Enhancement of Institutional Framework and Capacity		
Objective 6: Stegthen the Institutional Capacity		
No. of documentaries done	Document and air documentaries for two (2) road projects	Two documentaries incorporating sign language were aired.
No. of Reviewed Policies	Review 8No. of policies .	15No. policies reviewed.
Approved Corruption Risk Mitigation Plan	Undertake Corruption Risk Assessment and develop a Corruption Risk Mitigation Plan	Corruption Risk Assessment Reprt undertaken and the mitigation plan approved
Annual Strategic Plan implemtation report	Prepare strategic plan implemtation report	Annual Straegic Plan implemtation report prepared
ISO Recertification certificate	Undertake recertification audit based on ISO 9001:2015 Standard	Recertification audit undertaken
No. of critical positions filled.	Undertake recruitment of 30 staff to fill vacant/critical positions	56 No. of staff were engaged on a fixed term basis.
Vetted FY 2021/2022 Performance Contract	Prepare, negotiate and vet Authority's Performance Contract for FY 2021/2022	FY 2021/2022 PC negotiated and Vetted
No. of professional Graduates engaged	Provide internship/industrial attachment/apprenticeship to 230 applicants.	Internship/industrial attachment/apprenticeship provided for 344 applicants
KRA 5: Effective Resource Mobilisation		
Objective 8: To Mobilise Additional Financial Resources to Bridge any Financing Gaps		
Commercial agreement signed	Sign Commercial agreement for the construction of Nairobi – Nakuru – Mau Summit road and procure an independent expert for the project	The commercial agreement for Nairobi – Nakuru – Mau Summit was signed in September 2020 and an independent project expert procured The procurement of an independent project expert was completed
KRA 6: Leadership and Governance		
Objective 9: To Strengthen Leadership and Integrity within the Authority		
No. of audit reports	Perform 25 No. Audit assignemts	29 No. Audits were undertaken
No. of audit follow-ups undertaken	Undertake 4 No. Audit Follow-ups	5 No. audit follow-up of projects
Annual Board Evaluation Report	Facilitate Board Self evaluation by SCAC	Board evaluation undertaken and report signed on 8 th Feb, 2022
% of contract complied and completed	Undertake contract compilation of all works, services and administration contract	Contracts were 100% compiled and completed
% of number of cases concluded within the FY	Manage litigation	100% number of cases were concluded

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7. CORPORATE GOVERNANCE STATEMENT

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

The Authority's Board is constituted as per the provisions of the Kenya Roads Act, 2007 with membership drawn from both the public and private sector. The Board is composed of nine (9) Directors with six (6) directors having a background or knowledge in the following areas:

- Business Industry
- Highway Engineering
- Transport economics
- Surveying
- Accountancy
- Law

In line with the provisions of the Kenya Roads Act, 2007, the Chairman and other members of the Board, other than designated public officers, shall hold office for a period of three (3) years from the date of appointment and may be eligible for re-appointment for one further term. The appointment of all members of the Board as first constituted and at every change in membership shall be by notice published in the Kenya Gazette. The Director General is appointed by the Board in consultation with the Cabinet Secretary in charge of roads following a competitive recruitment process.

New Directors are provided with extensive materials on the Authority and its operations, the procedures relating to the Board and its Committees and their duties and responsibilities as Directors. Induction of all new Directors is guided by the Board Induction for new Directors.

The primary function of the Board of Directors' (the Board) is to provide effective strategic leadership and direction to enhance the long-term value of the Authority to its stakeholders. The Board has the overall responsibility for overseeing the development and implementation of the strategic plan,

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performance objective, financial plans, annual budget, key operation initiatives, financial performance reviews and corporate governance practices. They are also responsible for instilling the appropriate culture, value and behaviour throughout the organization. The Board is therefore committed to maintaining very high standards of corporate governance and ethical conduct.

The Board has established four Committees from among its Members to assist in the execution of its responsibilities. These are the Audit, Risk and Governance Committee, the Finance Human Resources and General Purpose Committee, Procurement and Disposal Oversight Committee and the Technical and Strategy Committee. Each of these Committees operates pursuant to approved terms of reference delegated to them by the Board. The Board and each Committee have scheduled meetings held in every quarter of the financial year. The Chairman of each Committee regularly reports to the full Board on the Committee's deliberations at quarterly meetings of the Board.

A schedule of individual board members, their position and number of meetings attended and held are as shown below;

No.	Name of Director	Board Position	No. of Meetings Attended/Held
1	Eng. Wangai Ndirangu, MIEK, RCE	Chairman	13/13
2	Eng. Carey Orege CBS, MIEK,R.ENG	Member (Chair- T&S)	13/13
3	Ms. Winfrida W. Ngumi	Member (Chair- PDO)	12/13
4	FCCA Julius W. Mwatu	Member (Chair- ARGC)	13/13
5	Mr. Charles Gathogo	Member (Chair- FHRGP)	12/13
6	Mr. George Wanjau	Member	10/13
7	Mr. Protus Sigei	Member	12/13
8	Eng. Nicholas Musuni	Member	13/13
9	Ms. Brenda N. Mayabi	Member	13/13

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Board Meetings held during the Financial Year and individual attendance of the same by the Director's is shown below;

S/ No.	BOARD MEETING NUMBER	ATTENDANCE/ABSENT WITH APLOGY
1	144th	All members were present
2	145th	All members were present
3	146th	Mr. Protus Sigei
4	147th	Mr. George Wanjau
5	148th	Mr. Charles Gathogo
6	149th	All members were present
7	150th	All members were present
8	151st	All members were present
9	152nd	Mr. George Wanjau
10	153rd	Principal Secretary, Transport
11	154th	Principal Secretary, Transport & Ms. Winfrida Ngumi
12	155th	Mr. George Wanjau
13	156th	All members were present

SUCCESSION PLANNING

The Authority recognizes that succession planning forms an integral part of the Authority Human Resource Strategy and ensures the presence of a 'talent pipeline' that guarantees continuity of business in the event that key persons exit the Authority. It allows for the selection and preparation of individuals to ascend to the next level in the organization through appropriate Human Resource Intervention.

BOARD CHARTER

The Authority maintains a Board Charter that is a guide for Directors of the Kenya National Highways Authority (KeNHA) when executing their mandate. It expounds and sets out the Directors' collective and individual powers, rights, duties, obligations, responsibilities and liabilities.

The Charter enshrines the requirements of good corporate governance applicable to the Authority that meets the requirements of the enabling legislation and the Code of Governance for State Corporations (Mwongozo). It serves to facilitate and promote effective governance that is responsible and responsive to the Government's policies and guidelines on State Corporations.

It also provides a framework through which the Board carries out its statutory mandate in compliance with the international principles of corporate governance, laws, regulations and policies of state corporations.

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INDUCTION AND TRAINING OF THE BOARD

The Authority ensures that the Board's capacity is continually built through trainings and workshops and encourages Board Members to be up to date with continuous professional development in their respective professional bodies. The Authority further prepares and implements an annual Board Training Plan to ensure capacity building of the Board as regards their needs.

An induction process is undertaken for all new Board Members to familiarize themselves with their role as Directors and acquaint themselves with KeNHA's mission, vision, core values, mandate, strategic direction, code of conduct and ethics, best Corporate Governance practices and approved policies and procedures.

The Chairperson of the Board spearheads this process in line with the Induction for New Directors Programme to ensure that new Board Members are inducted according to the programme.

BOARD REMUNERATION

Board Remuneration by the Authority is guided by the relevant statutory Guidelines from the State Corporations Advisory Committee (SCAC) and Circulars issued from time to time by SCAC. The Authority endeavours to remunerate the Board members fairly, ethically and responsibly.

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8. MANAGEMENT DISCUSSION AND ANALYSIS

Mandate

To develop and manage quality and adequate national trunk roads through innovation and optimal utilization of resources for sustainable development.

SECTION A

The Entity's Operational Performance

Road Maintenance

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

No.	Project Activity	Targeted Output(lane Km)	Actual Output(lane Km)	Source of Funding
1.	Periodic maintenance	313	481	Road Maintenance Levy Fund
2.	Routine maintenance	13,752	13,407	Road Maintenance Levy Fund
3.	Performance Based Contracts	18,088	17,951	Road Maintenance Levy Fund
	Total	32,153	31,839	

Development & Rehabilitation Projects

The Authority is implementing a number of development projects across the country on behalf of the Government. A number of these projects are co-funded with the government's Development Partners which include the International Development Association (IDA), African Development Bank (AfDB), Export Import (EXIM) Bank and Japanese International Co-operation (JICA).

No.		Current status	No. of projects	Value of Contract Sums in Kshs. Millions
1.	Fully funded by GoK	Completed	2	6,588
		Substantially complete	2	13,726
		On-Going	10	50,919
		Under Procurement	7	33,516
		Sub-total	21	104,749
2.	Jointly funded by GoK & IDA (EARTTDFP)	Completed	2	11,961
		Substantially complete	1	6,782
		On-Going	3	22,121
		Sub-total	6	40,864

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No.		Current status	No. of projects	Value of Contract Sums in Kshs. Millions
3.	Jointly funded by GoK & IDA (KTSSP)	Completed	4	21,934
		Substantially complete	2	10,951
		On-Going	3	20,664
		Sub-total	9	53,549
4.	Jointly funded by GoK & AfDB	Completed		
		Substantially complete	2	20,358
		On-Going	5	32,758
		Under Procurement	1	-
		Sub-total	8	53,116
5.	Jointly funded by GoK & EXIM Bank of China	Substantially complete	1	21,546
		On-Going	1	17,662
		Sub-total	2	39,208
6.	Jointly funded by GoK & JICA	Substantially complete	1	4,808
		On-Going	1	24,236
		Sub-total	2	29,044
7.	Jointly funded by GoK & TMEA	On-Going	1	3,576
		Sub-total	1	3,576
8.	Jointly funded by GoK & EIB	In contracting process	1	10,339
		Sub-total	1	10,339
	GRAND TOTAL			334,445

SECTION B

Entity's compliance with statutory requirements

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

- 1) Accurate and timely remittance of monthly;
 - i. National Hospital Insurance Fund contributions,
 - ii. National Social Security Fund contributions,
 - iii. Pay As You Earn recoveries
 - iv. Withholding Tax
 - v. Value Added Tax
 - vi. Training Levy
- 2) Prompt payment of vendors subject to budget and liquidity

SECTION C

Key Projects and Investment Decisions the Entity is Implementing

The Authority is implementing projects using funds from Development Partners and the Government of Kenya as summarized in *Appendix II*.

SECTION D

1.0 The Key Corporate Risk Profile

The key corporate risks for KeNHA for the Financial Year 2021/2022 are as listed below:

1. Contract and Project Management Risk
2. Business Continuity Management Risks
3. People Risk
4. Reputational Risk
5. Corporate Culture Risk
6. Data Management Risks
7. Public Private Partnership (PPP) Risks
8. Road Asset Management Risks
9. Budgetary Constraints Risk

2.0 Risk Rating

The risk score is determined by combining (multiplying) the likelihood and the impact for each risk.

Table 1: Risk Rating

Risk Ra ing			
1-5		Minor	The probability of exposure to this risk is remote
6-10		Low	The probability of exposure to this risk is unlikely
11-15		Moderate	The probability of exposure to this risk is moderate
16-20		High	The probability of exposure to this risk is likely
21-25		Critical	The probability of exposure to this risk is almost certain

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The risk score for the identified risks is as shown in Table 2 below.

Table 2: Risk Scores for the Key Corporate Risks

No.	Identified Risk	Likelihood	Impact	Gross Risk Score
1.	Contract and Project Management Risk	5	5	25
2.	Business Continuity Management Risk	4	5	20
3.	People Risk	3	5	15
4.	Reputational Risk	4	5	20
5.	Corporate Culture Risks	4	5	20
6.	Data Management Risks	4	5	20
7.	Public Private Partnership (PPP) Risks	4	5	20
8.	Road Asset Management Risks	4	5	20
9.	Budgetary Constraints Risk	5	5	25

The data provided in Table 2 above is further illustrated in the figure 1 below:

Figure 1: Heat Map of Key Corporate Risks for FY 2021/2022

IMPACT / SEVERITY	Critical	Moderate	Moderate	High (3)	Critical (2,4,5,6,7,8)	Critical (1,9)
	High	Low	Moderate	High	High	Critical
	Moderate	Low	Moderate	Moderate	High	High
	Low	Low	Low	Moderate	Moderate	Moderate
	Minor	Minor	Low	Low	Low	Moderate
		Rare	Unlikely	Possible	Likely	Almost Certain
PROBABILITY / LIKELIHOOD						

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SUMMARY OF KEY CORPORATE RISKS FOR FY 2021/2022

Key Risk Area	Risk Drivers/ Associated Risks	Broad Response	Corporate Strategic Objective
1 Contract and Project Management Risks	<ol style="list-style-type: none"> 1. Slow response to contractual issues 2. Inadequate enforcement of contractual obligations 3. Indecisiveness in contractual matters 4. Inadequate capacity in contract management 5. Piecemeal site availability for works. 6. Gaps in some contract documents. 7. Gaps in progress reporting documents. 8. Inadequate capacity by consultant or contractor to undertake consultancy or works 	<ol style="list-style-type: none"> 1. Ensure enforcement of contractual obligations as appropriate 2. Make decisions on contractual matters as appropriate and timely within stipulated regulated durations 3. Continually build capacity within KeNHA on Project and Contract management. 4. Ensure acquisition of road corridors including right of way before commencement of works. 5. Review Progress Reporting to capture more feasible and critical issues required for decision making. <p>Current status</p> <ol style="list-style-type: none"> 6. RACM has improved contract documents to ensure that contractors who perform dismally for 3 consecutive months are charged liquidated damaged and/or the contract terminated. 7. On a quarterly basis, comprehensive project risk reports 	To enhance capacity and quality within the National Trunk Roads Network

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Key Risk Area	Risk Drivers/ Associated Risks	Broad Response	Corporate Strategic Objective
2 Business Continuity Management Risks	<ol style="list-style-type: none"> 1. Current pandemic and outbreak of variants as well as novel diseases 2. Exceptional weather and ground conditions 3. Insecurity caused by inter-clan conflicts, bandits and terrorists during road construction 4. Man-made or natural disaster that may disrupt normal operations at the Authority. 	<p>and their treatment are included in the progress reports for development projects.</p> <ol style="list-style-type: none"> 1. Continual enforcement of pandemic protocols 2. Implement business continuity plans 3. Develop and implement disaster preparedness plans as required for critical functions 4. Enhance budgetary provisions on Framework contracts to effectively address emergencies such as road-cuts. <p>Current status</p> <ol style="list-style-type: none"> 5. Each region has a framework contract of Ksh50 million to address emergencies expeditiously 6. ICT has procured a consultant to facilitate implementation of ISO 27001 ISMS and develop ICT related business continuity and disaster recovery plan 7. The ERM & BPR is in the process of developing an 	To Strengthen the institutional framework and capacity

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Key Risk Area	Risk Drivers/ Associated Risks	Broad Response	Corporate Strategic Objective
3 People Risk	<ol style="list-style-type: none"> 1. Pressure to engage more staff on contract terms due to insufficient human resource. 2. Staff Attrition 3. Integrity of staff 4. Demotivated workforce 	<p>enterprise-wide BCM and Disaster recovery policy</p> <ol style="list-style-type: none"> 1. Regular departmental meetings and town hall meetings with staff to communicate expectations, track performance and address concerns and challenges. 2. Review staffing needs for the Authority and address critical gaps through recruitment 3. Undertake job evaluation 4. Train staff annually to provide critical soft and technical skills <p>Current status</p> <ol style="list-style-type: none"> 5. The health and safety Committee works closely with Directorate of Occupational Safety and Health to continually enhance safety of staff 6. Staff in common cadre were promoted and this has improved 	To Strengthen the institutional framework and capacity

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Key Risk Area	Risk Drivers/ Associated Risks	Broad Response	Corporate Strategic Objective
4 Reputation Risk	<ol style="list-style-type: none"> 1. Inadequate information in media (especially social media) 2. Disgruntled stakeholders, both external and internal 3. Inadequate media management 4. Inadequate responses to negative media reports 	<p>staff morale. Critical senior positions have been filled. 7. More staff being engaged on temporary terms to ensure optimal staffing levels</p> <ol style="list-style-type: none"> 1. Regularly monitor stakeholder expectations. 2. Proactively address stakeholder expectations through sensitization, involvement and appropriate information sharing 3. Media management 4. Manage information within the Authority 5. Engage skilled staff to monitor and address issues raised on social media 6. Promote environmental conservation and management 7. Enhance social safeguards in projects <p>Current status</p> <ol style="list-style-type: none"> 8. The Authority is in the process of procuring a firm to facilitate brand management, 	<p>To Strengthen the institutional framework and capacity</p> <p>To ensure environmental sustainability and promote social interests</p>

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Key Risk Area	Risk Drivers/ Associated Risks	Broad Response	Corporate Strategic Objective
5. Corporate Culture Risks	<ol style="list-style-type: none"> 1. Staff do not understand or know the core values of the Authority 2. Staff do not understand or know how their role contributes to the overall vision of the Authority 3. Lack of clearly defined corporate culture in the Authority 	<p>social media engagement and media monitoring.</p> <ol style="list-style-type: none"> 9. Ksh.10 million was issued to Kenya Forest Service in June 2022 to develop a model tree nursery where one million seedlings will be raised. 10. In the 4th quarter 31000 seedlings were planted under various projects. 	<p>To strengthen leadership and accountability</p> <p>To Strengthen the institutional framework and capacity</p> <p>To institutionalize research and development within the Authority</p>
	<ol style="list-style-type: none"> 1. Define corporate culture for the Authority. 2. Sensitize staff on the reviewed vision, mandate and core values of the Authority. 3. Review existing Code of Conduct to ensure it takes into account the core values of KeNHA. Have staff to sign off that they have read the Code of Conduct and will abide by its requirements. 4. Promote ethical conduct by undertaking corruption perception survey and conducting integrity Audit. 		

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Key Risk Area	Risk Drivers/ Associated Risks	Broad Response	Corporate Strategic Objective
<p>6. Data Management & Cyber Security Risks</p>	<ol style="list-style-type: none"> 1. Lack of centralized and comprehensive data management framework 2. Data security risks, with information falling into the hands of unauthorized persons 3. Data breaches – unintentional release of secure information 4. Weak password management practices, software piracy, malware and lack of knowledge on IT related operations making staff susceptible to cyber crimes 	<p>For data management</p> <ol style="list-style-type: none"> 1. Develop data management framework for the Authority and sensitize staff on its requirements 2. Continue with Automation of internal business processes through ERP 3. Operationalize Electronic Document Management System <p>For cyber security</p> <ol style="list-style-type: none"> 4. Sensitization of staff on cyber security policy and cybercrime Act. 5. Implementation of firewalls and security monitoring tools 6. Use of genuine updated antivirus 7. Use of genuine software 8. Software updates and patch management 9. Implement business continuity plan and backup restoration plan / infrastructure <p>Current Status</p> <ol style="list-style-type: none"> 10. PSC has engaged KNBS to help develop data management framework and train KeNHA staff on the same. 	<p>To Strengthen the institutional framework and capacity</p>

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Key Risk Area	Risk Drivers/ Associated Risks	Broad Response	Corporate Strategic Objective
7	<p>1. Complexity of the PPP projects. For instance, contractual relationships between parties in the project. A small number of KeNHA Staff trained in handling PPP transactions</p> <p>2. Optimism bias on expected revenue streams at operation with a potential of revenue streams below expectation during operation.</p> <p>3. Public view tolling as triple taxation resulting in emerging consumer protection pressure groups to oppose the venture.</p> <p>4. Need for due diligence on proposed private partners to establish their capacity to deliver as indicated.</p>	<p>1. Train more staff on PPP in all relevant areas namely Legal, Supply Chain, Finance, Engineering, Communication and Risk)</p> <p>2. Ensure continuous public engagement and dissemination of information to manage and minimize opposition against the PPP projects</p> <p>3. Continually monitor the respective contractor's capability to ensure that remedial action is taken immediately where a gap is noticed</p> <p>Current status</p> <p>4. The Nairobi Expressway has been commissioned for use while an IE was secured for Nairobi – Mau summit project.</p>	<p>To enhance Capacity and quality within the National Trunk Roads Network</p> <p>To mobilize additional financial resources to bridge any financing gaps</p>
8	<p>1. Vandalism of road furniture due to availability of market for materials</p> <p>2. Overloading by transporters especially those plying routes manned by Virtual Weighing Stations</p> <p>3. Road reserve and camp encroachment</p>	<p>1. Improve highway patrols through ALEHU and PBCs</p> <p>2. Create awareness among stakeholders on the need to protect road assets</p> <p>3. Secure road camps and highway reserves</p> <p>4. Conduct Research with a view to developing alternative materials</p>	<p>To preserve the quality of the national trunk road network</p> <p>To define, delineate and clear road reserves and depot camps</p> <p>To Enhance Axle load control</p>

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Key Risk Area	Risk Drivers/ Associated Risks	Broad Response	Corporate Strategic Objective
9	Budget Constraints	<p>for road furniture to address the risk of vandalism.</p> <p>5. Enhance budget line to cater for road reserve and camp protection to include road reserve mapping</p> <p>6. Ensure road reserves are largely secured prior to award of works contracts</p> <p>Current status</p> <p>7. The Government lifted the banning of scrap metal dealing in May 2022. Only licensed dealers, millers and smelters are allowed to operate upon payment of license fees.</p>	To mobilize additional financial resources to bridge any financing gaps
	<p>1. Commencement of many projects which end up straining the limited Financial Capacity.</p> <p>2. Increasing Costs of acquisition for right of way and compensations for Project Affected Persons affecting cash flow for works</p> <p>3. Lack of alternative revenue streams apart from the Exchequer</p> <p>4. Delayed Exchequer Releases</p>	<p>1. Explore and exploit viable alternative sources of revenue</p> <p>2. Continue to engage the National Treasury on budgetary requirements and release of resources to settle pending bills</p> <p>3. Review work plan in line with budgetary reduction where applicable.</p> <p>4. Undertake manageable number of projects to minimize delays in payments and accrual of interest on delayed payments</p>	

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Key Risk Area	Risk Drivers/ Associated Risks	Broad Response	Corporate Strategic Objective
	5. Unexpected budgetary cuts after approval of budgets 6. Commencement of projects with encumbrances within the project corridor resulting in increased costs 7. Delayed payments on existing IPCs causing delays in implementation and resulting in interest on delayed payments Emerging issues 8. Expected increase in use of electric vehicles which may result in reduction of RMLF 9. Change of law resulting in reduction of percentage of RMLF to be given to Authority for maintenance of roads.	Enhance forward planning by ensuring right of way is secured before commencement of project	

SECTION E

Material arrears in statutory/financial obligations

The Authority has a large stock of pending development bills amounting to Kshs. 73.2 billion. This is made up of payment certificates and fee notes for certified development works and outstanding dues to Project Affected Persons. This resulted from inadequate GOK Development Budget allocations and delayed release of Exchequer funds to the Authority. This has led to accumulation of interest on delayed payments and other contractual claims.

SECTION F

The Authority's Financial Probity and Serious Governance issues

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

The systems, which have been in place from inception of the Authority up to the date of approval of these financial statements include the following: -

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

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The Authority's systems of internal control and corporate governance arrangements in operation during the quarter were based on the above institutional arrangements. The internal control systems are designed to manage, rather than eliminate, the risk of failure to achieve corporate objectives or, in the case of financial controls, the risk of material misstatement in our financial statements.

9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

i) Sustainability strategy and profile

The Board of Directors of Kenya National Highways Authority (KeNHA) understands the Authority's position as the custodian of the National highways network and the critical role in providing quality and safe highways for sustainable social and economic development. The Authority has a responsibility to manage and leverage resources in a way that promotes a healthy and sustainable environment. This is in line with the Authority's commitment in the customer service charter to adhere to environmental regulations during the implementation of projects to safeguard the environment and Strategic Plan strategic objective of environmental and social sustainability.

KeNHA's Environmental and Social Safeguards Policy is in line with one of the KeNHA's core value of equity and integrity and assists KeNHA to comply with Kenya's Constitution 2010 and with the provisions in the Environmental Management and Coordination Act (EMCA) of 1999.

The Board of Directors and Management have given a firm commitment of supporting and ensuring that the provisions of this policy are implemented by the Authority and those who work on our behalf as we strive to attain sustainable development

The Authority is putting a focus on making its infrastructure more resilient to climate change. In the last two years, 250 kilometers of road infrastructure have been climate proofed. Considering and recognizing that climate change has a huge impact on roads investment, KeNHA has taken the following climate change adaptation measures: Use of heat-resistant pavement materials in road projects located in Arid and Semi-arid areas; Increasing capacity (width and height) and frequency of drainage structures; Reduction of gradient of slopes; Use of erosion control measures like check dams and miter drains; Slope protection works; Raising road surface levels above expected flood elevations; Storm water capture and storage systems and road water harvesting; Increase in the frequency of sediment dredging of rivers and channels to provide adequate drainage conveyance capacity; Resource use efficiency(energy, petroleum products, water etc) in projects and Tree planting and road beautification program(carbon sinks).

ii) Environmental performance

Majority of the Authority's functions (design, construction and rehabilitation of roads) change both physical and the socio-economic salient environmental features of the areas they are taking place. The impacts generated by our projects wherever they are taking place include but not limited to the following: Air quality impacts, Impacts on the ecology, Impacts on water quality; Occupational health

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and safety impacts; Waste generation and disposal impacts; Socio-economic impacts like displacements; Noise and vibration impacts and Impacts on utilities among others.

The Authority ensures that safeguards documents are prepared to guide the management of Environmental and Social risks. The safeguards documents prepared include: Environmental and Social Impact Assessments (ESIA); Resettlement Action Plans (RAPs); Environmental and Social Management Framework (ESMF); Resettlement Policy Framework (RPF); Biodiversity Assessment; Climate Change Resilient Infrastructure Studies and Gender Based Violence Assessment among others. In FY 2021-2022 Five Environmental and Social Impact Assessment reports were prepared and submitted to National Environment Management Authority (NEMA).

During road project implementation, the Authority uses the following safeguards management tools: Contractor's Environmental and Social Management Plans (CESMP); Occupational Health and Safety (OHS) Plans; Traffic Management Plans (TMP); Waste Management Plans (WMP); Biodiversity Management Plans; Stakeholder Engagement and Communication Plans; Workers' Code of Conduct; HIV/AIDS mainstreaming and Child protection strategies among others.

Environmental and Social Monitoring of KeNHA projects are done by project implementation supervising consultants who must have in their team Environmentalist and Sociologist. The team supervises the implementation of the developed Safeguards Management tools and makes the necessary recommendations to the contractor's team who in turn implements the recommendations. Environmental and Social Monitoring is done based on the agreed recommendations of the Environmental and Social Management Plans within the Environmental and Social Impact Assessment reports.

Environmental and Social Monitoring reports are submitted to the Authority by the construction/rehabilitation supervising consultant quarterly for review. The reports are reviewed, and action taken on non-conformances. The Authority is responsible for overall supervision of the implementation of environmental and social safeguard recommendation in the projects and oversees Environmental and Social Monitoring during project operation phase.

To address the risks associated with climate change; the Authority in the last two years, has climate proofed 500 kilometers of road infrastructure. Currently, a study about climate resilience of the Horn of Africa Gateway Development Project (Isiolo-Mandera road project) is being implemented. In a

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road section of about 740 kilometers several activities for increasing infrastructure resilience have been identified, such as climate-resilient pavement that withstands high temperatures.

The authority signed a framework for cooperation with Kenya Forest Service (KFS) to jointly partner to set up a one (1) million seedling nursery at Nairobi arboretum. The seedlings will be planted in identified degraded areas and right of ways along the highways. For this initiative, the Authority in 2022 FY gave Kenya Shillings Ten Million (KES 10 million) to support Phase One of Infrastructural Development of model tree nursery.

In FY 2021-2022, 63,692 trees have been planted in various road projects as part of road beautification initiatives.

In conclusion, the Kenya National Highways Authority is committed to its environmental and social safeguards policy by ensuring that all activities done under its supervision are environmentally sustainable and are resilient to present needs. Most KeNHA's activities which affect the environment and social settings are out there with our projects which are being implemented and we are taking much of the time to monitor and recommend the most appropriate measures to mitigate or avert environmental disasters associated with such projects.

iii) Employee welfare

The Authority is guided by the Human Resource Policy and Procedures Manual approved by State Corporations Advisory Committee in March, 2022 with policy pronouncements on all areas on human resource management and welfare;

On recruitment, The Authority is an equal opportunity employer and shall not in its recruitment and selection discriminate on the basis of gender, race, religion, ethnicity, disability or on any other form of discrimination. Job vacancies are advertised on local dailies and copies of the same shared with National Council of Persons with disability (NCPWD) and uploaded on Fuzu a portal initiative by NCPWD.

On Gender and Disability mainstreaming, the Authority has in place policies domesticated from the National policy and continuously monitors affirmative action in regard to employment of persons of equal gender and persons with disability using disaggregated data.

On Career Development; The Authority's grading structure, qualifications and other requirements for recruitment into the Authority are laid down in the KeNHA Career Guidelines (2022) .

On Performance Management, The Authority has a robust performance management framework aimed at enhancing efficiency and effectiveness in service delivery. Performance appraisal is based

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on the employee's progress against the targets set annually with their supervisors. There exists a framework to reward exemplary performance and sanctions for poor performance by operationalizing the Rewards and Sanction Framework.

There exists OSHA policy which guides on safety and compliance with Occupational Safety and Health Act of 2007 (OSHA). The Authority has implemented several commitments on the same.

iv) Market place practices-

a) & b) Responsible competition practice & Supply chain & Supplier Relations

The Authority has embraced the culture of competitiveness in procurement processes in pursuit of achievement for value for money and creation of fairness and transparency among various stakeholders. Adherence to the provisions of the Public Procurement and Asset Disposal Act, 2015 and its attendant regulations, KeNHA procurement policies and donor funded guidelines has been a key contributing factor towards promotion of competition and ensuring competitors are treated fairly. The Authority undertakes stakeholder and political involvement through pre-bid conferences/pre-tender site visits/capacity building to enhance effective communication.

Competition is fostered through the use standard tender and quotation documents in procurement of various goods, works and services. The Public Procurement Regulatory Authority directives and donor procurement guidelines creates a level playing ground for the competitors through issuance of the standard tender documents. To a great extent, the use of standardised and clear specifications has allowed for open competition and promotion of local industry. The Authority has created an environment that promotes transparency and accountability through use of Enterprise Resource Planning system. This is done through publication of all procurement processes on the Public Procurement Information Portal (PPIP), advertisement of procurement opportunities, conducting due diligence on successful suppliers/contractors and handling of complaints. The Authority undertakes timely communication of results of procurement processes through effective debriefing mechanisms. The law further allows aggrieved bidders to pursue other existing legal mechanisms to ensure that their grievances are addressed.

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c) Marketing & Advertisement

The authority practices ethical marketing by committing to open, transparent, responsible, and fair practices and communicates these values to the public. Further, we commit to implement our projects while upholding ethical standards to project staff, communities that benefit and those that are affected by our projects.

The Authority continuously observes the principles of:

1. **Fairness:** Establishing fairness in our decision-making, offering equitable wages, and sustainable development.
2. **Honesty:** A cornerstone of ethical marketing is honesty. The Authority, while publicizing projects and activities strive to provide factual and unexaggerated information about the functionality and impact of our activities and provide full disclosure when required to.
3. **Responsibility:** KeNHA emphasizes her responsibility by providing a well-functioning highway network at all times, support social causes, give back to communities, treat employees with respect, and protecting the environment through sustainable practices.

The Authority conducted a Customer Satisfaction survey in 2019 and has been implementing recommendations made by the public as we implement projects.

4. **Transparency:** We practice transparency by publishing our activities and being open to the public about our operations. Not only do we provide regular reports to relevant oversight agencies, but continuously share information through the media, publications, website and social media accounts.

d) Product stewardship

1. The Authority has established a hotline through which citizens can share complaint or feedback.
2. There is an established complaints handling mechanism, to ensure customers complaints are responded to within 21 Days as stipulated in our Customer Service Charter and by the Commission on Administrative Justice.
3. The Authority has opened a confidential email for reporting integrity related issues which is: integrity@kenha.co.ke. Citizens who act as whistle blowers are assured of utmost confidentiality and due care while handling the cases as stipulated in the Anti-Corruption and Whistle blower policies.
4. The Authority has a robust Stakeholder Engagement plan for every project to ensure that the interests and rights of stakeholders are factored into every major project. In the year

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- under review, we carried out elaborate stakeholder engagement on Nairobi-Nakuru-Mau Summit PPP Project, Horn of Africa Road Project, and Weighbridge Management.
5. At the commencement of every project, the Authority obtains statutory clearances from National Environmental Management Authority (NEMA) as well as the Occupational Health and Safety Authority.

v) Corporate Social Responsibility / Community Engagements

Kenya National Highways Authority continues to uphold corporate citizenship by ensuring social accountability to all stakeholders and the public. The Authority continues to be conscious of the impact realized on all aspects of society, including economic, social, and environmental during project implementation.

Through the Corporate Social Investment (CSI) Committee, we have been able to identify initiatives, along our road projects, that help improve the livelihoods of surrounding communities. The Authority remains committed as a responsible corporate citizen and prioritizes mitigation measures on the impact of project implementation on the environment, communities, employees, and stakeholders.

CSI initiatives undertaken during the year under review

The Corporate Social Investment strategy of the Authority embodies a commitment to being a responsible corporate citizen. It aims at creating development corridors that serve the people, spur economic development, encourage integration, and facilitate overall well-being of beneficiary communities.

The CSI initiatives of the Authority mainly focuses on promoting sustainable livelihoods and improving access to social amenities through interventions that improve outcomes on Education, Health, Sanitation, Environment, Security, Youth, and Women empowerment. During the year under review, the Authority undertook several CSI activities. This included planting of trees, building of access roads, levelling of children playgrounds and university yard, construction of collector roads, construction of classrooms, dispensary, markets, sharing of borehole water and distribution of fresh water to communities, excavation of pit latrines, fencing of schools and construction of school gates, distribution of safety masks, sanitary towels, as well as rehabilitation of a quarry.

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Details of CSI initiatives undertaken during the year.

No.	Project Name CSI interventions	Project Name CSI interventions
1.	Garsen – Lamu - Witu	a) 50 meters access road
2.	Isebania -Kisii	a) Primary School: Leveling of play grounds for several primary and secondary schools
3.	James – Gichuru – Rironi	a) Collector Road 1 (Spenkon – Nduma- Thogoto Mutarakwa road) eight (8) kilometers b) Collector Road 5 (Old Naivasha Road) c) Collector Road 2 (Gichecheni – Magana) three (3) kilometers
4.	Kakamega - Kaburengu	a) Musemwa Primary School b) Dispensary c) Lubao Market
5.	Kibwezi – Mutomo – Kitui	a) Levelling of yard at Kibwezi University b) Improvement of existing dam and excavating shallow wells c) Construction of parking area with AC finishing d) Sensitized students from Mutomo and Ikutha Primary schools on road safety
6.	Lokitaung junction- Kolabeiyei River	a) Sharing borehole water with the locals
7.	Mau Mau Lot 3	a) Excavation of a pit latrine at Kihuyo Primary School
8.	Mau Narok - Kisiriri	a) Fencing and construction of the gate of Enegatia School
9.	Mombasa kwa Jomvu	a) Distribution of fresh water and safety masks to the community b) Donation of sanitary towels c) Rehabilitation of Kokotoni quarry d) Planting of 4000 trees

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10.	MPARD Package 3	a) Graveling of the road leading to Mishi Mboko Secondary School from Mombasa – Lungalunga (A7) Road
11.	Western Bypass	a) Rehabilitation of King'eero – Lower Kabete Road and Kikuyu – Karai Road b) Upgrading of two access roads for residents of Karai and Kanjeru villages
12.	Kitale – Saum Project	a) Planted of 6,200 trees
13.	Eldoret Bypass	a) Planted 14,009 trees
14.	Kenol Sagana	a) Planted 24,000 trees
15.	Sagana - Marua	a) Planted 17,000 trees
16.	Ngong Forest	a) Planted 2,200 trees

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10. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2022, which show the state of the *Authority's* affairs.

i) Principal activities

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

ii) Results

The results of the Entity for the year ended June 30, 2022, are set out on page 1

iii) Directors

The members of the Board of Directors who served during the year are shown on pages *vii, viii and ix*. During the year, Eng. Francis Gitau retired from the Board of Directors on 23rd August 2021. Consequently, Eng. Nicholas Musuni, was appointed to the Board on 23rd August 2021.

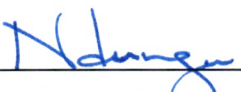
iv) Surplus remission

The Authority did not realise any distributable surplus during the year ended 30th June, 2022 and hence there was no remittance to the Consolidated Fund.

v) Auditors

The Auditor General is responsible for the statutory audit of the Authority's financial statements for the year ended 30th June 2022 in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board



Eng. Kungu Ndungu
DIRECTOR GENERAL

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11. STATEMENT OF DIRECTORS RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and (*section 14 of the State Corporations Act*), require the Directors to prepare financial statements in respect of the Authority, which give a true and fair view of the state of affairs of the Authority at the end of the financial year/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 period ended on June 30, 2022. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the Authority; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the State Corporations Act. The Directors are of the opinion that the Authority's financial statements give a true and fair view of the state of Authority's transactions during the period ended June 30, 2022, and of the Authority's financial position as at that date.

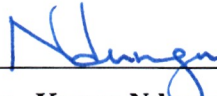
The Directors further confirms the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control.

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.

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Approval of the financial statements

The Authority's financial statements were approved by the Board on 29 SEP 2022 2022 and signed on its behalf by:



**Eng. Kungu Ndungu
DIRECTOR GENERAL**

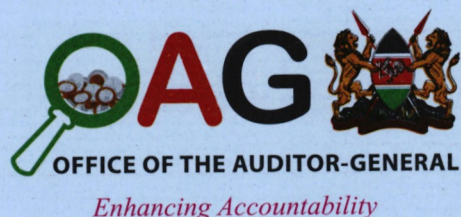


**Ms. Winfrida W. Ngumi
CHAIRPERSON OF THE BOARD**

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REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON KENYA NATIONAL HIGHWAYS AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Kenya National Highways Authority set out on pages 1 to 50, which comprise the statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of changes in net assets, statement of cash flows and 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, because of the significance of the matters described in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Kenya National Highways Authority as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Kenya Roads Act, 2007.

Basis for Adverse Opinion

1.0. Board Expenses

The statement of financial performance and as disclosed in Note 14 to the financial statements reflects board expenses balance of Kshs.72,155,817 which is an increase of Kshs.30,952,377 or 75% from the previous year expenditure of Kshs.41,203,440. The board expenditure includes tickets cancellation charges of Kshs.133,400 which is a nugatory expenditure to the Authority. The expenditure further includes ministerial and other official functions amount of Kshs.8,321,118 which should have been budgeted separately, and overseas trainings totalling to Kshs.11,381,934 whose justification was not provided.

In the circumstances, the propriety of Board expenditure of Kshs.72,155,817 could not be confirmed.

2.0. Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.675,448,008 as disclosed in Note 26 to the financial statements. However, audit of this expenditure revealed the following unsatisfactory matters:

2.1. Lack of Ownership Documents for Land and Buildings

The balance of Kshs.675,448,008 includes land and buildings amounts of Kshs.208,360,000 and Kshs.280,913,447 respectively. As previously reported, the buildings were occupied by Authority's staff in the South Rift region. However, although Management provided for audit Government of Kenya vesting order dated 7 September, 2007 indicative of rightful and beneficial ownership to the properties by the Authority, acquisition of the title deeds was yet to be completed.

In the circumstances, the ownership of the land and buildings valued at Kshs.489,273,447 could not be confirmed.

2.2. Unsupported Road Assets Additions

The balance of Kshs.675,448,008 includes road assets additions amount of Kshs.86,942,945,986. Review of the additions revealed the following unsatisfactory issues;

2.2.1. Unsupported Diminution of Profits and Loss of Business

The additions of Kshs.86,942,945,986 include Kshs.6,524,789,256 paid in respect of compensation for diminution of profits and loss of business to business people who had erected their business on road reserves. However, supporting documents including evaluation reports, names of the businesses, identification details and nature of businesses were not provided for audit review.

In the circumstances, the propriety of the capitalized expenditure of Kshs.6,524,789,256 could not be confirmed.

2.2.2. Unsupported Compensation by National Land Commission

The additions of Kshs.86,942,945,986 also include Kshs.359,210,703 paid to National Land Commission, out of which, Kshs.274,913,406 was in respect of Kirimukuyu/ Mutathi Ini. However, documents in respect of beneficiaries and evidence of remittances in support of the amount were not provided for audit.

In the circumstances, the propriety of the capital expenditure of Kshs.Kshs.274,913,406 could not be confirmed.

2.2.3. Unsupported Payments on Improvements

The additions of Kshs.86,942,945,986 further includes Kshs.16,356,921,198 paid to persons whose parcels of land were affected by road improvements. However, relevant documents such as evidence of remittances, identification details of persons paid, valuation reports and authenticated reports from local government administration officers, in support of the amounts, were not provided for audit review.

In the circumstances, the propriety of the capital expenditure of Kshs.Kshs.16,356,921,198 could not be confirmed.

2.2.4. Unsupported Payments on Developments

The additions of Kshs.86,942,945,986, includes reimbursements of Kshs.373,519,923 and refund of development of Kshs.Kshs.34,223,170, both totalling to Kshs.407,743,093, paid to affected persons and businesses as compensation. However, supporting documents, including evidence of remittances, identification details of persons paid, valuation reports and authentication by local administration officers were not provided for audit review.

In the circumstances, the propriety and occurrence of the payments of Kshs.407,743,093 could not be confirmed.

2.2.5. Unsupported Huge Payments to Individuals

The additions of Kshs.86,942,945,986 finally include direct payments totalling to Kshs.5,700,470,077 which were made to one hundred and twenty-five (125) individuals. Although Management indicated that the payments were made by the National Land Commission, no supporting documents such as valuation reports, proof of ownership, acreage and approvals for the payments were provided for audit.

In the circumstances, the propriety of the payments of Kshs.5,700,470,077 could not be confirmed.

3.0. Dormant Bank Accounts

The statements of financial position reflect cash and cash equivalents balance of Kshs.13,993,063,067 which, according to bank statements, cash books and bank reconciliation statements reviewed, and as disclosed in Note 22(a) to the financial statements, includes Kshs.128,989,967 relating to dormant bank accounts detailed below, maintained by the Authority for road projects deemed complete but whose completion certificates had not been issued:

Financial Institution	Amount (Kshs.)
NCBA Bank-NCTIP	59,353,586
NCBA Bank-Timboroa-Eldoret	18,768,445
NCBA Bank-Marsabit-Turbi Account	3,226,674
NCBA Bank-KTSSP	7,732,595
NCBA Bank-EATTFP	12,136,917
National Bank-Sirari Corridor	27,771,750
Total	128,989,967

Inclusion of these balances resulted in overstatement of bank balances since they ought to have been surrendered to The National Treasury upon closure of the projects.

In the circumstances, the accuracy of cash and cash equivalents balance of Kshs.13,993,063,067 could not be confirmed.

4.0. Unreconciled Current Receivables from Exchange Transactions

The current receivables from exchange transactions balance of Kshs.12,562,556,350 includes receivable from Roads Maintenance Fund of Kshs.11,865,854,651. However, review of the Kenya Roads Board Fund financial statements indicated that the Fund owed the Authority an amount of Kshs.10,257,336,897 as at 30 June, 2022, resulting in an unreconciled variance of Kshs.1,608,517,754.

Further, the balance of Kshs.12,562,556,350 include receivable from Kenya Urban Roads Authority and Kenya Rural Roads Authority amounts of Kshs.6,755,843 and Kshs.8,195,298 respectively, which were not reflected as payables in the financial statements of the two roads agencies.

In the circumstances, the accuracy of receivables from exchange transactions balance of Kshs.12,562,556,350 could not be confirmed.

5.0. Refundable Deposits from Customers

The statement of financial position reflects refundable deposits from customers balance of Kshs.195,479,839 which includes customer balances totalling to Kshs.49,442,512 dating back to between 2010/2011 and 2016/2017 financial years, which raises doubts on the existence and authenticity of the balances. It is not clear why the deposits had not been surrendered to the Unclaimed Financial Assets Authority.

In the circumstances, the existence of the refundable deposits from customers balance of Kshs.195,479,839 could not be confirmed.

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

Emphasis of Matter

Contingent Liabilities

I draw attention to page 46 of the financial statements where the Management has disclosed court cases against the Authority, unclaimed interest on works and land acquisitions and unresolved contractual claims totalling to Kshs.65,707,923,295 (2020-2021: Kshs.13,327,522,598). Although Management is of the opinion that the outcome of these litigations and claims were yet to be determined, the Authority's operations would be adversely affected if the liabilities were to crystallise.

My opinion is not qualified in respect of this matter.

Key Audit Matters

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

Other Matter

1.0. Unresolved Prior Year Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1.0. Projects Implementation

1.1. Delayed Development Projects

1.1.1. Construction of Mamboleo-Miwani-Chemelil-Muhoroni-Kipsitet Road Project

1.1.1.1. Lot 1 (Mamboleo Junction-Miwani)

The contract was awarded at a contract sum Kshs.5,194,524,146 for a period of thirty-six (36) months from 21 September, 2021 to September, 2024. As at January, 2023, physical progress of work was at 8% against 42% elapsed time. Total works certified amounted to Kshs.639,452,415 out of which Kshs.296,514,866 had been paid leaving a balance of Kshs.342,937,549. Physical inspection in February, 2023 revealed that the contractor had slowed down works pending payment of the outstanding balance of Kshs.342,937,548.

1.1.1.2. Lot 2 (Miwani-Chemelil Section)

The contract was awarded at a contract sum Kshs.4,964,716,883 for a period of thirty-six (36) months from 8 September, 2021 with expected completion date of September, 2024. As at January, 2023, physical progress of work was at about 12% against 44% elapsed time. Total works certified amounted to Kshs.848,916,679 out of which Kshs.437,366,502 had been paid, leaving a balance of Kshs.411,550,177. Physical inspection in February, 2023 indicated that the contractor suspended works in December, 2022 pending payment of the outstanding balance of Kshs.411,550,177.

1.1.1.3. Lot 3 (Chemelil-Kipsitet Section)

The contract was awarded at a contract sum Kshs.5,720,767,704 for a period of thirty (30) months from 21 September, 2021 with expected completion date of April, 2024. As at January, 2023, physical progress of work was at about 4% against 50% elapsed time. Total works certified amounted to Kshs.761,618,903 out of which Kshs.390,400,000 had been paid leaving, a balance of Kshs.371,218,903. Physical inspection in February, 2023 indicated that the contractor had slowed down work pending payment of the outstanding balance of Kshs.371,218,903.

In the circumstances, the project risks incurring additional costs in form of interest and penalties due to delay in payment of certified works. In addition, delay in implementation of the project has impacted negatively on service delivery to the public.

1.1.2. Dhogoye Bridge on Kisian - Usenge

The Authority awarded the above works at a cost of Kshs.1,999,349,506 for a period of 18 months. The works commenced on 21 June, 2021 with expected completion date of 20 June, 2024. The contractor was to be paid an advance of Kshs.199,934,951. However, only Kshs.35,000,000 was paid on 7 March, 2022. Further, IPC No. 2 of Kshs.83,862,151.83 was raised but had not been paid as at the time of the audit. According to the latest progress report dated 16 May, 2022, work certified was at 4.19% against 56% time elapsed. Review of the revised budget for 2021/2022 revealed that the authority did not put any allocation for the project.

In addition, physical verification of the project in February, 2023 revealed that the contractor had started doing some drenching and dumping boulders which had tremendously affected the ecosystem of the surrounding areas. The contractor had also abandoned the site.

In the circumstances, the project risks incurring additional costs in form of interest and penalties due to delay in payment of certified work. In addition, delay in implementation of the project has impacted negatively on service delivery to the public.

1.1.3. Completion of Dualling of Kisumu Boys Roundabout (JN A1/B1)-Mamboleo Junction (JN A1/C34) road, A1

The Authority entered into a contract agreement with a contractor on 9 September, 2020 for the completion of dualling of Kisumu Boys roundabout to Mamboleo Junction road for a period of one year from 4 November, 2020 at a contract price of Kshs.1,314,945,369. During the year under review, the contractor was paid Kshs.31,441,651 as part payment for Interim Payment Certificate 5 of Kshs.77,388,060. As at the end of the financial year, 2022, the contractor had issued four interim certificates totalling to Kshs.328,682,301 for work done up to 31 December, 2021 out of which Kshs.31,441,651 had been paid.

Project inspection conducted in November, 2022 revealed the following:

- i. The project had previously been awarded to another contractor who terminated the contract in September, 2019 due to delayed payments. The progress prior to termination of the previous contract was 89.1%.
- ii. The new contractor abandoned site in June, 2022, citing cash flow challenges. No personnel or equipment was on site at the time of audit inspection.
- iii. The physical progress achieved by the contractor was approximately 67.5% of the re-tendered works.
- iv. The employer had awarded a time extension of 123 days due to COVID-19 restrictions, which revised the completion date to 6 March, 2022 that has since expired.
- v. The overall cumulative progress as at the time of the audit stood at 96.4 %.

No explanation has been provided by Management on when the remaining works are going to be completed.

The delay in implementation of the project has impacted negatively on service delivery to the public.

1.1.4. Delayed Contract for Rehabilitation and Improvement of Uplands-Githunguri-Ruiru (C560) Road

The above contract was awarded to a contractor at contract price of Kshs.3,988,058,395 for a period of 30 calendar months the source of funding was from the Government of Kenya. The contract period had been extended three times by 250, 120 and 355 days, with expected completion date of December, 2021. According to the February, 2023 monthly progress report, the contractor had taken 53.93 months against the initial contract period of 30 months and the work certified was worth Kshs.2,459,358,049 or 61.67%. Further, half of the retention of Kshs.98,772,038 had been paid to the contractor due to partial take-over between KM. O+000-KM. 23+900. Further, the contractor had not been paid certified works totalling to Kshs.155,000,000 which led to suspension of works by the contractor on 29 September, 2022.

In the circumstances, the project risks incurring additional costs in form of interest and penalties due to delay in payment of certified work. In addition, delay in completion of the project has impacted negatively on service delivery to the public.

1.1.5. Construction of Nairobi Western Bypass

As previously reported the Authority awarded the construction of Nairobi Western Bypass at a cost of USD.170,998,693.24 and the agreement was signed on 24 April, 2017. Review of the project revealed the following issues:

Review of documents relating to the project revealed that as at the time of the audit, some Project Affected Persons had not been compensated over five years since the construction of the bypass started. This situation is not desirable as it may lead to unnecessary litigations and delays in project completion.

- i. There was no access at Karura shopping center and, therefore, the envisaged changeover at Ndenderu junction was converted into a roundabout instead of an interchange.

- ii. A full-service lane on both sides of the road from Kihara interchange to Wangige interchange was not provided for.
- iii. An entry and exit from and to the bypass at Kibiku/Kirangari overpass from Service Lane 12 which connects to Kihara interchange does not connect to Kirangari overpass.
- iv. At the Kibiku-Gathiga junction, no footbridge or under pass was provided for, a situation which poses threats to pedestrian crossing from one side to the other. It was noted that the alternative crossing is about 2 Km away.
- v. The exit and entry at Rukubi underpass have no connection to the service lanes while its drainage at the lower end heads to a private school instead of directing water to the sloppy areas.

The above anomalies may have impacted negatively on the usage of the by-pass road.

1.2. Delayed Road Maintenance Projects

1.2.1. Performance Based Contract for Maintenance of Narok - Ngoswani (B131) Road

The performance based contract for maintenance of Narok-Ngoswani (B131) road was awarded to a contractor at a contract sum of Kshs.310,166,470. The works commenced on 16 August, 2021 for a period of 36 months, with expected completion date of 15 August, 2024. Progress status report as at 30 June, 2022 indicated 5.85% physical progress versus 31% elapsed time. Physical inspection conducted in February, 2023 indicated physical progress of 30.04% against 50.04% elapsed time, an indication that the project was behind schedule.

Review of correspondences indicated that the contractor has failed to comply with contract conditions where he was to cover excavated potholes at Km 7+600, Km 12+800, Km 10+800 and Km 16+200 within 48 hours as specified in the contract conditions. There was however, no evidence of damages deductions from the contractor despite express authority vide Section 47.1 (b) of the particular conditions of the contract which specify that Kshs.50,000 per month per pothole will be deducted from the contractor as damages for not attending to potholes within 48 hours of excavation. It was further noted that the contractor has been given three notices on slow progress which is an indication of no improvement by the contractor.

In the circumstances, the project may not be executed as scheduled, which will impact negatively on realization of value for money and service delivery to the public.

1.2.2. Periodic Maintenance of Njoro-Mau Summit (B129)

Works relating to a contract for Periodic Maintenance of Njoro-Mau Summit (B129) were to commence on 26 August, 2021 for a period of eighteen (18) months, with completion date of 25 February, 2023. Audit inspection in the month of February, 2023 revealed 80.20% physical progress against 95.45% elapsed time, an indication that the project was behind schedule.

In the circumstances, the project may not be executed as scheduled, which will impact negatively on value for money and service delivery to the public.

1.2.3. Performance Based Contract for Maintenance of Junction (B89) Madogo (B89)-Modika (A3) Road

The contract was awarded to a contractor on 30 April, 2020 at a contract sum of Kshs.119,420,357 for a period of 24 months. The contract was to be completed on 27 November, 2022. Cumulative amount certified as at the time of audit in February, 2023 was Kshs.46,686,506.98. The following anomalies were noted during physical inspection:

- i. There were no signs that the contractor was on site,
- ii. There were blocked culverts in Garissa town.
- iii. Dumped garbage in the drainage and overgrown vegetation.
- iv. Most road signs had been vandalized.
- v. There was no evidence that de-siltation of drainage and culverts in Garissa town had been done as detailed in the contract.

In the circumstances, the project has not been executed as scheduled which impacts negatively on realization of value for money and service delivery to the public.

1.2.4. Performance Based Contract for Maintenance of Junction B21 Nyeri-Othaya-C544 Kangema (B23) Road

The contract was awarded to a contractor on 29 September, 2020 at a contract sum of Kshs.177,595,014 for a period of 36 months. The completion date for instructed works was 16 November, 2021 and the contractor's all-risk expiry date was set on 22 January, 2024. The amount certified for payment as at 31 January, 2023 was Kshs.128,597,863. Audit inspection in February, 2023 noted potholes on shoulders of some sections of the road, damaged guardrails were conspicuously seen at KM 0+000, litter along some sections of the road drainage channels especially at 33 Km, overgrown vegetation at around 41Km and some asphalt on some road pavement section was failing.

In the circumstances, the was not executed as scheduled which will impact negatively on realization of value for money and service delivery to the public.

1.2.5. Performance Based Contract for Maintenance of JN B23/27 Othaya - JN A 2/B27 Karatina (B27)

The above contract was awarded to a contractor on 10 March, 2020 at a contract sum of Kshs.49,460,633 for a period of 36 months. Contractor's all risk expiry date was set on 18 June, 2023. Amount certified for payment as at 31 January, 2023 was Kshs.44,418,054. Audit inspection in February, 2023, revealed litters and silt in culverts at Karatina town.

In the circumstances, the contract execution was not done as scheduled which impacted negatively on realization of value for money and service delivery to the public.

1.2.6. Performance Based Contract for Maintenance of JN A2 Karatina - Kagumo-Kutus (B27) Road

The contract was awarded on 29 September, 2020 at a contract sum of Kshs.374,379,713. The commencement date was 4 December, 2020 with a completion period of 36 months. The revised contract sum was Kshs.464,340,179, surpassing the original contract sum by Kshs.89,960,466 or 24%. The amount certified as at

January, 2023 was Kshs.341,534,227. The expected completion date is 17 December, 2023. However, Management did not provide reasons for revising the contract price upwards. Further, in Kagumo town, some access culverts had overgrown vegetation that could not allow free surface flow of rain water.

In the circumstances, the contract execution was not done as scheduled which impacts negatively on realization of value for money and service delivery to the public.

1.2.7. Periodic Maintenance of Ruiiri – Isiolo.

The tender was awarded at a contract amount of Kshs.682,103,815. The contract commenced on 14 December, 2020 and the initial date for completion was 14 December, 2022. However, at the time of audit inspection, the project was lagging behind schedule with the progress of work at 82.6% against over 100%-time lapse. According to a letter dated 14 December, 2022 by the Regional Director to the contractor, it was noted that on some road pavements, the contractor had used AC material that had failed to meet the minimum laboratory requirements for AC Type 1. The affected sections were Km 13+300 right hand side and Km 15+220 to Km 15+770. It was also noted that the above-mentioned irregularity could negatively affect the quality of the affected sections of the road. Several road signage's had been vandalized and the contractor had not been issued with instructions to correct the works.

In the circumstances, the project may has not be executed as scheduled which will impact negatively on realization of value for money and service delivery to the public.

1.2.8. Performance Based Contract for Maintenance of Machakos - Kangundo 105) Road

The contract was awarded at a contract sum of Kshs.34,915,829 for a period of 24 months commencing on 27 July, 2021 and ending on 26 July, 2023. The amount certified was Kshs.15,257,277 as at the time of inspection in February, 2023. However, it was noted that the contractor had failed to meet the expected service levels as per the contract requirements. Both the inner and the outer vegetation had overgrown beyond the required service level between 150mm and 300mm respectively along the full road chainage. The drainage channels were clogged due to overgrown grass and silt. At Km 16, two guardrails that had been detached had remained unrepaired and the contractor was not on site.

In the circumstances, the project has not been executed as scheduled which will impact negatively on realization of value for money and service delivery to the public.

1.2.9. Stage Improvement of Nyaru-Iten

Stage improvement of Nyaru-Iten works were awarded at an original contract sum of Kshs.2,418,819,639 and a commencement date of 14 November, 2016 for a period of 30 Months with completion date of 13 May, 2019. Later, the works were varied by Kshs.526,630,775 to Kshs.2,945,450,414 to be completed on 31 March, 2023. As at the time of the audit inspection in February, 2023, the certified works were Kshs.2,417,805,863 or 78.5% versus 98.56% elapsed time. The project has pending bills totalling to Ksh.525,893,208 as at 30 June, 2022 with a risk of incurring additional interest costs and penalties due to delayed payments. The Resident Engineer vide letter dated 10 June, 2022 recommended taking over of works as the contractor had substantially completed the works save for nominal non-permanent works. This would have avoided extension of time as the remaining works would have been done during the defect's

liability period. However, instead the contractor was given an extension of time to complete the works by 31 March, 2023.

The delay in paying interim payment certificates had led to excess costs to the project due to interests amounting to Kshs.12,034,734.

In the circumstances, the project has not been executed as scheduled which will impact negatively on realization of value for money and service delivery to the public.

1.2.10. Performance Based Contract for the Maintenance of JN A8 Eldoret-Kapsabet

Review of documents relating to the project revealed that under summary of the bill of quantities, bill No.1, item 01-08-026A for payment of residential engineer's miscellaneous account reflected an amount of Kshs.1,922,338 which differed with the detailed analysis amount of Kshs.1,057,508 resulting to an unexplained variance of Kshs.864,830.

Similarly, bill No. 25, item no.25-56-003 for cross cutting issues reflected Kshs.3,513,001 and the attached appendix indicated an amount of Kshs.2,953,000 resulting to a variance of Kshs.560,001.

Physical inspection carried out in February, 2023 revealed vandalized sign posts at Km 24+200, Km 26+200, Km 27+300 and Km 32, vandalized culvert and drainage works, waste along the drainages and at Km 25 and Km 35+10, the drainage was broken and not properly aligned, the guardrail at Km 31+200 was broken and the shoulders had been swept away at Km 21+300, Km 28 and Km 30-35+10.

In the circumstances, the project has not been executed as scheduled which will impact negatively on realization of value for money and service delivery to the public.

1.2.11. Performance Based Contract for the Maintenance of Busia-Malaba (B13) Road

Audit inspection of the project which was awarded at a contract sum of 270,869,948, revealed the following issues:

- i. Side drains were filled with waste and sewer at 0+000 to 0+200BS.
- ii. Emerging pothole and surface wearing off at Km 9+500 and Km 23+600.
- iii. Delay in commencement of works for surface dressing chippings yet the expected progress was 62.5%.
- iv. Instruction 009 for installation of bumps and rumble strips recorded progress of work as 100%. However, no rumble strips had been installed as at the time of audit.

Further, bill No.1 for item 01-50-020 for purchase of office equipment at a total cost of Kshs.1,500,000 was not supported by a detailed appendix. As a result, it was not possible to confirm which office equipment were to be purchased for this project.

In addition, under Residents' Engineer's office miscellaneous expenses, the following items were purchased and paid vide invoice order No.15 dated 15 February, 2022:

Description	Quantity	Rate (Kshs.)	Amount (Kshs.)
4 standard Laptops of minimum RAM 8GB and 1 TB ROM. core i7 preferably HP make LENOVO	2	70,000	140,000
4 HP desktop computers of minimum RAM 8GB and 1tb ROM core i7	5	100,000	500,000
Total			640,000

Although the BoQ indicated 4 HP desktop computers, actual number purchased were 5 as highlighted above. No explanation was provided for this variation. Further, these assets were not captured in the fixed asset register.

In the circumstances, the project has not been executed as scheduled which will impact negatively on realization of value for money and service delivery to the public.

2.0. Stalled Projects

Physical inspection and review of project files revealed that twelve (12) projects with a total cost of Kshs.7,394,903,485 had stalled. Further, it was noted that most road projects funded by the exchequer had been suspended, awaiting funding. This contravened Regulation 68(1) of the Public Finance Management (National Government) Regulations, 2015, which require an Accounting Officer for a National government entity, to be accountable to the National Assembly for ensuring that the resources of the respective entity for which he or she is the accounting officer are used in a way that is lawful, authorized, effective, efficient, economical and transparent.

Failure to execute works on time impacts negatively on realization of value for money and service delivery to the citizens.

3.0. Penalties and Interest on Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.80,129,104,666 which increased by Kshs.18,225,791,447 from the Kshs.61,903,313,219 reported in the previous year. Further, the balance of Kshs.80,129,104,666, as disclosed in Note 28 to the financial statements, includes development payables balance of Kshs.73,215,936,023 of out which, an amount of Kshs.29,675,865,154 relates to outstanding land compensations. According to information gathered from the Authority, some of the outstanding compensations relate to roads which were already complete and those that were ongoing. In addition, the balance of Kshs.80,129,104,666 includes interest and penalties on delayed payments of certified works that had accumulated to Kshs.4,310,303,589 as at 30 June, 2022, which includes Kshs.1,406,526,374 charged during the year under review.

Continuous delay in settling these balances exposes the Authority to litigations and penalties at the expense of the taxpayers which negate the effective use of public funds. Further, value for money of the interest and penalties payable of Kshs.4,310,303,589 was not realized.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Adverse Opinion Section of my report, based on the audit procedures performed, I confirm that, internal controls, risk management and overall governance were not effective.

Basis for Conclusion

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

Responsibilities of Management and the Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but

is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue to sustain services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Authority to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

16 June, 2023

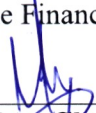
**Kenya National Highways Authority
Annual Report and Financial Statements for the year ended June 30, 2022.**

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

	Notes	2021-2022	2020-2021
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from Development Budget Grants	6	538,180,368	433,107,619
Levies, Fines and Penalties	7	28,937,578,804	24,725,103,067
		29,475,759,172	25,158,210,686
Revenue from exchange transactions			
Rental revenue from facilities and equipment	8	1,168,000	1,142,300
Finance income - external investments	9	921,384,891	828,778,943
Other income	10	13,764,829	79,634,033
		936,317,720	909,555,276
Total Revenue		30,412,076,892	26,067,765,962
Expenses			
Road Maintenance and Axle Load Expenses	11	24,706,494,795	20,905,684,356
Use of goods and services	12	548,883,957	387,586,432
Employee costs	13	2,053,739,104	1,829,448,494
Board Expenses	14	72,155,817	41,203,440
Depreciation and amortization expense	15	273,697,520	190,470,754
Repairs and maintenance	16	170,373,343	150,493,476
Transfers from Development Budget Grants	6	538,180,368	433,107,619
Finance costs	17	5,623,642	5,549,725
Total expenses		28,369,148,546	23,943,544,296
Other gains/(losses)			
Gain on sale of assets	18	16,082,409	10,716,398
Loss on foreign exchange transactions	19	-	(787,812)
Profit on foreign exchange translations	20	2,577,361	1,080,280
Surplus before tax		2,061,588,116	2,135,230,531
Taxation	21	(274,738,055)	(253,134,869)
Surplus/(Deficit) for the year		1,786,850,061	1,882,095,663

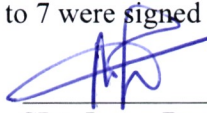
The notes set out on pages 8 to 46 form an integral part of these Financial Statements.

The Financial Statements set out on pages 1 to 7 were signed on behalf of the Board of Directors by:


CPA. Chanje Kera
Deputy Director (Finance & Accounts)

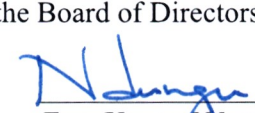
ICPAK Member No. 8279

Date: 03 MAY 2023



CPA James Bowen
Director Corporate Services

ICPAK Member Number: 7842

Date: 03 MAY 2023


Eng. Kungu Ndungu
Director General

Date: 03 MAY 2023


Ms. Winfrida W. Ngumi
Chairperson of the Board


Date: 03 MAY 2023

**Kenya National Highways Authority
Annual Report and Financial Statements
for the year ended June 30, 2022.**

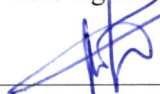
14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

	Notes	2021-2022	2020-2021
		Kshs	Kshs
Assets			
Current Assets			
Cash and cash equivalents	22	13,993,041,417	23,362,471,571
Receivables from exchange transactions	23(a)	12,562,556,350	5,148,218,965
Receivables from non-exchange transactions	24	21,540,562,776	18,990,724,145
Inventories	25	9,668,135	7,489,621
Total Current Assets		48,105,828,678	47,508,904,302
Non-Current Assets			
Property, plant and equipment	26	675,448,008,179	587,989,222,216
Intangible assets	27	183,150,435	133,527,703
Long term receivables from exchange transactions	23(b)	24,250,000	24,750,000
Total Non-Current Assets		675,655,408,614	588,147,499,919
Total Assets		723,761,237,292	635,656,404,221
Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions	28	80,165,582,338	61,903,313,219
Refundable deposits from customers	29	195,479,839	167,992,948
Provisions	30	182,875,058	139,268,731
Taxation	31	217,457,784	120,891,131
Total Current Liabilities		80,761,395,019	62,331,466,029
Total Liabilities		80,761,395,019	62,331,466,029
Net assets		642,999,842,273	573,324,938,192
Reserves		624,058,936,678	556,170,882,658
Accumulated surplus		18,940,905,595	17,154,055,534
Total Net Assets and Liabilities		723,761,237,292	635,656,404,221


The financial statements set out on pages 1 to 7 were signed on behalf of the Board of Directors by:


CPA. Chanje Kera
Deputy Director (Finance & Accounts)
 ICPAK Member No. 8279

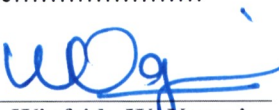
Date... 03 MAY 2023


CPA James Bowen
Director Corporate Services
 ICPAK Member Number: 7842

Date.....


Eng. Kungu Ndungu
Director General

Date... 03 MAY 2023


Ms. Winfrida W. Ngumi
Chairperson of the Board
 03 MAY 2023

Date.....

Kenya National Highways Authority
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15. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2022

	Retained earnings	Capital/ Development Grants/Fund	Total
	<i>Kshs</i>	<i>Kshs</i>	<i>Kshs</i>
At July 1, 2020	15,271,959,871	487,135,422,407	502,407,382,278
Surplus for the year	1,882,095,663	-	1,882,095,663
Transfers to accumulated surplus	-	-	-
Capital/Development grants received during the year	-	69,035,460,251	69,035,460,251
At June 30, 2021	17,154,055,534	556,170,882,658	573,324,938,192
At July 1, 2021	17,154,055,534	556,170,882,658	573,324,938,192
Surplus for the year	1,786,850,061	-	1,786,850,061
Transfers to accumulated surplus	-	-	-
Capital/Development grants received during the year	-	67,888,054,020	67,888,054,020
At June 30, 2022	18,940,905,595	624,058,936,678	642,999,842,273

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16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

		2021-2022	2020-2021
	Notes	Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from other Development Budget Grants	6	538,180,368	433,107,619
Levies, fines, and penalties	7	28,937,578,804	24,725,103,067
Rental Revenue	8	1,168,000	1,142,300
Finance income	9	921,384,891	828,778,943
Other income	10	13,764,829	79,634,032
Profit on foreign exchange translations	21	2,577,361	1,080,280
Total Receipts		30,414,654,253	26,068,846,241
Payments			
Road Maintenance and Axle Load Expenses	11	24,706,494,795	20,905,684,356
Use of goods and services	12	548,883,957	387,586,432
Employee costs	13	2,053,739,104	1,829,448,494
Board Expenses	14	72,155,817	41,203,440
Repairs and maintenance	16	170,373,343	150,493,476
Finance cost	17	5,623,642	5,549,725
Taxation	22	274,738,055	253,134,868
Transfers from other Development Budget Grants	6	538,180,368	433,107,619
Loss on foreign exchange transactions	20	-	787,812
Total Payments		28,370,189,081	24,006,996,222
Working Capital Adjustments			
Decrease in current receivables		(7,414,787,149)	(952,836,294)
Decrease in trade and other payables		(1,217,512,010)	(23,741,481)
Increase in long term receivables		500,000	12,375,000
Increase in Inventory		(2,178,514)	(998,858)
Increase in provisions		43,606,327	(90,268,741)
Total Working Capital Adjustments		(8,590,371,346)	(1,055,470,374)
Net cash flows from/(used in) operating activities		(6,545,906,174)	1,006,379,645
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		(87,782,383,649)	(93,417,850,864)
Proceeds from sale of property, plant and equipment		16,359,843	11,036,890
Decrease in Development receivables		(2,549,388,865)	(284,599,581)
Increase in Development payables		19,603,834,671	24,944,203,026
Net cash flows from /(used in) investing activities		(70,711,578,000)	(68,747,210,529)
Cash flows from financing activities			
Proceeds from Exchequer/Development Partners		67,888,054,020	69,035,460,251
Net cash flows used in financing activities		67,888,054,020	69,035,460,251
Net increase/(decrease) in cash and cash equivalents		(9,369,430,154)	1,294,629,367
Cash and cash equivalents at 1 July	23	23,362,471,571	22,067,842,204
Cash and cash equivalents at 30 June	23	13,993,041,417	23,362,471,571

The Authority's cash flow statement is presented using the direct method.

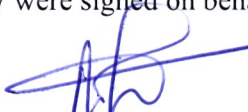
**Kenya National Highways Authority
Annual Report and Financial Statements
for the year ended June 30, 2022.**

The financial statements set out on pages 1 to 7 were signed on behalf of the Board of Directors by:




CPA. Chanje Kera
Deputy Director (Finance & Accounts)
ICPAK Member No. 8279

Date..... 03 MAY 2022



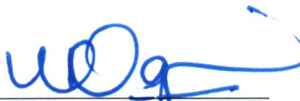
CPA James Bowen
Director Corporate Services
ICPAK Member Number: 7842

Date..... 03 MAY 2022



Eng. Kungu Ndungu
Director General

Date..... 03 MAY 2022



Ms. Winfrida W. Ngumi
Chairperson of the Board
Date..... 03 MAY 2022

Kenya National Highways Authority
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17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022

	Original budget		Adjustments		Final budget		Actual on comparable basis		Performance difference		% of utilization	Notes
	Kshs	a	Kshs	b	Kshs	c=a+b	Kshs	d	Kshs	e=(c-d)		
Revenue												
Transfers from Development Budget Grants	538,180,368		-		538,180,368		538,180,368				100	
Levies, fines, and penalties	25,480,551,020		6,290,191,324		31,770,742,344		28,937,578,804		2,833,163,540		91	
Rental revenue	1,500,000		-		1,500,000		1,168,000		332,000		78	
Finance Income	870,000,000		90,000,000		960,000,000		921,384,891		38,615,109		96	
Other Income	50,000,000		22,000,000		72,000,000		13,764,829		58,235,171		19	
Gain on sale of assets	-		-		-		16,082,409		(16,082,409)		-	
Profit on foreign exchange transactions	-		-		-		2,577,361		(2,577,361)		-	
Total income	26,940,231,388		6,402,191,324		33,342,422,712		30,430,736,662		2,911,686,050			(a)
Expenses												
Road Maintenance and Axle Load Expenses	21,939,303,020		6,318,191,324		28,257,494,344		24,706,494,795		3,550,999,549		87	(b)
Use of goods and services	682,130,799		(20,377,863)		661,752,936		548,883,957		112,868,979		83	(c)
Employee Costs	2,248,363,724		(32,081,631)		2,226,598,368		2,053,739,104		162,542,989		93	
Board Expenses	78,050,275		-		67,734,000		72,155,817		5,894,458		92	(d)
Transfers from Development Budget Grants	538,180,368		-		538,180,368		538,180,368		-		100	
Depreciation and amortization expense	-		-		-		273,697,520		(273,697,520)		-	
Repairs and maintenance	185,768,949		50,859,703		236,628,652		170,373,343		66,255,309		72	(e)
Finance cost	7,286,500		(740,000)		6,546,500		5,623,642		922,858		86	(f)
Taxation	-		-		-		274,738,055		(274,738,055)		-	
Total Expenditure	25,679,083,635		6,315,851,533		31,994,935,168		28,643,886,601		3,351,048,567			
Surplus for the period	1,261,147,753		86,339,792		1,347,487,545		1,786,850,061		6,262,734,617			
Capital Expenditure	365,177,900		27,594,827		392,772,727		-		392,772,727			

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Budget notes

a) Changes between Original and Final Budget

The changes between original and final budget were as a result of revision of the budget and inclusion of the approved carry over budget from Financial Year 2020-2021

b) Road Maintenance and Axle Load Expenses

The variance was a result of some projects not fully absorbing their annual budget provisions.

c) Use of goods and services

The procurement of goods and services was done as and when required thus the variance

(d) Repairs & maintenance

Repairs and maintenance activities were undertaken as and when required, and as per the maintenance schedule thus the variance

(e) Finance Cost

Finance costs for Authority's bank accounts both at the headquarters and ten regional offices were based on the number of transactions within the period thus the variance

18. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

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

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the *Authority's* accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

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

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

**Kenya National Highways Authority
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. Adoption of New and Revised Standards

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

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

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

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

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Standard	Effective date and impact:
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the Entity. (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity’s financial performance, financial position and cash flows.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement

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Standard	Effective date and impact:
	Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1 st January 2023.
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

iii. Early adoption of standards

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

The entity recognizes revenues from fines, penalties and levies 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.

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 entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

Interest and other incomes

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

ii) Revenue from exchange transactions

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the entity's right to receive payments is established.

Rental income

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

b) Budget information

The original budget for FY 2021-2022 was approved by the board on 28th January 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations of Kshs.6,402,191,324 on the 2021-2022 budget following the governing body's approval.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Summary of Significant Accounting Policies (Continued)

c) **Taxes**

Current income tax

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

d) **Property, plant and equipment**

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

The annual depreciation rates in use are: -

Computer Equipment & Accessories	33.3%
ICT Infrastructure and Telephony	33.3%
Motor Vehicles	25.0%
Office Equipment and Furniture	12.5%
Office Partitioning and fixtures	16.7%
Plant & Machinery	10.0%
Buildings	2.5%

- An item of property and equipment is de-recognised upon disposal. Any gain or losses on de-recognition of the asset is included in the Statement of Financial Performance in the year the asset is de-recognised.
- Contractual commitments for the acquisition of property, plant & equipment in the FY 2021/2022 amounted to Kshs.123,669,165,473 [2020/2021 Kshs.219,063,821,751]

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

- There was compensation of Kshs.138,093 from Amro Insurance Brokers Ltd for two lost laptops.
- Assets that cost Kshs 726 Million and Kshs.674 Million were fully depreciated as at 30.06.2022 and 30.06.2021 respectively

e) Leases

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

Non-cancellable operating lease rentals are payable as follows;

	<u>2022</u>	<u>2021</u>
	<u>Kshs</u>	<u>Kshs</u>
Not Later than one year	-	-
Later than one year and not later than three years	-	-
	<u>-</u>	<u>-</u>

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

f) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

g) Research and development costs

The Authority expenses research costs as incurred.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

h) Financial instruments

a) Financial assets

Initial recognition and measurement

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

Impairment of financial assets

The Authority assesses at each reporting date whether there is objective evidence that a financial asset is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset

(an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset can be reliably estimated.

Evidence of impairment may include the following indicators:

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

Financial liabilities

Initial recognition and measurement

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

All financial liabilities are recognized initially at fair value and, in the case of loans and

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

borrowings, plus directly attributable transaction costs.

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

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

i) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Costs incurred in bringing each product to its present location and condition is accounted for.

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

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

j) 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

k) 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 not remote.

l) 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.

m) Nature and purpose of reserves

The Authority creates and maintains reserves in terms of specific requirements. The Authority maintains grants and surplus reserves. The grant reserves are exchequer and donor funds received from the Government and Development Partners for development of roads. The surplus reserve represents the surplus or deficit of Road maintenance contributions and other internally generated funds against road maintenance and operation expenses. The exchequer and Development partner funds are capitalized in the statement of financial position whereas Road maintenance contributions are expensed in the statement of financial performance. However, the portion of exchequer funds spent on non-capital items or project expenses is transferred to recurrent transfers and treated as recurrent government grants and expenditures accordingly.

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for the year ended June 30, 2022.**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

n) Changes in accounting policies and estimates

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

o) Employee benefits

Retirement benefit plans

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

p) Foreign currency transactions

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

q) Related parties

The Authority regards a related party as a person with the ability to exert control individually or jointly, or to exercise significant influence over the Authority, or vice versa. Members of key management are regarded as related parties and comprise the Board and senior managers.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

r) Cash and cash equivalents

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

s) Comparative figures

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

t) Subsequent events

There have been events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2022.

5. Significant Judgments and Sources of Estimation Uncertainty

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

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Authority based its assumptions and estimates on parameters available when the financial statements were prepared.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Authority. Such changes are reflected in the assumptions when they occur as per IPSAS 1.140

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 40.

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.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. Transfers from Development Budget Grants-Recurrent Revenue/ Project Expenditure

Description	2021-2022	2020-2021
	KShs	KShs
Horn of Africa Gateway Development Projects	112,256,347	27,835,326
East African Trade & Transport Facilitation Project	-	1,517,380
Kenya Transport Sector Support Project	17,361,660	10,284,721
Nuno-Modogashe	218,200	2,103,400
Isiolo-Modogashe	1,621,600	-
South Sudan –EARTTDFP/SS	10,083,626	19,164,505
Mombasa by-pass	4,225,127	17,749,389
Nairobi Urban Transport Improvement Project	-	246,295
Nairobi-Thika Highway	454,260	3,125,812
Nairobi Western bypass	983,300	4,768,600
Consultancy & Design	10,545,600	-
Road Reserve Mapping	9,648,367	47,743,789
Road Network Management System	-	3,771,692
Monitoring & Evaluation	58,319,424	59,814,756
Dualling of Mombasa-Mariakani	17,416,114	10,714,094
Garissa-Isiolo	2,145,500	-
Isebania-Mukuyu-Kisii-Ahero	665,100	15,855,095
Kibwezi-Kitui-Isiolo	201,200	6,826,000
Chebilat-Ikonge-Chabera	494,750	4,642,368
Eldoret by-pass	5,764,484	7,186,256
Kitale-Endebbes-Suam	9,605,858	2,819,060
Garsen-Witu-Lamu	4,363,047	10,509,849
Changamwe-Magongo	-	3,175,355
Uplands-Githunguri-Ngewa	2,715,600	211,400
Thika-Kenol-Marwa-Nyeri	32,445,425	37,563,634
Nairobi-Nakuru	4,679,793	6,078,179
Nakuru-Mau Summit	28,772,208	-
Mombasa-Malindi	33,022,025	26,322,055
Naivasha-Njabini	7,466,645	33,600
Kisian-Busia	1,687,266	-
Aberdare Forest-Njoguini-Kingongo-Kiganjo	3,773,538	-
Thika-Magumu	5,832,800	93,800
Nairobi Expressway	11,865,592	6,905,799
Bomas-Ongata Rongai-Kiserian-Magadi	2,864,500	10,548,640
Lamu-Ijara-Garissa	13,516,721	7,494,181
Likoni Floating Bridge	3,738,364	21,897,005
Access Road Mombasa SEZ	3,197,387	4,171,974
MPARD PKG 2 - Mwache Jct. - Mteza	2,730,430	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. Transfers from Development Budget Grants-Recurrent Revenue/ Project Expenditure(Continued)

Description	2021-2022	2020-2021
	KShs	KShs
Kisumu-Chemilil-Mamboleo	28,035,375	3,964,800
Kwale-Kinango	-	2,225,083
Marsabit-North Horr	19,618,917	871,900
Dualling of Meru Town Roads	1,072,914	-
Mau Mau Roads	13,917,100	3,720,600
Barpelo-Tot	1,950,800	-
Kainuk Bridge	1,435,240	-
Lomut Bridge	257,405	1,099,575
Kambu Bridge	647,369	1,909,670
Mombasa Gate Bridge	7,071,810	14,647,411
Wikililye-Kathukini-Kwa Muli-Mbumbuni	14,044,383	-
Isinya-Konza	9,252,280	-
Other Development Projects	16,194,917	23,494,571
Total Transfers from Development Budget Grants-Recurrent Revenue/Expenditure	538,180,368	433,107,619

This is the recurrent component of development project expenses.

b) Transfers from Ministries, Departments and Agencies (MDAs)

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income	Amount recognised in capital fund.	Total grant income during the year	2020-2021
	KShs	KShs	KShs	KShs
MOTIHUD & PW	538,180,368	24,442,470,280	24,980,650,648	36,646,033,587
KRB	27,817,687,488	4,555,996,596	32,373,684,084	25,766,458,443
Total	28,355,867,856	28,998,466,876	57,354,334,732	62,412,492,030

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. Levies, Fines and Penalties

Description	2021-2022	2020-2021
	KShs	KShs
Road Maintenance funds	24,814,422,881	20,617,259,592
Administration & Operations Fund	2,553,248,000	2,535,320,000
Transit Toll	450,016,607	539,000,000
Overload charges	626,141,736	596,424,705
Transgression charges	1,452,424	2,508,242
Weighbridge Parking fees	5,627,930	9,519,680
Road Cutting charges	47,557,689	63,265,469
Road Reserve user fees	75,415,064	15,772,376
Exemption permit fees	363,694,473	345,983,503
Sale of Tender Documents	2,000	49,500
Total Levies Fines & Penalties	28,937,578,804	24,725,103,067

8. Rental Revenue from Facilities and Equipment

Description	2021-2022	2020-2021
	KShs	KShs
Staff Houses	1,168,000	1,142,300
Total rentals	1,168,000	1,142,300

This is revenue from the Authority's houses in South Rift Region

9. Finance Income

Description	2021-2022	2020-2021
	KShs	KShs
Interest on Call deposits	444,692,549	308,473,884
Interest on Bank Accounts Balances	476,692,342	520,305,059
Total finance income – external investments	921,384,891	828,778,943

10. Other Income

Description	2021-2022	2020-2021
	KShs	KShs
Liquidated damages	9,177,581	69,967,422
Guard rails penalty, Material testing, funds received from KDIC (Chase Bank) & sale of disposable items.	4,554,890	9,597,113
Interest on salary advance	32,358	69,498
Total other income	13,764,829	79,634,033

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. Road Maintenance & Axle Load Expenses

Description	2021-2022	2020-2021
	KShs	KShs
Road maintenance expenses	20,450,234,549	18,490,762,237
Emergency Road Works	1,980,301,490	828,734,711
Weighbridges Management Contracts	2,203,932,633	1,514,456,366
Weighbridge Operational Expenses	56,641,801	71,731,042
Research & Innovation	15,384,322	-
Total Road Maintenance & Axle Load Expenses	24,706,494,795	20,905,684,356

12. Use of Goods and Services

Description	2021-2022	2020-2021
	KShs	KShs
Electricity	13,501,243	10,497,158
Water	1,020,583	3,786,111
Security costs	53,830,637	56,189,746
Advertising	21,237,318	16,114,322
Audit fees	4,200,000	3,600,000
Conferences and delegations	92,672,798	29,598,955
Consulting fees	46,305,907	31,227,113
Stationery & Consumables	16,686,762	17,178,800
Insurance	2,738,216	1,641,117
Legal expenses	27,852,420	27,677,934
Postage	2,839,034	1,143,721
Printing and photocopying	311,103	295,892
Hire charges	117,980	179,750
Rental	-	2,896,083
Telecommunication	11,903,646	15,484,726
Cleaning & Sanitation	21,000,125	18,793,895
Departmental Field Activities	218,576,000	139,360,213
Anti- Corruption and Integrity Issues	2,697,500	4,637,150
Staff Uniforms	-	761,910
Board of Survey	5,411,525	1,936,200
Reference material	301,920	352,825
Kitchen Utensils	237,734	206,089
Newspapers and Magazines	2,224,376	1,899,813
Drinking Water	3,217,130	2,126,909
Total Use of Goods and Services	548,883,957	387,586,432

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. Employee Costs

	2021-2022	2020-2021
	KShs	KShs
Salaries and wages	1,528,133,237	1,353,932,983
Employer contribution to pension schemes	157,923,568	181,305,306
Employer contribution to health insurance schemes	138,369,909	115,363,582
Travel, accommodation, subsistence & other allowances	60,947,501	47,217,897
Training and Subscription	134,909,717	98,742,992
Staff Welfare	28,231,663	27,558,384
Recruitment	5,223,509	5,327,350
Total Employee costs	2,053,739,104	1,829,448,494

14. Board Expenses

Description	2021-2022	2020-2021
	KShs	KShs
Chairman's Honoraria	960,000	960,000
Directors' emoluments	22,518,845	19,727,711
Transport, Travelling & Accommodation	13,902,452	7,080,182
Insurance	391,457	300,000
Training	14,868,700	2,264,394
Refreshments	255,513	286,403
Overseas Travelling & Accommodation	10,853,732	-
Ministerial and other Official functions	8,321,118	10,500,750
Telephone	84,000	84,000
Total Board /Council Expenses	72,155,817	41,203,440

15. Depreciation and Amortization Expense

Description	2021-2022	2020-2021
	KShs	KShs
Property, Plant and Equipment		
Office Equipment	12,315,549	11,932,302
Office Partitions and Fixtures	2,015,361	1,214,191
Computer Equipment and Accessories	21,106,388	21,339,236
ICT Infrastructure and Accessories	7,148,414	7,252,018
Furniture and Fittings	4,349,211	4,191,068
Motor Vehicles	64,261,764	38,133,949
Plant and Machinery	151,640,106	101,141,265
Buildings	5,266,725	5,266,725
Intangible Assets-Sage Pastel	5,594,002	-
Total depreciation and amortization	273,697,520	190,470,754

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. Repairs and Maintenance

Description	2021-2022	2020-2021
	Kshs	Kshs
Equipment and Machinery	10,035,377	2,242,462
Vehicles	130,065,811	100,203,101
Furniture and Fittings	204,549	229,964
Computers and Accessories	615,800	4,212,344
Others (Software support & licence subscriptions)	29,451,806	43,605,605
Total Repairs and Maintenance	170,373,343	150,493,476

17. Finance Costs

Description	2021-2022	2020-2021
	KShs	KShs
Bank charges	5,623,642	5,549,725
Total finance costs	5,623,642	5,549,725

18. Gain on Sale of Assets

Description	2021-2022	2020-2021
	KShs	KShs
Property, plant and equipment	16,082,409	10,716,398
Total gain on sale of assets	16,082,409	10,716,398

19. Loss on Foreign exchange transactions

Description	2021-2022	2020-2021
	KShs	KShs
Loss on foreign exchange transactions	-	787,812
Total loss on foreign exchange transactions	-	787,812

20. Profit on foreign currency translation

Description	2021-2022	2020-2021
	KShs	KShs
Profit on foreign currency translation	2,577,361	1,080,280
Total profit on foreign currency translation	2,577,361	1,080,280

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. Taxation

Description	2021-2022	2020-2021
	Kshs	Kshs
Tax charged on interest income	274,738,055	253,134,869
Income tax expense reported in the statement of financial performance	274,738,055	253,134,869

22. Cash and Cash Equivalents

Description	2021-2022	2020-2021
	Kshs	Kshs
Current Account	8,992,102,344	17,961,441,285
On - Call Deposits	5,000,000,000	5,400,000,000
Others (Cash in Hand)	939,073	1,030,286
Total Cash and Cash Equivalents	13,993,041,417	23,362,471,571

22 (a) Detailed Analysis of the Cash and Cash Equivalents

Financial institution	Account number	2021-2022	2020-2021
		KShs	KShs
a) Current account			
NCBA Bank -NCTIP A/C)	1000012177	59,353,586	56,857,255
NCBA Bank -EATTFP A/C	1000012878	12,136,917	11,625,939
NCBA Bank -Timboroa-Eldoret Road A/C	1000015508	18,768,445	17,978,273
NCBA Bank -KTSSP A/C	1000017384	7,732,595	7,407,044
NCBA Bank -Marsabit- Turbi Road A/C	1000015004	3,226,674	3,090,827
NCBA Bank -USD A/C	1001936677	30,841,397	27,465,808
NCBA Bank-NETIP	1005164164	1,047,818,371	180,875,330
Co-operative Bank-GoK	01141160979900	5,493,917,425	6,810,456,481
Co-operative Bank-RMLF	01141160979901	1,301,179	8,647,091,482
National Bank – Salaries A/C	01001032662500	108,247,957	214,228,035
National Bank – Gratuity A/C	01001032733300	34,536,302	34,728,923
National Bank – Retention A/C	01001032733200	183,962,682	569,487,990
National Bank – EARTTDFT- A/C	01001032662501	178,217,731	181,737,287
National Bank-Sirari Corridor	01001133511500	27,771,750	27,771,750
KCB Bank-Operations A/C	1110623704	91,685,495	146,653,448
KCB Bank-NUTRIP A/C	1138238945	8,112,215	7,981,819
KCB Bank-JKIA	1274695775	490,270	495,310
KCB Bank-Nairobi Region	1114840149	114,266,998	104,562,499
KCB Bank-Coast Region	1114772089	56,027,974	43,780,603
KCB Bank-South rift Region	1114781592	30,454,604	33,746,434
KCB Bank-North Eastern Region	1114751928	12,526,549	12,264,587
KCB Bank- North rift Region	1114793272	19,768,362	15,124,056
KCB Bank-Central Region	1114745707	36,649,136	29,128,528
KCB Bank-Upper Eastern Region	1114752045	25,904,996	17,785,849
KCB Bank- Lower Eastern Region	1114756326	32,380,280	25,617,216

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

22 (a) Detailed Analysis of the Cash and Cash Equivalents

		2021-2022	2020-2021
Financial institution	Account number	KShs	KShs
Current account			
KCB Bank-Nyanza Region	1114756229	44,101,469	37,665,149
KCB Bank-Western Region	1114774405	26,060,574	29,808,988
Equity Bank-Headquarters A/C	0810295139897	1,285,840,411	666,024,375
Sub- total		8,992,102,344	17,961,441,285
b) On - call deposits			
KCB Bank	Call Deposit	1,700,000,000	1,500,000,000
Co-operative Bank	01150160979929	1,300,000,000	1,500,000,000
National Bank	Call Deposit	700,000,000	700,000,000
NCBA Bank	-	-	1,000,000,000
Equity Bank	0810379852427	1,300,000,000	700,000,000
Sub- total		5,000,000,000	5,400,000,000
c) Others(specify)			
cash in hand		939,073	1,030,286
Sub- total		939,073	1,030,286
Grand total		13,993,041,417	23,362,471,571

23 Receivables from Exchange Transactions

23(a) Receivables from Exchange Transactions (Current)

Description	2021-2022	2020-2021
	KShs	KShs
Current receivables		
Interest receivable on call deposits	32,565,479	32,600,485
Travel Imprest	18,065,290	19,886,632
Bank guarantee and Deposits	14,761,300	16,095,392
Staff Mortgage deposit fund with Housing Finance Company of Kenya	599,292,901	586,662,781
Road Maintenance Funds	11,865,854,651	3,264,358,753
Receivable from MOTIHU & PW	-	1,198,251,077
Debtors and Prepayments	41,315,588	23,978,829
Receivable from Kenya Rural Roads Authority	8,195,298	12,553,709
Receivable from Kenya Urban Roads Authority	6,755,843	6,206,307
Receivable from SBM	-	12,375,000
Sub Total	12,586,806,350	5,172,968,965
Less:Provision for doubtful debtors	(24,250,000)	(24,750,000)
Total current receivables	12,562,556,350	5,148,218,965

23(b) Receivables from Exchange Transactions (Long-term)

Description	2021-2022	2020-2021
	KShs	KShs
	-	-
Chase Bank (IR) funds held at Kenya Deposit Insurance Corporation*	24,250,000	24,750,000
Total non-current receivables	24,250,000	24,750,000

**Full Provision has been made for the amount due from KDIC as the Authority follows up with the Corporation for recovery.*

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

24 Receivables from Non-Exchange Transactions

Description	2021-2022	2020-2021
	KShs	KShs
Current receivables		
Other debtors (non-exchange transactions)		
a. Development projects		
Dualling of Magongo	99,048,633	174,497,049
Posta(Naibor)-Maralal	23,388,096	112,119,526
Eldoret Bypass	-	534,597,803
Kitale-Endebes-Suam	298,657,307	677,242,675
Kitale-Morpus	8,966,907	14,347,632
Kotulo-Elwak	6,965,900	6,965,900
Nuno-Modogashe	-	14,121,480
Mombasa-Kwa Jomvu	11,656,946	20,859,888
Kainuk bridge & Approach Roads	524,368	524,368
Nyaru-Iten(C53)	33,023,182	75,060,148
Busia-Malaba	5,848,848	5,848,848
Isebania-Kisii-Ahero	406,686,707	840,333,626
Athi River -Machakos Turn Off	15,516,891	199,627,548
Loichangamatak-Lodwar	-	227,453,552
Loichangamatak-Lokichar	429,572,426	870,122,806
Kopasi - Marich Pass Lot 3	441,996,878	-
Kalobeiyei-Nadapal	-	510,465,535
James Gichuru-Rironi	163,321,765	825,519,592
Barpelo - Tot Lot 1	454,228,493	-
Barpelo - Tot Lot 2	560,304,220	-
Narok-Mau Narok-(C57)	-	10,243,016
Uplands-Githunguri-Ngewa- (C65)	212,031,771	260,307,074
Naivasha-Njabini-(C67)	855,520,685	135,357,247
Thika-Magumu	149,197,304	206,653,461
T-Mall Flyover	18,816,698	139,756,196
Njabini-Kinyona	317,904,648	-
Mombasa Road & Langata Road Footbridges	109,119,057	160,096,017
Mombasa Southern bypass	1,612,402,932	5,133,070,645
Likoni Floating Bridge	-	392,312,406
Nairobi Expressway	38,667,280	38,667,280
Installation &Relocation Expressway	13,895,511	-
Kericho & Ahero Interchange	70,705,506	138,832,142
Elwak - Rhamu	7,341,797	7,341,797
Eldoret - Lokichar - Nakodok	68,321,824	103,414,271
Sagana-Marua	531,742,484	531,742,484
Kenol-Sagana	725,734,390	754,115,501
Mau Mau Roads Lot 1A	-	419,316,518
Mau Mau Roads Lot 1B	436,422,590	455,048,248
Mau Mau Lot 2	642,804,142	642,804,142
Mau Mau Roads Lot 3	-	451,982,128
Kinyona - Gatura	-	297,904,648

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24 Receivables from Non-Exchange Transactions

Description	2021-2022	2020-2021
	KShs	KShs
Current receivables		
Other debtors (non-exchange transactions)		
a. Development projects		
Marsabit - Shegel	222,757,519	227,757,519
Shegel - Maikona	783,675,165	-
Ugunja - Ukwala - Ruambwa (Steel Bridges)	35,880,427	35,880,427
Makupa Causeway Bridge	451,106,975	199,000,000
Access Road To Sez Dongo Kundu	73,973,910	-
Mombasa - Mtwapa	585,332,008	-
Mtwapa - Kilifi	583,113,868	-
Mamboleo - Miwani Lot 1	519,452,415	-
Miwani - Mamboleo Lot 2	496,471,688	-
Chemilil - Muhoroni Lot 3	572,076,770	-
Kwale - Kinango	307,067,550	-
Kenyatta Road	175,491,802	-
Kambu River Bridge	67,022,452	-
Dhogoye Bridge	199,934,951	-
Garissa-Isiolo	1,890,730,121	-
Isiolo - Kula Mawe	750,608,755	-
Kula Mawe - Modogashe	1,183,172,527	-
Kisumu Boys - Mamboleo	94,437,442	-
Mombasa Gate Bridge	938,214,013	-
Upgrade of Lamu-Ijara-Garissa Road (A10) to All Weather Standard	1,495,928,157	1,796,084,693
Sub Total	20,196,784,701	17,647,395,836
b. Road Maintenance Projects		
P. Mtce of Thika - Garissa (Lot2) (A3)	57,064,756	109,826,938
Bachuma Gate-Voi(A8)	7,587,941	12,582,497
Sabasaba -Malindi(B8)	6,890,336	30,437,589
Mtito Andei –Tsavo River A8 Road	76,750,361	8,461,162
Ndhiwa-Karungu Road	12,311,239	28,967,620
PBC Iten-Kabarnet Rd	39,792,851	47,681,797
PBC Mtce of Madogo - Cheredende (B89)	15,807,249	24,312,925
PBC Emining Marigat	18,281,266	22,400,845
Virtual Weighbridge	-	16,391,296
Lodwar-Kalakol	-	42,741,718
Vihiga-Kitale(A1)	-	13,485,699
PBC for Mtce of Garsen - Hola T/Off	-	8,270,682
Nairobi Southern Bypass-Street Lighting	-	24,397,256
Jnc.C39 Chepterit-Turbo(C37)	-	9,351,422
Kisii-Kilgoris	-	42,977,968
PBC Bura Turn Off-Hola Road	-	10,295,388

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24 Receivables from Non-Exchange Transactions

Description	2021-2022	2020-2021
	KShs	KShs
Current receivables		
Other debtors (non-exchange transactions)		
b. Road Maintenance Projects (Continued)		
PBC Mwingi Ukasi	17,438,828	28,000,000
Strt Lght Mbs RD, Nyayo Stadium-JKIA	17,948,321	17,948,321
PBC Athi River- Kyumvi Road	7,189,214	98,627,678
PBC Maili Tisa - Kitale	48,352,976	-
PBC Sultan Hamud Makindu	62,654,606	-
PBC Maint of Londiani-Fort tenan B132 RD	15,783,922	-
Box Culvert Kwa Majini Along Rd	4,860,442	-
PBC Ngata Njoro	32,747,048	-
PBC Katitio-Kendu Bay Road	18,090,105	-
PBC Kampi ya Moto-Eldama Ravine Road	24,547,264	-
PBC maint Athi River-Basil Streetlightn	16,876,160	-
PBC Maint of Malkis-Marsabit A2 Road	5,000,000	-
Adv-Maint of Namwela-kamukuywa RD(B140)	22,428,359	-
PBC for maint of Lanet-Ndundori Road	10,964,638	-
PBC Maint of Amala River - Bomet RD	40,064,231	-
Advance-Narok-Ngoswani	31,011,647	-
Advance-PBC Maint of Busia- Malaba Road	27,086,995	-
PBC Meru-Mikinduri-Maua-Kangeta B102Road	44,873,208	-
PBC maint of Timboroa-Mau Summit A18 RD	62,951,234	-
PBC Maintenance of Ebuyangu-Ekero RD	9,498,648	-
PBC Maint of Athi River-Bisil Road	20,201,714	-
PBC Mtce of Bondo-Usenge-Osieko RD	57,816,445	-
Tsavo River-Voi A8 Road	113,457,606	-
PBC Bondo-Siaya-Rangala RD	6,068,536	-
PBC For Maint Thika-Kilimambogo Road	50,188,771	-
PBC Maint of Kiambu- Ngewa-Thuita Road	12,734,872	-
Makongeni-Embu Road	-	120,534,346
PBC Kachibora-Kapcherop Road	3,124,217	10,214,950
PBC Lewa-Meru Rd	28,741,182	32,814,953
PBC Ndenderu-Kamandura	-	17,574,693
PBC Luanda kotieno Bondo	64,122,570	64,122,570
PBC Turbi - Moyale	-	17,538,155
PBC Mtce Cherende-Bilbil Rd	10,529,433	37,999,919
Kampi ya Moto Emining	-	23,844,034
PBC Kakamega Webuye	9,711,070	9,711,070
Isiolo-Ruiru	35,030,349	68,210,382
PBC Ukia Katumani	-	46,976,033
PBC Mbwekas - Mayoni - Ekero (B12) Road	10,147,619	34,574,511
PBC for Mtce Nakuru - Emining	19,674,745	26,126,127
P.Mtce of Rodi Kopany - Ndhiwa (C672) Rd	-	72,116,171
PBC Kenol-Muranga Road	12,545,210	34,965,000
PBC Amala River-Bomet-Kaplong Road	85,637,408	99,630,288

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24 Receivables from Non-Exchange Transactions(Continued)

Description	2021-2022	2020-2021
	KShs	KShs
Current receivables		
Other debtors (non-exchange transactions)		
b. Road Maintenance Projects (Continued)		
PBC for Mtce of Busia - Unguja (A12) Rd	49,192,483	29,216,306
Sub Total	1,343,778,075	1,343,328,309
Total current receivables from non-exchange transactions	21,540,562,776	18,990,724,145

25 Inventories (Consumable stores)

Description	2021-2022	2020-2021
	KShs	KShs
Headquarters	7,826,581	6,235,372
Nairobi Region	225,618	144,453
Coast Region	37,581	8,500
Lower Eastern Region	377,643	213,407
Upper Eastern Region	226,032	246,011
North Eastern Region	202,288	188,946
South Rift Region	10,839	39,015
North Rift Region	323,966	137,131
Central Region	55,229	39,056
Western Region	160,512	87,362
Nyanza Region	221,846	150,368
Total inventories at the lower of cost and net realizable value	9,668,135	7,489,621

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26 Property, Plant and Equipment

Cost	*Road Assets	Office Equipment	Office Partitions	Computer Equipment & Accessories	ICT Infrastructure	Furniture & Fittings	Motor Vehicles	Plant & Machinery	Land	Buildings	Total
Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
As At 1 July 2020	493,255,251,497	114,493,418	23,492,617	222,740,189	108,532,274	65,942,481	475,990,225	1,402,109,819	148,360,000	210,668,985	496,027,581,505
Additions	92,439,750,297	10,668,678	6,398,110	29,540,412	9,608,657	7,748,115	35,746,000	818,262,596	60,000,000	-	93,417,722,865
Disposals	-	(313,745)	-	(2,586,764)	(246,906)	(882,045)	(37,956,310)	-	-	-	(41,985,770)
Transfers/Adjustment											
As At 30th June 2021	585,695,001,794	124,848,351	29,890,727	249,693,837	117,894,025	72,808,551	473,779,915	2,220,372,415	208,360,000	210,668,985	589,403,318,600
Additions	86,989,693,650	7,370,365	4,749,420	22,576,462	22,600	6,155,442	247,705,234	555,084,423	-	98,351,356	87,931,708,952
Disposals		(291,598)		(2,775,702)	(52,800)	(1,184,252)	(58,547,369)				(62,851,721)
Transfer/Adjustments								(204,542,036)			(204,542,036)
As At 30th June 2022	672,684,695,444	131,927,118	34,640,147	269,494,597	117,863,825	77,779,741	662,937,780	2,570,914,802	208,360,000	309,020,341	677,067,633,795
Depreciation And Impairment											
At 1 July 2020		70,286,585	21,704,135	195,645,473	97,626,909	48,340,200	390,856,145	423,026,016	-	17,805,444	1,265,290,907
Depreciation		11,932,302	1,214,191	21,339,236	7,252,018	4,191,068	38,133,949	101,141,265	-	5,266,725	190,470,754
On Disposal		(279,614)	-	(2,538,728)	(246,906)	(643,719)	(37,956,310)	-	-	-	(41,665,277)
Transfers/ Adjustments											
As At 30 June 2021		81,939,273	22,918,326	214,445,981	104,632,021	51,887,549	391,033,784	524,167,281	-	23,072,169	1,414,096,384
Depreciation		12,315,549	2,015,361	21,106,388	7,148,414	4,349,211	64,261,764	151,640,106	-	5,266,725	268,103,518
Disposals		(222,610)	-	(2,633,324)	(52,800)	(1,118,183)	(58,547,369)	-	-	-	(62,574,286)
Impairment											
Transfer/Adjustment											

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Cost	*Road Assets	Office Equipment	Office Partitions	Computer Equipment & Accessories	ICT Infrastructure	Furniture & Fittings	Motor Vehicles	Plant & Machinery	Land	Buildings	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
As At 30 th June 2022		94,032,212	24,933,687	232,919,045	111,727,635	55,118,577	396,748,179	675,807,387	-	28,338,894	1,619,625,616
Net Book Values											
As At 30 th June 2021	585,695,001,794	42,909,078	6,972,401	35,247,856	13,262,004	20,921,002	82,746,131	1,696,205,134	208,360,000	187,596,816	587,989,222,216
As At 30 th June 2022	672,684,695,444	37,894,906	9,706,460	36,575,552	6,136,190	22,661,164	266,189,601	1,895,107,415	208,360,000	280,681,447	675,448,008,179

**Property, Plant and Equipment does not include the value of Investments in the Road Asset (Road Corridor and its reserves, road furniture and structures and road camps) prior to the Vesting order of 2011*

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

26 (b) Property, Plant and Equipment at Cost

If the freehold land, buildings and other assets were stated on the historical cost basis the amounts would be as follows:

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land	208,360,000	-	208,360,000
Buildings	309,020,341	28,338,894	280,681,447
Plant And Machinery	2,570,914,802	675,807,387	1,895,107,415
Motor Vehicles, Including Motorcycles	662,937,780	396,748,179	266,189,601
Computers And Related Equipment	387,358,422	344,646,680	42,711,742
Office Equipment, Furniture, and Fittings	244,347,006	174,084,476	70,262,530
Total	4,382,938,351	1,619,625,616	2,763,312,735

Property plant and Equipment includes the following assets that are fully depreciated:

	Cost or valuation	Normal annual depreciation charge
Plant and Machinery	42,706,968	10%
Motor Vehicles including Motorcycles	282,293,573	25%
Computers and Related Equipment	205,457,292	33.3%
ICT & Telephony	104,935,819	33.3%
Office Equipment	29,044,603	12.5%
Furniture & Fitting	40,503,334	12.5%
Office Partitions	21,373,128	16.7%
Total	726,314,717	

27 Intangible Assets

Description	2021-2022	2020-2021
	Kshs	Kshs
Cost		
At beginning of the year	133,527,703	133,399,703
Additions	-	-
Fleet management system	-	128,000
Electronic Document Management Solution	55,216,734	-
At end of the year	188,744,437	133,527,703
Amortization and impairment		
At beginning of the year	-	-
Amortization	5,594,002	-
At end of the year	5,594,002	-
Impairment loss	-	-
At end of the year	-	-
NBV	183,150,435	133,527,703

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28 Trade and Other Payables

Description	2021-2022	2020-2021
	Kshs	Kshs
Trade payables		
Development Payables	73,252,413,695	53,648,579,024
Retention Payables	6,144,928,868	7,673,940,385
Road Maintenance Payables	647,013,580	497,209,382
Sundry Payables	121,226,195	83,584,428
Total trade and other payables	80,165,582,338	61,903,313,219

29 Refundable Deposits and Prepayments from Customers

Description	2021-2022	2020-2021
	Kshs	Kshs
Customer deposits		
Nairobi Region	70,038,211	70,362,566
Central Region	24,319,319	19,919,213
South Rift Region	13,097,081	14,367,254
Lower Eastern Region	16,611,149	14,024,524
Nyanza Region	23,076,204	16,966,525
Coast Region	15,660,881	11,875,882
Upper Eastern Region	14,420,062	6,079,886
Western Region	6,628,253	6,335,720
North Rift Region	7,618,241	4,884,640
North Eastern Region	2,448,700	1,615,000
Headquarters	1,561,738	1,561,738
Total deposits	195,479,839	167,992,948

30 Current Provisions

Description	Leave provision	Gratuity Provision	Audit fees provision	Total
	Kshs	Kshs	Kshs	Kshs
Balance b/f	68,976,820	60,091,911	10,200,000	139,268,731
Additional provisions	-	53,649,163	4,200,000	57,849,163
Provision utilised	(300,316)	(6,742,520)	(7,200,000)	(14,242,836)
Total provisions year end	68,676,504	106,998,554	7,200,000	182,875,058

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31. Taxation

	2021-2022	2020-2021
	Kshs	Kshs
At beginning of the year	120,891,131	270,960,257
Gross Interest Income Earned	921,384,891	828,778,943
Less: Expenses: Bank Charges	(5,623,642)	(5,549,725)
Net Taxable Interest Income	915,761,249	823,229,218
Income tax charge for the year (note 21)	274,738,055	253,134,869
	274,738,055	253,134,869
W/Tax paid by Bank for FY 2021-2022	(138,215,689)	(122,553,859)
W/Tax paid FY 2021-2022	(39,961,940)	(280,576,423)
At end of the year	217,457,784	120,891,131

32 Cash Generated from Operations

	2021-2022	2020-2021
	Kshs	Kshs
Surplus for the year before tax	1,786,850,061	1,882,095,663
Adjusted for:		
Depreciation	273,697,520	190,470,754
Gains and losses on disposal of assets	(16,082,409)	(10,716,398)
Working capital adjustments		
Increase in Long Term Receivables	500,000	12,375,000
Decrease in inventory	(2,178,514)	(998,858)
Decrease in receivables	(7,414,787,149)	(952,836,294)
Decrease in Trade and other payables	(1,217,512,010)	(23,741,481)
Increase in payments received in advance	43,606,327	(90,268,741)
Net cash flow from operating activities	(6,545,906,174)	1,006,379,645

33 Financial Risk Management

The Entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Entity's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Entity does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The Entity's financial risk management objectives and policies are detailed below:

i) Credit risk

The Entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Financial Risk Management

assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Entity's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the Entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
As at 30 June 2022				
Receivables from exchange transactions	12,562,556,350	12,538,306,350	24,250,000	-
Receivables from non-exchange transactions	21,540,562,776	21,540,562,776	-	-
Bank balances	13,993,041,417	13,993,041,417	-	-
Total	48,096,160,543	48,071,910,543	24,250,000	-
As at 30 June 2021				
Receivables from exchange transactions	5,148,218,965	5,123,468,965	24,750,000	-
Receivables from non-exchange transactions	18,990,724,145	18,990,724,145	-	-
Bank balances	23,362,471,571	23,362,471,571	-	-
Total	47,501,414,681	47,476,664,681	24,750,000	-

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Financial Risk Management

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the Entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The Entity has significant concentration of credit risk on amounts due from xxxx. The board of directors sets the Entity's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Entity's directors, who have built an appropriate liquidity risk management framework for the management of the Entity's short, medium and long-term funding and liquidity management requirements. The Entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the Entity under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
As at 30 June 2022				
Trade payables	121,226,195	6,791,942,448	73,252,413,695	80,165,582,338
Provisions	-	-	182,875,058	182,875,058
Total	121,226,195	6,791,942,448	73,398,818,081	80,311,986,724
As at 30 June 2021				
Trade payables	83,584,428	8,171,149,767	53,648,579,024	61,903,313,219
Provisions	-	-	139,268,731	139,268,731
Total	83,584,428	8,171,149,767	53,787,847,755	62,042,581,950

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Financial Risk Management

iii) Market risk

The Entity has put in place an internal audit function to assist it in assessing the risk faced by the Entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The Entity's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the Entity's exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign currency risk

The *Entity* has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate. The *Entity* manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

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Financial Risk Management

Financial Risk Management

The carrying amount of the *Authority's* foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

FY 2022

	In Kshs	Other currencies	Total
	Kshs	Kshs	Kshs
As At 30 June 2022			
Financial Assets			
Cash	30,841,397	-	30,841,397
Debtors	-	-	-
Total Financial Assets	30,841,397	-	30,841,397
Financial Liabilities			
Trade And Other Payables	-	-	-
Total Financial Liabilities	-	-	-
Net Foreign Currency Asset/(Liability)	30,841,397	-	30,841,397

Foreign currency sensitivity analysis

FY 2022

Financial Risk Management

The following table demonstrates the effect on the Entity's statement of comprehensive income on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

	Change in currency rate	Effect on Profit before tax	Effect on Equity/Net assets
	Kshs	Kshs	Kshs
2022			
Euro	10%	-	-
USD	10%	-	-
2021			
Euro	10%	-	-
USD	10%	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

b) Interest rate risk

Interest rate risk is the risk that the Entity's financial condition may be adversely affected as a result of changes in interest rate levels. The Entity's interest rate risk arises from bank deposits. This exposes the Entity to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Entity's deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

Financial Risk Management

Sensitivity analysis

The Authority analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year. Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point.

Financial Risk Management

Fair value of financial assets and liabilities

a) Financial instruments measured at fair value.

Determination of fair value and fair values hierarchy

IPSAS 30 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the *Authority's* market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The *Authority* considers relevant and observable market prices in its valuations where possible.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Financial Risk Management

The following table shows an analysis of financial and non- financial instruments recorded at fair value by level of the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
	Kshs	Kshs	Kshs	Kshs
As At 30 June 2022				
Financial Assets				
Quoted Equity Investments	-	-	-	-
Non- Financial Assets				
Investment Property	-	-	-	-
Land And Buildings	-	-	-	-
	-	-	-	-
As At 30 June 2022				
Financial Assets				
Quoted Equity Investments	-	-	-	-
Non- Financial Assets				
Investment Property	-	-	-	-
Land And Buildings	-	-	-	-
	-	-	-	-

There were no transfers between levels 1, 2 and 3 during the year. Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

iv) Capital Risk Management

The objective of the Entity's capital risk management is to safeguard the Entity's ability to continue as a going concern. The Entity capital structure comprises of the following funds:

	2021-2022	2020-2021
	Kshs	Kshs
Revaluation Reserve	-	-
Retained Earnings	18,940,905,596	17,154,055,534
Capital Reserve	624,058,936,678	556,170,882,658
Total Funds	642,999,842,274	573,324,938,192
Total Borrowings	-	-
Less: Cash And Bank Balances	13,993,041,417	23,362,471,571
Net Debt/(Excess Cash And Cash Equivalents)	(13,993,041,417)	(23,362,471,571)
Gearing	-	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

34 Related Party Disclosures

Nature of related party relationships

Entities and other parties related to the *Authority* include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Government of Kenya

The Government of Kenya is the principal shareholder of the *Authority*, holding 100% of the *Authority's* equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the Entity, both domestic and external.

Other related parties include:

- i) The Parent Ministry.
- ii) Other SCs and SAGAs
- iii) Key management.
- iv) Board of directors.

	2021-2022	2020-2021
	Kshs	Kshs
Transactions with related parties		
a) Sales to related parties		
	-	-
Total	-	-
b) purchases from related parties		
Purchases of electricity from KPLC	13,501,243	10,497,158
Purchase of water from Nairobi City Water & Sewerage Company Ltd	1,020,583	3,786,111
Training and conference fees paid to Kenya School of Government	22,211,858	20,129,529
Total	36,733,684	34,412,798
c) Grants /transfers from the government		
Grants from national govt	26,178,901,725	37,204,032,671
Fuel levy funds from Kenya Roads Board	26,277,449,379	21,452,099,690
Total	52,456,351,104	58,656,132,361
d) Expenses incurred on behalf of other agencies		
Kenya Rural Roads Authority	16,263,280	14,461,609
Kenya Urban Roads Authority	13,406,733	11,921,515
Total	29,670,013	26,383,124

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	2021-2022	2020-2021
	Kshs	Kshs
e) Key management compensation		
i) Directors' Emoluments	12,696,109	8,752,998
ii) Directors' Expenses	49,143,433	45,619,004
iii) Compensation to the CEO	10,316,275	10,353,000
iv) Compensation to key management	256,475,566	253,157,817
Total	328,631,383	317,882,819

35 Contingent Assets and Contingent Liabilities

Contingent Liabilities

	2021-2022	2020-2021
	Kshs	Kshs
Contingent Liabilities		
Court Cases against the Authority	60,314,451,805	8,038,602,806
Unclaimed Interest on works and Land acquisitions	262,317,950	262,317,950
Unresolved contractual claims	5,000,000,000	5,000,000,000
Estimated Legal fees & Interest awards	131,153,540	26,601,842
Total	65,707,923,295	13,327,522,598

36 Capital Commitments

Capital Commitments	2021-2022	2020-2021
	Kshs	Kshs
Authorised for	34,290,862,061	39,753,185,207
Authorised and Contracted for	123,669,165,473	219,063,821,751
Total	157,960,027,534	258,817,006,958

37 Surplus Remission

The Authority did not realise any distributable surplus during the year ended 30th June, 2022 and hence there was no remittance to the Consolidated Fund.

38 Events after the Reporting Period

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

39 Ultimate And Holding Entity

The Authority is a Semi- Autonomous Government Agency under the Ministry of Transport & Infrastructure, Housing, Urban Development & Public Works. Its ultimate parent is the Government of Kenya.

40 Currency

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

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19. APPENDICES

Appendix 1: Implementation Status of Auditor-General's Recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor (FY 2018/2019) Basis for Qualified Opinion Lack of Ownership Documents for Property, Plant and Equipment	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>The statement of financial position reflects property, plant and equipment totalling Kshs.440,797,434,562 (2018-Kshs.372,411,102,018) as further disclosed in Note 35 to the financial statements. Included in the balance are land and buildings valued at Kshs.148,360,000 and Kshs.41,787,057 respectively. However, the Authority does not have ownership documents for these assets occupied by its staff and as a result, their ownership and legal custody could not be confirmed.</p>	<p>The land belongs to the Government of Kenya and the Authority has been in possession of the land and occupying the offices and houses at the South Rift region since 2009 upon its formation of the Authority through the Kenya Roads Act, 2017 when the Authority was formed through excision from the Ministry of Roads as its Agent of the Ministry in construction and maintenance of major roads. The Authority is pursuing vesting of the land parcels to back up the occupancy with legal documents for the land parcel ownership.</p>	<p><i>Not resolved</i></p>	<p>1st July 2024</p>

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Reference No. on the external audit Report	Issue / Observations from Auditor (FY 2018/2019) Report	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>Emphasis of Matter</p> <p>Material Uncertainty in Relation to Going Concern</p> <p>The statement of financial position reflects current assets and liabilities totalling Kshs.30,680,674,457; (2018-Kshs.40,845,296,104) and Kshs.57,114,949,232; (2018-Kshs.45,507,442,377) respectively as at 30 June, 2019, resulting to negative working capital of Kshs.26,434,274,775;(2018-Kshs.4,662,146,273). In view of the unfavourable financial position, Management may need to take urgent measures to curb and reverse the situation.</p>	<p>It is true that the Authority had a negative working capital as at 30 June 2019. This was attributed to the pending bills due to contractors, consultant and Projects Affected Persons that accrued due to:</p> <ul style="list-style-type: none"> • insufficient budgetary allocation against Authority's requirements on projects • Budget reductions <p>To alleviate this situation, the National Treasury, Parent Ministry and the Authority have developed new models of project financing using proceeds from the Annuity Fund and Public Private Partnerships (PPPs) to execute new projects which will abate the increase in pending bills as the Authority will not be expected to disburse funds to the contractors and consultants, but funding will be from the fund set aside by the Parent Ministry and by investors for the PPPs.</p> <p>In addition to the above, the Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works successfully sought the change of Law through the Kenya Roads Board Act, Revised 2019. This change will allow the Kenya Roads Board to raise a</p>	<p align="center"><i>Not resolved</i></p>	<p align="center">30th June 2025</p>

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Reference No. on the external audit Report	Issue / Observations from Auditor (FY 2018/2019) Report	Management comments	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>ten year Road Development Bond from the open market to finance pending development bills and incoming commitments from on-going road projects to their successful completion.</p> <p>The above measures will improve the Authority's working capital.</p>		

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Reference No. on the external audit Report	Issue / Observations from Auditor (FY 2018/2019) Report	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
<p>Basis for Conclusion</p> <p>High Interest on Delayed Contractors Payments</p> <p>Examination of contract payments and outstanding amounts over time indicated that the Authority had, as at 30 June, 2019, incurred cumulative interest expenses totalling Kshs.6,405,158,682 due to delays in settling payments owed to contractors on several projects. This cost on public funds would have been avoided had the payments been made in due time. Management has attributed the cost to insufficient and delayed budgetary funding but has not indicated the measures taken to rationalize its projects portfolio to align its implementation with the annual funding calendar</p>	<p>It is true that the interest amounts accrued. This is as result of contractual obligations which arose due to;</p> <p>a) Inadequate Exchequer budgetary provisions in FY 2018/2019</p> <p>b) Inadequate Budgetary allocations in prior years as well as delayed releases of Exchequer by the National Treasury.</p> <p>The interest charged relates to then ongoing (incomplete) projects that were vested to the Authority on inception in 2009 as well as projects started by the Authority. The interest is therefore from projects prior to the Authority's formation to 30th June,2019 due to payments delay as a result of reasons in (a) and (b) above</p>	<p>Not resolved</p>	<p>30th June 2025</p>	


Eng. Kungu Ndungu
Director General
 Date.....

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Appendix II: Projects implemented by the Authority

Projects implemented by the State Corporation/ SAGA Funded by development partners and/ or the Government.

No.	Project title	Project No.	Donor	Period/ Duration	Donor commitment (Kshs)	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements
1.	Horn of Africa Gateway Development Project	6768-KE	IDA	07.10.2020-30.06.2028	85,606,606,960	Yes	Yes
2.	MPARD/Mombasa Gate Bridge	KE-P29	MPARD-JICA	02.06.2012-31.12.2027	22,089,969,121	Yes	Yes
3.	Epc/Turn Key construction of Five Footbridges & T-Mall Flyover in Mombasa & Langata Road	KEN-01001-19 & KEN-02001-19	Spanish Government	12.11.2019-31.01.2024	4,286,595,200	Yes	Yes
4.	Regional Mombasa Port Access Project-Lot 2/Kitale-Morpus	202061919/202083939&202062065	KfW	01.08.2017-31.12.2021	19,120,725,600	Yes	Yes
5.	East Africa Regional Transport, Trade & Development Facilitation Project	5638-KE	IDA	20.07.2015-31.12.2021	46,158,383,724	Yes	Yes
6.	AfDB	2000130015238	AfDB	09.06.2017-08.05.2021	46,243,917,823	Yes	Yes
7.	China -EXIM	BLA2016K001	China -EXIM	26.11.2016-31.12.2020	32,499,088,819	Yes	Yes
8.	Regional Mombasa Port Access Project: Lot 2 Kwa Jomvu - Mariakani	84010	EIB	01.08.2017-31.12.2020	5,842,860,000	Yes	Yes

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Appendix III: Status of Projects completion

No	Credit title	Credit Number	Donor/Partner	Period/Duration	Donor/Partner Commitment	Total expended to date	Projects Completion % to date (Weighted average)	Annual Budget (Kshs.)	Actual per quarter (Kshs.)
1.	NUTRIP	5140-KE	IDA	24.12.2012-31.12.2018	19,140,160,545	3,141,819,952		-	-
2.	KTSSP	4926-KE & 5410-KE	IDA	23.05.2011-31.12.2018	33,258,366,990	31,673,750,335		-	-
3.	AIFB	2000130015238	AIFB	09.06.2017-31.12.2024	94,394,868,040	50,828,028,437		14,510,000,000	6,926,684,854
4.	China -EXIM	BL-A2016K001	China -EXIM	26.11.2016-31.12.2020	32,499,088,819	31,862,465,450		5,150,000,000	2,616,586,259
5.	EARTTDFP	IDA	EARTTDFP	20.07.2015-31.12.2021	46,158,383,724	39,721,928,752		12,622,387,987	3,080,398,608
6.	MPARD/Mombasa Gate Bridge/Mombasa SEZ	KE-P29/KE-P32/KE-P34/KE-P35	MPARD-JICA	02.06.2012-31.12.2027	114,969,423,779	26,912,775,659		10,611,000,000	3,092,992,253
7.	NETIP	IDA	NETIP	-	67,920,000,000	705,629,840		-	-
8.	HoAGDP	6768-KE	IDA	07.10.2020-30.06.2028	85,606,606,960	2,114,125,624		4,510,000,000	2,023,053,922
9.	Port Reitz/Mombasa International Airport/Magongo Road Dualling	-	TMEA	01.04.2018-31.03.2023	3,606,947,004	3,810,149,485		-	-
10.	Regional Mombasa Port Access Project/Kitale-Morpus	202061919/202062065&202083939	KfW	01.08.2017-31.12.2021	19,120,725,600	59,017,160		414,000,000	19,362,897
11.	Regional Mombasa Port Access Project	84010	EIB	01.08.2017-31.12.2021	5,842,860,000	-		-	-
12.	Nuno-Modogashie Road Project	133IP 679 0596/10 813	OPEC Fund/BADEA/Saudi Fund/Kuwait Fund/Abu Dhabi	20.11.2015-18.11.2019	5,749,310,633	4,587,378,072		-	-
13.	Epc/Turn Key construction of Five Footbridges & T-Mall Flyover in Mombasa & Langata Road	KEN-01001-19 & KEN-02001-19	Spanish Government	12.11.2019-31.01.2024	4,286,595,200	2,832,405,537		2,000,000,000	311,603,842

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Appendix IV: Transfers from Other Government Entities

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Statement of Financial Performance	Where Recorded/recognized				Total Transfers during the Year
					Capital Fund	Deferred Income	Receivables	Others - must be specific	
A. RECURRENT									
Kenya Roads Board	23 September 2021	Recurrent	2,723,526,145	2,723,526,145					2,723,526,145
Kenya Roads Board	15 November 2021	Recurrent	3,980,327,260	3,980,327,260					3,980,327,260
Kenya Roads Board	01 December 2021	Recurrent	1,909,347,674	1,909,347,674					1,909,347,674
Kenya Roads Board	22 December 2021	Recurrent	1,851,820,703	1,851,820,703					1,851,820,703
Kenya Roads Board	01 February 2022	Recurrent	2,051,962,492	2,051,962,492					2,051,962,492
Kenya Roads Board	10 May 2022	Recurrent	5,180,828,552	5,180,828,552					5,180,828,552
Kenya Roads Board	30 June 2022	Recurrent	3,237,325,470	3,237,325,470					3,237,325,470

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Kenya Roads Board	30 June 2022	Recurrent	617,521,650	617,521,650					617,521,650
Kenya Roads Board	30 June 2022	Recurrent	445,000,000	445,000,000					445,000,000
Kenya Roads Board	30 June 2022	Recurrent	830,000,000	830,000,000					830,000,000
Kenya Roads Board	30 June 2022	Recurrent	651,285,944	651,285,944					651,285,944
Kenya Roads Board	30 June 2022	Recurrent	3,423,808,980	3,423,808,980					3,423,808,980
Kenya Roads Board	30 June 2022	Recurrent	2,135,912,607	2,135,912,607					2,135,912,607
Kenya Roads Board	30 June 2022	Recurrent	(310,996,596)	(310,996,596)					(310,996,596)
Kenya Roads Board	30 June 2022	Recurrent	(400,000,000)	(400,000,000)					(400,000,000)
Kenya Roads Board	30 June 2022	Recurrent	(960,000,000)	(960,000,000)					(960,000,000)
Kenya Roads Board	01 October 2021	Recurrent	109,357,875	109,357,875					109,357,875
Kenya Roads Board	15 November 2021	Recurrent	232,129,181	232,129,181					232,129,181
Kenya Roads Board	01 December 2021	Recurrent	108,529,551	108,529,551					108,529,551
	18 August 2021 18 August 2021	Development	1,575,000,000	1,575,000,000				1,575,000,000	1,575,000,000

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Kenya Roads Board	14 April 2022	Development	785,000,000		785,000,000					785,000,000
Kenya Roads Board	30 June 2022	Development	525,000,000		525,000,000					525,000,000
Kenya Roads Board	30 June 2022	Development	310,996,596		310,996,596					310,996,596
Kenya Roads Board	30 June 2022	Development	960,000,000		960,000,000					960,000,000
Kenya Roads Board	30 June 2022	Development	400,000,000		400,000,000					400,000,000
	Total		32,373,684,084	27,817,687,488	4,555,996,596					32,373,684,084
B. DEVELOPMENT										
MOTHUD & PW	30 August 2021	Development	1,148,668,610		1,148,668,610					1,148,668,610
MOTHUD & PW	30 August 2021	Development	1,965,856,785		1,965,856,785					1,965,856,785
MOTHUD & PW	01 January 2022	Development	1,900,000,000		1,900,000,000					1,900,000,000
MOTHUD & PW	01 January 2022	Development	383,498,341		383,498,341					383,498,341
MOTHUD & PW	17 January 2022	Development	1,000,000,000		1,000,000,000					1,000,000,000
MOTHUD & PW	17 January 2022	Development	600,000,000		600,000,000					600,000,000
MOTHUD & PW	27 January 2022	Development	400,000,000		400,000,000					400,000,000
MOTHUD & PW	14 April 2022	Development	5,000,000,000		5,000,000,000					5,000,000,000

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MOTHUD & PW	26 April 2022	Development	1,053,132,989		1,053,132,989				1,053,132,989
MOTHUD & PW	26 April 2022	Development	1,837,565,750		1,837,565,750				1,837,565,750
MOTHUD & PW	01 June 2022	Development	1,581,500,000		1,581,500,000				1,581,500,000
MOTHUD & PW	01 June 2022	Development	1,989,428,173		1,989,428,173				1,989,428,173
MOTHUD & PW	23 June 2022	Development	650,000,000		650,000,000				650,000,000
MOTHUD & PW	28 June 2022	Development	5,471,000,000		5,471,000,000				5,471,000,000
	30 June 2022	Recurrent	-	538,180,368	(538,180,368)				-
			24,980,650,648	538,180,368	24,442,470,280				24,980,650,648
C. Development Partner Receipts									
IDA									
	04 October 2021	Development	465,000,000		465,000,000				465,000,000
	04 October 2021	Development	143,574,392		143,574,392				143,574,392
	14 February 2022	Development	440,096,500		440,096,500				440,096,500
	23 March 2022	Development	164,198,902		164,198,902				164,198,902
	21 June 2022	Development	152,583,156		152,583,156				152,583,156
	Total		1,365,452,951		1,365,452,951				1,365,452,951

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	04 August 2021	Development	74,621,261					74,621,261												74,621,261
	04 August 2021	Development	248,414,501					248,414,501												248,414,501
	04 August 2021	Development	70,417,008					70,417,008												70,417,008
	04 August 2021	Development	27,640,903					27,640,903												27,640,903
	04 August 2021	Development	93,951,837					93,951,837												93,951,837
	05 August 2021	Development	103,567,401					103,567,401												103,567,401
	05 August 2021	Development	49,111,927					49,111,927												49,111,927
	12 August 2021	Development	6,980,700					6,980,700												6,980,700
	17 August 2021	Development	289,166,664					289,166,664												289,166,664
	01 September 2021	Development	2,190,559					2,190,559												2,190,559
	01 September 2021	Development	5,296,112					5,296,112												5,296,112
	01 September 2021	Development	2,295,633					2,295,633												2,295,633
	01 September 2021	Development	6,733,132					6,733,132												6,733,132
	01 September 2021	Development	90,167,807					90,167,807												90,167,807
	01 September 2021	Development	43,254,946					43,254,946												43,254,946
	01 September 2021	Development	27,085,519					27,085,519												27,085,519
	01 September 2021	Development	166,943,077					166,943,077												166,943,077
	01 September 2021	Development	46,958,742					46,958,742												46,958,742

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	01 September 2021	Development	50,148,050					50,148,050												50,148,050
	01 September 2021	Development	697,613					697,613												697,613
	01 September 2021	Development	7,237,055					7,237,055												7,237,055
	01 September 2021	Development	1,948,045					1,948,045												1,948,045
	01 September 2021	Development	7,002,684					7,002,684												7,002,684
	01 September 2021	Development	1,948,045					1,948,045												1,948,045
	01 September 2021	Development	1,944,498					1,944,498												1,944,498
	01 September 2021	Development	6,683,286					6,683,286												6,683,286
	01 September 2021	Development	1,944,499					1,944,499												1,944,499
	09 September 2021	Development	1,821,422					1,821,422												1,821,422
	09 September 2021	Development	6,233,071					6,233,071												6,233,071
	14 September 2021	Development	2,654,894					2,654,894												2,654,894
	14 September 2021	Development	6,390,402					6,390,402												6,390,402
	15 September 2021	Development	185,355,903					185,355,903												185,355,903
	15 September 2021	Development	54,532,244					54,532,244												54,532,244
	15 September 2021	Development	123,011,871					123,011,871												123,011,871
	15 September 2021	Development	36,190,449					36,190,449												36,190,449
	15 September 2021	Development	1,948,045					1,948,045												1,948,045

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	15 September 2021	Development	6,715,903		6,715,903				6,715,903
	01 October 2021	Development	5,789,051		5,789,051				5,789,051
	01 October 2021	Development	14,075,408		14,075,408				14,075,408
	13 October 2021	Development	4,807,726		4,807,726				4,807,726
	13 October 2021	Development	4,807,726		4,807,726				4,807,726
	21 October 2021	Development	70,022,829		70,022,829				70,022,829
	21 October 2021	Development	75,268,198		75,268,198				75,268,198
	21 October 2021	Development	250,568,159		250,568,159				250,568,159
	21 October 2021	Development	13,755,356		13,755,356				13,755,356
	21 October 2021	Development	17,687,336		17,687,336				17,687,336
	21 October 2021	Development	8,829,743		8,829,743				8,829,743
	21 October 2021	Development	85,240,008		85,240,008				85,240,008
	21 October 2021	Development	71,883,840		71,883,840				71,883,840
	22 October 2021	Development	7,215,218		7,215,218				7,215,218
	25 October 2021	Development	930,000		930,000				930,000
	25 October 2021	Development	1,762,850		1,762,850				1,762,850
	25 October 2021	Development	1,472,024		1,472,024				1,472,024
	25 October 2021	Development	6,498,865		6,498,865				6,498,865

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	07 December 2021	Development	80,478,276					80,478,276				80,478,276
	14 December 2021	Development	3,997,895					3,997,895				3,997,895
	14 December 2021	Development	8,411,625					8,411,625				8,411,625
	15 December 2021	Development	135,588,288					135,588,288				135,588,288
	15 December 2021	Development	40,729,382					40,729,382				40,729,382
	15 December 2021	Development	30,055,105					30,055,105				30,055,105
	15 December 2021	Development	198,855,926					198,855,926				198,855,926
	15 December 2021	Development	59,870,656					59,870,656				59,870,656
	15 December 2021	Development	59,734,355					59,734,355				59,734,355
	17 December 2021	Development	1,314,445					1,314,445				1,314,445
	17 December 2021	Development	9,765,775					9,765,775				9,765,775
	17 December 2021	Development	7,915,800					7,915,800				7,915,800
	17 December 2021	Development	906,442					906,442				906,442
	17 December 2021	Development	8,090,800					8,090,800				8,090,800
	17 December 2021	Development	906,442					906,442				906,442
	17 December 2021	Development	5,126,982					5,126,982				5,126,982
	17 December 2021	Development	8,045,800					8,045,800				8,045,800
	17 December 2021	Development	7,145,189					7,145,189				7,145,189

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	17 December 2021	Development	906,442					906,442												906,442
	17 December 2021	Development	72,598,108					72,598,108												72,598,108
	17 December 2021	Development	112,445,732					112,445,732												112,445,732
	22 December 2021	Development	923,730					923,730												923,730
	22 December 2021	Development	1,524,500					1,524,500												1,524,500
	22 December 2021	Development	351,813					351,813												351,813
	22 December 2021	Development	516,755					516,755												516,755
	22 December 2021	Development	36,155,715					36,155,715												36,155,715
	22 December 2021	Development	120,362,532					120,362,532												120,362,532
	22 December 2021	Development	57,739,841					57,739,841												57,739,841
	22 December 2021	Development	580,980					580,980												580,980
	22 December 2021	Development	2,252,295					2,252,295												2,252,295
	23 December 2021	Development	930,000					930,000												930,000
	23 December 2021	Development	2,560,107					2,560,107												2,560,107
	23 December 2021	Development	7,716,885					7,716,885												7,716,885
	23 December 2021	Development	697,613					697,613												697,613
	24 December 2021	Development	2,586,474					2,586,474												2,586,474
	24 December 2021	Development	7,949,900					7,949,900												7,949,900

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	14 January 2022	Development	15,971,903				15,971,903				15,971,903
	14 January 2022	Development	36,849,754				36,849,754				36,849,754
	14 January 2022	Development	122,672,991				122,672,991				122,672,991
	14 January 2022	Development	58,848,206				58,848,206				58,848,206
	14 January 2022	Development	73,324,761				73,324,761				73,324,761
	14 January 2022	Development	35,175,067				35,175,067				35,175,067
	14 January 2022	Development	22,026,034				22,026,034				22,026,034
	14 January 2022	Development	5,647,443				5,647,443				5,647,443
	02 February 2022	Development	1,983,502				1,983,502				1,983,502
	02 February 2022	Development	16,572,113				16,572,113				16,572,113
	02 February 2022	Development	26,805,301				26,805,301				26,805,301
	02 February 2022	Development	91,111,615				91,111,615				91,111,615
	03 February 2022	Development	6,527,317				6,527,317				6,527,317
	03 February 2022	Development	2,025,476				2,025,476				2,025,476
	17 February 2022	Development	3,690,927				3,690,927				3,690,927
	17 February 2022	Development	1,880,293				1,880,293				1,880,293
	17 February 2022	Development	18,326,400				18,326,400				18,326,400
	17 February 2022	Development	83,084,351				83,084,351				83,084,351

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	17 February 2022	Development	24,957,718		24,957,718				24,957,718
	17 February 2022	Development	39,856,898		39,856,898				39,856,898
	17 February 2022	Development	153,212,850		153,212,850				153,212,850
	17 February 2022	Development	46,023,625		46,023,625				46,023,625
	17 February 2022	Development	33,724,507		33,724,507				33,724,507
	17 February 2022	Development	2,396,726		2,396,726				2,396,726
	23 February 2022	Development	2,643,227		2,643,227				2,643,227
	01 March 2022	Development	923,730		923,730				923,730
	01 March 2022	Development	2,639,687		2,639,687				2,639,687
	01 March 2022	Development	7,953,158		7,953,158				7,953,158
	18 March 2022	Development	1,292,053		1,292,053				1,292,053
	18 March 2022	Development	7,178,707		7,178,707				7,178,707
	18 March 2022	Development	2,654,891		2,654,891				2,654,891
	18 March 2022	Development	8,398,889		8,398,889				8,398,889
	18 March 2022	Development	2,654,891		2,654,891				2,654,891
	18 March 2022	Development	8,485,154		8,485,154				8,485,154
	18 March 2022	Development	173,739,916		173,739,916				173,739,916
	18 March 2022	Development	37,313,618		37,313,618				37,313,618

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	12 April 2022	Development	29,784,935		29,784,935				29,784,935
	12 April 2022	Development	50,760,512		50,760,512				50,760,512
	12 April 2022	Development	99,154,177		99,154,177				99,154,177
	14 April 2022	Development	10,947,459		10,947,459				10,947,459
	14 April 2022	Development	1,737,167		1,737,167				1,737,167
	14 April 2022	Development	160,628,048		160,628,048				160,628,048
	14 April 2022	Development	47,257,237		47,257,237				47,257,237
	25 April 2022	Development	95,669,771		95,669,771				95,669,771
	25 April 2022	Development	28,146,324		28,146,324				28,146,324
	01 May 2022	Development	152,385,531		152,385,531				152,385,531
	01 May 2022	Development	92,628,302		92,628,302				92,628,302
	01 May 2022	Development	41,897,196		41,897,196				41,897,196
	01 May 2022	Development	26,235,318		26,235,318				26,235,318
	01 May 2022	Development	87,337,485		87,337,485				87,337,485
	05 May 2022	Development	2,609,280		2,609,280				2,609,280
	20 May 2022	Development	28,620,610		28,620,610				28,620,610
	20 May 2022	Development	129,107,856		129,107,856				129,107,856
	20 May 2022	Development	38,782,733		38,782,733				38,782,733

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	20 June 2022	Development	7,418,315		7,418,315				7,418,315
	20 June 2022	Development	2,639,687		2,639,687				2,639,687
	20 June 2022	Development	3,251,516		3,251,516				3,251,516
	20 June 2022	Development	8,010,856		8,010,856				8,010,856
	20 June 2022	Development	2,598,035		2,598,035				2,598,035
	20 June 2022	Development	8,334,231		8,334,231				8,334,231
	20 June 2022	Development	1,872,694		1,872,694				1,872,694
	20 June 2022	Development	8,038,932		8,038,932				8,038,932
	20 June 2022	Development	1,872,694		1,872,694				1,872,694
	20 June 2022	Development	7,532,091		7,532,091				7,532,091
	20 June 2022	Development	1,872,694		1,872,694				1,872,694
	20 June 2022	Development	7,704,853		7,704,853				7,704,853
	20 June 2022	Development	1,872,694		1,872,694				1,872,694
	20 June 2022	Development	7,219,139		7,219,139				7,219,139
	20 June 2022	Development	1,872,694		1,872,694				1,872,694
	20 June 2022	Development	7,169,772		7,169,772				7,169,772
	20 June 2022	Development	1,881,541		1,881,541				1,881,541
	20 June 2022	Development	7,804,264		7,804,264				7,804,264

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	28 June 2022	Development	56,923,341		56,923,341				56,923,341
	28 June 2022	Development	32,946,802		32,946,802				32,946,802
	28 June 2022	Development	189,498,050		189,498,050				189,498,050
	28 June 2022	Development	97,984,681		97,984,681				97,984,681
	30 June 2022	Development	(250,910,472)		(250,910,472)				(250,910,472)
	30 June 2022	Development	(265,887,113)		(265,887,113)				(265,887,113)
	30 June 2022	Development	(282,103)		(282,103)				(282,103)
	Total		11,952,974,021		11,952,974,021				11,952,974,021
Spanish Kingdom									
	09 September 2021	Development	49,771,279		49,771,279				49,771,279
	09 September 2021	Development	48,102,682		48,102,682				48,102,682
	09 September 2021	Development	77,897,787		77,897,787				77,897,787
	06 October 2021	Development	77,897,787		77,897,787				77,897,787
	30 November 2021	Development	10,146,838		10,146,838				10,146,838
	30 November 2021	Development	22,988,986		22,988,986				22,988,986
	30 November 2021	Development	40,468,663		40,468,663				40,468,663
	30 November 2021	Development	9,353,630		9,353,630				9,353,630

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	30 November 2021	Development	179,873,602						179,873,602	
	30 November 2021	Development	38,948,902						38,948,902	
	03 February 2022	Development	9,574,965						9,574,965	
	03 February 2022	Development	32,237,957						32,237,957	
	01 March 2022	Development	38,948,903						38,948,903	
	01 April 2022	Development	4,212,737						4,212,737	
	01 April 2022	Development	44,709,129						44,709,129	
	01 April 2022	Development	7,179,998						7,179,998	
	01 April 2022	Development	51,931,858						51,931,858	
	05 May 2022	Development	12,982,965						12,982,965	
	05 May 2022	Development	25,496,868						25,496,868	
	01 June 2022	Development	12,982,965						12,982,965	
	28 June 2022	Development	54,089,954						54,089,954	
	28 June 2022	Development	52,483,739						52,483,739	
	28 June 2022	Development	19,567,701						19,567,701	
	28 June 2022	Development	25,965,929						25,965,929	
	Total		947,815,823						947,815,823	

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	25 October 2021	Development	171,427,390		171,427,390				171,427,390
	25 October 2021	Development	685,709,562		685,709,562				685,709,562
	29 November 2021	Development	14,131,448		14,131,448				14,131,448
	29 November 2021	Development	16,896,576		16,896,576				16,896,576
	01 December 2021	Development	344,308,230		344,308,230				344,308,230
	01 December 2021	Development	86,077,058		86,077,058				86,077,058
	01 December 2021	Development	12,713,503		12,713,503				12,713,503
	01 December 2021	Development	17,191,980		17,191,980				17,191,980
	23 December 2021	Development	331,430,494		331,430,494				331,430,494
	12 January 2022	Development	142,159,994		142,159,994				142,159,994
	01 February 2022	Development	13,008,287		13,008,287				13,008,287
	01 February 2022	Development	18,615,224		18,615,224				18,615,224
	07 February 2022	Development	3,695,639		3,695,639				3,695,639
	07 February 2022	Development	11,678,359		11,678,359				11,678,359
	17 February 2022	Development	172,672,795		172,672,795				172,672,795
	17 February 2022	Development	184,600,461		184,600,461				184,600,461
	17 February 2022	Development	208,294,593		208,294,593				208,294,593
	17 February 2022	Development	214,834,435		214,834,435				214,834,435

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	11 March 2022	Development	182,536,811		182,536,811				182,536,811
	11 March 2022	Development	190,576,175		190,576,175				190,576,175
	18 March 2022	Development	5,146,813		5,146,813				5,146,813
	18 March 2022	Development	14,448,004		14,448,004				14,448,004
	18 March 2022	Development	26,046,962		26,046,962				26,046,962
	18 March 2022	Development	47,926,948		47,926,948				47,926,948
	18 March 2022	Development	324,983,310		324,983,310				324,983,310
	18 March 2022	Development	613,230,703		613,230,703				613,230,703
	04 April 2022	Development	16,748,344		16,748,344				16,748,344
	04 April 2022	Development	8,712,390		8,712,390				8,712,390
	25 April 2022	Development	168,520,286		168,520,286				168,520,286
	25 April 2022	Development	216,890,718		216,890,718				216,890,718
	19 May 2022	Development	306,318,555		306,318,555				306,318,555
	24 May 2022	Development	9,027,596		9,027,596				9,027,596
	24 May 2022	Development	13,694,415		13,694,415				13,694,415
	24 May 2022	Development	13,567,962		13,567,962				13,567,962
	24 May 2022	Development	10,489,157		10,489,157				10,489,157
	06 June 2022	Development	107,920,497		107,920,497				107,920,497

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	06 June 2022	Development	58,210,419				58,210,419				58,210,419
	06 June 2022	Development	135,282,690				135,282,690				135,282,690
	06 June 2022	Development	79,086,208				79,086,208				79,086,208
	06 June 2022	Development	105,325,179				105,325,179				105,325,179
	06 June 2022	Development	99,159,059				99,159,059				99,159,059
	06 June 2022	Development	103,560,151				103,560,151				103,560,151
	06 June 2022	Development	114,085,507				114,085,507				114,085,507
	06 June 2022	Development	54,283,683				54,283,683				54,283,683
	06 June 2022	Development	107,142,119				107,142,119				107,142,119
	06 June 2022	Development	205,450,650				205,450,650				205,450,650
	06 June 2022	Development	108,440,599				108,440,599				108,440,599
	06 June 2022	Development	173,504,958				173,504,958				173,504,958
	06 June 2022	Development	80,422,132				80,422,132				80,422,132
	20 June 2022	Development	172,505,143				172,505,143				172,505,143
	20 June 2022	Development	211,750,244				211,750,244				211,750,244
	20 June 2022	Development	256,102,515				256,102,515				256,102,515
	20 June 2022	Development	132,343,903				132,343,903				132,343,903
	20 June 2022	Development	10,635,269				10,635,269				10,635,269

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	20 June 2022	Development	13,810,905		13,810,905		13,810,905
	Total		8,047,282,821		8,047,282,821		8,047,282,821
KUWAIT							
	22 December 2021	Development	3,406,356		3,406,356		3,406,356
	22 December 2021	Development	42,898,243		42,898,243		42,898,243
	Total		46,304,599		46,304,599		46,304,599
KFW							
	20 June 2022	Development	14,594,166		14,594,166		14,594,166
	20 June 2022	Development	4,768,731		4,768,731		4,768,731
	22 June 2022	Development	32,270,918		32,270,918		32,270,918
	Total		51,633,816		51,633,816		51,633,816
IDA							
	27 July 2021	Development	376,287,475		376,287,475		376,287,475
	04 August 2021	Development	396,561,874		396,561,874		396,561,874
	04 August 2021	Development	92,668,501		92,668,501		92,668,501
	04 August 2021	Development	50,957,350		50,957,350		50,957,350

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	10 August 2021	Development	8,966,585					8,966,585											8,966,585
	12 August 2021	Development	4,605,577					4,605,577											4,605,577
	12 August 2021	Development	4,604,696					4,604,696											4,604,696
	12 August 2021	Development	4,604,696					4,604,696											4,604,696
	12 August 2021	Development	5,148,924					5,148,924											5,148,924
	31 August 2021	Development	6,348,102					6,348,102											6,348,102
	31 August 2021	Development	5,342,315					5,342,315											5,342,315
	31 August 2021	Development	8,486,015					8,486,015											8,486,015
	31 August 2021	Development	8,446,307					8,446,307											8,446,307
	01 September 2021	Development	309,596,990					309,596,990											309,596,990
	01 September 2021	Development	9,282,604					9,282,604											9,282,604
	01 September 2021	Development	159,893,394					159,893,394											159,893,394
	01 September 2021	Development	14,383,933					14,383,933											14,383,933
	01 September 2021	Development	91,410,261					91,410,261											91,410,261
	14 September 2021	Development	33,423,455					33,423,455											33,423,455
	15 September 2021	Development	8,915,713					8,915,713											8,915,713
	15 September 2021	Development	8,743,636					8,743,636											8,743,636
	21 September 2021	Development	300,696,990					300,696,990											300,696,990

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	21 September 2021	Development	165,567,191		165,567,191				165,567,191
	21 September 2021	Development	90,201,467		90,201,467				90,201,467
	21 September 2021	Development	56,345,506		56,345,506				56,345,506
	21 September 2021	Development	8,376,396		8,376,396				8,376,396
	04 October 2021	Development	7,396,198		7,396,198				7,396,198
	06 October 2021	Development	4,692,303		4,692,303				4,692,303
	06 October 2021	Development	5,208,785		5,208,785				5,208,785
	13 October 2021	Development	69,596,523		69,596,523				69,596,523
	13 October 2021	Development	131,095,860		131,095,860				131,095,860
	13 October 2021	Development	4,613,192		4,613,192				4,613,192
	13 October 2021	Development	9,249,557		9,249,557				9,249,557
	13 October 2021	Development	8,161,204		8,161,204				8,161,204
	13 October 2021	Development	9,032,143		9,032,143				9,032,143
	29 October 2021	Development	83,927,896		83,927,896				83,927,896
	29 October 2021	Development	6,472,347		6,472,347				6,472,347
	29 October 2021	Development	55,583,869		55,583,869				55,583,869
	29 October 2021	Development	41,113,237		41,113,237				41,113,237
	04 November 2021	Development	277,664,105		277,664,105				277,664,105

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	14 January 2022	Development	6,180,665					6,180,665			6,180,665
	14 January 2022	Development	13,384,409					13,384,409			13,384,409
	14 January 2022	Development	12,601,566					12,601,566			12,601,566
	14 January 2022	Development	7,665,892					7,665,892			7,665,892
	14 January 2022	Development	13,216,258					13,216,258			13,216,258
	14 January 2022	Development	5,352,602					5,352,602			5,352,602
	14 January 2022	Development	5,352,602					5,352,602			5,352,602
	14 January 2022	Development	7,752,915					7,752,915			7,752,915
	14 January 2022	Development	7,665,822					7,665,822			7,665,822
	17 February 2022	Development	13,029,671					13,029,671			13,029,671
	17 February 2022	Development	91,347,243					91,347,243			91,347,243
	17 February 2022	Development	339,491,980					339,491,980			339,491,980
	17 February 2022	Development	259,218,531					259,218,531			259,218,531
	17 February 2022	Development	5,385,925					5,385,925			5,385,925
	17 February 2022	Development	4,183,780					4,183,780			4,183,780
	17 February 2022	Development	7,306,664					7,306,664			7,306,664
	17 February 2022	Development	67,382,127					67,382,127			67,382,127
	17 February 2022	Development	19,237,374					19,237,374			19,237,374

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	30 March 2022	Development	5,322,802				5,322,802			5,322,802
	30 March 2022	Development	4,161,639				4,161,639			4,161,639
	30 March 2022	Development	5,422,452				5,422,452			5,422,452
	30 March 2022	Development	4,604,458				4,604,458			4,604,458
	30 March 2022	Development	10,245,865				10,245,865			10,245,865
	30 March 2022	Development	207,408				207,408			207,408
	30 March 2022	Development	186,944,686				186,944,686			186,944,686
	30 March 2022	Development	20,569,192				20,569,192			20,569,192
	01 April 2022	Development	7,605,931				7,605,931			7,605,931
	01 April 2022	Development	9,936,469				9,936,469			9,936,469
	01 April 2022	Development	3,165,194				3,165,194			3,165,194
	01 April 2022	Development	6,746,951				6,746,951			6,746,951
	04 April 2022	Development	34,965,174				34,965,174			34,965,174
	06 April 2022	Development	76,778,727				76,778,727			76,778,727
	06 April 2022	Development	65,876,200				65,876,200			65,876,200
	14 April 2022	Development	121,154,679				121,154,679			121,154,679
	14 April 2022	Development	129,182,270				129,182,270			129,182,270
	20 May 2022	Development	703,163,844				703,163,844			703,163,844

**Kenya National Highways Authority
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Appendix V- Inter-Entity Confirmation Letter

Kenya National Highways Authority Headquarters
Barabara Plaza, Jomo Kenyatta International Airport (JKIA),
Off Mazao Road
P.O. Box 49712 - 00100
Nairobi, Kenya

Confirmation of amounts received by Kenya National Highways Authority as at 30th June 2022						
Reference Number	Date Disbursed	Amounts Disbursed by Kenya Roads Board & MOTIHUD & PW (KShs) as at 30th June 2022			Amount Received by Kenya National Highways Authority (KShs) as at 30 th June 2021 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)		
As per schedules above		32,373,684,084	24,980,650,648	-	62,412,492,030	(5,058,157,298)
Total		32,373,684,084	24,980,650,648	=	62,412,492,030	(5,058,157,298)

I confirm that the amounts shown above are correct as of the date indicated.

Head of Accounts department of beneficiary Entity:

Name CPA. Chanje Kera Sign  **Date** **03 MAY 2022**