

REPUBLIC OF KENYA



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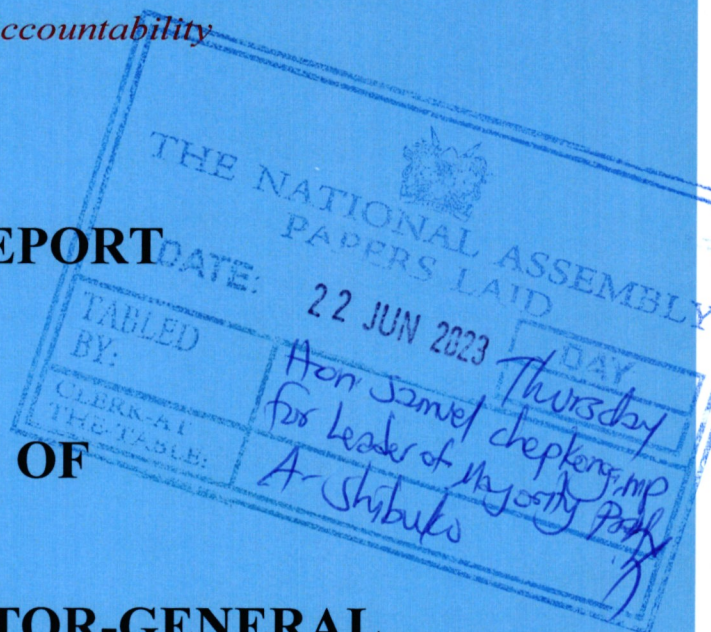
THE AUDITOR-GENERAL

ON

ROAD MAINTENANCE LEVY FUND

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

KENYA URBAN ROADS AUTHORITY





Enhancing Urban Mobility

OFFICE OF THE ATTORNEY GENERAL
P. O. Box 30084 - 00100 NAIROBI
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ROAD MAINTENANCE LEVY FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE, 2022

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

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MANDATE, MOTTO, VISION & MISSION

1. Mandate:

To Manage, Develop, Rehabilitate, and Maintain all National Urban Roads.

2. Motto:

Enhancing Urban Mobility

3. Vision:

A World Class Urban Road Network for Sustainable Development

4. Mission:

To Provide and Manage Quality, Safe and Adequate Urban Road Network



KEY INFORMATION AND MANAGEMENT

a) Background information

Kenya Urban Roads Authority (KURA) is a State Corporation established under the Kenya Roads Act 2007. The Authority is headed by a Board of Directors led by a chairman with the Director General being the Chief Executive of the Authority.

At the cabinet level the Authority is represented by the Cabinet Secretary for the Ministry of Transport, Infrastructure, Public works, Housing and Urban Development who is responsible for the general policy and strategic direction of the Authority.

b) Principal activities

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

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

c) Key Management

The Authority's Day to day management is under the following key organs;

1. Board of Directors
2. Senior management led by the Director General

d) Fiduciary Management

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

<i>Designation</i>	<i>Name</i>
1. Director General	: Eng. Silas M. Kinoti
2. Director, Corporate Services	: CPA.Reuben Mayienda
3. Director, Urban Roads Development	: Eng. Wilfred Oginga
4. Director, Road Asset & Corridor Management	: Eng. Abdulrashid Mohamed
5. Ag. Director, Urban Roads Planning & Design	: Eng. Jacinta W. Mwangi
6. Director, Policy, Strategy & Compliance	: Eng. Mike Yego Telienu

e) Fiduciary Oversight Arrangements

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

f) Authority Headquarters

Barabara Plaza
Mazao Road, off South Airport Road
JKIA, Nairobi

g) Contacts

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

h) Principal Bankers

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

Co-operative Bank of Kenya Ltd,
Upper Hill Branch,
P.O BOX 48231-00100,
Nairobi.

i) Independent Auditor

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

j) Principal Legal Adviser

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

OUR CORE VALUES



1 Planning, development and management of world class urban roads and attendant infrastructure

2 Develop and deploy latest technological solutions in the planning, design, construction and management of roads

3 Implement institutional capacity and corporate governance principles that support execution of KURA's Strategy



BOARD MEMBERS DETAILS



Former Board Chairman
Mr. Henry Musemate Murwa
(deceased)
Institute of Surveyors of Kenya



Board Chairman
Eng. Charles Mugo Chiumi, (PE, FIEK)
Institute of Engineers of Kenya



Dr. Julius Muia
Principal Secretary,
National Treasury



Prof. Arch. Paul M. Maringa
(PhD), CBS, Corp. Arch, MAAK, MKIP
Principal Secretary
State Department of Infrastructure



Mr. Julius Korir, CBS
Principal Secretary
State Department of Devolution



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



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



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



Mr. Alfonso Munyali
Alternate Member, PS
Devolution - Ministry of
Planning & Devolution



Plan. Joyce Karinski
Kenya Institute of Planners



Mr. Joseph Muganda
Konyz Association of
Manufacturers (KAM)



Mr. Josiah Tarayia Kores
Association of County
Government of Kenya
(ACGOK)



Joyce Nyambura Mundara
Director Representing
Association Of County
Governments (ACGOK)



Basil Ntwiga Nya
Matatu Welfare Assoc
(Urban Public Trans)



Eng. Silas M. Kinoti, MBS

BOARD MEMBERS DETAILS



Board Chairman
Eng. Charles Mugo Chiuri, (PE, FIEK)
Institute of Engineers of Kenya

Eng. Chiuri is a registered Engineer and a Fellow of the Institution of Engineers of Kenya (IEK). He has over Four decades of experience in the roads sector 29 years of which were spent in the Nairobi City Engineering department where he played a key role in planning design and development of various Nairobi City roads. Eng. Chiuri has also served in various capacities in the private sector designing and supervising major road projects in the country. Born in 1951 he holds a bachelor's degree in Civil engineering from the University of Nairobi and a Masters' Degree in Highway Engineering from the University of Birmingham. In addition, Eng. Chiuri is well versed in the areas of Management development, Transport Project Planning, Evaluation and Management, Road Traffic Management and Corporate Governance.

Eng. Chiuri is serving his second term in the Board where has served in various Board committees and chairs the Technical Committee of the Board. He was appointed as the Board Chair on 8th August, 2022.



Former Board Chairman
Mr. Henry Musemate Murwa
(deceased)
Institute of Surveyors of Kenya

Mr. Murwa was an all-rounded Geospatial Engineer Consultant with vast experience in Land Survey Mapping, Land Administration, Digital Photogrammetry and Computer aided Mapping & Land Information Systems. Mr. Murwa represented the Institute of Surveyors of Kenya in the Board. Prior to his appointment, he worked at the Ministry of Lands & Housing for over 18 years in various capacities including Ag. Assistant Director: Survey with Geodetic & Computer Assisted Mapping Branch where he also served as the Superintendent Surveyor at Cadastral Branch Headquarters. Born in 1952 Mr. Murwa holds a B. Sc (Eng.) Surveying Photogrammetry (University of Nairobi) and Postgraduate Diploma in Photogrammetry (Digital Photogrammetry from *Institute of Aerospace Surveys & Earth Sciences* in the Netherlands). He also served as the Chair of the Audit Compliance Committee of the Board.

Mr. Murwa was diligently serving his second term in the Board of Kenya Urban Roads Authority and had been appointed as the Board Chairman before his demise on November, 20th 2021.



Dr. Julius Muia
Principal Secretary, National Treasury

Dr. Julius Muia is the Principal Secretary at The National Treasury. Prior to that he was the Principal Secretary at the State Department for Planning - The National Treasury and Planning. Before his appointment as PS Planning, he was the Director General, Vision 2030 Delivery Secretariat. Between April 2008 and October 2016, Dr. Muia served as the Secretary, National Economic and Social Council, Office of the President. Dr Julius Muia graduated with a First-Class Honors Degree in Accounting, Master's Degree and PhD in Finance from the University of Nairobi. His professional qualifications include Certified Public Accountant (CPA-K); Certified Public Secretary (CPS-K), Associate of Kenyan Institute of Bankers; Associate Chartered Institute of Arbitrators; and Certified Coach. Dr. Muia has over 25 years' experience in leadership in the private sector in Kenya and UK. Dr. Julius Muia serves as a non-executive board member of several companies and a number of not-for profit organizations

BOARD MEMBERS DETAILS



Prof. Arch. Paul M. Maringa
(PhD), CBS, Corp. Arch, MAAk, MKIP
Principal Secretary
State Department of Infrastructure

Professor Paul Mwangi Maringa is the Principal Secretary for the State Department of Infrastructure in the Ministry of Transport and Infrastructure. Prior to his appointment as Principal Secretary, he was the Strategic Advisor for Planning and Management of Workforce Development Authority (WDA), Kigali, Rwanda. Prior to this he was the Vice Chancellor of Kigali Institute of Science and Technology (KIST) Kigali, Rwanda. Professor Maringa is credited with having pioneered the School of Architecture and Building Sciences (SABS) at Jomo Kenyatta University of Agriculture and Technology (JKUAT) and the Faculty of Architecture and Environmental Engineering (FAED) at KIST in Rwanda. Born in 1959 professor Maringa has over 30 years of dedicated service variously in the Public Service, Universities and the private sector as a Consultant, Lecturer and Administrator. He holds a Bachelor's degree in Architecture from the University of Nairobi, a Masters of Arts in Planning (Urban & Regional Planning) from the University of Nairobi and is a Doctor of Philosophy in Environmental Planning (PHD) from JKUAT.



Mr. Julius Korir, CBS
Principal Secretary
State Department of Devolution

Mr. Julius Korir, CBS is the Principal Secretary State Department of Devolution. Mr. Korir is an experienced Public Servant having held the post of a Permanent Secretary in various Government portfolios namely State Department of Youth, State Department of Infrastructure, State Department of Health, State Department of Investment and Industry, State Department of Investment and Industry.

He is well versed with Managing large scale donor programs and public/Private partnerships he was instrumental in implementing the Infrastructure Annuity Program in the Road sector.

Mr. Korir is a holder of an MBA in International Business and a BSc. in Agricultural Economics.



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

Mr. Joseph Gathua Kiarri is the alternate Member to the Principal Secretary at the National Treasury & Planning he has a wealth of experience in the Public Service particularly on Government Investments and Public Enterprises Management where he has served for over twenty years. He is well versed in Project Appraisal & Risk Analysis, Management of Contingent Liabilities, Debt Management and Corporate Governance. His tour of service includes 4 years as an Accountant at the Machakos District Treasury, Ministry of Foreign Affairs and Office of the President. Currently he serves at The National Treasury in the Directorate of Portfolio Management and Public Investments. Born in 1966 Mr Kiarri holds a Bachelor of Commerce degree (Accounting option) from the University of Nairobi and is a Member of the Institute of Certified Investment & Financial Analysis (ICIFA).



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

Eng. James M. Kung'u is the Engineer (Roads) in the State Department of Infrastructure. He has served as an Advisor to the Government through the Principal Secretary on matters related to Road Policy that include road development and maintenance standards. He has been at the forefront of coordinating key infrastructure initiatives under the State Department of Infrastructure key among which include his role as the Principal Coordinator/Head of Infrastructure at the Intergovernmental Authority on Development (IGAD) in partnership between September 2010 and September 2016 amongst others. In 1966, Eng. Kung'u holds a Bachelor of Science in Construction Management and a Bachelor of Science in Engineering. He is the alternate member to the Principal Secretary, State Department of Infrastructure.

BOARD MEMBERS DETAILS



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

Mr. Isaac Nderitu Githui served as the Secretary Special Programmes Ministry of Devolution and ASAL. Mr. Githui is a proficient administrator having served in various administrative posts in the Country. He brought to the Board a wealth of knowledge in Public Administration and Strategic Management. He holds a MBA (Strategic Management), BBA (Accounting and Finance) and is currently undertaking a Doctor of Philosophy (PhD) at the University of Nairobi. He was born in 1961 and was the Alternate Member to the Principal Secretary Ministry of Devolution and ASAL.

(He served at the Board from 9th June 2016 to October, 2021)



Mr. Alfonso Munyali
Alternate Member, PS Devolution -
Ministry Of Planning & Devolution

Mr. Alfonso Munyali is Business Strategy, Professional Management Development and Change Leadership Expert & Leadership Expert with over 33Year's Experience in the Public Sector currently Serving as the Director Devolution Affairs -Technical Assistance at the Ministry of Planning & Devolution. Mr. Munyali represents the PS devolution in the Board.

Mr. Munyali also has vast experience on organizations operational efficiency, intersectoral partnerships and public service management and leadership.

Born in 1961 he holds an MBA in Strategic Management and a Phd in business Administration from Jomo Kenyatta University. He is serving his first term in the Board following his appointment to the Board on 22nd March, 2022.

(He served at the Board from 22nd March ,2022 to date)



Plan. Joyce Kariuki
Kenya Institute of Planners

Ms. Kariuki is a registered practicing planner specializing in Urban and Regional Planning. She holds a Bachelor of Arts Degree in Planning (1988) and a Master of Arts in Planning (1990) from the University of Nairobi. She is a licensed National Lead expert and has extensive knowledge on Strategic Leadership, Change Management of Devolved Systems of Government and Local Regional Development Planning. Prior to her appointment to the Board, Kariuki served in various levels of Government both as a Planner and as an Expert on Management of Devolved Systems of Government where she successfully oversaw the preparation of various urban and regional development control initiatives, participated in policy formulation particularly the National Spatial Plan, formulation of regulations for the Lands Act, 2012, The Land Registration Act, 2012 and The Community Land Act, 2016. She was also instrumental in the implementation of the Devolved System of Government in Embu County during her tenure at the Transition Authority. Kariuki represents The Kenya Institute of Planners (KIP) on the board where she currently serves on the Human Resource Committee and Technical Committee of the Board.



Mr. Joseph Muganda
Kenya Association of
Manufacturers (KAM)

Mr Muganda is an accomplished leader who has had an illustrious career across the African continent and UK. He is a Consultant on Strategy Development and Execution, Sales, Marketing and distribution for FMCG's and Coaching & Mentorship of young entrepreneurs. For over three decades, Mr. Muganda occupied leadership positions in the large corporations in the private sector including VIVO Energy Kenya (Shell Licensee), Nation Media Group, Kenya Breweries Ltd and British American Tobacco who are all market leaders and influential players in their respective areas of competence in the Kenyan economy. He holds an MBA from University of Leicester and B.Sc. (Econ) Accounting & Financial Management from the University Of Buckingham. He is a member of Strategy and Finance Committee of the Board.

BOARD MEMBERS DETAILS



Mr. Josiah Tarayia Kores
Association of County Government
of Kenya (ACGOK)

Mr. Kores is an astute administrator having served in various public bodies. Previously he has served as a Councilor and Chairman Olkejuado County Council, President, United Cities and Local Government of Africa (UCLGA), Member of United Nations Advisory Council on Local Authorities, (UNACLA), Member of the Commonwealth Local Government Forum, Chairman Association of Local Governments Authorities of Kenya (ALGAK) and Chairman of Kenya Meat Commission. Born in 1970, Mr. Kores holds a bachelor's degree in development studies. He chairs the board technical committee.

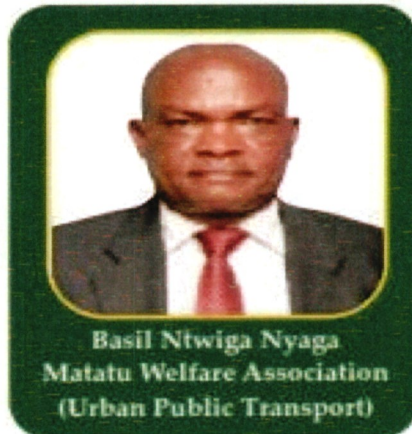


Joyce Nyambura Mundara
Director Representing
Association Of
County Governments
(ACGOK)

Ms. Mundara represents the Association of County Governments in the Board. She is a business Development and Communication expert with diverse experience in strategic alliances-partnerships.

She is a graduate in business development from University of North Carolina and has over 15 years experience coordinating local governments. She successfully implemented public sector development agencies programs and developed advocacy tools for the devolved system Government in Kenya.

Ms. Mundara is serving her first term in the Board having been appointed to the Board on 14th August 2022.



Basil Ntwiga Nyaga
Matatu Welfare Association
(Urban Public Transport)

Mr Basil Ntwiga Nyaga is an established entrepreneur with over 20 years' experience in the public transport sector. He is currently Secretary General of Matatu welfare association (MWA). Prior to venturing into business Mr. Nyaga served for 12 years at D.T. Dobie & Co. Ltd as Deputy General Manager (management services).

Born in 1958 Mr. Nyaga holds a bachelor's degree in commerce from University of Nairobi. He has various professional and governance certifications acquired both locally and internationally. He represents the Matatu welfare association in the board and was appointed into the KURA Board on 22nd July, 2019.



Eng. Silas M. Kinoti, MBS
Director General & Board Secretary

Eng. Silas Kinoti is the Director General of Kenya Urban Roads Authority. He is a Registered Engineer with Engineers Board of Kenya (EBK) & a Corporate Member of The Institution of Engineers of Kenya (IEK). He is a seasoned Engineer with vast experience in Management of Urban Roads, Automation and Innovations in Urban Roads Management and Financing, Urban Mobility and implementation of Non-Motorized Transport Systems and Project Planning & Management. He holds an MBA in Corporate Management, a Bachelor of Science Degree in Civil Engineering. Eng. Kinoti has extensive training on; Quality Management Systems Corporate Governance and Organizational Development, Strategic Negotiation Skills, Project Development and Management as well as Public Private Partnership (PPP) Contract Management.

MANAGEMENT TEAM



Eng. Silas M. Kinoti, MBS
Director General
Secretary to the Board
MBA (Corporate Management)
BSc. (Civil Engineering)
Member-IEK



Eng. Abdulrashid Mohamed
Director, Road Asset
& Corridor Management
Msc (Construction
management)
BSc. (Civil Engineering)
Member-IEK



Eng. Mike Yego Teliy
Director, Policy,
Strategy & Compliance
MBA (Strategic
Management)
BSc. (Civil Engineering)
Member-IEK



Eng. Jacinta W. Mwangi
Ag. Director, Urban
Roads Planning & Design
BSc. (Civil Engineering)
Member-IEK



CPA. Reuben Mayienda
Director,
Corporate Services
MA (Public Policy
management)
MBA (Finance),
BCom. (Finance),
CPA(K)
Member ICPAK



Eng. Wilfred R. Oging
Director, Urban Road
Development
MSc. (Civil Engineering)
BSc. (Civil Engineering)
PE, Member-IEK

CHAIRMAN'S STATEMENT



Infrastructure plays an important role in the economy of any country due to the nature of impact it has on the citizen's welfare and investments. The roads subsector particularly is a vital factor in the socio-economic development of a country as it facilitates access to markets, which in turn enhances production and increases the level of employment. In Kenya the roads transport accounts for 93% of all freight and passenger traffic with the balance attributed to other modes of transport mainly air sea and water. This underscores the significance of the subsector to the Kenyan economy.

The consistent funding of road rehabilitation and maintenance from the road maintenance and levy fund has resulted in the improvement of the condition of the road network significantly making Kenya even more globally competitive as envisaged by Kenya Vision 2030 and the big four agenda. The fund has also contributed immensely on the achievement of the Government agenda to develop 10,000 Kms of Tarmac road Network. It is important to note that the approved budget for the Financial year was Kshs 6.6 Billion, out of which Kshs 4.7 Billion was dedicated for roadworks and Kshs 1.9 Billion was meant for administrative expenditure (operations). KRB disbursed the entire budget for the Authority during the year.

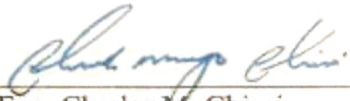
The Authority has spread its wings to every county in the republic. The 47 counties has had a feel of the maintenance levy fund, among the new entrants are Narok, Kajiado and Elgeiyo Marakwet Counties. Roads within the selected urban centres have received major facelift among them Kitengela town, Kajiado town, Narok town and Iten town. During the planning phase in the FY 2021/2022 of the Annual Public Roads Programme, The Authority had set out to maintain 2,331 Kms which is an increase from 1,934 Kms planned during the previous Financial Year. I am happy to report that The Authority achieved 4,738 Kms surpassing the set target.

The Authority prides itself in offering lasting solutions to motorists' problems across the country, notably through RMLF various missing links have been constructed and are already in use by motorists and members of the public. These missing links are Langata road to Ngong Road Missing Link Via Kibera constructed at a cost of Kshs 1.2 Billion, Completion of Dualling Likoni and Enterprise road at a cost Kshs 905 Million and completion of Limuru Road-Westlands through Deep Sea at a cost of Kshs 169 Million

among other important stakeholder roads across the country. These key roads have reduced traffic congestion and reduced the travel times.

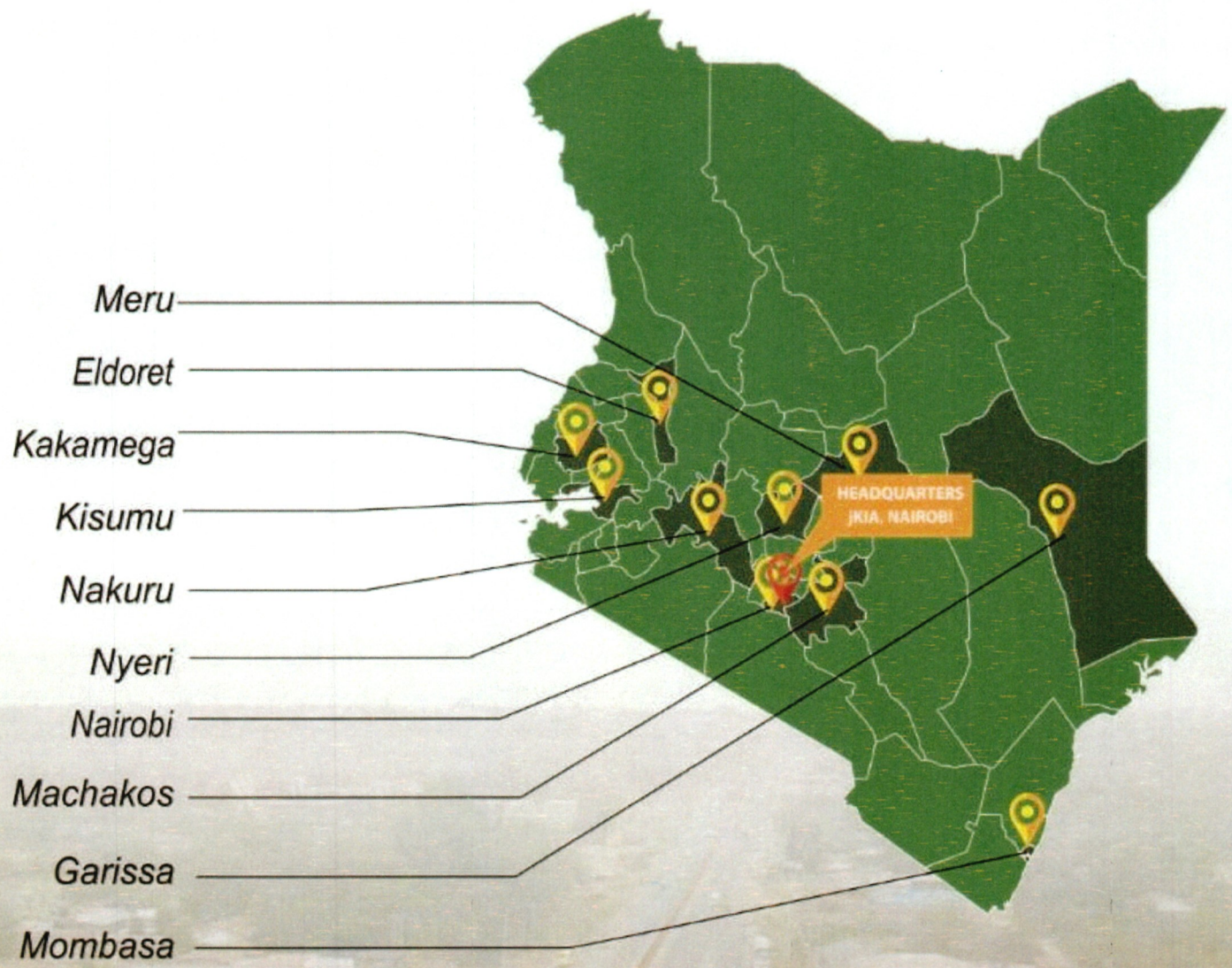
During the Financial year, The Authority was met with the tragic loss of our Chairman Mr. Henry Musemate Murwa, who was serving his second term as a Board Member and appointed as Board Chairman on 20th November 2021. The Authority cherishes his leadership skills and the experience he brought to the Authority in his distinguished long service in the Institute of Surveyors of Kenya. Consequently, on 8th August 2022 I was appointed as Board Chairman for the Authority for a period of 3 years.

On behalf of the Board of Directors I take this opportunity to acknowledge the immense support provided by the National Government, our collaborators, Development partners and all our Stakeholders. The board further wishes to thank the management and staff of Kenya Urban Roads Authority for their tireless efforts in ensuring that the authority continually delivers on its mandate.



Eng. Charles M. Chiuri
Chairman

WE HAVE 10 REGIONAL OFFICES



REPORT OF THE DIRECTOR GENERAL



Urban road infrastructure is a major determinant for sustainable development. Cities and Urban areas being hubs for economic activities require adequate road transport infrastructure development and maintenance. Investment in urban road infrastructure and its operationalization has enhanced economic productivity. However, the undesired condition of road infrastructure with slow average operating speeds poses challenges to

and impedes inclusive growth.

The transport sector transformation in Kenya yielded distinct jurisdictions based on road classification among the road agencies. For more than a decade since its establishment, The Kenya Urban Roads Authority has significantly contributed to the development, rehabilitation, maintenance and management of National Urban trunk roads in cities and urban areas. The Authority has continued to surmount the transport challenges occasioned by high population density and associated socio-economic activities on the urban transport infrastructure. As at 2019, the 70 urban centres where the Authority operates had a population of 12.2 million, representing 82.4% of the total urban population of 14.8 million. This reflects the level of demand and pressure on transport infrastructure in space and time. This high demand coupled with long standing maintenance back log and road asset damage require enhanced, sustainable and progressive investment in urban road development and maintenance. Investment in urban road infrastructure improvement has seen significant positive socio-economic impact in the ever-increasing demand for urban mobility. The government's Road Sector Investment Plan (RSIP) 2010 – 2024 recognizes the need for road infrastructure towards economic growth. There is therefore need for availing more resources to bridge the gap in urban road maintenance and sustain the benefits accruing from these investments overtime.

1 The urban Roads Network

Reeling under conditions of rapid growth, urban transport infrastructure and public transport in towns in Kenya has not been able to keep pace, and as a result public space is inefficiently utilized and highly congested especially in Cities.

The Urban Road network currently under the jurisdiction of the Authority is 3,982Km of which 2,385Km are gazetted Urban roads while 1,597Km have been classified but awaiting gazettelement. The condition of the Gazetted roads is as tabulated below: -

Road Surface Type	Proportion	Good	Fair	Poor	Total
Paved	KM	573.21	599.90	362.81	1,535.92
	%	37%	39%	24%	
Unpaved	KM	175.38	417.13	256.74	849.25
	%	21%	49%	30%	
Total	KM	748.59	1,017.03	619.55	2,385.17
	%	31%	43%	26%	

These statistics reflects the gains made in management of urban road network, which still requires more effort to improve the 26% network proportion in poor condition to fair condition.

Motorization has been on the increase with notable increase in vehicles on Kenyan roads, of which over 40 percent are private cars, most of them used in urban areas. The growth rate of motor cars in Kenya in the recent past, is estimated to be significantly higher than that of population. The pressure exacted on the urban infrastructure as a result of this growth calls for corresponding increase in allocation of resources for upgrade and maintenance of the urban road network to guarantee improved mobility and connectivity within our urban centres.

Due to rapid urbanization and expansion of our operations into more urban centres, the urban road network in Kenya has been increasing over time and is expected to increase further thus need for investment of more resources.

2 Resource allocation

Kenya Urban Roads Authority has three major sources of funds namely, exchequer, Road maintenance Levy Funds (RMLF) and development partners grants. The Road maintenance Levy is utilised for maintenance of the existing network for the purposes of ensuring they remain motorable as well as protecting the initial investments in the

network. During the year, the Authority received a total of **Kshs.7.01 Billion** for maintenance and rehabilitation of urban roads.

2.1 Performance and utilisation of funds

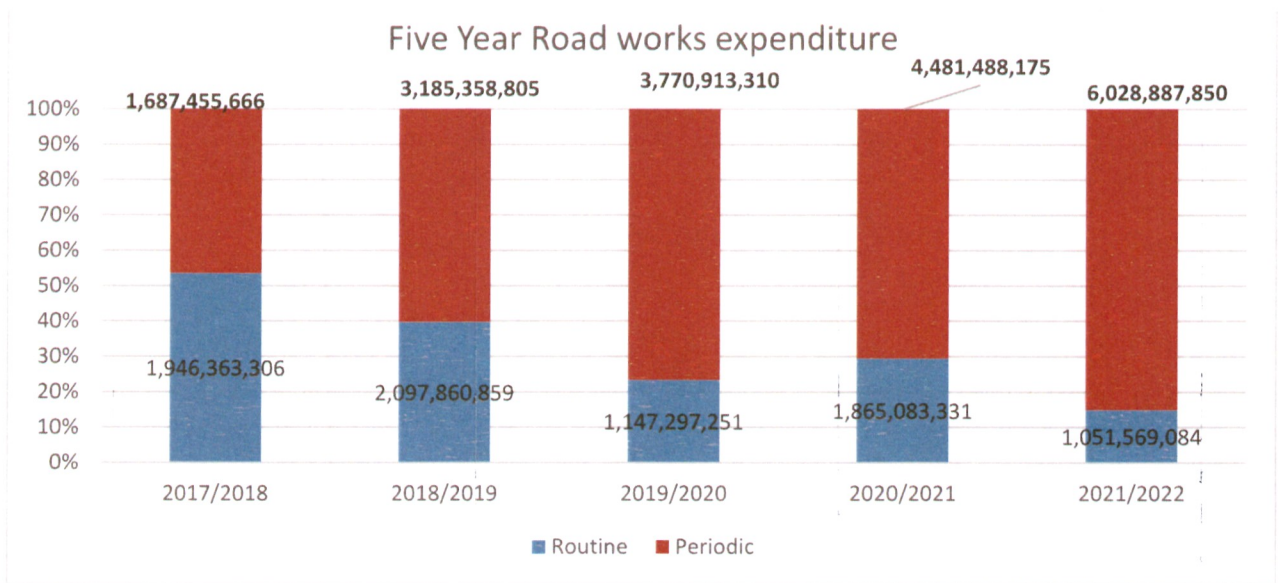
The Authority has continuously been committed to ensuring that the funds received from the government as well as development partners have been applied for the purpose for which it was intended and that the use of such resources is prudent, efficient and transparent, in accordance with the principles, procedures and guidelines of the Authority and sound professional practice with a focus on the value for money. The efficient utilization of resources allocated is evident in maintenance of 158.7KM of roads over and above the planned road network during the financial year within the same budget. The planned, executed and additional roads lengths maintained inclusive of conditional funding projects is as tabulated below:-

MAINTENANCE INTERVENTION	PLANNED			IMPLEMENTED		Additional Works Financed through savings	
	LENGTH (KM)	COST (KSHS.) 'Millions'	COST/KM 'Millions'	COST (KSHS.) 'Millions'	COST/KM 'Millions'	ADDITIONAL KMs Maintained from Savings	Cost of Additional Roads 'Millions'
Routine	1072.253	1,096.79	1.02	885.97	0.83	97.81	150.40
PBC	795.909	1,306.57	1.64	1,075.30	1.35	25.8	21.24
Period	261.95	1,185.16	4.52	1,009.30	3.85	26.9	270.32
Rehabilitation/Upgrading	116.5	3,422.42	29.38	3,314.12	28.45	8.2	145.22
TOTAL	2246.612	7,010.95		6,284.69		158.71	587.18

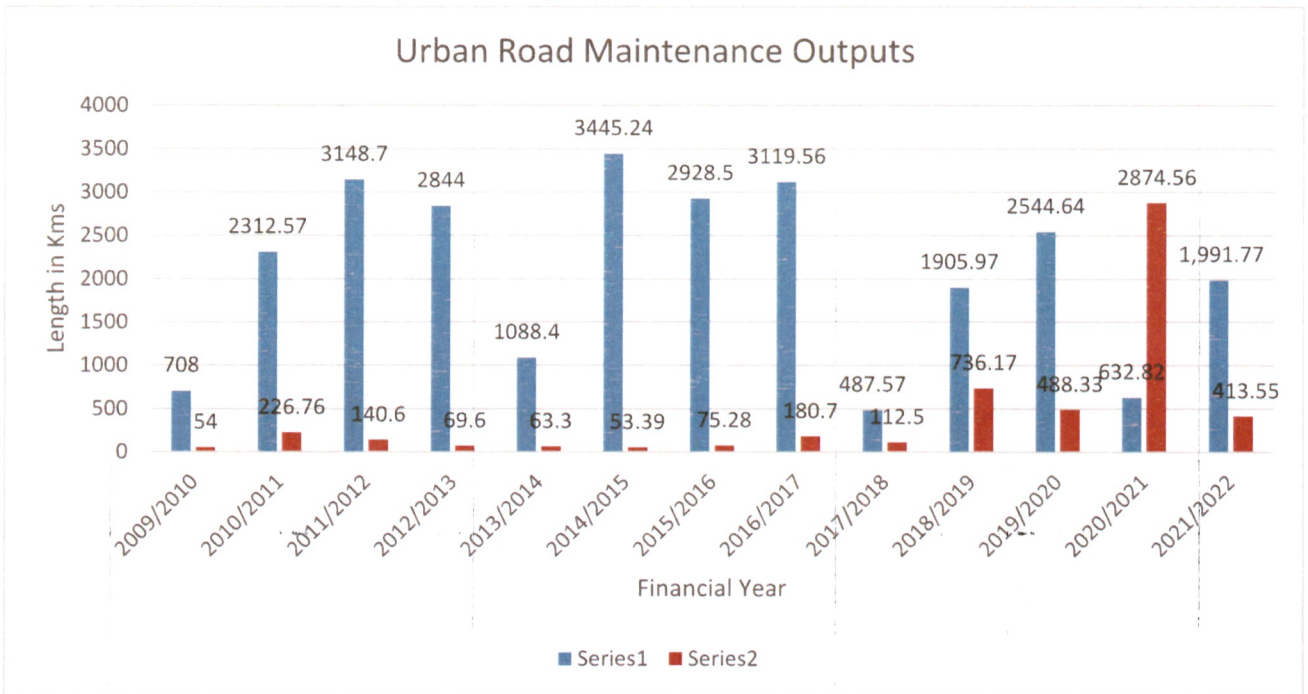
3 Road maintenance and rehabilitation

In performance of its statutory mandate the Authority preserves and protects the value and investment in the urban road assets through rehabilitation, routine and periodic maintenance of all roads under its jurisdiction on an annual basis based on approved work plans. The Authority's Road maintenance programs are funded through the Road Maintenance Levy Fund (RMLF) administered by Kenya Roads board in accordance with the Roads Board Act 1999 (revised 2020).

Since its establishment, the fund has steadily grown based on road network and fund size in meeting the needs for the urban roadworks with the expenditure matching the budget as tabulated below.



3.1 During the implementation of Financial Year 2021/2022 Annual Public Roads Programme, the Authority maintained a total of 2,405.32Km of urban roads comprising of Rehabilitation of 124.7Km, periodic maintenance of 288.85 Km, PBRM of 821.71Km and routine maintenance of 1,170.06 km. The figure below shows the annual kilometers maintained by the Authority over the years.



Annual Public Roads Programme (APRP)

The Authority undertakes annual work programmes for the implementation of the urban road maintenance in harmony with the funding ceilings provided by Kenya Roads Board

since its establishment in 2009. The Authority utilises the contracting method which deliberately incorporates labour-intensive Roads 2000 strategy, into work execution methodologies, to support the Government desire to provide employment opportunities to the youth and women. During the 2021/2022 financial year, the Authority created employment for 16,164 equivalent full-time jobs under R2000 program against the performance target of 8420 jobs. The high number of employments compared to the previous years and the target was due to the implementation of Upgrading of Roads in Informal and Densely Populated Areas in Nairobi which was labour intensive. The persons are employed to provide labour through the maintenance works contracts and remunerated by the contractors.

3.2 Roads Maintenance Levy Funds (RMLF) Outcomes

The maintenance of urban roads has improved service level of the urban road network. The fund has enabled the safeguarding of the urban road infrastructure, corridor and associated assets. It has improved access to services such as education, health, administration and housing. The urban road network has as well enhanced urban mobility and travel time reduction, improved environmental conditions through reduced dust and emission pollution and enhanced drainage systems. Further to that, it has enhanced safety of pedestrians through construction of non-motorized transport infrastructure and road furniture and improved livelihoods among the youth, women and persons with disability who have accessed job opportunities from the contracted road works.

3.3 Impacts RMLF on the economy and the society

The urban road network contributes to the realization of the Big Four Agenda, Kenya Vision 2030, Sustainable Development Goals (SDGs) and Sector Performance Standards (SPSs). The network has contributed to spurring economic development in urban areas, towns and cities by enhancing manufacturing and industrialization through transportation of raw materials, products and access to markets. The urban roads contribute to transforming the urban land use, architectural landscape and character to a modern and sustainable outlook. It has enhanced the development of smart and resilient cities, towns and urban areas for Sustainable socio-economic development. The infrastructure remains an enabler for the growth of the agricultural and tourism sectors which have a direct significant contribution to the gross domestic product of the country.

Through the implementation of the annual programme, the authority continues to empower the youth, women as well as People living with disabilities through provision of equal opportunities during procurement. During the year under review, contracts amounting to Ksh 4.6 Billion were awarded to the vulnerable groups under the Access to Government Procurement Opportunities programme.

3.4 Value for Money

The authority is keen on ensuring prudent management of the public resources and subscribes strongly to the principles of public finance as required by the constitution. In the implementation of the projects, the Authority ensures that the expenditure achieves value for money. The analysis of value for money for the urban road network investment takes in consideration the number of kilometers maintained, timely delivery of the road projects, cost efficiency, and the socioeconomic impact of the project to the community.

Over the last six years the authority has invested Kshs.32,055,837,135 in road maintenance works as tabulated below.

FY	Routine Maintenance (Kshs)	Periodic Maintenance (Kshs)	Total (Kshs)
2016-2017	2,439,001,768	1,669,166,334	4,108,168,102
2017-2018	1,946,363,306	1,687,455,666	3,633,818,972
2018-2019	2,097,860,859	3,185,358,805	5,283,219,664
2019-2020	1,147,297,251	3,770,913,310	4,918,210,561
2020-2021	1,865,083,331	5,236,385,268	7,101,468,599
2021-2022	2,403,366,349.42	4,607,584,887.96	7,010,951,237.38
Total	11,898,972,864.42	20,156,864,270.96	32,055,837,135.38

The routine maintenance accounted for 38% while periodic maintenance and rehabilitation works accounted for 62% of the total investment. The annual maintenance output in terms of length maintained was 2,002Km for routine maintenance and 418Km for periodic maintenance.

The maintenance works execution specifications and conditions are structured to ensure timely delivery with provisions for liquidated damages on delayed completion and payment reduction on non-compliance with set service levels.

3.5 Implementation challenges

The Authority has achieved significant outputs in the implementation of her strategic objectives in the realization of her mandate despite numerous challenges. These challenges include depletion of naturally occurring road construction materials calling for investment of research, classification of roads in remote locations under urban roads network, limited funding for the expanding needs in the urban road network, encroachment on the road corridor as well as vandalism of the assets, service relocation needs as well as extreme weather conditions that affect project delivery timelines.

3.6 Future outlook

Vehicle ownership rates, congestion, and emissions are expected to significantly increase through the next 20 years, even as average travel speeds and accessibility continuing to decline. Without immediate and sustained progressive investment in urban transport infrastructure and services, the average trip speed as well as the average roundtrip journey time to work will decline. Accordingly, the economic cost of a low investment is likely to run into billions of shillings per annum in terms of opportunity cost and lost productivity due to time wasted in traffic congestions. The Government of Kenya is however committed in progressive investment in the urban infrastructure as seen from improved allocation of funds over the years.



Eng. Silas M. Kinoti, MBS
Director General

OUR PRESENCE

NAIROBI

County	Towns
Nairobi	Nairobi
Kajiado	Ngong, Rongai
Kiambu	Kikuyu Town

COAST

County	Towns
Mombasa	Mombasa
Kilifi	Kilifi, Malindi
Taita Taveta	Voi, Matete
Lamu	Lamu
Kwale	Kwale, Ukunda
Tana River	Hola

NORTH RIFT

County	Towns
Uasin gishu	Eldoret
Baringo	Kabarnet
West pokot	Kapenguria
Nandi	Kapsabet
Trans nzoia	Kitale
Turkana	Lodwar
Elgeyo	Iten
Marakwet	

SOUTH RIFT

County	Towns
Nakuru	Nakuru
	Naivasha
Bomet	Bomet
Kericho	Kericho
Nyandarua	Olkalau
Samburu	Maralal
Narok	Narok

NYANZA

County	Towns
Kisumu	Kisumu
	Maseno
Kisii	Kisii
Homabay	Homabay
Migori	Migori, Kehancha
Siaya	Siaya, Bondo
Nyamira	Ogembo

WESTERN

County	Towns
Bungoma	Bungoma, Kimilili, Webuye
Kakamega	Kakamega, Mumias
Vihiga	Mbale
Busia	Buisa

UPPER EASTERN

County	Towns
Tharaka Nithi	Chuka, Maara
Embu	Embu, Runyenje
Meru	Meru, Maua
Marsabit	Marsabit
Isiolo	Isiolo

NORTH EASTERN

County	Towns
Garissa	Garissa
Wajir	Wajir
Mandera	Mandera

CENTRAL

County	Towns
Nyeri	Nyeri, Karatina
Kirinyaga	Kerugoya, Kiumbuni
Muranga	Muranga
Kiambu	Thika, Kiambu, Ruiru Town
Laikipia	Nanyuki

LOWER EASTERN

County	Towns
Kitui	Kitui
Machakos	Machakos, Athi
Makueni	Wote
Kajiado	Kajiado, Kitengela

STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

The urbanization component of the Second Medium Term Plan (MTP2) of the Kenyan Vision 2030 aims to facilitate a sustainable urbanization process through an integrated urban and regional planning management framework of Kenyan urban centers and towns. Infrastructure development in general and roads infrastructure in particular forms a key foundation and enabler of this Vision. The 2018-2022 strategic plan is set out on the Authority's core mandate with clear and measurable targets.

Kenya Urban Roads Authority has 3 (Three) strategic pillars and objectives within the current Strategic Plan. These strategic pillars are as follows:

Pillar 1: Planning, development and management of world class Urban Roads Network

Pillar 2: Develop and deploy latest technological solutions in the planning, design, construction and management of roads

Pillar 3: Implement institutional capacity and corporate governance principles that support execution of KURA's Strategy.

KURA develops its annual work plans based on the above three pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Authority achieved its performance targets set for the FY 2021/2022 period for its three strategic pillars, as indicated overleaf.



Figure 1: Before and Completed section of Kirinyaga Roads in Kirinyaga County

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
<p style="text-align: center;">Network</p> <p style="text-align: center;">Planning, development and management of world class Urban Roads</p>	Increase road network coverage	% Increase in network coverage per region	Design of urban road network	During the year, the Authority designed 479.20 Kms of roads and walkways.
			Develop new roads, bridges & interchanges	During the year, the Authority constructed 859.02 Lane Kms of roads, 11 No. bridges/ Box culverts and 342.46 Km of footpaths.
	Provide and improve adequate drainage system	Kms of road network maintained	Continuous maintenance of KURA road network using modern -methodologies	During the year, the Authority maintained 605.57 Lane KM under Periodic Maintenance Programme and 4,132.51 Lane KM under Routine Maintenance Programme.
	Improve implementation and monitoring of social and environmental safeguards	% age of projects with socio-environmental safeguards integrated	Continuous social & environmental management	During the year, the Authority undertook Environmental and Social Impact Assessment for 30 no. of projects.
	To ensure full Control of the Road Corridor	Road Corridor fully managed	Identification and mapping of road reserves	During the year, the Authority undertook the identification and mapping of 34.7 kms of roads.
To effectively Enforce Axle Load Control	Reduction in axle load violations	Monitor and Enforce Axle Load Compliance	During the year, the Authority carried out axle load monitoring and enforcement exercise in 10 regions and prepared 10No. reports.	

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Develop and deploy latest technological solutions in the planning, design, construction and management of roads	Ensure sustainable technology for development and maintenance of urban roads	Level of integration of technology	Training of staff on current and upcoming design software	During the year, the Authority set up analysis , infrastructure preparation and data base migration design documentation for the installation of the ERP System
Implement institutional capacity and corporate governance principles that support execution of KURA' s Strategy	Improve on Accountability and Ethics	Compliance with Integrity Act and Chapter 6 of the Constitution	Constitute the Corruption Prevention Committee	The Authority implemented a number of activities to combat and prevent corruption, unethical practices and to promote standards and best practices in governance

CORPORATE GOVERNANCE STATEMENT

Corporate Governance is the decision-making framework that the Authority utilizes to ensure transparency and accountability in the delivery of its mandate. The Board has put in place stringent measures to ensure that the Tenets of Corporate Governance continue to guide its role of overseeing the Authority operations.

To realize value and positive impact of Government and Stakeholders investment in urban road development and management. The Board continues to ensure that its Decisions are anchored in the legal provisions, Mwongozo: The code of Governance for State Corporations and advisories from the State Corporations Advisory Council (SCAC) and other regulators.

Organization Structure

The Authority is managed by a Board of Directors under the leadership of a non-Executive Chairman and Eight other Board members. The Director General is an ex-officio member of the Board. The Authority structure provides for Six Directorates and two stand-alone departments all reporting to the Director General as depicted below.

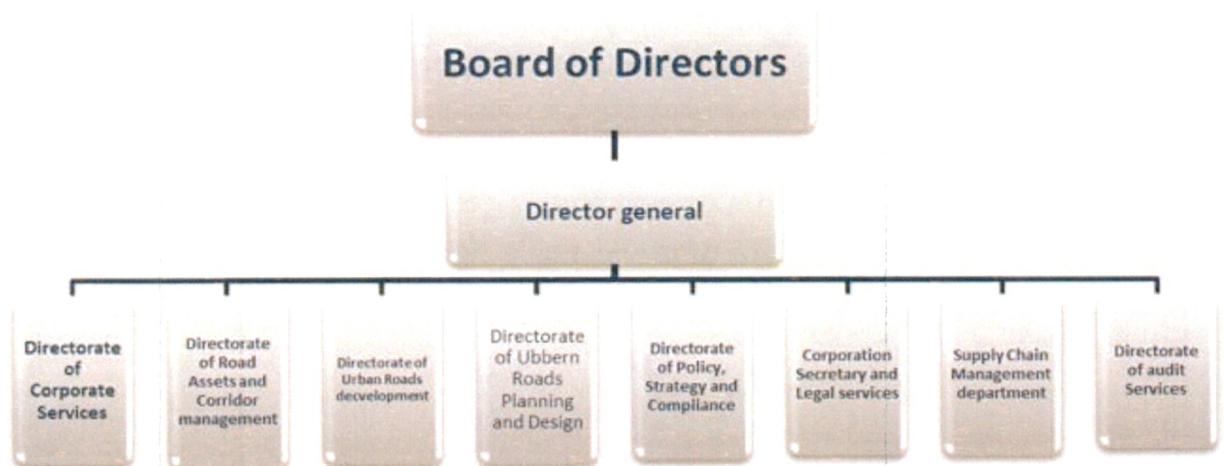


Figure 2: KURA Organisation structure

a) The Board of Directors

The Board of Directors takes cognizance of the need to embrace high levels of Corporate Governance in the delivery of the Authorities mandate. This is reflected in our values, organizational culture, policies and procedures and the proactive public disclosure manifested in our Annual and Financial statements over the years.

During the period under review the Board comprised of a team of competent and experienced members who exercised objective and independent judgment in the attainment of the Authority's Strategic objectives. The Board continues to discharge its oversight role with specific focus on stakeholder needs, expectations and the Authority's strategic intent.

b) Board Charter

The Board Charter outlines the governance parameters within which the board exists and operates, It sets out specific responsibilities of the board, its committees and directors collectively, as well as roles and responsibilities incumbent upon the Board Members and the delegation of authority to Management as outlined in *Mwongozo*.

The Charter provides for the following among others: -

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

c) Appointment, Composition and Size

The Board of Directors were appointed in line with *Mwongozo* and consists of 8 (Eight) members including the Director General.

d) Board Committees & Work plan

To effectively execute its oversight role, the Board has established Four (4) standing committees with specific delegated mandates. The Board Committees operate from clearly articulated terms of reference as approved by the Board of Directors. The Board consist of 4 (Four) Strategic Committees discharging the oversight role as enumerated below;

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

Table 1: Board committees mandate, composition and meetings during the year

Mandate	Composition	No. of Meetings
Board Human Resource Committee Meeting		
This Committee is responsible for offering advice and guidance to Management and the Board on development of effective and appropriate Human Resource Policies and adoption of best practices for efficient strategies in human resource management. The Committee examines, reviews and recommends for approval by Board the Authority's staff establishment, appointment, termination of staff and any disciplinary action as delegated.	Mr. Tarayia Ole Kores Mr. Joseph Muganda Mr. Bassil Nyagah Mr. Isaac Githui Planner Joyce Kariuki Eng. Silas Kinoti, MBS	6
Board Finance & Strategy Committee		
This Committee is mandated to consider and make recommendations to the Board regarding issues affecting financial and strategic direction of the Authority. This includes resource mobilization for new projects, investment of surplus funds and financial management procedures	Mr. Basil Nyagah Mr. Tarayia Ole Kores Eng. James Kung'u Mr. Joseph Kiarri Eng. Silas Kinoti, MBS	6
Board Audit & Compliance Committee		
This is an advisory Committee of the Board providing independent oversight so as to ensure integrity of financial statements. It reviews the effectiveness of the system of internal controls and management of financial and other risks. The Committee ensures Compliance with relevant laws and oversees Risk Management through relevant Plan and receipt of status Reports	Mr. Joseph Kiarri Mr. Basil Nyagah Mr. Isaac Githui Eng. Charles Chiuri Plan. Joyce Kariuki	3
Board Technical Committee		
The Technical Committee is mandated to consider and make recommendations to the Board regarding policy issues affecting technical operations of the Authority including: - i) Quality Assurance ii) Technical Standards iii) Environment, Health & Safety Standards on projects iv) Contract Management Standards	Mr. Tarayia Ole Kores Mr. Henry Murwa Eng. James Kung'u Planner Joyce Kariuki Eng. Charles Chiuri Eng. Silas Kinoti, MBS	4

i. Board Work Plan and Meetings

The Board work plan and calendar of meetings are annually prepared in advance. Adequate notice is given for each Board meeting and Directors receive detailed papers on issues to be discussed in good time before the meeting. A total of 7 Full Board meetings and Nineteen Committee Meetings were held during the year. The breakdown of the committee meetings is as follows;

- a) Board Human Resource Committee; six meetings
- b) Board Finance & Strategy Committee Meetings; six meetings
- c) Board Audit & Risk Compliance Committee; two meetings
- d) Board Technical Committee Meetings; Five Meetings

SNO.	Name	Nominating Institution	14 th July, 2021	11 th August, 2021	28 th September, 2021	14 th October, 2021	12 th January, 2022	12 th April 2022	17 th June, 2022
1.	Eng. Charles Chiuri	Institution of Engineers of Kenya	✓	✓	✓	✓	✓	✓	✓
2.	Mr. Henry Murwa	Institute of Survey of Kenya	✓	✓	✓	✓			
3.	Eng. James Kung'u	State Department of Infrastructure	✓	✓	✓	✓	✓	✓	✓
4.	Mr. Bassil Nyagah	Matatu Welfare Association	✓	✓	✓	✓	✓	✓	✓
5.	Planner Joyce Kariuki	Kenya Institute of Planners	✓	✓	✓	✓	✓	✓	✓
6.	Mr. Tarayia Ole Kores	Association of County Government Authorities	✓	x	✓	✓	✓		
7.	Joyce N. Mundara								✓
8.	Mr. Isaac Githui	State Department of Devolution	✓	✓	✓	✓	✓	✓	✓
9.	Kula Hache						✓		
10.	Alphonse Munyali							✓	✓
11.	Mr. Joseph Kiarii	The National Treasury	✓	✓	✓	✓	✓	✓	✓
12.	Mr. Joe Muganda	Kenya Association of manufacturers	✓	✓	✓	✓	✓	✓	✓
13.	Eng. Silas Kinoti, MBS	Secretary to the Board	✓	✓	✓	✓	✓	✓	✓

The attendance is as indicated below.

e) Board Evaluation

During the year, the Board undertook a rigorous performance evaluation conducted by the State Corporations Advisory Committee (SCAC) as required by the Mwongozo Code of Governance of State Corporations. The outcome of this evaluation is used to create remedial development and capacity building programs for the Board.

The issues of the effectiveness of the whole board, individual director assessment and the performance of the Director General was addressed in the evaluation.

f) Directors' Remuneration

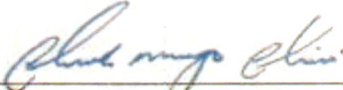
Details of Directors' remuneration are set out in the report in note 12 of the Financial Year under review. Directors are paid sitting allowance for every meeting attended, lunch allowance (in lieu of lunch being provided), accommodation allowance and mileage reimbursement where applicable, all-in line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

g) Internal Controls

The Directors acknowledge their responsibility for the Authority's system of internal financial control, including ensuring that the systems are being maintained. Customized Internal control systems are in place including the implementation of an Enterprise Risk Management System to provide effective internal financial control.

h) Ethical Standards

A code of conduct is in place to regulate conduct of business and prescribe acceptable behaviour in line with the National Values, organization culture and our Core values. The Authority also has an annual Integrity program that ascribes to standards prescribed by the Public Officer Ethics Act as well as Leadership and Integrity Act as outlined in Chapter six of the Constitution. These require all employees to conduct business with integrity.


Eng. Charles M. Chiuri
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

This section provides the users of these financial statements a narrative overview and analysis of the financial activities of the Authority for the financial year ended June 30, 2022. Readers are encouraged to consider the information presented here in conjunction with additional information that we have furnished in Director General’s report on pages 18-25.

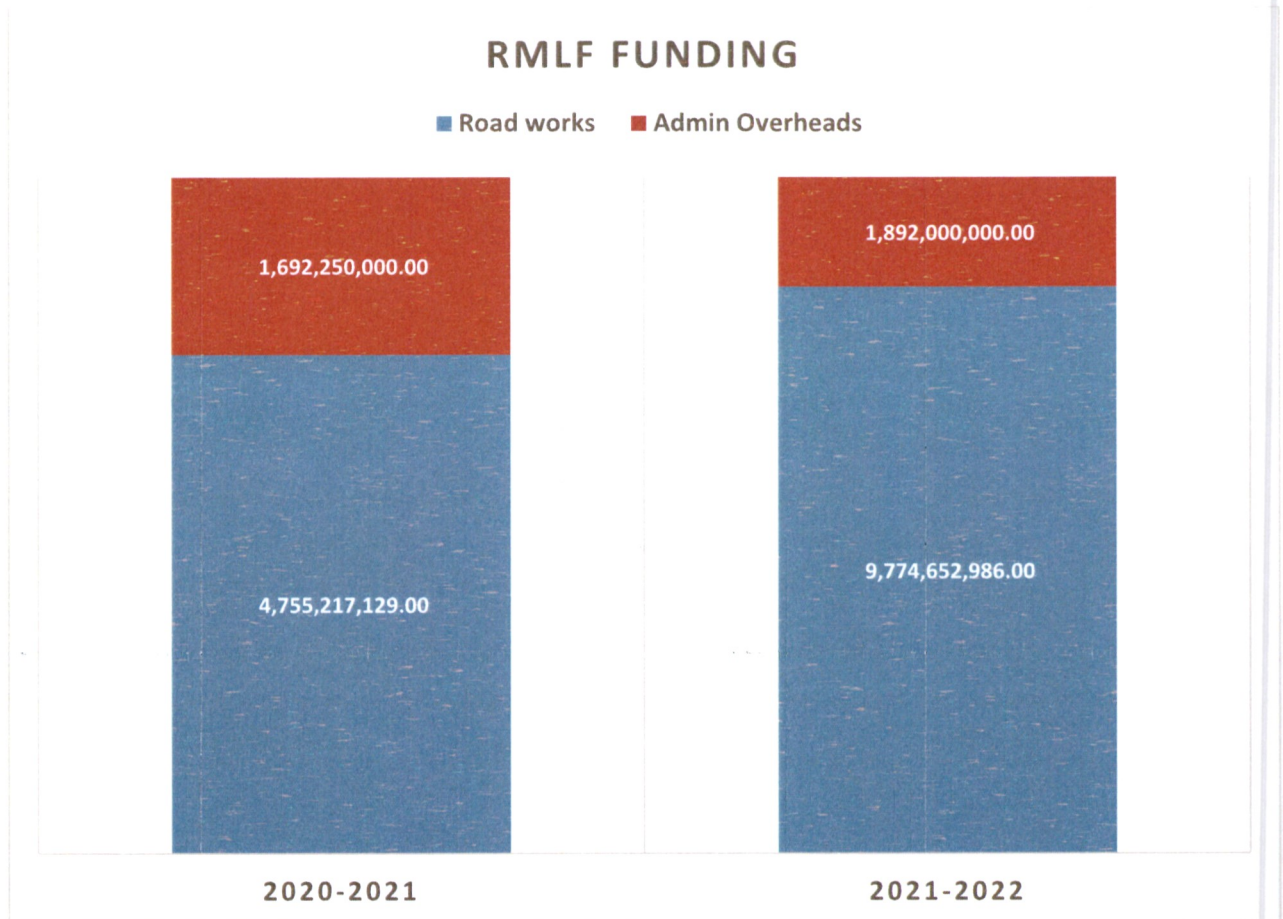
3.7 Financial Highlights

The financial highlights for the financial year ended 30th June 2022 is presented below.

3.7.1 Funding

Road maintenance levy comprises of two components, road works and administrative overheads. Ceilings for both funds are provided by the Kenya Roads Board on annually basis. The road works fund is spent based on an approved work plan included in the Authority’s annual budget.

Total funding during the year amounted to Ksh. 11.6 billion against Ksh 6.447 Billion in the previous year. The financial statements covers the road works component.



Overall, the RMLF funding has been on upward growth mainly through the funding of the rehabilitation and upgrading of key stakeholder roads across the country the gradual increase in the Authority’s Fuel Levy allocation. Figure 3, below shows the Authority’s funding trend for the past five years.

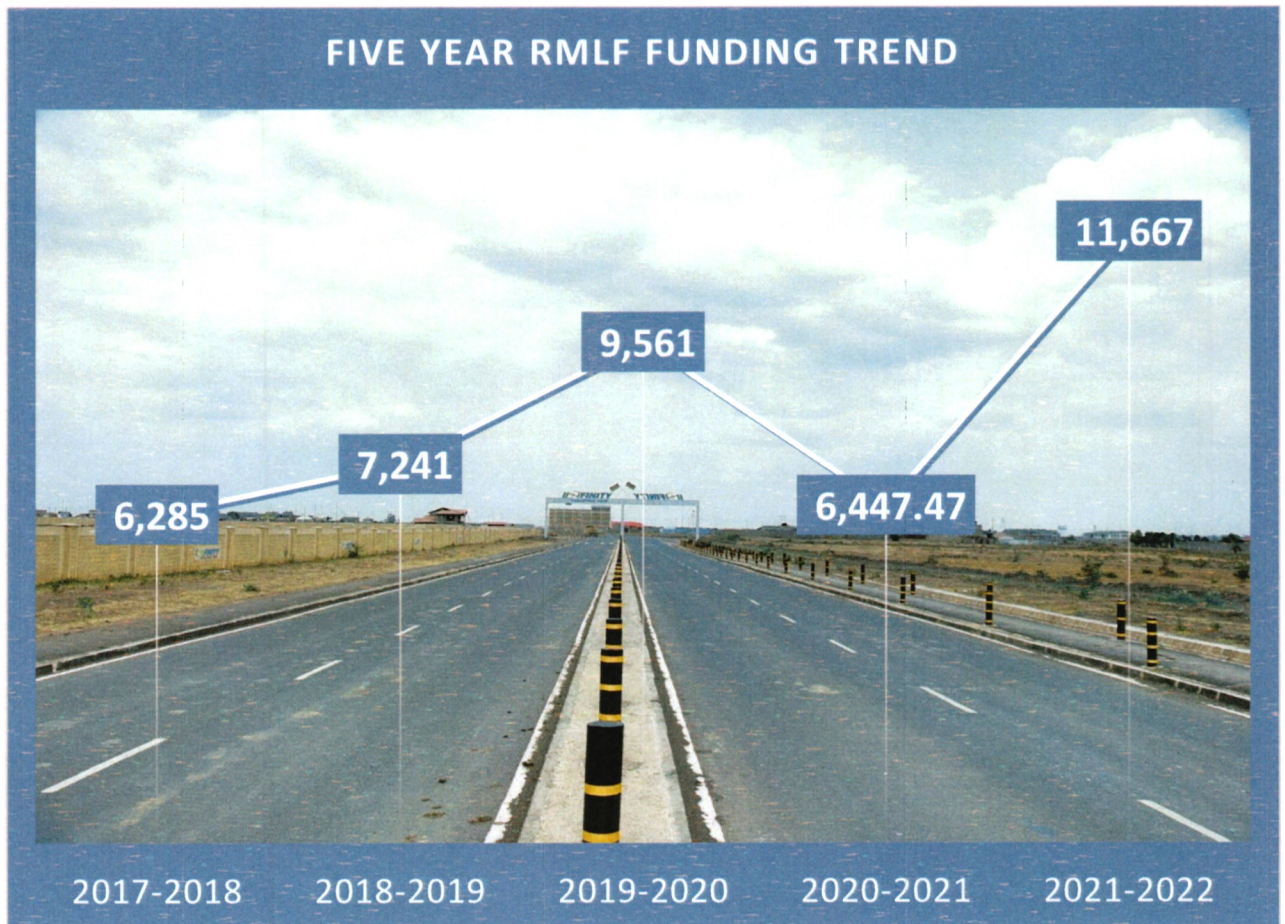
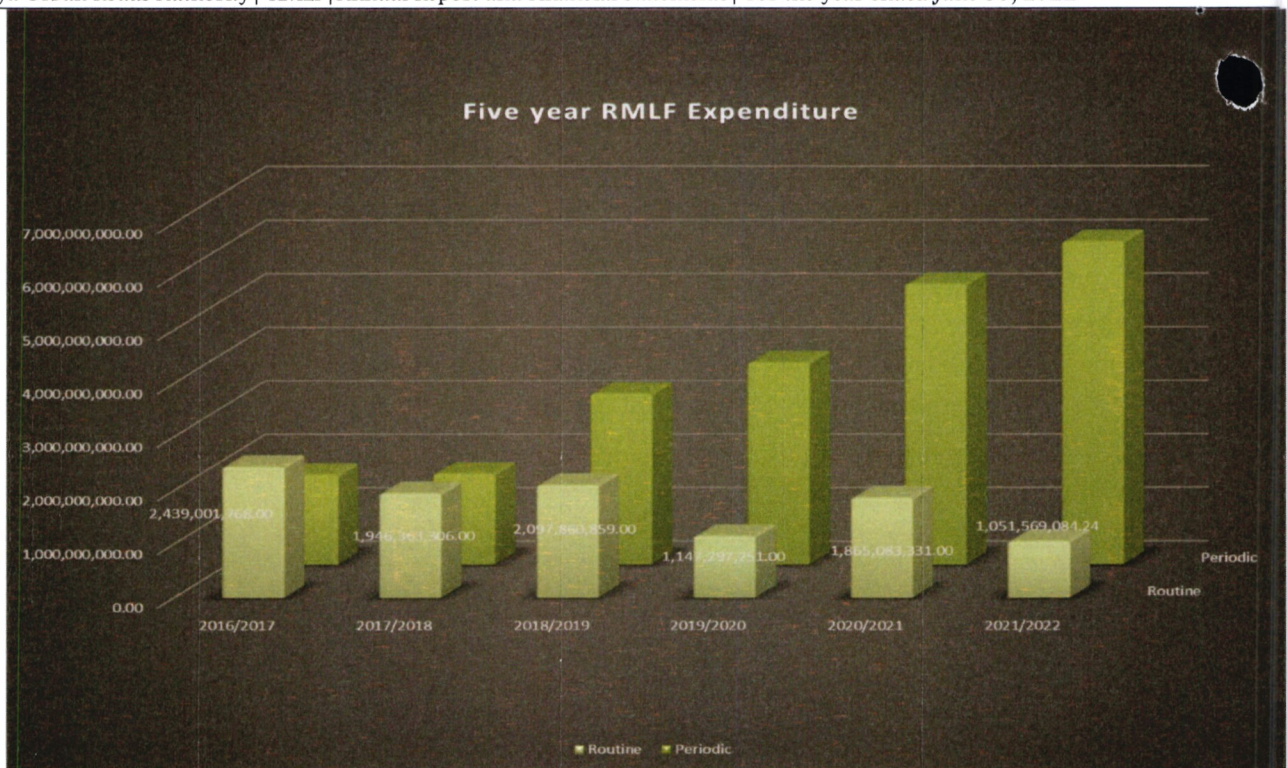


Figure 3: Authority’s Funding trend

3.7.2 Expenditure

Maintenance expenditure for urban roads network comprises of two components: routine and periodic maintenance. The main purpose of **maintenance** program is to safeguard the capital investment made in the infrastructure assets through routine maintenance and periodic maintenance works. **Routine road maintenance** works are usually non-structural in nature and are meant to extend the life of the pavement, to enhance the performance and to reduce user delays in road use.



Periodic maintenance on the other hand involves maintenance works that are carried out in intervals of years, that are of large-scale, and that are aimed at preserving the structural integrity of the road. This mainly involves activities aimed at rejuvenating the road surface and carrying out repairs over long stretches of road.



Figure 4: Muratina Road-Mathare Nairobi County
Overview of the financial statements

The financial statements are prepared for the roadworks component of the Road maintenance Levy Fund. They comprise of statements of financial performance, statement of financial position, statement of changes to net assets, statement of cash flow, statement of comparison of budget and actual amounts, accounting policies and notes.

Statement of financial performance shows the Authority's performance during the year indicating the revenue received as well as the expenditure incurred. The main source of revenue is RMLF Grants received from Kenya Roads Board in accordance to the Kenya Roads Board Act 1999. This is recurrent in nature and is utilised to maintenance of existing urban road network. Kenya Urban Roads Authority receives approximately 10.2% of the total RMLF collections during the year with the balance allocated to various other agencies as shown in **Figure 5 below**.

Road works expenditure is incurred based on the approved work plan by the Kenya Roads Board. Due to the nature of the procurement process is such that, the date at which the contracts are entered into and the date when the contracts are executed and completed usually fall into different reporting periods. To this extent, the Authority accounts for the related road maintenance costs under IPSAS 11 *Construction Contracts*. Costs incurred on maintenance contracts are charged in the statement of financial performance in the period in which they are incurred.

In determining the costs, the Authority uses the 'percentage-of-completion method' to determine the appropriate amount to recognize in each period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract based on Interim Payment Certificates (IPC) issued by the Engineer. Progress billings not yet paid to the contractors and retention money are included within 'Payables' in the statement of financial position.

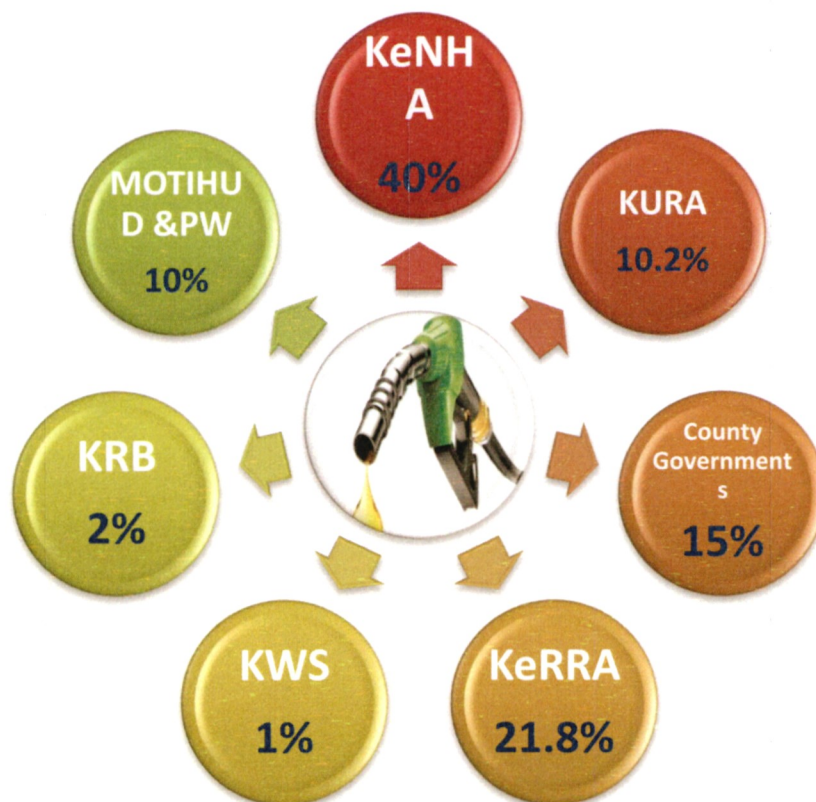


Figure 5: RMLF allocations

Surplus for the year represents unutilized funds at the end of the accounting period and is carried forward through the statement of changes in net assets for future utilization by the Authority on the specific contracts. The funds relate to unexecuted works for contracts in progress at year-end for which the funds are already committed. The funds are therefore ring-fenced by the contract provisions and are not available for any other purpose except for meeting the contract obligations already entered into by the Authority.

Statement of financial position presents the net assets position of the Fund (road works component) as at 30th June 2022. The net assets for the Fund at the end of the financial year amounted to **KSh. 6,611,205,100**.

3.7.3 Performance & Utilization of Funds

The Authority has continuously been committed to ensuring that the funds received from government as well as development partners have been applied for the purpose for which was intended and that the use of such resources is efficient and transparent, in accordance with the principles, procedures and requirements of the authority and sound professional practice with a focus on the value for money.

The Authority absorbed 100% of its original budget however, due to late allocation and addition of funds in the financial year towards additional projects, the Authority could not absorb all the funds despite expediting procurement process.

3.7.4 Pending Bills

There is no accumulation of pending bills for the RMLF contracts as the Annual Road works programme was fully funded. The payables presented in the statement of financial position have matching assets for settlement.



Eng. Silas M. Kinoti, MBS
Director General

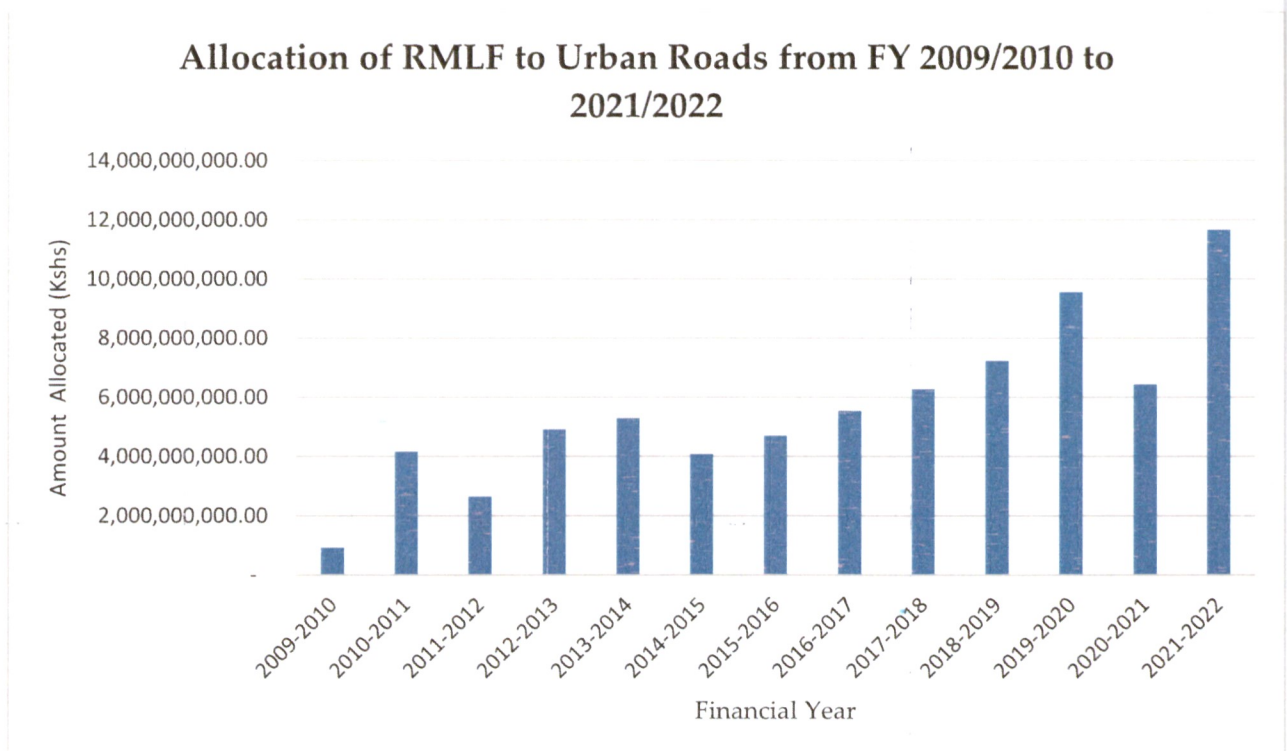
ENVIRONMENTAL AND SUSTAINABILITY REPORT

3.1 Sustainability Strategy & Profile

Kenya Urban Roads Authority mainstreams the global 2030 Agenda for sustainable Development in policies, programs and operations. The urban road network is a key enabler for the realization of the objectives of Kenya Vision 2030 as well as other government policy agenda. In the implementation of our Strategic Plan (2018-2022), we mainstream sustainability principles by adopting the triple bottom-line approach towards sustainable development of the urban road network. This approach constitutes integration of environmental safeguards, financial viability and feasibility as well as social acceptability facets as building blocks in the Authority’s operations. In the implementation of the sustainability agenda, the legal and policy framework as well as customer centred considerations are employed. These aspects drive the sustainable urban mobility and connectivity agenda of the Authority as outlined below.

3.2 Financial sustainability

Kenya Urban Roads Authority relies fully on the government funds and development partners’ grants in undertaking its mandate. Road maintenance Levy which is the main source of funding for maintenance of roads has been increasing progressively. The allocation of the fund to the Authority since inception is as tabulated below.



Despite the National Governments commitment in investment in the road infrastructure, funding for urban roads development and maintenance remains a major challenge for the Authority based on the budgetary allocations against the Authority's resource requirements. There is therefore need to increase allocation of the fund to the urban roads and explore alternative funding models for sustainability.

3.3 Environmental Performance

The Authority implements programs and projects in line with the national policy and legal requirements for environment, safety and health at various levels of risk exposure and mitigation. The safeguards requirements are adhered to by suppliers, contractors as well as all agents that deliver goods and services to and for the Authority. In the face of emerging global environmental concerns, we have adopted a climate proofing and resilient approach in the design and implementation of projects. This has been achieved through integrating climate change mitigation and adaptation measures such as adequate drainage structures, constructing walkways and cycle lanes, adopting intelligent transport system for decongestion of road traffic as well as tree planting and maintenance as carbon sinks.

The Authority incorporates environmental considerations in the design and implementation of projects through environmental and social impact assessment as well as environmental monitoring of the license conditions. Most of the projects implemented by the Authority pose medium level risks to the bio-physical and social environment. During the reporting period, over 50 projects underwent the environmental and social impact assessment process as per the legal requirement. In order to protect the livelihoods of communities within project sites, the Authority undertakes resettlement action plans as a tool to mitigate such potential socio-economic risks. The Safety and Health of the communities near project sites, employees, contractors and agents is ensured by adhering with the Occupational Safety and Health Act, 2007 requirements. The Authority as well incorporates environmental audit and social impact assessment in the assessment of post-construction impacts of projects.

3.4 Employee Welfare

The Authority has instituted measures to provide a conducive working environment for the well-being of staff and enhanced productivity. We have a comprehensive staff medical cover for both outpatient and inpatient services. This is in addition to group life policy WIBA contributory pension scheme and staff mortgage scheme. Annual staff appraisals are promptly undertaken and forms the basis for promotions and competency development through appropriate training for career development and personal growth.

A total of 193 employees were trained (including the carry-over training for the FY 2020/2021) as tabulated below. These were trainings on various professional skills and

competencies in addition to Continuous Development Programs offered by various professional bodies.

Period	No. Targeted	Actual	Variance
FY 2020/2021	89	88	-1
FY 2021/2022	85	81	-4
Total	201	193	-5

During the financial year 2021-2022, the Authority ensured compliance by submitting all the returns to the relevant regulatory institutions within the prescribed timelines. The Authority has put in place measures for compliance with the provisions of the Occupational Safety and Health Act, 2007. We undertake occupational health and safety assessment and risk assessment for improvement of the work environment for employees and customers.

3.5 Market Place Practices

3.5.1 Ethics and Integrity

The Authority has put in place dedicated measures to mainstream and foster a culture of integrity so as to uphold the principles of Good Governance, during the period under review the Authority continued to implement the Anti-Corruption policy, undertook a corruption risk assessment and implemented varied mitigation measures to address these risks. Further to this, the Authority implemented behaviour and social change initiatives in line with the Public Sector Integrity Programs.

A code of conduct is in place and our staff and stakeholders are required to observe strict adherence to it. Measures have also been put in place to manage conflict of interests as guided by the conflict of interest and gift policies.

3.5.2 Responsible Supply Chain and Supplier Relations

The Authority has aligned the Supply Chain processes to the Public Procurement and Disposal Act and the Public Procurement & Disposal Regulations, 2020. We continue to build the Capacity of our Suppliers through awareness creation on best practices, Fair procurement practices and on time payment.

Moreover, the Authority also conducts engagement forums with suppliers to garner feedback on areas of improvement in the Authority processes so to enhance service delivery. The Authority's Service Charter Guides Service Delivery standards detailing payment requirements and set timeframes for turnaround time for supplier payments. KURA has utilized innovation and technology in handling supplier payments to ensure application of the first in first out principle this is enabled by the Enterprise Resource Management System currently in use by the Authority. Effectiveness of all these measures is also monitored from time to time through internal audits and external checks to ensure continuous improvement.



Figure 6 : Capacity building of suppliers in Western Region to create awareness on access to Authority procurement opportunities

3.5.3 Responsible Marketing and advertisement

The Authority continues to implement policies on urban roads management in partnership with Strategic Partners such as County Governments to ensure continued expansion of the National Urban Road Network. We advocate for safe road use practices by use of media platforms for behavior and social change and advocacy on safe road use. and Road sharing to create a safe environment for both motorized and non-motorized traffic. The Authority also uses public fora to create stakeholder awareness on the Authority's mandate.

3.5.4 Product stewardship and Quality control

The Authority delivers her mandate on the principle of quality assurance and control. We are committed to adhering to quality standards and ensures value for money in all its expenditure. The Authority deployed an ERP system for implementation of projects and operations as a whole. The ERP system covers all the Authority's activities from policy, regulations, to construction norms and standards, contract supervision and workmanship. The Authority is ISO 9001:2015 certified, maintains the standard and continually improves its processes in compliance with the requirements. The Authority has also rolled out an information security management system ISO/IEC 27001 Standard

to better manage information within the Authority. Regular audits are also utilized as part of quality control. All our works implemented during the period under review were measured against established standards that dictate quality of materials and workmanship incorporated in the roadworks. Routine quality control monitoring was also undertaken to ensure conformity.



Figure 7: Quality Control - Inspection of works during substantial inspection of the upgrading of 8km Wajir bypass phase 1

3.5.5 Corporate Social Responsibility

In line with the Authority's culture of corporate giving, KURA continues to ink its mark in uplifting the welfare of vulnerable members in the Society. During the 2021/2022 the Authority constructed two classrooms at Karoti Girls in Kirinyaga County, Constructed a classroom at Lake Baringo Secondary School in Baringo County. Renovated a Kitchen at SSD Primary School along Tom Mboya Road in Nairobi County, Constructed sanitation facilities in Kiiri Mixed secondary school in Muranga County and another one was built at St Basil Primary School in Lurambi Kakamega County.



Figure 8 : Completed Classroom of Lake Baringo Secondary School.

Inset a classroom built under the KURA CSR program at Lake Baringo Secondary school in Baringo County. A total of five bus shelters were also constructed at strategic locations as part of the Authority CSR initiatives during the period under review two of the bus shelters are in Kisii Town, Two in Meru Town and one in Nakuru Town. The bus shelters protect road users from weather elements. In the FY2021/2022 the Authority also supported the Nyeri Hospice by raising a total of Ksh.200,000 to provide palliative care to under privileged patients living with Cancer & HIV/AIDS

3.5.6 Community Engagement and Welfare

Public participation is a constitutional requirement in the design and implementation of government projects. The Authority has a functional policy framework that addresses the interests of customers and the larger public in the execution of her mandate. Stakeholders mapping and engagement provides customer feedback to inform decision making for continual improvement. A total of Fifty-Nine Stakeholder and community engagement forums were conducted during the reporting period.



Figure 9: Stakeholders' Consultation Meeting of Isiolo Town Roads in Bute Town, Isiolo County held on 2nd February, 2022 (The Senator Addressing the Meeting).

The design of urban road infrastructure takes in consideration the needs and expectation of vulnerable persons including those living with disability as well as non-motorized road users, through construction of footbridges, ramps and walkways appropriately. The Authority prioritizes access to job opportunities by communities living near project areas. During the period under review, a total of Sixteen Thousand, one Hundred and sixty-four (16,164) jobs were created which was boosted by the implementation of projects in densely populated informal settlements within Nairobi City.

3.5.7 Collaboration and Partnership

The Authority has instituted measures and tools for working with partners and collaborators in the execution of her mandate. We enjoy cordial relations with global development partners and Local Financiers, regulators, road users, County Governments, road sector implementing agencies and other sector players. We have engaged various development partners such as The World Bank, The Africa Development Bank, Korea Exim Bank, The European Union among others in the implementation of road infrastructure projects.

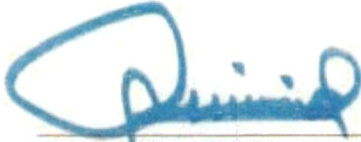


Figure 10: Director General Eng. Silas Kinoti, MBS flanked by Ag. Director Urban Road Planning & Design Eng. Jacinta Mwangi are joined by a team from Korean Consortium Chiel Engineering after signing of the Phase one Intelligent Transport System Consultancy Contract.



Figure 11: Kenya Urban Roads Authority hosts the Chairs of Constitutional Commissions during an engagement forum held at KICC.

The Authority implemented memoranda of understanding as framework for broader scope of engagement with county governments in the expansion of the urban road's footprint in county headquarters. We as well entered in to memoranda of agreement for execution of projects with public sector institutions for implementation of the research and innovation agenda.



Eng. Silas M. Kinoti, MBS
Director General

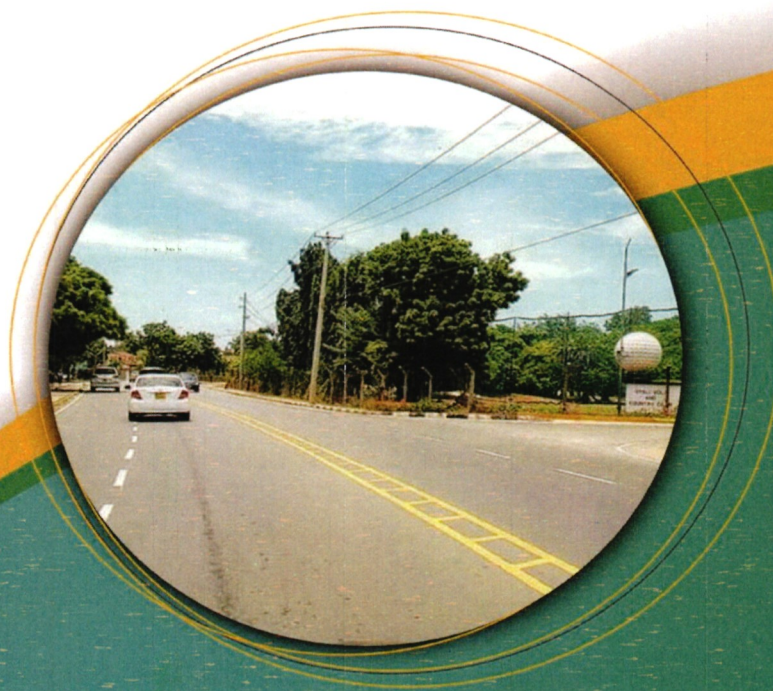


KENYA URBAN ROADS AUTHORITY

Enhancing urban mobility

Our Corporate Objectives

1. Planning and development of world-class urban roads and attendant infrastructure
2. Development and deployment of latest technological solution in road planning, design, development and management.
3. Implement institutional capacity and corporate governance principles that support execution of KURA's strategy.



REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements for the year ended 30th June 2022, in accordance with the provisions of section of the 38 of Kenya Roads Act 2007 which disclose the state of affairs of the Authority.

Principal activities

The Authority is responsible for the management, development, rehabilitation and maintenance of all public roads in the cities and municipalities in Kenya except where those roads are national roads.

Results

The results for the Authority for the financial year ended 30 June 2022 are set out on page 49.

Directors

The directors who held office during the year and to the date of this report are set out on page 11-14.

Auditors

The Auditor General is responsible for the statutory audit of the Authority's books of account in accordance with the provisions of Article 229 of the Constitution of Kenya, Kenya Roads Act 2007 and the Public Audit Act, 2015

By order of the board



Eng. Silas M. Kinoti, MBS
Secretary to the Board

29th September 2022

STATEMENT OF DIRECTORS RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, require the Directors to prepare financial statements in respect of the Authority, which give a true and fair view of the state of affairs of the Authority at the end of the financial year and the operating results of the Authority for that year. The Directors are also required to ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy the financial position of the Authority. The Directors are also responsible for safeguarding the assets of the Authority.

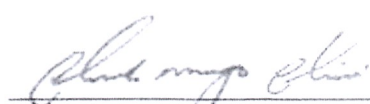
The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on June 30, 2022. This responsibility includes: (i) maintaining adequate 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 Authority; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Authority; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.


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

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

Approval of the financial statements

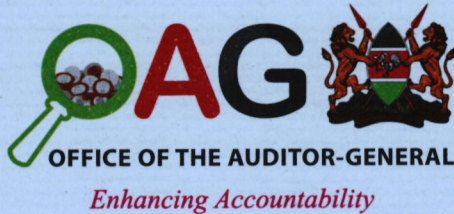
The Authority's financial statements were approved by the Board on 29th September 2022 and signed on its behalf by:


Eng. Charles M. Chiuri
Chairman


Eng. Silas M. Kinoti, MBS
Director General

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON ROAD MAINTENANCE LEVY FUND FOR THE YEAR ENDED 30 JUNE, 2022 - KENYA URBAN ROADS AUTHORITY

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 Authorities 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

Qualified Opinion

I have audited the accompanying financial statements of Road Maintenance Levy Fund set out on pages 50 to 84, 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 the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects the financial position of Road Maintenance Levy Fund 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 Kenya Roads Act, 2007.

Basis for Qualified Opinion

1. Non-compliance with Public Sector Accounting Standards Board Reporting Requirements

Review of the financial statements for submitted for audit indicate that the Authority prepared financial statements that did not comply with the recommended reporting template by the Public Sector Accounting Standards Board. The financial statements reported both operations and the works components while the reporting template recommends road works expenses and transfer to operations and development.

In the circumstances, the financial statements were not prepared in accordance with the guidelines issued by the Public Sector Accounting Standards Board.

2. Receivables from Non-Exchange Transactions

The statement of financial position reflects receivables from non-exchange transactions of Kshs.5,097,011,271 as at 30 June, 2022 as disclosed in Note 19 to the financial statements. Included in the balance is grants receivable-RMLF of Kshs.5,077,624,094 due from Kenya Roads Board. However, the audited financial statements of Kenya Roads Board Fund reflect RMLF disbursement payable to Kenya Urban Roads Authority of Kshs.2,322,321,695 as at the same date, resulting to unreconciled difference of Kshs.2,755,302,399.

In the circumstances, the accuracy of RMLF grants receivable of Kshs.5,077,624,094 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Road Maintenance Levy Fund 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 qualified opinion.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Unimplemented Projects in Annual Public Roads Program

Review of the road contracts and records on projects implementation under Road Maintenance Levy Fund revealed that road maintenance projects totalling Kshs.91,074,153 (**Appendix I**) in the Annual Public Roads Program (APRP) were not implemented.

In the circumstances, expected benefits of the unimplemented projects did not accrue to the public and there was non-compliance with the approved budget.

2. Road Maintenance Projects

2.1 Nairobi Outering Road Improvement Project

The contract for Nairobi Outering Road Improvement project was awarded at a contract price of Kshs.8,263,399,494 and ended in April, 2020 with a two years defects liability period.

As previously reported, the project was on a maintenance contract but had challenges of open drainages that were used as receptacles of garbage/dumpsites. It was also noted that there were mounds of garbage by the roadside on certain sections.

Audit inspection carried out on 15 February, 2023 noted improvements on the observations made in the previous year. However, following issues were still outstanding;

- (i). Cleaning of closed drains was not done well and some drainage covers had been vandalized. The maintenance contractor on site needs to plan for occasional cleaning of the closed drains to avoid flooding especially during rainy season.
- (ii). Dumping of garbage on various sections of the road was seen to be posing a challenge to the contractor.
- (iii). Pedestrians were seen to cross the road on various sections whereas there are footbridges erected for crossing.

In the circumstances, there is a risk of flooding on the road and loss of pedestrians' lives especially where there are no barriers.

2.2 Improvement of Nairobi Lot 2 - Upgrading of Shreeji Road and Parts of Likoni and Enterprise Roads (Contract No.KURA /HQ/330/2019-2020)

The contract for the road works was awarded at a contract sum Kshs.892,661,116 on 08 September, 2020, contract duration of 24 months and an expected completion date of 30 September, 2022. It also included a 36 months PBC maintenance contract at a cost of Kshs.13,250,790. The scope of the contract included rehabilitation and upgrading of single carriageway of Shreeji road (1.1K.m) to two lanes two-way 7m, construction of walkways and drains, expansion of existing bridge over rail on Likoni road and river bridge on Enterprise road, concrete drains on both sides, pipe culverts and other drainage works and road furniture.

The contract duration elapsed and the contract period was subsequently extended to 08 April, 2023. The contractor is however still behind schedule as some of the major road works had not been undertaken as detailed below:

- (i). Likoni road bridge section is incomplete.
- (ii). Enterprise road bridge section is incomplete; provision of the pavement structure is incomplete. It was agreed with the Authority, that for this section the contractor would submit design drawings for the proposed bridge structure.
- (iii). A section of Shreeji road is incomplete. The contractor was doing earthworks as at the time of the audit on 15 February, 2023. It was agreed that the contractor submit a workplan which will be shared with the owners of the warehouses whose access will be affected as the contractor carries out the remaining construction works.

In the circumstances, it is unlikely that the project will be completed by the new completion date of 8 April, 2023 and there is a risk that costs may escalate due to the effects of inflation extension of time.

2.3 Eastern By-pass Road-Footbridge near Cabanas Area

The construction of the footbridge was carried out by the Authority through funding from African Development Bank and completed for use to motorists several years back. The Authority had also erected metal barriers along the road and in between the bars were light metal sheets to ensure that the pedestrians do not cross the road at undesigned areas but instead use the footbridge for their own safety.

During the audit inspection carried out on 15 February, 2023, it was observed that the barriers were either crashed by speeding vehicles or had been vandalised. This resulted to risk of loss of lives by pedestrians not using the footbridges. This issue had been noted and reported in the previous year's audit with no intervention from Management of the Authority.

In the circumstances, there is a risk of loss of pedestrians' lives as there are no barriers to ensure safe usage of the footbridge and the public may not get value for money on the road maintenance contract.

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 OVERALL GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit so as to obtain assurance as to whether effective processes and systems of internal control, risk management and governance was maintained 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 Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal controls 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 Fund's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the Management is aware of the intention to terminate the Fund 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 Fund's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall

governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Fund'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 Management.
- Conclude on the appropriateness of 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 Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund 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 Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with 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 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

06 June, 2023


Appendix I - Unimplemented Projects in Annual Public Roads Program

Periodic	Amount (Kshs.)
Bibirioni - Ngarariga - Kamirithu	7,901,563
C505/Kiriaini Rd - Muranga Mortuary - Children Department Loop Roads (Vidhu Pry Roads)	12,937,720
Kamakwa -Nyeri To Blue Valley	15,212,152
Beevers Hotel - Meeting Point Phase II	12,108,109
Routine	
Lacquinta Hotel to Flamingo Bar – Tiema (C.B.D)	7,064,150
Muregeti-Kinyogori – Limuru Town	7,118,940
C544-St Mary Bus Stage - Muranga-High to Law Court. (Muranga High - Bus Stage)	12,081,900
Masaku - Wataalam	6,752,472
Broadway - CBD (General Kago Rd - Mku - A3), P 3	9,897,147
Total	91,074,153

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

		2021-2022	2020-2021
		Kshs	Kshs
REVENUE			
Revenue from non-exchange transactions			
Road maintenance Levy Fund	7	11,666,652,986	6,447,467,129
Penalties and levies	8	9,299,111	10,513,641
Total Revenue from non-exchange transactions		11,675,952,097	6,457,980,770
Revenue from exchange transactions			
Finance income	9	184,792,047	291,481,473
Other income	10	9,451,444	2,547,460
Total Revenue from exchange transactions		194,243,491	294,028,933
Total Revenue		11,870,195,588	6,752,009,704
EXPENSES			
Certified works	11	6,613,615,645	6,346,571,506
Work support services	12	185,462,546	146,660,250
Directors' expenses	13	19,657,643	10,255,434
Employment costs	14	1,238,222,438	1,079,439,429
Depreciation and amortization costs	15	96,917,957	74,473,619
Use of goods and services	16	226,231,881	197,473,152
Repairs and maintenance	17	35,952,151	46,360,583
Total expenses		8,416,060,261	7,901,233,973
Surplus/(Deficit) for the year		3,454,135,327	(1,149,224,269)

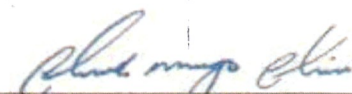
The significant accounting policies and the notes on pages 49 to 77 form an integral part of these financial statements. The financial statements on pages 49 to 82 were approved by the board of directors on 28th September 2022 and were signed on its behalf by:



Eng. Silas M. Kinoti, MBS
Director General



CIA Reuben Mayienda
Director corporate services
ICPAK Member No:4941




Eng. Charles M. Chiuri
Chairman

STATEMENT OF FINANCIAL POSITION**AS AT 30 JUNE 2022**

	Note	2021-2022 Kshs	2020-2021 Kshs (Restated)
ASSETS			
Current assets			
Cash and cash equivalents	18	4,455,069,506	6,755,061,559
Receivables from non-exchange transactions	19	5,097,011,271	1,139,668,333
Inventories	20	4,276,893	18,537,370
Total Current assets		9,556,357,669	7,913,267,262
Non-current assets			
Infrastructure Work-In-Progress	21	1,854,182,221	754,897,092
Intangible assets	22	4,727,909	9,455,818
Property, plant and equipment	23	351,668,244	337,214,297
Total non-current assets		2,210,578,373	1,101,567,207
Total Assets		11,766,936,042	9,014,834,469
LIABILITIES			
Current liabilities			
Payables from exchange transactions	24	262,207,637	853,829,861
Payables from Non exchange transactions	24	24,024,532	56,973,239
Employee Benefits Obligations	24	45,711,469	45,983,627
Current tax	25	41,802,713	-
Total current liabilities		373,746,351	956,786,727
Non-current liabilities			
Payables from exchange transactions	24	1,176,007,856	1,295,001,233
Total liabilities		1,549,754,207	2,251,787,960
Net assets		10,217,181,835	6,763,046,509
REPRESENTED BY:			
Revaluation Reserve	4(s)(i)	96,718	128,957
Accumulated surplus	4(s)(ii)	7,385,837,605	4,131,670,039
Staff Mortgage Fund	4(s)(iii)	511,247,512	311,247,512
Road assets reserve fund	4(s)(v)	2,320,000,000	2,320,000,000
Total Nets Assets and Liabilities		10,217,181,835	6,763,046,509

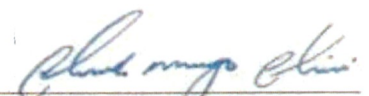
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Eng. Silas M. Kinoti, MBS
Director General



CIA Reuben Mayienda
Director corporate services
ICPAK Member No:4941



Eng. Charles M. Chiuri
Chairman

STATEMENT OF CHANGES IN NET ASSETS (FUND BALANCE)**FOR THE YEAR ENDED 30 JUNE 2022**

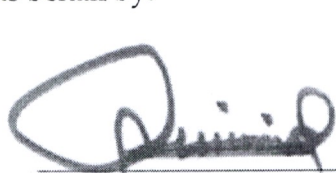
	Accumulated Surplus Kshs	Revaluation Reserve Kshs	Staff Mortgage Fund Kshs	Road Assets reserve Fund Kshs	Total Kshs
As at 1st July 2020					
Prior year adjustment	5,275,526,733	9,531,337	307,212,708	2,320,000,000	7,912,270,778
As Restated	5,275,526,733	9,531,337	307,212,708	2,320,000,000	7,912,270,778
Transfer of excess depreciation on revaluation	9,402,380	(9,402,380)	-	-	-
Interest earned	(4,034,804)	-	4,034,804	-	-
Deficit for the year	(1,149,224,269)	-	-	-	(1,149,224,269)
As at 30th June 2021	4,131,670,039	128,957	311,247,512	2,320,000,000	6,763,046,509
As at 1st July 2021					
Surplus for the year	4,131,670,039	128,957	311,247,512	2,320,000,000	6,763,046,509
Transfer to staff mortgage fund	3,454,135,327	-	-	-	3,454,135,327
Transfer of excess depreciation on revaluation	(200,000,000)	-	200,000,000	-	-
	32,239	(32,239)	-	-	-
As at 30th June 2022	7,385,837,605	96,718	511,247,512	2,320,000,000	10,217,181,836

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

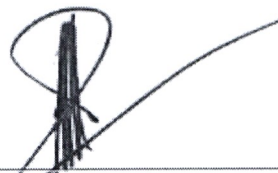
STATEMENT OF CASH FLOWS**FOR THE YEAR ENDED 30 JUNE 2022**

	Note	2021-2022 Kshs	2020-2021 Kshs
Cashflow from/(used in) operating activities		<u>(1,094,062,929)</u>	<u>18,831,607</u>
Cash flows from investing activities			
Infrastructure work In progress	25	(1,099,285,129)	(754,897,092)
Intangible assets	21	-	(14,183,727)
Purchase of property plant and equipment	22	<u>(106,643,995)</u>	<u>(406,960,007)</u>
<i>Net cash used in investing activities</i>		<u>(1,205,929,124)</u>	<u>(1,176,040,826)</u>
Financing activities			
Reserves brought forward		-	7,912,270,778
<i>Net cash used in financing activities</i>		<u>-</u>	<u>7,912,270,778</u>
Net increase in cash and cash equivalents		(2,299,992,052)	6,755,061,558
Cash and cash equivalents at start of year		<u>6,755,061,559</u>	<u>-</u>
Balance of reserves b/f			
Cash and cash equivalents at end of year	17	<u>4,455,069,506</u>	<u>6,755,061,559</u>

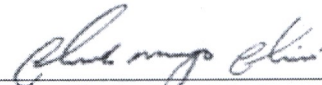
The significant accounting policies and the notes on pages 54 to 82 form an integral part of these financial statements. The financial statements on pages 49 to 82 were approved by the board of directors on 29th September 2022 and were signed on its behalf by:



Eng. Silas M. Kinoti, MBS
Director General



CTA Reuben Mayienda
Director corporate services
ICPAK Member No:4941



Eng. Charles M. Chiuri
Chairman

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT

FOR THE YEAR ENDED 30 JUNE 2022

	Original budget 2021-2022 Kshs	Adjustments 2021-2022 Kshs	Final budget 2021-2022 Kshs	Actual on comparable basis 2021-2022 Kshs	Performance difference 2021-2022 Kshs
REVENUE					
RMLF Funds	6,651,970,473	5,014,682,513	11,666,652,986	11,666,652,986	-
AIA - Interests and other incomes	70,000,000	-	70,000,000	203,542,602	(133,542,602)
Total income	6,721,970,473	5,014,682,513	11,736,652,986	11,870,195,588	(133,542,602)
EXPENDITURE					
Property plant and Equipment	121,300,000	-	121,300,000	106,643,995	14,656,005
Board of Directors Expenses	30,000,000	-	30,000,000	19,657,643	10,342,357
Compensation to employees	1,501,793,000	-	1,501,793,000	1,238,222,438	263,570,562
Depreciation & Amortization Costs	10,000,000	-	10,000,000	96,917,957	(86,917,957)
Operating & other Administrative Costs	228,085,200	-	228,085,200	226,231,881	1,853,319
Repairs and maintenance	70,821,800	-	70,821,800	35,952,151	34,869,649
Road Rehabilitation & Maintenance Costs	4,759,970,473	5,014,682,513	9,774,652,986	6,799,078,191	2,975,574,795
Road Infrastructure Assets					
Total expenditure	6,721,970,473	5,014,682,513	11,736,652,986	8,522,704,256	3,213,948,730
Surplus for the year	-	-	-	3,347,491,332	(3,347,491,332)
RECONCILIATION					
Surplus as per statement of budget and actual amounts				3,347,491,332	
Add: Purchase of Assets				106,643,995	
Surplus as per statement of financial performance				3,454,135,327	

The significant accounting policies on pages and the notes on pages 54 to 82 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. General Information

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

2. Statement of compliance and basis of preparation

The Road Maintenance Levy Fund (road works component) Financial Statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) issued by International Public Sector Accounting Standards Board (IPSASB), the Public Financial Management Act, 2012, Public Audit Act, 2015 and Kenya Roads Act 2007. The accounting policies adopted have been consistently applied to all the years presented.

The financial statements have been prepared on a historical cost basis unless stated otherwise. The cash flow statement is prepared using the indirect method.

The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Authority's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Authority.

3. Adoption of new and revised Standards

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

4. Adoption of new and revised Standards

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

i. 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.

Key Requirements	Effective Date	Impact to the Authority
IPSAS 41: Financial Instruments		
<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 	<p>1st January 2023:</p>	

Key Requirements	Effective Date	Impact to the Authority
<p>arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</p>		
IPSAS 42: Social Benefits		
<p>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.</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</p>	1st January 2023	
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments		
<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</p>	1st January 2023:	

Key Requirements	Effective Date	Impact to the Authority
classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.		
Other improvements to IPSAS		
<ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008). • <i>IPSAS 39: Employee Benefits</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS. • IPSAS 29: Financial instruments: Recognition and Measurement Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023. 	1st January 2023	
IPSAS 43		
<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 recognize, measure and present information on right of use assets and lease liabilities.</p>	January 2025	
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations		
<p>The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held</p>	January 2025	

Key Requirements	Effective Date	Impact to the Authority
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.		

iii. Early adoption of standards

The Authority did not early-adopt any new or amended standards in year 2022.

5. Summary of significant Accounting Policies

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

(a) Basis of Preparation

The financial statements have been prepared under the historical cost convention, unless otherwise stated. The Financial Statements are presented in Kenya Shillings which is the functional and reporting currency of the Authority.

(b) Presentation of Financial Statements

The financial statements comprise of statement of financial performance, statement of financial position, statement of changes in net assets/reserves, the statement of cash flows and statement of comparison of budget and actual amount and the notes to the financial statements.

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

The disclosure on risks are presented in the financial risk management objectives and policies contained in note 26.

(c) Budget Information

The original budget for FY 2021-2022 was approved by the National Assembly on 9th June 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities.

The Authority's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

(d) Taxation

The Authority is an appointed tax agent for Kenya Revenue Authority with the mandate to withhold tax and remit to Kenya Revenue Authority. The withheld taxes are recognized as current liabilities until paid to the relevant Authority.

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

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(e) Translation of foreign currencies

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

(f) Revenue recognition

Revenue comprises the fair value of consideration received or receivable in the ordinary course of business. In accordance with the Kenya Roads Act 2007, revenue comprises all proceeds from the Kenya Roads Board Fund, Grants, Loans and donations from Central Government and Development partners, and such moneys, sums or assets that may accrue to the Authority. The revenue is for specified purposes including maintenance, rehabilitation and development of the urban road network in Kenya.

The Authority recognizes revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Authority.

i) Road Maintenance Levy Fund

Receipts from the Road Maintenance Levy Fund comprise of 10% of collections from the Road Maintenance Levy Fund administered by the Kenya Roads Board in accordance with the Kenya Roads Board act 1999. The grant is recognized as income over the period necessary to match them with the related costs, for which they are intended to compensate, on a systematic basis. The unspent portion at the end of the year is presented in the statement of financial position as deferred revenue and recognized in statement of financial performance on a systematic basis over the contract period.

ii) Transfers from Government and other entities

The Kenya Roads Act 2007 provides the Authority may receive all monies from any other source provided for or donated or lent to the Authority. Such monies are recognized as they accrue in the period in which the transfer becomes binding at fair value, in the Statement of Financial Performance, unless the collectability is in doubt. The fair values can be determined by reference to the market rate.

Where a transfer is subject to conditions that if unfulfilled require a return of the transferred resources they are recognized as a liability until the condition is fulfilled.

iii) Interest Income

Interest income and expense, including interest income from non-derivative financial assets are recognized at fair value through the Statement of Financial Performance using the effective interest method. Interest income is accrued on a time basis and is calculated on call and fixed deposits held with approved banking institutions.

iv) Fees, Penalties and Other income

Other income arising from sale of tenders and fees levied by the Authority is accounted for on receipt

(g) Financial Instruments

(i) Financial assets

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

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Authority provides money or services directly to a debtor with no intention of trading the receivable. Receivables mainly arise from non-exchange transactions which accrue in the ordinary course of business and there is no intention of trading the receivable.

Receivables are recognized initially at the fair value. They are subsequently measured at amortized costs using the effective interest method less provision for impairment.

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

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

The Authority is allocated funds by the Central Government and Kenya Roads Board in accordance with the approved budget and allocation criteria set out in the Kenya Roads Board Act, 1999. The amounts allocated are referred to as 'disbursements' and are released to the Authority based on the disbursement schedule. Any amounts not released at any time are recognized as receivables.

Receivables are classified as current assets if payment is due within one year or less. If not, they are presented as non-current assets.

(ii) Financial Liabilities

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

Payables

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

Payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. The historical cost carrying amount of payables subject to the normal credit terms usually approximates fair value. Payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of business if longer). If not, they are presented as non-current liabilities.

(h) Provisions

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

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

Contingent Liabilities

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

Contingent assets

The Authority does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Authority in the notes to the financial statements.

Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs

(i) Operating leases

Leases of assets where a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made/received under operating leases are charged/credited to the statement of financial performance on a straight-line basis over the lease period. Prepaid operating lease rentals are recognized as assets and are subsequently amortized over the lease period.

(j) Provision for liabilities and charges

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

(k) Property, plant and equipment

All categories of property, plant and equipment are initially recognized at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure directly attributable to the acquisition of the assets. Computer software, including the operating system that is an integral part of the related hardware is capitalized as part of the computer equipment. All other items of property, plant and equipment are subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. Repairs and maintenance expenses are charged to the statement of financial performance in the year in which they are incurred.

Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value

Depreciation is calculated using the straight line method to write down the cost of each asset to its residual value over its estimated useful life using the following annual rates:

	Rate
	- %
Road Work In Progress	Nil

As no parts of items of property, plant and equipment have a cost that is significant in relation to the total cost of the item, the same rate of depreciation is applied to the whole item.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating surplus.

(l) Specialised Public Service Assets-Road Work In Progress

International Valuation Standards Committee defines specialized public asset as an asset, owned and/or controlled by a governmental or quasi-governmental entity, for the provision of some public service or good.

The authority deals in construction of roads infrastructure which falls in this category and constitutes part of property, plant and equipment within the meaning of IPSASs.

Like other assets, all specialized public service assets provide either service potential or future economic benefit. Service potential is a measure of the capacity of an asset to provide services or benefits to those that use that asset. Future economic benefit is a measure of the capacity of an asset to provide monetary benefits to those that hold or own that asset. Currently the Authority classifies these assets as capital work in progress

(m) Construction contracts

A construction contract is defined as a contract specifically negotiated for the construction of an asset. Contract costs are recognized as assets in the period in which they are incurred.

Where the outcome of a construction contract can be estimated reliably, costs are recognized by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive

payments are included to the extent that the amount can be measured reliably and its payment is considered probable.

The Authority uses the 'percentage-of-completion method' to determine the appropriate amount to recognize in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

Progress billings not yet paid to the contractors and retention are included within 'Payables' in the statement of financial position.

Costs incurred on maintenance contracts are charged in the statement of financial performance in the period in which they are incurred.

(n) Impairment of Non-Financial Assets

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

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

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

(o) Inventories

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

Costs incurred in bringing each product to its present location and condition is accounted for, based on purchase cost using the weighted average cost method.

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

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

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

(p) Cash and Cash Equivalents

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

(q) Nature and purpose of reserves

The Authority creates and maintains reserves in terms of specific requirements.

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

- i. **Road projects reserve funds** which relate to cumulative exchequer and development partners' funds received for development projects which currently stands. This represents the Authority's Investment in Road works to 30 June 2022.
- ii. **Accumulated Surplus:** relates to accounting surplus which accrues from unutilised funds for the roadworks component of the road maintenance levy fund (RMLF). The funds relate to unexecuted works for contracts in progress at year-end for which the funds are already committed. The funds are ring-fenced by the contract provisions and are not available for any other purpose except for meeting the contract obligations already entered into by the Authority

(r) Changes in accounting policies and estimates

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

(s) Employee Benefits

The Authority provides retirement benefits for its eligible employees. The Authority operates defined contributions provident fund administered by an independent administration company and trustees and which is funded by both the employee and employer.

The Authority and its employees also contribute to the statutory pension scheme, the National Social Security Funds (NSSF). Contributions are determined by the local statute. The Authority also sets aside on monthly basis the gratuity for its employees who are on contract basis.

The contributions to fund obligations for the payment of retirement benefits are charged to the statement of financial performance in the year in which they become payable.

(t) Comparatives

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

(u) Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2022

6. Significant Judgments and Sources of Estimation Uncertainty

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

consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

(a) Critical Judgments in Applying the Authority's Accounting Policies

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

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

(b) Critical Accounting Estimates and Assumptions

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

(i) Contingent Liabilities

As disclosed in these financial statements, the Authority is exposed to various contingent liabilities in the normal course of business. The directors evaluate the status of these exposures on a regular basis to assess the probability of the Authority incurring related liabilities. However, provisions are only made in the financial statements where, based on the directors' evaluation, a present obligation has been established.

(ii) Provision for Doubtful Debts

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

(iii) Other Provisions

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

(iv) Impairment Losses

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

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

7. Government Grants and Subsidies**a) Road maintenance Levy Fund**

	2021-2022	2020-2021
	Kshs	Kshs
Road Maintenance Levy Fund (Works)	9,774,652,986	4,755,217,129
Road Maintenance Levy Fund (Operations)	<u>1,892,000,000</u>	<u>1,692,250,000</u>
Total Road Maintenance Levy Fund	<u>11,666,652,986</u>	<u>6,447,467,129</u>

Road Maintenance Levy Fund (RMLF) comprise of 10.2% of collections from the Road Maintenance Levy Fund administered by the Kenya Roads Board in accordance with the Kenya Roads Board act 1999. The fund is utilized in maintenance of the road network in accordance with the applicable law. The grant is recognized as income over the period necessary to match them with the related costs, for which they are intended to compensate, on a systematic basis.

Development component of the fund is utilized towards major rehabilitation works classified as non-current assets in the Statement of financial Position. This is accounted for through the Statement of changes in Net Assets.

a) Transfers from Ministries, Departments and Agencies

Name of agency	Amount	Total grant	
	recognised in the statement of financial performance	revenue during the year 2021-2022	2020-2021
	Ksh	Ksh	Ksh
Kenya Roads Board (RMLF-Roadworks)	9,774,652,986	9,774,652,986	4,755,217,129
Kenya Roads Board(RMLF-Operations)	1,892,000,000	1,892,000,000	1,692,250,000
Sub Total	11,666,652,986	11,666,652,986	6,447,467,129

	2021-2022	2020-2021
	Kshs	Kshs
8. Penalties and Levies		
Liquidated Damages	2,179,111	5,933,641
Road cutting fees	7,120,000	4,580,000
	<u>9,299,111</u>	<u>10,513,641</u>
9. Finance Income		
Net Interest on bank deposits	<u>184,792,047</u>	<u>291,481,473</u>
10. Other Income		
Tender sales	1,640	19,000
Asset disposal	9,449,804	-
Other Income	-	2,528,460
Total Other Income	<u>9,451,444</u>	<u>2,547,460</u>
11. Certified works		
Routine maintenance	1,837,327,595	1,865,083,331
Periodic maintenance	4,776,288,051	4,481,488,175
Total certified works	<u>6,613,615,645</u>	<u>6,346,571,506</u>

	2021-2022	2020-2021
	Kshs	Kshs
12. Work Support Services		
Consultancy, Planning, Feasibility ESIA Costs	42,553,127	34,717,338
Road Safety and Children's Traffic Parks Costs	15,848,690	35,091,371
Road Furniture and Road Marking	12,822,104	3,836,100
Traffic census and forward planning	7,468,861	9,100,751
Axle load control costs	10,588,673	2,970,800
Road reserve mapping and control costs	29,844,531	15,533,748
Design inhouse	15,197,263	15,907,701
Special Programmes and environmental awareness costs	33,615,281	21,593,744
Intelligent Traffic Management System Costs	17,524,016	7,908,696
Total work support services	185,462,546	146,660,250
13. Directors' expenses		
Directors' Emoluments	7,098,000	7,403,050
Training and Development	5,210,548	2,449,510
Travelling and subsistence	7,349,095	402,874
Total directors' expenses	19,657,643	10,255,434
14. Employment costs		
Salaries and wages	855,139,736	822,712,398
Pension and Garatuity costs	97,741,156	90,159,050
Medical and Insurance	71,859,877	66,825,153
Training and Development	91,192,050	3,270,104
Travelling and subsistence	119,833,407	94,702,093
Other Staff Welfare costs	2,456,213	1,770,632
Total employment costs	1,238,222,438	1,079,439,429
15. Depreciation and Amortization costs		
Depreciation on Property Plant and Equipment	92,190,048	69,745,710
Armotisation of Intangible Assets	4,727,909	4,727,909
	96,917,957	74,473,619

	2021-2022	2020-2021
	Kshs	Kshs
16. Use of Goods and services		
Audit fees	2,900,000	2,900,000
Consultancies	5,089,698	14,376,400
Conference and seminars	47,897,469	27,466,479
Subscriptions	-	74,100
Communication costs	11,267,030	6,695,814
Vehicle running expenses	14,784,268	13,561,003
Printing and stationery	23,737,834	16,075,794
Other occupancy costs	711,830	3,253,929
Electricity and water	15,161,048	10,504,258
Advertising , Publicity and CSR expenses	36,232,163	34,405,158
Bank charges and commissions	1,871,067	778,246
Security costs	18,634,279	25,933,954
Cleaning and sanitation	10,974,816	13,282,620
Information Security Management costs	4,550,771	4,479,836
ISO monitoring and surveylance costs	4,098,162	756,000
Postage and courier	441,142	482,552
Insurance	10,570,766	11,560,898
Consumables	13,018,782	9,578,203
Legal expenses	-	985,393
Newspapers and periodicals	291,057	322,515
Research and innovation expenses	3,999,700	-
Total General Expenses	226,231,881	197,473,152
17. Repairs and maintenance costs		
Equipment and Machinery	7,135,817	10,458,860
Motor vehicles	12,989,744	15,902,483
Computer and accessories	15,826,590	19,999,239
Total Repairs and Maintenance Costs	35,952,151	46,360,583

	2021-2022	2020-2021
	Kshs	Kshs
18. Cash and cash equivalents		
Current accounts	3,943,548,342	6,443,601,456
Staff mortgage fund	511,247,513	311,247,513
Cash in Hand	273,650.90	212,590.90
	<u>4,455,069,506</u>	<u>6,755,061,559</u>
The cash in hand and at bank is held with the following approved commercial banks in Kenya.		
Current accounts		
KCB Bank Limited	2,874,425,598	5,263,892,141
Co-operative Bank of Kenya	1,069,122,745	1,179,709,315
Total current accounts	<u>3,943,548,342</u>	<u>6,443,601,456</u>
Staff Mortgage Fund		
KCB Bank Limited	<u>511,247,513</u>	<u>311,247,513</u>
Others		
Cash in Hand	<u>273,651</u>	<u>212,591</u>
Total cash and cash equivalents	<u>4,455,069,506</u>	<u>6,755,061,559</u>

Cash and cash equivalents at the end of the year relates operation funds as well as projects in progress at year-end for which the funds are already committed. Included in cash and cash equivalents is Ksh. 901,226,783 (2020-2021 1,056,358,406) Relating to development retention funds the corresponding liability of which is represented under payables in Note 23.

19. Receivables from Non exchange transactions

Staff Debtors	1,742,215	3,344,448
Grants Receivable-RMLF	5,077,624,094	1,133,678,923
Deposits and other prepayments	17,644,962	2,644,962
Total Receivables From Non-Exchange Transactions	<u>5,097,011,271</u>	<u>1,139,668,333</u>

Receivables constitute short term liquid assets which are recoverable within one year.

- (i) RMLF Grants receivables represent Road Maintenance Levy Funds due from the Kenya Roads Board based on the approved APRP and disbursement schedule.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. The Authority does not hold any collateral as security. The aged analysis of receivables is as follows:

	0-3 Months Ksh	3-12 Months Ksh	Over 12 Months Ksh	Total Ksh
Staff Debtors	1,742,215			1,742,215
Deposits & Other Prepayments	17,644,962			17,644,962
Grants Receivable	-	5,077,624,094	-	5,077,624,094
Total	19,387,177	5,077,624,094	-	5,097,011,271

	2021-2022 Kshs	2020-2021 Kshs
20. Inventories		
Consumable supplies	4,276,893	18,537,370
21. Infrastructure Work In Progress		
As at 1st July	754,897,092	-
Additions during the year	1,099,285,129	754,897,092
As at 30 June	1,854,182,221	754,897,092
22. Intangible Assets		
	Computer software 2021-2022 Ksh	Computer software 2020-2021 Ksh
Cost/ Valuation		
As at start of the year	87,595,605	156,338,767
Prior Year adjustment	-	(82,926,889)
Additions	-	14,183,727
	87,595,605	87,595,605
Amortization		
As at start of the year	78,139,787	153,015,297
Prior Year adjustment	-	(79,603,419)
Charge for the year	4,727,909	4,727,909
As at end of the year	82,867,696	78,139,787
Net Book Value		
As at 30 June	4,727,909	9,455,818

23. Property Plant and Equipment

Cost/ Valuation	Land and Buildings	Furniture and Fittings	Computers and Technical Equipment	Office Equipment	Motor Vehicles	Capital Work In Progress	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs (Vehicles)	Kshs
As at 1st July 2020	130,323,370	61,814,141	55,523,923	16,202,243	136,027,801	-	399,891,477
Additions during the year	(0)	1,437,774	20,616,848	11,565,946	39,300,966	107,444,300	180,365,834
As at 30 June 2021	130,323,369	63,251,915	76,140,770	27,768,189	175,328,766	107,444,300	580,257,310
Additions during the year	12,091,294	2,437,027	29,086,550	2,050,176	60,978,947	-	106,643,995
Transfer from Work in Progress	-	-	-	-	107,444,300	(107,444,300)	-
Disposals	-	-	-	-	(16,610,000)	-	(16,610,000)
As at 30 June 2022	142,414,664	65,688,942	105,227,320	29,818,366	327,142,014	-	670,291,305
Depreciation							
As at 1st July 2020	9,460,566	15,939,596	49,021,624	5,518,468	93,357,050	-	173,297,304
Charge for the Year	3,258,084	7,906,489	11,277,921	3,471,024	43,832,192	-	69,745,710
As at 30 June 2021	12,718,650	23,846,085	60,299,545	8,989,492	137,189,242	-	243,043,014
On disposal	-	-	-	-	(16,610,000)	-	(16,610,000)
Charge for the Year	3,862,649	8,062,869	18,574,881	3,727,296	57,962,353	-	92,190,048
As at 30 June 2022	16,581,299	31,908,954	78,874,426	12,716,788	178,541,595	-	318,623,062
Net Book Value							
As at 30 June 2022	125,833,364	33,779,988	26,352,894	17,101,578	148,600,418	-	351,668,244
As at 30 June 2021	117,604,719	39,405,830	15,841,226	18,778,698	38,139,524	-	337,214,297

	2021-2022	2020-2021
	Kshs	Kshs
24. Payables		
a) Payables from Exchange Transactions		
Current		
Due to Suppliers and Contractors	228,490,137	824,532,361
Refundable Deposits	33,717,500	29,297,500
	<u>262,207,637</u>	<u>853,829,861</u>
Non Current		
Contract Retention	1,176,007,856	1,295,001,233
Total Payables from Exchange Transactions	<u>1,438,215,493</u>	<u>2,148,831,094</u>
b) Payables from Non-Exchange Transactions		
Other payables	24,024,532	56,973,239
Total Payables from Non-Exchange Transactions	<u>24,024,532</u>	<u>56,973,239</u>
c) Employee Benefits Obligations		
Staff gratuity	35,655,718	33,604,979
Other Staff statutory obligations	10,055,751	12,378,648
Total Employee Benefits Obligations	<u>45,711,469</u>	<u>45,983,627</u>
Total Payables	<u>1,507,951,494</u>	<u>2,251,787,960</u>

Included under contract retention is Ksh 901,226,783 (2020-2021: 1,056,358,406) relating to development funds represented in cash and cash equivalent under note 17. All funds for retention are held in one bank account in Cooperative bank.

25. Tax payable

Tax charged on assesable income	81,294,690	-
Withholding tax	(39,491,977)	-
Current Tax	<u>41,802,713</u>	<u>-</u>

	2021-2022 Kshs	2020-2021 Kshs
Gross Interest income	263,279,845	-
Income from disposal of assets	12,321,500	-
Tender sales income	2,000	-
Total assessable income	<u>275,603,345</u>	<u>-</u>
Tax calculated at a tax rate of 30%	82,681,004	-
Tax effect of:	-	-
Tax Deductible expenses	(1,386,314)	-
Tax charge	<u>81,294,690</u>	<u>-</u>
Tax charged on other income	2,872,056	-
Tax charged on Interest income	78,422,634	-
	<u>81,294,690</u>	<u>-</u>

26. Cash generated from operations

		2021-2022 Kshs	2020-2021 Kshs
Deficit /Surplus for the year	Note	3,454,135,327	(1,149,224,269)
Adjustment for:			
Depreciation of property, plant and equipment	14	92,190,048	69,745,710
Amortisation of intangible assets	14	4,727,909	4,727,909
Changes in operating assets and liabilities			
Receivables from non exchange transactions	18	(3,957,342,937)	(1,139,668,333)
Inventories	19	14,260,478	(18,537,370)
Payables from exchange transactions	13	(710,615,601)	2,148,831,094
Payables from Non exchange transactions	23	(32,948,707)	56,973,239
Current tax	24	41,802,713	-
Staff benefits obligations	23	(272,158)	45,983,627
<i>Net cash from operating activities</i>		<u>(1,094,062,929)</u>	<u>18,831,607</u>
		<u>(1,094,062,929)</u>	<u>18,831,607</u>

27. Financial risk management objectives and policies

The Authority has an integrated risk management framework/ strategy. The Authority's approach to risk management is based on risk governance structures, risk management

policies, risk identification, measurement, monitoring and reporting. The risk management policies and systems are reviewed regularly to ensure they are in tandem with the micro and macro environment, regulatory guidelines, industry practice, market conditions as well as the services offered.

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

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

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

The Members of the Board have the overall responsibility for the establishment and oversight of the Authority's risk management framework. The Authority has delegated its risk management to the Audit and Risk Committee. One of the responsibilities of this committee is to review risk management strategies to ensure that an effective efficient and transparent system of risk management is maintained for sustainable management of the Authority.

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

The financial management objectives and policies are as outlined below:

a) Liquidity Risk

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

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

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

- i) Projecting cash flows and considering the cash required and optimizing the short-term requirements as well as the long-term funding, maintaining balance sheet liquidity ratios,
- ii) Maintaining/soliciting for a diverse range of funding sources with adequate back up facilities,

The Authority has an established corporate governance structure and process of managing risks regarding guarantees and contingent liabilities.

The primary sources of revenue for the Authority are receipts from the Kenya Roads Board, mainly receipts from Road Maintenance Levy Fund, and Grants from the central Government and Development Partners.

The table below summarizes the maturity analysis for financial liabilities to their remaining contractual maturities

b) Market Risk

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates, prices and interest rates.

The objective of market risk management policy is to protect and enhance the Statements of Financial Position and performance by managing and controlling market risk exposures within acceptable parameters, and to optimize the funding of business operations and facilitate capital expansion. The Authority is exposed to the following market risks:

(i) Currency Risk

The currency risk is minimal as most of cash and cash equivalents held with banks are dominated in Kenya Shillings.

(ii) Price Risk

Kenya Roads Board collects Kshs. 18 per litre of diesel and petrol imported into the country, 10% of which is disbursed to the Authority. The Authority is exposed to the extent that the levy on diesel and petrol is reduced or eliminated due to changes in the international fuel prices, inflation or other macro indicators.

The Road Maintenance Levy Fund is backed up by an Act of Parliament and changes thereof require approval by Parliament.

(iii) Interest Rate Risk

The Authority's financial condition may be adversely affected as a result of changes in interest rate levels. The interest rate risk is minimal as the Authority does not have any borrowings.

c) Credit Risk

The maximum exposure of the Authority to credit risk as at the balance sheet date is as follows:

Year Ended 30 June 2022

	Fully Performing	Past Due But Not impaired	Past due and Impaired	Total
	Ksh	Ksh	Ksh	Ksh
Grants Receivable	5,077,624,094	-	-	5,077,624,094
Staff Debtors	1,742,215			1,742,215
Deposits and other prepayments	17,644,962			17,644,962
Cash at Bank	4,455,069,506	-	-	4,455,069,506
Gross Financial Assets	9,552,080,776	-	-	9,552,080,776

Year Ended 30 June 2021

Grants Receivable	1,896,507,854	-	-	1,896,507,854
Staff Debtors	3,344,448			3,344,448
Deposits and other prepayments	2,644,962			2,644,962
Cash at Bank	5,068,433,738	-	-	5,068,433,738
Gross Financial Assets	6,970,931,002	-	-	6,970,931,002

c) Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Authority's processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risks such as legal and regulatory requirements and generally acceptable standards of corporate behavior.

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

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

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

- (i) Requirements for appropriate segregation of duties, including the independent authorization of transactions;
- (ii) Requirements for the reconciliation and monitoring of financial transactions;
- (iii) Compliance with regulatory and legal requirements;
- (iv) Documentation of controls and procedures;
- (v) Requirements for the yearly assessment of operational risks faced and the adequacy of controls and procedures to address the risks identified;
- (vi) Requirement for the reporting of operational losses and proposed remedial action;
- (vii) Training and professional development;
- (viii) Ethical and business standards; and
- (ix) Risk mitigation, including insurance where it is effective.

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

d) Compliance and Regulatory Risk

Compliance and regulatory risk include the risk of non-compliance with regulatory requirements. The Authority has complied with all externally imposed requirements throughout the year.

e) Legal Risk

Legal risks is the risk of unexpected loss, including reputational loss, arising from defective transactions or contracts, claims being made or some other event resulting in a liability or the loss for the authority, failure to protect the title to and inability to control the rights to assets of the Authority (including intellectual property right), changes in law, or jurisdictional risk.

The Authority manages legal risk through the legal function, legal risk policies and procedures and the effective use of internal controls and external lawyers.

28. Prior year adjustments

Certain prior year items have been restated for consistency with the current year presentation in as this is the first year of preparation of the financial statements.in compliance requirements of IPSAS 1. These reclassifications had no effect on the reported results and cash flows for the year ended 30 June 2020.The restatement relates to the accumulated surplus from other sources.

29. Explanation for budget variances

The original budget for FY 2021-2022 was approved by the National Assembly on 9th June 2020. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The variances in the expenditure are as result of the timing differences between the procurement and execution of funds.

(a) Related party transactions

The following transactions were carried out with related parties during the year.

(b) Outstanding balances arising from non-exchange transactions

The following were outstanding balances with related parties as at 30th June 2022

Road maintenance Levy (RMLF)	<u>5,077,624,094</u>	<u>1,133,678,923</u>
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30. Fair value

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

31. Capital Commitments

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

32. Currency

The financial statements are presented in Kenya Shillings (Kshs)

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

The presentation in the current year has been modified to comply with the Auditor General's recommendations.

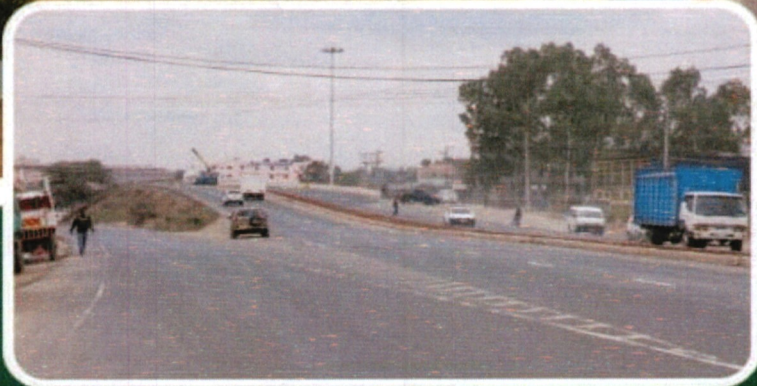
APPENDIX 3: INTER ENTITY TRANSFERS-STATE DEPARTMENT OF INFRASTRUCTURE

Reference Number	Date Disbursed	Recurrent (KShs) (A)	Development (KShs) (B)	Total (KShs)		Amount Received by KURA as at 30 June 2022 (KShs) (D)
				(C)=(A+B)		
FUNDS FROM KRB - RMLF FUNDS						
FT2126627LD3	23-Sep-21	1,662,992,618.00		1,662,992,618.00		1,662,992,618.00
FT22040RS3CW	9-Feb-22	3,263,043,656.00		3,263,043,656.00		3,263,043,656.00
FT221303KHYL	10-May-22	1,662,992,618.00		1,662,992,618.00		1,662,992,618.00
FT22186L1GHS	5-Jul-22	1,025,834,012.00		1,025,834,012.00		1,025,834,012.00
FT22189W2KLM	8-Jul-22	1,133,678,923.00		1,133,678,923.00		1,133,678,923.00
FT22196QWRMD	15-Jul-22	2,918,111,159.00		2,918,111,159.00		2,918,111,159.00
TOTAL		11,666,652,986.00	0.00	11,666,652,986.00		11,666,652,986

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

Head of Finance
Kenya Urban Roads Authority

Head of Accounting Unit
State Department of Infrastructure



OUR CONTACTS

HEAD OFFICE

Barabara Plaza JKIA, Off Airport South Road, Along Mazao Road Opposite Aviation House
 P.O. Box 41727 - 00100 Nairobi, Kenya, Mobile: 0717 105 233, Hotline: 020 272 2222
 Email: info@kura.go.ke, Website: www.kura.go.ke

REGIONAL OFFICE

NORTH RIFT REGION
 KURA Building
 Pioneer-NYS-Langas Road
 (Behind Rivatex Ltd)
 P.O. Box 5585-30100 Eldoret
 Tel: 020-262-5453
 Email: northrift@kura.go.ke

NAIROBI REGION
 Provincial Roads Engineer,
 Machakos Road
 P.O. Box 42267-00100 G.P.O Nairobi
 Tel: 020-2196433
 Email: nairobi@kura.go.ke

COAST REGION
 Provincial Works Building
 Old Shimanzi Road
 P.O. Box 90663-80100 G.P.O Mombasa.
 Tel: 020-2310809
 Email: coast@kura.go.ke

NORTH EASTERN REGION
 Provincial Roads Building
 Kismayu Road
 P.O. Box 1451-70100 Garissa
 Tel: 0770 564 353
 Email: northeastern@kura.go.ke

UPPER EASTERN REGION
 Gakoromone Road Camp-
 Meru Mikinduri
 P. O. Box 1394-60200 Meru
 Tel: 0770 202 695 / 0723 816 315
 Email: uppereastern@kura.go.ke

LOWER EASTERN
 Machakos - Nairobi Highway
 P.O. Box 2605-90100 G.P.O Nairobi
 Tel: 0770 074 818
 Email: lowereastern@kura.go.ke

CENTRAL REGION
 Provincial Roads Office Kaburini Road
 P.O. Box 1994 - 10100 Nyeri
 Tel: 0773 012 241
 Email: central@kura.go.ke

WESTERN REGION
 Provincial Roads Office
 P.O. Box 2665-50100 Kakamega
 Tel: 020-262-5380
 Email: western@kura.go.ke

NYANZA REGION
 Provincial Roads Office
 Kisumu - Maseno Road
 P.O. Box 2699-40100 Kisumu
 Tel: 0770 474 464 / 0708 745 549
 Email: nyanza@kura.go.ke

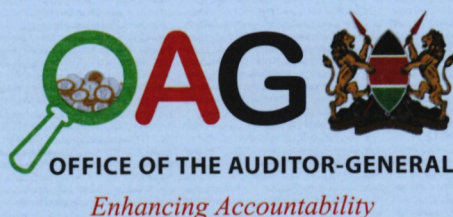
SOUTH RIFT REGION
 Provincial Roads Office
 Eldama Ravine Road
 P.O. Box 1373 - 20100 Nakuru
 Tel: 051 - 2217000
 Email: southrift@kura.go.ke

 Kenya Urban Roads Authority
 KURARoads
 Kenya Urban Roads Authority

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03.03.03

REPUBLIC OF KENYA



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

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

REPORT OF THE AUDITOR-GENERAL ON ENERGY AND PETROLEUM REGULATORY 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

Opinion

I have audited the accompanying financial statements of Energy and Petroleum Regulatory Authority set out on pages 47 to 84, which comprise of the statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of changes in net assets, statement of cash flows and 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

Report of the Auditor-General on Energy and Petroleum Regulatory Authority for the year ended 30 June, 2022

Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Energy and Petroleum Regulatory 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 Energy Act, 2019.

Basis of Opinion

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

Emphasis of Matter

Differences in Reported Levies

The statement of financial performance reflects levies amounting to Kshs.1,502,688,963 as disclosed in Note 7 to the financial statements which comprises of electricity and petroleum levies of Kshs.304,045,393 and 1,198,643,570 respectively. However, review of audited financial statements of Kenya Power and Lighting Co. PLC revealed that the Company had electricity sales of 9,823,790,911.98 KWh. The applicable levy rate for the financial year 2021/2022 was 30cts/KWh which translates to electricity levies of Kshs.294,713,727 whereas the Authority had reported levies of Kshs.304,045,393 resulting in unexplained variance of Kshs.14,438,323. Additionally, audited financial statements for Kenya Power and Lighting Co. PLC for the year ended 30 June, 2022 reflected Energy Regulatory Levies of Kshs.144,193,000. However, the Authority had not reflected any receivables from Kenya Power and Lighting Co. PLC in its books, an indication that electricity levy is not recognized on accrual basis as required by IPSAS 1 and 23. Similarly, no evidence was provided that the Authority maintained an independent data base on the units of electricity purchased and sold by Kenya Power and Lighting Co. PLC as stipulated by Section 10(jj) of the Energy Act, 2019.

My opinion is not qualified with respect to 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

Budgetary Control and Performance

The statement of Comparison of Budget and Actual Amounts reflects a total actual revenue of Kshs.1,546,501,625 against final budgeted revenue of Kshs.2,098,272,136 resulting to an adverse variance of Kshs.551,770,511 or 16%. Similarly, the Authority

projected to spend Kshs.2,061,164,530 but incurred an expenditure of Kshs.1,548,938,365 resulting to an under absorption of Kshs.512,226,165 or 25%.

In the circumstances, the unrealized revenue and under absorption of the budget may have impacted negatively on the Authority's service delivery.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Payment of Professional Fees without a Valid Contract

Review of the procurement documents provided for audit revealed that the Authority entered into a contract with a public relations firm on 30 August, 2019 at a contract sum of Kshs.13,711,200 for the provision of public relations, digital & advertising agency services for a period of 1 year, with an option for extension by another 1 year. The contract expired on 30 August, 2020 and was renewed on 18 September, 2020 for the period 1 September, 2020 to 30 August, 2021. The Authority undertook a procurement for public relations, digital & advertising agency services, vide tender ref. EPRA/SCM/4/3/21-22/024, out of which the same firm was awarded another contract for the same services on 1 December, 2021 for a period of one (1) year at a contract sum of Kshs.13,896,800. The Contractor was paid an amount of Kshs.3,427,800 for the months of September, October and November, 2021 outside the contract period.

In the circumstances, the authority and lawfulness of the payment of Kshs.3,427,800 to the public relations firm could not be confirmed.

2. Non-Compliance with Contractual Provisions

Review of the procurement records provided for audit revealed that the Authority invited request for proposals for Consultancy services for provision of baseline study on the compliance level in the electricity and renewable energy sub-sectors in Kenya on 26 January, 2021. The proposals were opened on 11 February, 2021. A professional opinion in respect of the procurement was issued on 5 March, 2021 recommending award of the consultancy works to a Local Institution which was approved on 24 March, 2021 and notification of award issued on 24 March, 2021. The tenderer accepted the award on 7 April, 2021. On 18 May, 2021, a contract was entered into between the Authority and the Local Institution for a period of one year at a contract sum of Kshs.8,950,000. The contract payments were to be made up as; 20% upon submission of inception report; 40% on submission of draft report and 40% on submission of final report. However, review of payments under the contract revealed that invoices were received and posted in the ledger as follows:

Posting Date	Document Type	Description	Amount (Kshs.)
28/06/2022	Invoice	40% Charges for Baseline study on compliance	3,580,000
23/06/2022	Invoice	40% Charges for Baseline study on compliance	3,580,000
Total			7,160,000

In the circumstances, Management was in breach of the contractual provisions.

3. Unapproved Special Board of Directors Meetings

During the year under review, the Authority's Board held five (5) special board meetings without the relevant approval by the Cabinet Secretary of Energy in consultation with State Corporations Advisory Committee (SCAC) contrary to the provisions of the Circular Ref No: OP/CAB.9/1A of 11 March, 2020 on Management of State Corporations states that approval for any extra board meetings (including special Board meetings) above the maximum number specified shall require a justification by the board as to the source of funds, and implications thereof, and reasons why the same cannot be adjudicated in regular meetings, which request shall be submitted for approval by the relevant cabinet secretary in consultation with SCAC. As a result, the authority incurred an expenditure totalling to Kshs.740,000 on sitting allowances in respect of the special board meetings.

In the circumstances, the Authority was in breach of provisions of Circular Ref No: OP/CAB.9/1A of 11 March, 2020.

4. Payment of Retention Money Before Expiry of Defect Liability Period

Review of payment records revealed that a construction Company was issued with a final certificate on 27 August, 2021 with revised final account of Kshs.58,130,808. The contractor was paid Kshs.7,358,177 on 10 September, 2021 as final payment inclusive of full retention fees amounting to Kshs.5,813,308 before lapse of defects liability period of 180 days contrary to clause GCCC.20.3 of the provisions of the contract.

In the circumstances. Management was in breach of the contractual provisions.

5. Employees on Acting Appointments

Review of the human resource records revealed that ten (10) officers were appointed to acting positions for periods ranging between two (2) to five (5) years. This was contrary to Section 34 of the Public Service Commission Act 2017 which states that government officers cannot serve in an acting position for more than six (6) months. Management has explained that the process of recruitment of substantive office holders was in progress.

In the circumstances, Management was in breach of the law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standard requires that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, 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 Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, 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 controls in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal controls 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 controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue to sustain its services. If I conclude that a material

uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to continue to sustain its services.

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

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

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and 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

15 June, 2023

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

13. Statement of Financial Performance for The Year Ended 30 June 2022

Figures in Kenyan Shilling	Note(s)	2021-2022	2020-2021
Revenue			
Revenue from non-exchange transactions			
Transfers from other government entities	6	8,566,167	-
Levies	7	1,502,688,963	1,456,062,096
License fees	8	35,246,495	47,898,594
Total revenue from non-exchange transactions		1,546,501,625	1,503,960,690
Revenue from exchange transactions			
Other income(miscellaneous)	9	569,692	2,833,210
Interest received	10	6,661,313	3,389,586
Total revenue from exchange transactions		7,231,005	6,222,796
Total revenue		1,553,732,630	1,510,183,486
Expenses			
Use of Goods and Services	11	(576,105,854)	(470,301,015)
Employee Costs	12	(684,271,832)	(630,822,709)
Remuneration of Directors	13	(16,365,696)	(16,939,646)
Depreciation and amortisation expense	14	(73,432,900)	(64,841,656)
Repairs and Maintenance	15	(10,577,443)	(8,887,107)
Contracted services	16	(93,036,250)	(120,872,750)
Transfers	17	(52,000,000)	(42,000,000)
Total expenses		(1,505,789,975)	(1,354,664,883)
Gain on disposal of assets	18	-	3,738,122
Surplus for the year from continuing operations		47,942,655	159,256,725
Remission to National Treasury	19	(43,148,390)	(2,171,545)
Surplus for the year		4,794,265	157,085,180

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

13. Statement of Financial Performance for The Year Ended 30 June 2022

Figures in Kenyan Shilling

Note(s)

2021-2022

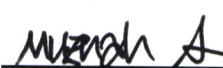
2020-2021

The notes set out on pages 56 to 80 form an integral part of the annual report and financial statements.


The annual report and financial statements set out on pages 47 to 84, were signed on its behalf by:



Mr. Daniel Kiptoo Bargoria
Director General



Ms. Muznah Sisiwa
Ag. Deputy Director, Finance & Accounts
ICPAK No. 21186



Hon. Justice (Prof) Jackton B. Ojwang'
Chairman

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

14. Statement of Financial Position as at 30 June 2022

Figures in Kenyan Shilling	Note(s)	2021-2022	2020-2021 Restated*
Assets			
Current Assets			
Cash and cash equivalents	20	322,360,486	204,545,482
KCB-Snr Mgt Gratuity Investment	21	37,389,990	15,495,712
Receivables from exchange transactions	22	22,281,036	18,872,751
Receivables from non-exchange transaction	23	218,401,044	209,497,333
Inventories	24	4,322,203	2,762,200
		604,754,759	451,173,478
Non-Current Assets			
Property, plant and equipment	25	305,677,752	200,638,169
Intangible assets	26	3,094,648	9,411,968
		308,772,400	210,050,137
Total Assets		913,527,159	661,223,615
Liabilities			
Current Liabilities			
Payables under exchange transactions	27	135,514,489	148,652,307
Payables under non- exchange transactions	28	257,076,686	27,356,109
Employee benefits	29	91,472,413	60,545,893
		484,063,588	236,554,309
Total Liabilities		484,063,588	236,554,309
Reserves			
Capital replacement reserve		55,000,000	55,000,000
Accumulated surplus		374,463,571	369,669,306
Total Net Assets/Equity		429,463,571	424,669,306
Total Net Assets and Liabilities		913,527,159	661,223,615

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

14. Statement of Financial Position as at 30 June 2022

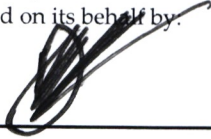
Figures in Kenyan Shilling

Note(s)

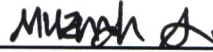
2021-2022

2020-2021
Restated*

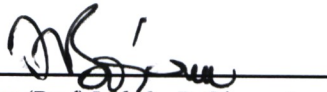
The annual report and financial statements and the notes on page 47 to 84 were approved by the on the 30 September 2022 and were signed on its behalf by:



Mr. Daniel Kiptoo Bargoria
Director General



Ms. Muznah Sisiwa
Ag. Deputy Director, Finance & Accounts
ICPAK No. 21186



Hon. Justice (Prof) Jackson B. Ojwang'
Chairman

The accounting policies on page 58 to 64 and the notes on pages 56 to 80 form an integral part of the annual report and financial statements.

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

15. Statement of Changes in Net Assets for The Year Ended 30 June 2022

Figures in Kenyan Shilling	Capital replacement reserve	Accumulated surplus	Total net assets/equity
Prior year			
Balance at 01 July 2020	55,000,000	113,067,271	168,067,271
Changes in net assets/equity			
Surplus for the year	-	159,256,725	159,256,725
90% Remittance to National Treasury	-	(2,171,545)	(2,171,545)
Prior Year Adjustments	-	99,516,855	99,516,855
Balance at 30 June 2021	55,000,000	369,669,306	424,669,306
Current year			
Restated* Balance at 01 July 2021	55,000,000	369,669,306	424,669,306
Changes in net assets/equity			
Surplus for the year	-	47,942,655	47,942,655
Provision- 90% Remission to National Treasury	-	(43,148,390)	(43,148,390)
Total changes	-	4,794,265	4,794,265
Balance at 30 June 2022	55,000,000	374,463,571	429,463,571

Prior year adjustments relates to erroneously accrued LPOs whose goods and services were not supplied of kes 99,516,855 this resulted to overstating use of goods and services expenditure by a similar amount in the financial.

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

16. Statement of Cashflow for The Year Ended 30 June 2022

Figures in Kenyan Shilling	Note(s)	2021-2022	2020-2021 Restated*
Cash flows from operating activities			
Receipts			
Transfers from other government entities		200,000,000	-
Levies		1,503,229,648	1,443,486,156
License fees		35,246,495	47,898,594
Other income(Miscellaneous)		569,692	2,833,210
Interest received		1,306,463	3,389,586
		1,740,352,298	1,497,607,546
Payments			
Use of goods and services		(577,913,902)	(450,247,849)
Employee Costs		(679,739,030)	(591,779,364)
Remuneration Directors		(16,681,596)	(16,717,146)
Repairs and Maintenance		(9,854,283)	(4,887,106)
Contracted services		(90,127,497)	(117,873,250)
Transfers		(52,000,000)	(42,000,000)
90% Transfer To National Trerasury		(2,171,545)	-
		(1,428,487,853)	(1,223,504,715)
Net cash flows from operating activities	30	311,864,445	274,102,831
Cash flows from investing activities			
Purchase of property, plant and equipment		(215,824,685)	(130,097,244)
Proceeds from sale of property, plant and equipment		-	3,805,400
Purchase of other intangible assets		-	-
KCB-Snr Mgt Gratuity Investment		21,894,278	6,590,360
Net cash flows from investing activities		(193,930,407)	(119,701,484)
Net increase/(decrease) in cash and cash equivalents		117,815,004	154,401,347
Cash and cash equivalents at the beginning of the year		204,545,482	50,144,133
Cash and cash equivalents at the end of the year	20	322,360,486	204,545,482

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

16. Statement of Cashflow for The Year Ended 30 June 2022

Figures in Kenyan Shilling	Note(s)	2021-2022	2020-2021 Restated*
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The annual report and financial statements set out on pages 47 to 84 were signed on its behalf by:



Mr. Daniel Kiptoo Bargoria
Director General



Ms. Muznah Sisiwa
Ag. Deputy Director, Finance & Accounts
ICPAK No. 21186



Hon. Justice (Prof) Jackton B. Ojwang'
Chairman

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

17. Statement of Comparison of Budget and Actual Amounts The For The Year Ended 30 June 2022

	Original Annual budget	Adjustments	Final Annual Budget	Actual amounts on comparable basis	Perfomance Difference	% Utilization
Figures in Kenyan Shilling						
Revenue						
Revenue from non-exchange transactions						
Revenue						
Transfers from other government entities	235,000,000	(35,000,000)	200,000,000	8,566,167	191,433,83	4
Levies	1,831,679,127	-	1,831,679,127	1,502,688,963	328,990,164	82 %
License fees	66,593,009	-	66,593,009	35,246,495	31,346,514	53 %
Total revenue from non-exchange transactions	2,133,272,136	(35,000,000)	2,098,272,136	1,546,501,625	551,770,511	74 %
Revenue from exchange transactions						
Other income(Miscellaneous)	727,053	-	727,053	569,692	157,361	78 %
Interest Received	3,563,651	-	3,563,651	6,661,313	(3,097,662)	187 %
Total revenue from exchange transactions	4,290,704	-	4,290,704	7,231,005	(2,940,301)	169 %
Total revenue	2,137,562,840	(35,000,000)	2,102,562,840	1,553,732,630	548,830,210	74 %
Expenditure						
Use of goods and services	(808,142,118)	82,606,182	(725,535,936)	(576,105,854)	(149,430,082)	79 %
Employee costs	(896,122,086)	-	(896,122,086)	(684,271,832)	(211,850,254)	76 %
Remuneration Directors	(25,020,000)	-	(25,020,000)	(16,365,696)	(8,654,304)	65 %
Depreciation and amortisation	(75,883,582)	-	(75,883,582)	(73,432,900)	(2,450,682)	97 %
Repair and Maintance	(8,000,000)	(3,000,000)	(11,000,000)	(10,577,443)	(422,557)	96 %
Contracted services	(104,450,000)	-	(104,450,000)	(93,036,250)	(11,413,750)	89 %
Repair and Maintance	(52,000,000)	-	(52,000,000)	(52,000,000)	-	100 %
90% Remission to National Treasury	(151,150,549)	(20,002,377)	(171,152,926)	(43,148,390)	(128,004,536)	25 %
Total expenditure	(2,120,768,335)	59,603,805	(2,061,164,530)	(1,548,938,365)	(512,226,165)	75 %
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	16,794,505	24,603,805	41,398,310	4,794,265	36,604,045	12 %

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

17. Statement of Comparison of Budget and Actual Amounts The For The Year Ended 30 June 2022

Budget on Cash Basis

	Original Annual budget	Adjustments	Final Annual Budget	Actual amounts on comparable basis	Performance Difference	% Utilization
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Figures in Kenyan Shilling

The budget and financial statements of EPRA are reported on accrual basis, hence differences arising from accounting treatment are not expected. The variance between the approved and final budget are due to reallocations, which were submitted to the National Treasury through the Ministry of Energy for approval. The variance between the actual and budget are as enumerated and explained hereunder;

Upstream petroleum income being below budget due to delayed upstream activities occasioned by longer than expected transition, conclusion on FDP staff recruitment and set up of various other structures for implementation of the upstream activities.

Levies received were below budget by Kes. 328,990,164 representing under collection of 18%. This is as a result of a combination of many economic factors that impacted on the fuel prices and sale of electricity. This included a depressed economy and high fuel prices that led to low consumption.

License fees was below budget by Kes. 31,346,514 representing an under collection of 47% this is due to low number of new license applicants and renewals than projected.

Miscellaneous income was above budget by 356% due to of fewer items than projected.

Interest received was above budget by Kes. 3,097,662 representing a positive variance of 47% this was due to increase in investment of senior management gratuity fund.

Use of goods and services was below budget by Kes. 149,430,082 an under expenditure of 21 % this was as a result of delayed procurement processes majorly due to non-responsive tenders that required repeat of the tendering process. There were also significant savings in operational costs on General office expences, communication and ICT expences.

Employee costs was below budget by Kes. 211,850,254 representing an under expenditure of 24% this was due late approvals for recruitment and overwhelming applications leading to lengthy application process.

Directors expences were below budget by Kes. 8,654,304 representing under expenditure of 35% there were savings in international travels and sitting allowance.

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

18. Notes to The Financial Statements

1. General Information

The Energy Regulatory Commission was established under the Energy Act, 2006. In March 2019, the Energy Act 2019 and the Petroleum Act 2019 were enacted. The Energy Act 2019 provides for the establishment of the Energy and Petroleum Regulatory Authority as the successor to the Energy Regulatory Commission. EPRA is wholly owned by the Government of Kenya and is domiciled in Kenya. The Authority's principal activities are regulation of all forms of energy except nuclear power.

2. Statement of compliance and basis of preparation

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

The Authority adopted IPSAS in the year 2014 following the gazette of the Public Sector Accounting Standards Board (PSASB), which was established by the Public Financial Management Act (PFM) No. 18 of 24th July 2012. PSASB issued financial reporting standards and guidelines to be adopted by all state organs and public sector entities, which the Authority complies with.

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

The accounts are presented in Kenya Shillings (KES) which is the functional and reporting currency of the Authority and all values are rounded to the nearest shilling

3. Adoption of new and revised standards

3.1 New and amended standards and interpretations in issue, effective in the year ended 30 June 2021

- IPSAS 40 – Public Sector Combinations 01 January 2019

3.2 New and amended standards and interpretations in issue, but not yet effective in the year ended 30 June 2021

The Authority has not applied the following standards and interpretations, which have been published and are mandatory for the Authorities' accounting periods beginning on or after 01 July 2022 or later periods:

	Effective date:	Expected impact:
	Years beginning on or after	
• IPSAS 41 Financial Instruments	01 January 2023	
• IPSAS 42. Social Benefits	01 January 2023	
• Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	01 January 2023	
• Other Improvements to IPSAS	01 January 2023	

3.3 Early adoption of standards

The Entity did not early- adopt new or amended standards in the F/Y 2020/2021.

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 a public sector combination and its effects. To accomplish that, this Standard establishes principles and requirements for how:

- A reporting entity classifies a public sector combination as an amalgamation or an acquisition;

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

18. Notes to The Financial Statements

3. Adoption of new and revised standards (continued)

- A resulting entity recognizes and measures in its financial statements the identifiable assets received, the liabilities assumed and any non-controlling interest in an amalgamation;
- resulting entity recognizes and measures components of net assets/equity and other adjustments recognized in an amalgamation;
- An acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquired operation;
- An acquirer recognizes and measures the goodwill acquired in, or the gain or loss arising from, an acquisition; and
- A reporting entity determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of a public sector combination.

It furthermore covers Definitions, Identifying a public sector combination, Classification of public sector combinations, Accounting for amalgamations, The modified pooling of interests method of accounting, Accounting for acquisitions, The acquisition method and Effective date and transition.

The effective date of the standard is for years beginning on or after 01 January 2019.

The entity expects to adopt the standard for the first time in the 2020 annual report and financial statements.

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

18. Notes to The Financial Statements

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Levies and licenses

The Authority recognizes revenues from Electricity, Petroleum levies and license fees when the event occurs and the asset recognition criteria are met. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the Authority and the fair value of the asset can be measured reliably.

Transfers from other government entities

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

ii) Revenue from exchange transactions

Miscellaneous Revenue

Miscellaneous revenue from exchange transactions comprise of sale of stores, tenders and surplus goods.

Interest income

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.

b) Budget information

The original budget for FY 2021/2022 was approved by the National Treasury through Ministry of Energy on 20th July 2021. Subsequent revision 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.

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Authority. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or commission differences 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.

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

18. Notes to The Financial Statements

4. Summary of Significant Accounting Policies (continued)

c) Taxation/Transfer to treasury

The Authority remit 90% surplus to the National Treasury. No Income tax or deferred tax accrue as a result.

d) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

e) Property, plant and equipment

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

f) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Authority. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Authority also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Authority will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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.

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

18. Notes to The Financial Statements

4. Summary of Significant Accounting Policies (continued)

g) 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.

h) Research and development costs

The Authority expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Authority can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

i) 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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. 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. Losses arising from impairment are recognized in the surplus or deficit.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Authority has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. 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. The losses arising from impairment are recognized in surplus or deficit.

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

18. Notes to The Financial Statements

4. Summary of Significant Accounting Policies (continued)

Impairment of financial assets

The Authority assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or a entity of financial assets 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 or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or an entity of debtors 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)

b) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Authority determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

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

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

18. Notes to The Financial Statements

4. Summary of Significant Accounting Policies (continued)

j) Inventory

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through nonexchange 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 conditions are accounted for, as follows:

i) Raw materials: purchase cost using the weighted average cost method.

ii) Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs.

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

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

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

k) 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.

l) Contingent liabilities

The Authority does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. There are no contingent liabilities at the moment.

m) 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.

n) Nature and Purpose of Reserve

The Authority creates and maintains reserves in terms of specific requirements, which is accumulated Surplus. The Authority's capitals consist of the Accumulated reserves.

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

18. Notes to The Financial Statements

4. Summary of Significant Accounting Policies (continued)

o) 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.

p) 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, 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.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

q) Related parties

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

The Government (represented by Ministry of Energy and Ministry of Petroleum and Mining) is also regarded as a related party. The Permanent Secretary's in the two Ministries or their representative are members of the Board.

o) Service concession arrangements

The Authority analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Authority recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Authority also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

p) Cash and cash equivalents

Cash and cash equivalents comprise cash in Mpesa 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 period.

q) Comparative figure

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

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

18. Notes to The Financial Statements

4. Summary of Significant Accounting Policies (continued)

r) Subsequent events

There have been no events subsequent to the financial period end with a significant impact on the financial statements.

5. Significant Judgement & Sources Of Estimation Uncertainty

The preparation of the Authority's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions:

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

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

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

18. Notes to The Financial Statements

Figures in Kenyan Shilling	2021-2022	2020-2021
6. Transfers from other government entities		
Upstream Regulatory support	5,817,507	-
Deferred Income-Energy Act	2,748,660	-
	8,566,167	-

Transfers from other government entities

Name of Entity	Amount recognized to Statement of Financial Performance (Kshs)	Amount to deferred income KShs	Amount recognised in capital fund KShs	Total income during the period	Comparative Period
Ministry of Petroleum and Mining	5,817,507	194,182,49	Nil	200,000,000	Nil
Energy Act Stakeholders	2,748,660	8,451,340	-	11,200,000	-
	8,566,167	202,633,833	-	211,200,000	-

7. Levies

Electricity Levy	304,045,393	236,696,328
Petroleum Levy	1,198,643,570	1,219,365,768
	1,502,688,963	1,456,062,096

Electricity Levy-Legal Notice No. 148 of 1999

Petroleum Levy-Legal Notice No. 162 of 2018

8. License fees & Miscellenous

License fees	35,246,495	47,898,594
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9. Other Income(Miscellenous)

Other income(Miscellenous)	569,692	2,833,210
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10. Interest

Interest	6,661,313	3,389,586
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Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

18. Notes to The Financial Statements

Figures in Kenyan Shilling	2021-2022	2020-2021
11. Use of goods and services		
Training Seminars and Workshops	40,144,098	55,977,009
Subscriptions	3,248,458	1,802,116
Staff Welfare	5,869,832	4,823,234
General Office Expences	12,184,053	15,642,459
Fuel	9,336,456	7,974,163
Insurance license & MV subscriptions	2,956,521	3,029,595
Travel, Inspections, surveillance & Audit	157,412,824	98,077,155
Coporate Subscriptions	16,810,351	5,930,132
Seminars Workshops, Public hearings and CSR	42,156,551	17,125,870
Advertising and gazette notices	38,614,868	96,426,322
Bank Charges	1,755,942	1,205,761
Branding/Printing	8,540,673	13,628,604
Telephone and Internet	11,467,548	8,350,220
Software licenses support and disaster recovery	11,499,192	3,955,779
Rent and Service charges	63,913,650	61,735,442
Security	7,243,177	4,321,940
Electricity	6,197,061	5,614,818
Office cleaning	4,799,348	4,318,456
Consultancies	97,609,158	48,523,497
HIV, Safety, Culture change and Related	24,942,433	11,838,443
Energy & Petr Act Expenses	9,403,660	-
	576,105,854	470,301,015
12. Employee costs		
Basic Salaries	391,925,001	364,998,664
Employee Compesation-Court	-	2,000,000
Pension and Gratuity	90,932,011	80,957,303
Special Duty / Acting Allowance	9,832,793	6,782,914
Car and Commuter allowance	29,643,506	29,195,652
House Allowance	91,557,035	89,190,006
Fringe benefits	4,035,007	2,657,538
Leave & Other Allowances	16,814,066	5,545,494
Medical	42,331,995	42,762,449
General Life & Personal Insurance	4,200,712	4,057,352
Staff Uniforms	1,296,743	1,702,837
Warm Clothing Allowance	1,016,963	-
Meal Allowance	686,000	972,500
	684,271,832	630,822,709

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

18. Notes to The Financial Statements

Figures in Kenyan Shilling	2021-2022	2020-2021
13. Remuneration of Directors		
Monthly fees and Honorarium	5,863,333	6,659,833
Sitting Allowance	4,920,000	7,178,000
Meeting, Entertainment and Other Allowances	2,071,823	872,499
Seminars, Travel, and Accommodation	3,083,494	1,757,179
Insurance & Medical	427,046	472,135
	16,365,696	16,939,646
14. Depreciation and Amortisation		
Property, plant and equipment	67,115,580	55,537,521
Intangible assets	6,317,320	9,304,135
	73,432,900	64,841,656
15. Repairs and Maintenance		
Repair & Service Motor Vehicle	9,265,786	7,921,136
Repair & Maintenance Office Equip	1,311,657	965,971
	10,577,443	8,887,107
16. Contracted Services		
Fuel Marking	67,421,040	78,343,366
LPG Inspection	25,615,210	42,529,384
	93,036,250	120,872,750
17. Transfers		
Transfers to Mortgage & Car Loan	50,000,000	40,000,000
Kenya Energy-Sector Environment and Social Responsibility Program Fund	2,000,000	2,000,000
	52,000,000	42,000,000
18. Gain on sale of assets		
Property, plant and equipment	-	3,738,122

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

18. Notes to The Financial Statements

Figures in Kenyan Shilling	2021-2022	2020-2021
19. Remission to National Treasury		
Surplus for the year	47,942,655	159,256,725
Purchase of assets	-	(136,556,254)
Capital Commitments	-	(20,287,643)
Realised surplus	47,942,655	2,412,828
90% of realised profit	43,148,390	2,171,545

The Authority did not deduct capital expenditures in calculating 90% of realised surplus.

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

18. Notes to The Financial Statements

Figures in Kenyan Shilling	2021-2022	2020-2021 Restated*
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20. Cash and cash equivalents

Cash and cash equivalents consist of:

Mpesa	2,475,027	8,995,984
Bank balances	281,664,781	160,953,748
KCB-Snr Mgt Gratuity Current Account	38,220,678	34,595,750
	322,360,486	204,545,482

In the month of October 2018 all Senior management staff were placed on a five year renewable contract. KCB Senior Management Gratuity Account is held for Senior Management gratuity obligation. This is cash payable at the end of each employees' contract.

Detailed analysis of cash and cash equivalents

Financial institution	Account number		
KCB Bank	1107180198	276,819,772	158,520,791
National Bank	01003003110800	3,894,386	1,574,767
NCBA Bank	6959370012	950,623	858,190
		281,664,781	160,953,748
Gratuity Custody Accounts			
KCB-Snr Mgt Gratuity Current Account	1273022599	38,220,678	34,595,750
Others			
Mobile Money Accounts M-pesa	923311	2,475,027	8,995,984
		2,475,027	8,995,984
Total cash and cash equivalents		322,360,486	204,545,482

21. KCB-Snr Mgt Gratuity Investment

KCB-Snr Mgt Gratuity Investment	37,389,990	15,495,712
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Prior and Current year KCB-Snr Mgt Gratuity Current Account has been split to disclose investment in treasury bills

22. Receivables from exchange transactions

Prepayments	77,699	96,177
Deposits	17,042,166	17,034,166
Interest Receivable	5,161,171	1,742,408
	22,281,036	18,872,751

Prior year 2020/21 Receivables from exchange transactions has been restated by Kes 1,742,408 to include interest from KCB Current Account which was not accrued in F/Y 2020/21.

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

18. Notes to The Financial Statements

Figures in Kenyan Shilling	2021-2022	2020-2021 Restated*
23. Receivables from non-exchange transactions		
Board Imprest	72,999	17,966
Staff Imprest	7,612,256	3,406,773
Other receivables	11,009,234	4,867,814
KPLC-Electricity Levy	107,489,706	104,763,313
KRA-Petroleum Levy	90,610,638	93,877,717
Staff salaries & Medical advances	1,606,211	2,563,750
	218,401,044	209,497,333

Prior year 2020/21 Receivables from non-exchange transactions were erroneously understated by 83,320,309 and the corrections has resulted to restating Board imprest from 393,224 to 17,966 , Staff Imprest from 3,311,889 to 3,287,739 , Revenue debtors from 119,789,127 to 203,508,844.

24. Inventories

Inventories	4,322,203	2,762,200
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The prior year 2020/21 inventory amount has been restated to Kes 2,762,200 from Kes 4,269,954 this was as a result of adjustment of erroneously overvalued stock.

25. Property, plant and equipment

Controlling entity	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	212,014,850	(133,136,344)	78,878,506	140,252,142	(119,844,910)	20,407,232
Motor vehicles	135,739,527	(106,711,849)	29,027,678	135,739,527	(84,452,165)	51,287,362
Office equipment	33,379,621	(19,933,413)	13,446,208	32,970,231	(16,936,081)	16,034,150
IT equipment	140,199,777	(102,295,484)	37,904,293	125,533,504	(73,728,354)	51,805,150
Work in Progress	146,421,067	-	146,421,067	61,104,275	-	61,104,275
Total	667,754,842	(362,077,090)	305,677,752	495,599,679	(294,961,510)	200,638,169

Energy & Petroleum Regulatory Authority

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18. Notes to The Financial Statements

Figures in Kenyan Shilling

25. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment

	Furniture and Motor vehicles fixtures					Total
Cost						
At 01 July 2020	137,383,523	109,839,216	29,596,471	124,130,626	79,067,020	480,016,856
Additions	2,868,616	40,312,757	3,692,604	5,676,526	-	52,550,503
Adjustment	-	-	46,500	(1,465,100)	(17,962,745)	(19,381,345)
Disposals	-	(14,412,447)	(365,344)	(2,808,548)	-	(17,586,339)
Transfers	-	-	-	-	-	-
At 30 June 2021	140,252,139	135,739,526	32,970,231	125,533,504	61,104,275	495,599,675
Additions	2,404,870	-	409,389	14,666,272	154,674,633	172,155,164
Transfers	69,357,841	-	-	-	(69,357,841)	-
At 30 June 2022	212,014,853	135,739,527	33,379,620	140,199,776	146,421,067	667,754,843
Depreciation and impairment						
At 01 July 2020	(115,272,250)	(81,436,936)	(15,094,823)	(52,704,992)	-	(264,509,001)
Adjustment	7,362,626	-	(6,665)	209,990	-	7,565,951
Disposals	-	14,412,447	365,344	2,741,270	-	17,519,061
Depreciation	(11,935,286)	(17,427,676)	(2,199,937)	(23,974,622)	-	(55,537,521)
At 30 June 2021	(119,844,910)	(84,452,165)	(16,936,081)	(73,728,354)	-	(294,961,510)
Disposals and scrapings - accumulated depreciation and impairment	-	-	-	-	-	-
Depreciation	(13,291,434)	(22,259,684)	(2,997,332)	(28,567,130)	-	(67,115,580)
At 30 June 2022	(133,136,344)	(106,711,849)	(19,933,413)	(102,295,484)	-	(362,077,090)

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

Appendix II: Projects Implemented by the Entity

25. Property, plant and equipment (continued)

Net book values						
Cost	212,014,853	135,739,526	33,379,620	140,199,776	146,421,067	667,754,842
Accumulated depreciation and impairment	(133,136,344)	(106,711,849)	(19,933,413)	(102,295,484)	-	(362,077,090)
At 30 June 2022	78,878,509	29,027,677	13,446,207	37,904,292	146,421,067	305,677,752
At 30 June 2021	20,407,229	51,287,362	16,034,150	51,805,150	61,104,275	200,638,169

Under PPE Furniture and Fittings have been adjusted by 79,067,023 from 219,067,020 to 140,252,139 this was as a result of restating erroneously capitalisation of Work in progress relating to partitions in the financial year 2020/21.

Work in progress of KES 146.4M has relates to renovation & partitioning of EPRA Head office and regional offices.

As at 30 June 2022, property and equipment with cost amounting to KES 198.8M were fully depreciated and intangible assets with cost amounting to 95.8M were fully amortized.

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

Asset	Cost	Normal Annual Depreciation
Furniture and fixtures	98,215,787	12,276,973
Motor vehicles	46,709,169	11,677,292
Office equipment	9,690,138	1,211,267
IT equipment	44,165,923	13,249,777
Intangible assets	95,782,412	28,734,724
Total	294,563,428	67,150,033

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

18. Notes to The Financial Statements

Figures in Kenyan Shilling	2021-2022	2020-2021
26. Intangible assets		
Reconciliation of intangible assets		
Cost		
Opening balance	115,415,454	113,996,854
Adjustment	-	1,418,600
Closing balance	115,415,454	115,415,454
Amortisation and impairment		
Opening balance	(106,003,486)	(96,496,026)
Adjustments	-	(203,325)
Amortisation	(6,317,320)	(9,304,135)
Closing balance	(112,320,806)	(106,003,486)
Made up as follows:		
Cost	115,415,454	115,415,454
Amortisation and impairment	(112,320,806)	(106,003,486)
Net book value	3,094,648	9,411,968

27. Payables under exchange transactions

Suppliers	128,961,143	130,836,837
Accruals	6,553,346	17,815,470
	135,514,489	148,652,307

Prior year 2020/21 accruals has been adjusted from 25,173,648 to 17,815,470 this is as a result of reversal of accrued LPOs whose goods and services were not supplied in the respective financial year.

28. Payables under non-exchange transactions

Deferred Income-Energy Act	13,309,501	4,858,161
Taxes and other statutory deductions	5,278,741	12,517,964
Other Employee payables	720,111	7,370,988
Provision- 90% Remission to National Treasury	43,148,390	2,171,546
Deferred Income- Upstream Petroleum	194,182,493	-
Deferred Income-UNEP Project	437,450	437,450
	257,076,686	27,356,109

Payables have been separated to payables from exchange transactions and payables from non-exchange transactions

Payables from non-exchange transactions has been restated from Kes 27,755,516 to Kes 27,356,108 this is as a result of correcting Other employee payable from Kes 7,770,396 to Kes 7,370,988.

Energy & Petroleum Regulatory Authority

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18. Notes to The Financial Statements

Figures in Kenyan Shilling

2021-2022

2020-2021

28. Payables under non-exchange transactions (continued)

The deferred income movement is as follows:

	Deferred Income- Petroleum Upstream	Deferred Income-Energy Act	Deferred Income-UNEP Project	Total
Balance brought forward	-	4,858,161	437,450	5,295,611
Additions	200,000,000	11,200,000	-	211,200,000
Transfers to Capital fund	-	-	-	-
Transfers to income statement	(5,817,507)	(2,748,660)	-	(8,566,167)
Balance carried forward	194,182,493	13,309,501	437,450	207,929,444

29. Employee benefit obligations

Snr Mgnt Gratuity Payable	78,030,961	51,236,103
Contract Staff Gratuity Payable	2,795,260	3,195,850
Salary Payable	1,180,299	1,236,299
Other payroll benefits	9,465,893	4,877,641
	91,472,413	60,545,893

30. Cash Generated in operations

Surplus	4,794,265	159,256,725
Adjustments for:		
Depreciation and amortisation expense	73,432,900	64,841,656
Gain on sale of assets	-	(3,805,400)
Adjustment	-	87,323,416
Changes in working capital:		
Inventories	(1,560,003)	(844,729)
Receivables from exchange transactions	(3,408,285)	16,974,791
Receivables from non-exchange transactions	(8,903,711)	(39,340,532)
Payables under exchange transactions	(13,137,818)	(10,675,271)
Payables under non-xchange transactions	229,720,577	(8,934,565)
Employee Benefit Provision	30,926,520	9,306,740
Cash Generated in operations	311,864,445	274,102,831

31. Risk management

Financial risk management

Risk management is carried out by the management under the supervision of the Board of Directors. The Directors provide policies for overall risk management, as well as policies covering specific areas such as, interest rate risk, credit risk, use of non-derivative financial instruments and investing excess liquidity.

The activities of the Authority expose it to a variety of financial risk: credit risk, liquidity risk and market risk. The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance. The Authority regularly reviews its risk management policies and systems to reflect changes in markets and emerging best practices.

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

18. Notes to The Financial Statements

Figures in Kenyan Shilling

2021-2022

2020-2021

31. Risk management (continued)

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company. Credit risk arises from bank balances, trade receivables and amounts due from related parties. The Authority's management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors.

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

As at June 2022	Fully performing Ksh	Past due Ksh	Impairment Ksh	Total
Receivables from non exchange transactions	218,401,044	-	-	218,401,044
Receivables from exchange transactions	21,786,245	-	-	21,786,245
Bank Balances	359,750,477	-	-	359,750,477
	599,937,766	-	-	599,937,766

As at June 2021	Fully performing Ksh	Past due Ksh	Impairment Ksh	Total
Receivables from non exchange transactions	209,378,299	-	-	209,378,299
Receivables from exchange transactions	18,872,751	-	-	18,872,751
Bank Balances	220,041,194	-	-	220,041,194
	448,292,244	-	-	448,292,244

All the Authority's receivables are fully performing and are expected to be repaid.

Bank balance includes cash in hand and deposits held with banks.

Liquidity risk management

Liquidity risk is the risk that the Authority will not be able to meet its financial obligations when they fall due. The Authority's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or at the risk of damaging reputation.

The Authority ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted. All liquidity policies and procedures are subject to review and approval by the Board of Directors.

The table below provides a contractual maturity analysis of the Authority's financial liabilities:

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

18. Notes to The Financial Statements

Figures in Kenyan Shilling 2021-2022 2020-2021

31. Risk magement (continued)

As at 30 June 2022	Less than 1 Month	1 - 3 Months	Over 5 Months	Total
Trade & other payables from exchange transactions	86,656,214	4,314,337	37,990,592	128,961,143
Deferred Income-Energy Act	-	-	13,309,501	13,309,501
Accrual	6,553,346	-	-	6,553,346
Taxes and other statutory deductions	5,278,742	-	-	5,278,742
Other Payables	720,110	-	-	720,110
Employee benefits obligation	91,472,413	-	-	91,472,413
UNEP Project	437,450	-	437,450	874,900
Deffered Income- Upstream Petroleum	-	-	194,182,493	194,182,493
Provision- 90% Remission to National Tresury	43,148,390	-	-	43,148,390
	234,266,665	4,314,337	245,920,036	484,501,038

As at 30 June 2021	Less than 1 Month	1 - 3 Months	Over 5 Months	Total
Trade & other payables from exchange transactions	93,365,860	3,586,901	33,884,076	130,836,837
Deferred Income-Energy Act	-	5,295,612	-	5,295,612
Accrual	-	17,815,470	-	17,815,470
Taxes and other statutory deductions	12,517,964	-	-	12,517,964
Other Employee Payables	-	7,370,988	-	7,370,988
Employee benefits Obligation	60,545,893	-	-	60,545,893
Provision- 90% Remission to National Tresury	2,171,545	-	-	2,171,545
	168,601,262	34,068,971	33,884,076	236,554,309

32. Operating Lease Commitments

Operating lease commitments represent rentals payable by the Authority for rented office space.

Not later than 1 Year

Not later than 1 Year	55,652,905	49,350,260
Not later than 1 Year	278,264,527	246,751,300
	333,917,432	296,101,560

The Authority is of the view that future net revenues and funding will be sufficient to cover these commitments. The Authority has leased office premises under an operating lease. The lease typically runs for 5 years with an option for renewal. Lease payments are increased accordingly to reflect market rentals. The Authority does not have an option to purchase the leased asset at the expiry of the lease period. There are no contingent rents recognized in the Statement of Financial Performance.

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

18. Notes to The Financial Statements

Figures in Kenyan Shilling	2021-2022	2020-2021
33. Related parties Disclosures		
Transactions with related parties		
Purchases from related parties		
Purchases of Electricity from KPLC	6,197,061	5,614,818
Rent expenses paid to Government agencies (Lake Basin)	3,104,289	2,126,461
Training and Conferences fees paid to Govt Agencies(KSG)	2,099,600	8,744,602
Transfers from the Government		
Ministry of Petroleum and Mining	200,000,000	-
Key management compensation		
Compensation to Senior Managers	92,483,125	87,444,840
Compensation to Director General	11,040,000	9,420,000
	103,523,125	96,864,840

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

18. Notes to The Financial Statements

Figures in Kenyan Shilling

2021-2022

2020-2021

33. Related parties Disclosures (continued)

Remuneration of Directors

2021-2022

Name	Monthly Fees and Honoraria	Sitting Allowance	Total
Hon. Justice (Prof) Jackton B. Ojwang	1,565,000	440,000	2,005,000
Dr. Sellah J. Kebenei	362,500	520,000	882,500
Mr Albert Mwenda	-	360,000	360,000
Mr. James Mbugua	-	480,000	480,000
Mr. George Mwakule	128,333	180,000	308,333
Eng Mercy Wambugu	128,333	100,000	228,333
Mr. Moses Gitari	-	100,000	100,000
Prof. George Achoki	357,500	440,000	797,500
National Treasury	2,350,000	-	2,350,000
Mr. Barnabus Ngeno	-	520,000	520,000
Mr. Christopher Ombenga	-	40,000	40,000
Isaac Omondi Odek	-	500,000	500,000
Mr. Daniel Mutisya Ndonye	128,333	120,000	248,333
Mr. Wanjuki Muchemi	471,667	520,000	991,667
Mr. Timothy Gakuu	-	200,000	200,000
Mr. Jared Masini Ichwara	-	220,000	220,000
Mr. Moses Gitari	100,000	60,000	160,000
Mr. Hassan Mohamud Haji	271,667	120,000	391,667
	5,863,333	4,920,000	10,783,333

2020-2021

Name	Monthly Fees and Honoraria	Sitting Allowance	Lunch	Total
Hon. Justice (Prof) Jackton B. Ojwang	1,560,000	420,000	6,000	1,986,000
Dr. Sellah J. Kebenei	600,000	880,000	6,000	1,486,000
Mr Albert Mwenda	-	438,000	4,000	442,000
Mr. James Mbugua	-	120,000	2,000	122,000
Eng. Samuel N. Maugo	558,333	480,000	6,000	1,044,333
Ms. Lilian Mahiri Zaja	558,333	740,000	4,000	1,302,333
Mr. Moses Gitari	-	520,000	6,000	526,000
Prof. George Achoki	600,000	940,000	6,000	1,546,000
National Treasury	2,183,167	-	-	2,183,167
Ms. Jacqueline Mogeni	-	640,000	2,000	642,000
Mr. Christopher Ombega	-	40,000	-	40,000
Ms. Lucy Waithira Mugwe	-	40,000	-	40,000
Isaac Omondi Odek	-	520,000	4,000	524,000
Mr. Daniel Kiptoo Bargoria	-	400,000	2,000	402,000
Mr. Wanjuki Muchemi	600,000	980,000	6,000	1,586,000
Mr. Andrew Kamau	-	20,000	-	20,000
	6,659,833	7,178,000	54,000	13,891,833

Energy & Petroleum Regulatory Authority

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18. Notes to The Financial Statements

Figures in Kenyan Shilling

2021-2022

2020-2021

34. Contingent Liabilities

EPRA is a party to a number of court cases whose determination is yet to be made. In view that damages or court awards are known upon conclusion of a matter, EPRA has made provision for contingency liabilities towards the same amounting to 55.3M. The following is summary of Key matters whose contingent liability is high.

- i) Apollo Mboya & Electricity Consumers Society of Kenya -vs- KPLC & 4 Others- Petition No. 6 of 2018;
- ii) Okiya Omtatah Okoiti -vs- ERC- Petition No. 38 of 2017;
- iii) Josephine Washifutswa Nambiro -vs- ERC- ELRC Petition No. 101 of 2018;
- iv) John Nganga –vs- Energy Regulatory Commission- High Court- ELRC Petition No. 08 of 2018;
- v) Energy and Petroleum Regulatory Authority v Gitson Energy Limited, Cabinet Secretary of the National Treasury, Ministry of Energy, Central Bank of Kenya, Kenya Power & Lighting Company, Energy Regulatory Commission & Attorney General- Civil Appeal No. E190 of 2022 and
- vi) John Muthomi Mathiu -vs- EPRA & 3 Others-Civil Case No. MCCC/E5986 of 2020.

35. Dividends/surplus remission

In accordance with Section 219 (2) of the Public Management Act regulation, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. EPRA had a surplus of Kes 2,412,828 and remitted Kes 2,171,545 during the year (FY 2020/2021). This Financial Year the Authority had a surplus of KES 47,942,655 and will remit KES 43,148,390 to the National Treasury.

The surplus Remission has been computed as follows

Surplus For the period	47,942,655	2,412,828
90% Computation	43,148,390	2,171,545
	-	-
Payable at the beginning of the year	2,171,545	-
Paid During the Year	(2,171,545)	-
Payable at end of the year	(43,148,390)	-

36. Events after the reporting period

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

37. Ultimate and Holding Entity

EPRA is a state corporation under the Ministry of Energy. Its ultimate parent is the Government of Kenya.

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

18. Notes to The Financial Statements

Figures in Kenyan Shilling

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38. Currency

The financial statements are presented in Kenya Shillings (Kshs)

Energy & Petroleum Regulatory Authority

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Appendix I: Progress on Follow up of Auditor Recommendations

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe
A.Report on The Financial Statements	Inaccuracies in Property Plant and Equipment (PPE)	A prior year adjustment has been posted in the annual financial statement for the year ended 30th June 2022 and PPE balances for the year ended 30th June 2021 Restated	Ag. DDF&A	Resolved	
	Inaccuracies in Employee Costs	Employee costs include gratuity pension and other non-payroll costs reconciliation from the payroll reports to the amount disclosed in financial statement as employee costs has been done	Ag. DDF&A	Resolved	
	Unsupported Expenditure on Consultancy	The expenditure of FY 2020/21 disclosed under consultancy services was supported by a contract and the final report for "Environment, Health and Safety available for audit review.	Ag. DDF&A	Resolved	
B.Report on Lawfulness and Effectiveness in Use of Public Resources	Irregular Expenditure on Contract for Monitoring Domestic Kerosene	a)The fuel marking and monitoring contract was varied by USD 510,907.5 with effect from 23rd March 2020 via a letter dated 19th March 2020 which was signed by the DG and addressed to the contractor. b)Because of safety concerns, EPRA as a regulator met the cost and utilised the entire contract variation amount of USD 510,907.50 towards testing and monitoring of fuel in independent and unbranded stations.	Management	Resolved	

Energy & Petroleum Regulatory Authority

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Appendix I: Progress on Follow up of Auditor Recommendations

Irregular Extension of LPG Storage and Cylinder Contract	<p>The extension of the contract was not irregular, the recommendation of the Contract Implementation Committee dated 12 July 2020 is attached as (Annex 20)</p> <p>The contract was competitively procured as evidenced by LPG Evaluation report attached as (Annex 22)</p>	Manager Supply Chain	Resolved
Unutilised Office Space	<p>The office space required remodeling that involved procurement of a consultant for interior design which would result in floating of another tender for the contractor. Both tendering processes and design of the floor would require time after which the winning contractor required time to mobilize resources. Covid-19 impacted the speed of the contract due to restricted movement and disruption of supply chain for materials used in the construction, some of which were sourced from outside the country. The office floor is currently fully operational.</p>	Management	Resolved

Energy & Petroleum Regulatory Authority

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Appendix I: Progress on Follow up of Auditor Recommendations

Failure to Remit Surplus Funds To KRA	The funds demanded by KRA are attributed to purchase of capital items. Authority reports on accrual accounting. This require that capital expenditures are reported on the statement of financial position (balance sheet) and not in the income statement. This results in excess surplus in the income statement which the Authority nets off against the capital items purchased. This has been a point of departure which the Authority has been seeking guidance from the National Treasury since the funds used to Purchase capital items are paid out to the suppliers.	Management	Not Resolved	30 June 2023
Irregular Appointment of the DG	The Director General was sourced competitively as per The Energy Act number 1 of 2019.	Management		
Irregular Payment of Retention Money	The completion certificate was issued on 27th August 2021, the final invoice dated 28th August 2021 submitted on 9th September 2021 and the final payment of Kshs.7,358,177.25 made on 10th September 2021 and not before issuance of the certificate.	Ag. DDF&A	Resolved	

Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

Appendix I: Progress on Follow up of Auditor Recommendations

Budget control and performance	Operations of the Authority were greatly hampered by the Covid-19 Pandemic in the FY 2020/2021, which affected both the Authorities revenue streams and ability to undertake various scheduled activities, which were either downscaled, delayed or suspended both within the Authority and on the part of service providers and other stakeholders.	Management	Resolved
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Mr. Daniel Kiptoo Bargarior
Director General

Date:

Appendix II: Projects Implemented by the Entity

The authority did not implement any projects during the Financial year.

Appendix III: Recording of Transfers from Other Government Entities

Name of Entity	Date received		Nature	Total Amount - KES	Where Recorded/recognized		
	as per bank statement				Statement of Financial Performance	Deferred Income	Total Transfers during the Year
Ministry of Petroleum and Mining	07/04/2022	Recurrent		100,000,000	5,817,507	94,182,493	100,000,000
Ministry of Petroleum and Mining	13/05/2022	Recurrent		100,000,000	-	100,000,000	100,000,000
Energy Act Stakeholders		- Recurrent		11,200,000	2,748,660	8,451,340	11,200,000
				211,200,000	8,566,167	202,633,833	211,200,000

Energy & Petroleum Regulatory Authority

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The Authority received Ksh 200M and Ksh 11,200,000 from Ministry of Petroleum and Mining and Energy Act Stakeholders respectively.

Handwritten scribbles in blue ink, possibly a signature or initials.