

REPUBLIC OF KENYA



24 JUL 2018

OFFICE OF THE AUDITOR-GENERAL

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Table of the House
by the Leader of
the Majority Party
on Tuesday
24th July 2018
(Afternoon)

REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
KENYA RURAL ROADS AUTHORITY**

**FOR THE YEAR ENDED
30 JUNE 2017**



REPUBLIC OF KENYA

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



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Rural Roads Authority set out on pages 21 to 52, which comprise the statement of financial position as at 30 June 2017, the statement of financial performance; the statement of changes in net assets and the statement of cash flows 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.

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

In addition, as required by Article 229(6) of the Constitution, Except for the Matters described in the Basis for qualified Opinion section of my report, based on the procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

Basis for Qualified Opinion

1.0 Nugatory Expenditures

As reported in the previous year, the Authority had incurred a total of Kshs.202,088,241 to pay interest on delayed payments as at 30 June 2016. A review of the matter in 2016/17 has revealed that a further amount of Ksh.4,253,404.04 was incurred to payment of interest bringing total nugatory expenditure to kshs.206,341,645.04. Although the management has explained that this was occasioned by delayed exchequer releases from the National Treasury, no evidence has been seen on action taken by management to prevent recurrence of this unfavorable situation which has constrained implementation of the Authority's programme by spending budgetary allocations on nugatory expenditure.

2.0 Rehabilitation and Repair of Kasoiyo – Saos - Society (D350) Road

The project was awarded to M/s. Bridgestone Construction Company Limited at a contract sum of Kshs.818,445,018 and commenced on 10 October 2012 with expected date of completion as 10 February 2016 revised to 10 April 2016.

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

Examination of the project file revealed the following:

2.1 Assignment of Works

On 28th January 2015, works valued at Kshs.504,824,286 were assigned to Guangxi Hydroelectric Construction Bureau an indication that the main contractor performance was poor.

2.2 Delayed Project Implementation

The latest progress report for 5 August, 2016 showed the overall progress achieved was at 99.91% against elapsed time of 130.2% of the contract period. Further, although the contractor requested for substantial completion inspection on 13 September, 2017 the management had not undertaken the same by the time of the audit.

3.0 Construction of Muranga – Gitugi (D427) and Njumbi- Mioro (E546)

The Project was awarded to M/s Nyoro construction co. ltd at contract sum of Kshs.2,120,325,200 with date of commencement as 31st July 2012 and expected date of completion as 2nd February 2015.

A review of the project file and the related records revealed some unsatisfactory matters as follows:

3.1 Delayed Project Delivery

Review of the project in the year under audit revealed that overall progress as at 30 June 2017 was at 47.23% against an elapsed contract period of 58.93 Months or 196.43% of contract period. This indicates the project is far behind schedule which could lead to escalation of costs.

3.2 Interest on Late Payments

The latest payment certificate (No. 20) dated 27 June 2017 indicated that interest on delayed payments totaling Kshs.7,001,678 had been incurred, which is a nugatory expenditure.

4.0 Construction of Kaptama-Kapsokwony-Sirisia (275/265) Road Contract No. RWC 023

As reported in the previous year the Road Project is situated in Kimilili, Bungoma West (both formerly in larger Bungoma) and Mt. Elgon Sub-Counties of Bungoma County. The project is approximately 67km long. The road is divided into 4 distinct portions with a total length of 67km as follows:-

- | | | |
|----|-------------------------------------|---------|
| 1) | Kamukuywa- Kaptama (D285) | 14.0km |
| 2) | Kaptama- Kapsokwony- Namwela (D275) | 40.32km |

3)	Kapsokwony- Kimilili (D265)	8.37km
4)	Namwela- Chwele (C42)	5.1km

Review of the project files and the related records revealed the following unsatisfactory matters:

4.1 Delayed Project Delivery

The contract commenced on 22 June 2007 for a contract period of 35 months. The contract was to end by 13 May 2010 but the last progress report availed for audit was for 31 July 2015 by which time the contractor had attained a weighted average physical progress of 94% and there was no evidence of approval for extension of time from the Tender Committee. During the year under audit, the management did not avail information on the current status of the project.

4.2 Financial Distress of the Contractor

The contractor, KSL International Ltd was put under receivership as indicated in the Daily Nation on Monday 23 February 2015 page 37. The contractor's yard including the site offices at Kamkuywa, was placed under a Receiver Manager and all site operations brought to halt.

The Contractor had been unable to settle rent arrears owed to the Authority amounting to Kshs.3,028,125 for Mwatunge Camp in Taita Taveta which was used in a previous contract.

4.3 Requests for Mutual Winding up of the Contract

The Receiver Manager vide Letter ref HG/JKM/RBH/JGM/62 dated 9 July 2015 requested for mutual winding up of the contract citing balance of funds to the contract sum is insufficient to complete the outstanding works based on design specifications. In a letter ref KeRRA/05/1/VOL.1/RWC023/2536 dated 16 July 2015 the General Manager (Design and Construction) requested the Resident Engineer to comment on mutual winding up of the contract and also undertake a project appraisal and submit a report with recommendations before 27 July 2015. Further, the Attorney General in a letter Ref:AG/CONF/21/6/12 VOL.I (7) dated 1st September, 2016 advised the management to terminate the contract forthwith in accordance with clause 63.1 of the conditions of contract but there was no evidence to show what action had been taken as at the time of audit.

In the circumstances, it has not been possible to confirm whether the public obtained value for money for the expenditure of Kshs.2,622,131,272 already incurred. A review of the matter in 2016/17 revealed that the issue is still unresolved.

5.0 Construction to Bitumen Standard of Naromoru - Munyu - Karisheni Road Contract No RWC 040.

As reported in the previous year, the project scope was construction of four roads with a total length of 45.9km and was awarded to M/S Kirinyaga Construction (K) Limited at

a contract sum of Kshs.2,468,815,445 and commenced on 1 October 2012 with expected date of completion as 30th September 2014.

5.1 Assignment of Works

On 21 April the contractor entered into agreement with East African Development Engineering Trading Co. Ltd to assign to the latter part of the works valued at Kshs.2,064,537,961 after approval from Director General through letter ref. KeRRA/D&C/3679 dated 9 March 2015. A total of 39.9 KMs were assigned to M/s East African Development as follows:

1)	Road D448 km 6+000 to km 21+200 (Karisheni)	15.2km
2)	Road E171A Lusoi- Munyu- Kakuret	7.3km
3)	Road RAR27 Giting'a- Kamburuaini- Sarafina	7.3km
4)	Road RAR29 Ibauini- Mwicwiri- Njoguini	<u>10.1km</u>
	Total	<u>39.9km</u>

5.2 Delayed Project Delivery

The main contractor, Kirinyaga Construction Ltd, whose scope was reduced to 6 km after assignment of works, had only realized a progress of 72.1% as at 30 June 2017 and by that time 57 months equivalent to 227.5% of contract period had elapsed. The assigned contractor's progress was at 71.23% with elapsed time of 25 months equivalent to 104% of contract period. The combined overall progress for the two contractors as at 30 June 2017 was 73.1%.

The project is therefore behind schedule .

6.0 Rehabilitation and Repair of Eldoret – Ziwa – Kachibora – Eldoret-Kabenes Road

The Project was awarded to M/s Kimilili Hauliers at a contract sum of Kshs.1,435,212,465 and commenced on 1st September 2011 with expected date of completion as 1st March 2014 which was later revised to 1st march 2016. A review of the project files and related records revealed the following:

6.1 Scaling down of Works

The initial contract was repackaged into three components as follows:

- (i) Eldoret - Kabenes 24KM- Kshs. 974,301,651
- (ii) Kabenes-Kachibora 31KM- Kshs. 1,064,762,019
- (iii) Moi's Bridge – Kachibora 20 KM- kshs.536,046,915

The first section was repackaged as addendum No. 2 which was approved by the CTC on 12 September 2014 and is to be completed under the current contract. The second section was subjected to open tender and awarded to M/s China International

Cooperation on 19 June 2015 at a contract sum of Kshs.1,313,914,382. The third section is estimated to cost Kshs.536,046,915 and will be implemented through an annuity programme.

This repackaging of the works brings up the contract sum from an original price of Kshs.1,435,212,465 to a sum of Kshs.2,575,110,585.

6.2 Delayed Project Implementation

The revised contract period lapsed on 1st March 2016 but the latest progress report dated 30th June 2017 showed that the overall progress was at 96% with only 88.2% of the contract sum certified.

The project is behind schedule which could lead to cost overruns.

7.0. Construction of Kibunja-Molo-Olenguruone Road (D316)

The project which is located in Molo, Nakuru County and is approximately 51 km long was awarded to M/S Kimilili Hauliers at a contract sum of Ksh.742,290,293 revised to Kshs.844,344,347,348 and commenced on 6th August 2010 with expected date for completion of 6th February 2016.

7.1 Assignment of works

The contractor agreed to sub-contract works valued at Kshs.113,137,134,730 to another contractor, Raflo Services to speed up the progress but the arrangement has still not delivered the project.

7.2 Failed Project Delivery/Termination

The project was to be completed on 6th February 2012 but as per the last progress report for December 2014, only 67.73% physical progress had been achieved. There was no progress report from December 2014 to date and no evidence of approval for extension of contract period and evidence of action taken by management in line with the terms of contract.

8.0 Construction of Sigalagala – Musoli-Sabatia – Butere Roads (D260/E390)

The project is in Kakamega County and the road length is approximately 34.25 km. The contract was awarded to M/s Associated on 28th March 2011 at a contract price of Kshs.1,809,465,663. Works commenced on 6th June 2011 and was to be completed by 6th June 2013.

8.1 Assignment of Part of the Works

In December 2014, the contractor entered into an agreement with another contractor, East African Development Engineering and Trading Co. Ltd to assign part of the works in line with Clause 3.1 of the conditions of contract. Out of the total road length of 34.25

KM, the assignee was to construct 20 KM at a contract sum of Kshs.1,113,658,598. The main contractor was left to handle 14.25 kilometers only. The assignee was given 18 months to complete the works.

8.2 Advance payment

The main contractor was paid an advance of Kshs.180,946,566 and out of which only Kshs.22,808,548 had been recovered by the time of the audit leaving an outstanding amount of Kshs.158,138,018.69 (same as the previous year).

8.3 Delayed Project Completion

The project was to be completed by 6th June 2013 but this was revised to 9th July, 2013 through an extension of the contract period. The latest progress report dated 31st July 2017 showed that only 74.3% combined progress had been realized by both the main contractor and the assignee, an indication that the project was behind schedule which could lead to escalation of costs.

9.0 Construction of Sigiri Bridge and Approach Roads on Road R43 - RW-C092

The above contract was awarded to China Overseas Engineering Group Co. Ltd on 5th March, 2015 at a contract sum of Kshs.992,546,146.28. The project had a contract period of 18 Months starting from 12th August 2015 and the project was expected to be completed by 12th February 2017.

The following observations were made from review of the project files and related records:

9.1 Slow Progress

The contract period for the project elapsed on 12th February 2017 and there was no evidence for approval of extension of time but as per the latest progress report dated 31 October, 2017, the overall progress was at 81.27% against an elapsed contract time of 24 Months equivalent to 133.33% of the contract period. Although management has indicated that the project is substantially complete, no evidence was availed in support of this and it was not possible to confirm the status of the project as at 29th May 2018.

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

the Basis for Qualified Opinion section, I have determined that there are no Key Audit Matters to communicate in my report.

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

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

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

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

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

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

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

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

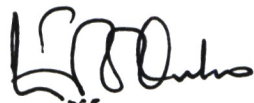
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve

collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and for for the purpose of giving an assurance on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue 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 statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Authority to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

Nairobi

28 June 2018

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2017

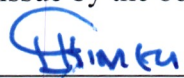
	Note	2016-2017 Shs'000	2015-2016 Shs'000
REVENUE			
Revenue from Non Exchange Transactions			
Road Maintenance Levy Fund	6	15,277,724	11,289,658
Government Grants	7	2,894,358	4,113,688
Development partners' Grants	8	566,114	1,563,736
Total Revenue from Non Exchange Transactions		<u>18,738,196</u>	<u>16,967,082</u>
Revenue from Exchange Transactions			
Finance Income	9	232,745	183,874
Other income	10	22,204	33,798
Rental Revenue	11	2,245	1,389
Total Revenue from Exchange Transactions		<u>257,194</u>	<u>219,061</u>
Total Revenue		<u><u>18,995,390</u></u>	<u><u>17,186,143</u></u>
EXPENDITURE			
Road Works costs	12	18,317,753	15,818,555
Directors' Costs	13	12,503	15,579
Employment Costs	14	1,643,412	1,575,680
Depreciation and amortization expense	15	59,875	45,621
Repairs and maintenance	16	59,132	45,932
Other Operating Costs	17	335,408	307,201
Total Expenditure		<u><u>20,428,083</u></u>	<u><u>17,808,568</u></u>
Operating Deficit for the year		<u><u>(1,432,693)</u></u>	<u><u>(622,425)</u></u>

The significant accounting policies on pages and the notes on pages 26 to 52 form an integral part of these financial statements.

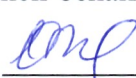
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Note	2016-2017 Shs'000	2015-2016 Shs'000
ASSETS			
Current Assets			
Cash and cash equivalents	18	21,867,450	14,934,930
Receivables from exchange transactions	19	17,148,614	6,514,406
Receivables from non exchange transactions	19	13,909,308	3,462,758
Inventories	20	6,433	3,407
		<u>52,931,804</u>	<u>24,915,501</u>
Non-Current Assets			
Property Plant and Equipment	21	204,061	163,549
Road Infrastructure Assets	22	39,229,092	39,229,092
Capital Work In Progress	23	51,498,401	30,195,144
		<u>90,931,555</u>	<u>69,587,785</u>
Total Assests		<u>143,863,359</u>	<u>94,503,286</u>
LIABILITIES			
Current liabilities			
Payables from exchange transactions	24	6,169,698	2,462,849
Payables from Non-Exchange transactions	24	5,162,058	-
Employee benefit obligation	25	60,253	58,058
		<u>11,392,009</u>	<u>2,520,907</u>
Non Current Liabilities			
Payables from exchange transactions	24	3,580,175	2,647,603
		<u>3,580,175</u>	<u>2,647,603</u>
Total Liabilities		<u>14,972,183</u>	<u>5,168,510</u>
Net Assets		<u>128,891,175</u>	<u>89,334,777</u>
REPRESENTED BY:			
GOK Development Fund	4q	129,053,514	88,064,425
Staff Mortgage Fund	4q	193,996	193,996
Accumulated(Deficit)/ Surplus	4q	(356,335)	1,076,356
Total Net Assets and Liabilities		<u>128,891,175</u>	<u>89,334,777</u>

The significant accounting policies on pages and the notes on pages 26 to 52 form an integral part of these financial statements. The financial statements on pages 26 to 52 were approved for issue by the board of directors on 28th Sept. 2017 and were signed on their behalf by:


Director General
Eng. Luka K. Kimeli


GM Finance
CPA Dan Manyasi ICPAK M/NO. R/6407


Director
Prof. Oyuko Mbeche

STATEMENT OF CHANGES IN NET ASSETS

For the Year Ended 30 June 2017

Year ended 30th June 2017	Note	Accumulated Surplus Shs '000	GOK Development Fund Shs '000	Capital Fund Shs '000	Staff Mortgage Fund Shs '000	Total Shs '000
At 1st July 2015						
As previously stated		10,880,330	-	382	193,996	11,074,708
Prior Year adjustment		(9,181,930)				62,011,132
As restated		1,698,401	71,193,062	382	193,996	73,085,840
Funds received during the year		-	16,871,364	-	-	16,871,364
Depreciation transfer		382	-	(382)	-	-
Surplus for the year		(622,425)	-	-	-	(622,425)
At 30th June 2016		<u>1,076,358</u>	<u>88,064,426</u>	<u>-</u>	<u>193,996</u>	<u>89,334,779</u>
At 1st July 2016		1,076,358	88,064,426	-	193,996	89,334,779
Funds received during the year		-	40,989,089	-	-	40,989,089
Surplus for the year		(1,432,693)	-	-	-	(1,432,693)
At 30th June 2017		<u>(356,335)</u>	<u>129,053,515</u>	<u>-</u>	<u>193,996</u>	<u>128,891,175</u>

The significant accounting policies on pages and the notes on pages 26 to 52 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2017

		2016-2017 Shs'000	2015-2016 Shs'000
	Note	Shs	Shs
Cash flows from operating activities			
Surplus for the year		(1,432,693)	(622,426)
<i>Adjustments for:</i>			
<i>Prior Year adjustment</i>			
Depreciation of property, plant and equipment	21	59,875	45,621
Interest Income		(232,745)	(183,874)
Changes in operating assets and liabilities			
Receivables from exchange transactions		(10,634,208)	(2,806,910)
Receivables from non exchange transactions		(10,446,550)	(148,817)
Inventories		(3,026)	1,589
Payables from Non-exchange transactions		5,162,058	
Payables from exchange transactions		4,639,421	1,090,748
Employee benefit obligation		2,199	(2,001)
		<u>(12,885,670)</u>	<u>(2,626,071)</u>
<i>Net cash from operating activities</i>			
Cash flows from investing activities			
Interest Income		232,745	183,874
Purchases of Property Plant and equipment	21	(100,387)	(29,408)
Addition in Road infrastructure assets	23	(21,303,257)	(7,413,104)
		<u>(21,170,899)</u>	<u>(7,258,637)</u>
<i>Net cash used in investing activities</i>			
Cash flows from Financing activities			
Capital Grant received		<u>40,989,089</u>	<u>16,871,364</u>
		<u>40,989,089</u>	<u>16,871,364</u>
<i>Net cash used from investing activities</i>			
Net increase in cash and cash equivalents		6,932,520	6,986,656
Cash and cash equivalents at start of year		<u>14,934,930</u>	<u>7,948,274</u>
Cash and cash equivalents at end of year	18	<u><u>21,867,450</u></u>	<u><u>14,934,930</u></u>

The significant accounting policies on pages and the notes on pages 26 to 52 form an integral part of these financial statements.

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT

	Original Budget 2016-2017 Shs'000	Adjustments 2016-2017 Shs'000	Final Budget 2016-2017 Shs'000	Actual on Comparable basis		Performance Difference 2016-2017 Shs'000	% Variance 2016-2017 Shs'000
				2016-2017 Shs'000	2016-2017 Shs'000		
Annual Report and Financial Statements							
Revenue	Note						
Road Maintenance Levy Fund	13,525,303	1,752,420	15,277,724	15,277,724	-	0%	
GOK Development Fund	59,851,928	-	59,851,928	45,378,779	14,473,148	24%	
Dev. Partners Grant	2,200,000		2,200,000	566,114	1,633,886	74%	
Finance Income	200,000		200,000	232,745	(32,745)	(16%)	
Other income	20,000		20,000	22,204	(2,204)	(11%)	
Rental Revenue	1,300		1,300	2,245	(945)	(73%)	
Total Revenue	75,798,531	1,752,420	77,550,952	61,479,812	16,071,140	21%	
Expenses							
Road work costs-Development	45,178,780	-	45,178,780	21,303,257	23,875,522	53%	
Road Works costs- maintenance	28,850,872	903,011	29,753,883	18,317,753	11,436,130	38%	
Directors' Costs	12,000	5,000	17,000	12,503	4,497	26%	
Employment Costs	1,292,209	468,528	1,760,737	1,643,412	117,325	7%	
Depreciation and amortization expense	-	-	-	59,875	(59,875)	-	
Repairs and maintenance	10,500	12,200	22,700	59,132	(36,432)	(160%)	
Other Operating Costs	232,870	363,681	596,552	335,408	261,144	44%	
Total Expenditure	75,577,231	1,752,420	77,329,651	41,731,341	35,598,311	46%	
Surplus for the year	221,300	-	221,300	19,748,471	(19,527,171)		

NB: Road works costs includes Infrastructure assets funded by the development fund.

NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Kenya Rural Roads Authority (KeRRA) 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. The Authority is responsible for the management, development, rehabilitation and maintenance of the Rural Road network in Kenya classified as D, E and others.

2. Statement of compliance

The 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.

3. Adoption of new and revised Standards

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2017

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

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

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

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

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

4. 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 and all values are rounded to the nearest thousand (Ksh '000).

(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 5.

(c) Budget Information

The original budget for FY 2016-2017 was approved by the National Assembly on 8th June 2016. 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 Entity 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. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

(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 rural 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 32% of collections from the Road Maintenance Levy Fund administered by the Kenya Roads Board in accordance with the Kenya Roads Board act 1999.

Proceeds from the Road Maintenance Levy Fund are generally recognized in the Statement of Financial Performance on accrual basis.

ii) Agricultural Cess

The Agricultural Cess comprises of 80% of all monies collected as Cess in respect of tea and coffee as per Agricultural Act. The fund is administered by Kenya Roads Board. Proceeds from agricultural Cess are recognized in the Statement of Financial Performance on accrual basis.

iii) 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.

iv) 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.

v) Rental Income

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

vi) 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 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 - %
Buildings	2.5%
Computers	33.3%
Furniture and Fittings	12.5%
Technical Equipment	12.5%
Motor Vehicles	25.0%
Road Infrastructure Assets	-

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-Infrastructure Assets

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.

(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 of up of designated funds and accumulated reserve which are explained as follows:

(i) Staff Mortgage Fund

The Authority established independently managed staff Mortgage Scheme Funds for members of staff. The scheme is based on a minimum cash balance at the Kenya Commercial Bank account commensurate with the mortgage amount. This cash balance, built up for the scheme as a revolving fund, is limited to a maximum of Ksh 250 million.

There was no transfer from the accumulated surplus to the staff mortgage fund during the year

(ii) Capital Fund

The Authority established a Capital Fund in for the purpose of purchase of office property plant and equipment.

(iii) Accumulated surpluses/Deficit

Accumulated surpluses/ (deficit) represent excess operating revenue over expenditure which has accumulated over the years. These funds are available for utilization in the Authority's operations in the subsequent years.

(iv) Development Fund

Development fund represents the Authority's investment in infrastructure assets as funded by the exchequer development vote.

(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.

The total expense recognized in the income statement of Shs 109.42 Million (2015-2016: Shs 103.67 Million) represents contributions payable to the plan by the Authority at rates specified in the rules of the plan. The expense has been included within the staff pension costs under staff costs.

(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, 2017.

5. Critical Accounting Estimates, Judgements and Assumptions

In the process of applying the Authority's accounting policies, the directors have made estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although these estimates are based on the directors' knowledge of current events and actions, actual results may differ from these estimates.

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

(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.

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	2016-2017	2015-2016
	Shs'000	Shs'000
6. Road Maintenance Levy		
10% Constituency Links Roads	2,228,005	2,378,015
10% Special allocation	4,384,107	1,952,645
22% Constituency Roads Fund	5,365,612	5,231,492
Coffee Cess	-	148,188
RMLF Operations	3,300,000	1,579,318
Total Road Maintenance Levy	<u>15,277,724</u>	<u>11,289,658</u>
7. Other Government Grants		
Development Projects	40,989,089	16,871,364
Spot Improvement Projects	4,189,690	4,113,688
Administrative funds	200,000	-
Total Government Grants	<u>45,378,779</u>	<u>20,985,052</u>
Deferred Income	(1,495,332)	-
Transfer to Development Fund	<u>(40,989,089)</u>	<u>(16,871,364)</u>
	<u>2,894,358</u>	<u>4,113,688</u>
8. Development Partners Grants		
European Union	294,272	403,426
L'Agence Française de Développement(AFD)	232,473	1,050,589
German Development Bank(KFW)	39,369	109,721
Total Development Partners'Grants	<u>566,114</u>	<u>1,563,736</u>
9. Finance Income		
Interest from fixed deposits	<u>232,745</u>	<u>183,874</u>
Total Finance income	<u>232,745</u>	<u>183,874</u>
10. Other Income		
Receipts from sale of tenders	22,084	33,168
Other Levies	120	630
Total other income	<u>22,204</u>	<u>33,798</u>
11. Rental Revenue		
Receipts from operating lease rental	<u>2,245</u>	<u>1,389</u>
Total Rental revenue	<u>2,245</u>	<u>1,389</u>

	2016-2017	2015-2016
	Shs'000	Shs'000
12. Road Works Expenditure		
RMLF 10%-Constituency Link Roads	2,755,759	1,760,376
RMLF 22%-Constituency Roads Fund	6,048,653	3,588,833
RMLF 10%-Special Allocation	3,665,457	1,172,371
Donor Funded Projects	795,978	1,131,818
GoK Development Funds	4,921,345	8,099,157
Coffee Cess	130,561	66,000
Total Road Works Expenses	<u><u>18,317,753</u></u>	<u><u>15,818,555</u></u>
13. Directors' Costs		
Executive Directors		
Emoluments	7,215	3,012
	<u>7,215</u>	<u>3,012</u>
14. Non Executive Directors		
Emoluments	4,224	7,040
Training and field activities	1,064	5,527
	<u>5,288</u>	<u>12,567</u>
Total Directors Costs	<u><u>12,503</u></u>	<u><u>15,579</u></u>
14. Employment Costs		
Salaries and Wages	1,171,315	1,178,386
Pension and Gratuity costs	109,420	103,679
Medical and Insurance	106,243	94,870
Training and Development	55,685	37,887
Travelling and accomodation	178,348	131,500
Other Staff welfare costs	22,401	29,358
Total employment Costs	<u><u>1,643,412</u></u>	<u><u>1,575,680</u></u>
15. Depreciation		
Property Plant and equipment	59,875	45,621
Total Depreciation Expense	<u><u>59,875</u></u>	<u><u>45,621</u></u>
16. Repairs and maintenance		
Office building	9,153	7,640
Furniture and equipment	12,126	7,548
Motor vehicles	37,853	30,744
Total Repairs and Maintenance	<u><u>59,132</u></u>	<u><u>45,932</u></u>

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	2016-2017	2015-2016
	Shs'000	Shs'000
17. Other Operating expenses		
Public relations and Corporate affairs	4,038	3,474
Audit Fees	3,000	3,000
Advertisement and publicity	5,380	5,619
Rent and Rates	80,229	57,246
Electricity and Water	6,729	5,837
Cleaning and sanitation	4,721	4,522
Fuel and other vehicle running expenses	51,961	51,888
Security	46,868	64,015
Consultancies	6,499	6,418
Legal Fees	1,510	3,937
Printing and Stationery	34,898	30,445
CRC and tender evaluation Expenses	56,580	35,649
Telephone, Internet and Postage	23,960	25,490
Bank Charges	3,498	3,520
Office expenses	5,537	6,141
Total Other Operating expenses	<u>335,408</u>	<u>307,201</u>

18. Cash and cash equivalents

These represent cash held at various banks, as follows:

Cash in hand and Bank	10,596,098	12,697,938
Staff mortgage Fund	45,864	193,994
Fixed term deposits	11,225,488	2,043,000
Total Cash and Cash equivalents	<u>21,867,450</u>	<u>14,934,932</u>

The cash and bank balances as the funds are held with sound financial institutions approved by Central Bank of Kenya as follows:

Kenya Commercial Bank limited	21,381,917	14,570,402
Equity Bank Kenya Limited	48,789	55,910
Cooperative Bank Kenya Limited	181,272	189,573
NIC Bank Kenya Limited	241,609	104,149
Cash in Hand	13,862	14,897
Total cash in hand and bank	<u>21,867,450</u>	<u>14,934,930</u>

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

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	2016-2017	2015-2016
	Shs'000	Shs'000
19. Receivables		
a) Receivables from Exchange transactions		
Contractors advances	17,148,614	6,514,406
Total Receivables from Exchange transactions	<u>17,148,614</u>	<u>6,514,406</u>
b) Receivables from Non Exchange transactions		
Advances to Staff	2,483	6,584
Deposits and Prepayments	152,589	121,592
Other Receivables	13,754,236	3,334,581
Total Receivables from Non Exchange transactions	<u>13,909,308</u>	<u>3,462,757</u>
Total receivables	<u>31,057,922</u>	<u>9,977,163</u>

Receivables constitute short term liquid assets which are recoverable within one year. Grants receivable represent development grants due from the National Government (Kshs 13.7 billion, 2015-2016: Ksh 3.2 billion). The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Authority does not hold any collateral as security. The aged analysis of receivables is as follows:

	0-3 Months	3-12 Months	Over 12 Months	Total
Contractors advances	-	17,148,614	-	17,148,614
Advances to Staff	2,483	-	-	2,483
Deposits and Prepayments	-	152,589	-	152,589
Other Receivables	13,754,236	-	-	13,754,236
Total	<u>13,756,719</u>	<u>17,301,203</u>	<u>-</u>	<u>31,057,922</u>

	2016-2017	2015-2016
	Shs'000	Shs'000
20. Inventories		
Consumable stores	6,433	3,407
Total Inventories	<u>6,433</u>	<u>3,407</u>

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21. Property Plant and equipment

Year ended 30 June 2017

Cost	Building	Furniture and fittings	Motor Vehicles	Office Equipment	Computers and Software	Plant and Machinery	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
At 1st July 2016	87,667	117,605	301,160	26,954	81,062	52,371	666,820
Additions	2,596	4,754	79,000	4,633	8,923	482	100,387
At 30th June 2017	<u>90,263</u>	<u>122,358</u>	<u>380,160</u>	<u>31,587</u>	<u>89,985</u>	<u>52,853</u>	<u>767,207</u>
Depreciation							
At 1st July 2016	9,456	81,838	301,160	14,515	57,983	38,319	503,271
Charge for the year	2,257	15,295	19,750	3,948	12,018	6,607	59,875
At 30th June 2017	<u>11,712</u>	<u>97,133</u>	<u>320,910</u>	<u>18,463</u>	<u>70,001</u>	<u>44,926</u>	<u>563,145</u>
Net Book Value							
At 30th June 2017	<u>78,551</u>	<u>25,226</u>	<u>59,250</u>	<u>13,124</u>	<u>19,984</u>	<u>7,927</u>	<u>204,061</u>

The gross carrying amount of fully depreciated property, plant and equipment amounted to K.shs 358,337,943

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Property Plant and equipment

Year ended 30 June 2016	Building Shs'000	Furniture and Fittings Shs'000	Motor Vehicles Shs'000	Office Equipment Shs'000	Computers and Software Shs'000	Plant and Machinery Shs'000	Total Shs'000
Cost							
At 1st July 2015	87,667	116,439	301,160	24,169	56,160	51,817	637,412
Additions	-	1,166	-	2,785	24,903	554	29,408
At 30th June 2016	<u>87,667</u>	<u>117,605</u>	<u>301,160</u>	<u>26,954</u>	<u>81,062</u>	<u>52,371</u>	<u>666,820</u>
Depreciation							
At 1st July 2015	7,264	67,137	294,365	11,146	45,964	31,773	457,649
Charge for the year	<u>2,192</u>	<u>14,701</u>	<u>6,795</u>	<u>3,369</u>	<u>12,018</u>	<u>6,546</u>	<u>45,621</u>
At 30th June 2016	<u>9,456</u>	<u>81,838</u>	<u>301,160</u>	<u>14,515</u>	<u>57,983</u>	<u>38,319</u>	<u>503,271</u>
Net Book Value							
At 30th June 2016	<u>78,212</u>	<u>35,767</u>	<u>(0)</u>	<u>12,439</u>	<u>23,080</u>	<u>14,052</u>	<u>163,549</u>

The gross carrying amount of fully depreciated property, plant and equipment amounted to Kshs 320,733,019

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	2016-2017 Shs'000	2015-2016 Shs'000
22. Road Infrastructure Assets		
At 1st July 2016	39,229,092	39,035,081
Transfer from work in progress	-	194,011
	<u>39,229,092</u>	<u>39,229,092</u>
At 30 June 2017	<u>39,229,092</u>	<u>39,229,092</u>
23. Capital Work In Progress		
At 1st July 2016	30,195,144	-
Prior year adjustment	-	22,976,051
Additions	21,303,257	7,413,104
Transfer to Road Infrastructure Asset	-	(194,011)
At 30th June 2017	<u>51,498,401</u>	<u>30,195,144</u>
24. Payables		
(a) Exchange Transactions		
Current:		
Due to Contractors	5,614,780	2,171,702
Other Trade payables	272,223	135,235
Staff Creditors	16,830	15,731
Other Payables	265,865	140,180
Total current	<u>6,169,698</u>	<u>2,462,848</u>
Non Current:		
Contract Retention	3,580,175	2,647,603
Total Non Current	<u>3,580,175</u>	<u>2,647,603</u>
	<u>9,749,873</u>	<u>5,110,451</u>
(b) Non-Exchange Transactions		
Due to KeNHA/KURA	1,495,332	-
Deferred Income	3,666,725	-
	<u>5,162,058</u>	<u>-</u>
	<u>14,911,930</u>	<u>-</u>

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Current trade and other payables are expected to be settled in Authority's normal operating cycle and within twelve months after the reporting period and are not attached to an unconditional right to defer payment of the liability.

25. Employee Benefit obligations

	Gratuity Ksh'000	Pension costs Ksh'000	Total Ksh'000
As at 1st July 2016	-	47,901	47,901
Additional Provisions	12,160	192	12,352
Provision utilised	-	-	-
As at 30 June 2017	12,160	48,093	60,253

26. 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.

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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:

- Projecting cash flows and considering the cash required and optimizing the short term requirements as well as the long term funding, maintaining balance sheet liquidity ratios,
 - Maintaining/soliciting 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

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Year Ended 30 June 2017

	Less Than 1 Month	Between 1-3 months	Between 3-12 Months	Over One Year
Due to Contractors	-	-	5,614,780	-
Other Trade payables	-	272,223		-
Staff Creditors	-	-	16,830	-
Contract Retention	-	-	-	3,580,175
Deferred Income	1,495,332	-	-	-
Other Payables	-	265,865	-	-
	<u>1,495,332</u>	<u>538,088</u>	<u>5,631,609</u>	<u>3,580,175</u>

Year Ended 30 June 2016

	Less Than 1 Month	Between 1-3 months	Between 3-12 Months	Over One Year
Due to Contractors	-	-	1,652,211	-
Other Trade payables	-	137,286	-	-
Staff Creditors	-	-	14,774	-
Contract Retention	-	-	-	2,522,976
Other Payables	-	138,452	-	-
	<u>-</u>	<u>275,738</u>	<u>1,666,985</u>	<u>2,522,976</u>

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, 32% 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.

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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 2017

	Fully Performing	Past Due But Not impaired	Past due and Impaired	Total
	Sh 000'	Sh 000'	Sh 000'	Sh 000'
Advances to Staff	2,483			2,483
Contractors advances	17,148,614	-	-	17,148,614
Other Receivables	13,754,236	-	-	13,754,236
Deposits and Prepayments	152,589			152,589
Cash at Bank	21,867,450	-	-	21,867,450
	<u>52,925,372</u>	<u>-</u>	<u>-</u>	<u>52,925,372</u>
Gross Financial Assets	<u>52,925,372</u>	<u>-</u>	<u>-</u>	<u>52,925,372</u>

Year Ended 30 June 2016

	Fully Performing	Past Due But Not impaired	Past due and Impaired	Total
	Sh 000'	Sh 000'	Sh 000'	Sh 000'
Advances to Staff	2,903			2,903
Contractors advances	6,518,087	-	-	6,518,087
Other Receivables	3,332,438	-	-	3,332,438
Deposits and Prepayments	42,592			42,592
Cash at Bank	14,878,647	-	-	14,878,647
	<u>24,774,668</u>	<u>-</u>	<u>-</u>	<u>24,774,668</u>
Gross Financial Assets	<u>24,774,668</u>	<u>-</u>	<u>-</u>	<u>24,774,668</u>

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

e) Legal Risk

Legal risks 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

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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.

27. Related Parties Balances and Transactions

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, or vice versa. Members of key management are regarded as related parties and comprise the Director General and senior managers.

(a) Related party transactions

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

	2016-2017	2015-2016
	Shs'000	Shs'000
(i) Receipt and Transfers		
The Government of Kenya	45,378,779	20,985,052
Kenya Roads Board	15,277,724	11,289,658
	<u>60,656,503</u>	<u>26,069,932</u>
(ii) Directors Emoluments		
Emoluments -Executive directors	7,215	3,012
Emoluments - Non Executive directors	4,224	7,040
Training and filed activities	1,064	5,527
	<u>12,503</u>	<u>15,579</u>

(b) Outstanding balances arising from non-exchange transactions

The following were outstanding balances with related parties as at 30th June 2017

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	2016-2017	2015-2016
	Shs'000	Shs'000
Receivable from related parties	<u>13,754,236</u>	<u>3,273,844</u>
Payable to related parties	<u>12,113</u>	<u>12,156</u>
Receivables from related parties can be analysed as follows:		
The Government of Kenya	13,754,236	1,800,000
Kenya Roads Board	-	1,473,844
Key management personnel	-	-
	<u>13,754,236</u>	<u>3,273,844</u>
Payables to related parties can be analysed as follows:		
Key management personnel	<u>12,113</u>	<u>12,156</u>
28. Contingent Assets and liabilities		
(i) Contingent Liabilities		
Legal proceedings against the Authority	<u>-</u>	<u>1,229,424</u>
Due to the uncertainty of the outcome of these cases, it is not practically possible to estimate the resulting liabilities and the effect they are likely to have on the results of the Authority's operations, financial position or liquidity. Therefore no provision has been made in the financial statements.		
(ii) Contingent assets		
Advance Guarantees	17,227,456	-
Performance Gurantees	<u>-</u>	<u>-</u>
	<u>17,227,456</u>	<u>-</u>
29. Capital Commitments		
Authorised and contracted for	<u>-</u>	<u>-</u>

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Non-cancellable operating lease rentals are payable as follows:

Within one year	25,496	52,789
Later than one year but within five years	<u>58,640</u>	<u>263,947</u>
	<u>84,135</u>	<u>316,736</u>

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.

30. Reconciliation of surplus as per Budget statement and statement of financial performance

	2016-2017
	Shs'000
Surplus as per statement of Budget and Actual amounts	19,748,471
Add: Transfer of Roadwork Costs to Infrastructure assets	21,303,257
Less: Transfer to Development Fund	(40,989,089)
Less: Transfer to Deferred Income	<u>(1,495,332)</u>
Deficit as per Statement of financial performance	<u>(1,432,693)</u>

31. 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.

32. Currency

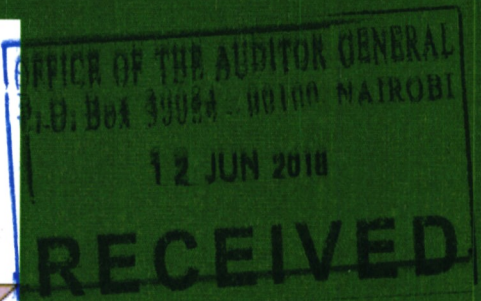
The financial statements are presented in Kenya Shillings (Kshs.'000).

APPENDIX 1: DEVELOPMENT PARTNERS PROJECTS IMPLEMENTED BY THE AUTHORITY

Project No.	Project Title	Development Partner	Development Partners Commitment	Separate Donor reporting Required	Consolidated in the financial statements
EUROPEAID/134053/IH/WKS/KE	Contracts For The Rural Roads Project In Eastern Region Of Kenya	EU	Euros 14,850,000	Yes	Yes
CREDIT NO. BMZ: 200765123	Improvement Of Rural Roads And Market Infrastructure In Western Kenya	KFW	Euros 9,000,000	Yes	Yes
REDIT NO. CKE 101201B AND 1046 01 J	Central Kenya Rural Roads Improvement And Maintenance Project	AFD	Euros 74,000,000	Yes	Yes

APPENDIX 2: INTER ENTITY TRANSFERS

APPENDIX 3: RECORD OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES



KENYA RURAL ROADS AUTHORITY



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30 2017

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

Opening Up Rural Kenya



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ABBREVIATIONS

AIA	Appropriation In Aid
EU	European Union
FY	Financial Year
GIS	Geographical Information System
GoK	Government of Kenya
IPSAS	International Public Sector Accounting Standards
IPSASB	International Public Sector Accounting Standards Board
KeRRA	Kenya Rural Roads Authority
KeNHA	Kenya National Highways Authority
KfW	Germany Development Bank
KM	Kilometres
KRA	Kenya Revenue Authority
KRB	Kenya Roads Board
KURA	Kenya Urban Roads Authority
MTEF	Medium Term Expenditure Framework
MoTIHUD	Ministry of Transport, Infrastructure, and Housing and Urban Development
RMLF	Road maintenance Levy Fund
RSIP	Road Sector Investment Programme
SIDA	Swedish International Development Cooperation Agency
AFD	French Development Corporation Agency
LVSR	Low Volume Seal Roads



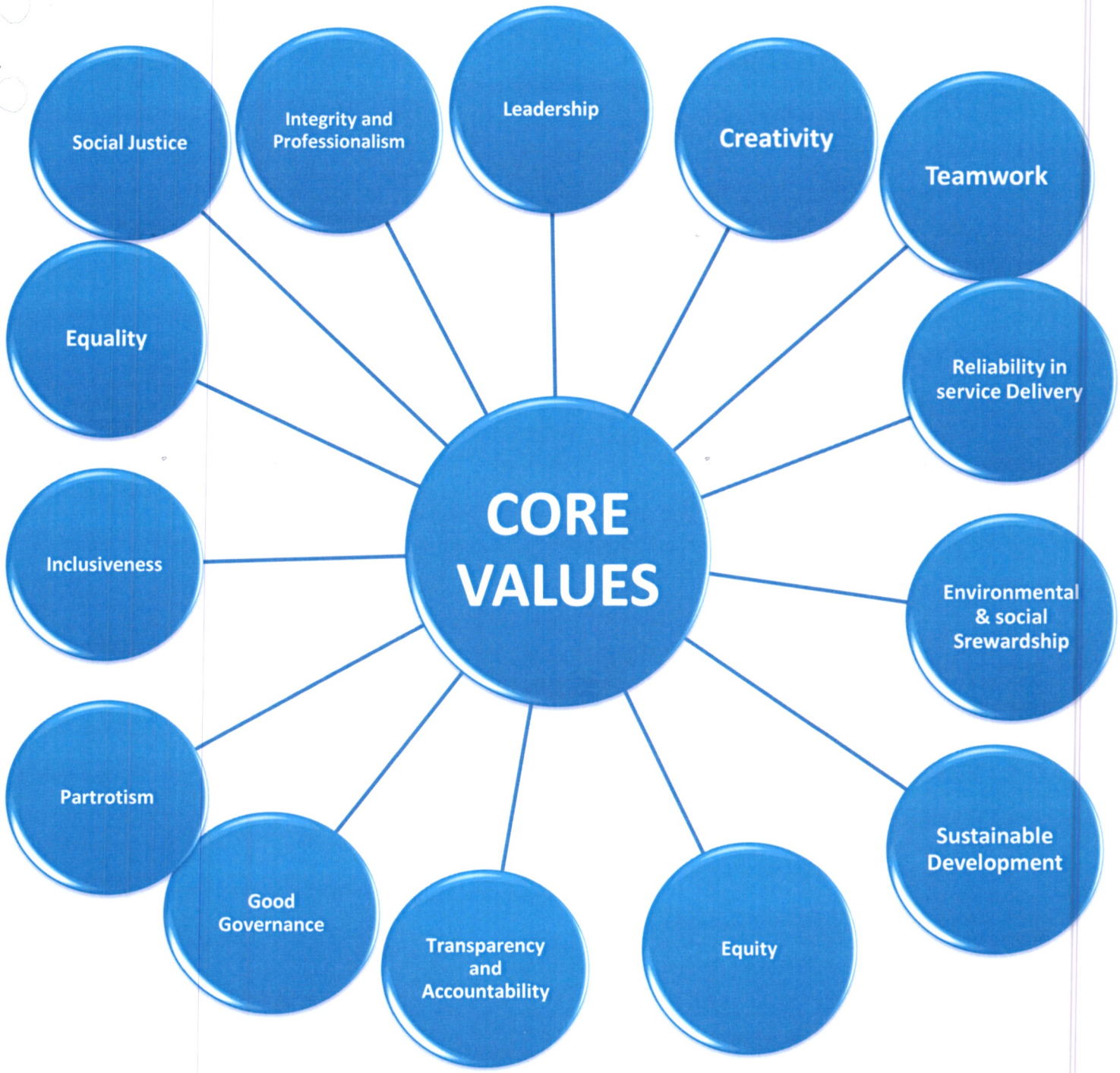
OUR VISION

To be a provider of an adequate, quality,
safe and efficient rural road network



OUR MISSION

To Construct, Maintain and Manage the
Rural Road Network for Sustainable Social
Economic Development



KEY AUTHORITY'S INFORMATION AND MANAGEMENT

(a) Background information

Kenya Rural Roads Authority (KeRRA) 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, and Housing and Urban Development who is responsible for the general policy and strategic direction of the Authority.

The Authority began its operations in September 2008 and is represented in the 47 counties through regional offices.

(b) Principal activities

As stipulated in the Kenya Roads Act 2007, the Authority is responsible for the management, development, rehabilitation and maintenance of the Rural Road network in Kenya classified as D, E and others.

(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 financial year ended 30th June 2017 and who had direct fiduciary responsibility were:

1 Director General	Eng. John Okuna Ogango
2 General Manager (Finance)	CPA. Dan Manyasi Chamwama
3 General Manager (D&C)	Eng. Peter Patu Gichohi
4 General Manager (Maintenance)	Eng. Luka Kipchumba Kimeli
5 General Manager (Planning & R2000)	Eng. Enock Ariga Kombo
6 General Manager (Special Projects)	Eng. Jackson K. Magondu
7 Manager (Human Resource)	Ms Judith Adhiambo Yamo
8 Manager (Internal Audit)	CPA. Judith Chepkemoi Chumo
9 Manager (Legal Affairs)	Mr. Justin Rapando
10 Manager (Procurement)	Miss. Margaret Wanja Muthui
11 Manager (Public Relations)	Ms Catherine C. Butaki
12 Manager (Quality Assurance)	Eng. Alfred Odhiambo Achoky
13 Manager (Survey)	Mr. Kenneth Wando Odhiambo

(e) Fiduciary Oversight Arrangements

1. Ministry of Transport Infrastructure Housing and Urban Development
2. Kenya Roads Board

(f) Independent Auditor

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

(g) Authority Headquarters

6th Floor, Blue Shield Towers,
Hospital Hill Road, Upper Hill,

(h) Authority Contacts

PO Box 48151 – 00100,
Nairobi GPO
Tel. 0202710464
Email: kerra@kerra.go.ke
Website: www.Kerra.go.ke

(i) Principal Bankers

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

2. NIC Bank Limited,
Upper Hill Branch,
P.O. Box 44599-00100 ,
Nairobi GPO

3. Equity Bank Limited,
Equity Centre,
Hospital Road, Upper Hill.
P.O. Box 75104-00200,
Nairobi

4. Cooperative Bank Limited
Co-operative House,
Haile Selassie Avenue,
P.O. Box 48231 - 00100,
Nairobi GPO

(j) Principal Legal Adviser

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

BOARD OF DIRECTORS

The Board members are drawn from representatives from public and private sector as set out in section 8 of the Kenya Roads Act 2007. The members who held the office during the year under review were as follows:

 <p>Eng. Richard Chepkwony MBS</p>	<p>Eng. Richard Chepkwony was born in 1950 and holds of a Master of Science degree in Forest Industries Technology and a Bachelor of Engineering degree (Civil) and a Higher National Diploma in Building and Civil Engineering. He has over thirty years' experience in the Building and Civil Engineering Industry as a structural/civil engineer. He is a fellow of the Institution of Engineers of Kenya and a member of the Engineers Board of Kenya. He has held several senior positions within the public service. He is trained in Corporate Governance. He was appointed under section 8(1) f (i) of the Kenya Roads Act 2007 by the Institute of Engineers of Kenya. Eng. Richard Chepkwony retired from the Board on 7th July, 2017.</p>
 <p>Mr. Henry K. Rotich, CBS Cabinet Secretary National Treasury</p>	<p>Mr. Henry K. Rotich is the Cabinet Secretary for National Treasury. Prior to his appointment, he was the Head of Macroeconomics at the Treasury, Ministry of Finance for 7 years. Prior to joining the Ministry of Finance, Mr. Rotich worked at the Central Bank of Kenya for 12 years. He was attached to the International Monetary Fund (IMF) local office in Nairobi as an economist between 2001 - 2004. He has been a Director of several Boards of State Corporations including; Insurance Regulatory Board, Industrial Development Bank, Communication Commission of Kenya and Kenya National Bureau of Statistics. Mr. Rotich holds a Master's Degree in Public Administration (MPA) from the Harvard Kennedy School, Harvard University. He also holds MA and BA degrees in Economics from the (University of Nairobi)</p>
 <p>Mrs. Margaret Muiru, OGW Alternate to the Cabinet Secretary – The National Treasury</p>	<p>Mrs Margaret Muiru was born on 1959. She holds a Bachelor of Arts Degree in political science from the University of Nairobi and is finalizing an MBA in Government and Ethics from Mount Kenya University.</p> <p>She has attend various professional courses including Advanced Public Administration and Strategic Leadership Development.</p> <p>She has extensive experience in administration and corporate governance having served in different capacities in various government departments and ministries.</p>



Eng. Eng. John Mosonik CBS

Principal Secretary- Infrastructure,
Ministry of Transport and
Infrastructure

Eng. John Mosonik was the Principal Infrastructure, Ministry of Transport, Infrastructure Housing and Urban Development until Secretary 26th January 2018. He holds Bachelor of Science in Electrical Engineering, an MBA in Strategic Management and Master of Science in Finance. He is trained in Corporate Governance.

Eng. John Mosonik was born on 5th April, 1958. Eng. John Mosonik has previously worked in the following capacities: Industrialization Secretary in the Ministry of Industrialization; Director for Strategy at Sameer Group ICT Companies; Deputy Managing Director at Telkom Kenya Limited; and General Manager at Gilgil Telecom Industries among other positions.

He is trained in various fields including Strategic Management and Economic Analysis; Telecoms Engineering and Electronic Technology Production Process, Telecommunications, Executive Management and Telecoms Network.



Eng. Francis Gitau

Alternate to Principal Secretary- Ministry
of Transport and Infrastructure

Eng. Francis Gitau was born on 25th June, 1965. He is the Infrastructure Secretary responsible to the Principal Secretary, Infrastructure of Ministry of Transport, Infrastructure, Housing & Urban Development. He is nominated as an alternate Board Member for the Principal Secretary, Infrastructure. He is the chairman of the Mechanical Transport Fund from 2015. He is also been an alternate director. He has worked in the various capacities including chairman of Budget Committee Infrastructure Department; chairman of Transport Sector Training Committee of National Industrial Training Authority; Alternate chair of Ministerial Human Resource Committee; chairman of National Steering Committee on Review of Road Design Standards; and ISO Implementer under Roads Department among other leadership positions.

He is trained in the various areas including Strategic Leadership; Resource Management; Management of Labour Based Road Construction and Maintenance Programme, Management of Road Maintenance, Financial Monitoring and Evaluation, Management Corporate Governance and FIDIC Course.



Ms Mwanamaka Amani Mabruki
Principal Secretary-Devolution, Ministry
of Devolution & Planning

Ms Mwanamaka Amani Mabruki was the Principal Secretary – Devolution, Ministry of Devolution and planning. She holds a masters and a Bachelors degree both in Economics from the University of Nairobi. Prior to appointment to her current position, she was previously the Principal Secretary East African Affairs. She has held senior management positions including Managing Director at Kenya National Shipping Line and Head of Corporate Development at Kenya Ports Authority. Ms Mwanamaka Amani Mabruki retired from the Board on 26th January 2018.



Mr. Micah Pkopus Powon

Principal Secretary for the State
Department of Devolution

Mr. Micah Pkopus Powon is the Principal Secretary for the State Department of Devolution. He holds Master of Science in Horticulture and Bachelor of Science in Agriculture from Egerton University and University of Nairobi respectively.

Prior to his appointment Mr. Powon was the principal Secretary correctional services where he is credited with instituting numerous reforms in the prison institutions. Mr Powon also served as the CEO Cotton Development Authority for 4 years, Director of Kenya National Standard Council for 1 year , Director KARI Matuga for 2 years and a Research Scientist for 12 years. He was in the forefront in developing policy frameworks for Agriculture sector in Kenya.



Ms. Margaret Osili

Alternate to Principal Secretary -
Devolution, Ministry of Devolution and
Planning

Ms Margaret Osili is the the Deputy Director Devolution. She is an accounting professional with management skills and expertise in financial management. She has over 20 years' experience in cash management, procurement, internal, controls, budgeting, financial reporting and analysis. She possess exceptional interpersonal and management skills. She has worked for various institutions including Malaba Town Council, Busia County Council, Nairobi City Council, Kisumu City Council, and county government of Kisumu.



Eng. J.O. Ogango

Former Director General

Eng. John Ogango was the Director General and secretary of the Board up to 29th March 2018. He was born in 1960 and holds MSc (Engineering) degree in construction Management from University of Birmingham UK in addition to First class Honours in BSc (Civil Eng.) from the University of Nairobi. Eng. Ogango is a seasoned engineer with over 24 years of extensive experience in areas of strategic planning, Policy formulation, and Design and construction supervision management. He has held several senior positions in the public service including Chief Superintending Engineer, Project engineer. Eng. Ogango was seconded to Kenya Rural Roads Authority initially as the General Manager (Design and Construction) and later became the General Manger (Planning, Roads 2000 and Environment). He is a registered engineer with Engineers Board of Kenya and a member of the Institution of Engineers of Kenya (MIEK). He is trained in corporate Governance



Eng (Prof.) Oyuko Mbeche

Tertiary Institutions

Prof Oyuko. O Mbeche was born on 1st November, 1946 and is a Civil Engineer specializing in the field of Transportation and Planning. He is a Board Member nominated by Tertiary Institutions in accordance with the provisions of the Kenya Roads Board Act. Prof. Mbeche is a Member of the American Society of Civil Engineers, American Society of Engineering Education and Kenya National Academy of Sciences. He is a Nobel peace prize recipient bestowed on him by the International Panel on Climate Change (IPCC) in December, 2007. He is a Professor of Civil Engineering at the University of Nairobi and has supervised various undergraduate and postgraduate projects. He has also written many research papers on matters touching on land use, planning, transport economics and urban planning. In his work experience, he has worked as a project coordinator, team leader, and project civil/structural engineer in various government organizations.



Mrs Caroline Nkirote Nyororo

Institute of Surveyors of Kenya

Mrs. Caroline Nkirote Nyororo was born in 1969. She holds a Bachelor of Arts (Lands Economics) and Master of Business Administration (Strategic Management). Mrs. Nyororo has held various senior management positions and has been trained in Corporate Governance. She is a registered and practicing valuer and is a member of Institution of Surveyors of Kenya. She was appointed under section 8(1) f (ii) of the Kenya Roads Act 2007. Mrs Caroline Nkirote Nyororo retired from the Board on 24th June, 2017.



Mrs Rose Githua

Kenya Institute of Planners

Rose Wanjiru Githua was born in 1947. She is a Registered Physical Planner and an Environmental Impact Assessment (EIA) Lead Expert. She was nominated as a Board Member by the Kenya Institute of Planners in which she is a Corporate Member, in accordance with the provisions of the Kenya Roads Board Act. In addition, she is Corporate Member of the Architectural Association of Kenya (Town Planning Chapter) and the Association of Environmental Impact Assessment and Audit serving as a Lead Expert. She is also a Member of the Environment Institute of Kenya (EIK). In her employment record, she has worked in the following capacities: Consultant in physical (spatial) planning/EIA Lead Expert (R.G Plantech Consortium), Member of Kenya National Land Use Policy in the Urban Land Use, Environment and Informal Sector (Ministry of lands and settlement); Senior Assistant Director of Physical Planning (Kenya Government Ministry of Lands and settlement); Senior Physical Planner/Provisional Physical Planner (Kenya Government Ministry of Lands and Settlement); and Physical Planner (Kenya Government Ministry of Lands and Settlement).

She is been trained on the following: environmental impact assessment; introduction to urban and regional planning using Arc

GIS and Arc View; participatory environmental planning; public service management programme; advanced international training programme in Stockholm Sweden; management seminar for administrative and technical officers; and inter-personal management development skills for senior women managers in the public sector.

MANAGEMENT TEAM



Eng. Luka K. Kimeli
P.Eng., Bsc, MIEK
Ag Director General



Eng. John O. Ogango
P.Eng., BSc. MSc., MIEK.
Former Director General (upto 29th March 2018)



CPA Dan M. Chamwama
MBA, BCom, CPA(K)
General Manager –Finance



Eng. Jackson K. Magondu
P.Eng., M(IBL) BSc., MIEK, A(CI Arb-UK)
General Manager Special Projects



Eng. Peter P. Gichohi
P.Eng., MSc BSc., MIEK, A(CIAB)
General Manager Design and Construction



Eng. Enock A. Kombo
P.Eng., MA(Planning), Bsc, MIEK
General Manager-Planning and Roads 2000

Eng. Julius K. Gakubia
P.Eng., BSc., MIEK
General Manager Maintenance



Eng. Alfred O. Achoki
P.Eng., BSc., MIEK
Manager -Quality Assurance



CPA Judith C. Chumo
Bcom, MBA, CPA(K)
Manager- Internal Audit



Mr. Justin M. Rapando
LLM,LLB Msc,Dip(KSL),CPS(K),M(CI Arb)
Manager- Legal Affairs



Ms Judith A. Yamo
BEd,HNDP(HRM),IHRM, MBA
Manager-Human Resource & Administration



Mr. Kenneth W. Odhiambo
Bsc(Surveying and Photogrammetry),MISK
Manager- Survey



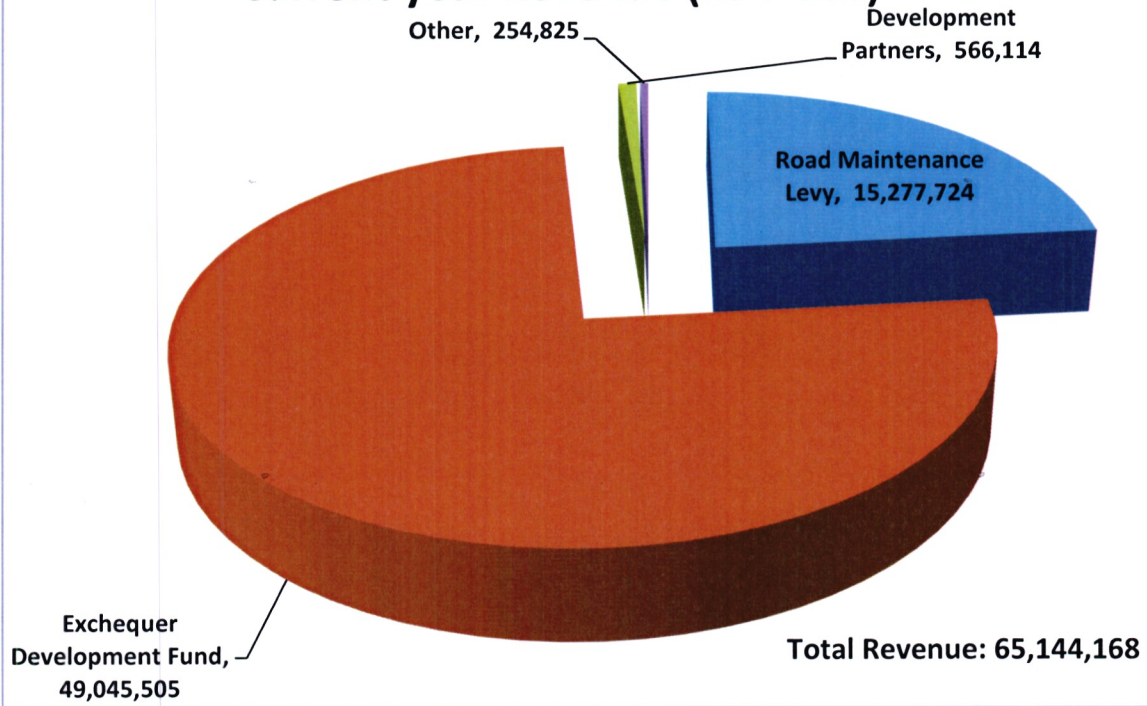
Ms.Margaret W. Muthui
Msc(Proc. & Logistics),Bsc(Computer Science),MKISM,MCIPS
Manager- Procurement



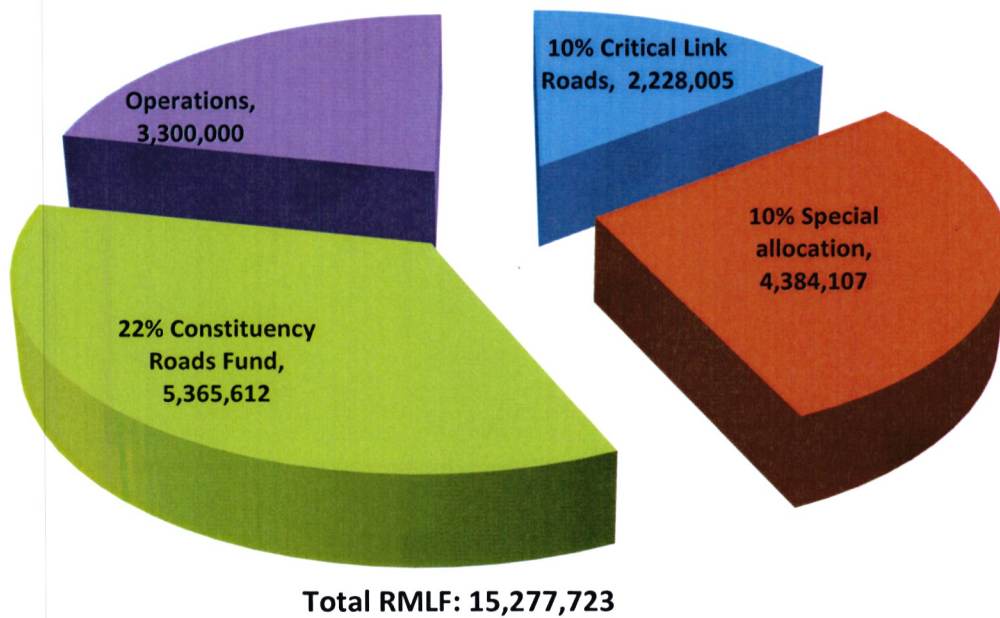
Ms Catherine C. Butaki
M.A,BA(Comm), PGD(Mass.Comm),PRSK
Manager- Public relations

FINANCIAL HIGHLIGHTS

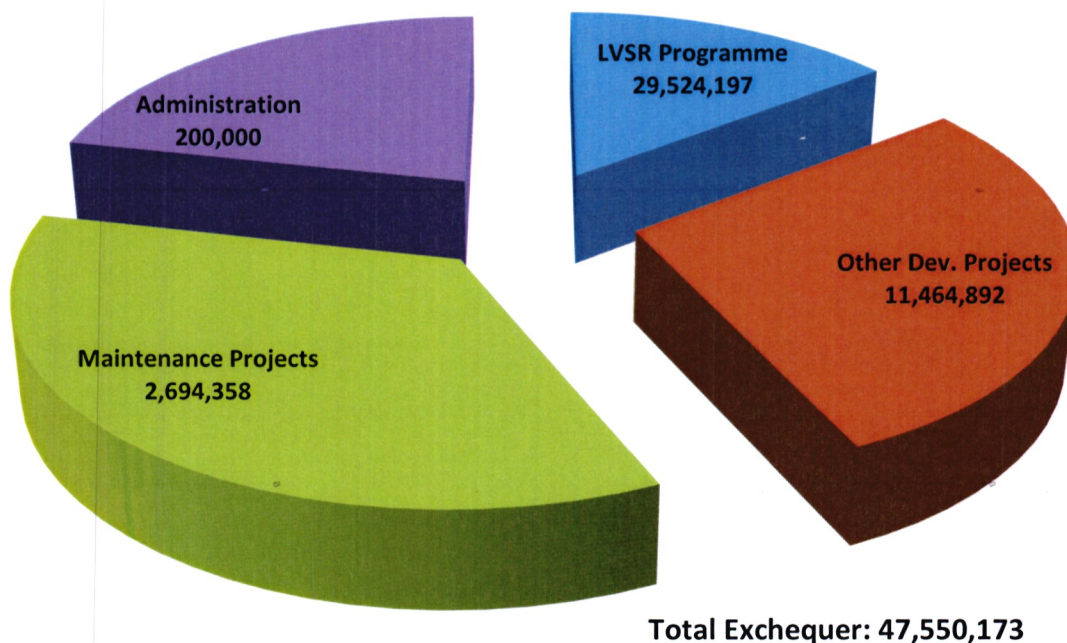
Current year Revenue (Ksh '000)



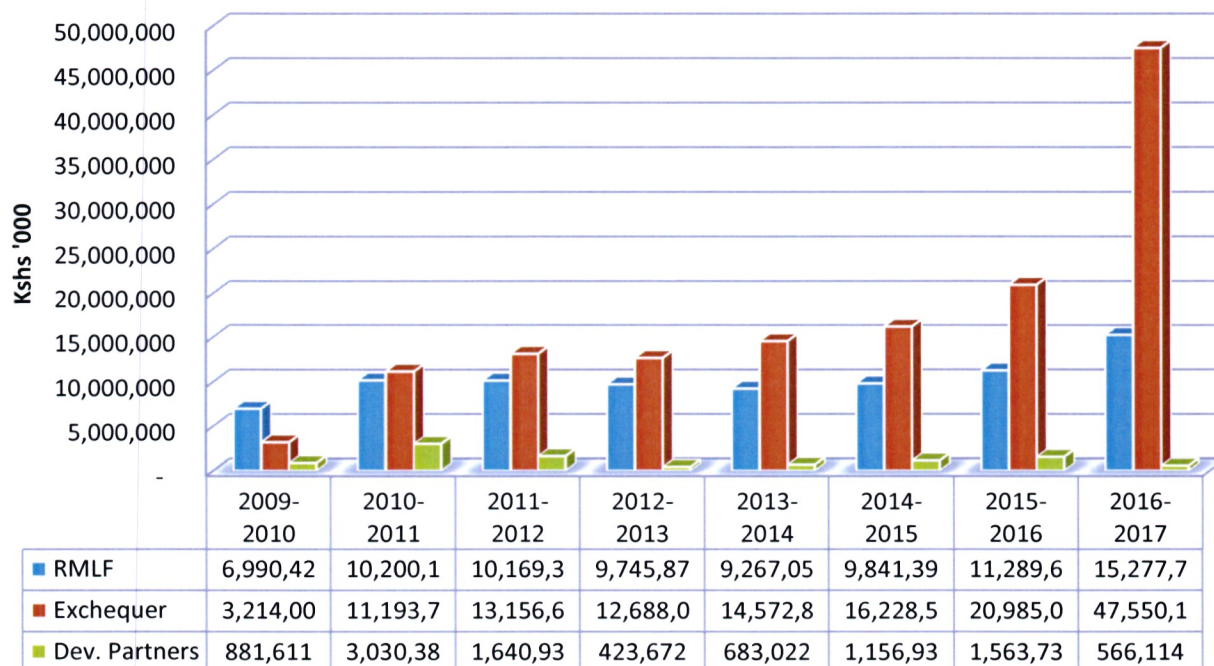
Road Maintenance Levy Fund (Ksh '000)



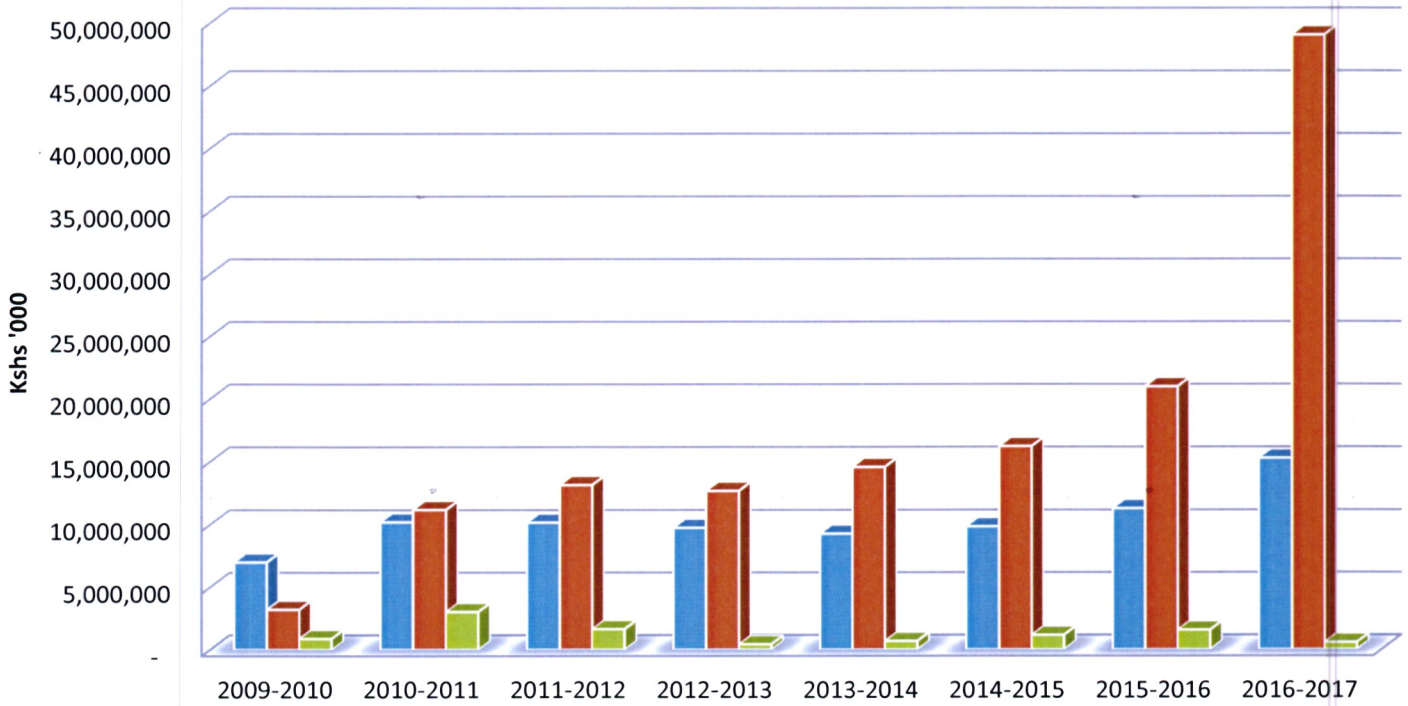
Exchequer Funding (Ksh '000)



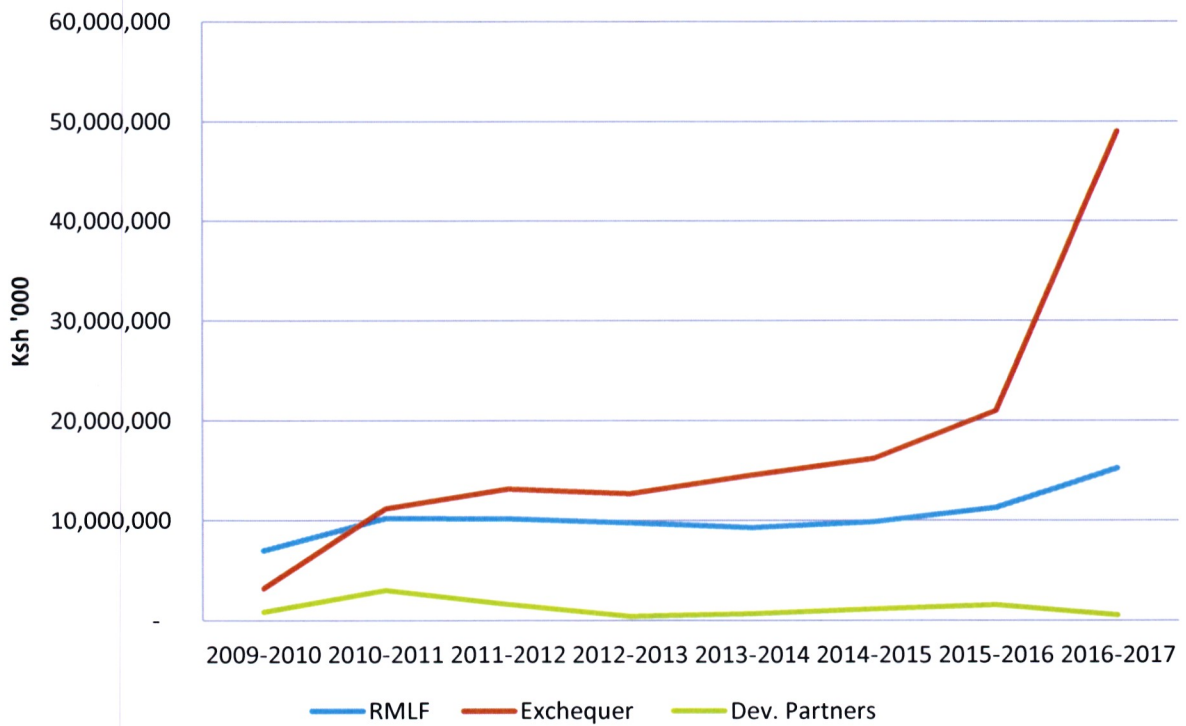
Funding History



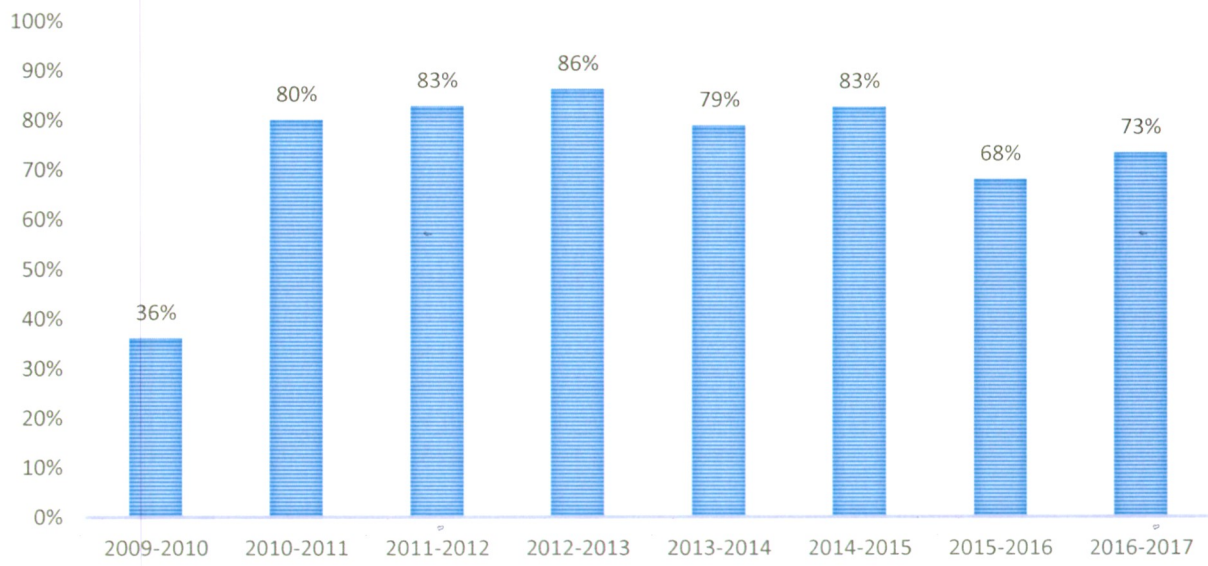
Funding History



Funding Trend



Funds Absorption Rate



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 is particularly important for its vital role in the socio economic development of a country. A high quality road network is a treasured asset for any economy and fully deserves to be managed within a well programmed strategic and policy framework.

The Board has continued to steer the Authority in the right direction creating a conducive environment that enables the management to deliver on the Authority's mandate.

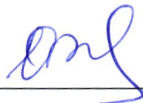
The Board employs principles of good Corporate Governance in the discharge of its mandate as per the Mwongozo code of conduct and undertakes its duties in accordance with the Kenya Roads Act 2007 and best practices.

The Authority recorded improved funding during the year both from the RMLF and the exchequer. A total of Ksh 65 Billion was received during the year including Ksh 15.2 Billion RMLF, 49 Billion from exchequer and Ksh. 566 million from the development partners.

The Low Volume Seal Programme was introduced with the main objective of constructing 10,000km of road within the second medium plan of the Kenya Vision2030. This will support the primary growth sectors by upgrading low trafficked rural roads in a cost effective technique. The LVSR programme received a major boost from the National Government which saw the National Treasury release Ksh. 31 Billion towards the programme. This enabled the Authority to fast track the implementation of the programme. The Authority signed 122 contracts covering 4,993 kilometres spread out in 33 counties. Additional 4202 KM were still under various stages of procurement and are expected to be finalized and awarded in the next financial year.

The Authority continued to engage with the local leaders on prioritization of the roads to be maintained through the Constituency Roads Committees while maintaining a cordial relationship with the county governments and other stakeholders.

On behalf of the Board, I would like to thank the Management for their dedication to ensure smooth operations despite numerous challenges.



Director

REPORT OF THE DIRECTOR GENERAL



An adequate and quality road network is an important prerequisite for facilitating national and regional integration, promoting trade, economic development, contributing to poverty reduction and wealth creation and for achieving the objectives of Kenya Vision 2030 and beyond.

Over the last two decades the Roads Sub-sector has undergone tremendous reforms aimed at providing a high quality road network to support Kenya economic development.

Following the reclassification of roads in the last financial year, the Authority now focuses on management of 19,500 kilometers of rural roads down from 136,000 previously managed. The Authority is committed to timely execution of works and efficient performance of its duties in delivering its mandate.

The National Government's commitment continues to be seen through the improved budgetary allocation to the road sector. In the year under review, the Authority received a total of 65 Billion including Kshs. 42.4 Billion for development projects and 23 Billion for maintained and spot improvement works. As a result the Authority was able to maintain its network and undertake 431 lane kilometres in new construction.

The LVSR programme gained momentum thanks to the increased funding from the exchequer. The Authority is currently undertaking construction of 4993 Kilometres of roads involving 122 contracts under this programme. Similar number of tenders are under are still in various stages of procurement. Considerable milestone of black top has been achieved with physical progress considered satisfactory.

Despite the notable achievements during the year, the Authority continues to experience numerous challenges which undermine the effective and efficient management of rural roads. Funding for rural roads development and maintenance remains a major challenge for the Authority based on the budgetary allocations against the Authority's resource requirements. Others include Human capital constraints, inadequacy of qualified contractors, encroachment on Road Reserves, Depletion of natural road construction

materials, and Overloading by motorists among others. The Authority continues to explore ways of mitigating the challenges through engagement with the National Government and stakeholders

The Authority endeavors to continuously improve its operations in tandem with the established Quality Management Systems under ISO 9001:2008.

I would like to thank the Kenya Government, development partners for their commitment and support to the Authority which enabled us to undertake our mandate effectively. I would further wish to express my gratitude to the board, management and staff for their support and continued effort towards fulfilling the Authority's mandate.



Eng. Luka K. Kimeli

Ag. Director General

CORPORATE GOVERNANCE STATEMENT

Overview

The Board emphasizes on principles of good Corporate Governance in the discharge of its mandate. The positions of chairman and Chief Executive are held by different persons. The Director General is the Secretary to the Board and works closely with the Board to ensure that the Board discharges its mandate. The Board has 4 committees through which it discharges its mandate. The Board undertakes Board evaluation every year. The Board provides oversight to management who are responsible for the day to day running of the organisation. The Board and management have been trained on the Mwongozo Code of Corporate Governance for State Corporations.

Organisation structure of the Authority

The Kenya Rural Roads Authority is governed by a Board of Directors as per Kenya Roads Act 2007. The day to day management of the Authority is carried out by the Director General who is also secretary to the board. The Authority carries its mandate through the following departments.

- a) Planning and Environment
- b) Design and Construction
- c) Maintenance
- d) Finance
- e) Special Projects
- f) Human Resources and administration
- g) Internal Audit
- h) Quality Assurance
- i) Information, Communication and Technology (ICT)
- j) Procurement
- k) Legal Affairs
- l) Public relations

Appointments to the Board

Appointments to the Board are carried out pursuant to section 8 of the Kenya Roads Act 2007. The Chairman of the Board is appointed by the President of the Republic of Kenya. Members of the Board are appointed by the Cabinet Secretary, Ministry of Transport, Infrastructure, Housing & Urban Development on recommendation of the various nominating institutions provided for under the Kenya Roads Act 2007.

Board Organisation and structure

The composition of the Board during the period under review is as indicated above. The composition of the Board is as per the provisions of Section 8 of the Kenya Roads Act 2007. The Board is composed of representatives of relevant Government Ministries and private sector as represented by the various nominating bodies and is independent of management. The Board has set up 4 standing committees to enable it discharge its oversight role.

The role of the Board

The role of the Board is to provide oversight to the management activities in the management of the Authority's affairs. The Board also provides strategic direction to management in the running of the Authority's affairs.

Activities of the Board

It is the responsibility of the Chairman and the Secretary to work closely together in planning the annual program and agendas for meetings. The Board is required to meet at least four times a year and the meetings are structured to allow open discussion. All substantive agenda items have comprehensive briefing papers, which are circulated well in advance.

In addition to regular Board meetings, there are a number of other meetings to deal with specific matters. When directors are unable to attend a meeting, they are advised of the matters to be discussed and given an opportunity to make their views known to the Chairman or the Director General prior to or after the meeting.

During the period under consideration, the Board had various meetings to deliberate on issues affecting the Authority. The Board also made several site visits to inspect various projects being undertaken by the Authority. An evaluation of the Board was also carried out during the period.

Board Effectiveness

The Board is sufficiently independent of management and performs its functions in away to enhance Board effectiveness. To further enhance effectiveness, the directors have been trained on various issues on Corporate Governance and evaluation of the Board carried out.

Board meeting attendance for the period 1.7.2016 - 30.6.2017

Member	14/7/2017	17/5/2017	12/4/2017	7/3/2017	16/2/2017	1/2/2017	18/1/2017	26/10/2016	20/9/2016
Eng. Richard Chepkwony	x	✓	✓	✓	✓	✓	✓	✓	✓
Mrs Caroline Nyororo	x	✓	✓	✓	✓	✓	✓	✓	✓
Eng Francis Gitau	✓	✓	✓	x	✓	✓	✓	✓	✓
Ms Margaret Osili	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mrs Margaret Muiiru	x	✓	✓		✓		✓	✓	✓
Eng. (Prof.) OyukoMbeche	✓	x	x	x	x	x	x	x	x
Ms Rose W. Githua	✓	x	x	x	x	x	x	x	x
Eng. Francis Gitau	x	✓	x	x	✓	x		✓	x

Board Committees

In line with the provisions of the Kenya Roads Act 2007, the Board established four Standing Committees. These are Board Finance Committee, Board Human Resources Committee, Board Audit, Risk & Governance Committee and Board Technical Committee. The committees are provided with all necessary resources to enable them to undertake their duties in an effective manner.

Audit, Risk & Governance Committee

The Board Audit Committee was established in accordance with the provisions of Treasury Circular No 16. of 25. The Board receives reports from the Audit Committee. The Internal Audit function reports directly to the Board Audit Committee and is independent of management operations.

Finance Committee

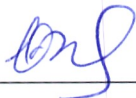
The committee assists the Board in its oversight role of the Authority relating to Authority's finance matters. This is as per the committees Terms of Reference.

Board Human Resource Committee

The committee assists the Board in its oversight role of the Authority relating to Authority's human resource matters. This is as per the committees Terms of Reference.

Board Technical Committee

The committee assists the Board in its oversight role of the Authority's function relating to the technical issues relating to the Authority's mandate. This is in terms of the design, construction and maintenance of roads under the Authority's mandate.



DIRECTOR

REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements for the year ended 30th June 2017, 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 principal activity of the authority is the management, development, rehabilitation and maintenance of the Rural Road Network in Kenya classified as D, E and others.

Results

The results for the Authority for the year ended 30 June 2017 are set out on page 21.

Directors

The directors who held office during the year and to the date of this report are set out on page 3-6.

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. Luka K. Kimeli
Secretary to the Board

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 that Authority, which give a true and fair view of the state of affairs of the Authority at the end of the financial year/period and the operating results of the Authority for that year/period. The Directors are also required to ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy the financial position of the Authority. The Directors are also responsible for safeguarding the assets of the Authority.

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

The Directors accept responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 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, 2017, and of the Authority's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control.

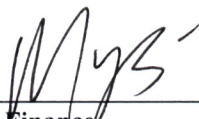
Nothing has come to the attention of the Directors to indicate that the Authority will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Authority's financial statements were approved by the Board on 28th September 2017 and signed on its behalf by:



Director General
Eng. Luka K Kimeli



GM Finance
CPA Dan Manyasi ICPAK M/NO. R/6407



Director
Prof. Oyuko Mbeche