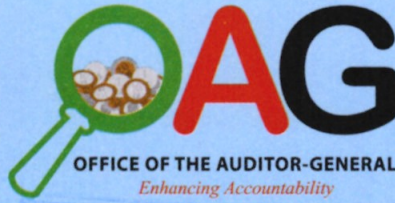


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability



THE NATIONAL ASSEMBLY
PAPERS LAID

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Deputy Majority Whip

OF K-AT

TABLE: Mado Minam

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REPORT

THE AUDITOR-GENERAL

ON

ROADS MAINTENANCE LEVY FUND

**FOR THE YEAR ENDED
30 JUNE, 2025**

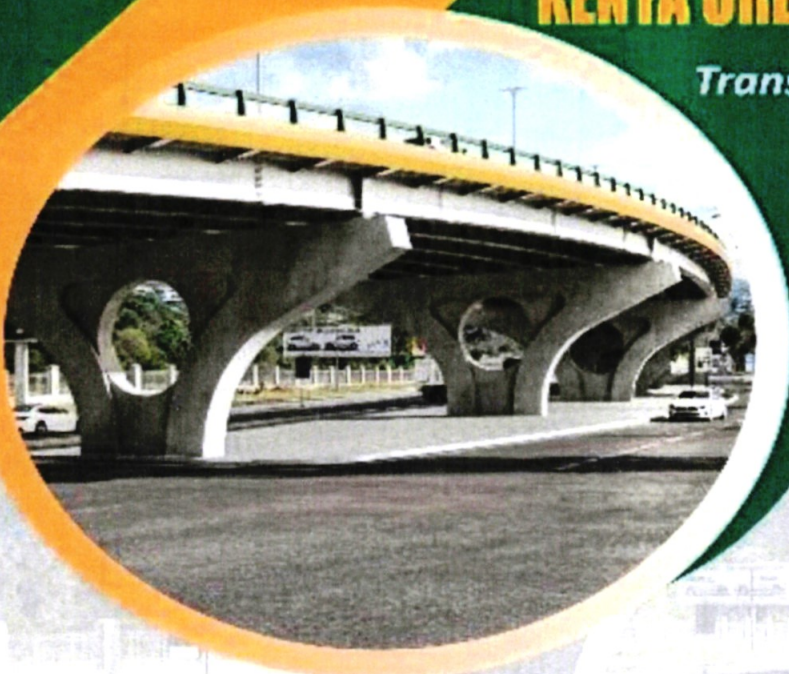
KENYA URBAN ROADS AUTHORITY



KENYA URBAN ROADS AUTHORITY

Transforming Urban Mobility

ROAD MAINTENANCE LEVY FUND



**ANNUAL REPORT & FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE, 2025**

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Mandate:

**Develop & Manage
the National Urban
Road Network**

Transforming Urban Mobility

ACRONYMS, ABBREVIATIONS AND GLOSARY OF TERMS

A: Acronyms and Abbreviations

AIA	Appropriation In Aid
AIDS	Acquired Immunodeficiency Syndrome
APRP	Annual Public Roads Programme
BRT	Bus Rapid Transit
COVID	Coronavirus Disease
CPA	Certified Public Accountant
CSR	Corporate Social Responsibility
DG	Director General
ECD	Early Childhood Development
ERP	Enterprise Resource
FIEK	Fellow of Institute of Engineers of Kenya
FY	Financial Year
GDP	Gross Domestic Product
GPO	General Post Office
HIV	Human Immunodeficiency Virus
ICPAK	Institute of Certified Public Accountants of Kenya
ICT	Information Communication Technology
IPSAS	Public Sector Accounting Standards Board
IPSASB	International Public Sector Accounting Standards Board
ISMS	Information Systems Management Standards
ISO	International Standards Organisation
ITS	Intelligent Traffic Management System
JKIA	Jomo Kenyatta International Airport
KenHA	Kenya Urban Roads Authority
KeRRA	Kenya Rural Roads Authority
KM	Kilometres
KRB	Kenya Roads Board
KURA	Kenya Urban Roads Authority
MBS	Moran of Burning Spear
MIEK	Member of Institute of Engineers of Kenya
MTP	Medium Term Planning
NRRDP	Nairobi Roads Rapid Decongestion Programme
PBRM	Performance Based Routine Maintenance
PBC	Performance Based Contract
PE	Practicing Engineer
PFM	Public Finance Management
PLWD	People Living with Disability
QMS	Quality Management System
RMLF	Road Maintenance Levy Fund

RSIP	Road Sector Investment Programme
SCAC	State Corporation Advisory Council
SDG	Sustainable Development Goals
SPS	Sector Performance Standards
UA	Urban Arterial Roads
UC	Urban Collector Roads
UL	Urban Local Roads

B. Glossary of Terms

- i) **Pending Bills** refers to unsettled financial obligation at the end of a financial year relating to development projects.
- ii) **Exchequer** refers to money held from taxation and other government revenues in the Consolidated Fund
- iii) **Routine road maintenance** works are usually non-structural in nature and are meant to extend the life of the pavement, to enhance the performance and to reduce user delays in road use.
- iv) **Periodic maintenance** involves maintenance works that are carried out in intervals of years, that are of large-scale, and that are aimed at preserving the structural integrity of the road. This mainly involves activities aimed at rejuvenating the road surface and carrying out repairs over long stretches of road.
- v) **Roads 2000** concept is a strategy to create employment and wealth among local communities utilizing locally available resources, appropriate technologies, and labour-based methods where and when these are cost effective.

KEY AUTHORITY'S INFORMATION AND MANAGEMENT

a) Background information

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

At the cabinet level the Authority is represented by the Cabinet Secretary for the Ministry of Roads and Transport who is responsible for the general policy and strategic direction of the Authority.

b) Principal activities

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

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

c) Key Management

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

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

d) Fiduciary Management

The key management personnel who held office during the year ended 30th June 2025 and who had direct fiduciary responsibility were:

Designation	Name
1. Director General	: Eng. Silas M. Kinoti, MBS
2. Director, Corporate Services	: CPA. Reuben Mayienda
3. Director, Urban Roads Planning & Design	: Eng. Wilfred Oginga
3. Ag. Director, Urban Roads Development	: Eng. Onesmus Kemoi
4. Director, Road Asset & Corridor Management	: Eng. Mike Yego Teliény
5. Ag. Director, Policy, Strategy & Compliance	: Eng. Jacinta W. Mwangi

e) Fiduciary Oversight Arrangements

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

Additional oversight is provided by the Kenya Roads board through fund inspections undertaken in the course of the year.

f) Authority Headquarters

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

g) Contacts

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

h) Principal Bankers

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

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

National Bank of Kenya
Hill Branch,
P.O BOX 45219-00100,
Nairobi.

i) Independent Auditor

Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 49384-00100
Nairobi, GPO

j) Principal Legal Adviser

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya



Vision:

**“A leading provider
of sustainable
urban mobility”**



Transforming Urban Mobility

THE BOARD



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



Dr. Chris K. Kiptoo, CBS
Principal Secretary,
National Treasury



Eng. Joseph M. Mbugua, CBS
Principal Secretary
State Department for Roads



Ms. Teresia Mbaika
Principal Secretary
State Department for Devolution



Joseph G. Kiarii
Director Representing
PS National Treasury



Eng. Luka K. Kimeli
Director Representing
PS State Department for Roads



CHRP, Jayne K. Asuma
Director Representing
PS State Department for Devolution



Mr. Basil N. Nyaga
Director Representing
Matatu Welfare Association
(Urban Public Transport)



Mr. Joseph Muganda
Director Representing
Kenya Association of
Manufacturers
(KAM)



Ms. Joyce N. Mundara
Director Representing
Association Of County Governments
(ACGOK)



Mr. Abraham K. Samoei
Director Representing
Institution of Surveyors of Kenya
(ISK)

BOARD MEMBERS DETAILS



Dr. Chris K. Kiptoo, CBS
Principal Secretary,
National Treasury

Dr. Chris Kiptoo is the Principal Secretary, The National Treasury. He has been at the forefront of implementing Fiscal consolidation, debt management including the Eurobond, expenditure rationalization, revenue mobilization as well as reforms of State Owned Enterprises (SOES). In his working career, Dr. Kiptoo has acquired a rich wealth of experience in economic policy analysis, mainly gained at the

Central Bank of Kenya, Capital Market Authority and the International Monetary Fund, & various Ministries where he has served in various capacities. His expertise especially relates to the design and implementation of monetary policy; balance of payments and exchange rates; fiscal operations and policy; financial sector matters including capital markets; national accounts / real sector and macroeconomic accounting, and modelling and forecasting.

Additionally, Dr. Kiptoo has proven experience in environment and climate change policies, trade policy and regional integration, private sector development and advocacy, infrastructure development, institutional development of Government institutions and organizational management, all mainly gained at the Ministry of Environment and Forestry, State Department of Trade as well as Trademark East Africa.

Noteworthy, he also has four years of experience in economic policy coordination gained while working at the then Office of the Prime Minister.

Dr. Kiptoo holds a PhD, International Macroeconomics Finance Specialization. He is an Accredited Fellow of the Macroeconomic & Financial Management Institute of Eastern & Southern Africa (MEFMI) in the field of Macroeconomic Management, An Associate of Kenya Chartered Institute of Bankers (AKIB) he also holds a Bachelors Degree in Economics & Sociology from Egerton University.



Ms. Teresia Mbaika
Principal Secretary
State Department for Devolution

Ms. Teresia Mbaika is the Principal Secretary State Department for Devolution, Office of the Deputy President. PS Mbaika holds a Master of Science Degree in Health Economics and Policy from the University of Nairobi and a Bachelor of Science Degree in Environmental Health from Kenyatta University. She is also trained in the Energy Sector, Leadership & Corporate Governance.

She joined the State Department with over 10 years' experience in Corporate Governance, Resource Mobilization, Strategic Management, Leadership and Public Finance Management. Prior to this appointment, PS Mbaika served a six (6) year term as a Board Member at the Nuclear Power and Energy Agency (NuPEA) where she served in various capacities as the Chairperson, Technical Committee; Chairperson, Audit Committee; Chairperson, Human Resource Committee and Member of the Publicity & Advocacy Committee.

The PS also served as a Board Member of the National Environmental Management Authority (NEMA) for a three (3) year term where She held various undertakings as the Chair of the Technical, Finance and Administration Committees and as a Member of the Audit Committee.

PS Mbaika has also served as the Secretary to the National Government Constituency Development Fund Board (NG-CDF), Kaiti Constituency from 2013-2017, where She oversaw the financial management and corporate governance of the Fund.

She launched her career in community service where she served as a Woman Leader pioneering various community projects as well as coaching and mentoring the youth.

Youth mentor-ship and coaching is a passion that is very close to her heart and she is still actively involved in, as the Patron Kaiti University Students' Association, Trustee, Kaiti Constituency Development Forum and Trustee, Kaiti Greening Champions.

BOARD MEMBERS DETAILS



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

Eng. Chiuri served as the Board Chair until 22nd July, 2025 when his second term in the Board came to an end.

He is a registered Engineer & a Fellow of the Institution of Engineers of Kenya (IEK). He has over Four decades of experience in the Roads Sector (both in the public & private sector). Twenty-Nine years of his tenure were spent in the Nairobi City Engineering department where he anchored planning, design & development of various Nairobi City Roads.

Eng. Chiuri is well versed in areas of management, development, Transport, Project Planning, Evaluation, Road Traffic Management & Corporate Governance. In his Professional tenure he has also served in various stellar capacities designing and supervising major road projects in the Country.

Born in 1951 he holds a Bachelors Degree in Civil Engineering from the University of Nairobi & a Masters Degree in Highway Engineering from the University of Birmingham.



CORE VALUES



OUR STRATEGIC GOALS

- ❖ Plan, design, develop, maintain & manage the national urban road network for responsive urban mobility.
- ❖ Enhance Corporate governance & institutional capacity.
- ❖ Prudent Financial Management & resource mobilization for financial sustainability.



Eng. Joseph M. Mbugua, CBS
Principal Secretary
State Department for Roads

Eng. Joseph Mungai Mbugua was appointed as the Principal Secretary State Department for Roads on 2nd November 2022. He is a registered Engineer with The Engineers Board of Kenya (EBK) and a Corporate Member of the Institution of Engineers of Kenya (MIEK). Prior to his appointment he had served in various posts in the Road Sector with the most recent being as a Regional Director at Kenya Rural Roads Authority

Born in 1962, Eng. Mbugua holds a BSC in Civil Engineering from The University of Nairobi. He is a Strategic Manager who has successfully risen in ranks to be a highly capable change-agent consistently refining and revitalizing strategies, initiating changes and facilitating solutions driven by team collaboration within the Public Sector.

He has been extensively trained in Strategic Leadership Development, Senior Management Course, Highway Development Management, Contract Management, Labour Based Road Construction and Maintenance, Quality Management Systems and Master Certificate in Project Management. He has valuable experience in policy formulation, planning, design, construction and management of projects and programs gained from his working experience in Public Service for over 33 years.

BOARD MEMBERS DETAILS



Joseph G. Kiarri
Director Representing
PS National Treasury

Mr. Kiarri is the alternate member to the Principal Secretary, National Treasury. He has a wealth of experience in Public Service, particularly in Governance, Investments & Public Enterprises where he has served for over twenty years.

He is well versed in Project Appraisal & Risk Analysis & debt management. Currently he serves at the National Treasury in the Directorate of Portfolio Management & Public Investments. His tour of duty includes 4 years as an accountant at the Machakos District Treasury, Ministry of Foreign Affairs & Office of The President.

Born in 1966 Mr. Kiarri holds a Bachelor of Commerce Degree (Accounting Option) from the University of Nairobi & is a Member of the Institute of Certified Investments & Financial Analysis (ICIFA).

He serves in the Audit & Compliance Committee of the Board & Strategy & Finance Committee.



CHRP, Jayne K. Asuma
Director Representing
PS State Department for Devolution

Mrs. Jayne K. Asuma is the Director Human Resource Management & Development at the State Department for Devolution. She is the Alternate Member to the Principal Secretary State Department for Devolution at the Board.

Ms. Asuma is an experienced specialist in Performance, Change & Human Resource Management, Development & Implementation of Public Policy & Administration. She Holds a Bachelor of Education Arts from Kenyatta University & a Higher Diploma in Human Resource Management from the Institute of Human Resource Management.

She has had an extensive tour of Duty as an Administrator bolstering education Management to developing, planning & Managing Human Capital at various Ministries. MS. Asuma serves in the following Board Committees, Human Resource & Board Technical Committee.



Eng. Luka K. Kimeli
Director Representing
PS State Department for Roads

Eng. Luka K. Kimeli was the Alternate Director representing the Principal Secretary State Department for Roads until 11th July 2025. Eng. Kimeli is a seasoned Engineer that has served various posts both at the Ministry & in the Authorities leading teams and impacting the Engineering space.

He has led various bilateral & Multilateral Infrastructure programs including the Roads2000 Program, Implementation of the Low Volume Seal Roads Program that saw over 7,000 Km of roads being contracted for implementation turning around the contracting landscape & also kicked off the first Public Private Partnership project implemented under the Annuity Financing Model in the Country.

He holds a Master's in Business Administration (Strategic Management) & a Bachelor of Science in Civil Engineering. Eng. Kimeli Served in the following Board Committees, Audit & Compliance, Finance & Strategy, Technical Committee.

BOARD MEMBERS DETAILS



Mr. Abraham K. Samoei
Director Representing
Institution of Surveyors of Kenya
(ISK)

Mr. Abraham K. Samoei represented the Institution of Surveyors of Kenya (ISK) in the Board from 24th November, 2023 to 15th May, 2025. Mr. Samoei is a Registered Valuer & Estate Agent with vast experience in Land Economy & Development. Some of his notable achievements include development of the Kenya Valuation Standards, Formulation of the National Land Policy, Review of the Valuer's Act and Survey Act & Improvement of land sector governance framework. He was also the Convener of Africa Regional Conferences for Surveyors for the years 2018-2023.

He holds a Master of Science Degree in Real Estate from The National University of Singapore and a Bachelor's degree in Land Economics from the University of Nairobi. During his tenure he Chaired the Board Technical Committee & Also served in the Finance & Strategy Committee.



Ms. Joyce N. Mundara
Director Representing
Association Of County Governments (ACGOK)

Ms. Mundara represents the Association of County Governments in the Board. She is a Business Development & Communication Expert well versed in Strategic alliances & partnerships spanning over 15years.

She is a graduate in Business Development, University of North Carolina. She has been at the helm of Coordination of local Governments, Implementation of Public Sector & Implementation of Development programs & curating advocacy tools for the devolved system of Government.

Ms. Mundara served in the Board from 11th April 2022 upto 10th April, 2025. She was the Chair of the Human Resource Committee of the Board & also served in the Finance & Strategy Committee of the Board before her term came to an end.



Mr. Basil N. Nyaga
Director Representing Matatu
Welfare Association (Urban
Public Transport)

Mr. Basil Ntwiga Nyaga is an established Entrepreneur with over 20 Years experience in the Public Transport Sector. He is Currently the Secretary General of Matatu Welfare Association (MWA) prior to venturing into enterprise Mr. Nyaga served as the Deputy General Manager (Management Services) at DT Dobie & Co. Ltd.

Mr. Nyaga holds a Bachelor of Commerce Degree from the University of Nairobi. He has extensive local & international knowledge in Corporate Governance gained from both training & practice.

He was appointed to the Board on 22nd July, 2019 during his tenure he Chaired the Board Audit Committee. His second term in the Board ended on 22nd July 2025.

BOARD MEMBERS DETAILS



Mr. Joseph Muganda
Director Representing Kenya
Association of Manufacturers
(KAM)

Mr. Joe Muganda is an accomplished business Leader with an illustrious career and vast experience from his service in various Multinational corporations across Africa & The United Kingdom.

In his tour of duty, he has served in top leadership positions at Vivo Energy Kenya (Shell Licensee), Kenya Breweries, British American Tobacco, Nation Media Group & Stanbic Holdings PLC. He currently Chairs Boards of two market leaders namely Nation Media Group & Stanbic Holdings.

Mr. Muganda holds an MBA from the University of Leicester and a B.Sc. (Econ) Accounting and Financial Management from the University of Buckingham. In the Board he Chairs the following Committees; Human Resource & Finance & Strategy.



Eng. Silas M. Kinoti, EBS, FIEK
Director General & Secretary
to the Board

Eng. Silas M. Kinoti, EBS, (FIEK), is the Director General at Kenya Urban Roads Authority & the Board Secretary, from 2015 to date. He is a seasoned Professional Engineer with Over thirty years in the public sector leading teams in Roads Planning, Design, Construction Supervision and Maintenance.

He holds a Bachelor of Science in Civil Engineering, University of Nairobi & A master's in business administration (Corporate Management), KCA University. Eng. Kinoti has extensive knowledge in development & management of urban roads gained from training & practice both locally & internationally. He has been at the forefront of delivering transformative urban mobility solutions in the Country.

He is a distinguished Fellow of the Institutions of Engineers of Kenya (IEK) & a Professional Engineer registered with the Engineers Board of Kenya (EBK). Further to this he is also skilled in management, corporate governance & leadership.

TRANSFORMING URBAN MOBILITY

TOP MANAGEMENT



Eng. Silas M. Kinoti, EBS, FIEK
Director General & Secretary
to the Board



CPA. Mr. Reuben Mayienda
Director
Corporate Services



Eng. Wilfred R. Oginga, FIEK
Director Urban Road
Planning & Design
(RPD)



Eng. Mike Telieny
Director Road Asset &
Corridor Management
(RAM)



Eng. Jacinta Mwangi
Ag. Director Policy
Strategy & Compliance



Eng. (Dr.) Onesmus Kipkorir Kemoi
Ag. Director, Roads Development
Directorate (RDD)

CHAIRMAN'S STATEMENT

Our society continues to grapple with the impacts of rapid urbanization on the transport sector and the economy. Transformative urban mobility through the development, management and maintenance of the National Urban Road network, infrastructure and related amenities continue to foster growth and change how products, goods and services are transacted in urban spaces.

National Urban roads are enablers to the realization of the goals of Vision 2030, Medium Term Plan IV, the Integrated National Transport Policy, the road sector investment plan and the Bottom-up Economic Transformation Agenda.

Kenya Urban Roads Authority continued to implement her FY 2023/2024-2027/2028 Strategic Plan as guided by the Board of Directors and the Management. The Board provided institutional policy guidance on Finance and strategy, Human Resources, Audit and Compliance and Technical functions. The Authority developed Policies on Urban Road Reserve Protection, Axle load enforcement and Climate resilience infrastructure for urban roads, among others. These governance instruments steered the progressive achievement of strategic milestones for the realization of her mandate.

During the Financial Year 2024/2025, the Authority received and utilized Kenya Shillings 14.6 billion from the RMLF, 8.4 billion from the GOK/ Exchequer, 3 billion from Development Partners and 0.4 billion from Appropriation in Aid. These funds were invested in the implementation of the Authority's mandate. The prudent utilization of the financial resources enabled significant progress towards transforming urban mobility. The Authority contributed to national development through the periodic maintenance of 172kms, performance-based contract maintenance of 1,429kms, routine maintenance of 1,008 Kms, upgrading of 53 kms of new roads and walkways.

The Authority further demonstrated her commitment in transforming urban mobility by implementing the pilot Intelligent Transport Systems and junction improvement project that has improved traffic flow efficiency along Nairobi Western Ring Road corridor. The myriad public transport challenges in urban areas would better be addressed through mass transport systems, of which the Bus Rapid Transport project (Line 5) has been designed to contribute to sustainable public transport in the city. To proactively handle climate change risks on urban road infrastructure, the Authority in collaboration with UN-Environment,

UN-Habitat and the World Resources Institute, developed the climate resilient infrastructure strategy for urban roads.

The Authority continued to implement its triple-bottom-line sustainability framework, which encompasses environmental, social, and governance elements. This approach strengthened the protection and conservation of the bio-physical environment, integrated climate resilience, promoted the social acceptability of projects, and embedded sound governance practices within our processes and products to fulfill our mandate. Key challenges encountered during the year included limited funding for the expanding road network and climate-related hazards such as flooding that impacted infrastructure. To address these issues, we employed prudent financial management, explored innovative funding mechanisms, and incorporated climate-resilient designs into urban road projects.

We acknowledge the policy guidance by the Ministry of Roads and Transport that involved the Authority in the review of the current road manuals and specifications. We appreciate the critical role of the National Treasury, the Kenya Roads Board and Development Partners in financial resource mobilization, allocation, disbursement and technical support. The Authority's management and staff played an important role in the operations and execution of the Authority's programs and projects. We thank the Board of Directors for its institutional policy guidance and good governance practices. We are grateful to all these actors and stakeholders who played their role with synergy towards transforming urban mobility during the FY 2024/2025.

The disclosure of the Authority's financial statements and her achievements is in line with the Public Finance Management Act, Cap 412A, the Roads Act, 2007 and the values of transparency and accountability. It's therefore my pleasure and privilege to present the Authority's Financial Statements for the FY 2024/2025.



BOARD REPRESENTATIVE

REPORT OF THE DIRECTOR GENERAL



The construction sector in Kenya experienced a slight contraction of 0.7% in FY2024, compared to a 3.0% growth in the previous fiscal year according to the Kenya National Bureau of Statistics, Economic Survey, 2025. This trend mirrors the broader economic slowdown driven by global inflationary pressures, tightened monetary policies, and constrained public financing. Nonetheless, the urban road infrastructure sub-sector remained resilient, buoyed by the government's continued investment in strategic projects and clearing pending bills aimed at stimulating economic activity, enhancing mobility, and promoting inclusivity in urban road systems.

The Authority's efforts during the period under review were aligned to the Vision 2030 blueprint, the Bottom-Up Economic Transformation Agenda (BETA), and the Public Investment Management Framework.

During the 2024/2025 financial year, the Authority operated within a dynamic environment shaped by fiscal reforms, budget reduction, climate-related risks, and the growing demand for equitable urban infrastructure. Despite these challenges, KURA remained committed to its mandate of developing and managing urban road infrastructure, with a focus on delivering efficient, safe, and sustainable mobility in urban areas across the country.

The Authority's interventions during the year were guided by its Strategic Plan and prioritized; Enhancing urban road connectivity through new construction and upgrading projects; Maintaining and rehabilitating the existing road network for better serviceability; Deploying technology for smarter traffic management systems; Mainstreaming climate resilience and social safeguards in infrastructure delivery; and Strengthening institutional capacity and partnerships to improve delivery outcomes.

1.0 Key Performance Highlights – FY2024/2025

During the year, the Authority undertook various programmes aimed at enhancing accessibility, safety, and serviceability of urban roads. Maintenance works were prioritised to secure previous gains in road condition and to prevent deterioration, with resources allocated based on the highest socio-economic impact. Strategic projects were advanced to address congestion, improve drainage systems, and expand non-motorised transport facilities.

i. The Urban Roads Network

Rapid urbanization in Kenya has placed increasing pressure on existing road infrastructure, particularly in major towns and cities. The pace of infrastructure development has not fully matched the accelerating demand for urban mobility, resulting in congestion, unsafe travel conditions, and delayed access to economic and social services.

As of June 2025, the Authority manages a total of 4,819.61 kilometres of the urban road network, distributed as follows:

Road Surface Type	Condition			Total (Kms)	Proportion (%)
	Good (Kms)	Fair (Kms)	Poor (Kms)		
Paved	1607.24	712.46	150.06	2469.76	51%
Unpaved	383.61	1222.54	743.70	2349.85	49%
Total	1990.85	1935.00	893.75	4819.61	100%
Proportion (%)	41%	40%	19%	100%	

Table 1: Condition of the road network, KRB Proposed Road Register, 2025

This data reflects notable gains made in the overall management of the urban road network. As of FY2024/25, a cumulative total of 81% of the gazetted national urban road network is now classified as being in good or fair condition, marking an improvement from 74% in the previous year. This positive trend demonstrates the Authority's continued efforts in asset preservation, targeted maintenance, and rehabilitation programming.

However, these gains must be consolidated and extended through deliberate investment to: Transform roads currently in poor condition to fair or better, and upgrade/pave the remaining 2,349 km of unpaved urban roads, many of which serve high-density, underserved urban settlements.

Sustainable improvement of the urban road network will require enhanced resource mobilization, close collaboration with stakeholders, and effective prioritization using data-driven planning tools.

ii. Urban Road Construction and Upgrading

The Authority successfully implemented several projects across various urban centres, with a total of **53 km** of roads upgraded. Major milestones included progress on upgrading of Rusinga Island Roads, Homa Bay Town Roads, Kangema Town Roads and Taita Taveta Roads which significantly improved mobility and access in the respective urban areas.

ii. Routine and Periodic Maintenance

Through targeted maintenance programmes, KURA ensured the continued functionality of over **2,610km** of the urban road network, reducing deterioration and improving road user safety. These interventions also contributed to cost savings on long-term rehabilitation.

The implementation of planned maintenance works during FY2024/2025 was notably constrained following a reduction in KURA's approved budget ceiling. This adjustment occurred while implementation was already underway and was primarily attributed to a High Court ruling on the Council of Governors' petition, which directed the reallocation of Kshs. 10.5 billion to County Governments. Additionally, part of the Road Maintenance Levy

Fund (RMLF) was earmarked for securitization to offset national pending bills, further reducing available funding for ongoing and planned projects.

iii. Intelligent Transport Systems (ITS) and Junction Improvements

The Authority continued to maintain Intelligent Traffic management System (ITS) pilot project to improve traffic management along the Nairobi Western Ring Road corridor linking Ngong Road and Waiyaki Way (A104) at Westlands Roundabout. This involved the design and installation of traffic signal system at 20 intersections and setting up of a Traffic Management Centre. Some of the benefits realized from the pilot project include:

- i. Improved traffic flow efficiency of up to 40% from survey analysis,
- ii. Reduced waiting time to less than 30 seconds at intersections,
- iii. Traffic enforcement (E-Police) system eliminates the need to have physical presence of police at intersections,
- iv. Real-time traffic data collection provides accurate information for forecasting and engineering design, and
- v. Centralized traffic infrastructure and network management.

Under the Nairobi ITS and Junction Improvement Programme, designs for the **first phase covering 25 junctions** were finalized. The **second phase** involving 60 junctions is awaiting procurement approval for the Contractor, while **Phase III**, which includes 175 junctions, is pending conclusion of the financing agreement.

iv. Climate Adaptation and Axle Load Enforcement

With increasing incidents of climate-related disruptions and damage, KURA collaborated with stakeholders to integrate green infrastructure and build climate-resilient roads in urban areas. These efforts led to the development of the Climate Resilient Infrastructure Strategy for Urban Roads in close partnership with the United Nations Environment Programme (UNEP), the United Nations Human Settlements Programme (UN-Habitat) and World Resources Institute (WRI).

To further enhance protection of the roads assets under her purview, KURA developed the Road Asset Management and Corridor Protection Policy. The policy addresses rampant vandalism, destruction of road infrastructure, persistent encroachment on the road reserves and uncoordinated installation of facilities within the road corridors. These scenarios have led to costly land acquisitions, reduced levels of service and costs linked to relocation of services whenever improvements to the existing road infrastructure are required.

v. Institutional Capacity and Governance

KURA prioritized staff development, digital transformation through ERP and services automation, and stakeholder engagement to improve operational efficiency. The Authority also strengthened compliance with the Public Finance Management Act and procurement regulations.

1.1 Budget and Expenditure in Road Investment

The Road Maintenance Levy Fund remained the Authority’s principal source of revenue, with Ksh 14.68 billion allocated in the FY 2024/2025 for maintenance and rehabilitation works. Against a target of 4,070 kilometres of roadworks for the year, the Authority achieved 2,662 kilometres, representing sixty five per cent (65%) of the planned works. The thirty five percent (35%) shortfall reflected the mid-year budget cuts, although performance-based routine maintenance exceeded its target (by 13.4%) due to efficient contract management.

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

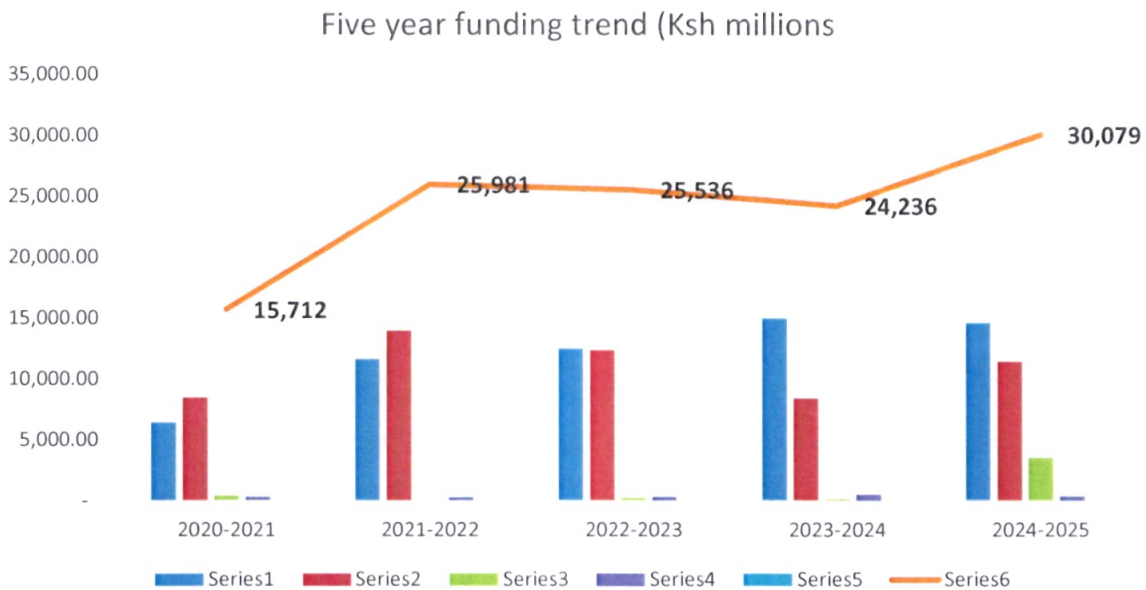


Figure 1: Five-year funding trend

1.1.1 Resource allocation

The Road Maintenance Levy Funds (RMLF) is the major source of revenue for the Authority, which is utilised for maintenance and improvement of the existing urban road network. The fund is useful for investment in the road network for desirable service levels and subsequent growth of the economy. During the year under review, the Authority received a total of **Kshs.14.6 Billion** for maintenance and rehabilitation of urban roads.

1.1.2 Performance and utilisation of funds

The Authority has demonstrated commitment in ensuring prudent, efficient and transparent use of limited resources. This is achieved through adherence to procurement legal requirements and stringent quality assurance processes.

During the implementation of Annual Public Road Program in the Financial Year 2024/2025, the Authority had planned on maintaining and constructing a total of 4,070 Km of urban roads. Whereas the Authority Planned to undertake roadworks on a majority of its network, the actual works were implemented on 2,662 kms, thus a negative variation of 1,408 kms of road works was achieved. This was as a result of the budget reduction whilst the Financial Year was running. The figure overleaf shows the comparison of construction and maintenance interventions in relation to planned works by the Authority during the reporting period.

Table 2: Road Works Interventions and Performance in FY 2024-2025

Intervention	Planned	Achieved	Variance/Remarks
Routine Maintenance	2,100	1,008	-1,092
Performance Based Contracting (PBC)	1,260	1,429	+169
Periodic Maintenance	540	172	-368
Rehabilitation/Upgrading	150	53	- 97
Total	4,070	2,662	- 1,408

The implementation of planned works during FY2024/2025 was notably constrained following a reduction in KURA's approved budget ceiling. This adjustment occurred while implementation was already underway and was primarily attributed to a High Court ruling on the Council of Governors' petition, which directed the reallocation of Kshs. 10.5 billion to County Governments. Additionally, part of the Road Maintenance Levy Fund (RMLF) was earmarked for securitization to offset national pending bills, further reducing available funding for ongoing and planned projects.

1.1.3 Value for Money

The Authority remains committed to ensuring that every shilling invested in the road network delivers maximum benefit to the public. In the year under review, this commitment was reflected in the alignment of planned outputs with actual delivery, prudent resource management, and efficiency gains achieved through targeted interventions. Routine maintenance activities were executed across 1,008 km of the network against a planned target of 2,100 km, representing 48% achievement. Performance-Based Routine Maintenance exceeded expectations, with 1,429 km maintained against a target of 1,260 km — a 113% performance level — due to efficiencies realised in contractor mobilisation and improved supervision.

Periodic maintenance was undertaken on 172 km compared to the planned 540 km, achieving 32% of the target, while rehabilitation and upgrading works covered 53 km against a planned 150 km, achieving 35%. In total, 2,662 km of the network were maintained or improved during the financial year, representing 65% of the planned 4,070 km. These achievements were realised despite funding constraints, underscoring the Authority's ability to adapt priorities, optimise procurement, and enforce quality assurance measures to ensure that limited resources translated into tangible results on the ground.

Table 3: Cost Effectiveness of the Funds

Intervention Type	Planned Output (Km)	Achieved Output (Km)	% Achievement
Routine Maintenance	2,100	1,008	48%
Performance-Based Routine Maintenance	1,260	1,429	113%
Periodic Maintenance	540	172	32%
Rehabilitation / Upgrading	150	53	35%
Total	4,070	2,662	65%

In furtherance of the Bottom-up Economic Transformation Agenda (BETA), which is anchored on inclusivity and empowerment for economic transformation, the Authority embedded the labour-intensive Roads 2000 strategy into its work execution methodologies. This approach aligned infrastructure delivery with the Government's goal of providing employment opportunities for youth and women.

During the 2024/2025 financial year, the Authority created 15,000 equivalent full-time jobs under the R2000 programme, exceeding the performance target of 10,452 jobs by 43%. The majority of these opportunities arose from labour engagement in Performance-Based Contracting and routine maintenance works. By integrating employment creation with road maintenance and improvement activities, the Authority ensured that investments not only enhanced the quality and serviceability of the road network but also generated direct socio-economic benefits for communities.

This synergy between infrastructure delivery and job creation exemplifies the Authority's value-for-money approach in achieving physical outputs while maximising social impact. Every shilling spent delivered dual dividends: extending the life of the road network and injecting income into local economies through dignified, productive work.

1.2 Road Maintenance and rehabilitation

The Authority enhanced the value of the invested funds in the urban road assets through rehabilitation, routine, and periodic maintenance of roads under its jurisdiction. This is done on an annual basis based on approved work plans. The Authority's Road maintenance

programs are funded through the Road Maintenance Levy Fund (RMLF) administered by Kenya Roads Board in accordance with the Kenya Roads Board Act 1999 (Revised: 2020).

To realize timely delivery of maintenance works, the specifications and conditions for execution are well structured. The contracts have provisions for liquidated damages on delayed completion and payment reduction on non-compliance with desired service levels.

Over the last six years from FY 2019/2020 to FY 2024/2025, the Authority has invested Kshs.53.4 billion in road maintenance works. The routine maintenance works accounted for 23% of the Maintenance works while periodic maintenance and rehabilitation works accounted for 46% and improvements/upgrading accounted for 31% of the total investment in Road maintenance. Table 4 below shows the investment trend in the road maintenance works.

Table 4: Five Year Investment in Road Maintenance

FY	Routine Maintenance	Periodic Maintenance/Rehabilitation	Upgrading/Rehab (Conditional Funding)	Total Maintenance
	(Kshs Million)	(Kshs Million)	(Kshs. Million)	(Kshs Million)
2019-2020	1,147	3,771	210	5,128
2020-2021	1,865	4,481	6,080	12,426
2021-2022	1,837	4,776	2,918	9,531
2022-2023	3,264	7,085	2,778	13,127
2023-2024	4,246	4,573	4,400	13,218
Total	12,358.80	24,685.70	16,385.90	53,430.40

1.2.1 Outcomes of road works

The construction and maintenance of urban roads has extended the lifespan of the infrastructure while safeguarding its functionality and technical integrity, thereby sustaining high service levels. These works have reduced travel times, improved the movement of goods, services, and products, and created employment opportunities that support livelihoods. The improved urban road network has also played a significant role in driving national economic growth by facilitating trade, mobility, and investment.

In addition to economic benefits, maintenance activities have enhanced road user safety, improved the aesthetics of urban areas, reduced dust pollution and greenhouse gas emissions, and strengthened drainage systems, contributing to greater climate resilience. They have also improved access to government services, promoted social cohesion and regional integration, and advanced technical skills and competencies within the sector.

1.2.2 Impacts of roads works

The urban road network plays a central role in advancing the objectives of the Bottom-Up Economic Transformation Agenda (BETA), Kenya Vision 2030, the Sustainable Development Goals (SDGs), and the Sector Performance Standards (SPSs). Continued improvement and maintenance of this network have supported the modernization of urban landscapes, enhanced road user safety, and transformed the character of cities and towns. These interventions contribute directly to the development of smart, resilient, and sustainable urban areas that underpin long-term socio-economic progress.

Through the Authority's efforts during the FY 2024/2025 to maintain and improve the national urban road network, there have been direct benefits to urban residents across major cities and towns. These works have reduced travel time, improved transport reliability for goods and services, and increased the efficiency of public and private transport systems.

By improving connectivity, the urban road network stimulates economic activity in towns and cities, fostering agricultural transformation, inclusive growth, and the expansion of micro, small, and medium enterprises (MSMEs). It also supports key sectors such as housing and settlement, healthcare, the digital superhighway, and the creative economy. Furthermore, urban infrastructure remains a critical enabler for the growth of the agricultural and tourism industries, both of which have a significant direct impact on Kenya's Gross Domestic Product (GDP).

Through the implementation of its annual works programmes, the Authority has also prioritised economic inclusion. In the year under review, Kshs. 7.78 billion worth of contracts were awarded to youth, women, and Persons Living with Disabilities (PLWDs) under the Access to Government Procurement Opportunities (AGPO) programme, surpassing the previous year's achievement. This not only increased participation of vulnerable groups in the road sector but also generated direct employment and income streams for thousands of households.

1.3 Annual Public Roads Programme (APRP)

The Authority contributes to the National Annual Public Roads Programme (APRP) through preparation of Annual Roads Works Program (ARWP) based on RMLF allocations and urban road network condition. The APRP implementation is monitored through monthly service level compliance, quarterly reporting to KRB and sampled Quality Assurance Monitoring in addition to Internal Auditing and fund utilization monitoring by KRB and the Ministry.

The Kenya Roads Board releases funds as per the approved APRP in tranches and monitors its utilization through performance audits. The Roads Board in consultations with the Ministry may from time to time review the road classification resulting in changes in the road network under the Authority which directly affects the funding allocation.

During the progression of FY 2024/2025, KURA's budget ceiling for FY2024/2025 was reduced to Kshs 9.6 Billion. As a result of the High Court ruling of June 2025, a further reduction of the FY2024/2025 budget by KES 3.4 Billion was effected. The Authority's Resultant Budget ceiling for works after Kenya Roads Board's implementation of the county funds reduction and infrastructure securitization funds was Kshs. 2.1 Billion, against a planned ARWP of Kshs. 10.2 Billion. This translates to approximately 79.5% reduction. The foregoing impacted negatively on the project implementation for the FY 2024/2025 and the impact is expected to have a knock-on effect on planned works for FY 2025/ 2026.

1.4 Automation of Traffic Management

The Authority continued to maintain **Intelligent Traffic management System (ITS)** pilot project to improve traffic management along the Nairobi Western Ring Road corridor linking Ngong Road and Waiyaki Way (A104) at Westlands Roundabout. This involved the design and installation of traffic signal system at 20 intersections and setting up of a Traffic Management Centre. Some of the benefits realized from the pilot project include:

- i. Improved traffic flow efficiency of up to 40% from survey analysis,
- ii. Reduced waiting time to less than 30 seconds at intersections,
- iii. Traffic enforcement (E-Police) system eliminates the need to have physical presence of police at intersections,
- iv. Real-time traffic data collection provides accurate information for forecasting and engineering design,
- v. Centralized traffic infrastructure and network management.

The Authority has embarked on a comprehensive plan to improve traffic flow and enhance safety at 210 junctions within Nairobi City, to be implemented in three phases:

- Phase I involves the improvement of 25 priority junctions, targeted for implementation starting in the FY 2025/2026. These junctions are currently undergoing detailed engineering design.
- Phase II comprises geometry improvements for 60 junctions and the installation of Intelligent Transport Systems (ITS) equipment. This phase is at an advanced stage, pending approval to commence procurement of a contractor for the works.
- Phase III covers the remaining 175 junctions under the Nairobi ITS Establishment & Junction Improvement Project. This phase is awaiting the finalization of financing arrangements before commencement.

In parallel, the Authority is also planninconducting a feasibility study for ITS implementation in Mombasa City, in collaboration with the Japan International Cooperation Agency (JICA).

Implementation challenges

The Authority continued to achieve outputs in the implementation of her strategic objectives and in the realization of her mandate despite numerous challenges. These challenges include; limited funding for the expanding needs in the urban road network which calls for alternative funding models; encroachment on the road corridor as well as vandalism of the assets, service relocation needs, poor solid waste management which calls for collaborative working with stakeholders; Ineffective/incomplete Modal Split performance of public transport that puts a strain on the road transport, sometimes due to inadequacies and gaps in different transport modes.

Climatic effects that predispose the road infrastructure to unforeseen premature damages e.g., Floods that affect project delivery timelines and damage the roads hence require climate resilient road infrastructure investment models. Disjointed urban planning has significantly undermined the effectiveness of stormwater drainage systems, particularly in urban road networks. The absence and inadequacy of designated outfalls has led to frequent flooding, reduced drainage efficiency, and deterioration of road infrastructure. This situation underscores the urgent need for enhanced collaboration and coordinated planning between national agencies and county governments to ensure integrated, sustainable urban drainage solutions.

Outlook for FY2025/2026

As the Authority looks ahead, its priorities will be anchored on scaling up the implementation of ongoing projects and pipeline initiatives, advancing the Intelligent Transport Systems (ITS) Programme for Nairobi while initiating similar programmes in other cities, and deepening collaboration with National Government agencies, County Governments, development partners, and the private sector. We will also continue to mainstream environmental and social sustainability in all infrastructure undertakings, while enhancing financial discipline, performance monitoring, and institutional accountability.

The Authority remains fully committed to its mission of transforming urban mobility and contributing to Kenya's socioeconomic development.

Over the next two decades, urban road transport systems will continue to face increasing demand pressures. Without immediate and sustained investment in urban transport infrastructure and services, average trip speeds and round-trip journey times to work will deteriorate, leading to severe economic costs. The resulting opportunity losses and reduced productivity from traffic congestion could run into billions of shillings annually. Additionally, the persistent challenges of providing safe urban road infrastructure must be addressed to curb fatalities and permanent disabilities that erode economic productivity.

The challenge of inadequate funding has, at times, constrained our ability to fully achieve set targets. To address this, the Authority is actively exploring alternative financing mechanisms, including fees, levies, and grants, to complement budgetary allocations for

road infrastructure development and maintenance. Encouragingly, the Government's commitment to progressive investment in urban infrastructure is evident not only from improved allocations over the years but also from recent policy measures such as the securitization of the Fuel Levy Fund. This forward-looking initiative will provide predictable, long-term financing for strategic road projects, insulating them from funding volatility and enabling faster execution and more efficient maintenance cycles. Importantly, it will also help clear the long-standing backlog of pending bills, which has historically diluted budget allocations for ongoing and new works, thereby freeing up resources for future investments.

Such measures guarantee significant economic returns and contribute meaningfully to the country's Gross Domestic Product. We remain resolute in our dedication to delivering a modern, efficient, and sustainable urban mobility network for Kenya.



Eng. Silas M. Kinoti, MEBS, FIEK

DIRECTOR GENERAL

STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

The urbanization component of the Second Medium Term Plan (MTP2) of the Kenyan Vision 2030 aims to facilitate a sustainable urbanization process through an integrated urban and regional planning management framework of Kenyan urban centers and towns. Infrastructure development in general and roads infrastructure in particular forms a key foundation and enabler of this Vision. The 2023-2027 strategic plan is set out on the Authority’s core mandate with clear and measurable targets.

Kenya Urban Roads Authority has four strategic pillars and objectives within the current Strategic Plan.

STRATEGIC ISSUE	GOAL	KEY RESULT AREAS
<ul style="list-style-type: none"> • Need for efficient urban mobility • High rate of urbanization • Climate change and global warming 	Goal I: plan, Design, construct, Maintain and Manage National Urban Road Network for responsive urban mobility.	KRA I: Plan, Design, Construct, Maintain and Manage National Urban Road Network
<ul style="list-style-type: none"> • Budget cuts and reduced budgetary allocation 	Goal II: Prudent financial management and Resource mobilization for financial sustainability.	KRA II: Resource mobilization and financial sustainability
<ul style="list-style-type: none"> • Brand visibility • Stakeholder engagement 	Goal III: Enhance KURA corporate image and visibility	KRA III: Brand management, stakeholder engagement and collaboration
<ul style="list-style-type: none"> • Changing technology • Customer excellence in service delivery 	Goal IV: Enhance corporate governance and institutional capacity.	KRA IV: Corporate governance and institutional capacity

Performance Contracting

The Authority is committed to meeting its performance targets. The table below shows the performance of the Authority for the year ended 30 June 2025.

		TARGET FOR CONTRACT PERIOD		ACTUAL ACHIEVEMENT
		Unit	A	B
Core Mandate				
C106_10	Traffic Surveys Undertaken	No	21.00	21.00
C106_12	Roads Maintained under Performance Based Contracts	KMs	1421.44	1437.23
C106_13	Road Corridor Assets Management	%	100.00	100.00
C106_14	Road Reserves Identified, Mapped and Preserved	KMs	195.00	212.80
C106_15	Public-Private Partnership Projects	%	100.00	88.00
C106_16	Axle Load Compliance Monitored and Enforced	%	100.00	100.00
C106_17	Environmental and Social Impact Assessment (ESIA) Studies Conducted	No	30.00	30.00
C106_18	Jobs Created	No	10121.00	15000.00
C106_19	Road Marking Undertaken	KMs	323.05	297.38
C106_2	New Roads Upgraded (RMLF)	KMs	34.00	43.02
C106_20	Other Road Safety Initiatives Implemented	%	100.00	84.00
C106_21	Project Completion Rate	%	100.00	93.33
C106_22	Monitoring and Evaluation Undertaken	No	10.00	20.00
C106_23	Science, Technology and Innovation Mainstreaming	%	100.00	
C106_24	Quality Assurance Surveillance Undertaken	No	20.00	23.00

CORPORATE GOVERNANCE STATEMENT

The Board has put in place adequate measures to ensure that the Tenets of Corporate Governance continue to guide its role of overseeing the Authority operations.

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

Organization Structure

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

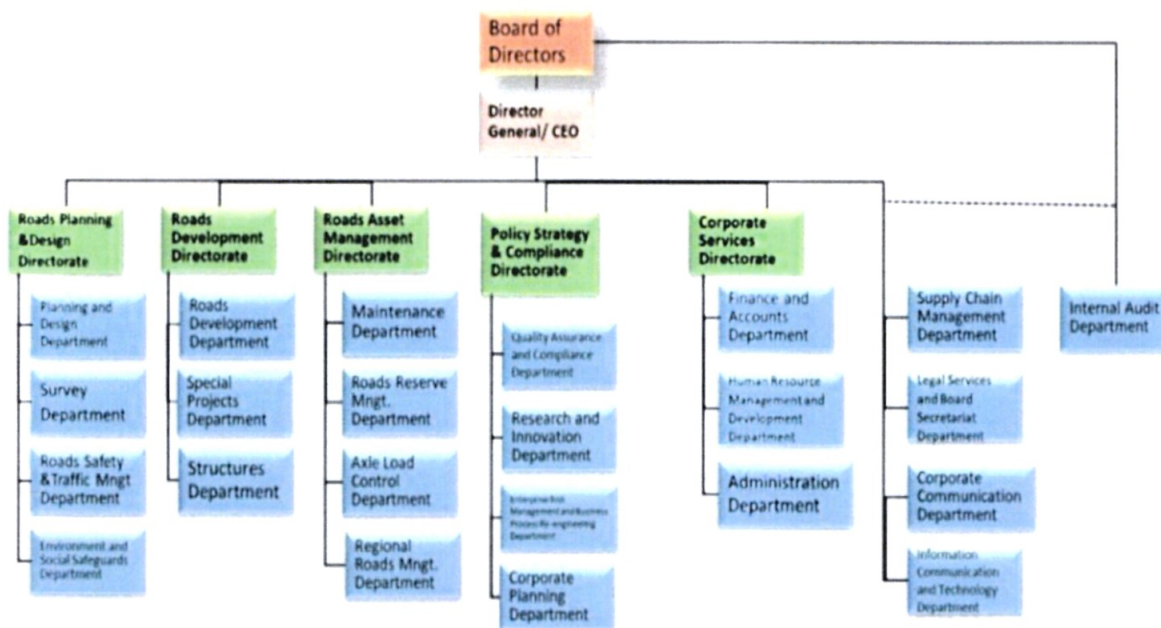


Figure 1: KURA Organisation structure

a) The Board of Directors

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

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

b) Board Charter

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

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

c) Appointment, Composition and Size

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

Board Committees & Work plan

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

Board consist of 4 (Four) Strategic Committees discharging the oversight role as enumerated below.

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

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

Mandate	Composition	No. of Meetings
Board Human Resource Committee Meeting		
This Committee is responsible for offering advice and guidance to Management and the Board on development of effective and appropriate Human Resource Policies and adoption of best practices for efficient strategies in human resource management. The Committee examines, reviews and recommends for approval by Board the Authority's staff establishment, appointment, termination of staff and any disciplinary action as delegated.	Mr. Joseph Muganda Mr. Bassil Nyagah Ms. Joyce Mundara Mrs. Jayne Asuma Eng. Silas Kinoti	4
Board Finance & Strategy Committee		
This Committee is mandated to consider and make recommendations to the Board regarding issues affecting financial and strategic direction of the Authority. This includes resource mobilization for new projects, investment of surplus funds and financial management procedures	Mr. Joe Muganda Eng. Luka Kimeli Mr. Joseph Kiarrii Mr. Abraham Samoei Eng. Silas Kinoti	7
Board Audit & Compliance Committee		
This is an advisory Committee of the Board providing independent oversight so as to ensure integrity of financial statements. It reviews the effectiveness of the system of internal controls and management of financial and other risks. The Committee ensures Compliance with relevant laws and oversees Risk Management through relevant Plan and receipt of status Reports	Mr. Basil Nyagah Ms. Joyce Mundara Mr. Joseph Kiarrii Eng. Luka Kimeli Eng. Silas Kinoti	4
Board Technical Committee		
The Technical Committee is mandated to consider and make recommendations to the Board regarding policy issues affecting technical operations of the Authority including: - i) Quality Assurance ii) Technical Standards iii) Environment, Health & Safety Standards on projects iv) Contract Management Standards	Mr. Abraham Samoei Mr. Basil Ntwiga Mrs. Jayne Asuma Eng. Luka Kimeli Eng. Silas Kinoti	3

a) Board Work Plan and Meetings

The Board work plan and calendar of meetings are annually prepared in advance. Adequate notice is given for each Board meeting and Directors receive detailed

papers on issues to be discussed in good time before the meeting. A total of 7 Full Board meetings and Nineteen Committee Meetings were held during the year. The attendance is tabulated below.

Table 2: Board attendance

	13 th July 2024	27 th September, 2024	14 th October, 2024	12 th December, 2024	14 th January 2025	30 th January 2025	26 th March, 2025	15 th April, 2025	26 th June, 2025
1. Eng. Charles Chiuri	✓	✓	✓	✓	✓	✓	✓	✓	✓
2. Mr. Bassil Nyagah	✓	✓	✓	✓	✓	✓	✓	✓	✓
3. Mr. Joseph Muganda	✓	✓	✓	✓	✓	✓	✓	✓	✓
4. Mrs. Jayne Asuma	✓	✓	✓	✓	✓	✓	✓	✓	✓
5. Mr. Abraham Samoei	✓	✓	✓	✓	✓	✓	✓	✓	✓
6. Mr. Joseph Kiarri	✓	✓	✓	✓	✓	✓	✓	✓	✓
7. Eng. Luka Kimeli	✓	✓	✓	✓	✓	✓	✓		
8. Ms. Joyce N. Mundara	✓	✓	✓	✓	✓	✓	✓	✓	
9. Eng. Silas Kinoti	✓	✓	✓	✓	✓	✓	✓	✓	✓

a) Board Evaluation

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

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

d) Directors' Remuneration

Details of Directors' remuneration are set out in the report in note 12 of the Financial Year under review. Directors are paid sitting allowance for every meeting attended, lunch allowance (in lieu of lunch being provided), accommodation allowance and mileage reimbursement where applicable, all-in line with the ceilings approved for

state corporations by the Government. There were no Directors' loans at any time during the year.

e) Internal Controls

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

f) Ethical Standards

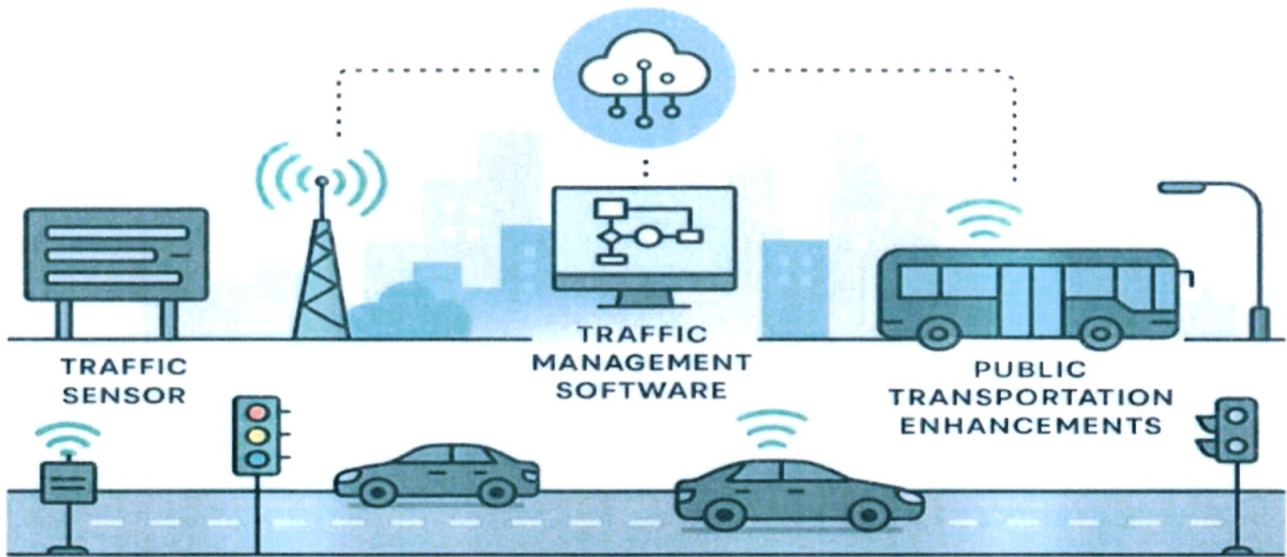
A code of conduct is in place to regulate conduct of business and prescribe acceptable behaviour in line with the National Values, organization culture and our Core values. The Authority also has an annual Integrity program that ascribes to standards prescribed by the Public Officer Ethics Act as well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



BOARD REPRESENTATIVE

INTELLIGENT TRAFFIC TRANSPORT SYSTEM (ITS)

ITS AT WORK: BUILDING SUSTAINABLE CITIES & COMMUNITIES



Why ITS

1. Real time traffic monitoring
2. Smart Signaling Technology
3. Improved Safety and Sustainability
4. Enhanced Urban Mobility



MANAGEMENT DISCUSSION AND ANALYSIS

This section provides the users of these financial statements with a narrative overview and analysis of the financial activities of the Authority for the financial year ended June 30, 2025. Readers are encouraged to consider the information presented here in conjunction with additional information that we have furnished in Director General’s report on pages 17-21

1.1 Financial Highlights

The financial highlights for the financial year ended 30th June 2025 is presented below.

1.1.1 Funding

The total funding during the year amounted to **Ksh. 30 billion** comprising of Road maintenance Levy, exchequer funds, development partners’ grants and Appropriation In Aid (AIA).

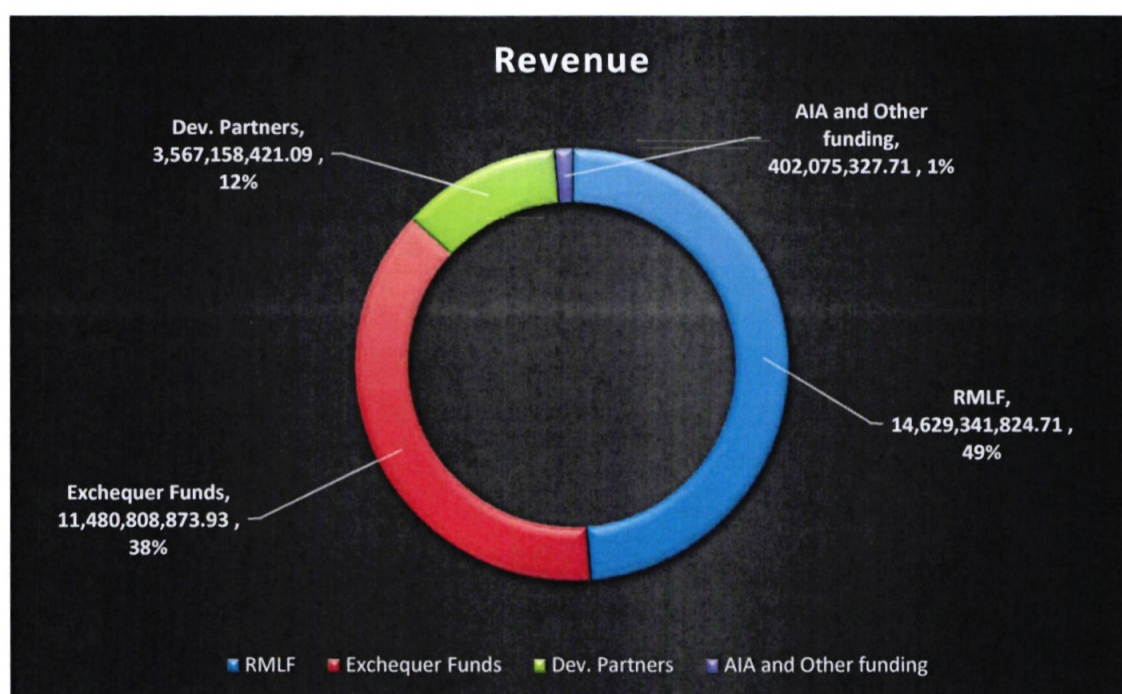
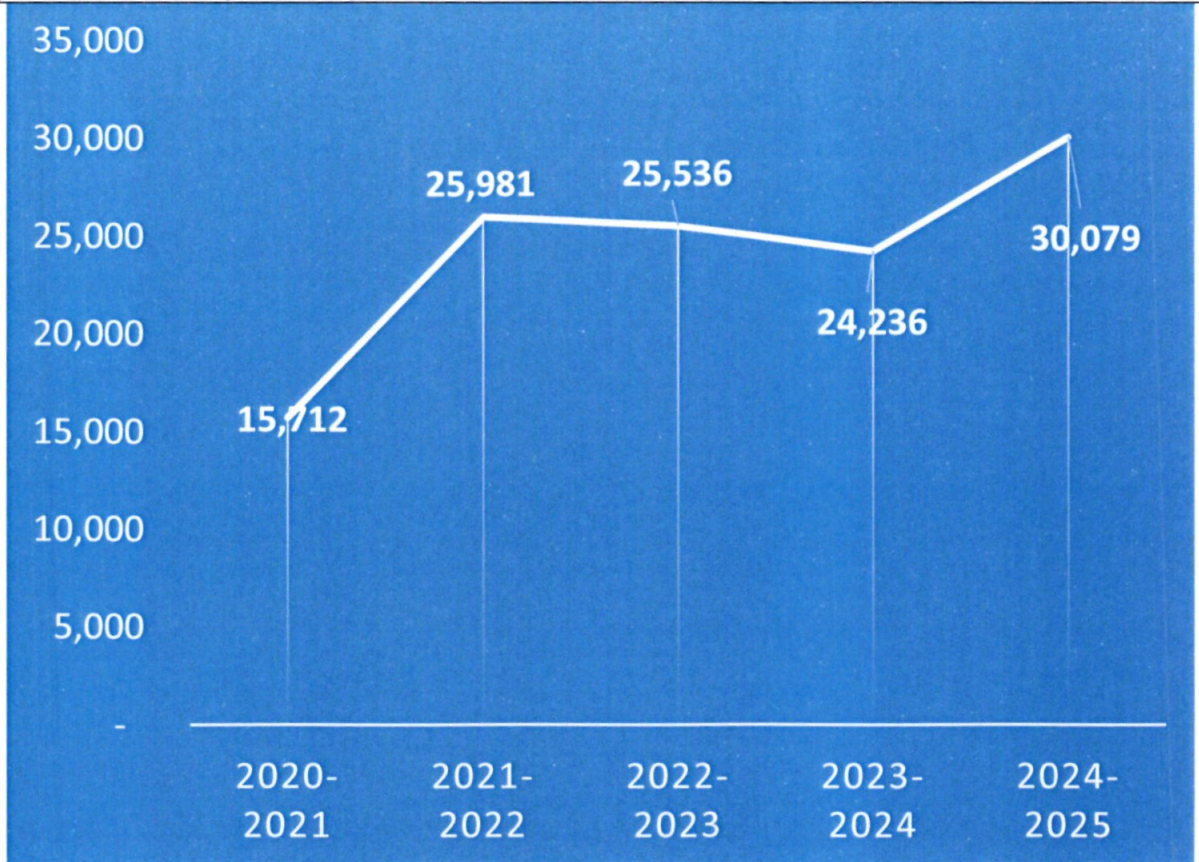


Figure 2: Current year funding

Over the last five years, there has been considerable increase in the various funding sources with as indicated in the figure below.



1.1.2 Expenditure

Investment in the urban roads network comprises of two components: development and maintenance. Over the years, the Authority has made considerable investment in the urban roads’ infrastructure both capital and maintenance.

Development expenditure relates to the capital investment in the infrastructure involving construction of new roads and upgrading existing roads to bitumen standards. The resulting Infrastructure assets comprising of roads, bridges as well as non-motorised facilities form part of the Authority’s noncurrent assets presented in the statement of financial position. Over the years, there has been progressive increase in the value of infrastructure assets owned by the Authority owing to the continued investment by the government. As at 30th June, infrastructure assets balance stood at **Ksh. 175 billion** representing the cumulative capital investment the government has made over the years.



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

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



1.2 Overview of the financial statements

The financial statements comprise of statements of financial performance, statement of financial position, statement of changes to net assets, statement of cash flow, statement of comparison of budget and actual amounts, accounting policies and notes.

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

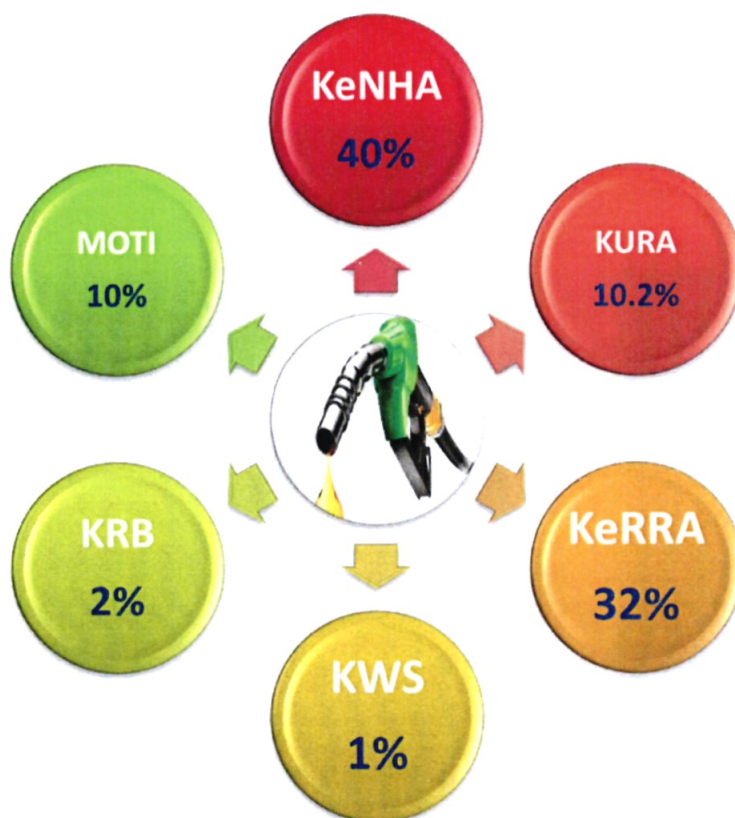


Figure 3: RMLF allocations

The expenditure comprises of two components, the road works expenditure, and administrative overheads. Ceilings for both expenditures are provided by the Kenya Roads Board on annually basis. The road works expenditure is incurred based on an approved work plan included in the Authority's annual budget.

Surplus for the year represents unutilized funds at the end of the accounting period and is carried forward through the statement of changes in net assets for future utilization by the Authority on the specific contracts. The funds relate to unexecuted works for contracts in progress at year-end for which the funds are already committed. The funds are therefore ring-

fenced by the contract provisions and are not available for any other purpose except for meeting the contract obligations already entered by the Authority.

Statement of financial position presents the net assets position of the Authority as at **30th June 2025**. The net assets for the Authority at the end of the financial year amounted to **KSh. 172.4 billion**

1.2.1 Performance & Utilization of Funds

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

The authority reported considerable rate for Funds absorption during the year. The budget absorption both for development and recurrent was absorbed fully.

1.2.2 Pending Bills

Pending bills represent unsettled obligations arising out of executed contracts, particularly development projects. The balance for development pending bills as at 30th June 2025 amounted to **Ksh. 10.9 billion**. These are included in the payables as presented in the statement of financial position. The Balance of the obligations included in the payables arise from the routine and maintenance contracts and Authority's normal operations and have matching assets for settlement.

ENVIRONMENTAL AND SUSTAINABILITY REPORT

1. Introduction

The Authority's operations during the Financial Year 2024/2025 demonstrate her commitment to sustainable and transformative urban mobility. The sustainability principles applied include the precautionary principle, polluter pays principle, transparency and accountability, democracy and public participation, inclusivity, equity, social acceptance and responsiveness. By adopting sustainability principles, the various material risks were controlled and managed. The implementation of the Authority's Mandate lead to positive and potential adverse impacts on the bio-physical and socio-economic environment. Further to this, the contemporary climate change impacts associated with urban roads call for attention.

The Authority recognizes her role and contribution to the realization of Sustainable Development Goals including SDG 3, 9 and 11. Social safeguards form an important element of sustainability including the role of stakeholders for legitimization and acceptability of urban road programs and projects. The socio-economic impacts of roads including the creation of job opportunities and corporate social investment is a key indicator of sustainability as well as socially responsive procurement practices. A detailed presentation of sustainability measures implemented by the Authority is presented hereunder.

1.1 Linkages with Sustainable Development Goals (SDGs)

The Authority contributed to the realization of SDG 3 on good health and well-being through implementation of road safety measures such as construction of speed bumps, road marking and installation of bollards on various roads. The Authority conducted safety awareness and education among school-going children as well as the public. The construction and maintenance of walkways and cycle lanes for active mobility contributes to good health and well-being.

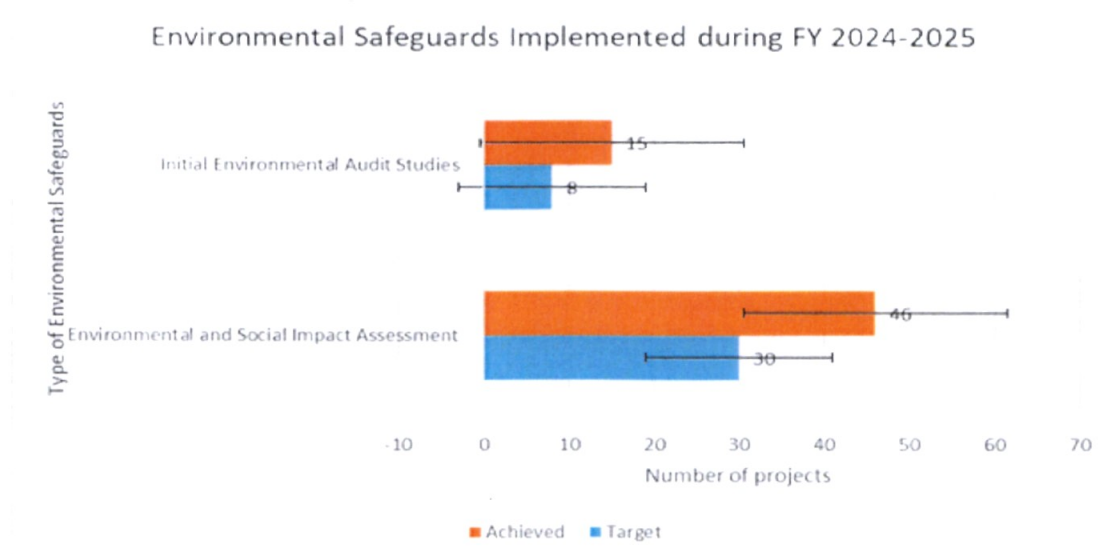
The development, construction and maintenance of roads in urban areas contributed to transforming urban mobility through quality, reliable and resilient road infrastructure. This contributes to the realization of SDG 9 on industry, innovation and infrastructure. The Authority continued to implement research and innovation projects in collaboration with academic institutions such Kenyatta University and NACOSTI. The output include research on the use of technology in controlling traffic speeds and enhancing road safety under the " jicho pevu" project, among others.

The Authority implemented polices, programs and projects in line with SDG 11 on sustainable cities and communities. This was achieved through construction and maintenance of urban roads for public transport, investment in non-motorized transport such as walkways and implementation of intelligent transport systems and junction improvements for decongestion and efficient road transport systems. The construction of urban road infrastructure in low-income areas led to enhancing equitable access to all.

1.2 Environmental Safeguards

The Authority conducted Environmental and Social Impact Assessment (ESIA) for 46 road projects in compliance with the requirements under EMCA. Cap 387 Section 58. The assessment led to implementation of mitigation measures as presented in environmental and social management and monitoring plan to address risks such as air pollution, vegetation disturbance, waste management, disruption of services and community health and safety issues during the construction phase. The Authority conducted Environmental Audits for fifteen (15) road projects in compliance with the requirements under EMCA. Cap 387 Section 68. The Audits provided an objective measure of the environmental performance during the operation phase of the urban road projects. The major risks associated with the operation phase include; siltation of drains, accidents, dumping on the road reserve, encroachment and as well as overgrowth of vegetation on the road reserve. Corrective action plans for each of the associated risks were developed for implementation. The environmental safeguards implemented are shown in Figure 2 below.

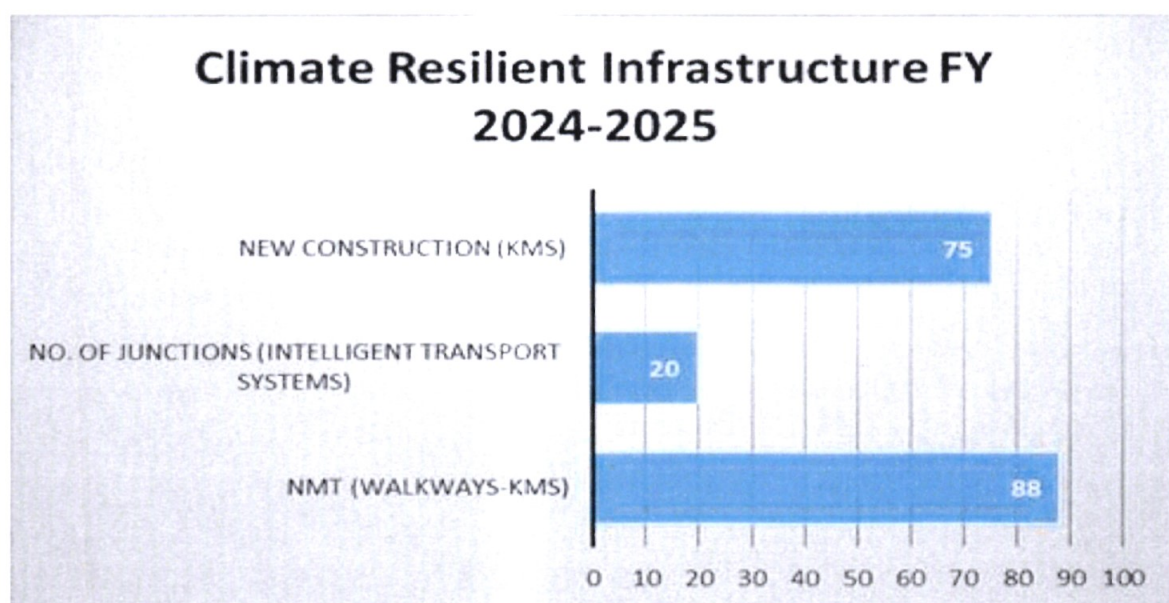
Figure 2: Environmental Safeguards Implemented in FY 2024/2025



1.3 Climate Change Actions

The Authority developed the climate resilience strategy for urban roads with support from the UN Habitat, World Resources Institute and the UN Environment. The strategy outlined the initiatives for adaptation, mitigation, and enablers for achieving climate resilient urban roads. The Authority established climate change sub-committees and working groups from across the various departments that are inter-disciplinary and cross-functional. These enabled the cascading and contextualization of climate change actions and interventions and enhanced coordinated institutional approach. The Authority also invested financial resources in the implementation of the climate actions which are highlighted in this report. This demonstrates the climate responsive budgeting approach adopted in achieving climate actions. The Authority implemented several climate change Adaptation and Mitigation actions to address resilience to climate hazards on the urban road infrastructure. These actions include construction of 75kms of new roads with climate resilient materials and structures, Maintenance of twenty (20) junctions with intelligent transport systems which ameliorate the emission of greenhouse gases from fossil fuel combustion by reducing travel time and optimizing vehicle speeds in the city, reducing congestion and pollution. The Authority constructed eighty-eight (88) kilometres of walkways in various urban areas to transform urban mobility through active transport/mobility. Figure 1 overleaf shows the climate resilient initiatives implemented during the reporting period.

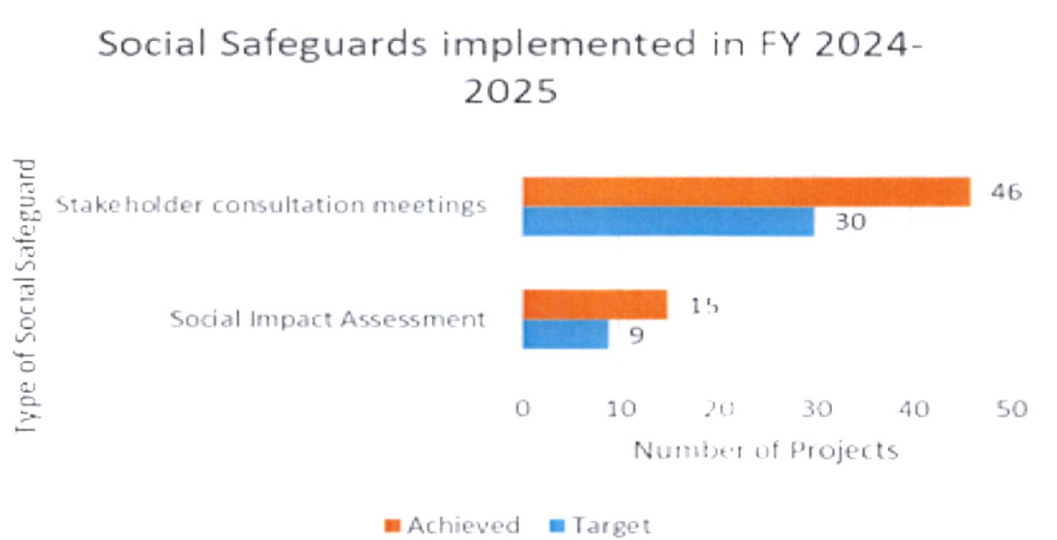
Figure 1: Climate Change resilience initiatives during FY 2024-2025



1.4 Social Safeguards

The Authority conducted social impact assessments for fifteen (15) urban road projects that were operational as good practice for evaluating their social performance. The assessment covered project impacts on gender, livelihoods, vulnerable groups, health, safety, security, culture, housing and settlements, social structures, settlements, transportation modes, among others. The output provided mitigation measures for protecting communities from unintended outcomes. The social safeguards implemented during the reporting period are shown in **Figure 3** below.

Figure 3: Social Safeguards implemented in the FY 2024-2025



1.5 Stakeholder Participation

Stakeholder engagement was done during the design and implementation of urban road projects through consultative and planning meetings. The Authority conducted stakeholder engagement in 46 project roads across the country. The engagements identified key expectations such as job opportunities, increased land value and enhanced mobility as a result implementing urban project roads. The risks associated with the projects that required controls and mitigation include management of services and amenities, control of encroachments, health and safety during road works.

1.6 Employment and Job creation

During the reporting period, at least 7,282 jobs were created and offered to residents during the construction and maintenance of roads, ensuring payment of fair wages and

safe working conditions to maintain the dignity of the workers. The Authority as well offered 309No. and 27No. attachment and internship opportunities respectively.

1.7 Access to Government Procurement Opportunities

To enhance access to government procurement opportunities, there was an Allocation of 30% of procurement budget totaling Kshs. 8,778,579,006.16 worth of tenders to youth, women and PWDs. This would in turn boost their standard of living and uphold their dignity.



Eng. Silas M. Kinoti, EBS, FIEK

DIRECTOR GENERAL

CSI BRIEF & SNAPSHOT

During the period under review the Authority implemented Eight Corporate Social Investment projects in support of vulnerable communities amongst our areas of operation. A total of Eight Counties benefited from the programs implemented. The projects are as detailed in the table below;

No.	Project Name	Location (County)
1.	Construction of a classroom at Ntonyero Mixed Day Secondary School at Nkubu.	Meru
2.	Construction of a classroom at St Andrew Mvundulusia Secondary School	Busia
3.	Construction of a classroom at ACK St. Mathews Girls Septonok Nandi North.	Nandi
4.	Construction of a classroom at Changamwe Girls Secondary School	Mombasa
5.	Construction of a classroom & Sanitation facility at Dalsan Primary School in Habaswein.	Wajir
6.	Support of Kitui School for Mentally Handicaped.	Kitui
7.	Construction of a classroom at Likii Primary School.	Nanyuki
8.	Construction of a Classroom at Ilesai Primary School.	Kajiado

CORPORATE SOCIAL INVESTMENT SNAPSHOT



Community Empowerment: The Authority has completed construction of a classroom at Likii Primary school in Nanyuki County. The classroom constructed through the CSI program will ease decongestion in the school that has a population of 1200 students.



Powering Science Technology & Mathematics (STEM) dreams.
The Authority has supported construction of a classroom at Ntonyero Mixed Secondary school in Nkubu in Meru County. The classroom has enabled the school to offer two academic pathways, notably this class will be used for the STEM programs.



The transformation story of Dalsan Comprehensive school courtesy of the Authority Corporate Social Investment Program. Impacting communities creating change in Habaswein, Wajir County.

PIC•COLL



Inclusion: This classroom at Changamwe Girls is a beacon of hope for young girls desirous of persuing academic excellence. Inadequate classes have led to overpopulation. The new classroom means more deserving & vulnerable girls have an oppotunity to achieve their academic dreams.

REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements for the year ended 30th June 2025, in accordance with the provisions of section of the 38 of Kenya Roads Act 2007 which disclose the state of affairs of the Authority.

Principal activities

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

Results

The results for the Authority for the financial year ending 30 June 2025 are set out on page 1.

Directors

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

Auditors

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

By Order of the Board



Eng. Silas M. Kinoti, EBS, FIEK

DIRECTOR GENERAL

29th August 2025

STATEMENT OF DIRECTORS RESPONSIBILITIES

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

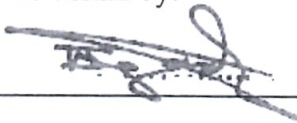
The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on June 30, 2025. This responsibility includes: (i) maintaining adequate 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, 2025, 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.

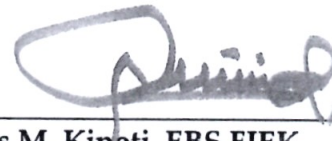
Nothing has come to the attention of the Directors to indicate that the Authority will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Authority's financial statements were approved by the Board on 27th August 2025 and signed on its behalf by:



Board Representative



Silas M. Kinoti, EBS, FIEK
Director General

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON ROADS MAINTENANCE LEVY FUND FOR THE YEAR ENDED 30 JUNE, 2025 - KENYA URBAN ROADS AUTHORITY

PREAMBLE

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

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

An Unmodified Opinion is issued when the Auditor-General concludes that the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management, and Governance.

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Roads Maintenance Levy Fund - Kenya urban Roads Authority set out on pages 1 to 33, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes in net assets, statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

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

In my opinion, the financial statements present fairly, in all material respects, the financial position of Roads Maintenance Levy Fund - Kenya urban Roads Authority as at 30 June, 2025 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 the Public Finance Management Act, 2012.

Basis for Opinion

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis amounts of Kshs.15,029,341,824 and Kshs.14,975,517,083 respectively, resulting to underfunding of Kshs.53,824,741 or 0.3% of the budget. However, the Project spent Kshs.20,026,459,895 against actual receipt Kshs.14,975,517,083 resulting to over expenditure of an amount of Kshs.5,050,942,812 or 34% of the total receipt. The over expenditure was not explained in form of notes to the financial statement.

My opinion is not modified in respect of this matters.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the prior year audit report, one issues were raised under Report on Lawfulness and Effectiveness in the Use of Public Resources. The issue is on Delayed Project Implementation. Review of the status during the audit of the Project in 2024/2025 revealed that issues remained unresolved

Other Information

The Management is responsible for the Other Information set out on page v to li which comprise of Key Entity Information and Management, The Board of Directors, Key Management Team, Chairman's Statement, Report of the Director General, Statement

of Performance against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors and Statement of Directors Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Fund's financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of the Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Fund'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 Management is aware of the intention to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. 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 when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give

an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1) (a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

17 December, 2025

STATEMENT OF FINANCIAL PERFORMANCE**FOR THE YEAR ENDED JUNE 30, 2025**

	Note	2024-2025 Kshs	2023-2024 Kshs
REVENUE			
Revenue from non-exchange transactions			
Road maintenance Levy Fund-KRB	6	6,958,218,150	14,986,091,412
Other grants	6	-	50,000,000
Penalties and levies	7	15,094,476	7,174,302
Total Revenue from non-exchange transactions		6,973,312,626	15,043,265,714
Revenue from exchange transactions			
Finance income	8	330,490,594	536,774,434
Other income	9	590,189	821,324
Total Revenue from exchange transactions		331,080,783	537,595,758
Total Revenue		7,304,393,408	15,580,861,472
EXPENSES			
Operation expenses	10	2,033,900,642	1,898,172,440
Road rehabilitation and maintenance costs	11	9,870,305,682	12,665,409,065
Work Support services	12	243,442,279	192,994,205
Total expenses		12,147,648,603	14,756,575,711
Surplus before tax expense		(4,843,255,194)	824,285,761
Taxation expense	13	(99,147,178)	(161,104,330)
Surplus for the year		(4,942,402,373)	663,181,431

The significant accounting policies and the notes on pages 6 to 36 form an integral part of these financial statements. The financial statements on pages 1 to 36 were approved by the board of directors on 27th August 2025 and were signed on its behalf by:



Eng. Silas M. Kinoti, EBS, FIEK
Director General



CPA Reuben Mayienda
Director corporate services
ICPAK Member No:4941





Board Representative

STATEMENT OF FINANCIAL POSITION**AS AT JUNE 30, 2025**

		2024-2025	2023-2024
		Kshs	Kshs
ASSETS			
Current assets			
Cash and cash equivalents	14	3,756,234,148	6,049,332,514
Receivables from exchange transactions	15	-	163,477,535
Receivables from non-exchange transactions	15	2,376,210,938	4,874,029,870
Inventories	16	12,068,256	8,479,172
Total Current assets		6,144,513,341	11,095,319,091
Non-current assets			
Property, plant and equipment	17	10,381,762,342	2,702,923,512
Intangible assets	18	7,321,417	20,264,602
Total non-current assets		10,389,083,759	2,723,188,114
Total Assets		16,533,597,100	13,818,507,205
LIABILITIES			
Current liabilities			
Payables from exchange transactions	19	794,682,516	1,201,289,922
Payables from Non exchange transactions	19	284,666,507	245,919,659
Employee Benefits Obligations	19	118,959,007	92,587,985
Current tax	20	50,100,050	64,007,824
Total current liabilities		1,248,408,081	1,603,805,390
Non-current liabilities			
Payables from exchange transactions	19	724,799,390	398,012,083
Total liabilities		1,973,207,471	2,001,817,473
Net assets		14,560,389,629	11,816,689,732
REPRESENTED BY:			
Revaluation Reserve	21	-	32,239
Accumulated surplus	21	4,024,657,978	8,967,028,111
Staff Mortgage Fund	21	544,607,976	529,629,382
Road assets reserve fund	21	9,991,123,675	2,320,000,000
Total Nets Assets		14,560,389,629	11,816,689,732

The significant accounting policies and the notes on pages 6 to 36 form an integral part of these financial statements. The financial statements on pages 1 to 36 were approved by the board of directors on 27th August 2025 and were signed on its behalf by:


 Eng. Silas M. Kinoti, EBS, FIEK
 Director General


 CPA Reuben Mayienda
 Director of corporate services
 ICPAK Member No:4941


 Board Representative

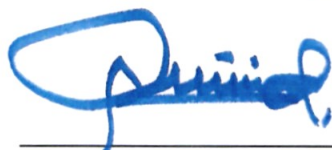
STATEMENT OF CHANGES IN NET ASSETS

	Accumulated Surplus	Revaluation Reserve	Staff Mortgage Fund	Road Assets reserve Fund	Total
	Kshs	Kshs	Kshs	Kshs	Kshs
As at 1st July 2023	8,303,814,441	64,479	529,629,382	2,320,000,000	11,153,508,302
Surplus for the year	663,181,431	-	-	-	663,181,431
Transfer of excess depreciation on revaluation	32,239	(32,239)	-	-	-
As at 30th June 2024	8,967,028,111	32,239	529,629,382	2,320,000,000	11,816,689,733
As at 1st July 2024	8,967,028,111	32,239	529,629,382	2,320,000,000	11,816,689,733
Surplus for the year	(4,942,402,373)	-	-	-	(4,942,402,373)
Interest Earned	-	-	14,978,594	-	14,978,594
Securitization funds received	-	-	-	4,673,119,662	4,673,119,662
Development funds received	-	-	-	2,998,004,013	2,998,004,013
Transfer of excess depreciation on revaluation	32,239	(32,239)	-	-	-
As at 30th June 2025	4,024,657,978	-	544,607,976	9,991,123,675	14,560,389,629

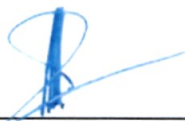
STATEMENT OF CASH FLOWS**FOR THE YEAR ENDED JUNE 30, 2025**

	Note	2024-2025 Kshs	2023-2024 Kshs
Cashflow from/(used in) operating activities	22	<u>(2,526,323,831)</u>	<u>(2,794,638,594)</u>
Cash flows from investing activities			
Purchases of Property Plant and equipment	17	(7,779,664,114)	(99,262,584.19)
<i>Net cash used in investing activities</i>		<u>(7,779,664,114)</u>	<u>(99,262,584)</u>
Cash flows from Financing activities			
Movement in retention funds		326,787,307	-
Interest received on staff mortgage fund		14,978,594	18,446,408
Capital Grant received	6	<u>7,671,123,675</u>	<u>-</u>
<i>Net cash used from financing activities</i>		<u>8,012,889,576</u>	<u>18,446,408</u>
Net increase in cash and cash equivalents		(2,293,098,370)	(2,875,454,770)
Cash and cash equivalents at start of year	14	<u>6,049,332,514</u>	<u>8,924,787,285</u>
Cash and cash equivalents at end of year	14	<u>3,756,234,148</u>	<u>6,049,332,514</u>

The significant accounting policies and the notes on pages 6 to 36 form an integral part of these financial statements. The financial statements on pages 1 to 36 were approved by the board of directors on [27th August 2025](#) and were signed on its behalf by:



Eng. Silas M. Kinoti, MBS
Director General



CPA Reuben Mayienda
Director, corporate services
ICPAK Member No:4941



Board Representative

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT**FOR THE YEAR ENDED 30 JUNE 2025**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance Rate
	2024-2025	2024-2025	2024-2025	2024-2025	2024-2025
	Kshs	Kshs	Kshs	Kshs	Kshs
REVENUE					
RMLF Funds-Equitable allocation	11,313,199,547	(4,687,270,635)	6,625,928,912	6,625,928,913	100%
RMLF Funds- Special funds	-	3,330,293,250	3,330,293,250	3,330,293,250	100%
RMLF Funds- securitization	-	4,673,119,662	4,673,119,662	4,673,119,662	100%
AIA -Interests and other incomes	210,000,000	190,000,000	400,000,000	346,175,259	87%
Total income	11,523,199,547	3,506,142,277	15,029,341,824	14,975,517,083	100%
EXPENDITURE					
Operation expenses	2,255,640,000	-	2,255,640,000	2,033,900,642	90%
Road Rehabilitation & Maintenance Costs	9,271,199,547	(4,687,270,635)	4,583,928,912	10,113,747,961	221%
Property plant and Equipment	51,360,000	8,003,412,912	8,054,772,912	7,779,664,114	97%
Taxation	45,000,000	-	45,000,000	99,147,178	220%
Total expenditure	11,623,199,547	3,316,142,277	14,939,341,824	20,026,459,895	134%
Deficit for the year	(100,000,000)	190,000,000	90,000,000	(5,050,942,812)	-
RECONCILIATION					
Surplus as per statement of budget and actual amounts				(5,050,942,812)	
Add:Purchase of Property plant and Equipment				7,779,664,114	
Less: Transfer to Road Assets Reserve				(7,671,123,675)	
Deficit as per statement of financial performance				(4,942,402,373)	

The significant accounting policies on pages 6 to 36 and the notes on pages 6 to 36 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. General Information

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

2. Statement of compliance and basis of preparation

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

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

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. The accounting policies adopted have been consistently applied to all the years presented.

3. Adoption of new and revised Standards

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

- i) New and amended standards and interpretations in issue effective in the year ended 30 June 2025.*

There were no new and amended standards issued in the financial year.

- ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025.*

Key Requirements	Effective Date	Impact to the Authority
IPSAS 43		
<p>The standard sets out the principles for recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the Authority. The new standard requires entities to recognize, measure and present information on right of use assets and lease liabilities.</p>	<p><i>Applicable 1st January 2025</i></p>	<p><i>No Impact</i></p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations		
<p>The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value, less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>	<p><i>Applicable 1st January 2025</i></p>	<p><i>No Impact</i></p>
IPSAS 45- Property Plant and Equipment		
<p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under-maintenance of assets and distinguishing significant parts of infrastructure assets.</p>	<p><i>Applicable 1st January 2025</i></p>	<p><i>No Impact</i></p>

Key Requirements	Effective Date	Impact to the Authority
IPSAS 46: Measurement		
<p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ol style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>	<i>Applicable 1st January 2025</i>	<i>No Impact</i>
IPSAS 47- Revenue		
<p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an the entities shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>	<i>Applicable 1st January 2026</i>	<i>No Impact</i>
IPSAS 48- Transfer Expenses		
<p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p>	<i>Applicable 1st January 2026</i>	<i>No Impact</i>

Key Requirements	Effective Date	Impact to the Authority
IPSAS 49- Retirement Benefit Plans		
The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.	<i>Applicable 1st January 2026</i>	<i>No Impact</i>
IPSAS 50: Exploration For & Evaluation of Mineral Resources		
The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires: <ul style="list-style-type: none"> i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized. 	<i>Applicable 1st January 2027</i>	<i>No Impact</i>

iii) **Early adoption of standards**

The Authority did not early adopt any new or amended standards in year 2024-2025.

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.

(b) Presentation of Financial Statements

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

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

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

(c) Budget Information

The original budget for FY 2024-2025 was approved by the National Assembly on 9th June 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities.

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

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

(d) Taxation

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

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

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

(e) Translation of foreign currencies

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

(f) Revenue recognition

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

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

1. Road Maintenance Levy Fund

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

2. 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 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.

3. 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.

4. Fees, Penalties and Other income

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

(g) Financial Instruments

(i) Financial assets

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

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Authority provides money or services directly to a debtor with no intention of trading the receivable. Receivables mainly arise from non-exchange transactions which accrue in the ordinary course of business and there is no intention of trading the receivable. Receivables are recognized initially at fair value. They are subsequently measured at amortized costs using the effective interest method less provision for impairment.

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

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

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

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

(ii) Financial Liabilities

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

Payables

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

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

(h) Provisions

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

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

Contingent Liabilities

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

Contingent assets

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

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

(i) Operating leases

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

(j) Provision for liabilities and charges.

Provisions are recognized when the Authority 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 Authority and the cost of the item can be measured reliably. Repair 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 %
Land and buildings	2.5%
Computer Equipment and software	33 $\frac{1}{3}$ %
Furniture and Fittings	12.5%
Leasehold improvements	12.5%
Office Equipment	12.5%
Motor Vehicles	25.0%
Infrastructure assets	Nil

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

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

(I) Intangible Assets

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

(m) Research and Development costs

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

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

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

(n) 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.

(o) 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.

(p) 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.

(q) 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.

(r) Changes in accounting policies and estimates

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

(s) Employee Benefits

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

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

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

(t) Comparatives

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

(u) Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2023

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the

carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur.

(a) Critical Judgments in Applying to 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.

6. Government Grants and Subsidies

a) Road maintenance Levy Fund

	2024-2025	2023-2024
	Kshs	Kshs
Road Maintenance Levy Fund (Works)	7,914,222,163	13,094,091,412
Road Maintenance Levy Fund (Operations)	2,042,000,000	1,892,000,000
Development Fund (Securitization)	4,673,119,662	-
Subtotal	14,629,341,825	14,986,091,412
Transfer to Infrastructure Assets Reserve Fund	(7,671,123,675)	-
Total Road Maintenance Levy Fund	6,958,218,150	14,986,091,412

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

b) Transfers from National Government and other government agencies

County Government grants	-	50,000,000
Total Recurrent Revenue	-	50,000,000

7. Licences, Penalties and Levies

Liquidated Damages	2,078,163	19,200
Road cutting fees	13,016,314	7,155,102
Total licences penalties and levies	15,094,476	7,174,302

8. Finance Income

Interest on bank deposits	330,490,594	536,774,434
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	2024-2025 Kshs	2023-2024 Kshs
9. Other Income from Exchange Transactions		
Tender sales	350,189	400,000
Other Income	240,000	421,324
Total Other Income	590,189	821,324
10. Operations expense		
Directors' expenses	21,589,100	18,793,883
Employment costs	1,416,501,344	1,389,689,885
Depreciation and amortization costs	113,768,469	110,342,263
Use of goods and services	383,140,078	312,366,588
Repairs and maintenance	98,901,651	66,979,820
Total operation expenses	2,033,900,642	1,898,172,440
11. Road Maintenance and Rehabilitation Costs		
Routine maintenance	5,751,670,043	4,794,971,904
Periodic maintenance	4,118,635,640	7,870,437,161
Total Road Maintenance and Rehabilitation costs	9,870,305,682	12,665,409,065
12. Work support Services		
Consultancy, Planning, Feasibility ESIA Costs	27,969,189	45,951,749
Road Safety and Children's Traffic Parks Costs	17,281,898	27,307,826
Road Furniture and Road Marking	-	548,800
Traffic census and forward planning	7,982,010	5,825,405
Axle load control costs	15,240,680	10,932,720
Road reserve mapping and control costs	12,956,965	2,551,850
Design inhouse	24,297,678	12,233,724
Special Programmes and environmental awareness costs	46,048,493	26,327,499
Intelligent Traffic Management System Costs	16,224,628	23,274,379
Quality Assurance costs	8,782,822	3,191,500
Monitoring and evaluation	15,759,664	25,314,452
Road Inventory and condition Survey	19,631,885	5,876,029
Road annuity project costs	3,020,000	3,658,272
Licences and permits	5,042,050	-
Stakeholder Engagement costs	2,503,900	-
Project supervision costs	20,700,420	-
Total road work support services	243,442,281	192,994,205

	2024-2025 Kshs	2023-2024 Kshs
13. Taxation expense		
Tax on interest income	99,147,178	161,104,330
Income Tax is calculated at 30 per cent of the estimated assessable income for the year. The tax on the assessable income differs from the theoretical amount that would arise using the basic rate as follows:		
Current tax	99,147,178	161,104,330
Gross Interest income	330,490,594	536,774,434
Tender sales income	-	400,000
Total assessable income	330,490,594	537,174,434
Tax calculated at a tax rate of 30%	99,147,178	161,152,330
Tax effect of:		
Tax Deductible expenses	-	(48,000)
Tax charge	99,147,178	161,104,330

14. Cash and cash equivalents

Current accounts	3,211,436,764	5,519,177,389
Staff Mortgage Fund	544,607,976	529,629,382
Cash in hand	189,407	525,743
Total Cash and cash equivalents	3,756,234,148	6,049,332,514

The cash in hand and at bank is held with the following approved commercial banks in Kenya. Part of cash and cash equivalents at the end of the year relates to projects in progress at year-end for which the funds are already committed.

Current accounts:

KCB Bank Limited	2,172,228,282	5,057,467,731
National Bank of Kenya	442,632	396,498,034
Co-operative Bank of Kenya	23,943,907	65,211,623
Sidian Bank	1,014,821,943	
Total current accounts	3,211,436,764	5,519,177,389

Staff Mortgage Fund:

KCB Bank Limited	544,607,976	529,629,382
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Others:

Cash in Hand	189,407	525,743
Total cash and cash equivalents	3,756,234,148	6,049,332,514

For the purposes of cash flow statement, cash and cash equivalents comprise cash on hand and bank and bank overdraft.

15. Receivables

a) Receivables From Exchange Transactions

Contractor advances	-	163,477,535
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b) Receivables From Non-Exchange Transactions

Staff Debtors	8,039,523	4,793,408
Grants Receivable-RMLF	2,366,526,453	4,867,137,435
Deposits and other prepayments	1,644,962	2,099,027
Total Receivables from Non-Exchange Transactions	2,376,210,938	4,874,029,870
Total receivables	2,376,210,938	5,037,507,405

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

- (i) Contract advances represent funds provided to the contractors and are recoverable in accordance with the contract terms. Contract advances are secured by bank guarantees from approved commercial banks Kenya.
- (ii) RMLF Grants receivables represent Road Maintenance Levy Funds due from the Kenya Roads Board based on the approved APRP and disbursement schedule.
- (iii) Development Grants receivables represent Development Funds due from the State department of infrastructure based on the approved budget for 2024-2025.

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:

16. Inventories

Consumable supplies	12,068,256	8,479,172
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Inventories comprise of consumable supplies for office use. In the opinion of the directors the carrying amounts of the inventories approximate their fair value.

17. Property Plant and equipment

	Infrastructure Assets Kshs	Buildings Kshs	Furniture and Fittings Kshs	Computers and Technical Equipment Kshs	Office Equipment Kshs	Leasehold Improvements Kshs	Motor Vehicles Kshs	Total Kshs
Cost/ Valuation								
As at 1st July 2024	2,389,465,490	201,322,738	89,577,582	124,503,062	36,685,429	22,255,035	319,464,765	3,183,274,100
Additions	7,638,584,237	52,830,634	4,774,929	9,191,388	4,841,568	-	69,441,358	7,779,664,114
As at 30 June 2025	10,028,049,727	254,153,372	94,352,511	133,694,450	41,526,997	22,255,035	388,906,123	10,962,938,214
Depreciation								
As at 1st July 2024	-	25,963,572	51,797,008	116,489,240	21,101,660	2,781,879	262,217,228	480,350,588
Charge for the Year	-	6,353,834	11,794,064	9,489,043	5,190,874	2,781,879	65,215,589	100,825,285
As at 30 June 2025	-	32,317,406	63,591,073	125,978,283	26,292,535	5,563,759	327,432,817	581,175,873
Net Book Value								
As at 30 June 2025	10,028,049,727	221,835,966	30,761,438	7,716,167	15,234,462	16,691,276	61,473,306	10,381,762,342
As at 30 June 2024	2,389,465,490	175,359,166	37,780,573	8,013,821	15,583,769	19,473,155	57,247,537	2,702,923,512

	2024-2025 Kshs	2023-2024 Kshs
18. Intangible Assets		
Computer software		
Cost/ Valuation		
As at start of the year	126,425,153	104,460,891
Additions	-	21,964,262
	<u>126,425,153</u>	<u>126,425,153</u>
Amortization		
As at start of the year	106,160,551	93,217,367
Charge for the year	12,943,184	12,943,184
As at end of the year	<u>119,103,736</u>	<u>106,160,551</u>
Net Book Value		
As at 30 June	<u>7,321,417</u>	<u>20,264,602</u>
19. Payables		
a) Payables from Exchange Transactions		
Current		
Due to Suppliers and Contractors	723,910,632	1,141,013,038
Refundable Deposits	70,771,884	60,276,884
	<u>794,682,516</u>	<u>1,201,289,922</u>
Non-Current		
Contract Retention	724,799,390	398,012,083
	724,799,390	398,012,083
Total Payables from Exchange Transactions	<u>1,519,481,906</u>	<u>1,599,302,005</u>
b) Payables from Non-Exchange Transactions		
Due to other funds	-	-
Other payables	284,666,507	245,919,659
Total Payables from Non-Exchange Transactions	<u>284,666,507</u>	<u>245,919,659</u>
c) Employee Benefits Obligations		
Staff gratuity	22,431,988	78,413,374
Other Staff statutory obligations	96,527,019	14,174,611
Total Employee Benefits Obligations	<u>118,959,007</u>	<u>92,587,985</u>
Total Payables	<u>1,923,107,420</u>	<u>1,937,809,649</u>

	2024-2025	2023-2024
	Kshs	Kshs
20. Current tax		
Tax charged on assessable income	99,147,178	161,104,330
Paid during the year	<u>(49,047,128)</u>	<u>(97,096,506)</u>
Current Tax	<u><u>50,100,050</u></u>	<u><u>64,007,824</u></u>

21. Nature and purpose of reserves

The Authority creates and maintains reserves based on specific requirements. The designated reserves and funds balances as at 30th June 2025 are indicated below.

- (i) **Infrastructure Assets reserve funds** which relate to cumulative exchequer and development partners' funds received for development projects. The balance represents the Authority's Investment in Road works to 30 June 2025.
- (ii) **Accumulated surplus** relates to accounting surplus which represents unutilized funds at the end of the accounting period and is carried forward through the statement of changes in net assets for future utilization by the Authority on the specific contracts. The funds relate to unexecuted works for contracts in progress at year-end for which the funds are already committed. The funds are therefore ring-fenced by the contract provisions and are not available for any other purpose except for meeting the contractual obligations already entered by the Authority.
- (iii) **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. There was no transfer from the accumulated surplus to the staff mortgage fund during the year.

22. Cash generated from operations.

		2024-2025	2023-2024
		Kshs	Kshs
	Note		
Surplus for the year before tax		(4,843,255,194)	824,285,761
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	12	100,825,285	97,399,079
Amortisation of intangible assets	12	12,943,184	12,943,184
<i>Changes in operating assets and liabilities</i>			
Receivables from exchange transactions		163,477,535	5,410,427
Receivables from non exchange transactions		2,497,818,932	(4,868,263,239)
Inventories		(3,589,085)	(1,267,930)
Payables from exchange transactions		(406,607,406)	1,025,131,720
Payables from non-exchange transactions		38,746,848	178,493,776
Employee benefit obligation		26,371,022	28,325,134
		<u>(2,413,268,879)</u>	<u>(2,697,542,087)</u>
<i>Net cash from operating activities</i>			
Tax paid		<u>(113,054,952)</u>	<u>(97,096,506)</u>
		<u>(2,526,323,831)</u>	<u>(2,794,638,594)</u>

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

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

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

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

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

The financial management objectives and policies are as outlined below:

a) Liquidity Risk

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

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

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

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

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

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

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

b) Market Risk

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates, prices and interest rates. The objective of market risk management policy is to protect and enhance the Statements of Financial Position and performance by managing and controlling market risk exposures within acceptable parameters, and to optimize the funding of business operations and facilitate capital expansion. The Authority is exposed to the following market risks:

(i) Currency Risk

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

(ii) Price Risk

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

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

(iii) Interest Rate Risk

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

c) Credit Risk

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

c) Operational Risk

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

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

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

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

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

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

d) Compliance and Regulatory Risk

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

e) Legal Risk

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

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

24. Explanation for budget variances

The original budget for FY 2024-2025 was approved by the National Assembly on 9th June 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities.

25. 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.

(i) Grants from the Government

Grants from National Government	<u>14,629,341,825</u>	<u>14,986,091,412</u>
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(ii) Key management personnel compensation

Directors' emoluments	12,074,140	10,064,000
Compensation to the Director General	8,125,251	8,125,251
Compensation to the key management	<u>169,640,545</u>	<u>169,640,545</u>
	<u>189,839,936</u>	<u>187,829,796</u>

(b) Outstanding balances arising from non-exchange transactions.

The following were outstanding balances with related parties as at 30th June 2025

Receivable from related parties	<u>2,746,658,478</u>	<u>6,980,195,894</u>
Payable to related parties	<u>22,431,988</u>	<u>78,413,374</u>
Receivables from related parties can be analysed as follows:		
Kenya Roads Board	2,366,526,453	4,867,137,435
Payables to related parties can be analysed as follows:		
Key management personnel	<u>22,431,988</u>	<u>78,413,374</u>

26. 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.

27. Capital Commitments

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

28. Currency

The financial statements are presented in Kenya Shillings (Kshs)

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

APPENDIX 2: DEVELOPMENT PARTNERS PROJECTS IMPLEMENTED BY THE AUTHORITY

APPENDIX 3: INTER ENTITY TRANSFERS-STATE DEPARTMENT OF INFRASTRUCTURE

A. ROAD MAINTENANCE LEVY FUND

B. EXCHEQUER AND DEVELOPMENT PARTNERS

The Green Agenda towards
15 billion trees by 2032

