

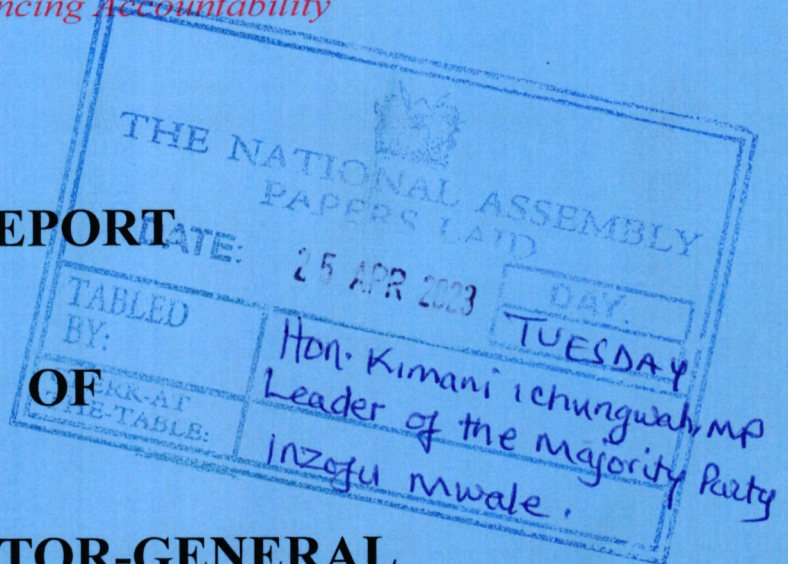
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REPORT



THE AUDITOR-GENERAL

ON

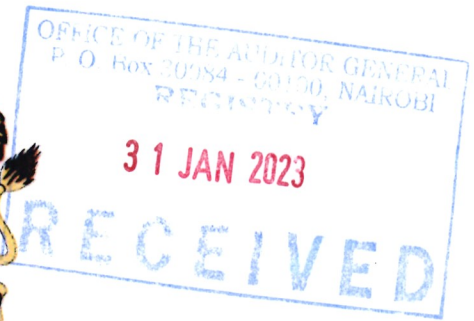
ROADS ANNUITY FUND

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

**STATE DEPARTMENT FOR
INFRASTRUCTURE**



10/10/10



THE ROADS ANNUITY FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2022

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

Roads Annuity Fund
Annual Reports & Financial Statements for the year ended June 30, 2022.

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1. Key Entity Information and Management

(a) Background information

The Roads Annuity Fund was incorporated/ established under the Public Finance Management Act 2012: (Roads Annuity Fund) Regulations, 2015 on 2nd April, 2015.

(b) Principal Activities

The primary objective and purpose of the Fund is to provide funds to meet the National Government's Annuity payment obligations for the development and maintenance of roads under the Annuity programme.

(c) Key Management

The Fund's day-to-day management is under the following key organs:

- Officer Administering the Fund
- Oversight Committee

(d) Fiduciary Management

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

No.	Designation	Name
1.	Chairman	FCPA Dr. Julius Muia PhD, CBS - Ps National Treasury
2.	Fund Administrator	Prof. Arch. Paul Mwangi Maringa, (PhD), CBS, FAAK, MKIP - PS Infrastructure
3.	Member	Mr. Saitoti Torome, CBS – PS Planning
4.	Member	Lilian Abishai-Office of the Attorney General and Department of Justice

(e) Fiduciary Oversight Arrangements

1. The Annuity Fund is managed under the Annuity Oversight Committee.
2. The Office of the Auditor General.
3. Parliamentary Committees.

f) Our Contacts

Telephone: (254) 0202723232
E-mail: ps@infrastructure.go.ke
Website: www.transport.go.ke

g) Our Bankers

Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya

h) Independent Auditors

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

i) Principal Legal Adviser

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

2. The Oversight committee

FCPA Dr. Julius Muia, PhD, CBS, PS Treasury Chairman



FCPA Dr. Julius Muia, (PhD), CBS, is currently the Principal Secretary, The National Treasury & Ministry of Planning. Before this appointment, he was the Director General of the Vision 2030 Delivery Secretariat which operates under the Office of the President. Prior to this, Dr. Muia served as the Secretary, National Economic and Social Council, Office of the President. He holds a First-Class Honours Degree in Accounting; Master's Degree and PhD in Finance from the University of Nairobi's School of Business.

He is also a Certified Public Accountant (CPA-K); Certified Public Secretary (CPS-K), Associate Kenya Institute of Bankers; Associate Chartered Institute of Arbitrators; and Certified Coach.

Dr. Muia has over 20 years' experience in leadership in the private sector in Kenya and UK. Dr. Julius Muia serves as a non-executive board member in several companies and a number of not-for profit organizations.

Mr. Saitoti Torome, CBS Member



Joel Saitoti Torome, CBS, was born on 6th September, 1964 in Narok County, Kenya. He grew up in Nairragie-Enkare village and began his elementary education at Iturot Orrok Primary school where he completed Certificate of Primary Education (CPE) in 1979.

He then proceeded to St. Anthony Secondary School in the same locality and completed his "O Level" secondary education with a Kenya Certificate of Education (KCE) in 1983. He then attended Chewoyet High School in Kitale and finished his "A Level" Kenya Advanced Certificate of Education (KACE) in 1985.

He holds a Bachelor's degree in Education from Kenyatta University and a MBA from the University of Nairobi. Mr Saitoti is the Principal Secretary in the state department for planning. He also served as the PS the Ministry of Defence and also as Director for Strategy at KNBS. Mr. Saitoti is a member of the Certified Public Secretaries of Kenya (CPS).

**Prof. Arch. Paul Mwangi Maringa, (PhD), Corp. Arch, FAAK, MKIP
Fund Administrator**



Pro. Arch. Paul Mwangi Maringa, (PhD), CBS, FAAK, MKIP, is the Fund Administrator and Principal Secretary Infrastructure. Prior to this he was the Principal Secretary of Public Works from 24th November 2015 to 30th March 2017 and moved to State Department of Transport in the same capacity.

His tenure at Transport saw major milestones like completion and launch of SGR phase 1 and takeoff for phase 2A, achievement of Category 1 status of the JKIA, delivery of the 1500 passenger capacity, MV Jambo ferry, operationalization of the NaMATA, and construction of 3 berths for the Lamu Port among others.

In September 2018, he was moved to Public Works still as a Principal Secretary. As the PS, he restructured the supply branch into a value for money providing institution through strict procurement procedures. He spearheaded the restoration of the image of Public Works as a choice project manager for government institutions

Through his effort, projects pending Bills significantly reduced and ongoing projects saw minimum interruption. Under his purview he shall also superintend over the Kenya Roads Board (KRB), Kenya National Highways Authority (KeNHA), Kenya Urban Roads Authority (KURA), Kenya Rural Roads Authority (KeRRA), Kenya Institute of Technology, Kenya Institute of Highways and Building Technology (KIHBT) and Engineers Registration Board of Kenya (ERB).

Prof. Maringa has served for over 30 years variously in the Public Service, Universities and the private sector as a Consultant, Lecturer and Administrator. Prof. Maringa, an Architect and Planner, holds a Doctor of Philosophy in Environmental Planning from the Jomo Kenyatta University of Agriculture and Technology (JKUAT) and a Masters of Arts in Urban and Regional Planning from the University of Nairobi. He trained as an architect at the University of Nairobi where he attained an Honors degree in Architecture.

Prof Paul Maringa is a member of various professional bodies amongst them Architectural Association of Kenya (AAK – Architects Chapter) Architectural Association of Kenya (AAK – Town planning chapter) and Kenya Institute of Planners (KIP). He is a registered Architect with the Board of Registration of Architects and Quantity Surveyors (BORAQS).

Professor Maringa is credited with having pioneered the School of Architecture and Building Sciences (SABS) at Jomo Kenyatta University of Agriculture and Technology (JKUAT) and the Faculty of Architecture and Environmental Design (FAED) at KIST University in Rwanda where he also served as a Deputy Vice Chancellor and Vice Chancellor. He is passionate to the realization of Kenya's National Vision 2030 in which the country aspires to be middle income economy by 2030.

**Lilian Abishai
Member**



Ms. Lilian Abishai is a member of the committee and currently serves as a Deputy Chief State Counsel in the Office of the Attorney General and in the Department of Justice, Government Transactions Division for a period of thirteen (13) years. She has previously worked in several Civil Society Organisations in various capacities for a period of five (5) years.

She has expertise in a number of areas which include Contract Law, Private Public Partnerships, Public Procurement, International Procurement, Energy Law, Public Finance, Public Policy, Urban Reengineering, Competition Law, Arbitrations both national and International.

She is proficient in public service having undertaken a Senior Management Course and Strategic Leadership Development Program at the Kenya School of Government.

She holds a Postgraduate diploma in Law (Advocates Training Program), Kenya School of Law, a Bachelor of Laws (LLB) from the University of Nairobi. She is currently undertaking a Master of Laws in International Trade and Commercial Law at the University of Essex, UK

3. Report of The Officer Administering the Annuity Fund

The Roads Annuity Fund is managed under the Annuity Fund Regulations 2015. The Fund is governed through an Oversight Committee chaired by the Principal Secretary, National Treasury. The Officer Administering the Fund is the Principal Secretary responsible for Roads.

The Roads Annuity Programme was rolled out in the Financial Year 2016/2017 after the enactment of the Annuity Fund Regulations in the year 2015. Collections into the Annuity Fund started in the Financial Year 2015/2016 under the Finance Act 2015. Funding to the Annuity Fund is from the Fuel Levy funds at three shillings (Kshs. 3) per liter. The initial target Km under the first phase of the Annuity Programme amounted to 465Km for various roads.

Collections into the Fund are appropriated through the Annual Printed Budget. The collections are banked at the Central Bank of Kenya. After approval of the Annuity Budgets by the Oversight Committee, expenditure against the Fund is done for the Projects approved by the PPP Committee of the National Treasury. Procurement for the Annuity Financed Projects is done through the PPP Act 2013.

The Roads Annuity Fund was created as an alternative financing mechanism to help relieve pressure on the net GOK exchequer. Since the Financial Year 2007/2008, the Roads Sector experienced a phenomenal growth in terms of upgrading of roads to bitumen standards. During the same period, there was an exponential increase in terms of contractor capacity due to an influx of foreign contractors. Overtime, the output exceeded the available budgets leading to an accumulation of pending bills and the resultant costs. Coupled with the foregoing scenario, the Government adopted a policy of increasing the paved road network by an additional 10,000 kilometers from 2016/2017 over a five-year period. It was observed that the budgetary allocations would not be able to meet the demands for the roads sector. The Roads Annuity fund, in addition to other alternative financing mechanisms was expected to bridge the gap between the net GOK financing and the budget requests. The State Department through Kenya Rural Roads Authority (KeRRA) has since awarded one project, Lot 33 (Ngong – Kiserian - Isinya and Kajjado – Imaroro) with a length of 91 kilometres.

The construction work commenced on 21st May 2018. The original Scheduled Completion Date was 20th May 2020. However, the Project got delayed due to land acquisition issues, delay in re-location of utilities and COVID-19 issues. The Project was issued a Provisional Certificate effective 1st November, 2020 and

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completion certificate on 30th December 202. The Project Term is 10 years after the Appointed Date

Owing to the slow take off, the fund had accumulated cash in excess of the planned absorption. Arising from this accumulation, the Government amended the Roads Annuity Fund Regulations (2015), through Gazette Supplement No 10 of 22nd February 2019 to allow usage of annuity savings (surpluses) to finance other road projects procured outside the PPP Act 2013. An annuity saving of ksh 32 billion was declared in June 2020. The saving was subsequently paid out of the Annuity Fund to finance the approved budget 2019/2020 for settlement of Pending Bills. No saving was declared in the Financial Year 2021/2022

The State Department has lined up an additional 4 lots under the Annuity Fund amounting to 290 kilometres. The Four (4) Lots are namely;

- Lot 3: Modogashe-Habaswein-Samatar and Rhamu-Mandera Roads-143 Km
- Lot 32: Illasit – Njukini – Taveta Road-67Km
- Lot 15: Identified Town Roads in Nyeri, Kirinyaga, Muranga, Embu, TharakaNithi, Laikipia-45km
- Lot 18: Identified Town Roads in Kakamega, Vihiga, Bungoma, Busia-35KM

The commencement for lot 3 and Lot 32 as earmarked delayed due to Delay in conclusion of requirements demanded at tail end of financial close by the Multilateral Investment Guarantee Agency (MIGA). The Construction of Lots 15 and 18 delayed due to delay in conclusion of Financial close, the independent Experts for Lot 15 and Lot 18 have been procured and construction is expected to commence within the 2022/2023 financial year

The Annuity Oversight committee approved the development of a ten (10) Year econometric Model for the Roads Annuity Fund by Kenya Institute for Public Policy Research (KIPPRA) to provide annuity fund Projections from 2022/23

In the Financial Year 2021/2022 the Printed Annual Annuity Budget had a provision of ksh 12,542,000,000 which was reduced to Ksh 11,822,186,340 in the Approved Supplementary Budget. The state Department Transferred to the Roads Annuity Fund Bank Account at the Central Bank of Kenya Ksh 14,472,865,319 being the financial Year 2021/22 annuity programme collections.

4. Corporate Governance Statement

The Annuity Oversight Committee held three meetings as detailed below:

10th Road Annuity Oversight Committee held three Virtual Meetings Tuesday, 1st February 2022, At 7:30 A.M, Thursday, 23rd June 2022, At 7:00 A.M and Tuesday, 28th June 2022, At 2:20 P.M.

No.	Present	Organization/ State Dept.	Position	1 st Feb, 2022	23 rd June, 2022	28 th June, 2022
1.	FCPA Dr. Julius Muia, (PhD), CBS	PS/NT	Chairman	✓	✓	✓
2.	Prof. Arch. Paul Mwangi Maringa, (PhD), CBS, FAAK, MKIP	PS/MOTIHU/ (I)	Secretary	✓	✓	✓
3.	Saitoti Torome, CBS	PS/Planning	Member	✓	✓	✓
4.	Lilian Abishai	OAG&DOJ	Member	✓	✓	✓
In Attendance						
1.	Eng. Francis Gitau	IS/MOTIHU(I)		✓	✓	✓
2.	Eng. Philemon Kandie	DG/KeRRA		✓	✓	✓
3.	Eng. Silas Kinoti	DG/KURA		✓	x	✓
	Eng. Kung'u Ndung'u	DG/KeNHA		x	x	✓
4.	Eng. David Muchilwa	D/KeNHA		✓	x	x
	Christopher Kirigua, OGW	DG/PPP		x	✓	x
	Eng. Stanley Mwawasi	KeNHA		x	✓	✓
5.	Eng. Peter Gichohi	KeRRA		✓	✓	✓
	Eng. Wilfred Oginga	KURA		x	✓	x
	CPA Dan Manyisi	DCS/KeRRA		x	✓	✓
6.	CPA Rashid Mohammed	ED/KRB		✓	x	x
7.	Martin Agumbi	KRB		✓	✓	✓
8.	Philip Wachira	SCFO/SDI		✓	✓	✓

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9.	Joseph Muoka	FO/SDI	✓	✓	✓
10.	Pauline Mugambi	FO/SDI	x	x	✓
11.	Dennis Osere	PPP	x	✓	x
12.	Dorcas Koome	PPP	x	✓	x
13.	Cyrus Njau	PA/SDI	x	x	✓

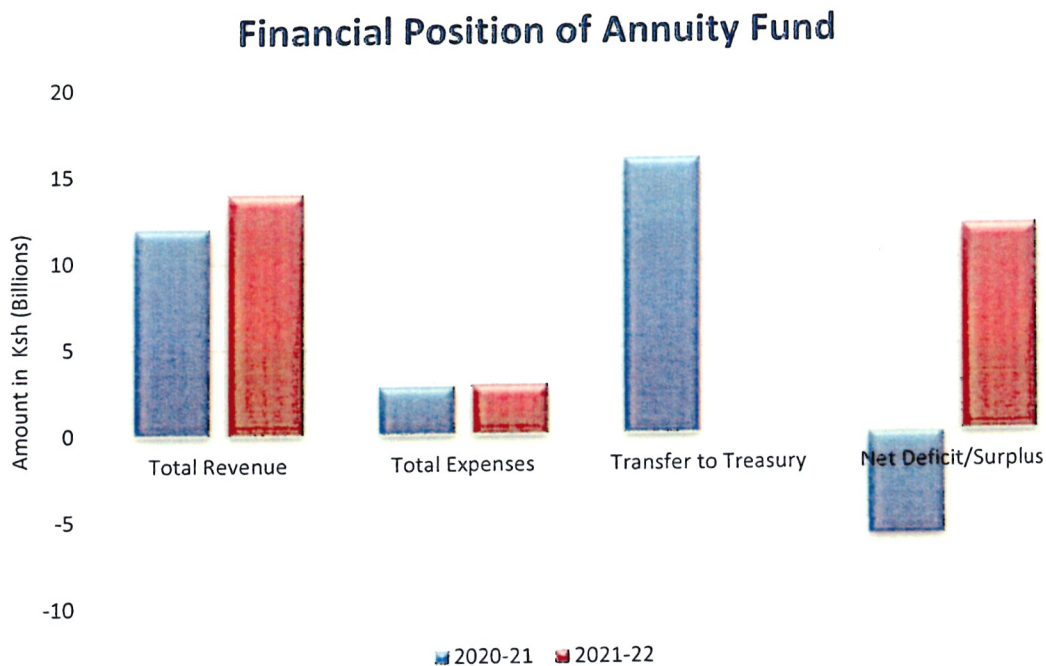
Functions of the Roads Annuity Fund Oversight Committee

The functions of the Roads Annuity Oversight Committee are captured under the Annuity Fund Regulations Section 13 as follows:

- (a) inform the Cabinet Secretary on the funding requirements of the Fund
- (b) adopt the estimates of annual revenue and expenditure of the Fund and recommend them to the Cabinet Secretary for Approval;
- (c) Ensure that the annual estimates of revenue and expenditure for the Fund include cumulative Annuity Programme commitments for the financial year under review;
- (d) Ensure that only the projects included in the Annuity Programme are promoted for funding under these Regulations;
- (e) Inform the Cabinet Secretary on the amounts and timing for the fund transfers into the Fund;
- (f) Approve and review the investment of surplus funds into the Fund;
- (g) Advise the Cabinet Secretary on the sources of funds for the Fund;
- (h) Adopt the financial statements prepared by the Officer Administering the Fund before submission to the Auditor- General; and
- (i) Adopt the non-financial reports of the Fund and submit them to the Cabinet Secretary

5. Management Discussion and Analysis

In the Financial Year 2021/2022, the Road Annuity fund had an opening bank balance of Kshs.8,598,964,377 as at 1st July 2021. Within the Financial Year, the annuity fund received Kshs.14,472,865,319. The total payments from the Annuity Fund bank Account over the financial year amounted to kshs.2,937,429,510 against an approved Budget of ksh 2,994,000,000 . The Road Annuity Fund closed the year with a bank account balance of Kshs.20,134,400,187.



In implementing the Road Annuity Programme, the collections to the fund are appropriated by parliament through the Annual Printed Estimates with financing from the Fuel Levy Fund. The expenditure from the Annuity Fund is approved by the Annuity Oversight Committee in form of yearly budgets. The Road projects financed by the Annuity Fund are implemented by the Road Agencies. Up to the end of the Financial Year 2021/2022, only one road project- Lot 33 Ngong – Kiserian – Isinya- Kajjado/Imaroro under implementation by KeRRA has been on going. Once an invoice is raised by the promoter of the project, the Independent Expert certifies the invoice as due for payment and forwards to the Implementing

Roads Annuity Fund
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Agency. The Implementing Agency requests for a cash transfer from the Annuity Fund.

The Officer Administering the Fund (The Principal Secretary State Department of Infrastructure) authorises transfer of the requested cash from the Annuity Fund to the Implementing Agency's bank Account. The Implementing Agency subsequently pays the promoter of the project

The State Department has learned valuable lessons on the annuity model having implemented one project to completion and has documented the lessons learnt geared towards greater improvement of the Annuity Fund.

6. Report of the Oversight Committee

The Management submits their report together with the audited financial statements for the year ended June 30, 2022, which show the state of the affairs of the fund.

i) Principal activities

The objective and purpose of the Fund shall be to provide funds to meet the National Government's Annuity payment obligations for the development and maintenance of roads under the Annuity programme.

ii) Results

The results of the entity for the year ended June 30, 2022, are set out on page 10.

iii) Oversight Committee

The Oversight Committee members who served during the year are shown on page iv and v.

iv) Surplus remission

The Road Annuity Fund did not remit any monies to the consolidated Fund in Financial Year 2021/22.

v) Auditors

The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the oversight Committee


.....
Fund Administrator

7. Statement of Oversight Committee's responsibilities

Section 81 of the Public Finance Management Act, 2012 require the Accounting Officer of the Fund to prepare financial statements in respect of the Roads Annuity Fund, which give a true and fair view of the state of affairs of the Fund at the end of the financial year and the operating results. The Accounting Officer is also required to ensure that the Fund keeps proper accounting records which disclose with reasonable accuracy the financial position of the Fund. The Accounting Officer is also responsible for safeguarding the assets of the Fund.

The Accounting Officer is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Roads Annuity Fund for and as at the end of the financial year ended on June 30, 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Roads Annuity Fund; (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 Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting Officer accepts responsibility for the Fund'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. The Accounting Officer is of the opinion that the financial statements give a true and fair view of the state of the Fund's transactions during the financial year ended June 30, 2022, and of the Roads Annuity Fund's

**Roads Annuity Fund
Annual Reports & Financial Statements for the year ended June 30, 2022.**

financial position as at that date. The Accounting Officer further confirms the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Roads Annuity Fund's financial statements as well as the adequacy of the systems of internal financial control.

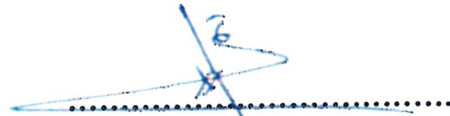
Nothing has come to the attention of the Accounting Officer to indicate that the Roads Annuity Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Roads Annuity Fund's financial statements were approved by the Oversight Committee on _____ 2022 and signed on its behalf by:



**FCPA Dr. Julius Muia, (PhD) CBS
Chair of the Oversight Committee**

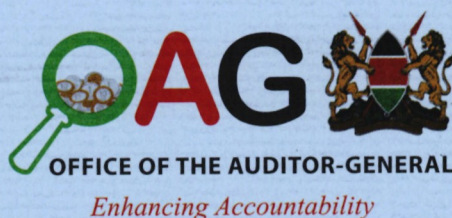


**Prof. Arch. Paul Mwangi
(PhD), CBS, FAAK, MKIP
Accounting Officer**

8. Report of the Independent Auditor

REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON ROADS ANNUITY FUND FOR THE YEAR ENDED 30 JUNE, 2022 - STATE DEPARTMENT FOR INFRASTRUCTURE

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Roads Annuity Fund set out on pages 1 to 21, which comprise of the statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of changes in net assets,

statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information 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 the Roads Annuity Fund as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Annuity Fund Regulations, 2015

Basis for Opinion

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

Key Audit Matters

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

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.11,822,186,340 and Kshs.14,472,865,319 respectively, resulting to an over-funding of Kshs.2,650,678,979 or 22% of the budget. Similarly, the fund spent Kshs.2,937,429,510 against budgeted expenditure of Kshs.2,994,000,000 resulting to an under-expenditure of Kshs.56,570,490 or 2% of the approved budget. Further, review of the financial statements revealed that although an amount of Kshs.14,472,865,319 was received from Kenya Roads Board (KRB) into the Fund, only an amount of Kshs.2,937,429,510 was spent on one project-Lot 33 (Ngong-Kiserian-Isinya Kajiado-Imaroro) representing 91 km of roads against the initial targeted 465 km under the first phase of the annuity programme.

The underperformance affected the planned activities of the Fund and impacted negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Composition of the Road Annuity Oversight Committee

As previously reported, the composition of the Fund's Oversight Committee revealed that, the Committee was not duly constituted. This was contrary to Regulation 12(1) of the Public Finance Management (Roads Annuity Fund) Regulations, 2015 which provided for representation from the Kenya Bankers Association and two other persons being eminent professionals drawn from the engineering, accounting or legal professionals. However, the Committee as constituted does not have representation from the Kenya Bankers Association and two other persons being eminent professionals drawn from the engineering, accounting or legal professionals.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter discussed in the Basis for conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

Weaknesses in the Internal Audit Unit

During the year under review, Management did not provide internal audit reports and the Audit Committee minutes. There were no approved internal audit work plan and risk register for the Fund. There was no evidence of the existence and operationalized internal audit function and Audit Committee to ensure that internal audits are conducted in accordance with international best practices and that internal control were in place.

In the circumstances, the existence of effective risk management, control, and governance processes could not be confirmed.

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 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 control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to

those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

06 March, 2023

Roads Annuity Fund
Annual Report & Financial Statements for the year ended June 30, 2022.

9. Statement of Financial Performance for year ended June 30, 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
Revenue- Non-Exchange Transactions			
Transfers from Other Government entities (KRB)	6	14,472,865,319	12,326,000,000
Total revenue		14,472,865,319	12,326,000,000
Expenditure			
Transfers to Government Agencies (KeRRA)	7	2,937,429,510	2,826,858,620
Total expenses		2,937,429,510	2,826,858,620
Surplus for the year		11,535,435,809	9,499,141,380
Remission to the National Treasury	8	-	15,898,000,000
Net Surplus/(Deficit) for the year		11,535,435,809	(6,398,858,620)

The Financial Statements were signed onby:


.....
Principal Secretary
Prof. Arch. Paul Mwangi Maringa, (PhD),
CBS, FAAK, MKIP


.....
Head of Accounting Unit
Mwangashi Sophie Wakio
ICPAK No. 11341

Roads Annuity Fund
Annual Reports & Financial Statements for the year ended June 30, 2022.

10. Statement of Financial Position as at June 30, 2022

	Note	2021-2022	2020-2021
Assets		Kshs	Kshs
Current Assets			
Cash and Cash Equivalents	9	20,134,400,186	8,598,964,377
Total Assets		20,134,400,186	8,598,964,377
Net Assets			
Capital Fund	10	500,000,000	500,000,000
Accumulated Surplus		19,634,400,186	8,098,964,377
Total Net Assets		20,134,400,186	8,598,964,377

The Financial Statements were signed onby:

.....
Principal Secretary
Prof. Arch. Paul Mwangi Maringa,
(PhD), CBS, FAAK, MKIP

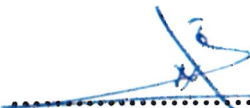
.....
Head of Accounting Unit
Mwangashi Sophie Wakio
ICPAK No. 11341

**Roads Annuity Fund
Annual Report & Financial Statements for the year ended June 30, 2022.**


11. Statement Of Changes In Net Assets For Year Ended June 30, 2022

	Capital Fund	Accumulated Surplus	Total
	Kshs	Kshs	Kshs
At July 1, 2020	500,000,000	14,497,822,997	14,997,822,997
Deficit for the Year		(6,398,858,620)	(6,398,858,620)
At June 30, 2021	500,000,000	8,098,964,377	8,598,964,377
At July 1, 2021	500,000,000	8,098,964,377	8,598,964,377
Net Surplus for the Year		11,535,435,809	11,535,435,809
At June 30, 2022	500,000,000	19,634,400,186	20,134,400,186

The Financial Statements were signed onby:



Principal Secretary
Prof. Arch. Paul Mwangi Maringa,
(PhD), CBS, FAAK, MKIP




Head of Accounting Unit
Mwangashi Sophie Wakio
ICPAK No. 11341

**Roads Annuity Fund
Annual Report & Financial Statements for the year ended June 30, 2022.**

12. Statement of Cash Flows for the Year Ended June 30, 2022

	Notes	2021-2022	2020-2021
		Kshs	Kshs
Cash flows from Operating Activities			
Receipts			
Transfers from Other Government entities (KRB)	6	14,472,865,319	12,326,000,000
Total Receipts		14,472,865,319	12,326,000,000
Payments			
Transfers to Government Agencies (KeRRA)	7	2,937,429,510	2,826,858,620
Remission to the National Treasury	8	-	15,898,000,000
Total Payments		2,937,429,510	18,724,858,620
Net cash flows from Operating Activities	11	11,535,435,809	(6,398,858,620)
Net Increase in Cash & Equivalents		11,535,435,809	(6,398,858,620)
Cash & Equivalents at the year Start	9	8,598,964,377	14,997,822,997
Cash & Equivalents at Year End	9	20,134,400,186	8,598,964,377

The Financial Statements were signed onby:



Principal Secretary
Prof. Arch. Paul Mwangi Maringa,
(PhD), CBS, FAAK, MKIP



Head of Accounting Unit
Mwangashi Sophie Wakio
ICPAK No. 11341

**Roads Annuity Fund
Annual Reports & Financial Statements for the year ended June 30, 2022.**

13. Statement of Comparison of Budget & Actual Amounts for the Year Ended June 30, 2022

Revenue	Original budget	Adjustments	Final budget	Actual on comparable basis	Variance	%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Transfers from Other Government entities (KRB)	12,542,000,000	(719,813,660)	11,822,186,340	14,472,865,319	2,650,678,979	122%
Total Revenue	12,542,000,000	(719,813,660)	11,822,186,340	14,472,865,319	2,650,678,979	
Expenses						
Transfers to other Government Entities (KeRRA)	6,924,000,000	(3,930,000,000)	2,994,000,000	2,937,429,510	56,570,490	98%
Total expenditure	6,924,000,000	(3,930,000,000)	2,994,000,000	2,937,429,510	56,570,490	
Remittance to Treasury						
Net Surplus				11,535,435,809		

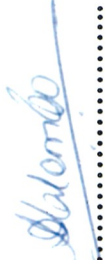
Note: The Roads Annuity Fund received Kshs.14,472,865,319 from Kenya Roads Board in excess of the approved budget of Kshs.11,822,186,340 being the top up to actual collection of the annuity funds for the year based on the Kshs.3 per litre fuel charge.

**Roads Annuity Fund
Annual Reports & Financial Statements for the year ended June 30, 2022.**

The Financial Statements were signed onby:


.....

**Principal Secretary
Prof. Arch. Paul Mwangi Maringa,
(PhD), CBS, FAAK, MKIP**


.....

**Head of Accounting Unit
Mwangashi Sophie Wakio
ICPAK No. 11341**

Notes to the Financial Statements

1. General Information

The Roads Annuity Fund is established by and derives its authority from the Public Finance Management Act 2012. The Fund is wholly owned by the Government of Kenya and is domiciled in Kenya. The Fund's principal activity is to provide funds to meet the national government's annuity payment obligations for the development and maintenance of roads under the Annuity Programme.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis. 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 Roads Annuity Fund's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of The Roads Annuity Fund

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

3. Adoption of New and Revised Standards

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

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

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

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

**Roads Annuity Fund
Annual Reports & Financial Statements for the year ended June 30, 2022.**

Standard	Effective date and impact:
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the Entity. (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows. <p>This standard does not have an impact on Roads Annuity Fund.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p>This amendment does not have an impact on the Roads Annuity Fund</p>

Standard	Effective date and impact:
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023 IPSAS 22 Disclosure of Financial Information about the General Government Sector. Amendments to refer to the latest System of National Accounts (SNA 2008). IPSAS 39: Employee Benefits Now deletes the term composite social security benefits as it is no longer defined in IPSAS. IPSAS 29: Financial instruments: Recognition and Measurement Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023. These improvements have no impact on the Fund.</p>
<p>IPSAS 43</p>	<p>Applicable 1st January 2025 The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities. This standard has no impact on the Fund.</p>
<p>IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations</p>	<p>Applicable 1st January 2025 The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p>

Standard	Effective date and impact:
	<p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p><i>This standard does not have impact on the Fund</i></p>

iii Early adoption of standards

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

4. Summary of Significant Accounting Policies

a) Revenue recognition- Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

b) Budget information

The original budget for FY 2021-2022 was approved by the National Assembly in June 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. The budget is prepared on the same basis as the financial statements thus there are no need for a reconciliation statement.

c) Provisions

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

Where the Fund expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

d) Contingent liabilities

The Roads Annuity Fund 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.

e) Contingent assets

The Roads Annuity Fund 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 Fund 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.

Roads Annuity Fund

Annual Reports & Financial Statements for the year ended June 30, 2022.

f) Nature and purpose of reserves

The Roads Annuity Fund has an accumulated surplus reserve that fund that facilitates the core mandate of the entity.

g) Changes in accounting policies and estimates

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

h) Foreign currency transactions

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

i) Related parties

The Roads Annuity Fund regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are also regarded as related parties.

j) 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 Central Bank of Kenya and at various commercial banks at the end of the financial year.

k) Comparative figures

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

I) Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions

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

Useful lives and residual values

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

- a)** The condition of the asset based on the assessment of experts employed.
- b)** The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- c)** The nature of the processes in which the asset is deployed.
- d)** Availability of funding to replace the asset.
- e)** Changes in the market in relation to the asset

Roads Annuity Fund
Annual Reports & Financial Statements for the year ended June 30, 2022.

Note 6

Transfers from Other Government Entities

	2021-2022	2020-2021
	Kshs	Kshs
Transfers from Kenya Roads Board (Levies)	14,472,865,319	12,326,000,000
Total	14,472,865,319	12,326,000,000

Note 7

Transfers to Other Government Agencies

	2021-2022	2020-2021
	Kshs	Kshs
Kenya Rural Roads Authority (KeRRA)	2,937,429,510	2,826,858,620
Total	2,937,429,510	2,826,858,620

Note 8

Remission to National Treasury

	2021-2022	2020-2021
	Kshs	KShs
Surplus Remitted	-	15,898,000,000
Total	-	15,898,000,000

Roads Annuity Fund
Annual Reports & Financial Statements for the year ended June 30, 2022.

Note 9

Cash and Cash Equivalents		
	2021-2022	2020-2021
	Kshs	KShs
Cash In Bank (CBK - A/c1000236663)	20,134,400,186	8,598,964,377
Total	20,134,400,186	8,598,964,377

Note 10

Capital Fund		
	2021-2022	2020-2021
	Kshs	Kshs
Capital Fund	500,000,000	500,000,000
Total	500,000,000	500,000,000

Note 11

Cash From Operating Activities		
	2021-2022	2020-2021
	Kshs	Kshs
Net Deficit for Year	11,535,435,809	(6,398,858,620)
Adjustments		-
Net Cash from Operating Activities	11,535,435,809	(6,398,858,620)

Financial Risk Management

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

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

i) Credit risk

The Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment.

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

	Total amount Kshs	Performing Kshs	Impaired Kshs
At 30 June 2022			
Bank balances	20,134,400,186	20,134,400,186	-
At 30 June 2021			
Bank balances	8,598,964,377	8,598,964,377	-

ii) Liquidity risk management

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

iii) Capital Risk Management

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

	2021-2022	2020-2021
	Kshs	Kshs
Capital	500,000,000	500,000,000
Retained earnings	19,634,400,186	8,098,964,377
	20,134,400,186	8,598,964,377
Total borrowings	-	-
Less: cash and bank balances	19,634,400,186	8,098,964,377
Net debt/(cash and cash equivalents)	19,634,400,186	8,098,964,377
Gearing	0%	0%

29 Related Party Disclosures

Nature of related party relationships

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

Government of Kenya

The Government of Kenya is the principal shareholder of the Roads Annuity Fund, holding 100% equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the entity, both domestic and external.

Other related parties include:

- i) The Parent Ministry;
- ii) Other SCs and SAGAs
- iii) Key management;

Transactions with related parties	2021-2022	2020-2021
	Kshs	Kshs
a) Transfers from the Government		
Transfers from Kenya Roads Board	14,472,865,319	12,326,000,000
Total	14,472,865,319	12,326,000,000
b) Key management compensation		
Directors' emoluments	-	-
Compensation to key management	-	-
Total	-	-

30 Surplus Remission

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. In line with this legal requirement the entity remitted Kshs 15,898,000,000 in respect to FY2021/22.

There was no remittance to the consolidated fund in FY 2021/22.

31 Events after the Reporting Period

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

32 Ultimate and Holding Entity

The entity is a Semi- Autonomous Government Agency under the Ministry of Infrastructure. Its ultimate parent is the Government of Kenya.

33 Currency

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

14. Appendix

Appendix 1: Progress On Follow Up of Auditor Recommendations

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
---	---	------------------------	---	---

There were no outstanding issues raised the external auditor


.....
The Fund Administrator

Appendix II: Projects Implemented by The Fund

Projects funded by the Roads Annuity Fund are implemented and reported by Road state agencies Kenya Rural Roads Authority (KeRRA), Kenya Urban Roads Authority(KURA) and Kenya National Highways Authority(KeNHA).

The Following are the earmarked roads under implementation the Road Annuity Fund;

- 1.Lot 33: Ngong- Kiserian- Isinya- Kajiado- Imaroro
- 2.Lot 3: Modogashe-Habaswein-Samatar and Rhamu-Mandera Roads
- 3.Lot 32: Illasit – Njukini – Taveta Road
- 4.Lot 15: Identified Town Roads in Nyeri, Kirinyaga, Muranga, Embu, Tharaka Nithi, Laikipia
- 5.Lot 18: Identified Town Roads in Kakamega, Vihiga, Bungoma, Busia

**Roads Annuity Fund
Annual Reports & Financial Statements for the year ended June 30, 2022.**

The Lot 33: Ngong- Kiserian- Isinya- Kajiado- Imaroro Dash board is as below;

SL NO	PROJECT DASH BOARD		REMARKS
1	Lot No.	33	
2	Road Name	Ngong-Kiserian-Isinya and Kajiado-Imaroro	
3	Service Provider	INTEX RAF 1 Ltd	
4	Financier	Kenya Commercial Bank	
5	Total Project Length	91 Km	
6	Section Lengths	Ngong-Kiserian-Isinya : 48 Km Kajiado-Imaroro : 43 Km	
7	Concession Period	10 years	
8	Construction Period	2 years	
9	Maintenance Period	8 years	
10	Major Maintenance	in year 6-8	
11	EPC Cost (Ksh)	7,798,754,616.00	
12	Major Maintenance Cost (Ksh)	1,510,000,000.00	
13	Routine Maintenance Cost (Ksh)	3,472,000,000.00	
14	Annual Charge (Ksh)	2,418,000,000.00	
15	Commercial Close Date	16 th November 2016	
16	Financial Close Date	28 th February 2018	
17	Appointed Date	21 st May 2018	
18	EPC Cost - Amount Certified (Cumulative) (Ksh)	Ksh. 7,744,683,908	Gross certified amount mentioned is up to Work Certificate No. 28.

Roads Annuity Fund

Annual Reports & Financial Statements for the year ended June 30, 2022.

SL NO	PROJECT DASH BOARD		REMARKS
19	EPC Cost - Amount Paid (Cumulative) (Ksh)	Ksh. 7,744,683,908	Corresponding to work done up to Work Certificate No. 28 (evaluation date up to 31.10.2020, end of Construction Period)
20	Quarterly Payment - Amount Invoiced (Cumulative) (Ksh)	Ksh 10,548,828,554.32	Gross amount for Quarter ending 31.06.2022 as reported by SP after submission of Invoice no 17 for June 2022
21	Quarterly Payment - Amount Paid (Cumulative) (Ksh)	Ksh. 9,697,041,818.93	Gross amount for Quarter ending 31.06.2022 as reported by SP. Pending payment of Invoice No. 17 for June 2022
22	Milestone Planned	Project Milestone – IX	
23	Milestone Achieved	Project Milestone – IX	
24	Loan Disbursement (USD)	USD 59,003,279	Inclusive of mobilisation advance. Data as per SP as of 30.09.2020
25	Accordance of Provisional Certificate	1 st November, 2020	
26	Accordance of Completion Certificate	30 th December, 2021	

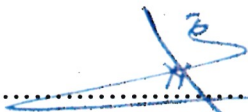
Appendix III: Inter-Entity Transfers

The Roads Annuity Fund

Break Down of Transfers from Kenya Roads Board

Development Grants	Bank Statement Date	Amount (Kshs)	Indicate The FY To Which The Amounts Relate
Development Grants	30-Nov-21	2,207,826,520	FY 2021/2022
Development Grants	01-Dec-21	2,454,357,020	FY 2021/2022
Development Grants	01-Dec-21	2,421,664,772	FY 2021/2022
Development Grants	06-Dec-21	2,690,171,855	FY 2021/2022
Development Grants	07-Jul-22	4,698,845,152	FY 2021/2022
Total		14,472,865,319	

The above amounts have been communicated to and reconciled with the Parent Ministry and Kenya Roads Board


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Administrator
The Roads Annuity Fund

Date:


.....
Head of Finance
The Kenya Roads Board

Date:

Appendix IV: Recording of Transfers from Other Government Entities

Entity Transferring the Fund	Date received as per bank statement	Nature: Development	Statement of Financial Performance Kshs	Total Transfers during the year Kshs
Kenya Roads Board	30-Nov-21	Development	2,207,826,520	2,207,826,520
Kenya Roads Board	01-Dec-21	Development	2,454,357,020	2,454,357,020
Kenya Roads Board	01-Dec-21	Development	2,421,664,772	2,421,664,772
Kenya Roads Board	06-Dec-21	Development	2,690,171,855	2,690,171,855
Kenya Roads Board	07-Jul-22	Development	4,698,845,152	4,698,845,152
Total			14,472,865,319	14,472,865,319

Appendix V: Project by Pictures

1. Ngong Kiserian: Ongoing shoulder cleaning between km 5+000 – 6+400 LHS



2. Ngong Kiserian: Ongoing pedestrian marking repair at 5+870



3. Alignment section along the Kiserian – Isinya project corridor



4. Kiserian Isinya: Rectified shoulder from 20+301 – 20+450 LHS.



5. Kiserian Isinya: Ongoing cleaning of footpath from 20+155 – 20+900 RHS



6. Kiserian Isinya: Ongoing AC repair at 29+860 RHS



7. Kiserian Isinya: Ongoing priming at 30+285 LHS



8. 44. Kajiado Imaroro: Ongoing guardrail works at 32+722 bridge

