

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

NATIONAL ASSEMBLY
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OF KENYA
LIBRARY

THE AUDITOR-GENERAL

ON

**KENYA RURAL ROADS AUTHORITY -
ROAD MAINTENANCE LEVY FUND**

**FOR THE YEAR ENDED
30 JUNE, 2021**



KENYA RURAL ROADS AUTHORITY

ANNUAL FINANCIAL STATEMENTS FOR
ROAD MAINTENANCE LEVY FUND

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2021

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

Kenya Rural Roads Authority
Annual Financial Statements for Road Maintenance Levy Fund
For the year ended June 30, 2021.

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1. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

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

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

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

(b) Principal activities

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

(c) Key Management

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

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

(d) Fiduciary Management

The key Management personnel who held office during the financial year ended 30th June 2021 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Acting Director General	Eng. Philemon Kiprop Kandie
2.	Director (Development)	Eng. Jackson K. Magondu.
3.	Acting Director (Research, Strategy & Compliance)	Eng. Julius K. Gakubia
4.	Director (Road Asset Management)	Eng. Peter Patu Gichohi
5.	Director (Planning, Design and Environment)	Eng. Enoch Ariga Kombo
6.	Director (Corporate Services)	CPA. Dan Manyasi
7.	Deputy Director (Audit Services)	CPA. Judith Chepkemai Chumo.
8.	Deputy Director (Corporation Secretary/ Legal Affairs)	Mr. Justin Rapando.
9.	Deputy Director (Supply Chain Management)	Ms. Margaret Wanja Muthui.
10.	Acting Deputy Director (Supply Chain Management)	Ms. Catherine Kangangi

(e) Fiduciary Oversight Arrangements

1. Ministry of Transport Infrastructure Housing and Urban Development & Public Works
2. Kenya Roads Board.
3. Public Investments Committee
4. Audit and Finance Board Committees.

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(f) Authority Headquarters

Barabara Plaza Block B, Airport South road, Opp KCAA building.

(g) Authority Contacts

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

(h) Principal Bankers

1. KCB Bank Limited,

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

2. NCBA Bank Limited,

Upper Hill Branch,
P.O. Box 44599-00100 ,
Nairobi GPO

3. Equity Bank Limited,

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

4. Cooperative Bank Limited

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

(i) Independent Auditors



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

2. THE BOARD OF DIRECTORS

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

 <p>Hon. Amb. Ukur Yatani Kanacho, E.G.H Cabinet Secretary National Treasury</p>	<p>Hon. Amb. Ukur Yatani Kanacho was born in 1967 and holds a Master of Arts in Public Administration and Public Policy, University of York, United Kingdom, 2005; and Bachelor of Arts in Economics, Egerton University, Kenya, 1991. He has over 27-year experience in public administration, politics, diplomacy and governance in public sector since 1992. Before his appointment as Cabinet Secretary for the National Treasury & Planning he served as the Cabinet Secretary for Labour and Social Protection since January 2018.</p> <p>Between the years 2006-2007 while Member of Parliament for North Horr constituency, he also served as an Assistant minister for science and technology. At the height of his career (March 2013-August 2017), he served as a pioneer Governor of Marsabit County, the largest County in the Republic of Kenya. Between June 2009 and October 2012, he served as Kenya’s Ambassador to Austria with Accreditation to Hungary and Slovakia and Permanent Representative to the United Nations in Vienna. In this position, he aggressively pursued and advanced Kenya’s foreign interests.</p> <p>He held senior leadership positions at various diplomatic and international agencies such as International Atomic Energy Agency (IAEA), United Nations Organization on Drugs and Crimes (UNODC), United Nations Industrial Development Organization (UNIDO), Vice Chairperson of United Nations Convention Against Transnational Organized Crime (UNTOC), Vice President of Convention on Crime Prevention and Criminal Justice (CCPJ), and chair of African Group of Ambassadors among others. Between 1992—2015, he served in different positions in Kenya’s Public Administration including a District Commissioner, where sharpened his management and administrative skills.</p>
 <p>Zahra Mohamed Haji Alternate to Cabinet Secretary National Treasury</p>	

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Prof. Paul Mwangi Maringa, C.B.S,
Principal Secretary -State Department of
infrastructure - Ministry of Transport,
Infrastructure, Housing & Urban Development

Prof Paul Mwangi Maringa, born in 1959, and holds Doctor of Philosophy in Environmental Planning, Jomo Kenyatta University of Agriculture and Technology 1999-2005, Masters of Arts in Planning – Urban & Regional planning University of Nairobi 1989-1991: and Bachelor of Architecture Degree University of Nairobi 1979-1986:

He is the Principal Secretary State Department of infrastructure -Ministry of Transport, Infrastructure, Housing & Urban Development and Public Works - and was previous Principal Secretary, State Department of Public Works having been appointed in December 2015.

Prof. Maringa is a Founder Associate Professor of Architecture and Planning of the FAED, Senior Expert, Planning & Project Management and Technical Expert & Master Trainer in Building Construction & Infrastructural Planning & Development.



Eng. Stephen Kogi
Alternate to Principal Secretary -State
Department of infrastructure - Ministry of
Transport, Infrastructure, Housing & Urban
Development

Eng Stephen K Kogi was born in 1964 and is the alternate to the the Principal Secretary, Infrastructure department in the Ministry of Transport, Infrastructure, Housing and Urban Development and Public Works from June 2020. He is currently the Chief Engineer in charge of infrastructure quality standards and research in the Ministry

He has extensive experience in professional and public administration, including in strategic leadership and corporate governance gained from his training and responsibilities in the different programmes and mandates in government and as a graduate of Civil Engineering from the University of Nairobi and a Master's degree of Business Administration from Jomo Kenyatta University of Agriculture and Technology.

He has previously coordinated the improvement of roads under various development partners and the development of policies including the design guidelines in support of the Government agenda for the improvement of over 10,000Km road network under the Low Volume Sealed Roads Programme

He has been involved in various local and international forums and is the current President of the African Road and Transport Research Forum with a membership of the Sub Saharan African countries

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Mr. Charles T. Sunkuli, CBS.
Principal Secretary, State Department for
Devolution, Ministry of Devolution and
ASAL.

Mr. Charles T. Sunkuli, has previously served as the Principal Secretary, Ministry of Environment and Forestry, a position he held from December, 2015 to February, 2018.

Prior to his appointment as the Principal Secretary, Mr. Sunkuli worked with Ewaso Ng'iro South River Development Authority (ENSDA) where he rose through the ranks to become the Managing Director from 2010-2016.

He has a wealth of experience in Public Service spanning over 18 years. Mr. Sunkuli is an experienced management strategist with a solid background in Administration, Planning, Management and Leadership.

He holds two Executive Masters Degree in Business Administration (EMBA) from Eastern and Southern Africa Management Institute (ESAMI) and Maastricht School of Management (MSM) Netherlands, a Bachelor of Education Degree (B.Ed. Arts) from Moi University. He has also undertaken various specialized trainings including Procurement Standards and Socio-Economic Development, Governance and Godly leadership in the United States of America (USA) among many others.

Mr. Sunkuli has held other positions nationally and globally including being the Designated National Focal Point of the Green Environmental Facility (GEF) of the United Nations Environment Program, Board Member of the Strategic Approach to International Chemical Management (SAICM), National Focal Point of the Lake Victoria Basin Commission (LVBC) and Life Member of the International Red Cross Society among many other community based leadership positions.

He pioneered a robust weather information access program by the Kenya Meteorological Department, information which is now available online. As the National Focal Point of GEF, he successfully negotiated for funding of Key National Programmes through the Global Environment Facility (GEF)



Mr. Julius Korir ,CBS
Principal Secretary, State Department for
Devolution, Ministry of Devolution and
ASAL.
From May 2021

Mr. Julius Korir, CBS, is the Principal Secretary, State Department for Devolution, Ministry of Devolution and Arid and Semi-Arid Lands (ASALs).

Prior to this appointment, he was the Principal Secretary in the State Department for Youth Affairs, Ministry of Information, Communication and Technology, Innovation and Youth Affairs.

Mr. Korir has also previously served as the Principal secretary in the State Department for Infrastructure, Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works, and in the Ministry of Health.

He was first appointed as a Principal Secretary on 18th December, 2015 to the State Department for Investment and Industry, Ministry of Industry, Trade and Cooperatives. Before this appointment, he had served as the Industrialization Secretary in the then Ministry of Industrialization and Enterprise Development from May, 2014.

Mr. Korir has been instrumental in promoting improved livelihoods for the Youth by ensuring they have access to decent jobs, entrepreneurship and skills development and mentorship in addition to encouraging the youth to exploit their talents for economic gain.

His experience extends to managing Public/Private Partnership (PPP) initiatives, bringing together Public and Private Sector Stakeholders. His wealth of experience has seen him spearheading the Contractor Facilitated Road Development Mechanism. This entails Design-Finance-Build and Transfer PPP Framework of the Roads Annuity Programme.

He is keen on enterprise development and has vast experience in the fields of country promotion, particularly Foreign Direct Investment (FDI), exports and tourism with a view to enhancing economic growth in Kenya.

Mr. Korir has been involved in managing a large portfolio of Government and Development Partner Funded Projects that are spread throughout the Kenya.

Mr. Korir holds an MBA in International Business and a BSc. in Agricultural Economics

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Mr. Bernard Suyianka
Alternate to PS State Department for
Devolution, Ministry of Devolution and
ASAL.

Director Bernard Suyianka was born in 1962 and is a holder of B.COM from Jabalpur University India and a Foundation Diploma in Purchasing and supplies from Kenya College of Communication & Technology.

He is currently Head of Supplies Chain Management System at the Ministry of Devolution States Department of Special Programs-

He has a wealth of experience in Supply Chain Management having worked in the public sector for over 22 years in various government ministries and department including State House.



(Prof.) Eng Oyuko Mbeche
Tertiary Institutions

Prof Oyuko. O. Mbeche was born in 1946 . Prof.(Eng) Mbeche is holder of B.Eng.from Stevens Institute of Techonlogy(USA), MSc from Polytechnic Intstitute of Brooklyn(USA)and PhD for the University of Nairobi. He is also a Civil Engineer specializing in the field of Transportation and Planning and Prof. Mbeche is a Member of the American Society of Civil Engineers, American Society of Engineering Education and Kenya National Academy of Sciences. He is a Nobel peace prize recipient bestowed on him by the International Panel on Climate Change (IPCC) in December, 2007. He is a Professor of Civil Engineering at the University of Nairobi and has supervised various undergraduate and postgraduate projects.

He is the Chair of the Board Audit Committee

He has also written many research papers on matters touching on land use, planning, transport economics and urban planning. In his work experience, he has worked as a project coordinator, team leader, and project civil/structural engineer in various government organizations.



Ms.Nelly Mbugua
Institution of Surveyors
Of Kenya

Ms. Nelly Mbugua was born in 1968 and holds Master of science in Project Management ,Bachelor of Arts in Land Economics from the University of Nairobi, a post-graduate diploma with the Institution of Surveyors of Kenya and currently pursuing her post graduate studies. Nelly has worked for top real estate companies in Kenya among them: Lloyd Masika Ltd and Kenya Valuers & Estate Agents Ltd where she has held senior management positions. She has trained in Corporate Governance.

She is the chair of Board Finance Committee

Ms. Mbugua has vast experience in the real estate industry consultancy, with local and international Registration and licensing by the Valuers Registration Board (VRB) and the Royal Institution of Chartered Surveyors (RICS). Nelly is a full member of the Institution of Surveyors of Kenya (ISK) and has served the Institution as VEMS Chapter Chairperson and a member of the governing Council. Nelly is a registered estate agent and is the immediate past Chairperson of the Estate Agents Registration Board (EARB). As the Chairperson of EARB, Ms.Nelly worked tirelessly to improve professionalism and raise the profile of estate agency profession in Kenya. She is a Trustee of the Bible Society of Kenya (BSK), and a past Chairperson of the Board of BSK.

Nelly is a seasoned valuer, specializing in business and hospitality industry and oil and gas exploration valuation, as well sales, letting and property management.

Ms Nelly Mbugua is a director at Citiscape Valuers & Estate Agents Limited.



Prog. Lawrence Esho was born in 1970 and is a holder of Doctor Of Engineering (Dr-Ing), Architecture/Spatial Planning From Catholic University Of Leuven(Kul)(Belgium) 2008, Master Of Architecture (M.Arch) Human Settlement from Catholic University Of Leuven(Belgium) 2003 ,Masters Of Arts (MA Planning University Of Nairobi Kenya 1997 and Bachelor of Arts (Ba) Sociology Kenyatta University(Kenya) 1995.

He is the Chair of the Board Human Resource and Admin Committee

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Prof. Lawrence Esho,
Kenya Institute of Planners

He is trained in sociology, planning and human settlements. He has worked as a planner and an academic. He is Chairman, Department of Urban and Regional Planning at the Technical University of Kenya.
Lawrence has researched various aspects of housing, transport and planning in the region and continues to collaborate in research with a number of institutions, including KU Leuven, HIS the Netherlands.



Eng. Yego Kiprutto Shadrack
Institution of Engineers of Kenya

Eng. Yego Shadrack was born in 1980 and he is registered with Engineers Board of Kenya as a professional engineer and a corporate member of the Institution of Engineers of Kenya (MIEK).

Eng. Shadrack holds Bachelor of Science degree in Civil engineering from University of Nairobi. He has over fifteen (15) years of experience in carrying out engineering feasibility studies, infrastructure assessments, preliminary and detailed studies and designs, contracts administration and construction supervision of engineering projects in the field of roads, dams, water and sanitation and buildings.

He is the chairperson of Board Technical committee .

Shadrack has passion in giving back to the community and a champion of corporate governance and continues to hold leadership mantle in various private institutions. Shadrack has a good and strong blend of the Government of Kenya systems, private sector and United Nations working environment. In addition, I have experience working in similar projects in ASAL and hardship areas in Kenya, Tanzania, Burundi and Somalia.



Eng. Philemon Kandie
Ag Director General
From 6th July 2020

Eng. Kandie was born in 1971 and is a registered engineer with Engineers Board of Kenya and a member of the Institution of Engineers of Kenya (MIEK).
Eng Kandie holds Master of Science in Road Management & Engineering from the University of Birmingham in United Kingdom, BSc. Hons in Civil Engineering from Jomo Kenyatta University of Agriculture & Technology and Diploma in Transport Planning, Development & Management from Galilee Management Institute (Israel).

He has been extensively trained in Management Infrastructure embracing Road Asset Management and 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 24 years.

He worked in the Ministry of Roads and Kenya National Highways Authority as Regional Manager in various stations and promoted to Regional Network Coordinator in headquarters.

He is a Registered Professional Engineer with Engineers Board of Kenya and a Corporate Member of Institution of Engineers of Kenya.

Eng Kandie holds leadership portfolios in and out of the Authority and a member of various committees amongst them, Road Sector Investment Plan, Review of Road Classification, Performance Based Contracts and Roads 2000 Strategy Implementation.

3. MANAGEMENT TEAM



Eng. Philemon Kandie
P.Eng., BscHons, MSc, MIEK
Ag Director General
From 6th July 2020



Eng. Peter P. Gichohi
P.Eng., BSc, MSc, MIEK, A(CIAB)
Director Road Asset Management.



CPA Dan Manyasi
BCom, MBA, CPA(K)
Director -Corporate Services



Eng. Jackson K. Magundu
P.Eng, BSc., M(IBL) MIEK, A(CI Arb-UK)
Director Development



Eng. Julius K. Gakubia
P.Eng., BSc., MIEK
Ag Director- Research, Strategy & Compliance



Eng. Enock A. Kombo
P.Eng., Bsc, MA(Planning), MIEK
Director -Planning , Design & Environment



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

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



Ms. Margaret W. Muthui
Msc(Proc.& Logistics), Bsc(Computer
Science), MKISM, MCIPS
**Deputy Director – Supply Chain
Management**



Ms. Catherine Kangangi
Msc(Proc.& Logistics), MKISM, MCIPS
**Ag. Deputy Director – Supply Chain
Management**

4. CHAIRMAN'S STATEMENT



The Authority concluded a very successful year in the face of uncertainties caused by COVID-19. The Board was happy to support the efforts by Management and the Government in implementing measures to mitigate the impact of the pandemic. It fully supported the internal measures taken by Management to protect staff, such as the alternative working arrangements and the safety protocols, in addition to the Ministry of Health measures that greatly supported the economy.

During the year, the Authority continued implementation of its Strategic Plan, 2018–2022, anchored on the overall Motto of “*Connecting Devolved Kenya*”. The plan focuses on four key result areas namely: Development of National Secondary Trunk Roads, Management of National Secondary Trunk Roads, Maintenance and rehabilitation of National Secondary Trunk Roads and Institutional Capacity. The Board supported Management in pursuing appropriate interventions to address outstanding and emerging human resource gaps by facilitating work-load analysis through job evaluations. Human Resource policies and frameworks were reviewed to ensure they are responsive to the rapidly changing roads sector environment. The Board also supported the upgrade of key operational systems to achieve a seamless, resilient and responsive information and communication system that drives operational excellence and delivers customer-centric services aligned to modern and dynamic business requirements through implementation of Enterprise Resource Planning (ERP).

The Authority continued to support the Big 4 Development Agenda through provision of backbone road infrastructure to support affordable housing, manufacturing, food security and universal healthcare facilities. In implementing our mandate of Development, Maintenance and Management of our National Secondary Trunk road network, the Authority enhanced its efforts towards completion of ongoing projects and maintenance of existing roads network to safeguard the investments.

Following the recategorization of the Authority from Category 7A to 3A, the Board of Directors oversaw the review of the HR instruments and the workload analysis which fell in the year under review which was the 3rd year of implementation since operationalization of the categorized structure. The reviewed HR instruments are expected to enable the Authority to deliver its mandate effectively and efficiently.

The Mid Term review of Strategic Plan recommended a continuous implementation of the Plan as the Authority was on course to achieve planned performance targets.

On behalf of the Board, I express my sincere gratitude to the Management and entire KeRRA fraternity for their dedication and teamwork that enabled the Authority deliver on its mandate in the just concluded financial year 2020/2021.

I also extend my appreciation and sincere thanks to my colleagues in the Board for their support, contribution and strategic guidance to Management during the year. Finally, I wish to thank the Government through State Department for Infrastructure, our Stakeholders and Development Partners for the confidence and support they bestowed to the Authority.

A handwritten signature in black ink, appearing to be the name 'Ong' or similar, written in a cursive style.

DIRECTOR

5. REPORT OF THE DIRECTOR GENERAL



I am delighted to present the Kenya Rural Roads Authority's financial statements for the FY 2020/2021. It has been another good year for the Authority despite challenging economic conditions and the global health crisis caused by COVID-19. We achieved a satisfactory set of financial results and recorded solid growth rates, reflecting strong strategy execution and effective delivery of the strategic objectives and initiatives. In early 2020, the coronavirus pandemic (COVID-19) struck countries around the world, presenting enormous challenges to health systems and spurring widespread work shutdowns, school and business closures, and job losses. Nearly all countries are facing an unprecedented economic downturn. The pandemic presented the Authority with unprecedented challenges this year, requiring it to respond quickly to major disruptions in contracts management and service delivery to Kenyans. Beyond immediate work disruptions, the Authority developed strategies to supporting project management, restore jobs and services, and pave the pathway to a sustainable recovery in road infrastructural development. The Authority adopted digital options to leverage new digital technologies so that it efficiently delivered its services to staff and clients seamlessly.

The strong leadership team and a highly dedicated and motivated staff strived to build a robust institution, with a resilient and responsive business model that enabled it achieve better development outcomes in the year under review.

None of these achievements would have been possible without our staff's hard work and successful adjustment to home-based work during the pandemic. Working innovatively and with creativity enabled staff to deliver solutions to address the Authority's most urgent needs. I am deeply grateful for their dedication and flexibility, especially amid these difficult circumstances.

As MDAs grapple with the pandemic, the Authority remains committed to its future strategic goals, to overcome the crisis, and achieve a sustainable and inclusive recovery. Despite the unprecedented scale of the crisis we've repositioned our strategies towards a resilient recovery and our long-term mission remains unchanged. We remain committed to our goal of development, maintenance and management of national trunk road network in a sustainable manner.

The Financial statements provides stakeholders with an accurate and balanced view of the Authority's financial status, strategies for projects implementation, past performance, and future prospects, and addresses the material issues faced by the Authority. The reporting process has been guided by the principles and requirements contained in International Financial Reporting Standards (IFRS).

The Authority prides itself for teamwork and strategic leadership, with competent workforce, steering it through uncertain waters, navigating the risks and turning challenges into opportunities. Moving forward will require resilience, innovation and resolve under a constrained economic environment. As we continue our ceaseless journey to drive the socio-economic development of the country towards greater prosperity for all Kenyans, excellence will remain a priority in all aspects of our business. It is also synonymous with our quantum leap in the delivery of the R10000 low volume sealed roads programme.

Leveraging ICT solutions and alternative sources of revenue will be key to achieving the deliverables in our new business proposition. This repositioning has warranted that we introduce Enterprise Resource Planning (ERP) system to drive the business strategy under a new corporate brand, marking the launch of a revitalized strategic intent. The implementation of the Enterprise Resource Planning system initiated during the period under review has enhanced operational efficiency and streamlined business processes across the Authority.

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While the economic environment is expected to remain challenging with a long road to recovery post COVID-19 pandemic, I believe that the Authority is well positioned to build on the positive and sustainable impact it has made to the Kenyan economy and society. As we continue on our journey, all our resources will be fully utilized to achieve the intended outcomes and targets. Information systems and business processes will continue to be enhanced and the ICT governance standards will be aligned with the Control Objectives for Information Technology (COBIT) governance framework, which will enhance operational efficiency in the areas of regulatory compliance and risk management.

In conclusion, I take this opportunity to express my sincere gratitude to our stakeholders, the Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works and The National Treasury and Planning for their distinguished role in helping us achieve our mandate through both policy and budgetary support.

On behalf of Management team, I would also like to thank the Board of Directors for their continued support, visionary leadership and the guidance they provided to the management team throughout the year. I also wish to recognize the role played by our clients who continue to support our various initiatives. They remain a crucial stakeholder without whom we would not have achieved our set objectives and goals.

Lastly, I take this opportunity to appreciate all KeRRA staff for their tireless efforts and commitment that we have been able to record remarkable performance. I look forward to your continued support in making our vision a reality.



Eng. Philemon K. Kandie (MBS)
Director General

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6. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

REVIEW OF PERFORMANCE FOR FY 2020/2021

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the national government entity's performance against predetermined objectives.

Kenya Rural Roads Authority has 5 strategic pillars and objectives within its Strategic Plan for the FY 2018/2019- 2022/2023. These strategic pillars are as follows:

Key Result Area		Performance Target	Planned Activities/Outcome	Outputs 2020-2021
Strategic Objective 1: To increase the national secondary trunk road network under bitumen				
1. Roads Maintained under (RMLF)-Routine	<ul style="list-style-type: none"> To Maintain 20,764.5km of rural road network 	<ul style="list-style-type: none"> Maintain roads to support accessibility to all production, market and social centers' for enhanced economic growth 	<ul style="list-style-type: none"> 21,520.9 km 	
2. Roads Maintained (RMLF)- Periodic	<ul style="list-style-type: none"> To Maintain 90 km of rural road network. 	<ul style="list-style-type: none"> Maintain the current service potential of the road network. 	<ul style="list-style-type: none"> 40.2 km 	
3. Roads Maintained (RMLF)- Equalization	<ul style="list-style-type: none"> To Maintain 55. km of rural roads 	<ul style="list-style-type: none"> Open up rural roads to reduce transport cost and journey time. 	<ul style="list-style-type: none"> 17 km 	

7. CORPORATE GOVERNANCE STATEMENT

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

Organization structure of the Authority

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

- a) Directorate Development
- b) Directorate Research, Strategy & Compliance
- c) Directorate Road Asset Management
- d) Directorate Planning , Design and Environment
- e) Directorate Corporate Services
- f) Directorate Audit Services
- g) Corporation Secretary/ Legal Affairs Department
- h) Supply Chain Management Department

Appointments to the Board

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

Board Organization and structure

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

The role of the Board

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

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Activities of the Board

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

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

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

Board Effectiveness

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

Board Committees

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

Audit, Risk & Governance Committee

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

Finance Committee

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

Board Human Resource Committee

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

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Board Technical Committee

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


DIRECTOR

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8. MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A

The entity's operational and financial performance

The National Government's commitment continues to be seen through the improved budgetary allocation to the road sector. In the Period under review, the Authority received a total of 24.6 Billion against a budget allocation .24.6Billion

SECTION B

Entity's compliance with statutory requirements

The Authority has complied with all statutory requirements externally imposed throughout the Period. There are no major noncompliance issues that may expose the authority to potential contingent liabilities.

SECTION C

Key projects and investment decisions the entity is planning/implementing

The Authority has a cumulative road network of 20,854 that requires regular maintenance. RMLF fund has been the main source of maintain fund for the Authority.

SECTION D

Major risks facing the entity

The major risks that the authority is exposed to are reported on the note 26 of this report

SECTION E

Material arrears in statutory/financial obligations

The Authority is not in arrears in the payment of statutory obligations.

SECTION F

The entity's financial probity and serious governance issues

There has been no reports of financial improbity by the internal audit, external audit nor Other Government agencies.

Kenya Rural Roads Authority
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9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

1. Sustainability strategy and profile

A broad Political, Economic, Social, Technological, Environmental and Legal (PESTEL) scan was undertaken with a view to describing the circumstances under which the Authority operates so as to be able to appreciate the factors that will either support or impede the process of implementing the Strategic Plan.

Factor	Strategic implication	Strategic Response
Political Factors		
1. Political Interference	<ul style="list-style-type: none"> • Interference with project planning and implementation • Cost inflation due variation 	<ul style="list-style-type: none"> • Adherence to project implementation Guidelines • Public participation • Adherence to Annual Road Works Program (ARWP)
2. Funding to the Authority affected by political dynamics	<ul style="list-style-type: none"> • Low funding level in comparison to increased demand for better roads • Additional funding 	<ul style="list-style-type: none"> • Lobby parliament and cabinet • Stakeholder engagement
3. Multiplicity of players in policy development	<ul style="list-style-type: none"> • Interference with policy implementation • Conflicting directives leading to risk of non-compliance 	<ul style="list-style-type: none"> • Lobby parliament and cabinet • Stakeholder engagement
4. Weak institutional leadership •	<ul style="list-style-type: none"> • Interference with institutional governance • Partial or total Non-adherence to policies and guidelines 	<ul style="list-style-type: none"> • Uphold Corporate governance guidelines • Develop assertive leadership • Capacity building
5. Prolonged political activity	<ul style="list-style-type: none"> • Interference with project implementation • Gaps in leadership and direction 	<ul style="list-style-type: none"> • Adherence to project implementation guidelines • Engagement with relevant stakeholders
Economic Factors		
1. Lack of adequate funds	<ul style="list-style-type: none"> • Maintenance backlog (increased road asset deterioration) • High vehicle operating costs • High road user costs • Reduced network improvement • High cost of interest payments • 	<ul style="list-style-type: none"> • Increase RMLF allocations • Lobby for enhanced external funding • Explore alternative options of funding • Increased collaboration with external partners

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Factor	Strategic implication	Strategic Response
2.Fiscal and Monetary Policies	<ul style="list-style-type: none"> • High taxation • Inflation • High cost of fuel and road works materials • Limitations to line budgetary items 	<ul style="list-style-type: none"> ○ • Monitoring and review of policies and strategies ○ Macroeconomic stability ○ Adaptation to changes in fiscal policy
3.Regional economic disparities	<ul style="list-style-type: none"> • Discrepancies in economic empowerment among counties (Marginalized areas) • Skewed regional competitive advantage. 	<ul style="list-style-type: none"> Increased Equalization fund • Increased Equitable 10% RMLF • Standardisation and harmonisation •
Social Factors		
1.Road Reserve Encroachment	<ul style="list-style-type: none"> • Increased accidents • Loss of livelihoods • Increased project costs • Hostility • Interference with project implementation 	<ul style="list-style-type: none"> • Road reserve demarcation • Public sensitization • Stakeholder engagement
2.Poor adherence to axle load limits •	<ul style="list-style-type: none"> • Costly maintenance of roads • Reduced road lifespan 	<ul style="list-style-type: none"> • Public sensitization • Enforcement of axle load limits • Periodic road design reviews • Stakeholder engagement
Meeting Societal Expectations	<ul style="list-style-type: none"> • Formulation and review of ARWP • Formulation and review of Corporate Social Responsibility (CSR) work plan 	<ul style="list-style-type: none"> • Effectively manage expectations • Public sensitization • Engagement with stakeholders • Upholding organisational core values
Technological Factors		
1.Automation and information security	<ul style="list-style-type: none"> • High investment in ICT systems and infrastructure • Effective information security management • Enhanced efficiency and operational interconnectivity 	<ul style="list-style-type: none"> • Develop suitable ERPs • Develop and implement information security strategies • Implement ISMS
2.Emerging technologies in road construction and ICT	<ul style="list-style-type: none"> • Incorporate usage of locally available materials and labour • High cost of transition 	<ul style="list-style-type: none"> • Adaptation of technology and road construction concepts to emerging

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Factor	Strategic implication	Strategic Response
	<ul style="list-style-type: none"> • Need for matching staff knowledge and exposure with technology 	trends including R2000 & R10,000 <ul style="list-style-type: none"> • Monitor obsolescence of technology and approaches • Frequent updates • Plan for future technological improvements • Capacity building
Ecological factors/Environmental		
1. Adverse weather conditions (floods, mudslides, prolonged rainfall and draught)	Partial or total cut-off of the road network <ul style="list-style-type: none"> • Increased frequency and costs of road and maintenance and rehabilitation works • Delay in execution of projects in adverse weather and Cost overruns • Availability of manpower 	<ul style="list-style-type: none"> • Develop and implement annual disaster mitigation and management strategy • Enhance works insurance to cover adverse weather
2. Availability of natural road construction material	<ul style="list-style-type: none"> • Depletion of natural resources • High construction costs • Damage to economically productive lands 	<ul style="list-style-type: none"> • Research on alternative road construction material • Embrace viable emerging technologies

2. Environmental Performance

KeRRA acknowledges that its various operations have potential impacts on the environment. It is therefore the Authority's commitment to conserve natural resources, maximize eco-efficiency, reduce waste and climate change impacts, and prevent pollution throughout its operations.

The Authority has an Environmental Planning and Management Policy which was formulated to conform to the prevailing Government strategies as highlighted in the National Environment Policy. In accordance with the Policy, the Performance Contracting guidelines and the requirements of the Environmental Management and Coordination Act, the Authority implemented the following activities during the 2020/2021 financial year: -

Measures to mitigate against water, air, noise and other forms of pollution

Environmental Impact Assessment (EIA) Licences were issued by NEMA for 59 Road Projects

Moreover, the Authority has continued to monitor compliance to the Environmental & Social Management Plans and EIA Licence conditions for the various projects under implementation, and corrective measures have been employed whenever a non-conformity is noted.

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Promoting Environmental Protection and Conservation through Stakeholder Partnerships

The Authority sponsored and participated in the World Environment Day (WED) National Commemoration held on 5th June, 2021 in Garissa County. Further, the Authority entered into a Tree Planting partnership with Equity Group.

Tree Planting Initiatives

25,000 No. Trees were planted in various regions with over 20,000 being in the Coast region. The above initiatives are aimed at enhancing the Authority's efforts to manage biodiversity, ensure sustainable waste management and in the long run minimize the institution's environmental footprint.

Nevertheless, like all other sectors and institutions, the Authority did not achieve its full potential towards environmental sustainability as a result of the Covid-19 pandemic. The Authority will ensure that the journey towards economic recovery will consider actions that are environmentally sustainable.

3. Employee welfare

The Authority has a staff pool of 615 staff members stationed both at the Head office and the 47 regional offices. Whilst the Authority recruits competent personnel, it endeavors to continuously improve and develop internal capacity through training of staff internal staff promotion, recruitment of technical staff, supporting staff membership to professional bodies and ensuring staff have resources necessary for execution of works within the financial constraints.

To reduce the work around time in operational processes, the department has mapped and automated processes in various functional areas through the Enterprise Resource Planning (ERP) System.

The Human Resource Management Policies

These define the relationship between the Authority and its employees on a wide range of issues. They are regularly updated to ensure relevance to the workplace dynamics. Among the policies include: -

(a) Human Resource Policy and Procedures Manual

It is intended to inform staff and guide on the operations of the Authority on the day-to-day aspects at work. It is aimed at ensuring consistency in Human Resource Management practices in the workplace.

b) KeRRA Organization Structure and Staff Establishment

This is a formal outline of the managerial reporting relationships and information flows within the Authority. It identifies each job, its function and where it reports to within the organization. It outlines how certain activities are directed in order to achieve the goals of an organization

(b) Career Progression Guidelines

The Career Progression Guidelines is a well-defined career structure which establishes distinct levels of responsibilities in the grading structure and it is a guide on the competencies required at each level that inform recruitment, promotion, training and development and performance management.

The overall goal of the Authority's Performance Management System is to measure employee performance and ultimately the achievement of intended results for the organization. An important aspect in the performance management is the Staff Performance Appraisal system (SPAS) which is predicated upon the principle of work planning, setting of agreed performance targets, feedback and reporting. It is linked to other human resource systems and processes including employee development, career progression, placement, rewards and sanctions.

4. Market place practices-

Anti-corruption- Contractor have declaration forms in tender documents and the evaluation committees also sign declaration forms on conflict of interest

The authority through the Constituency Roads Committees (CRC) in the various regional offices engages the various stakeholders in prioritization of maintenance roads.

The Authority through its procurement department uses the most preferred procurement method based on service and goods being procured. Open Notational tenders is used encourage competition among suppliers. The bidders are debriefed on how they faired during the tending process and notification to all participating bidders indicating the successful bidders.

The Authority trains is suppliers on what is expected of them in terms of the bidding process, ethical behavior and confidentiality of information. Special groups have also been allocated tenders.

5. Community Engagements-

The Authority had allocated **Kshs. 5 million** in the reporting period towards Corporate Social Responsibility. However, due to the ongoing Covid-19 Pandemic many activities involving public gathering such as charity walks and public events the Authority only managed to support initiatives valued at **Kshs. 2,400,000** with funding from our operations vote in the Road Maintenance Levy Fund (RMLF) and donations in kind. One such key activity is the Annual Marter Heart Run.

Our approved Annual CSR Work Programme for the year was however greatly affected by the outbreak of the COVID-19 Pandemic

Below is the tabulation of the activities carried out in the reporting period.

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No.	PROJECT NAME	PARTICIPANTS/ SCOPE	DETAILS	LOCATION	DATE	AMOUNT /VALUE (Ksh)
1.	Eldama Ravine Half Marathon	KeRRA and Other Agencies supporting the Programme	Sponsorship fee	Eldama Ravine, Baringo County	October, 2020	750,000
2.	National Tree Planting Exercise	KeRRA and All State Agencies and Departments of MOTIHUD	Exercise in compliance with presidential directive of attaining at least 10% Forest Cover	Malindi Kilifi Kwale Mombasa	December, 2020 June, 2021	1,000,000
3.	Engineering students Association Conference	KeRRA, Government Agencies and Student Bodies	Conference for Associates of Engineering Students in Kenya	Nairobi	March, 2021	250,000
4.	Kipkundul Secondary School	KeRRA Staff, School Community	<ul style="list-style-type: none"> The school was considered for assistance following a request Donations included ICT Equipment & Hygienic Products 	Kapcherop, Trans Nzoia County	April, 2020	150,000
5.	Nyeri Hospice Charity Golf Tournament	KeRRA Staff, Regional Office, Associated Agencies	Charity event towards supporting the Hospice	Nyeri County	March, 2021	250,000
6.	Provision of Access to Learning Institutions Countrywide	KeRRA LVSR Projects Countrywide are mandated to provide access to	6.1. Access to Dedan Kimathi University 6.2. Access to South Eastern University of Kenya	Nyeri County Kitui County		

**Kenya Rural Roads Authority
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	adjacent learning and prominent community institutions	6.3.Kitalekapel Technical Institute	West Pokot County	FY 20/21	Various		
		6.4.KSG Matuga, KALRO Matuga, Matuga Girls,	Kwale County				
		6.5.Access to Kabianga University	Kericho				
		6.6.Brister Girls School - Star Of Hope Children 'S Home Loop & Access To Kwihota Secondary School	Kiambu				
		6.7.Access To Starehe Girls Road					
		Total					2,400,000

**Kenya Rural Roads Authority
Annual Financial Statements for Road Maintenance Levy Fund
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10. REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements for the year ended 30th June 2021, in accordance with the provisions of section of the 38 of Kenya Roads Act 2007 which disclose the state of affairs of the Authority.

Principal activities

The principal activity of the authority is the management, development, rehabilitation and maintenance of the Rural Road Network in Kenya classified as C and others.

Results

The results for the Authority for the year ended 30 June 2021 are set out on page 34.

Directors

The directors who held office during the year and to the date of this report are set out on page 3-7.

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:

Name: Eng. Philemon Kandie(MBS)

Signature



Date

29/09/2021

Corporate Secretary/Secretary to the Board

Kenya Rural Roads Authority
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11. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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


The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year (period) ended on June 30, 2021. 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, 2021, and of the Authority's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Authority's financial statements were approved by the Board on 29th September 2021 and signed on its behalf by:

Signature.....
Name Prof. Oyuko Mbeche.....

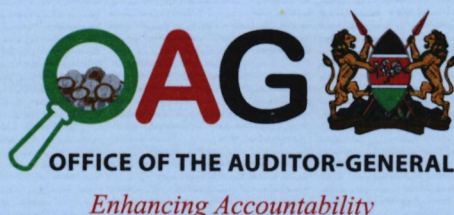
Chairperson of the Board/Council

Signature.....
Name Eng. Philemon K. Kandie MBS.....

Accounting Officer

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 KENYA RURAL ROADS AUTHORITY - ROAD MAINTENANCE LEVY FUND FOR THE YEAR ENDED 30 JUNE, 2021

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 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Rural Roads Authority - Road Maintenance Levy Fund set out on pages 29 to 48, which comprise of the statement

Report of the Auditor-General on Kenya Rural Roads Authority - Road Maintenance Levy Fund for the year ended 30 June, 2021

of financial position as at 30 June, 2021, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kenya Rural Roads Authority - Road Maintenance Levy Fund as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Kenya Roads Act, 2007.

Basis for Qualified Opinion

Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs.20,827,705,000 as disclosed in Note 7 to the financial statements. The balance is net of a negative cash balance of Kshs.26,035,445 in the Road Maintenance Levy Fund (RMLF) Operations headquarters account which has been offset contrary to Paragraph 48 of International Public Sector Accounting Standard (IPSAS) 1 that prohibits offsetting of assets and liabilities and revenue and expenses unless required or permitted by an IPSAS.

In the circumstances, the accuracy of cash and cash equivalents balance of Kshs.20,827,705,000 could not be confirmed.

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

Emphasis of Matter

As disclosed at Note 19 to the financial statements, the Fund's financial statements were prepared using the 2020/2021 financial year as the base year and therefore no comparative balances have been reflected. As further disclosed in the note, the Fund's transactions were previously accounted for in the main Authority's financial statements.

My opinion is not qualified in respect to this matter.

Key Audit Matters

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The 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 governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to sustain 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 the Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that

might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.


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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 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 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

20 September, 2022


**Kenya Rural Roads Authority
Annual Financial Statements for Road Maintenance Levy Fund
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13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2021

	Note	2020-2021 Jun-21 Shs'000
REVENUE		
Revenue from Non Exchange Transactions		
Road Maintenance Levy Fund	3	22,115,430
Finance Income	-	-
Total Revenue		<u>22,115,430</u>
EXPENDITURE		
Road Works costs	4	19,098,707
Transfers to Operations	6	4,150,637
Other Roadworks Expenses		-
Total Expenditure		<u>23,249,344</u>
Operating Deficit /Surplus for the year		<u>(1,133,914)</u>

The notes on pages 34 to 48 form an integral part of these Financial Statements.

The Financial Statements set out on pages 29 to 48 were signed on behalf of the Board of Directors by:


Director General
Eng. Philemon Kandie(MBS)


Director Corporate Services
CPA Dan Manyasi
ICPAK M. No:6407


Director

Date 29/09/2021

Date 29/09/2021

Date 29/09/2021

Kenya Rural Roads Authority
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STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2021

	Note	2020-2021 Jun-21 Shs'000
ASSETS		
Current Assets		
Cash and cash equivalents	7	20,827,705
Receivables	8b	1,010,000
Total Assets		<u>21,837,705</u>
Total Assests		<u>21,837,705</u>
LIABILITIES		
Current liabilities		
Contracts Payable	8d	224,015
Cerficates Payable		-
Other Payables		-
		<u>224,015</u>
Non Current Liabilities		
Non Current Payables		-
		<u>-</u>
Total Liabilities		<u>224,015</u>
Net Assets		<u><u>21,613,690</u></u>
REPRESENTED BY:		
Revalutaion Reserve	SCNA	-
Accumulated(Deficit)/ Surplus	SCNA	<u>21,613,690</u>
Total Net Assets and Liabilities		<u><u>21,613,690</u></u>

The notes on pages 34 to 48 form an integral part of these Financial Statements.

The Financial Statements on pages 29 to 48 were approved by the Board of Directors and signed on its behalf by:



Director General
Eng. Philemon Kandie(MBS)

Date 29/09/2021



Director Corporate Services
CPA Dan Manyasi
ICPAK M. No:6407

Date 29/09/2021



Director

Date 29/09/2021

Kenya Rural Roads Authority
Annual Financial Statements for Road Maintenance Levy Fund
For the year ended June 30, 2021.

15. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30TH JUNE 2021

Note	Accumulated Surplus	Total
	Shs'000	Shs'000
At 1st July 2020	22,747,604	22,747,604
Funds received during the year	-	-
Surplus for the Period	<u>(1,133,914)</u>	<u>(1,133,914)</u>
At 30th June 2021	<u>21,613,690</u>	<u>21,613,690</u>

The notes on pages 34 to 48 form an integral part of these Financial Statements.

**Kenya Rural Roads Authority
Annual Financial Statements for Road Maintenance Levy Fund
For the year ended June 30, 2021.**

5. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2021

	2020-2021 Jun-21 Shs'000
Cash flows from operating activities	
Surplus for the year	(1,133,914)
<i>Adjustments for:</i>	
<i>Prior Year adjustment</i>	
Depreciation of property, plant and equipment/Revaluation	
Finance Income	-
Changes in operating assets and liabilities	
(Decrease)/Increase in Receivables	(1,010,000)
(Decrease)/Increase in Payables:	
Contracts Payable	224,015
Certificates Payable	-
Other Payables	-
	-
<i>Net cash from operating activities</i>	<u>(1,919,899)</u>
Cash flows from investing activities	
Interest Income	
	-
<i>Net cash used in investing activities</i>	<u>-</u>
Cash flows from Financing activities	
Capital from RMLF fund	22,747,604
Cancelled Contracts(Prior Period)	-
<i>Net cash used from investing activities</i>	<u>22,747,604</u>
Net increase in cash and cash equivalents	20,827,705
Cash and cash equivalents at start of year	-
Cash and cash equivalents at end of year	<u>20,827,705</u>

The notes on pages 34 to 48 form an integral part of these Financial Statements.

The Financial Statements on pages 29 to 48 were approved by the Board of Directors and signed on its behalf by:




Director General
Eng. Philemon Kandie(MBS)

Date 29/09/2021



Director Corporate Services
CPA Dan Manyasi
ICPAK M. No:6407

Date 29/09/2021



Director

Date 29/09/2021

Kenya Rural Roads Authority
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17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2021

Statement of Financial Performance

	Original Budget 2020-2021	Adjustments	Final Budget 2020-2021	Actual on comparison Basis 2020-2021	Performance Difference 2020-2021	
	Note	Shs'000	Shs'000	Shs'000	Shs'000	
Annual Report and Financial Statements						
Revenue						
Road Maintenance Levy Fund		23,069,546	1,618,000	24,687,546	22,115,430	2,572,116
Total Revenue		<u>23,069,546</u>	<u>1,618,000</u>	<u>24,687,546</u>	<u>22,115,430</u>	<u>2,572,116</u>
EXPENDITURE						
Road Works Costs-Maintenance		18,699,314		18,699,314	19,098,707	(399,393)
Transfer Operations				4,150,603	4,150,603	
Total Expenditure		<u>18,699,314</u>	<u>-</u>	<u>22,849,917</u>	<u>23,249,310</u>	<u>(399,393)</u>
Operating Deficit /Surplus for the year		<u>4,370,231</u>	<u>1,618,000</u>	<u>1,837,629</u>	<u>(1,133,880)</u>	<u>2,971,508</u>

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

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

The Financial Statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the indirect method. The Financial Statements are prepared on accrual basis.

**Kenya Rural Roads Authority
Annual Financial Statements for Road Maintenance Levy Fund
For the year ended June 30, 2021.**

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Adoption of new and revised standards

a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2021

Standard/ Amendments :	Impact
Applicable: 1st January 2021:	
a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks	There was no impact of the amendment to IPSAS 13 with respect to the current financial report
b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved	There was no impact of the amendment to IPSAS 13 and IPSAS 17 with respect to the current financial report as the entity did not apply any of the transitional provisions in the FY 2020/2021
c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.	There was no impact of the amendment to IPSAS 21 and IPSAS 26 with respect to the current financial report as the entity does not have Non-Cash Generating Assets and neither did it have impaired cash generating assets.
d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard	

Kenya Rural Roads Authority
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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<p>Applicable: 1st January 2022:</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.
IPSAS 42: Social Benefits	<p>Applicable: 1st January 2022</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its Financial Statements about social benefits. The information provided should help users of the Financial Statements and general purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the entity;</p>

**Kenya Rural Roads Authority
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For the year ended June 30, 2021.**

Standard	Effective date and impact:
	<p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</p> <p><i>(State the impact of the standard to the entity if relevant)</i></p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2022:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>

Kenya Rural Roads Authority
Annual Financial Statements for Road Maintenance Levy Fund
For the year ended June 30, 2021.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Early adoption of standards

The entity did not early – adopt any new or amended standards in Financial Year 2020/2021.

3. Revenue Recognition

i) Revenue From Non-Exchange Transactions

Transfers from Other Government Entities/ Transfer of RMLF from KRB

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. In particular, revenue from non- exchange transactions relates to the transfer of funds from KRB to RMLF for the Road Authorities.

	2020-2021
	12 Months
	Shs'000
3. Road Maintenance Levy Fund	
10% Constituency Links Roads	3,028,979
10% Special allocation	8,360,833
22% Constituency Roads Fund	6,574,981
RMLF Operations	4,150,637
Total Road Maintenance Levy	<u>22,115,430</u>

ii) Revenue from exchange transactions (Finance income (from RMLF funds))

Finance income (from RMLF funds) is accrued using the effective yield method. Finance income (from RMLF funds) is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine finance income (from RMLF funds) each period.

This relates to interests earned on the RMLF Accounts as held in Commercial Banks. Finance income (from RMLF funds) is reported at gross as received in the bank statement of the Road Authority.

4. Certified Works

Certified works are recognized when the works can be measured reliably and/ or when certificates of work done are received by the Road Authority.

Kenya Rural Roads Authority
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	2020-2021
	Jun-21
	Shs'000
4. Road Works Expenditure	
RMLF 10%-Constituency Link Roads	3,931,129
RMLF 22%-Constituency Roads Fund	7,050,037
RMLF 10%-Special Allocation	8,117,540
Total Road Works Expenses	<u>19,098,707</u>

5. Roadwork Commitments

Roadwork commitments arise from contracts entered into with contractors for road maintenance and development. These commitments are disclosed in notes of these financial statements.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6. Transfers to Operations

This relates to 5.5% of the RMLF amount allowable for use by the Road Authority for operational activities. Operating expenses are expenses incurred by the Road Authority in the normal day to day operation of the RMLF. This amount is determined from time to time by KRB.

7. Cash and cash equivalents

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

Kenya Rural Roads Authority
Annual Financial Statements for Road Maintenance Levy Fund
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	2020-2021
	Jun-21
	Shs'000
7. Cash and Cash equivalents	
These represent cash held at various banks, as follows:	
Cash in hand and Bank	13,966,864
Staff mortgage Fund	
Fixed term deposits	6,860,842
Total Cash and Cash equivalents	<u>20,827,705</u>

8. Financial instruments

a) Financial assets

Initial recognition and measurement

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or an entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

Kenya Rural Roads Authority
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For the year ended June 30, 2021.

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

Financial liabilities

Initial recognition and measurement

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

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

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

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

Kenya Rural Roads Authority
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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the purposes of this financial statement, receivables and payables will include:

- a. GoK Receivables:** Relates to RMLF that is receivable or refundable by GoK (RMLF that is utilized for development purpose by the Road Authority and is therefore refundable by the GoK)
- b. Receivable from KRB:** Relates to RMLF amounts yet to be disbursed by KRB to the Road Authority.

	2020-2021 12 Months Jun-21
Receivables from KRB (Accrued Income)	1,010,000
Total receivables	1,010,000

- c. Advances to Contractors:** Relates to recoverable advances made by a Road Authority to the Contractor.
- d. Certificate Payables:** Relates to amounts owed to Contractors with respect to road maintenance, rehabilitation and development arising from certified works. When a certificate of work is raised by the contractor, the Road Authority will debit contract payable and credit certificate payable. When the actual payment is done based of the raised certificates, the Road Authority will debit the Certificate Payables and credit RMLF Bank

	Jun-21 Shs'000
Payables	
Exchange Transactions	
Current:	
Due to Contractors	224,015
Other Payables(Accruals & provisions)	-
Total current	224,015

- e. Other Payables:** This relates to other payables to suppliers that is not part of road maintenance, rehabilitation and development. This may be in form of consultancies or normal office supplies relating to the RMLF that is not directly attributed to the road development.
- f. Retention Monies:** This relates to the percentage of the Contract amount that is retained by Road Authorities on every payment certificate raised awaiting the lapse of the defect period.

9. Budget information

Kenya Rural Roads Authority
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The Annual Public Roads Programmed APRP (Original budget) for FY 2020/2021 was approved on 21st august 2020 (Date). Subsequent revisions or additional appropriations were made to the approved budget (APRP) in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget (APRP) by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded additional appropriations of 1.6 billion the FY 2020/2021 budget following the Board approval. The entity's budget is prepared based work plans from the Roads Authorities which is on cash basis. 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. 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.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented.

10. Nature and purpose of reserves

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

11. Changes in accounting policies and estimates

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

12. Related parties

The Entity 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 regarded as related parties and comprise the directors/Trustee, the Fund Managers and Fund Accountant.

Kenya Rural Roads Authority
Annual Financial Statements for Road Maintenance Levy Fund
For the year ended June 30, 2021.

13. Comparative figures

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

14. Events after the reporting period

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

15. Ultimate and Holding Entity

The Authority is a recipient of Road Maintenance Levy Fund established by Kenya Roads Act 2007

16. Currency

The Financial Statements are presented in Kenya Shillings (KShs.).

17. 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.

a) 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.

b) Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

18. Financial risk management

The Fund's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Fund's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Fund 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:

a) 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. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

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

Kenya Rural Roads Authority
Annual Financial Statements for Road Maintenance Levy Fund
For the year ended June 30, 2021.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

Period Ended 30th June 2021

	Fully Performing	Past Due Date but not Impaired	Past Due Date and impaired	Total
Receivables	1,010,000			1,010,000
Cash at Bank	20,827,705			20,827,705
	<u>21,837,705</u>	<u>-</u>	<u>-</u>	<u>21,837,705</u>

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the entity has recognized in the Financial Statements is considered adequate to cover any potentially irrecoverable amounts.

The board of trustees sets the Fund's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

b) Liquidity risk management

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

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

Kenya Rural Roads Authority
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For the year ended June 30, 2021.

Period Ended 30th June 2021

	Less Than 1Month	Between 1-3 Months	Between 3-12 Months	Over One Year
Due to contractors			224,015	
Other Trade Payables	-		-	-
	<u>-</u>	<u>-</u>	<u>224,015</u>	<u>-</u>

c) Capital risk management

The objective of the RMLF's capital risk management is to safeguard the RMLF's ability to continue as a going concern.

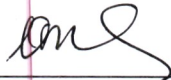
19. Base Year

The fund's financial Statements have been prepared using the FY 2020/2021 as the base year to conform to the reporting requirements by the KRB . Previously the transactions were accounted for in the Authority's main financial statements

Kenya Rural Roads Authority
Annual Financial Statements for Road Maintenance Levy Fund
For the year ended June 30, 2021.

19. PROGRESS ON FOLLOW UP OF AUDITOR'S RECOMENDATIONS

There are no audit issues that were carried forward from FY 2019/20.



CHAIRPERSON

29/09/2021

DATE



DIRECTOR GENERAL

29/09/2021

DATE