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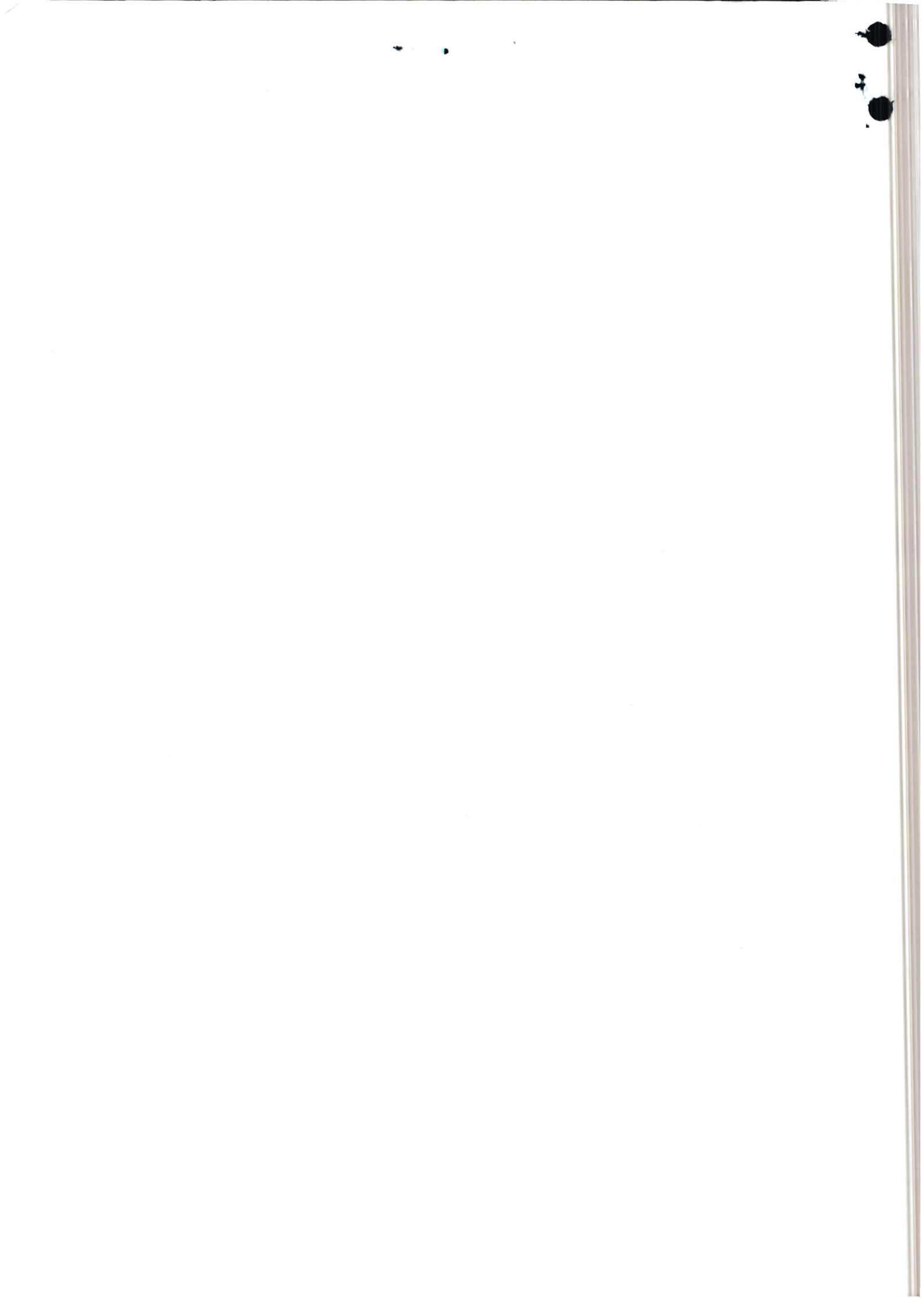
OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
KENYA URBAN ROADS AUTHORITY

FOR THE YEAR ENDED
30 JUNE 2018



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI

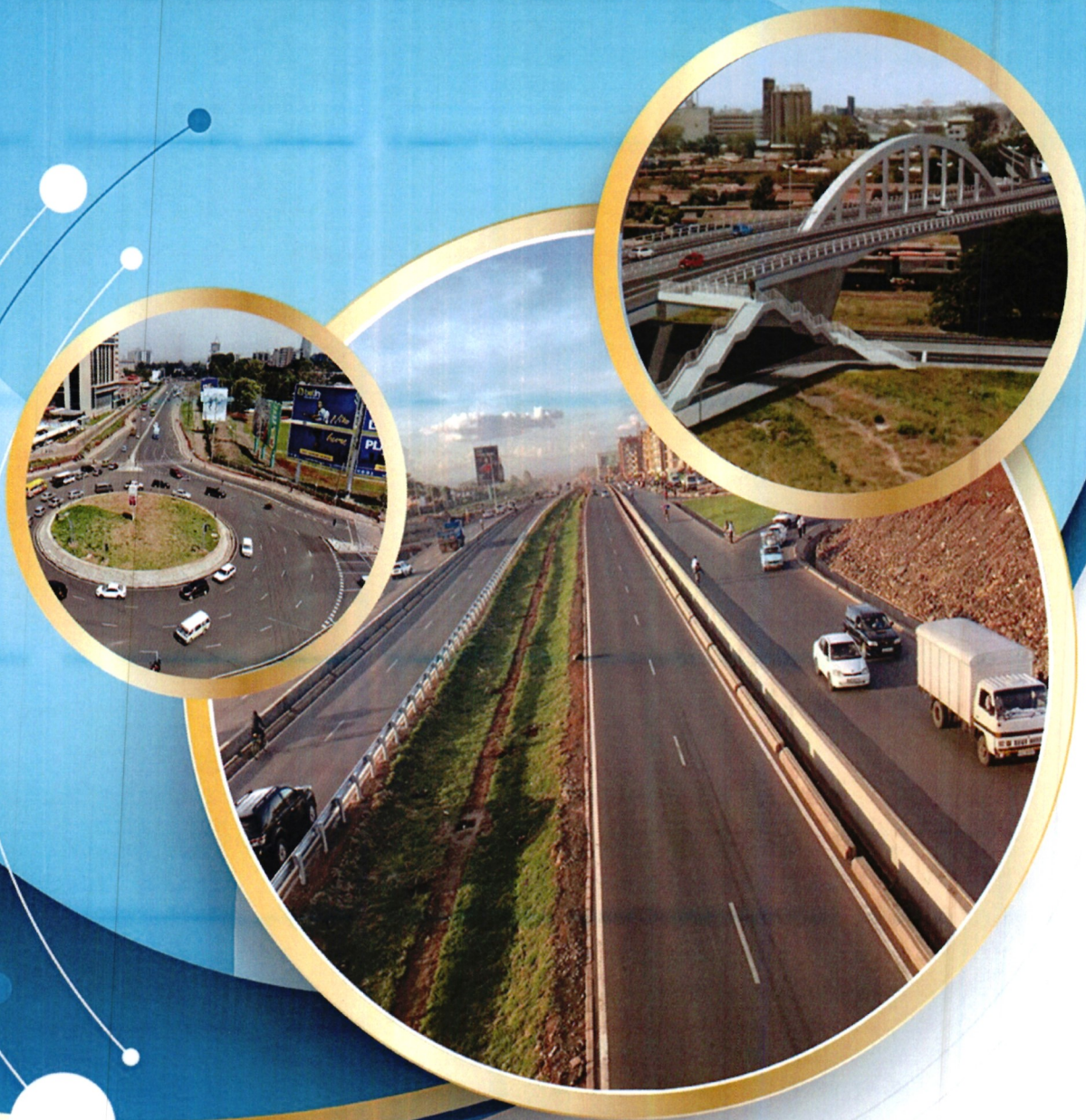
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KENYA URBAN ROADS AUTHORITY



ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2018**

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

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VISION, MISSION AND CORE VALUES



A world class urban road network for sustainable development



To provide and manage quality, safe and adequate urban road network

CORE VALUES

Professionalism

- We are committed to efficient and effective service delivery through peak performance and passion

Commitment

- We are persistently dedicated to effectively meeting stakeholder needs despite hindrances. We are decisive and action oriented.

Integrity

- We promote transparency, accountability, objectivity, social justice and environmental stewardship in our work

Excellence

- The pursuit of excellence establishes a sense of purpose and integrity in all we do.

Equity

- We embrace fairness, diversity and promote inclusiveness in all we do. We are unbiased in how we relate to each other and our stakeholders

Teamwork

- We work together diligently as a team to ensure collective achievement of our common vision and mission and effectively our stakeholder needs

KEY AUTHORITY'S INFORMATION AND MANAGEMENT**(a) Background information**

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

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

(b) Principal activities

As stipulated in the Kenya Roads Act 2007, the Authority is responsible for the management, development, rehabilitation and maintenance of all public roads in the cities and municipalities in Kenya except where those roads are national roads.

(c) Key Management

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

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

(d) Fiduciary Management

The key management personnel who held office during the year ended 30th June 2018 and who had direct fiduciary responsibility were:

- | | |
|---|---|
| 1. Ag. Director General | : Eng. Silas Murira Kinoti |
| 2. Director, Corporate Services | : Wilson K. Chirchir (up to March 2018) |
| 3. Director, Corporate Services | : Reuben Mayienda (from April 2018) |
| 4. Director, Urban Roads Development | : Eng. John Mwicha Mwatu, OGW |
| 5. Ag. Director, Urban Roads Planning & Design | : Eng. Daniel G. Muchiri |
| 6. Ag. Director, Road Asset & Corridor Management | : Eng. Amos Onyango Ombok |
| 7. Ag. Director, Policy, Strategy & Compliance | : Eng. Abdulrashid Mohamed |

(e) Fiduciary Oversight Arrangements

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

(f) Independent Auditor

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

(g) Authority Headquarters

IKM Place, Bishops Road,
5th Avenue Ngong,
Nairobi

(h) Authority Contacts

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

(i) Principal Bankers

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

Branches:

Industrial area, Nyeri, Meru, Garissa, Mvita (Msa), Machakos, Eldoret, Nakuru, Kakamega and Kisumu

2. Co-Operative Bank Of Kenya Ltd,

Upper Hill Branch,
P.O BOX 48231-00100,
Nairobi.

3. National Bank Of Kenya

Hill Branch,
P.O BOX 45219-00100,
Nairobi.

(j) Principal Legal Adviser

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

BOARD OF DIRECTORS

The Board members are drawn from representatives from public and private sector as set out in section 11 of the Kenya Roads Act 2007. The members who held the office during the year under review up to the date of this report were as follows:



Mr. Henry K. Rotich
Cabinet Secretary
The National Treasury

Mr. Henry K. Rotich is the Cabinet Secretary for National Treasury & Planning. Prior to his appointment, he was the Head of Macroeconomics at the Treasury, Ministry of Finance for 7 years. Previously, Mr. Rotich worked at the Central Bank of Kenya for 12 years. He was attached to the International Monetary Fund (IMF) local office in Nairobi as an economist between 2001 -2004. He has been a Director of several Boards of State Corporations including; Insurance Regulatory Board, Industrial Development Bank, Communication Commission of Kenya and Kenya National Bureau of Statistics. Mr. Rotich was born in 1969 and holds a Master's Degree in Public Administration (MPA) from the Harvard Kennedy School, Harvard University. He also holds MA and BA degrees in Economics from the (University of Nairobi).



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

Mr. Joseph Gathua Kiarri has a wealth of experience in the Public Service. His tour of service include 4 years as an Accountant at the Machakos District Treasury, a short stay in the Ministry of Foreign Affairs and Office of the President at the Headquarters. Currently he serves at The National Treasury (Government Investments and Public Enterprises Management for over 18 years. His responsibility include ensuring that approved financing (Loans and Grants) to state owned enterprises is captured in the National budget, preparation of Directorate Statements of accounts and attending to Audit and parliamentary issue with regard to public expenditure, restructuring, financial oversight over state corporations and revenue collection. Born in 1966 Mr Kiarri holds a Bachelor of Commerce degree (Accounting option) from the University of Nairobi. He is the alternate Member to the Principal Secretary at the National Treasury & Planning.



Mr. Julius Korir
Principal Secretary
State Department of
Infrastructure

Mr. Julius Korir is the Principal Secretary, State Department of Infrastructure in the Ministry of Transport, Infrastructure, Housing, Urban Development & Public Works. Prior to his appointment, he served as the Principal Secretary in the Ministry of Health and also as a Principal Secretary State Department of Investment and Industry. He also served as the Industrialization Secretary, in the then Ministry of Industrialization and Enterprise Development from May 2014. Mr. Korir holds a Master in Business Administration (MBA) in International Business and a Bachelor of Science (BSC) in Agricultural Economics. He brings on board a vast experience on Public/Private Partnership (PPP) initiatives and Management of donor funded projects.



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

Eng. James M. Kung'u is currently the Chief Engineer (Roads) in the State Department of Infrastructure. Prior to his appointment as the Chief Engineer he was a Chief Superintending Engineer in the same State Department. He is also an Advisor to the Government through the Principal Secretary on matters related to Road Policy that includes road development and maintenance standards. He has been at the lead in coordinating key infrastructure initiatives under the State Department of Infrastructure key among them include his role as the Project Coordinator/Head of Infrastructure in the Intergovernmental Authority on Development (IGAD) in period between September 2010 and September 2016 amongst others. Born in 1966, Eng. Kungu holds Master of Science in Construction Management and a Bachelor of Science in Civil Engineering. He is the alternate member to the Principal Secretary, State Department of Infrastructure.



Charles T. Sunkuli
Principal Secretary
State Department of
Devolution

Mr. Charles T. Sunkuli, is the Principal Secretary, State Department for Devolution, Ministry of Devolution and ASAL. Previously he served as the Principal Secretary, Ministry of Environment and Forestry. Mr. Sunkuli is an experienced management strategist with a solid background in Administration, Planning, Management and Leadership. Prior to his appointment as a 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 in the period between 2010-2016. He holds two Executive Masters Degrees in Business Administration (EMBA) from Eastern and Southern Africa Management Institute (ESAMI) and Maastricht School of Management (MSM) Netherlands and a Bachelor of Education Degree (B.Ed. Arts) from Moi University



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

Mr. Isaac Nderitu Githui is a Senior Assistant Director currently serving as the Acting Director of Intergovernmental Relations Directorate at the Ministry of Devolution and Planning. Mr. Githui is a proficient administrator having served in various administrative posts in the Country. He has a wealth of knowledge in public administration and strategic management spanning over 24 years. He holds a MBA (Strategic Management), BBA (Accounting and Finance) and is currently undertaking a Doctor of Philosophy (PhD) at the University of Nairobi. He was born in 1961 and is the Alternate Member to the Principal Secretary Ministry of Devolution and ASAL.



Mr. Henry Musemate Murwa
Institute of Surveyors of Kenya

Mr. Henry Musemate Murwa is a seasoned surveyor & consultant with vast experience in Land Survey, Land Administration, Digital Photogrammetry, and Computer aided mapping. Mr. Murwa represents the Institute of Surveyors of Kenya in the Board. Prior to his appointment he was the Ag. Assistant Director of Survey with Geodetic & Computer Services where he also served as the Superintendent Surveyor at Cadastral Branch Headquarters. Born in 1959, Murwa holds a BSc Surveying & Photogrammetry (University of Nairobi) and Postgraduate Diploma in Photogrammetry (Digital Photogrammetry) from the Netherlands. He chairs the Audit Complaisance and Risk Committee.



Mrs Hellen Kithuma Nzaiga
Institute of Planners

Hellen Kithuma Nzaiga is a Registered Physical Planner, a spatial Planner and a Lead EIA/Audit expert. She is also a distinguished Lecturer at the Department of Urban and Regional Planning, University of Nairobi. Hellen represents the Institute of Planners in the Board where she also chairs the Human Resource Committee of the Board. She holds a Postgraduate Diploma, Housing Planning & Building Construction, M.A. (Urban & Regional Planning), B.Ed. (Geography & Economics) Hons. Born in 1956, Hellen has served the Government at different levels garnering extensive management and industry knowledge. She chairs the Human Resource Committee of the board.



Mr. Stephen Robert Brooks
Kenya Association of
Manufacturers (KAM)

Mr. Stephen Robert Brooks is an accomplished businessman in the manufacturing sector. He currently serves as a director at the Kenya Association of Manufacturers (KAM) in-charge of the Infrastructure and Devolution, Licensing and security Committees. Brooks has extensive experience in management and has previously consulted for various prominent firms in the financial sector including Old Mutual-South Africa, Liberty Life and Wills Faber. Born in 1958, Mr. Brooks is the Chair of the Finance and Strategy Committee of the Board.



Mr. Josiah Tarayia Kores)

Mr. Josiah Tarayia Kores is an astute administrator having serviced in various public bodies. Previously he has served as a Councillor and Chairman Olkejuado County Council, President, United Cities and Local Government of Africa (UCLGA), Member of United National Advisory Council on Local Authorities, (UNACLA), Member of the Commonwealth Local Government Forum and Chairman of Kenya Meat Commission. Born in 1970, Mr. Kores holds a Bachelor degree in Development Studies. He chairs the board technical committee



Eng. Silas Kinoti
Ag. Director General
Secretary to the board

Eng. Silas Kinoti is the Ag. Director General of Kenya Urban Roads Authority. He is a Registered Engineer with Engineers Board of Kenya (EBK) & a Corporate Member of The Institution of Engineers of Kenya (IEK). He is a seasoned engineer with vast experience in Management of Urban Roads, particularly Urban Roads Planning and Management, Innovations in Urban Road Management and Financing, Urban Mobility and Non-Motorized Transport Systems and Project Planning & Management. He holds an MBA in Corporate Management, and a Bachelor of Science degree in Civil Engineering, He is also a certified ISO 9001:2008 Lead Auditor and has extensive training on; Corporate Governance and Organizational Development, Strategic Negotiation Skills, Innovations in Road Management and Financing, urban mobility and Non-Motorized Transport Systems, Project Development and Management as well as Public Private Partnership (PPP) Contract Management.



Eng. Silas Murira Kinoti
Ag. Director General – Secretary to the Board
BSc.(Civil Engineering)
Member-IEK



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



Eng. John Mwicha Mwatu, OGW
Director, Urban Roads Development
BSc.(Civil Engineering)
Member-IEK



CPA. Wilson Kipng'eno Chirchir
Former Director, Corporate Services
(up to March 2018)
MBA (Finance), B.Ed.(Science), CPA(K)
Member-ICPAK



Eng. Amos Onyango Ombok
Director, Road Asset & Corridor Management
BSc.(Civil Engineering)
Member-IEK



Eng. Daniel G Muchiri
Ag. Director, Urban Roads Planning & Design
BSc.(Civil Engineering)
Member-IEK



Eng. Abdurashid Mohamed
Ag. Director, Policy, Strategy & Compliance
BSc.(Civil Engineering)
Member-IEK

CHAIRMAN'S STATEMENT



It gives me great pleasure to present to you the annual report and Financial Statements for Kenya Urban Roads Authority for the year ended 30th June 2018. This report is a financial scorecard indicating the Authority's fiscal performance in the period under review. The Authority continues to strive to provide a sustainable urban road network by engaging high standard urban road management practices while embracing innovation and effective resource mobilization to ensure that the urban road network is well managed as envisaged in the Kenya Roads Act 2007.

The Authority continued to implement its mandate as prescribed by the strategic plan and other Sector Policies that will ensure that we have a safe and efficient urban road network. We are glad to report that Innovation and research remains at the heart of our operations, to this end we have launched an Intelligent Traffic System (ITS) to ease management of traffic within our cities. The project is currently being piloted in Nairobi with an intention to roll it out in the entire Country to ease congestion and traffic jams.

The Board continues to adopt and implement strategic measures that enhance good corporate governance and entrench sustainable urban roads management practices into our operations this includes environmental sustainability programs, Feasibility studies for planned projects, development and design of decongestion programs, Stakeholder engagement and safe road use initiatives as well as the development of a risk management framework to mitigate on specific risks that could impair the Authority in discharging of its mandate. Subsequently, the Authority has incorporated an Enterprise Risk Management (ERM) program into its operating procedures to ensure that we are able to identify risks and develop mitigating strategies to counter those risks.

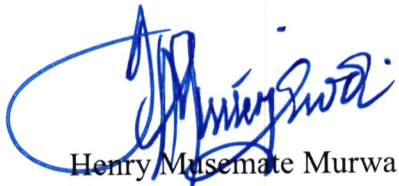
Increasing demand for an adequate and wholesome urban road network, coupled with rapid urbanization has pushed us to reorganize our operations to inject efficiency and effectiveness in the discharge of our mandate. This has led to restructuring of the divisions from five to the current six directorates that have an enhanced portfolio. This is expected to translate into increased productivity and better management of our resources. The realignment will help the Authority to achieve our envisioned plan for both routine and periodic maintenance of the existing road network, construction of interchanges, Intensify existing corridor protection through extension of axle load enforcement to heighten compliance in all towns within the municipalities and construction of the Nairobi viaduct.

The ever increasing demand for a World class urban road network and its attendant infrastructure, the demand for efficient and effective traffic management solutions, inadequate funding, encroachment on road corridor, and staffing gaps are some of the challenges that the Authority continues to struggle with. The board continues to engage with key stakeholders to identify and implement interventions that will help us surmount these challenges.

Moving forward the Board and management have developed a Strategic plan that anchors the Authority's operations on attainment of a World Class urban road network with attendant

infrastructure, optimal management and protection of the road asset and attendant infrastructure, Development and deployment of latest technological solutions in road planning, design and management. Increased interventions focusing on Research and Innovation have been identified as critical component in addressing the urban road maintenance challenges. The board is committed in enhancing institutional capacity and invigorate existing corporate governance measures.

In conclusion I want to extend my appreciation to all our stakeholders who have supported us in our pursuit to provide an adequate and safe urban road network, The Ministry of Transport, Infrastructure, Public works, Housing & Urban Development whose efforts and guidance continue to steer our ship. Allow me to also acknowledge our donors and development partners for their unwavering support. Not to forget the astute leadership of both the board and the management which has continued to fuel the synergy of our team. The board also takes cognizance of the commitment of our sister agencies and other collaborators in facilitating the discharge of our mandate and lastly the dedication of our staff cannot go unmentioned they have tirelessly dedicated themselves to ensure that our flag flies high.



Henry Musemate Murwa

REPRESENTATIVE OF THE BOARD

REPORT OF THE DIRECTOR GENERAL



Roads, among other transport and communication infrastructure, are key enablers on which the three pillars of Economic Blue Print; the Kenya Vision 2030 are founded. The achievement of a world class Urban Road network is one of the main priorities of the Government of Kenya which forms the mandate for the Kenya Urban Roads Authority. These report summaries the activities of the Authority during the financial year ended 30th June 2018 while fulfilling the accountability role bestowed to the Authority under the Kenyan Constitution.

1.1.1 Project Implementation

Over the years the Authority has continued to register an excellent performance on project completion rate registering 100% completion of all the planned projects. During the year under review the Authority launched and commissioned various projects that are set to transform and build the economies of their locality. Notably is the launch of Ngong Road phase one & two, Launch of Eastland's Roads, Launch of Upper Hill phase two, launch of Meru Bypass amongst others. Moving forward we intend to structure our interventions with focus on increasing efficacy of the urban road network and injection of momentum into interventions that will support attainment of the Big Four National Agenda.



Figure 1: A completed section of Ngong Road Phase one in Nairobi county showing traffic separation

Increased urbanization has led the Authority to intensify construction of new roads with a core focus on opening up towns to facilitate rapid urbanization. The Low Volume Sealed Roads (LVSr) Program initiative has been one of the contracting model implemented by the Authority

to fast track rapid urbanization. During the year under review we achieved a total of 16.6 Lane KMs under this program.



Figure 2: Enhancing Socio-economic development: completed section of Outering Road in Nairobi County

1.1.2 Road Safety Measures

In our provision of the urban road network, Road safety continues to be at the heart of our operations and a raft of measures were implemented during the period under review to ensure that our roads remain safe and efficient for all road users, to this end, a total of eleven bridges were constructed. The Authority also continued to fast track provision of road safety amenities and completion of the construction of the Eldoret Children’s park and also intensified behaviour change programs to inculcate safe road use practices through advocacy interventions.



Figure 3: Completed Eldoret Children Park

1.1.3 Traffic Management

The Authority embraced a program to signalize junctions as a strategic measure to solve decongestion and ease traffic flow on the urban road network. The project currently being piloted in Nairobi County has seen us deploy the Intelligent Traffic System (ITS) in Ten (10 No.) junctions. This has inched us closer to attainment of Sustainable Development goal (No. 11) that seeks to create sustainable cities. This cannot be achieved without creation of smart cities. Digitizing traffic management is top on the list of a myriad of government initiatives to creation of sustainable cities.

Besides deployment of the (ITS), the Authority has also set up a Traffic Management Center (TMC) where surveillance and performance of the system is monitored. To ensure efficacy of the system we have conducted extensive capacity building programs on design, implementation and maintenance of the system as well as transport planning and modeling. Further to this the Authority has also obtained four types of modeling software that will facilitate the design of One Hundred and two junctions that are programmed for digitization.



Figure 4: Real time traffic monitoring on Dennis Pritt Junction through the Intelligent Traffic Management System (ITS)

1.1.4 Quality management System

Our operations continue to be guided by the Authority's Strategic Plan, ideals set out in the Constitution of Kenya, 2010, the Kenya Vision 2030, Medium Term Plans and Sector Policies and the attainment of Sustainable Development Goals. The Authority is committed to the quality management system ensuring our processes are in line with the international best practice and are geared towards operational efficiency. During the year, the Authority commenced the process of transitioning from ISO 9001:2008 to ISO 9001:2015 with the certification being achieved in August 2018. This in itself is demonstration of the Authority's ability to consistently provide services that meet customer (public and stakeholders) and regulatory requirements.



Figure 5: Board Members and management conducting an inspection of the Meru Bypasses projects.

1.1.5 Upgrading of county Headquarters Roads

During the year the Authority launched a program to upgrade all County Headquarters Roads. This initiative is tailored to catalyse rapid development of urban centers through provision of efficient urban infrastructure, particularly for roads leading to County headquarters in all the Forty Seven Counties (47 NO.) Further to this the Authority also kicked off the first batch of the Low Volume Sealed Road program that has fourteen projects spread in various parts of the Country. Notably this programme has seen the Authority construct virgin tarmac in the Town of Mokowe in Lamu County which had no tarmacked roads since independence. This is set to spur socio-economic development, attract more investments and inject vibrancy into Lamu County and its environs.



Figure 6: Ongoing construction of Mokowe Township Roads in Lamu County

1.2 Challenges

Delivering an efficient national urban road network has not been devoid of bottlenecks that have impaired our performance. Inadequate funding back dropped by an increased network and an increase in urban infrastructure demand remains a huge challenge in the discharge of the Authority's mandate.

Way forward

Moving forward the Authority intends to cast its operations along Research based development strategies, to bolster the institutional capacity through capacity building and corporate governance strategies to help us match the increasing demand for a world class urban road network that spurs sustainable development.

In a special way I wish to commend sector players and all our stakeholders whose unending support continues to buttress our concerted efforts in providing a quality, safe and adequate urban road network. I applaud the commitment of our Board of Directors, staff and development partners whose unwavering determination has seen the Authority move from stride to stride.



Eng. Silas M. Kinoti
AG. DIRECTOR GENERAL

MANAGEMENT DISCUSSION AND ANALYSIS**1. Operational Performance**

During the year under review, the Authority managed to achieve considerable performance in most of the operational areas exceeding the targets in some areas. Table 1 below summarises the key performance indicators for the Authority and the achievements during the year.

Table 1: Summary of Key performance Indicators

Functional category	Unit of Measure	Target	Actual	Performance
Upgrading/ Construction of New Roads				
Construction of New Roads (Under vision 2030 flagship projects)	Lane Km	37.4	46.66	125%
Construction of New Roads (Priority projects)	Lane Km	72	81.3	113%
Low Volume Sealed Roads (LVSR) Programme	Lane Km	86.4	70	81%
Construction of New Bridges	No	11	11	100%
Construction of Walkways	Km	94.5	109	115%
Signalization of Junctions	%	100	100	100%
Maintenance of Roads				
Periodic Maintenance of Roads	Lane Km	366.67	335.47	91%
Routine Maintenance of Roads	Lane Km	2,535.10	2342.91	92%
Engineering Services				
Design of Roads	Km	40.9	40.9	100%
Design of New Bridges	No	9	9	100%
Automation of Traffic Data Collection	%	100	0	0%
Identification and Preservation of Road Reserves	%	100	100	100%
Roads 2000 Strategy (Jobs Created)	No	1,388	1,010	73%
Monitor and Enforce Axle Load Compliance	%	100	100	100%
Monitoring and Evaluation of Projects	%	100	100	100%
Environmental and Social Impact Assessment (ESIA) Study	%	100	100	100%
Feasibility Studies and preliminary engineering designs for Road Projects	No	8	8	100%
Traffic Surveys	%	100	100	100%
Road Safety	%	100	90	90%
Other areas				
Ease of Doing Business	%	100	0	0%
Project Completion Rate	%	100	100	100%

2. Financial performance

The Authority's operations were facilitated by the funding received from the Government of Kenya, development partners as well as internally generated funds (AIA).

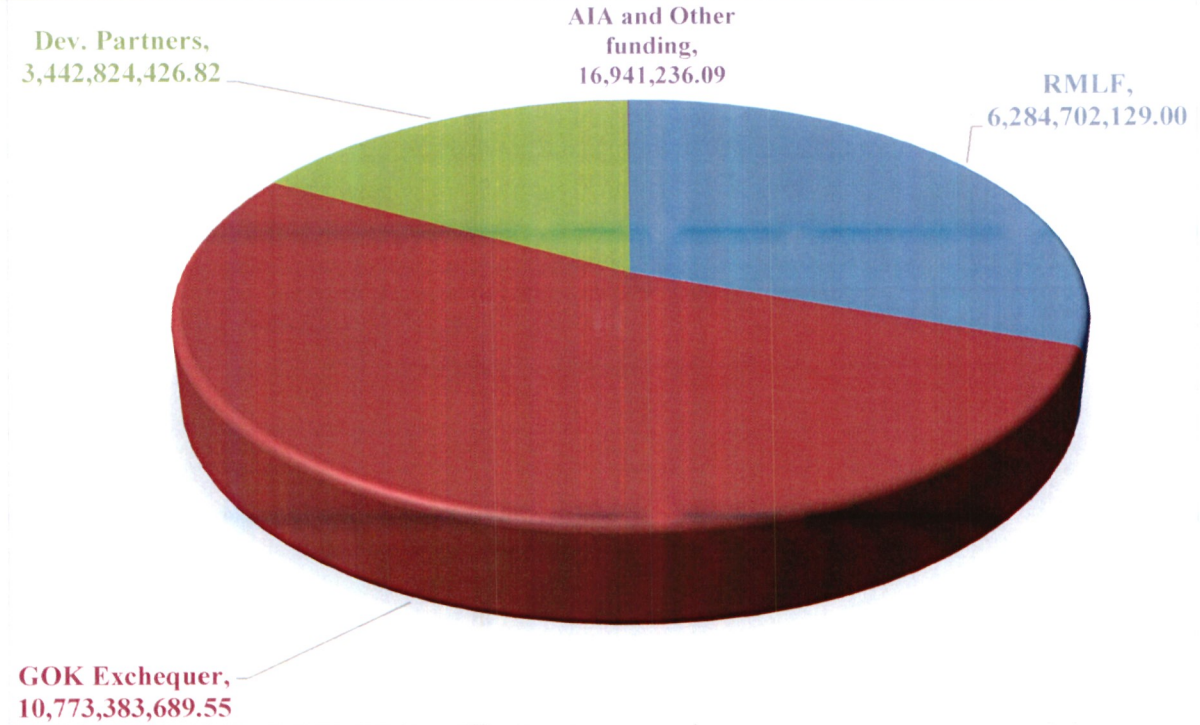


Figure 7: Current year funding

1.2.1 Funding Trend

There have been considerable improvements in the Authority’s funding over the years albeit with increased needs for road maintenance and new construction.

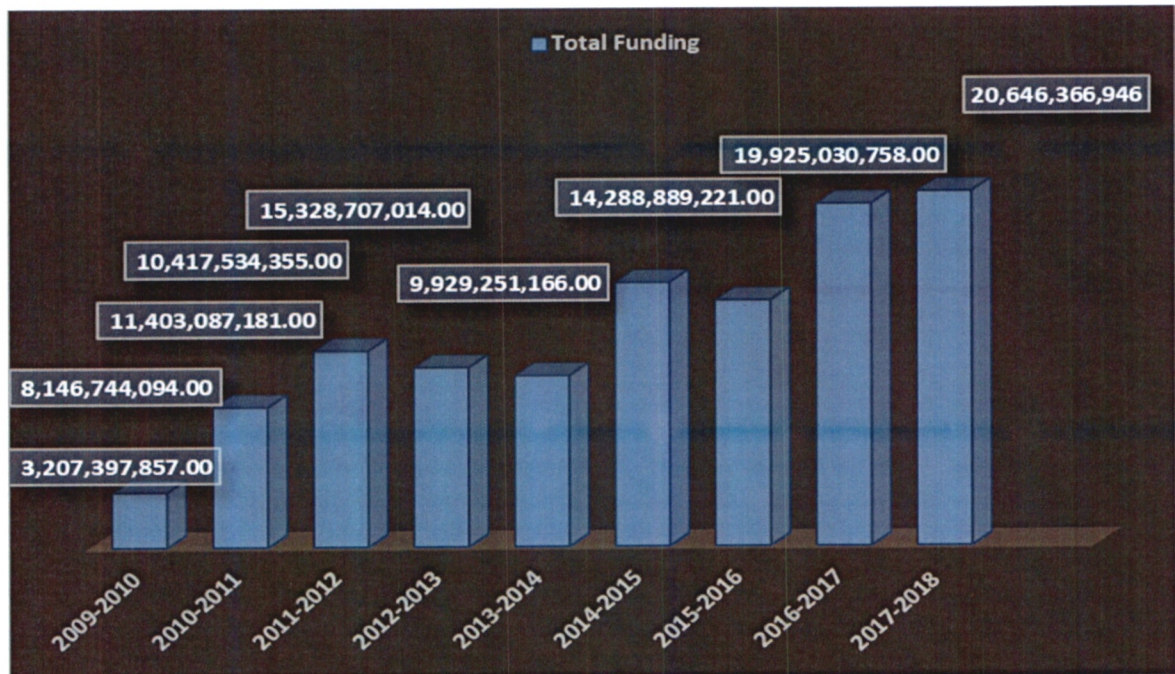


Figure 8: Funding History

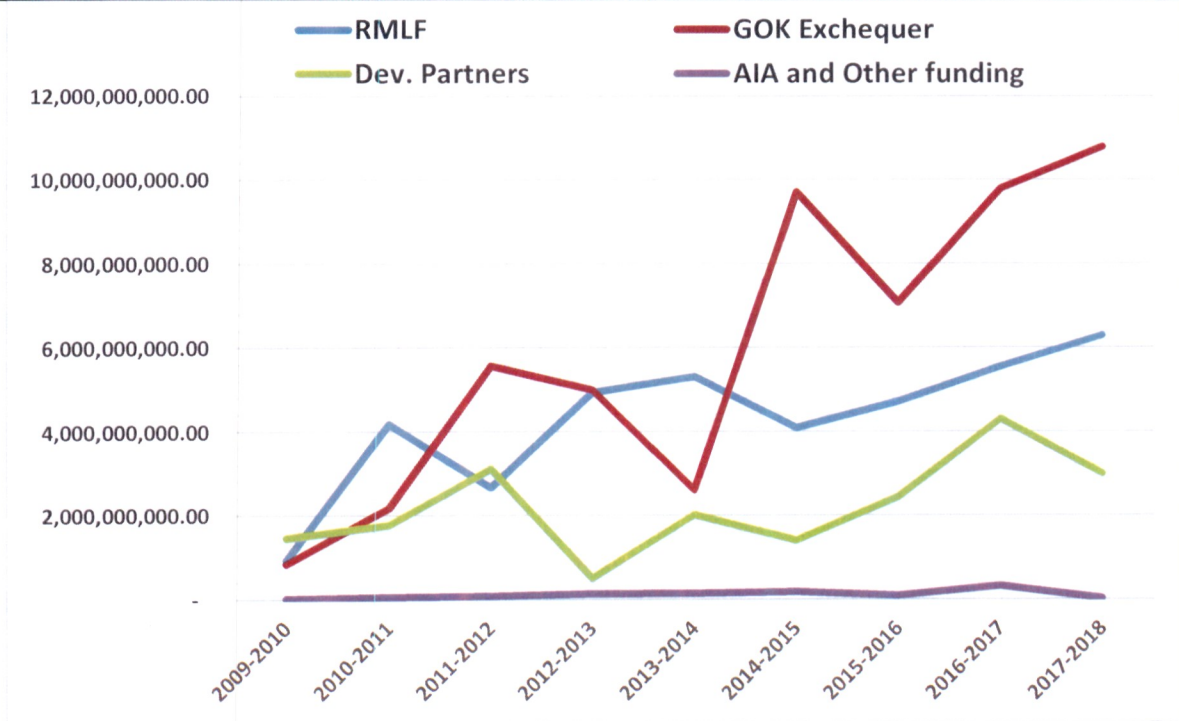


Figure 9: Funding trend

1.2.2 Funding Gap

Even with improved funding over the years, funding requirements both for maintenance of the existing urban road network and construction of new roads far outweighs the funding levels resulting in a wide gap that remains a challenge to the Authority.

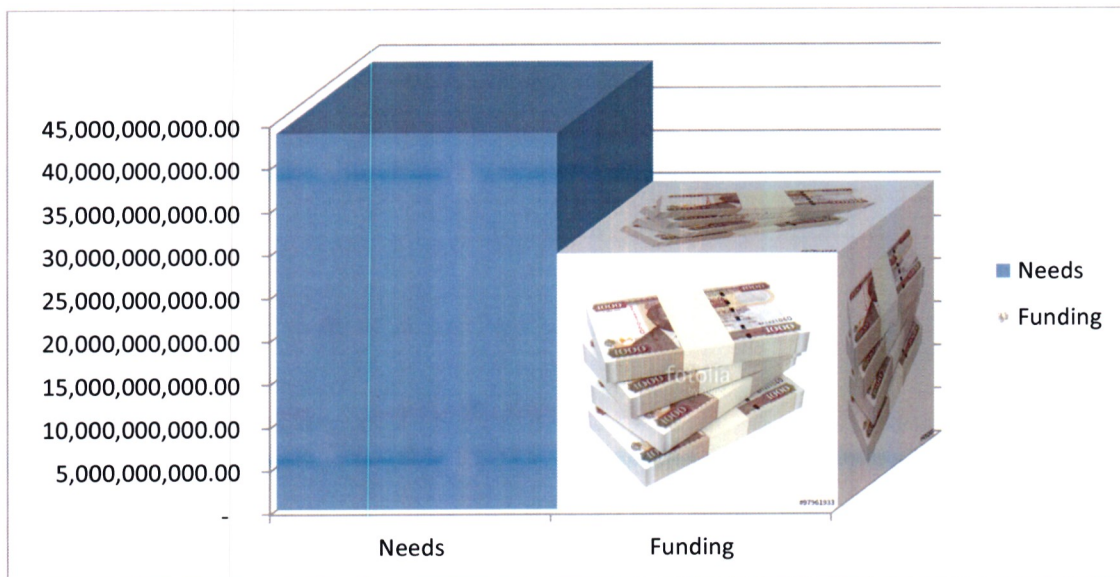


Figure 10: Projected five year road maintenance (RMLF) needs against expected funding

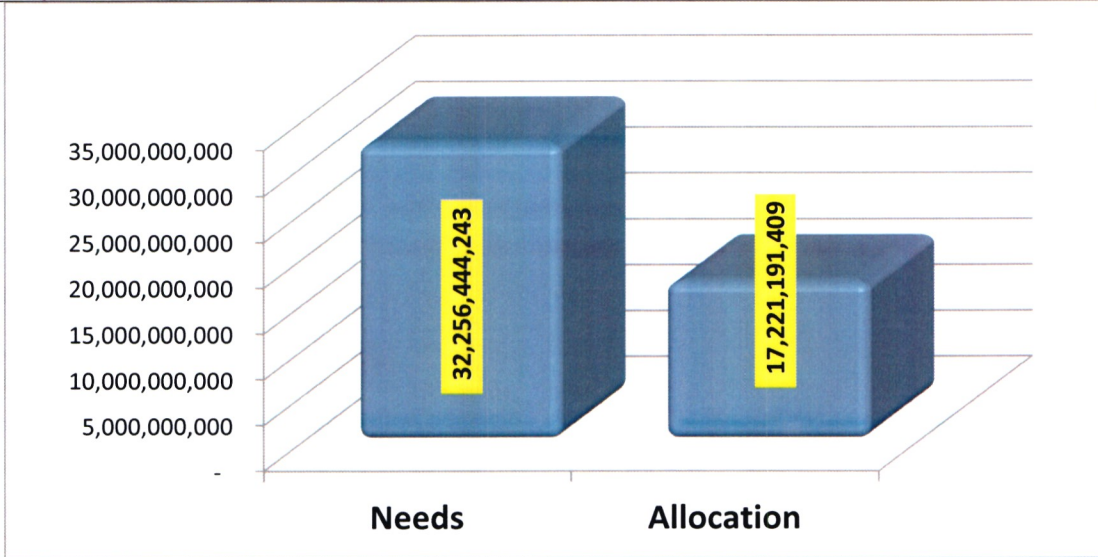


Figure 11: Two year funding gap for development projects

CORPORATE GOVERNANCE STATEMENT

Corporate governance is the process and structure used to direct and manage the business affairs of the Authority towards enhancing prosperity and corporate accounting with the ultimate objective of realizing shareholders' (GoK) long term value while taking into account the interest of other stakeholders. Directors are responsible for the corporate governance practices of the Authority.

a) Organization Structure

The Authority is managed by a Board of Directors under the leadership of a non-executive chairman and eight other members. The Director General is an ex-officio member of the Board. KURA is organized into the Office of the Director General, Six directorates and two stand-alone departments as depicted.



Figure 12: KURA Organisation structure

b) The Board of Directors

The Board recognizes that high standards of Corporate Governance throughout the Authority are essential for the delivery of the strategic objectives. It is recognized that good governance should emanate from the Board but pervade the entire organization, being reflected in its practices, policies and procedures. This statement sets out the main practices in operation during the year under review, and is in line with *Mwongozo* (Code of Governance for State Corporations aligned to the Constitution).

The Board is composed of competent, diverse and qualified members capable of exercising objective and independent judgment. The Board has appropriate autonomy and authority to exercise its functions and is accountable to the appointing Authority and acted responsibly towards stakeholders.

c) Appointment, Composition and Size

The Board of Directors were appointed in line with *Mwongozo* and consists of 8 (Eight) members including The Director General but with no voting rights. The Board consist of 4 (Four) Committees discharging the Authority's Mandate, namely:

- i. Finance & Strategy Committee.
- ii. Audit Committee.
- iii. Human Resource Committee.
- iv. Technical Committee.

d) Board Work Plan and Meetings

The Board work plan and calendar of meetings are annually prepared in advance. Adequate notice is given for each Board meeting and Directors receive detailed papers on issues to be discussed in good time before the meeting. There were a total of 9 board meetings held during the year in addition to board committee meetings. The attendance is tabulated in **Table 2** below

Table 2: Board meeting attendance

Name	Attendance									
	13-Jul-17	30-Aug-17	13-Sep-17	13-Oct-17	30-Nov-17	11-Jan-18	31-Jan-18	11-Apr-18	27-Jun-18	
Mr. Stephen Robert Brooks	✓	✓	✓	✗	✓	✓	✓	✓	✓	
Helen Kithuma Nzainga	✓	✓	✓	✗	✗	✓	✓	✓	✓	
Eng. James Kungu	✗	✓	✓	✓	✓	✓	✓	✓	✗	
Mr. Joseph G. Kiarri	✗	✓	✓	✓	✓	✓	✓	✗	✓	
Mr. Henry M. Murwa	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Mr Isaac Githui	✗	✓	✓	✓	✓	✗	✓	✓	✓	
Mr. Taraiya Ole Kores	✗	✗	✓	✓	✓	✓	✓	✓	✗	

e) Board Manual, Charter and Code of Conduct

During the year, the Board formulated a Manual, a Board Charter and Code of Conduct. These documents serve as reference guides for Directors. They seek to expound and explain to each Board member the collective and individual powers, duties, obligations, responsibilities and liabilities of Directors. They also set out the requirements and standards of good corporate governance necessary to bring the level of standards of corporate governance in the Authority to international best practices.

f) Board Evaluation

During the year, the Board undertook a self-evaluation as required under *Mwongozo* Code of Governance of State Corporations in line with best practices. The issues of the effectiveness of the whole board, individual director assessment and the performance of the Acting Director General/CEO were addressed in the evaluation.

g) Directors' Remuneration

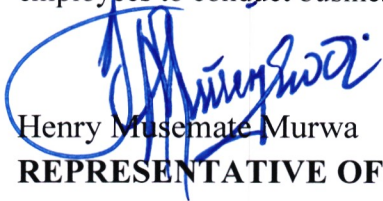
Details of Directors' remuneration are set out in the report in note 12 of the financial year under review. Directors are paid sitting allowance for every meeting attended, lunch allowance (in lieu of lunch being provided), accommodation allowance and mileage reimbursement where applicable, all in line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

h) Internal Controls

The Directors acknowledge their responsibility for the Authority's system of internal financial control, including taking reasonable steps to ensure that the systems are being maintained. Internal control systems are designed to meet the particular needs of the Authority, and the risks to which it is exposed with procedures intended to provide effective internal financial control. However, such a system can only provide reasonable, but not absolute, assurance against material misstatement.

i) Ethical Standards

The Authority has a Code of Conduct for the Board and management staff. The Authority also ascribes to the ethical standards prescribed by the Public Officer Ethics Act. These require all employees to conduct business with integrity.



Henry Musemate Murwa

REPRESENTATIVE OF THE BOARD

CORPORATE SOCIAL RESPONSIBILITY/SUSTAINABILITY REPORT

The Authority conscious of its operating environment and the effect certain factors in this affect its mandate and long term sustainability. As a result various support initiatives are undertaken which are geared towards managing its triple bottom-line namely financial environmental and social and the associated risks, obligations and opportunities.

Staff welfare and capacity building

Organization Staffing Structure is an important human resource management tool that facilitates recruitment, retention, development, training and promotion on the basis of merit, competence and ability. In 2013, the Authority engaged a Consultant to carry out a job evaluation exercise to harmonize existing structures, come up with schemes of service for the Authority and develop guidelines for promotions in order to motivate, attract and retain staff.

The Authority implemented the revised Organization Staffing Structure during the year. The new structure ensures that employees are not only empowered but also motivated and facilitated to contribute effectively to the achievement of the Authority's mandate which is line with the Government's aspiration to deliver a quality urban road network to the citizens of Kenya.

The framework provides a linkage between an employee's performance and career advancement, and adopts a new Job Classification based on complexity of roles and qualifications and competencies required to undertake work at the different levels. It is expected that this initiative will result in a robust, re-energized workforce which will ensure that Authority continuous to deliver high quality services which meet the recommended international standards and meets stakeholders' expectations.

Youth Engagement through "Uwezo Youth program"

During the period under review the Authority undertook several other initiatives aimed at Corporate Social Responsibility and capacity building for staff and stakeholders. One of the main programs for Capacity Building Initiative was dubbed "Uwezo Youth program". The program is designed to impart young unemployed people from marginalized communities with life skills. The program targeted over Four Hundred and Thirty Six (436 No.) youths from socially and economically disadvantaged backgrounds and those affected by projects in the urban set up.



Figure 13: Some of the Graduates of the Kenya Urban Roads Authority Uwezo Youth Program joined by the Ag. Director General Eng. Silas Kinoti when they paid a courtesy call to his office

The authority further partnered with the Architectural Association of Kenya (AAK) in conducting a competition on the design of modern footbridges and Non- Motorized Traffic (NMT) crossings. The competition gave students of Architecture and Engineering from six public institutions an opportunity to gain practical skills in the design of road infrastructure.

Other sustainability Initiatives

The authority undertook a myriad of initiatives geared towards its long term sustainability. These include the following among others;

1. The Authority trained fifty three (53No.) employees in various competencies.
2. Forty six (46No) employees were sensitized on disability mainstreaming and HIV and Aids.
3. Twenty four (24No) staff were counseled and tested in June 2018;
4. Implementation of a local and offsite data backup plan
5. The Authority developed IEC materials to Enhance staff and stakeholders' awareness of national values and principles of governance
6. Reviewed the corruption risk assessment and mitigation plan.
7. Put in place systems and measures to enhance integrity in public procurement
8. Implemented systems and processes that promote high standards of ethical culture through. ISO QMS
9. Creation of 1388 jobs through the Roads 2000 Strategy in the various projects.

Environmental Sustainability

Road works can potentially result in environmental hazard through for instance spillage of carbon products which may contaminate the surrounding land, dust and noise pollution, interference with the natural drainage resulting in soil erosion among others. The Authority purposes to discharge its mandate in a manner that is economically, socially and environmentally sustainable while contributing to the national development long term and short term goals. To this end Environmental Stewardship in management of the urban road Network is key to ensure that environmental hazards are addressed.

The Authority is well aware of the potential effects of construction activities on the environment and has put in place elaborate mitigation measures to ensure environmental sustainability. Table 3 below shows the construction activities and the potential impact on environment.

Table 3: construction activities and the potential impact on environment

Activity	Potential Environmental Effects											
	Land use change	Vegetation Loss	Habitat Degradation	Erosion and Sedimentation	Noise and Vibration	Air pollution	Traffic Conflicts	Chemicals and fuels	Wastes	Public Safety	Public Health	Cultural Heritage
Work site Survey and clearance												
Removal Storage and reuse												
Drainage works												
Establishment and management of the site camps												
Establishment and management of site office and workshops												
Construction equipment and fleet												
Borrow Pit establishment and management												
Production of concrete												
Construction of deviations(side roads)												
Culvert construction or lengthening												
Formation and widening of cuts												
Material haulage												
Placement and compaction of fill and shoulder materials												
Asphalt based pavement works												
Aggregate stockpiling and pre-coating												
Management Hazards and hazardous materials												
Decommissioning of work sites												
Rehabilitation and re-vegetation of all areas												

The potential damages to the environment and the mitigating measures are identified during the planning phase in line with the relevant legislation and government regulations. These are then monitored at every stage of project implementation with interventions as deemed necessary. During the period under review the Authority conducted three Initial Environmental Impact Assessments (IEA), Six Environmental and Social Impact Assessment (ESIA) Studies and continued Environmental monitoring in all our projects. Further to this the Authority sought

strategic partnerships with Nairobi County and Nairobi Club to conduct a tree planting along Ngong Road in an effort to green the environment. A total of Two Thousand Five hundred (2,500 No.) trees were planted during the exercise graced by the Governor of Nairobi County.



Figure 14: KURA Ag. Director General Eng. Silas Kinoti plants a commemorative tree at the Eldoret safety park

The Authority continues to fulfill its mandate taking into account our social, economic and environmental impact, and consideration of human rights all of which remain critical in meeting our broad objective of providing quality, safe and adequate urban road network that satisfies stakeholder needs.

Eng. Silas M. Kinoti
AG. DIRECTOR GENERAL

REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements for the year ended 30th June 2018, in accordance with the provisions of section of the 38 of Kenya Roads Act 2007 which disclose the state of affairs of the Authority.

Principal activities

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

Results

The results for the Authority for the financial year ended 30 June 2018 are set out on page 29.

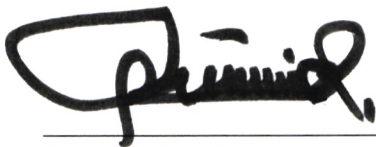
Directors

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

Auditors

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

By order of the board



Eng. Silas Murira Kinoti
Secretary to the Board

26th September 2018

RESPONSIBILITIES

STATEMENT OF DIRECTORS RESPONSIBILITIES

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

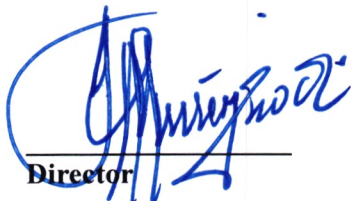
The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on June 30, 2018. This responsibility includes: (i) maintaining adequate 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.

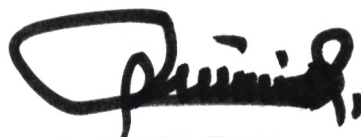
The Directors accept responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required 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, 2018, 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 26th September 2018 and signed on its behalf by:


Director


Ag. Director General

REPORT OF THE AUDITOR GENERAL

To be inserted

REPUBLIC OF KENYA

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



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA URBAN ROADS AUTHORITY FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of set out on pages 29 to 63, which comprise the statement of financial position as at 30 June, 2018, and the statement of financial performance, the statement of changes in net assets, the statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Kenya Urban Roads Authority as at 30 June, 2018 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 Roads Act 2007.

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, 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.

Report of the Auditor-General on the Financial Statements of Kenya Urban Roads Authority for the year ended 30 June 2018

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 governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and 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 control, risk management and governance.

In preparing the financial statements, management is responsible for assessing the ability to continue as a going concern/ sustain services, disclosing, as applicable, matters related to going concern and using the basis of accounting unless the management either intends to liquidate the or to cease operations, or have no realistic alternative but to do so. Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

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

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

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



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

Nairobi

17 June 2019

STATEMENT OF FINANCIAL PERFORMANCE**FOR THE YEAR ENDED 30 JUNE 2018**

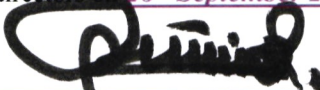
	Note	2017-2018	2016-2017
		Kshs	Kshs Restated
REVENUE			
Revenue from non-exchange transactions			
Road maintenance Levy Fund	6	6,284,702,129	5,546,982,979
Grants from Exchequer and Other Government Agencies	7	485,728,199	596,599,713
Development Partners' Grants	8	-	16,671,968
Penalties and levies	9	16,941,236	25,297,687
Total Revenue from non-exchange transactions		6,787,371,564	6,185,552,347
Revenue from exchange transactions			
Finance income	10	127,920,462	110,514,533
Other income	11	595,003	1,372,332
Total Revenue from exchange transactions		128,515,465	111,886,865
Total Revenue		6,915,887,029	6,297,439,212
EXPENDITURE			
Directors' expenses	12	17,356,690	23,854,645
Employment costs	13	867,609,199	620,591,698
Depreciation and amortization costs	14	90,214,037	44,139,597
Administrative and other operating costs	15	295,298,526	270,158,508
Repairs and maintenance	16	36,471,231	22,401,717
Road rehabilitation and maintenance costs	17	4,302,210,557	4,832,237,857
Total expenditure		5,609,160,241	5,813,384,022
Surplus for the year		1,306,726,788	484,055,190

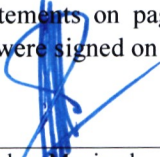
The significant accounting policies on pages and the notes on pages 34 to 63 form an integral part of these financial statements.

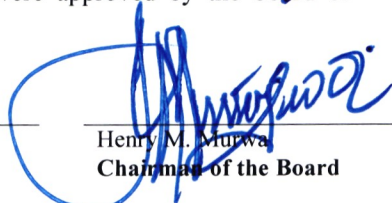
STATEMENT OF FINANCIAL POSITION**AS AT 30 JUNE 2018**

	Note	2017-2018 Kshs	2016-2017 Kshs Restated
ASSETS			
Current assets			
Cash and cash equivalents	18	4,249,493,193	4,565,595,930
Receivables from exchange transactions	19	2,554,138,838	1,740,495,097
Receivables from non-exchange transactions	19	3,229,544,731	239,265,709
Inventories	20	6,971,956	5,638,360
Total Current assets		10,040,148,718	6,550,995,096
Non-current assets			
Property, plant and equipment	21	254,770,330	156,749,800
Infrastructure Work-In-Progress	22	70,799,351,512	58,127,481,092
Intangible assets	23	48,941,252	73,411,878
Total non-current assets		71,103,063,094	58,357,642,770
Total Assets		81,143,211,812	64,908,637,866
LIABILITIES			
Current liabilities			
Payables from exchange transactions	24	2,774,597,133	1,878,024,397
Payables from Non exchange transactions	24	19,998,669	52,872,386
Employee Benefits Obligations	24	27,150,191	24,168,185
Total current liabilities		2,821,745,993	1,955,064,968
Non-current liabilities			
Payables from exchange transactions	24	1,337,808,908	1,047,462,079
Total liabilities		4,159,554,901	3,002,527,047
Net assets		76,983,656,911	61,906,110,819
REPRESENTED BY:			
Capital Reserves		19,652,510	19,652,510
Revaluation Reserve		30,070,037	-
Accumulated surplus		5,598,988,637	4,292,261,849
Road Assets reserve Fund		71,334,945,727	57,594,196,460
Total Nets Assets and Liabilities		76,983,656,911	61,906,110,819

The significant accounting policies and the notes on pages 34 to 63 form an integral part of these financial statements. The financial statements on pages 29 to 63 were approved by the board of directors on 26th September 2018 and were signed on its behalf by:


Eng. Silas Murira Kinoti
Ag Director General


CPA Reuben Mayienda
Director Corporate Services
ICPAK Member No:4941


Henry M. Mutwa
Chairman of the Board

**STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2018**

	Capital Reserve		Accumulated Surplus		Revaluation Reserve		Road Assets reserve Fund		Total	
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
As at 1st July 2016	19,652,510		3,808,206,659		-		43,966,013,415		47,793,872,584	
Surplus for the year	-		484,055,190		-		-		484,055,190	
Grants from Exchequer	-		-		-		9,351,435,607		9,351,435,607	
Grants from Development Partners	-		-		-		4,276,747,438		4,276,747,438	
As at 30th June 2017	19,652,510		4,292,261,849		-		57,594,196,460		61,906,110,819	
As at 1st July 2017	19,652,510		4,292,261,849		-		57,594,196,460		61,906,110,819	
Surplus for the year	-		1,306,726,788		-		-		1,306,726,788	
Revaluation gain	-		-		40,339,387		-		40,339,387	
Transfer of excess depreciation on revaluation	-		-		(10,269,350)		10,269,350		-	
Grants from Exchequer	-		-		-		10,287,655,491		10,287,655,491	
Grants from Development Partners	-		-		-		3,442,824,427		3,442,824,427	
As at 30th June 2018	19,652,510		5,598,988,637		30,070,037		71,334,945,727		76,983,656,911	

The significant accounting policies on pages and the notes on pages 34 to 63 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

	2017-2018 Kshs	2016-2017 Kshs Restated
Cash flows from operating activities		
Surplus for the year	1,306,726,788	484,055,190
<i>Adjustments for:</i>		
Revaluation of Property plant and equipment	40,339,387	-
Depreciation of property, plant and equipment	90,214,037	44,139,597
Interest Income	(127,920,462)	(110,514,533)
Changes in operating assets and liabilities		
Receivables from exchange transactions	(813,643,741)	(1,015,156,093)
Receivables from non exchange transactions	(2,990,279,024)	-
Inventories	(1,333,597)	651,752
Payables from Non-exchange transactions	(32,873,717)	66,368,976
Payables from exchange transactions	1,186,919,566	1,496,223,117
Employee benefit obligation	2,982,005	7,030,636
<i>Net cash from operating activities</i>	<u>(1,338,868,757)</u>	<u>972,798,642</u>
Cash flows from investing activities		
Interest Income	127,920,462	110,514,533
Purchases of Property Plant and equipment	(123,424,552)	(113,751,240)
Proceeds from disposal	-	774,000
Revaluation of assets	(40,339,387)	-
Infrastructure work In progress	(12,671,870,420)	(12,084,200,732)
<i>Net cash used in investing activities</i>	<u>(12,707,713,897)</u>	<u>(12,086,663,439)</u>
Cash flows from Financing activities		
Capital Grant received	13,730,479,917	9,773,035,320
<i>Net cash used from financing activities</i>	<u>13,730,479,917</u>	<u>9,773,035,320</u>
Net increase in cash and cash equivalents	(316,102,737)	(1,340,829,704)
Cash and cash equivalents at start of year	4,565,595,930	5,906,425,634
Cash and cash equivalents at end of year	18 <u>4,249,493,193</u>	<u>4,565,595,930</u>

The significant accounting policies on pages and the notes on pages 34 to 63 form an integral part of these financial statements.

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT

	Original budget		Adjustments		Final budget		Actual on comparable basis		Performance difference	
	2017-2018	2017-2018	2017-2018	2017-2018	2017-2018	2017-2018	2017-2018	2017-2018	2017-2018	Note
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	
REVENUE										
RMLF Funds	5,961,702,128		600,000,000		6,561,702,128		6,284,702,129		276,999,999	26(a)
AIA - Interests and other incomes	40,000,000		-		40,000,000		145,456,701		(105,456,701)	26(b)
GOK exchequer	7,540,940,770		(1,315,230,377)		6,225,710,393		10,773,383,690		(4,547,673,297)	26(c)
Donor funds AIA	5,500,000,000		(1,690,000,000)		3,810,000,000		3,442,824,427		367,175,573	26(d)
Total income	19,042,642,898		(2,405,230,377)		16,637,412,521		20,646,366,946		(4,008,954,425)	
EXPENDITURE										
Property plant and Equipment	75,733,492		-		75,733,492		123,424,552		(47,691,060)	26(e)
Board of Directors Expenses	25,684,000		-		25,684,000		17,356,690		8,327,310	26(f)
Compensation to employees	851,373,418		-		851,373,418		867,609,199		(16,235,781)	26(g)
Depreciation & Amortization Costs	10,448,600		-		10,448,600		90,214,037		(79,765,437)	26(h)
Operating & other Administrative Costs	601,720,490		-		601,720,490		295,298,526		306,421,964	26(i)
Repairs and maintenance	40,000		-		40,000		36,471,231		(36,431,231)	26(j)
Road Rehabilitation & Maintenance Costs	4,436,702,128		600,000,000		5,036,702,128		4,302,210,557		734,491,571	26(l)
Road Infrastructure Assets	13,040,940,770		(3,005,230,377)		10,035,710,393		12,671,870,420		(2,636,160,027)	26(m)
Total expenditure	19,042,642,898		(2,405,230,377)		16,637,412,521		18,404,455,213		869,117,335	
Surplus for the year	-		-		-		2,241,911,733		(4,878,071,760)	
RECONCILIATION										
Surplus as per statement of budget and actual amounts							2,241,911,733			
Add:Purchase of Assets							123,424,552			
Add:Road infrastructure assets							12,671,870,420			
Less: Transfer to Road Assets Reserve							(13,730,479,917)			
Deficit as per statement of financial performance							1,306,726,788			

NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Kenya Urban Roads Authority (KURA) is a State Corporation established under the Kenya Roads Act 2007. The Authority is headed by a Board of Directors led by a chairman with the Director General being the Chief Executive. At cabinet level, Kenya Urban Roads Authority is represented by the Cabinet Secretary for the Ministry of Transport, Infrastructure, Housing and Urban Development, who is responsible for the general policy and strategic direction of the Authority. The Authority is responsible for the management, development, rehabilitation and maintenance of all public roads in the cities and municipalities in Kenya except where those roads are national roads.

2. Statement of compliance

The Financial Statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) issued by International Public Sector Accounting Standards Board (IPSASB), the Public Financial Management Act, 2012, Public Audit Act, 2015 and Kenya Roads Act 2007.

3. Adoption of new and revised Standards

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

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2018

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

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

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2018

Standard	Effective date and impact:
IPSAS 39: Employee Benefits	Applicable: 1st January 2018 The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019: The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non-exchange transactions which are covered purely under Public Sector combinations as amalgamations.

4. Summary of significant Accounting Policies

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

(a) Basis of Preparation

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

(b) Presentation of Financial Statements

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

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

The disclosure on risks are presented in the financial risk management objectives and policies contained in note 24.

(c) Budget Information

The original budget for FY 2017-2018 was approved by the National Assembly on 8th June 2017. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities.

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

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

(d) Taxation

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

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

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

(e) Translation of foreign currencies

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

(f) Revenue recognition

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

revenue is for specified purposes including maintenance, rehabilitation and development of the urban road network in Kenya.

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

i) Road Maintenance Levy Fund

Receipts from the Road Maintenance Levy Fund comprise of 10% of collections from the Road Maintenance Levy Fund administered by the Kenya Roads Board in accordance with the Kenya Roads Board act 1999.

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

ii) Transfers from Government and other entities

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

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

iii) Interest Income

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

iv) Fees, Penalties and Other income

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

(g) Financial Instruments

(i) Financial assets

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

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Authority provides money or services directly to

a debtor with no intention of trading the receivable. Receivables mainly arise from non-exchange transactions which accrue in the ordinary course of business and there is no intention of trading the receivable.

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

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

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

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

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

(ii) Financial Liabilities

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

Payables

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

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

(h) Provisions

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

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

Contingent Liabilities

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

Contingent assets

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

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

(i) Operating leases

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

(j) Provision for liabilities and charges

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

(k) Property, plant and equipment

All categories of property, plant and equipment are initially recognized at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Cost includes

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

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

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

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

	Rate - %
Buildings Partitions	12.5%
Computer Equipment and software	33.3%
Furniture and Fittings	12.5%
Office Equipment	12.5%
Motor Vehicles	25.0%
Road Work In Progress	Nil

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

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

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

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

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

Like other assets, all specialized public service assets provide either service potential or future economic benefit. Service potential is a measure of the capacity of an asset to provide services or benefits to those that use that asset. Future economic benefit is a measure of the capacity of an

asset to provide monetary benefits to those that hold or own that asset. Currently the Authority classifies these assets as capital work in progress

(m) Construction contracts

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

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

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

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

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

(n) Impairment of Non-Financial Assets

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

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

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

reversal of an impairment loss is credited to the Statement of Financial Performance in the year reversals are recognized.

(o) Inventories

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

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

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

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

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

(p) Cash and Cash Equivalents

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

(q) Nature and purpose of reserves

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

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

- i. **Road projects reserve funds** which relates to cumulative exchequer and development partners' funds received for development projects which currently stands. This represents the Authority's Investment in Road works to 30 June 2018.
- ii. **Capital reserves** relates to assets (Motor vehicles) donated to the Authority by KTTSP Project as part of capacity building.

iii. **Accumulated surplus** relates to accounting surplus which accrues from unutilised funds, interest income and other miscellaneous income and is available for future utilisation by the Authority.

(r) Changes in accounting policies and estimates

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

(s) Employee Benefits

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

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

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

(t) Comparatives

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

(u) Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2018.

5. Critical Accounting Estimates, Judgements and Assumptions

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision

affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

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

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

(b) Critical Accounting Estimates and Assumptions

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

(i) Contingent Liabilities

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

(ii) Provision for Doubtful Debts

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

(iii) Other Provisions

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

(iv) Impairment Losses

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

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

is increased to the revised estimate of its recoverable amount. A reversal of an impairment loss is recognized as income immediately.

6. Road Maintenance Levy Fund (RMLF)

	2017-2018 Kshs	2016-2017 Kshs Restated
Road Maintenance Levy Fund (15%)	5,361,702,129	5,241,382,979
Road Maintenance Levy Fund(10% Special Allocation)	923,000,000	305,600,000
Total Road Maintenance Levy Fund	6,284,702,129	5,546,982,979

7. GOK (Exchequer) and Other Government Agencies

Decongestion and GES Programmes	485,728,199	421,599,713
Nairobi City County	-	175,000,000
Development Funds	10,287,655,491	9,351,435,607
Total	10,773,383,690	9,948,035,320
Transfer to Road Assets Reserve	(10,287,655,491)	(9,351,435,607)
Total Revenue	485,728,199	596,599,713

8. Development Partners Grants

African Development Bank (AfDB)	2,154,671,655	2,724,112,862
Japanese International Cooperation Agency(JICA)	452,419,000	475,752,300
World Bank-NUTRIP Programme	418,721,827	392,996,490
European Union	417,011,945	700,557,754
Total Funds	3,442,824,427	4,293,419,406
Transfer to Road Assets Reserve	(3,442,824,427)	(4,276,747,438)
Total Revenue	-	16,671,968

9. Licences, Penalties and Levies

Donated Vehicles (NCIP)	2,563,612	2,563,612
Liquidated Damages	9,267,624	19,914,075
Road cutting fees	5,110,000	2,820,000
Total	16,941,236	25,297,687

10. Finance Income

Interest on bank deposits	127,920,462	110,514,533
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	2017-2018	2016-2017
	Kshs	Kshs
		Restated
11. Other Income from Exchange Transactions		
Tender sales	595,003	143,000
Other Income	-	637,832
Gain on disposal of property plant and equipmnet	-	591,500
Total Other Income	595,003	1,372,332
12. Directors' Expenses		
Directors' Emoluments	5,272,499	6,720,800
Training and Development	7,086,989	8,749,345
Travelling and other field costs	4,997,202	8,384,500
Total directors' expenses	17,356,690	23,854,645
13. Employment Costs		
Salaries and wages	686,486,743	476,462,467
Pension and Garatuity costs	72,426,811	36,831,514
Medical and Insurance	67,099,192	69,926,476
Training and Development	40,496,732	35,618,265
Other Staff Welfare costs	1,099,721	1,752,975
Total employment costs	867,609,199	620,591,698
14. Depreciation and amortisation costs		
Depreciation on Property Plant and Equipment	65,743,411	44,139,597
Armotisation of Intangible Assets	24,470,626	
	90,214,037	44,139,597

	2017-2018	2016-2017
	Kshs	Kshs
		Restated
15. Operating and other administrative costs		
Audit fees	2,900,000	2,900,000
Consulting fees	9,955,260	19,521,103
Conference and seminars	19,593,055	27,113,651
Communication costs	14,474,994	5,766,556
Vehicle running expenses	24,033,566	7,410,232
Printing and stationery	11,548,053	26,523,182
Occupancy costs	73,762,316	59,001,464
Travelling and subsistence	92,561,533	92,127,583
Advertising , publicity and CSR activities	18,273,083	14,932,796
Bank charges and commissions	1,669,132	1,170,155
Other office running costs	26,527,533	13,691,784
Total Operating & other Administrat costs	295,298,526	270,158,508
16. Repairs and maintenance		
Equipment and Machinery	8,530,568	5,623,666
Motor vehicles	13,731,861	13,674,542
Computer and accessories	14,208,803	3,103,509
Total Repairs and Maintenance Costs	36,471,231	22,401,717
17. Road Maintenance and Rehabilitation Costs		
Routine maintenance	1,946,363,306	2,439,001,768
Periodic maintenance	1,687,455,666	1,669,166,334
Bridging programme (Ngare Narok River)	-	42,387,199
Decongestion programme	485,728,199	350,051,576
GES Programme Roads	-	71,548,137
Nairobi City County Roads	39,437,232	102,089,581
Consultancy, Planning, Feasibility ESIA Costs	82,730,038	76,728,446
Road Safety and Children's Traffic Parks Costs	11,503,933	28,617,334
Road Furniture and Road Marking	7,355,021	13,299,369
Traffic census and forward planning	21,132,651	19,852,334
Axle load control costs	13,744,736	6,727,725
Road reserve mapping and control costs	1,965,733	2,707,634
Emergency road works	44,200	3,614,363
Design inhouse	1,426,514	1,423,165
Special Programmes and environmental awareness costs	3,323,329	5,022,892
Total road maintenance and Rehabilitation expenses	4,302,210,557	4,832,237,857

	2017-2018	2016-2017
	Kshs	Kshs
		Restated
18. Cash and cash equivalents		
Current accounts	4,049,242,634	4,565,381,800
Staff Mortgage	200,000,000	100,000
Cash in hand	250,559	114,130
	<u>4,249,493,193</u>	<u>4,565,595,930</u>

The cash in hand and at bank is held with the following approved commercial banks in Kenya.

KCB Bank Limited	2,886,682,043	3,353,266,787
National Bank of Kenya	94,222,496	110,931,238
Co-operative Bank of Kenya	1,268,338,094	1,101,283,775
Cash in Hand	250,559	114,130
Total	<u>4,249,493,193</u>	<u>4,565,595,930</u>

19. Receivables

a) Receivables From Exchange Transactions

Contractor advances	<u>2,554,138,838</u>	<u>1,740,495,097</u>
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b) Receivables From Non-Exchange Transactions

Staff Debtors	3,545,942	10,694,127
Grants Receivable-Development Funds	1,762,752,369	-
Grants Receivable-RMLF	1,460,601,459	225,926,620
Deposits and other prepayments	<u>2,644,962</u>	<u>2,644,962</u>
Total Receivables From Non-Exchange Transactions	<u>3,229,544,731</u>	<u>239,265,709</u>
Total receivables	<u>5,783,683,570</u>	<u>1,979,760,806</u>

Receivables constitute short term liquid assets which are recoverable within one year. Contract advances represent funds provided to the contractors and are recoverable in accordance with the contract terms. Grants receivables represent development grants due from the National Government. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Authority does not hold any collateral as security. The aged analysis of receivables is as follows:

	0-3 Months	3-12 Months	Over 12 Months	Total
	Ksh	Ksh	Ksh	Ksh
Contractor advances	-	2,554,138,838	-	2,554,138,838
Staff Debtors	3,545,942	-	-	3,545,942
Grants Receivable	3,223,353,828	-	-	3,223,353,828
Deposits & Other Prepayments	<u>2,644,962</u>	-	-	<u>2,644,962</u>
Total	<u>3,229,544,731</u>	<u>2,554,138,838</u>	<u>-</u>	<u>5,783,683,570</u>

	2017-2018	2016-2017
	Kshs	Kshs
20. Inventories		
Consumable supplies	<u>6,971,956</u>	<u>5,638,360</u>

Inventories comprise of consumable supplies for office use. In the opinion of the directors the carrying amounts of the inventories approximate to their fair value.

21. Property Plant and equipment Year ended 30th June 2018

Cost/ Valuation	Furniture and Fittings	Computers and Technical Equipment	Motor Vehicles	Total
	Kshs	Kshs	Kshs	Kshs
As at 1st July 2017	152,891,850	312,457,464	227,219,569	692,568,883
Transfer to intangible assets	-	(156,338,767)	-	(156,338,767)
Accumulated depreciation	(72,497,175)	(127,573,006)	(179,410,133)	(379,480,314)
Net book value	80,394,675	28,545,691	47,809,436	156,749,802
Gain on revaluation	257,914	2,600,909	37,480,564	40,339,387
As revalued	80,652,589	31,146,600	85,290,000	197,089,189
Additions during the year	71,749,089	25,062,863	26,612,601	123,424,552
As at 30 June 2018	152,401,677	56,209,463	111,902,601	320,513,741
Depreciation				
As at 1st July 2017	72,497,175	210,499,896	179,410,133	462,407,204
Transfer to intangible assets	-	(82,926,889)	-	(82,926,889)
On revaluation	(72,497,175)	(127,573,006)	(179,410,133)	(379,480,314)
As restated	-	-	-	-
Charge for the Year	19,050,210	18,717,551	27,975,650	65,743,411
As at 30 June 2018	19,050,210	18,717,551	27,975,650	65,743,411
Net Book Value				
As at 30 June 2018	133,351,467	37,491,912	83,926,951	254,770,330

Property plant and equipment was revalued on 1st July 2017 by professional valuers.

Year ended 30th June 2017 (Restated)

Cost/ Valuation	Furniture and Fittings	Computers and Technical Equipment	Motor Vehicle	Total
	Kshs	Kshs	Kshs	Kshs
As at 1st July 2016	132,250,771	237,796,573	209,500,299	579,547,643
Additions during the year	20,641,079	74,660,891	18,449,270	113,751,240
	-	-	(730,000)	(730,000)
As at 30 June 2017	152,891,850	312,457,464	227,219,569	692,568,883
	-	-	-	-
Depreciation	-	-	-	-
As at 1st July 2016	58,692,532	192,969,273	166,605,802	418,267,607
Charge for the Year	13,804,643	17,530,623	12,804,331	44,139,597
As at 30 June 2017	72,497,175	210,499,896	179,410,133	462,407,204
Net Book Value				
As at 30 June 2017	80,394,675	101,957,568	47,809,436	230,161,679

	2017-2018	2016-2017
	Kshs	Kshs
		Restated
22. Infrastructure Work In Progress		
As at 1st July	58,127,481,092	42,267,287,510
Additions during the year	12,671,870,420	15,860,193,582
As at 30 June	<u>70,799,351,512</u>	<u>58,127,481,092</u>
23. Intangible Assets		
	Computer software	
	2017-2018	2016-2017
	Ksh	Ksh
Cost/ Valuation		
As at start of the year	156,338,767	-
Transfer from Property Plant and Equipment	-	156,338,767
As restated	<u>156,338,767</u>	<u>156,338,767</u>
As at end of the year	<u>156,338,767</u>	<u>156,338,767</u>
Depreciation		
As at start of the year	82,926,889	-
Transfer from Property Plant and Equipment	-	82,926,889
As restated	<u>82,926,889</u>	<u>82,926,889</u>
Charge for the year	24,470,626	-
As at end of the year	<u>107,397,515</u>	<u>82,926,889</u>
Net Book Value		
As at 30 June	<u>48,941,252</u>	<u>73,411,878</u>
24. Payables		
a) Payables from Exchange Transactions		
Current		
Due to Suppliers and Contractors	2,754,159,633	1,862,246,897
Refundable Deposits	20,437,500	15,777,500
	<u>2,774,597,133</u>	<u>1,878,024,397</u>
Non Current		
Contract Retention	1,337,808,908	1,047,462,079
Total Payables from Exchange Transactions	<u>4,112,406,042</u>	<u>2,925,486,476</u>

	2017-2018 Kshs	2016-2017 Kshs Restated
b) Payables from Non-Exchange Transactions		
Taxes payable	16,847,739	47,035,065
Other Payables	587,318	710,097
Deferred Income Liability	2,563,612	5,127,224
Total Payables from Non-Exchange Transactions	19,998,669	52,872,386
c) Employee Benefits Obligations		
Staff gratuity	25,568,583	22,746,545
Other Staff statutory obligations	1,581,608	1,421,641
Total Employee Benefits Obligations	27,150,191	24,168,185
Total Payables	4,159,554,901	3,002,527,047

25. Financial risk management objectives and policies

The Authority has an integrated risk management framework/ strategy. The Authority's approach to risk management is based on risk governance structures, risk management policies, risk identification, measurement, monitoring and reporting. The risk management policies and systems are reviewed regularly to ensure they are in tandem with the micro and macro environment, regulatory guidelines, industry practice, market conditions as well as the services offered.

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

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

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

(iii) **Business continuity risks** are those events, hazards, variances and opportunities which could influence the continuity of the entity.

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

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

The financial management objectives and policies are as outlined below:

a) Liquidity Risk

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

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

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

- i) Projecting cash flows and considering the cash required and optimizing the short term requirements as well as the long term funding, maintaining balance sheet liquidity ratios,
 - ii) Maintaining/soliciting for a diverse range of funding sources with adequate back up facilities,
- The Authority has an established corporate governance structure and process of managing risks regarding guarantees and contingent liabilities.

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

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

Year Ended 30 June 2018

	Less Than 1 Month Ksh 000'	Between 1-3 Months Ksh 000'	Between 3-12 Months Ksh 000'	Over One Year Ksh 000'
Due to Suppliers and Contractors	-	-	2,754,159,633	-
Refundable Deposits	-	-	20,437,500	-
Contract Retention	-	-	16,830	1,337,808,908
Tax payable	16,847,739	-	-	-
Other Payables	587,318	-	-	-
Employee Benefits obligations	27,150,191	-	-	-
Total	44,585,248	-	2,774,597,133	1,337,808,908

Year Ended 30 June 2017

	Less Than 1 Month Ksh 000'	Between 1-3 Months Ksh 000'	Between 3-12 Months Ksh 000'	Over One Year Ksh 000'
Due to Suppliers and Contractors	-	-	1,862,246,897	-
Refundable Deposits	-	-	15,777,500	-
Contract Retention	-	-	-	1,047,462,079
Tax payable	47,035,065	-	-	-
Other Payables	5,837,321	-	-	-
Employee Benefits obligations	24,168,185	-	-	-
Total	77,040,571	-	1,878,024,397	1,047,462,079

b) Market Risk

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

(i) Currency Risk

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

(ii) Price Risk

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

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

(iii) Interest Rate Risk

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

c) Credit Risk

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

Year Ended 30 June 2018

	Fully Performing	Past Due But Not impaired	Past due and Impaired	Total
	Ksh 000'	Ksh 000'	Ksh 000'	Ksh 000'
Contractor advances	2,554,138,838			2,554,138,838
Staff Debtors	3,545,942	-	-	3,545,942
Grants Receivable	3,223,353,828	-	-	3,223,353,828
Deposits & Other Prepayments	2,644,962			2,644,962
Cash at Bank	4,249,493,193	-	-	4,249,493,193
Gross Financial Assets	10,033,176,762	-	-	10,033,176,762

Year Ended 30 June 2017

	Fully Performing	Past Due But Not impaired	Past due and Impaired	Total
	Ksh 000'	Ksh 000'	Ksh 000'	Ksh 000'
Contractor advances	1,740,495,097	-	-	1,740,495,097
Staff Debtors	10,694,127	-	-	10,694,127
Grants Receivable	225,926,620	-	-	225,926,620
Deposits & Other Prepayments	2,644,962	-	-	2,644,962
Cash at Bank	4,565,595,930	-	-	4,565,595,930
Gross Financial Assets	6,545,356,737	-	-	6,545,356,737

c) Operational Risk

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

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

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

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

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

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

d) Compliance and Regulatory Risk

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

e) Legal Risk

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

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

26. Explanation for budget variances

The original budget for FY 2017-2018 was approved by the National Assembly on 8th June 2017. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. Significant budget variances are explained below.

Budget Item	Budget Performance	Explanation for variance
REVENUE		
a) RMLF Funds	-4%	All funds received as budgeted
b) AIA - Interests and other incomes	257%	Additional interest from increased retention funds
c) GOK exchequer	73%	Funds for 2016/2017 received and accounted for in current financial year
d) Donor funds AIA	-22%	Low absorption of funds attributed to slow progress caused by prolonged rains
EXPENDITURE		
e) Property plant and Equipment	-17%	Reduced budget allocation
g) Board of Directors Expenses	-32%	Delayed reconstitution of the board
h) Compensation to employees	0%	No significant variance
i) Depreciation & Amortization Costs	379%	Revaluation of assets during the year
j) Operating & other Administrative Costs	-49%	Enhanced budgetary controls following reduced budgetary allocations
k) Repairs and maintenance	-9%	Software maintenance licences following completion of implementation period
l) Road Rehabilitation & Maintenance Costs	-1%	No significant variance
m) Road Infrastructure Assets	-38%	Reduced budget allocation

27. Reclassification of prior year amounts

Certain prior year items have been reclassified for consistency with the current year presentation in compliance with the financial statements template issued by Public Sector Accounting Standards Board and the requirements of IPSAS 1. These reclassifications had no effect on the reported results and cash flows for the year ended 30 June 2017.

The details of the reclassified items, the nature of classification and the amounts are disclosed below.

Item	Prior year note	Amount	Nature of reclassification	Current year note
Donor Revenue (AFDB)	6	16,671,968	Reclassified from government grants to Development partners grants	8
Other income	7	637,832	Reclassified from licenses penalties and levies to other income	11
Interest Income	8	110,514,533	Reclassified from Income from exchange transactions to Finance income	10
Sale of tender	8	143,000	Reclassified from Income from exchange transactions to other income	11
Staff Pension	10	31,468,170	Consolidated into Pension and gratuity expenses under employment costs	13
Staff Gratuity	10	4,687,944		
NSSF employers contribution	10	675,400		
Staff Medical-in patient	10	56,978,811	Consolidated into staff medical and insurance expenses under employment costs	13
Staff group personal accident	10	12,947,665		
Staff training	10	35,449,415	Consolidated into training and development under employment costs	13
Director of Industrial training	10	168,850		
Staff welfare	12	840,469	Increased by Ksh 912,506 for professional membership subscriptions initially under bank charges	13
Audit fees	14	2,900,000	Reclassified to administrative and other operating expenses	15
Consulting expenses	12	19,521,103	Initially included in other office running costs under admin and operating costs now separated.	15
Professional subscriptions	12	912,506	Initially disclosed under bank charges and subscriptions now reclassified to staff welfare	13

Item	Prior year note	Amount	Nature of reclassification	Current year note
			under employment costs	
Contract advance	16	1,740,495,097	Reclassified from receivable from non-exchange transactions to receivable from exchange transactions	19
Due to suppliers and contractors	18	1,862,246,897	Reclassified from payable from non-exchange transactions to payable from exchange transactions	24
Refundable deposits	18	15,777,500	Reclassified from payable from non-exchange transactions to payable from exchange transactions	24
Retention	18	1,047,462,079	Reclassified from payable from non-exchange transactions to payable from exchange transactions	24
Staff statutory obligations	18	11,804,752	Reclassified from payable from non-exchange transactions to employee benefits obligation	24
Differed income liability	19	5,127,224	Reclassified from deferred income liability to payables from non-exchange transactions	24
Infrastructure work in progress	20	58,127,481,092	Reclassified from property plant and equipment to Infrastructure work in progress	22
Computer Software	20	82,926,889	Reclassified from property plant and equipment to Intangible assets	23
Software Maintenance	12	3,103,509	Initially included in other office running costs under admin and operating costs now reclassified to repairs and maintenance	16
Office repairs & maintenance	12	3,373,990		
Equipment repairs & maintenance	12	2,249,677		
Vehicle Service and Maintenance	12	13,674,542		

28. Related Parties Balances and Transactions

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

	2017-2018	2016-2017
	Kshs	Kshs
		Restated
(a) Related party transactions		
The following transactions were carried out with related parties during the year.		
<i>(i) Receipt and Transfers</i>		
The Government of Kenya	10,773,383,690	9,773,035,320
Kenya Roads Board	6,284,702,129	5,546,982,979
	<u>17,058,085,819</u>	<u>26,069,932</u>
<i>(ii) Directors Emoluments</i>		
Emoluments	5,272,499	6,720,800
Training and filed activities	12,084,191	17,133,845
	<u>17,356,690</u>	<u>23,854,645</u>
<i>(iii) Key management personnel compensation</i>		
Short term employee benefits	300,999,225	300,999,225
Post employment benefits	7,476,561	7,476,561
	<u>308,475,786</u>	<u>308,475,786</u>
(b) Outstanding balances arising from non-exchange transactions		
The following were outstanding balances with related parties as at 30 th June 2018		
Receivable from related parties	<u>3,223,353,828</u>	<u>225,926,620</u>
Payable to related parties	<u>25,568,583</u>	<u>22,746,545</u>
Receivables from related parties can be analysed as follows:		
Road maintenance Levy (RMLF)	1,460,601,459	225,926,620
Development Funds	1,587,001,676	-
	<u>3,047,603,135</u>	<u>225,926,620</u>
Payables to related parties can be analysed as follows:		
Key management personnel	<u>25,568,583</u>	<u>22,746,545</u>

29. Fair value

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

30. Capital Commitments

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

31. Currency

The financial statements are presented in Kenya Shillings (Kshs)

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

The Authority received unqualified audit report for the Financial Year 2016-2017 with all the audit matters having been resolved and closed.

APPENDIX 2: DEVELOPMENT PARTNERS PROJECTS IMPLEMENTED BY THE AUTHORITY

Project title	Project Number	Donor	Period/ duration	Donor Commitment (Total)	Separate Donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1. National Urban Improvement Project	IDA 5140-KE	World Bank	3 years	2,255,464,221.60	YES	YES
2. Nairobi Outer Ring Road Improvement Project.	P-KE-DB0-020	AfDB	3 years	7,553,819,905.45	YES	YES
3. Nairobi Missing Link Roads and Non-Motorised Transport Facilities - Kenya Project	KE/FED/022-51	EU	2.5 years	3,239,476,730.00	YES	YES
4. The Project for dualling of Nairobi – Dagoretti Corner Road C60/C61 (Phase I) - Kenya	NO. 24-VJ-174	JICA	18 Months	1,341,943,019	YES	YES

APPENDIX 3: INTER-ENTITY TRANSFERS-STATE DEPARTMENT OF INFRASTRUCTURE

A) ROAD MAINTENANCE LEVY FUND (RMLF)					
Date Received	Received from	Financial Year	Amount (Kshs)	Statement of Financial Performance	Statement of Financial position
					Receivables
					Road asset Reserves
1-Nov-17	Kenya Roads Board	FY 17/18	2,592,248,730	2,592,248,730	
21-Dec-17	Kenya Roads Board	FY 17/18	400,000,000	400,000,000	
21-Dec-17	Kenya Roads Board	FY 17/18	200,000,000	200,000,000	
20-Jun-18	Kenya Roads Board	FY 17/18	1,429,027,867	1,429,027,867	
20-Jun-18	Kenya Roads Board	FY 17/18	203,000,000	203,000,000	
			4,824,276,597	4,824,276,597	-
3-Jul-18	Kenya Roads Board	FY 17/18	1,340,425,532	1,340,425,532	1,340,425,532
9-Jul-18	Kenya Roads Board	FY 17/18	120,000,000	120,000,000	120,000,000
14-Jul-17	Kenya Roads Board	FY 16/17	50,000,000		50,000,000
			1,510,425,532	1,460,425,532	1,510,425,532
Total			6,334,702,129	6,284,702,129	1,510,425,532
					-

B) EXCHEQUER DEVELOPMENT FUND						
Date Received	Received from	Financial Year	Amount (K.shs)	Statement of Financial Performance	Statement of Financial position	
					Receivables	Road asset Reserves
4-Jul-17	Exchequer	FY 16/17	1,958,240,831			1,958,240,831
4-Jul-17	Exchequer	FY 16/17	731,827,895			731,827,895
4-Jul-17	Exchequer	FY 16/17	615,000,000			615,000,000
4-Jul-17	Exchequer	FY 16/17	329,878,462			329,878,462
4-Jul-17	Exchequer	FY 16/17	288,251,004			288,251,004
4-Jul-17	Exchequer	FY 16/17	138,136,806			138,136,806
14-Aug-17	Exchequer	FY 16/17	580,000,000			580,000,000
			4,641,334,999	-	-	4,641,334,999
19-Oct-17	Exchequer	FY 17/18	946,796,987			946,796,987
21-Dec-17	Exchequer	FY 17/18	335,242,510			335,242,510
21-Dec-17	Exchequer	FY 17/18	429,283,023			429,283,023
26-Jan-18	Exchequer	FY 17/18	475,987,955			475,987,955
28-Feb-18	Exchequer	FY 17/18	1,057,833,105			1,057,833,105
10-Apr-18	Exchequer	FY 17/18	535,119,297			535,119,297
10-Apr-18	Exchequer	FY 17/18	535,288,637			535,288,637
10-Apr-18	Exchequer	FY 17/18	229,495,500			229,495,500
			4,545,047,013	-	-	4,545,047,013
3-Jul-18	Exchequer	FY 17/18	735,559,122		735,559,122	735,559,122
3-Jul-18	Exchequer	FY 17/18	565,427,768		565,427,768	565,427,768
9-Jul-18	Exchequer	FY 17/18	286,014,787		286,014,787	286,014,787
Total			1,587,001,676	-	1,587,001,676	1,587,001,676
			10,773,383,689	-	1,587,001,676	10,773,383,689

Date Received	Received from	Financial Year	Amount (Kshs)	Statement of Financial Performance		Statement of Financial position	
				Receivables	Road asset Reserves		
C) DEVELOPMENT PARTNERS FUNDS							
21-Jul-17	World Bank	FY 17/18	39,030,446			39,030,446	
21-Aug-17	World Bank	FY 17/18	2,783,999			2,783,999	
24-Aug-17	World Bank	FY 17/18	26,410,121			26,410,121	
24-Aug-17	World Bank	FY 17/18	17,606,747			17,606,747	
5-Sep-17	World Bank	FY 17/18	2,497,631			2,497,631	
29-Sep-17	World Bank	FY 17/18	45,148,867			45,148,867	
16-Oct-17	World Bank	FY 17/18	2,497,631			2,497,631	
3-Nov-17	World Bank	FY 17/18	2,497,631			2,497,631	
16-Nov-17	World Bank	FY 17/18	2,497,631			2,497,631	
16-Nov-17	World Bank	FY 17/18	58,615,474			58,615,474	
16-Jan-18	World Bank	FY 17/18	41,812,057			41,812,057	
24-Jan-18	World Bank	FY 17/18	2,211,262			2,211,262	
5-Feb-18	World Bank	FY 17/18	30,811,808			30,811,808	
5-Feb-18	World Bank	FY 17/18	17,606,747			17,606,747	
5-Apr-18	World Bank	FY 17/18	68,516,527			68,516,527	
7-May-18	World Bank	FY 17/18	52,788,541			52,788,541	
28-Jun-18	World Bank	FY 17/18	2,211,262			2,211,262	
28-Jun-18	World Bank	FY 17/18	1,588,722			1,588,722	
28-Jun-18	World Bank	FY 17/18	1,588,722			1,588,722	
Total			418,721,827			418,721,827	

Date Received	Received from	Financial Year	Amount (Kshs)	Statement of Financial position	
				Receivables	Road asset Reserves
C) DEVELOPMENT PARTNERS FUNDS					
19-Jul-17	African Development Bank	FY 17/18	328,016,580		328,016,580
24-Jul-17	African Development Bank	FY 17/18	12,079,121		12,079,121
15-Sep-17	African Development Bank	FY 17/18	228,867,151		228,867,151
11-Oct-17	African Development Bank	FY 17/18	15,617,601		15,617,601
11-Oct-17	African Development Bank	FY 17/18	15,617,601		15,617,601
17-Oct-17	African Development Bank	FY 17/18	196,931,748		196,931,748
17-Oct-17	African Development Bank	FY 17/18	145,528,874		145,528,874
27-Oct-17	African Development Bank	FY 17/18	11,879,275		11,879,275
27-Oct-17	African Development Bank	FY 17/18	13,058,415		13,058,415
31-Oct-17	African Development Bank	FY 17/18	2,692,320		2,692,320
30-Nov-17	African Development Bank	FY 17/18	142,800,056		142,800,056
30-Nov-17	African Development Bank	FY 17/18	1,794,880		1,794,880
6-Dec-17	African Development Bank	FY 17/18	11,858,863		11,858,863
6-Dec-17	African Development Bank	FY 17/18	11,854,837		11,854,837
27-Dec-17	African Development Bank	FY 17/18	12,494,081		12,494,081
16-Jan-18	African Development Bank	FY 17/18	234,095,067		234,095,067
29-Jan-18	African Development Bank	FY 17/18	156,004,935		156,004,935
28-Feb-18	African Development Bank	FY 17/18	148,688,436		148,688,436
28-Feb-18	African Development Bank	FY 17/18	11,409,783		11,409,783
28-Feb-18	African Development Bank	FY 17/18	14,930,327		14,930,327
9-Apr-18	African Development Bank	FY 17/18	11,062,632		11,062,632
24-Apr-18	African Development Bank	FY 17/18	21,148,750		21,148,750
10-May-18	African Development Bank	FY 17/18	1,794,880		1,794,880
4-Jun-18	African Development Bank	FY 17/18	190,246,724		190,246,724
29-Jun-18	African Development Bank	FY 17/18	10,947,486		10,947,486
29-Jun-18	African Development Bank	FY 17/18	9,898,974		9,898,974
29-Jun-18	African Development Bank	FY 17/18	14,116,671		14,116,671
29-Jun-18	African Development Bank	FY 17/18	167,027,448		167,027,448
Total			2,154,671,655	-	2,154,671,655
Grand Total			2,573,393,482	-	2,573,393,482
			19,681,479,300	6,284,702,129	13,346,777,171

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

Head of Finance
Kenya Urban Roads Authority

Head of Accounting Unit
State Department of Infrastructure

