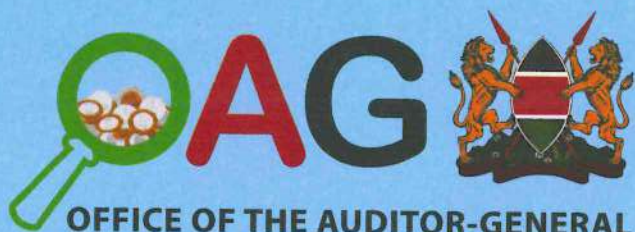


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

KENYA NATIONAL HIGHWAYS AUTHORITY

**FOR THE YEAR ENDED
30 JUNE, 2023**

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
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Kenya National Highways Authority

Quality Highways, Better Connections

KENYA NATIONAL HIGHWAYS AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING

30TH JUNE 2023

**Kenya National Highways Authority
Annual Report and Financial Statements
For the year ended June 30, 2023.**

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1. Key Entity Information and Management

(a) Background information

The Authority was established vide the Kenya Roads Act, 2007. The Authority is under the State Department for Roads within the Ministry of Roads and Transport which gives it the general policy and strategic direction.

(b) Principal Activities

The principal activity/mission of the Authority is to develop and manage quality and adequate national trunk roads through innovation and optimal utilization of resources for sustainable development.

(c) Key Management

The Authority's day-to-day management is under the Director General who is an *ex officio* member of the Board of Directors and Secretary to the Board.

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2023 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Director General	Eng. Kungu Ndungu
2.	Director, Public, Private Partnership	Eng. Charles Obuon (Appointed 9 th January 2023)
3.	Ag. Director, Development	Eng. Henry Gakuru (Appointed 9 th January 2023)
4.	Ag. Director, Maintenance	Eng. Daniel Cheronon (Appointed 9 th January 2023)
5.	Director, Corporate Services	CPA James Bowen
6.	Director, Planning, Research & Compliance	Eng. Njuguna Gatitu
7.	Director, Highway Design & Safety	Eng. Ezekiel Fukwo* (Appointed 9 th January 2023)
8.	Director, Audit Services	Dr. CPA Sammy Kimunguyi
9.	Corporation Secretary/Deputy Director, Head Legal Services	Ms. Norah Odingo-Kajwang'
10.	Deputy Director, Head Supply Chain Management	Ms. Levina Wanyonyi
11.	Director, Highway, Design & Safety	Eng. Samuel O. Omer (Retired 16 th December 2022)

(e) Fiduciary Oversight Arrangements

No.	Designation	Name
1	Chairperson (non-executive)	Ms. Winfrida W. Ngumi <i>(Appointed 5th August 2022)</i>
2.	Director	Mr. Charles Gathogo
3.	Director	Mr. Protus Sigei, Alternate to CS National Treasury
4.	Director	FCCA. Julius W Mwatu
5.	Director	Ms. Brenda N. Mayabi
6.	Director	Eng. Nicholas Musuni Alternate to PS Roads
7.	Director	Mr. Martin Eshiwani Director – Alt. to PS (Transport) <i>(Appointed 20th March 2023)</i>
8.	Chairman (<i>non-executive</i>)	Eng. Wangai Ndirangu, MIEK, RCE <i>(Retired 22nd July 2022)</i>
9.	Director	Eng. Carey O. Orege, CBS <i>(Retired 25th November 2022)</i>
10.	Director	Mr. George Wanjau Director – Alt. to PS (Transport) <i>(Retired 19th January 2023)</i>

The Authority's Board of Directors constituted four Board Committees namely;

- 1) The Finance, Strategy and Risk Committee,
- 2) The Audit and Governance Committee,
- 3) The Human Resource and General Purpose Committee and
- 4) The Technical, Procurement and Disposal Oversight Committee.

The Finance, Human Resource and General Purpose Committee and the Audit, Risk and Governance Committee are responsible for the fiduciary oversight of the Authority.

Their key responsibilities are outlined below:

i) Finance, Strategy and Risk Committee

This is a committee of the Board whose key responsibilities are to: -

- Review, approve and/or recommend for Board's approval;
 - 1) Financial, ICT, Legal & Regulatory Affairs and Corporate Communications policies and procedures,
 - 2) Estimates of receipts and expenditures including their revisions,
 - 3) Re-allocation of funds between budget heads,
 - 4) Special funding proposals including borrowings and grants,
 - 5) Proposals for opening bank accounts,
 - 6) Proposals for investments and their returns,
 - 7) Annual Corporate Social Responsibility activities and
 - 8) The viability or otherwise of Private Public Partnerships in road projects,

- Ensure that;
 - 1) Proper books of accounts and records are maintained for the Authority's transactions,
 - 2) All expenditures are within the approved budget,
 - 3) Proper records are maintained on property and material liabilities.

ii) Audit and Governance Committee

This is a committee of the Board whose key responsibilities are to: -

- Review, approve and/or recommend for Board's approval;
 - 1) The external auditor's management letter and management's response to the external auditor's findings and recommendations,
 - 2) The Authority's procedures for detecting fraud and to review the investigation and remediation of any alleged or suspected fraud,
 - 3) At least annually, the status of the enterprise risk management program and
 - 4) The annual internal audit work plan.
- Ensure that;
 - 1) Unsettled and unimplemented Public Investment Committees' (PIC) issues are resolved,
 - 2) There is clarity of disclosure in financial reporting and the presentation of a balanced and understandable assessment of the Authority's financial position;
 - 3) Recommendations of the Auditor General are implemented.
 - 4) Integrity of the financial statements of the Authority is maintained at all times
 - 5) Disagreements between management and any auditor regarding the Authority's financial reporting are resolved
 - 6) Special audit/ investigation on any allegations, concerns and complaints regarding corruption, lack of accountability and transparency are conducted

iii) Human Resource and General Purpose Committee

This is a committee of the Board whose key responsibilities are to: -

- Review, approve and/or recommend for Board's approval;
 - 1) Staff terms and conditions of service.

iv) Technical, Procurement and Disposal Oversight Committees

This is a committee of the Board whose key responsibilities are to: -

- Review, approve and/or recommend for Board's approval;
 - 1) The consolidated Annual Procurement and Disposal Plans,
 - 2) Revision of the approved Consolidated Procurement Plans,
 - 3) Quarterly procurement reports,
 - 4) Procurement of goods, services and projects that would require external financing,
 - 5) Proposals for contract awards for strategic procurements.
 - 6) Proposals formulated by Management for re-classification of roads.
 - 7) The road works programme formulated by Management for all roads under the Authority's purview,
- Ensure that;
 - 1) Contracts awarded comply with the law,
 - 2) The approved Annual Procurement Plan is duly implemented.

v) Office of the Auditor General

The Annual Report and Financial Statements of the Kenya National Highways Authority are audited in

accordance with Article 229 *sub article 7* of the Constitution of Kenya and Section 35 of the Audit Act 2015

vi) Development Partner Oversight Activities

This group constitutes Bi/Multi – lateral co-financiers with the Government of the Republic of Kenya for development projects under implementation of the Authority, whose key responsibilities include: -

- 1) To examine the annual reports of the Auditor General on the financial statements of projects,
- 2) To conduct financial management supervision and offer project implementation support,
- 3) Review of quarterly Interim Financial Management Reports and
- 4) Commission independent auditors to undertake financial and technical review of projects under their financing.

(vii) The Public Investments Committee

This is a Parliamentary Select Committee charged with the responsibility of examining the activities of state agencies. It receives audit reports from the Clerk of the National Assembly who in turn would have received them from the Authority.

Its key responsibilities as appertains to the Authority are to: -

- 1) Examine the Reports of the Auditor General on the financial statements of the Authority,
- 2) Examine, in the context of the autonomy and efficiency of the public investments,
- 3) Examine whether the affairs of the public investments are being managed in accordance with sound financial or business principles and prudent commercial practices.

Within three months after receiving the PIC report, Parliament shall debate and consider the report and take appropriate action.

(f) Kenya National Highways Authority Headquarters

Barabara Plaza, Jomo Kenyatta International Airport (JKIA),
Off Mazao Road
P.O. Box 49712 - 00100
Nairobi, Kenya

(g) Kenya National Highways Authority Contacts

Telephone: (254) 02 8013842
E-mail: dg@kenha.co.ke
Website: www.kenha.co.ke

(h) Kenya National Highways Authority Bankers'

1. KCB Bank Ltd
Moi Avenue Branch
P.O. Box 30081 - 00100
Nairobi, Kenya

3. National Bank of Kenya
Hill Plaza Branch
P.O. Box 45219 - 00100
Nairobi, Kenya

5. Equity Bank Limited
Equity Centre Branch
P.O. Box 75104 - 00200
Nairobi, Kenya

2. Co-operative Bank of Kenya Ltd
Upper Hill Branch
P.O. Box 30415-00100
Nairobi, Kenya

4. NCBA Bank Plc
NCBA House
P.O. Box 44599 - 00100
Nairobi, Kenya

(i) Independent Auditors

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





(j) Principal Legal Adviser

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




2. The Board of Directors

Director	Brief Profile
 <p>1. Ms. Winfrida W. Ngumi Chairperson</p>	<p>Date of Birth: 22nd December, 1974 Bachelor of Architecture (Hons) Member of the Kenya Association of Manufacturers and the Kenya Private Sector Alliance. 20 years of experience in the building, construction and manufacturing industry. <i>(Appointed 5th August, 2022)</i></p>
 <p>2. Mr. Charles R. Gathogo Director (Independent) Chair of the Human Resource & General Purpose Committee</p>	<p>Date of Birth: 24th February 1966 Master of Cadastral Application Bachelor of Science (Survey and Photogrammetry) Professional Membership: Licensed Land Surveyor and GIS Consultant with the Institute of Surveyors of Kenya. 25 years of Management experience in Engineering Survey, Cadastral Surveying and planning.</p>
 <p>3. FCPA. Julius W. Mwatu Director (Independent) Chair of the Finance, Strategy & Risk Committee</p>	<p>Date of Birth: 9th December, 1972 Master of Business Admin. (Finance) Bachelor of Science (Statistics) Professional Membership: Fellow of the Institute of Certified Public Accountants of Kenya (ICPAK), Institute of Certified Secretaries (ICS), Institute of Certified Investment & Financial Analysts (ICIFA) 22 years of experience specialising in audit, tax, finance, and integrated reporting.</p>
 <p>4. Ms. Brenda N. Mayabi Director (Independent) Chair of the Board Audit & Governance Committee.</p>	<p>Date of Birth: 25th June, 1992 Bachelor of Law (Hons) Professional Membership: Law Society of Kenya, East African Law Society.</p>





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Director	Brief Profile
 <p>5. Mr. Protus Sigei Director – Alt. to CS (National Treasury & Planning)</p>	<p>Date of Birth: 1st December 1965 Master of Science. Bachelor of Arts (Hons) Economics (with Mathematics) Professional Membership: Graduate of the Australian Institute of Company Directors (GAICD) 23 years of experience in Board directorship. Member of the Society for Benefit-Cost Analysis</p>
 <p>6. Eng. Nicholas Musuni Director-Alternate to PS (Roads)</p>	<p>Date of Birth: 5th March, 1979 Bachelor of Science (Civil Engineering) Training in leadership, corporate governance, project management and arbitration. Professional Membership: Member of the Institution of Engineers of Kenya (IEK) Registered Professional Engineer with Engineers Board of Kenya 18 years of Management experience</p>
 <p>7. Mr. Martin Eshiwani Director – Alt. to PS (Transport)</p>	<p>Date of Birth: 1st May, 1963 Master of Business Administration Bachelor of Arts (Public Policy) Transport Policy and Planning Expert Member of the Kenya Institute of Management (MKIM), <i>(Appointed 20th March 2023)</i> <i>17 Years of Management Experience</i></p>
 <p>8. Eng. Wangai Ndirangu, MIEK, RCE Chairman</p>	<p>Date of Birth: 20th September 1973 Master of Water Engineering Bachelor of Technology in Civil & Structural Engineering. Professional Membership: Member of the Institution of Engineers of Kenya. Registered Consulting Engineer. Lecturer, Jomo Kenyatta University of Agriculture & Technology. Consultant in Water Resources and Engineering 22 years of Management experience. <i>(Retired on 22nd July, 2022)</i></p>

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Director	Brief Profile
 <p>9. Eng. Carey O. Orege, CBS Director (Independent) Chair of the Technical, Procurement & Disposal Oversight Committee</p>	<p>Date of Birth: 14th October, 1955 Master of Science (Highway Engineering) Bachelor of Science (Civil Engineering) Professional Membership: Member of the Institution of Engineers of Kenya. Registered Consulting Engineer. 42 years of Management experience gained in both public and private sector. <i>(Retired 25th November 2022)</i></p>
 <p>10. Mr. George Wanjau Director – Alt. to PS (Transport)</p>	<p>Date of Birth: 19th January, 1962 Master of Science (Project Planning & Financing) BA (Economics) Economist and Urban Transport Planner. 35 years of Public Sector Management experience <i>(Retired 19th January 2023)</i></p>
 <p>11. Eng. Kungu Ndungu Director General</p>	<p>Date of Birth: 18th October 1972 Executive Master of Business Administration Bachelor of Science (Civil Engineering) Registered Professional Engineers Board of Kenya, Professional Membership: Member of the Institution of Engineers of Kenya (IEK) <i>Member of the Kenya Institute of Management (MKIM)</i> <i>27 Years of Management Experience</i></p>

3. Management Team

Manager	Brief Profile
 <p>1. Eng. Kungu Ndungu Director General</p>	<p>Date of Birth: 18th October 1972 Executive Master of Business Administration Bachelor of Science (Civil Engineering) Registered Professional Engineers Board of Kenya, Professional Membership: Member of the Institution of Engineers of Kenya (IEK) Member of the Kenya Institute of Management (MKIM), 27 Years of Management experience</p>
 <p>2. CPA. James K. Bowen Director, Corporate Services</p>	<p>Date of Birth: 1st January, 1973 Master of Business Administration, Bachelor of Commerce (Accounting) Professional Membership: Certified Professional Credit Manager (CPCM), Certified Public Secretary (CPS K), Certified Public Accountant (CPAK) Professional Membership: Member of ICPAK and ICPSK 26 years of Management experience</p>
 <p>3. Eng. Njuguna Gatitu Director, Planning, Research & Compliance</p>	<p>Date of Birth: 1965 Bachelor of Science (Civil Engineering) Post Graduate Diploma in Computer Science Professional Membership: Member of the Institution of Engineers of Kenya 33 years of Management experience</p>
 <p>4. Dr. CPA. Sammy Kimunguyi Director, Audit Services</p>	<p>Date of Birth: 22nd September, 1980 Doctor of Philosophy in Business Management Master of Arts in Project Planning & Management Bachelor of Education Professional Membership: Certified Information Systems Auditor (CISA) Certified Fraud Examiner (CFE) Certified Public Accountant (CPA) Certified Information System Auditor (CISA) Professional Membership: Member of ICPAK, ISACA, CFE 16 years of Management Experience</p>

Manager	Brief Profile
 <p>5. Eng. Ezekiel Fukwo Director, Highway Design & Safety</p>	<p>Date of Birth: 16th August, 1976 Master of Arts (Project Planning and Management) Bachelor of Science (Civil Engineering) Professional Membership: Member of the Institution of Engineers of Kenya Registered Professional Engineer with Engineers Board of Kenya Corporate Member of the Institution of Engineers of Kenya (IEK)- 17 years of Management experience <i>(Appointed 9th January 2023)</i></p>
 <p>6. Eng. Charles Obuon Director – Public, Private Partnership</p>	<p>Date of Birth: 20th November, 1972 Master of Philosophy in Civil and Structural Engineering (Water Engineering) Bachelor of Technology and Structural Engineering Professional Membership: Member of the Institution of Engineers of Kenya Registered Professional Engineer with Engineers Board of Kenya 25 years of Management experience <i>(Appointed 9th January 2023)</i></p>
 <p>7. Eng. Henry Gakuru Ag. Director, Development</p>	<p>Date of Birth: 22nd September, 1970 Master of Science (Project Management) Bachelor of Science (Civil Engineering) Professional Membership: Member of the Institution of Engineers of Kenya Registered Professional Engineer with Engineers Board of Kenya 8 years of Management experience <i>(Appointed 9th January 2023)</i></p>
 <p>8. Eng. Daniel Cheron Ag. Director, Maintenance</p>	<p>Date of Birth: 17th September, 1977 Master of Laws, (Construction Law, Arbitration and Adjudication) Bachelor of Science (Civil Engineering) Professional Membership: Member of the Institution of Engineers of Kenya Registered Professional Engineer with Engineers Board of Kenya 12 years of Management experience <i>(Appointed 9th January 2023)</i></p>

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Manager	Brief Profile
 <p>9. Ms. Norah Odingo-Kajwang' Corporation Secretary/Deputy Director, Head of Legal Services</p>	<p>Date of Birth: 27th April 1969 Master of Business Administration Bachelor of Laws Registered Advocate of the High Court of Kenya Professional Membership: Member of the Law Society of Kenya Member of the Certified Public Secretaries of Kenya 28 years of Management experience</p>
 <p>10. Ms. Levina Wanyonyi Deputy Director, Head of Supply Chain Management</p>	<p>Date of Birth: 13th February 1972 Master of Business Administration Bachelor of Science Professional Membership: Kenya Institute of Supplies Management, The Chartered Institute of Purchasing & Supply Institute for Management of Information Systems 26 Years of Management experience.</p>
 <p>11. Eng. Samuel O. Omer Director, Highway, Design & Safety</p>	<p>Date of Birth: 17th December 1962 Bachelor of Science (Civil Engineering) Professional Membership: Member of the Institution of Engineers of Kenya 35 years of Management experience <i>(Retired 16th December 2022)</i></p>

4. Chairperson's Statement

The FY 2022/2023 marked the fourth year of implementation of the Authority's revised FY 2018/2019 – 2022/2023 Strategic Plan. The Authority remained committed in efficient and effective management of its road investments to minimize road user cost, road agency costs, travel time and cost of travel. The KeNHA Annual Report and Financial Statements for the year ended 30th June 2022 provides an overview of the Authority's performance and financial resource utilization over the period.

The Authority prioritized the provision of an adequate, safe and efficient national trunk road network through enhanced investment in new road construction and maintenance to facilitate realization of the Vision 2030 and Big four development agenda and guarantee sustainable road investment.

The Authority completed the construction of the 27 km Nairobi Expressway through a Public Private Partnership. The project has improved the competitiveness of Nairobi city and directly created 5,500 jobs. The completion of the construction of Garsen – Witu – Lamu road has also provided faster access to Lamu port and improved access to the rich and fertile agricultural zones of Mpeketoni. In augmenting access to other agricultural zones in the country, the Authority is enroot to completing construction of 641 km Mau Mau roads and 357.5 km Isebania – Kisii - Ahero highway and access roads.

The Authority has substantially completed the Mombasa – Kwa Jomvu Road section and Makupa Causeway Bridge which have improved traffic flow into Mombasa Island and enhanced competitiveness of Mombasa port. The Authority also commenced the construction of Mtwapa – Kwa Kadzengo – Kilifi Road, which will improve tourism and speed of transportation of goods between Mombasa, Kilifi, Watamu and Malindi towns. In the FY 2022/2023 the Authority commenced the construction of Isiolo – Mandera road to enhance connectivity to the Horn Africa Countries, improve accessibility to seaports and augment domestic and regional integration.

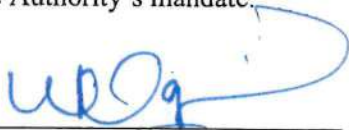
The Authority consistently engaged stakeholders during project identification, design, and implementation and during policy development thus forging strategic partnerships that ensured effective delivery of its mandate. Beneficiary communities were also sensitized on HIV/AIDs, road safety, National Cohesion, Code of Ethics, integrity, road reserve protection and axle load control.

Challenges that affected project implementation included inadequate budgetary allocation, high stock of pending bills, high cost of land acquisition, and delays in relocation of utilities. The Authority leveraged on Public Private Partnerships to bridge the financing gap; mapped roadside amenities on the GIS platform to facilitate timely relocation of services; and embraced forward planning and early land acquisition to mitigate on some of the challenges.

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The Board remained alive to its fiduciary duty in management of the Authority by ensuring efficient and transparent utilisation of resources. During the financial year, Mr. Martin Eshiwani was appointed to the board. I wish to thank my fellow Directors for their invaluable support and contribution during the year.

We wish to express our sincere gratitude to the Management, our Customers, the Government, Development Partners and other stakeholders whose support was key in facilitating effective delivery of the Authority's mandate.



**Ms. Winfrida W. Ngumi
CHAIRPERSON OF BOARD OF DIRECTORS**

5. Director General's Statement

The Authority's Annual Report and Financial Statement have been prepared in line with the requirements of section 44 of the Kenya Roads Act, 2007. It provides an overview of the Authority's activities and operations over the one-year period ending 30th June 2023 and presents a synopsis on utilization of allocated funds.

During the year, the Authority implemented initiatives in line with the revised FY 2018/2019 – 2022/2023 Strategic Plan. The Authority substantially completed 13 projects which included Nairobi Western Bypass, Lamu – Witu – Garsen, Kalobeiyei River – Nadapal, Lokitaung Junction - Kalobeiyei River, Loichangamatak – Lodwar, MPARD Pkg 3: Mteza – Kibundani, Naivasha – Njabini Road, Nyaru – Iten, Mombasa – Kwa Jomvu Rd, Nairobi Expressway, Kisumu Boys – Mamboleo, Ahero – Kisii roads and the construction of T-Mall Overpass.

The Authority initiated the construction of critical road infrastructure to enhance national and regional integration, accessibility, and road safety. The new projects included the construction of Marsabit – Segel, Mamboleo Junction – Miwani, Miwani – Chemelil, Chemelil – Muhoroni – Kipsitet, Kwale – Kinango, Barpelu – Tot Junction, Tot Junction – Kopasi River and Kopasi River – Marich Pass roads.

Construction was also ongoing for key road links that include Eldoret Bypass; Mwache – Tsunza – Mteza; James Gichuru – Rironi; Isebania – Kisii; Dualling of Magongo Road; Mau Mau Road Lot 1A: Kiambu - (Gataka – Iria - Ini – Kagaa – Matimbei - Kamahindu & Spur roads); Mau Mau Road Lot 1B: Kiambu (Kamahindu – Gatamaiyu - Nduriri-Nyanduma - Wangui – Mataara – Gatakaini and spur roads); Kinyona – Gatura – Njabini; Thika - Magumu Road; Mau Mau Road Lot2 – Murang'a (Mairi – Kinyona – Mununga – Ichici – Tuthu – Wanjerere – Kagongo – Kairo); among other projects which are at various stages of completion.

The Authority also undertook design studies for Mai Mahiu – Suswa, Eldoret Eastern Bypass, Kericho Northern Bypass, Kithimani – Kabaa – Mwala – Makutano, Wamunyu – Ndukulu – Itangini Road and Ukia – Emali Road, Dualling of Eldoret Town Road, North Horr – Jn Daradhe AP Camp Road, Dif – Wajir, Wajir – Buna – Moyale Road, Isinya – Konza – Malili Road and Bomas – Ongata Rongai – Kona Baridi in preparation for their development.

The Authority continued to enhance the sustainability of its road infrastructure with the implementation of Performance-Based Contracts which has guaranteed timely maintenance intervention on its road

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network, ensuring high service levels. During the year, the Authority put 8,848 km of its road network on maintenance through Performance Based Contracts.

The Authority planted 37,360 trees through Kitale – Endebess – Suam, Kenol – Sagana – Marua and James Gichuru – Rironi road projects to promote sustainable ecological development. It also undertook environmental and social impact assessment studies for all new projects. Environmental audits were undertaken for Mau Mau Lot 1A, Mau Mau Lot 1B and Kenol – Sagana – Marua to ensure compliance to the set environmental and social safeguards.

I wish to take this opportunity to give my appreciation to the Board of Directors for the support and guidance extended to the Management throughout the year. I commend staff for their unwavering effort that ensured that the Authority remained steadfast in delivering its mandate. I extend my gratitude to the Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works, National Treasury and Development Partners for financing our projects and programmes. Finally, I wish to thank all other stakeholders for their critical contribution that facilitated continuous improvement of the national trunk road network.


Eng. Kungu Ndungu
DIRECTOR GENERAL

6. Statement of Performance against Predetermined Objectives for FY 2022/23

Key Performance Indicator	Activities	Achievement
KRA 1: Development of Roads and Enhancement of Network Capacity and Quality		
Objective 1: To Enhance Efficiency within the National Trunk Roads Network		
Length in linear km of road constructed/improved to all weather standard	Development (Construction, Rehabilitation and extension) of the road network.	1,075.94 km completed. FY22/23 – 192.09 km
Kms of highways designed	Design on priority regional roads	1199.75 km completed. FY22/23 – 0 No. designed completed
No. of highway bridges constructed	Design and construct bridges on priority regional roads	Construction of 6 No. Bridges completed. FY22/23 – 3 No. projects completed
No. of footbridges constructed	Design and construct of footbridges on priority regional roads	Construction of 15 No. footbridges completed. FY22/23 – 8 No. foot bridges
KRA 2: Securing and Preservation of Road Assets		
Objective 2: Define, Delineate, Clear and Secure Road Reserves and Depot Camps		
No. of road reserve marker posts installed.	Install and maintain road reserve marker posts.	Installed 11,415 road marker posts. FY22/23 - 8,307 No. installed
Objective 3: Preserve the Quality of the National Trunk Road Network		
Length of National Trunk Roads in km under routine maintenance.	Undertake routine maintenance of National Trunk Roads	29,904.34 km FY22/23 - 8,838km
Length of National Trunk Roads in Km under periodic maintenance.	Undertake Periodic maintenance of National Trunk Roads	1,037.82 km FY22/23 - 346.2 km
Length of National Trunk Roads in KM under PBC maintenance	Undertake Performance Based Contracting of the National Trunk Roads	41,081.13 FY22/23 -8,057.1km
Objective 4: To Enhance Axle Load Control		
No. of weighbridges installed.	Installation of weighbridges	19 No. weighbridges installed. FY22/23 – 0 No. installed
KRA 3: ENVIRONMENT AND SOCIAL SUSTAINABILITY		
Objective 5: To Ensure Environmental Sustainability and Promote Social Interests		
No. of ESIA reports prepared	Conduct ESIA Studies for road projects	17 No. ESIA reports prepared. FY22/23 – 5 No. reports
No. of trees planted	Revegetate existing and new road corridors	205,094 No. trees planted. FY22/23 -55,004 trees planted
KRA 4: Enhancement of Institutional Framework And Capacity		
Objective 6: To Strengthen the Institutional Capacity		
No. of Strategic plan review	Strategic Plan Review	New SP to be developed and operationalized by June 2023 FY22/23 -
No. of vacancies filled	Undertake Recruitment to fill Vacant Positions as per the	31 No. new staff recruited. FY22/23 -0 No. staff recruited

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Key Performance Indicator	Activities	Achievement
	approved annual staff requirement	
% of Staff Appraised	Appraise Staff Annually	528 Staff had been appraised against total of 528 staff in FY2022/23 (100%)
Number of Professional Graduates placed on Internship	Build Capacity of Professional Graduates through Internship in KeNHA	831 No. engaged. FY22/23 – 415 No.
No. of Staff Trained	Train Staff annually to provide Critical Soft and Technical Skills	FY22/23 - 414 No. staff trained
% of Processes Automated	Automate Internal Business Processes through ERP	FY22/23 – 70% automation achieved
KRA 5: Effective Resource Mobilization		
Objective 8: To Mobilize Additional Financial Resources to Bridge any Financing Gaps		
% Increase in A-I-A collected	Negotiate favourable rates of return for Authority cash resources, Automate and promptly collect fees and levies from Authority's weighbridges, Follow up road reserve user fees and develop and implement the policy framework for revenue generation from road assets	FY22/23 - KES 2,162,889,005 has been collected
KRA 6: Leadership and Governance.		
Objective 9: To Strengthen Leadership and Integrity		
Uptake of 30% value of Tender awarded	Access to Government Procurement Opportunities	FY22/23 - KES 3,269,330,545.30
Percentage of value of aggregated contract sums expended on locally sourced inputs including local contractors, local subcontractors, local suppliers, local service providers and local materials	Implement strategies that Promote National Values and Principles of governance and specifically local content and technology transfer	FY22/23 - KES 20,795,745,160

7. Corporate Governance Statement

The Kenya National Highways Authority is committed to the values and principles of good Corporate Governance as an integral part of the Corporate Culture. This guides the way its Directors, Management and Staff conduct the business of the organization.

As a public sector organization dedicated to providing quality service to its stakeholders, the Authority's decisions are guided by the core tenets prescribed in the Public Officers Ethics Act, the Leadership and Integrity Act, the Mwongozo Code of Governance for State Corporations and Board's Code of Conduct. The Authority endeavours to develop, strengthen and sustain the trust that the Government, employees and the public have bestowed on it. The Board is committed to regularly evaluating national and international standards in responsible, transparent and efficient manner with a view of enhancing Corporate Governance at the Authority and consistently delivering on its statutory mandate.

The Authority's Board is constituted as per the provisions of the Kenya Roads Act, 2007 with membership drawn from both the Public and Private sector. The Board is composed of nine (9) Directors with the Directors having a background or knowledge in the following areas:

- Business Industry
- Highway Engineering
- Transport economics
- Surveying
- Accountancy
- Law

In line with the provisions of the Kenya Roads Act, 2007, the Chairman and other members of the Board, other than designated public officers, hold office for a period of three (3) years from the date of appointment and may be eligible for re-appointment for one (1) further term.

The appointment of all members of the Board as first constituted and at every change in membership is by notice published in the Kenya Gazette.

The Director General is appointed by the Board in consultation with the Cabinet Secretary in charge of Roads following a competitive recruitment process.

New Directors are provided with extensive materials on the Authority and its operations, the procedures relating to the Board and its Committees and their duties and responsibilities as Directors. Induction of all new Directors is guided by the Board Induction Plan for new Directors.

The primary function of the Board of Directors' (the Board) is to provide effective strategic leadership and direction to enhance the long-term value of the Authority to its stakeholders. The Board has the

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overall responsibility for overseeing the development and implementation of the strategic plan, performance objective, financial plans, annual budget, key operation initiatives, financial performance reviews and corporate governance practices. They are also responsible for instilling the appropriate culture, value and behaviour throughout the organization. The Board is therefore committed to maintaining very high standards of corporate governance and ethical conduct.

The Board has established four (4) Committees from among its Members to assist in the execution of its responsibilities. These are the Finance, Strategy and Risk Committee, the Board Audit and Governance Committee, the Human Resource and General Purpose Committee and the Technical, Procurement and Disposal Oversight Committee. Each of these Committees operates pursuant to approved Terms of Reference delegated to them by the Board. The Board and each Committee have

S. No.	BOARD MEETING NUMBER	ATTENDANCE/ABSENT WITH APOLOGY
1	157th	All members were present
2	158th	Mr. George Wanjau was absent
3	159th	Mr. George Wanjau was absent
4	160th	Ms. Brenda Mayabi and Mr. Charles Gathogo were absent
5	161st	All members were present
6	162nd	All members were present
7	163rd	Ms. Brenda Mayabi was absent
8	164th	Mr. Charles Gathogo was absent
9	165th	All members were present
10	166th	All members were present
11	167th	Ms. Brenda Mayabi was absent

scheduled meetings held in every quarter of the Financial Year. The Chairman of each Committee regularly reports to the full Board on the Committee's deliberations at quarterly meetings of the Board.

Board Meetings held during the Financial Year and individual attendance of the same by the Director's is shown in *Annex 1* attached.

A schedule of individual board members and their position are as shown below;

No.	Name of Director	Board Position
	Ms. Winfrida Ngumi	Chairperson
	Eng. Nicholas Musuni	Member (Chair- TPDO)
	FCPA Julius Mwatu	Member (Chair- FSR)
	Ms. Brenda Mayabi	Member (Chair- AGC)
	Mr. Charles Gathogo	Member (Chair- HRGP)
	Mr. Protus Sigei	Member
	Mr. Martin Eshiwani	Member

Succession Planning

The Authority recognizes that succession planning forms an integral part of the Authority Human Resource Strategy and ensures the presence of a 'talent pipeline' that guarantees continuity of business in the event that key persons exit the Authority. It allows for the selection and preparation of individuals to ascend to the next level in the organization through appropriate Human Resource Intervention.

Succession Planning on the Board is implemented by ensuring that the Parent Ministry is informed six (6) months prior to the expiry of the term of any of the Directors, for appointment, to ensure the Board is always fully constituted.

Board Charter

The Authority maintains a Board Charter that is a guide for Directors of the Kenya National Highways Authority (KeNHA) when executing their mandate. It expounds and sets out the Directors' collective and individual powers, rights, duties, obligations, responsibilities and liabilities.

The Charter enshrines the requirements of good Corporate Governance applicable to the Authority that meets the requirements of the enabling legislation and the Code of Governance for State Corporations (Mwongozo). It serves to facilitate and promote effective Governance that is responsible and responsive to the Government's policies and guidelines on State Corporations.

It also provides a framework through which the Board carries out its statutory mandate in compliance with the international principles of corporate governance, Laws, Regulations and Policies of state corporations.

Induction and Training of the Board

The Authority ensures that the Board's capacity is continually built through trainings and workshops and encourages Board Members to be up to date with continuous Professional Development in their respective professional bodies. The Authority further prepares and implements an annual Board Training Plan to ensure capacity building of the Board as regards their needs.

An induction process is undertaken for all new Board Members to familiarize themselves with their role as Directors and acquaint themselves with KeNHA's mission, vision, core values, mandate, strategic direction, code of conduct and ethics, best Corporate Governance practices and approved policies and procedures.

The Chairperson of the Board spearheads this process in line with the Induction for New Directors Programme to ensure that new Board Members are inducted according to the induction programme.

Board and Member Performance

The Board undertakes an annual Board Self Evaluation exercise facilitated by the State Corporations Advisory Committee (SCAC) that enables the Board evaluate the Performance of the full Board, the individual Members, the Director General and the Corporation Secretary.

Subsequent to the Self Evaluation the Board prepares a Board Performance Improvement Plan that enable the Board strategize and implement measures to enhance its performance in areas requiring improved performance.

Board Remuneration

Board Remuneration by the Authority is guided by the relevant statutory Guidelines from the State Corporations Advisory Committee (SCAC) and Circulars issued from time to time by SCAC. The Authority endeavours to remunerate the Board members fairly, ethically and responsibly.

Conflict of Interest

Board Members declare any real or perceived conflict of interest with the organization upon appointment to the Board and any that may subsequently arise, through the Conflict of Interest Register that is signed by the Board Members at every meeting.

Governance Audit

The Board subjects the Authority to an annual Governance Audit overseen by the Authority's Internal Audit Function. The Governance Audit covers the areas of, Leadership and Strategic Management, Transparency and disclosure, Compliance with Laws and Regulations, Communication with stakeholders, Board Independence and Governance and Board systems and procedures.

8. Management Discussion and Analysis

Mandate

To develop and manage quality and adequate national trunk roads through innovation and optimal utilization of resources for sustainable development.

SECTION A

The Entity's Operational Performance

Road Maintenance

The Authority is undertaking numerous road maintenance projects on our entire road network as summarized in the table below.

No.	Project Activity	Targeted Output(lane Km)	Actual Output(lane Km)	Source of Funding
1.	Periodic maintenance	276	355	Road Maintenance Levy Fund
2.	Routine maintenance	6,108	6,912	Road Maintenance Levy Fund
3.	Performance Based Contracts	9,198	9,219	Road Maintenance Levy Fund
	Total	15,582	16,486	

Development & Rehabilitation Projects

The Authority is implementing a number of development projects across the country on behalf of the Government. A number of these projects are co-funded with the government's Development Partners which include the International Development Association (IDA), African Development Bank (AfDB), Export Import (EXIM) Bank and Japanese International Co-operation (JICA).

No.		Current status	No. of projects	Value of Contract Sums in Kshs. Millions
1.	Fully funded by GoK	Completed	2	6,588
		Substantially complete	2	13,726
		On-Going	10	50,919
		Under Procurement	7	33,516
		Sub-total	21	104,749
2.	Jointly funded by GoK & IDA (EARTTDFP)	Completed	2	11,961
		Substantially complete	1	6,782
		On-Going	3	22,121
		Sub-total	6	40,864
No.		Current status	No. of projects	Value of Contract Sums in Kshs. Millions

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3.	Jointly funded by GoK & IDA (KTSSP)	Completed	4	21,934
		Substantially complete	2	10,951
		On-Going	3	20,664
		Sub-total	9	53,549
4.	Jointly funded by GoK & AfDB	Completed		
		Substantially complete	2	20,358
		On-Going	5	32,758
		Under Procurement	1	-
		Sub-total	8	53,116
5.	Jointly funded by GoK & EXIM Bank of China	Substantially complete	1	21,546
		On-Going	1	17,662
		Sub-total	2	39,208
6.	Jointly funded by GoK & JICA	Substantially complete	1	4,808
		On-Going	1	24,236
		Sub-total	2	29,044
7.	Jointly funded by GoK & TMEA	On-Going	1	3,576
		Sub-total	1	3,576
8.	Jointly funded by GoK & EIB	In contracting process	1	10,339
		Sub-total	1	10,339
GRAND TOTAL				334,445

SECTION B

Entity's compliance with statutory requirements

The Authority has complied with all statutory requirements which include: -

- 1) Accurate and timely remittance of monthly;
 - i. National Hospital Insurance Fund contributions,
 - ii. National Social Security Fund contributions,
 - iii. Pay As You Earn recoveries
 - iv. Withholding Tax
 - v. Value Added Tax
 - vi. Training Levy
- 2) Prompt payment of vendors subject to budget and liquidity

SECTION C

Key Projects and Investment Decisions the Entity is Implementing

The Authority is implementing projects using funds from Development Partners and the Government of Kenya as summarized in *Appendix II*.

SECTION D

The Key Corporate Risk Profile

Status Report on Key Corporate Risk Profile for KeNHA as at 30th June 2023

The overall risk profile as at 30th June 2023 remained largely unchanged for five key corporate risks with the exception of three key risks whose risk score reduced in the course of the year under review. The risks whose scores have reduced are people risks, reputational risks, and corporate culture risks. The risks which are expected to reduce in the course of FY 2023/2024 due to current ongoing interventions include business continuity management, data management and cyber security risks and corporate culture risks.

Contract and project management risks as well as budgetary constraints remain the most critical risks facing the Authority. With delays in exchequer releases, a number of contractors slowed down or stopped works and submitted claims for delayed payments, further exacerbating the challenges. *Table 1* and *figure 1* show risk trend analysis for the three (3) months. The detailed mitigation measures for the key corporate risks is as stated in *appendix-1*.

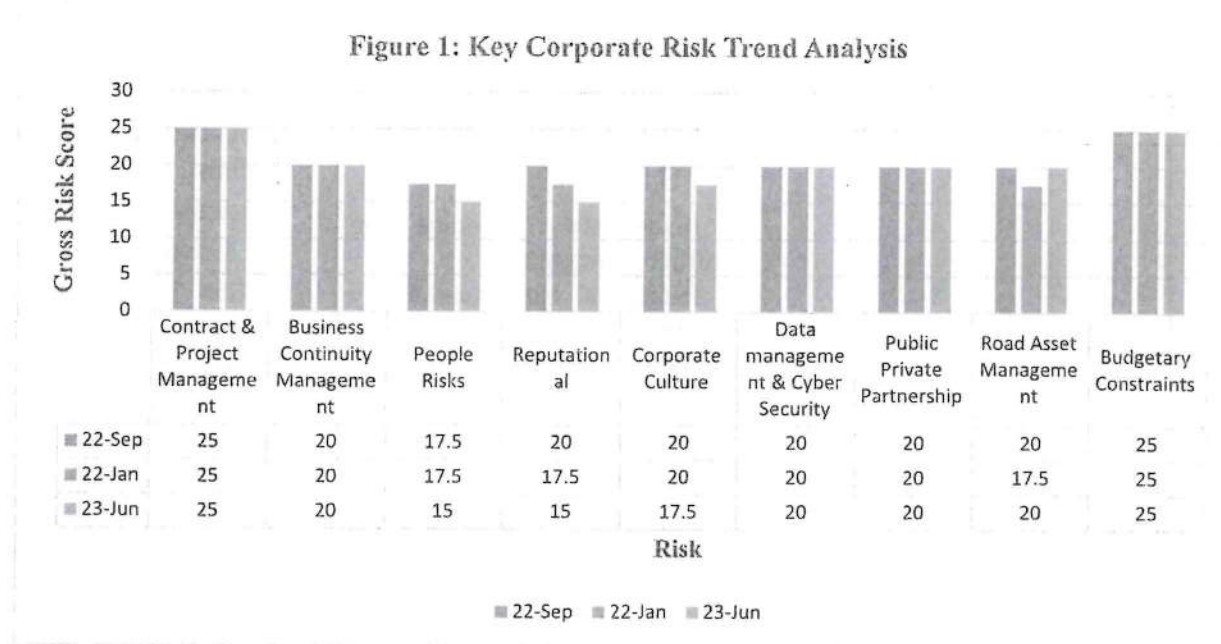
Table 1: Key Corporate Risk Trend Analysis

Risk	Gross Risk Score		
	Sept 2022	Jan 2023	June 2023
Contract and project management	25	25	25
Business continuity management	20	20	20
People risks	17.5	17.5	15
Reputational risk	20	17.5	15
Corporate culture	20	20	17.5
Data management and cyber security	20	20	20
Public private partnerships	20	20	20
Road asset management	20	17.5	20

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Risk	Gross Risk Score		
	Sept 2022	Jan 2023	June 2023
Budgetary constraints	25	25	25

Figure 1: Key Corporate Risk Trend Analysis



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9. Summary Key Corporate Risks for FY 2022/2023

	Key Risk Area	Risk Drivers/ Associated Risks	Broad Response
1	Contract and Project Management Risks	<ol style="list-style-type: none"> 1. Slow response to contractual issues 2. Inadequate enforcement of contractual obligations 3. Indecisiveness in contractual matters 4. Inadequate capacity in contract management 5. Piecemeal site availability for works. 6. Gaps in some contract documents. 7. Gaps in progress reporting documents. 8. Inadequate capacity by consultant or contractor to undertake consultancy or works 	<ol style="list-style-type: none"> 1. Ensure enforcement of contractual obligations as appropriate 2. Make decisions on contractual matters as appropriate and timely within stipulated regulated durations 3. Continually build capacity within KeNHA on Project and Contract management. 4. Ensure acquisition of road corridors including right of way before commencement of works. 5. Review Progress Reporting to capture more feasible and critical issues required for decision making. 6. RACM has improved contract documents to ensure that contractors who perform dismally for 3 consecutive months are charged liquidated damaged and/or the contract terminated. 7. On a quarterly basis, comprehensive project risk reports and their treatment are included in the progress reports for development projects.
2	Business Continuity Management Risks	<ol style="list-style-type: none"> 1. Current pandemic and outbreak of variants as well as novel diseases 2. Exceptional weather and ground conditions 3. Insecurity caused by inter-clan conflicts, bandits and terrorists during road construction 4. Man-made or natural disaster that may disrupt 	<ol style="list-style-type: none"> 1. Continual enforcement of pandemic protocols 2. Implement business continuity plans 3. Develop and implement disaster preparedness plans as required for critical functions 4. Enhance budgetary provisions on Framework

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Key Risk Area	Risk Drivers/ Associated Risks	Broad Response
	normal operations at the Authority.	<p>contracts to effectively address emergencies such as road-cuts.</p> <p>5. Each region has a framework contract of Ksh. 50 million to address emergencies expeditiously</p> <p>6. Precertification audit for ISO 27001 ISMS is scheduled in July 2023</p> <p>7. The ERM &BPR will develop an enterprise-wide BCM and Disaster recovery policy this financial year</p>
3	People Risk	<ol style="list-style-type: none"> 1. Pressure to engage more staff on contract terms due to insufficient human resource. 2. Staff Attrition 3. Integrity of staff 4. Demotivated workforce <ol style="list-style-type: none"> 1. Regular departmental meetings and town hall meetings with staff to communicate expectations, track performance and address concerns and challenges. 2. Review staffing needs for the Authority and address critical gaps through recruitment 3. Undertake job evaluation 4. Train staff annually to provide critical soft and technical skills 5. The health and safety Committee works closely with Directorate of Occupational Safety and Health to continually enhance safety of staff 6. Staff in common cadre were promoted and this has improved staff morale. 7. HRM intends to advertise and recruit staff by December 2023
4	Reputation Risk	<ol style="list-style-type: none"> 1. Inadequate information in media (especially social media) 2. Disgruntled stakeholders, both external and internal <ol style="list-style-type: none"> 1. Regularly monitor stakeholder expectations. 2. Proactively address stakeholder expectations through sensitization, involvement and appropriate information sharing

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Key Risk Area	Risk Drivers/ Associated Risks	Broad Response
	<p>3. Inadequate media management</p> <p>4. Inadequate responses to negative media reports</p>	<p>3. Media management</p> <p>4. Manage information within the Authority</p> <p>5. Engage skilled staff to monitor and address issues raised on social media</p> <p>6. Promote environmental conservation and management</p> <p>7. Enhance social safeguards in projects</p> <p>8. The Authority procured a firm to facilitate brand management, social media engagement and media monitoring.</p> <p>9. Approximately 53,000 seedlings were planted in FY 2022/2023.</p>
5.	<p>Corporate Culture Risks</p> <p>1. Staff do not understand or know the core values of the Authority</p> <p>2. Staff do not understand or know how their role contributes to the overall vision of the Authority</p> <p>3. Lack of clearly defined corporate culture in the Authority</p>	<p>1. Define corporate culture for the Authority.</p> <p>2. Sensitize staff on the reviewed vision, mandate and core values of the Authority.</p> <p>3. Review existing Code of Conduct to ensure it takes into account the core values of KeNHA. Have staff to sign off that they have read the Code of Conduct and will abide by its requirements.</p> <p>4. Promote ethical conduct by undertaking corruption perception survey and conducting integrity Audit.</p> <p>Current status</p> <p>5. The Research and Innovation department has set up a central knowledge repository/ digital library on SharePoint to encourage</p>

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Key Risk Area	Risk Drivers/ Associated Risks	Broad Response
		<p>knowledge sharing and learning</p> <p>6. The department has also set up an innovation portal where staff can upload innovative ideas. The 1st innovation and knowledge sharing conference is scheduled for 27th and 28th July 2023</p>
6.	<p>Data Management Cyber Security Risks</p> <ol style="list-style-type: none"> 1. Lack of centralized and comprehensive data management framework 2. Data security risks, with information falling into the hands of unauthorized persons 3. Data breaches – unintentional release of secure information 4. Weak password management practices, software piracy, malware and lack of knowledge on IT related operations making staff susceptible to cyber crimes 	<p>For data management</p> <ol style="list-style-type: none"> 1. Develop data management framework for the Authority and sensitize staff on its requirements 2. Continue with Automation of internal business processes through ERP 3. Operationalize Electronic Document Management System <p>For cyber security</p> <ol style="list-style-type: none"> 4. Sensitization of staff on cyber security policy and cybercrime Act. 5. Implementation of firewalls and security monitoring tools 6. Use of genuine updated antivirus 7. Use of genuine software 8. Software updates and patch management 9. Implement business continuity plan and backup restoration plan / infrastructure 10. PRC has developed a draft data management framework (policy and manual) scheduled for presentation to management in July 2023. 11. A precertification audit is scheduled for July 2023 to ascertain KeNHA's readiness to be ISO 27001 certified.

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Key Risk Area	Risk Drivers/ Associated Risks	Broad Response
7	<p>PPP Risks</p> <ol style="list-style-type: none"> 1. Complexity of the PPP projects. For instance, contractual relationships between parties in the project. A small number of KeNHA Staff trained in handling PPP transactions 2. Optimism bias on expected revenue streams at operation with a potential of revenue streams below expectation during operation. 3. Public view tolling as triple taxation resulting in emerging consumer protection pressure groups to oppose the venture. 4. Need for due diligence on proposed private partners to establish their capacity to deliver as indicated. 	<ol style="list-style-type: none"> 1. Train more staff on PPP in all relevant areas namely Legal, Supply Chain, Finance, Engineering, Communication and Risk). 2. Ensure continuous public engagement and dissemination of information to manage and minimize opposition against the PPP projects. 3. Continually monitor the respective contractor's capability to ensure that remedial action is taken immediately where a gap is noticed. 4. The Nairobi Expressway is now in use. A decision is awaited from government on concessioning of Nairobi – Mau summit road.
8	<p>Road Asset Management Risk</p> <ol style="list-style-type: none"> 1. Vandalism of road furniture due to availability of market for materials 2. Overloading by transporters especially those plying routes manned by Virtual Weighing Stations 3. Road reserve and camp encroachment <p>Emerging issues</p> <ol style="list-style-type: none"> 4. Expected increase in use of electric vehicles which may result in reduction of RMLF 5. Change of law resulting in reduction of percentage of RMLF to be given to Authority for maintenance of roads. 	<ol style="list-style-type: none"> 1. Improve highway patrols through ALEHU and PBCs 2. Create awareness among stakeholders on the need to protect road assets 3. Secure road camps and highway reserves 4. Conduct Research with a view to developing alternative materials for road furniture to address the risk of vandalism. 5. Enhance budget line to cater for road reserve and camp protection to include road reserve mapping 6. Ensure road reserves are largely secured prior to award of works contracts 7. The Government lifted the ban on scrap metal dealing in May 2022. Only licensed dealers,

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Key Risk Area	Risk Drivers/ Associated Risks	Broad Response
		millers and smelters are allowed to operate upon payment of license fees.
9	<p>Budget Constraints</p> <ol style="list-style-type: none"> 1. Commencement of many projects which end up straining the limited Financial Capacity. 2. Increasing Costs of acquisition for right of way and compensations for Project Affected Persons affecting cash flow for works 3. Lack of alternative revenue streams apart from the Exchequer 4. Delayed Exchequer Releases 5. Unexpected budgetary cuts after approval of budgets 6. Commencement of projects with encumbrances within the project corridor resulting in increased costs 7. Delayed payments on existing IPCs causing delays in implementation and resulting in Interest on delayed payments <p>Emerging issues</p> <ol style="list-style-type: none"> 8. Expected increase in use of electric vehicles which may result in reduction of RMLF 9. Change of law resulting in reduction of percentage of RMLF to be given to Authority for maintenance of roads. 10. Centralization of collection of AIA by government could further expose the Authority if remittances are delayed. 	<ol style="list-style-type: none"> 1. Explore and exploit viable alternative sources of revenue 2. Continue to engage the National Treasury on budgetary requirements and release of resources to settle pending bills 3. Review work plan in line with budgetary reduction where applicable. 4. Undertake manageable number of projects to minimize delays in payments and accrual of interest on delayed payments 5. Enhance forward planning by ensuring right of way is secured before commencement of project 6. In May 2023, KeNHA advertised for a consultancy to facilitate preparation of a strategy for on-source resource revenue.

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	Key Risk Area	Risk Drivers/ Associated Risks	Broad Response
10	Political Risk	<ol style="list-style-type: none"> 1. Rising worldwide inflation 2. Unemployed youth who may become more susceptible to participating in protests and demonstrations; vandalizing road furniture and damaging road infrastructure. 3. Economic inequalities that are exacerbated by inflation 4. Political disputes and disagreements. 5. Inadequate stakeholder engagement 	<ol style="list-style-type: none"> 1. Increased stakeholder engagement and sensitization to create awareness on importance of protecting road infrastructure. 2. Enhancement of security by coordination with law enforcement agencies during times of unrest. 3. Stringent consequences on destruction of public property.

SECTION E

Material arrears in statutory/financial obligations

The Authority has a large stock of pending development bills amounting to Kshs. 78.1 billion. This is made up of payment certificates and fee notes for certified development works and outstanding dues to Project Affected Persons. This resulted from inadequate GOK Development Budget allocations and delayed release of Exchequer funds to the Authority. This has led to accumulation of interest on delayed payments and other contractual claims.

SECTION F

The Authority's Financial Probity and Serious Governance issues

The Board of Directors takes overall responsibility for establishing systems of internal control and for reviewing and evaluating their effectiveness. The day-to-day responsibility for the implementation of these systems and for ongoing monitoring of risk and the effectiveness of controls rests with Senior Management.

The systems, which have been in place from inception of the Authority up to the date of approval of these financial statements include the following: -

- The Audit, Risk & Governance Committee of the Board provides oversight over the internal audit work and implementation of both internal and external audit recommendations.
- The Risk Management Committee comprising of Senior Management is responsible for ensuring that controls are in place to identify, evaluate and manage risk.
- Enterprise Risk Management Department documents risks and the responses to them, carry out risk assessments annually and report to the Risk Management Committee and the Audit, Risk & Governance Committee of the Board on effectiveness of risk management.
- Periodic reviews of performance and quality control in road construction and maintenance are carried out by the Quality Assurance Section.
- Directorate of Internal Audit reviews the effectiveness of the financial and operational systems and controls throughout the Authority and reports to the Audit, Risk & Governance Committee.

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- External Auditors comprising the Office of the Auditor General, Office of the Internal Auditor General, Kenya Roads Board and Development Partners review the Authority's financial statements and effectiveness of systems of internal controls.

The Authority's systems of internal control and corporate governance arrangements in operation during the quarter were based on the above institutional arrangements. The internal control systems are designed to manage, rather than eliminate, the risk of failure to achieve corporate objectives or, in the case of financial controls, the risk of material misstatement in our financial statements.

10. Environmental and Sustainability Reporting

i. Sustainability strategy and profile

The Board of Directors of Kenya National Highways Authority (KeNHA) understands the Authority's position as the custodian of the National highways network and the critical role in providing quality and safe highways for sustainable social and economic development. The Authority has a responsibility to manage and leverage resources in a way that promotes a healthy and sustainable environment. This is in line with the Authority's commitment in the customer service charter to adhere to environmental regulations during the implementation of projects to safeguard the environment and Strategic Plan strategic objective of environmental and social sustainability.

KeNHA's Environmental and Social Safeguards Policy is in line with one of the KeNHA's core value of equity and integrity and assists KeNHA to comply with Kenya's Constitution 2010 and with the provisions in the Environmental Management and Coordination Act (EMCA), Cap 387.

The Board of Directors and Management gives a firm commitment of supporting and ensuring that the provisions of this policy are implemented by the Authority and those who work on our behalf as we strive to attain sustainable development.

ii. Environmental Performance

Road constructions activities trigger changes to both bio-physical and socio-economic environments of the areas construction is taking place. The Authority ensures that Environmental and Social Impact Assessments are carried out and required approvals obtained before projects are implemented. The Environmental and Social Impact Assessments is a planning tool which predicts, assess, and analyzes the possible positive and negative environmental and social impacts that are expected during the construction, operation and decommissioning phases of the project for management purposes. The Authority in FY 2022/2023 carried out and submitted to NEMA five Environmental and Social Impact Assessment Studies for 5No.road projects which are in various stages of review process. In same breath, three Resettlement Action Plans were prepared and finalized for 3No.road projects to ensure potentially affected persons and assets are adequately enumerated for eventual compensation.

Implementation of the environmental and social mitigation measures and strategies in the development projects must be monitored to ensure adequacy and efficiency in the implementation. In

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all on-going construction projects, the Authority engages the implementation supervision consultants who must have in their team Environmentalist and Sociologist to continuously monitor the implementation of the environmental and social measures in the projects and update the Authority through monthly and quarterly progress reports. The Authority does monitoring through site meetings, inspections and statutory audits. In FY 2022/2023, the Authority carried out 10No. Environmental audits, 9 No. ESMP implementation monitoring, 8No.social audits and 6No.material sites inspection of on-going road construction projects and made recommendations to the implementation teams for considerations thus improving sustainability of the projects.

The Authority continue to implement measures to protect the environment, mitigate climate change and improve the national forest cover through collaboration with Kenya Forest Services and other stakeholders. In the reporting period, the Authority with other stakeholders planted 53,674 No. seedlings cumulatively along the KeNHA roads network, gazetted forests and institutions.

The authority signed a framework for cooperation with Kenya Forest Service (KFS) to jointly partner to set up a one (1) million seedling arboretum. KeNHA has allocated KFS Ksh. 20M for model nursery infrastructural development .The seedlings will be planted in identified degraded areas and right of way along the highways.

The Kenya National Highways Authority is putting a focus on making its infrastructure more resilient to climate change. We have robust and innovative designs and strive to use appropriate materials to promote resilience to adverse effects caused by climate change and attendant weather stresses.

Constructed roads that are climate proofed, have improved size of structures and culverts to safeguard investments because of climate change issues. Approximately 768.9 lane km of the climate proofing done during the reporting period.

As an Authority, we have deliberately converted some of material sites in ASAL to safe water pans to mitigate impacts of climate change to the local communities.

We have made substantial investment in the use of green energy in offices and other installations across the country. This is aimed at mitigating the impact of climate change.

To enhance the Authority's capacity to adhere to the provisions of Article 10 of the Constitution through civic education, training and sensitization on national values and principles of governance, 7No.stakeholder engagements were done for seven number projects in where various topical issues

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were discussed. In the same breath, measures to promote inclusivity in running the road projects were implemented in 4No.road projects through establishment and operationalization of the Grievance Redress Mechanism (GRM) and monitoring the operations of the Grievance Redress Committees (GRC) in a number of projects.

The Authority has endeavored to allocate resources into prevention of HIV infections and other non-communicable diseases within her staff and project footprints. In the reporting period, 3No projects integrated HIV/AIDS and other non-communicable diseases services and communities within the footprints of the project and the project staff benefit through information, training and communication material provided.

iii) Employee Welfare

The Authority has the following policies in place: The Human Resource Policy and Procedures Manual, Career Guidelines Manual, Organization Structure, Grading and Establishment Manual. The Human Resource and Procedures Manual and Internship Policy Guideline provide steps in recruitment process in the Authority. In addition, it takes into account the gender ratio as a recruitment and development requirement and implements the same alongside any new written provisions, guideline, directive, circular or memo from government from time to time. The stakeholder engagements are taken into account and the policies have been developed to support service delivery, commitments and obligations of the Authority to its stakeholders. As a practice, the Authority undertakes the review and improvement of the aforementioned policies as and when necessary but at least every three (3) years so as to be in harmony with legislation and organizational and technological changes.

The Authority has a staff appraisal system and is in the process of reviewing the system to align with a balance Scorecard framework for purposes of objectively addressing the several human resource decisions such as promotions, training and development, reward and sanction among others. Management often undertakes benchmarking with other state agencies with intent to improving its performance management instruments.

The Authority has an Occupational Safety and Health Policy and staff are trained on safety and health procedures, where they are encouraged to identify equipment or hazardous materials that are of concern to them. Workplaces are inspected from time to time and registered annually by the

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Directorate of Occupational Safety and Health (DOSHS). In this respect, the Authority has a Health and Safety Committee which spear heads matters of Health and Safety.

The Government has introduced the implementation of Productivity Management (Measurement & Improvement) vide the performance Contracting for FY 2023/2024 to aid in productivity and performance management in the state agencies. In this regard, the Authority is in the process of developing a Productivity Matrix with the help of Commission for Salaries and Remuneration Commission (SRC).

iv) Market place practices-

a) & b) Responsible competition practice & Supply chain & Supplier Relations

The Authority has embraced the culture of competitiveness in procurement processes in pursuit of achievement for value for money and creation of fairness and transparency among various stakeholders. Adherence to the provisions of the Public Procurement and Asset Disposal Act, 2015 and its attendant regulations, KeNHA procurement policies and donor funded guidelines has been a key contributing factor towards promotion of competition and ensuring competitors are treated fairly. The Authority undertakes stakeholder and political involvement through pre-bid conferences/pre-tender site visits/capacity building to enhance effective communication.

Competition is fostered through the use standard tender and quotation documents in procurement of various goods, works and services. The Public Procurement Regulatory Authority directives and donor procurement guidelines creates a level playing ground for the competitors through issuance of the standard tender documents. To a great extent, the use of standardised and clear specifications has allowed for open competition and promotion of local industry. The Authority has created an environment that promotes transparency and accountability through use of Enterprise Resource Planning system. This is done through publication of all procurement processes on the Public Procurement Information Portal (PPIP), advertisement of procurement opportunities, conducting due diligence on successful suppliers/contractors and handling of complaints. The Authority undertakes timely communication of results of procurement processes through effective debriefing mechanisms. The law further allows aggrieved bidders to pursue other existing legal mechanisms to ensure that their grievances are addressed.

c) Marketing & Advertisement

The authority practices ethical marketing by committing to open, transparent, responsible, and fair practices and communicates these values to the public. Further, we commit to implement our projects while upholding ethical standards to project staff, communities that benefit and those that are affected by our projects.

The Authority continuously observes the principles of:

1. **Fairness:** Establishing fairness in our decision-making, offering equitable wages, and sustainable development.
2. **Honesty:** A cornerstone of ethical marketing is honesty. The Authority, while publicizing projects and activities strive to provide factual and unexaggerated information about the functionality and impact of our activities and provide full disclosure when required to.
3. **Responsibility:** KeNHA emphasizes her responsibility by providing a well-functioning highway network at all times, support social causes, give back to communities, treat employees with respect, and protecting the environment through sustainable practices.

The Authority conducted a Customer Satisfaction survey in 2019 and has been implementing recommendations made by the public as we implement projects.

4. **Transparency:** We practice transparency by publishing our activities and being open to the public about our operations. Not only do we provide regular reports to relevant oversight agencies, but continuously share information through the media, publications, website and social media accounts.

d) Product stewardship

1. The Authority has established a hotline through which citizens can share complaint or feedback.
2. There is an established complaints handling mechanism, to ensure customers complaints are responded to within 21 Days as stipulated in our Customer Service Charter and by the Commission on Administrative Justice.
3. The Authority has opened a confidential email for reporting integrity related issues which is: integrity@kenha.co.ke. Citizens who act as whistle blowers are assured of utmost confidentiality and due care while handling the cases as stipulated in the Anti-Corruption and Whistle blower policies.
4. The Authority has a robust Stakeholder Engagement plan for every project to ensure that the interests and rights of stakeholders are factored into every major project. In the year

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under review, we carried out elaborate stakeholder engagement on Nairobi-Nakuru-Mau Summit PPP Project, Horn of Africa Road Project, and Weighbridge Management.

5. At the commencement of every project, the Authority obtains statutory clearances from National Environmental Management Authority (NEMA) as well as the Occupational Health and Safety Authority.

v) Corporate Social Responsibility / Community Engagements

Kenya National Highways Authority continues to uphold corporate citizenship by ensuring social accountability to all stakeholders and the public. The Authority continues to be conscious of the impact realized on all aspects of society, including economic, social, and environmental during project implementation.

Through the Corporate Social Investment (CSI) Committee, we have been able to identify initiatives, along our road projects, that help improve the livelihoods of surrounding communities. The Authority remains committed as a responsible corporate citizen and prioritizes mitigation measures on the impact of project implementation.

CSI Statement FY: 2022-2023

Since inception in 2009, the Kenya National Highways Authority (KeNHA) has embodied the true spirit of Corporate Social Investment (CSI). We are committed to the highest standards of corporate citizenship. Our culture and values are rooted in service, integrity, and taking personal responsibility for our actions, outcomes, and reputation.

As a leading Highways Authority, we connect communities with business as well as employment opportunities. We make a difference in areas along our project routes. Given the nationwide span of our projects, we recognize the wide reach of our products, service delivery, and our public accountability.

We have continued to be conscious of the kind of impact the Authority is having on all aspects of society, including economic, social, and environmental issues in all our project implementation cycles.

Through the CSI Committee, as an Authority we have been able to identify and implement initiatives along our road projects that help improve the livelihoods of communities in those routes.

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The Authority remains committed as a responsible corporate citizen by prioritizing mitigation measures on the impact of her activities on the environment, communities, employees, and stakeholders.

CSI Initiatives undertaken

The commitment of the Authority to being a responsible corporate citizen is demonstrated through various initiatives that aim at overall well-being of beneficiary communities along project routes.

These initiatives mainly focus on promoting sustainable livelihoods and improving access to social amenities through interventions that improve outcomes on Education, Health, Sanitation, Environmental Conservation, Security, as well as Youth and Women Empowerment.

During the year under review, the Authority undertook several CSI activities. These include construction of dormitories, levelling of school playgrounds, drilling of boreholes, upgrading a dispensary, construction of police stations, and sponsorship of various community activities as tabulated in the table below.

CSI initiatives undertaken within projects during the FY: 2022-2023

No.	Project Name	CSI intervention/Initiative
	Chemelil-Kipsitet	Levelling of school pitch at God-Abuoro Secondary School
	Dualling of Kenol - Sagana	Donation of 5.4million to hospital
	Dualling of Sagana - Marua	Ground layout of the Special School Autism Unit and dormitories at Ng'aru girls
	Isebania-Kisii Lot 1	Levelling of playgrounds almost in every school along the project area.
	James Gichuru-Rironi	Construction of dormitory at Nairobi School
	Marsabit-Segel	Drilling of a borehole at Segel
	Mau Mau Road Project Lot 1A	Levelling of school playgrounds in various schools i.e. Karuro Primary School, Gatamaiyo Secondary School, Githiga Primary School, Kamahindu Secondary
	Mau Mau Road Project Lot 1B	Upgrading of Gachika Dispensary
	Mau Mau Road Project Lot 2	Levelling of school ground
	Mombasa - Kwa Jomvu Lot 1	Improvements at Makupa police station , Mikindani market roadside amenity
	MPARD2 Mwache-Tsunza-Mteza	Construction of two Police Stations in Tsunza

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Sponsorships of activities during the FY: 2022-2023

Year/Month	Activity	Amount
2022		
July	Mater heat run	450,000
October	Association of Women Accountants Dinner	90,000
November	East Africa PR week	500,000
November	Annual International Institute of Engineers conference	
November	Nation Media KUSI ideas festival	500,000
November	Annual Editors Convention, 2022	500,000
December	Association of Consulting Engineers annual Gala Dinner	45,000
2023		
March	Sponsorship of the corporate Watch Magazine	300,000
March	Borehole Drilling for Dorothea rescue centre	200,000
April	Mutuine Half marathon	100,000
May	Sponsorship to fund pharmaceutical refrigerator	594,000
June	Mater heart run	200,000
June	Engineering Partnership Convention	500,000

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11. Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2023, which show the state of the *Authority's* affairs.

i) Principal activities

The principal activities of the Authority are to manage, develop, rehabilitate, and maintain national roads.

ii) Results

The results of the Entity for the year ended June 30, 2023, are set out on page 1

iii) Directors

The members of the Board of Directors who served during the year are shown on pages *viii, ix and x*. During the year Eng. Carey O. Orege, CBS retired from the Board of Directors on 25th August 2022, Mr. George Wanjau retired from the Board of Directors on 19th January 2023 and Eng. Wangai Ndirangu, MIEK, RCE retired from the Board of Directors on 22nd July 2022. Consequently Mr. Martin Eshiwani was appointed to the Board of Directors on 23rd March 2023.


iv) Surplus remission

The Authority did not realise any distributable surplus during the year ended 30th June, 2023 and hence there was no remittance to the Consolidated Fund.

v) Auditors

The Auditor General is responsible for the statutory audit of the Authority's financial statements for the year ended 30th June 2023 in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board



**Eng. Kungu Ndungu
DIRECTOR GENERAL & SECRETARY TO THE BOARD**

**Kenya National Highways Authority
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12. 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/period and the operating results of the Authority for that year/period. The Directors are also required to ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy the financial position of the Authority. The Directors are also responsible for safeguarding the assets of the Authority.

The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the period ended on June 30, 2023. 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 entity; (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 period ended June 30, 2023, and of the Authority's financial position as at that date.

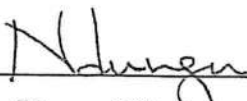
The Directors further confirms the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control.

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.

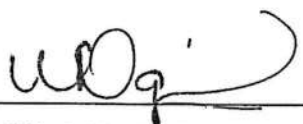
**Kenya National Highways Authority
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Approval of the financial statements

The Authority's financial statements were approved by the Board on 26th September 2023 and signed on its behalf by:



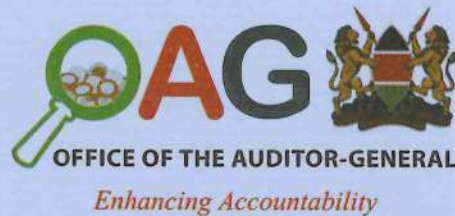
**Eng. Kungu Ndungu
DIRECTOR GENERAL**



**Ms. Winfrida W. Ngumi
CHAIRPERSON OF THE BOARD**

REPUBLIC OF KENYA

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HEADQUARTERS
Anniversary Towers
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA NATIONAL HIGHWAYS AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya National Highways Authority set out on pages 1 to 48, which comprise of the statement of financial position as at 30 June, 2023, statement of financial performance, statement of changes in net

Report of the Auditor-General on Kenya National Highways Authority for the year ended 30 June, 2023

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kenya National Highways Authority as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Kenya Roads Act, 2007.

Basis for Qualified Opinion

1. Irregular Board Expenses

The statement of financial performance reflects Board expenses amount of Kshs.55,969,000 which, as disclosed in Note 14 to the financial statements includes expenditure in respect of ministerial and other official functions amounting to Kshs.7,381,293. Review of supporting documents revealed that the expenditure related to travel expenses by the Principal Secretary and Cabinet Secretary for State Department for Roads and other ministerial staff while on official site visits of the Authority's road projects. However, no plausible explanation was provided why the State Department for Transport functions were being funded from the Authority and charged to Board expenses while the State Department has a travel and subsistence allowance vote.

In the circumstances, the accuracy of Board expenses amounts of Kshs.55,969,000 could not be confirmed.

2. Lack of Land Ownership Documents

The statement of financial position reflects a balance of Kshs.726,602,109,784 in respect of property, plant and equipment which, as disclosed in Note 25 to the financial statements includes a balance of Kshs.268,360,000 in respect of land assets. However, it was noted that some properties occupied by the Authority are owned exclusively or jointly with other road Authorities but are not formally vested to KeNHA as tabulated below:

No.	Status	No. of Stations
1	Camps exclusively owned by KeNHA	25
2	Camps owned jointly (KeNHA, KURA and KeRRA)	136
3	Camps owned jointly (KeNHA and KeRRA)	14
4	Camps owned jointly (KeNHA and KURA)	120

The value and ownership status of the above pieces of land could not be confirmed.

In the circumstances, the accuracy and completeness of assets balance of Kshs.726,602,109,784 could not be confirmed.

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

Emphasis of Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual receipts on a comparable basis amounts of Kshs.38,046,956,578 and Kshs.29,020,023,427, respectively resulting in an under-funding of Kshs.9,026,933,151 or 24% of the budget. Similarly, the Authority expended an amount of Kshs.31,345,938,487 against an approved budget of Kshs.36,338,362,966 resulting in an under-expenditure of Kshs.4,992,424,479 or 14% of the budget. Further, the Authority expended Kshs. Nil against capital expenditure budget of Kshs.241,982,376 resulting to under expenditure of Kshs.241,982,376 or 100% of the budget.

The underfunding and under-expenditure affected the planned activities and has impacted negatively on service delivery to the public.

2. Contingent Liabilities

I draw your attention to Note 34 to the financial statements which reflects an amount of Kshs.22,136,767,733 in respect of Contingent liabilities relating to court cases against the Authority, unclaimed interest on works, land acquisitions, unresolved contractual claims, estimated legal fees and interest awards. Although, in the opinion of the Management, the Authority is likely to obtain favorable judgements in many of the cases, the Authority's operations would be adversely affected if any of the liabilities was to crystallize.

My opinion is not modified in respect of these matters.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Issues

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the issues have not been discussed by the Public Audit Committee and therefore remain unresolved.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Avoidable Expenditure

The statement of financial position reflects trade and other payables balance of Kshs.84,073,202,210 as disclosed in Note 27 to the financial statements. The balance increased by Kshs.3,907,619,872 from the previous year balance of Kshs.80,165,582,338. The increase represented 11% of the final budgeted operating expenditure of Kshs.36,338,362,996 which was higher than the 2% prescribed in Section 94(1)(b) of the Public Finance Management Act, 2012. Further, review of trade and other payables records revealed accumulated interest on delayed payments of Kshs.438,259,720 that could have been avoided.

In the circumstances, Management was in breach of the law and effective use public resources could not be confirmed.

2. Long Outstanding Refundable Deposits

The statement of financial position reflects refundable deposits from customers balance of Kshs.228,934,138 which as disclosed in Note 28 to the financial statements includes, long outstanding balances totalling Kshs.58,068,272 dating back to 2010/2011 financial year. No plausible explanation was given why the deposits had not been surrendered to the Consolidated Fund as provided by Regulation 106 of the Public Finance Management (National Government) Regulations, 2015 that states that unless otherwise exempted by an Act of Parliament, any deposit which has remained unclaimed for 5 years may, with the approval of the Cabinet Secretary, be paid into Consolidated Fund and thereafter the Accountant-General may refund the deposit to any person entitled thereto, if he or she is satisfied that the claim is authentic.

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

3. Anomalies Noted During Projects Inspection

Physical inspection on projects carried in the month of July, 2023 revealed delayed works on various projects in different regions as highlighted below:

i) Construction of Dhogoye Bridge and Approach Roads on Kisian-Usenge-Osieko (B10) Road (KeNHA/RD/HP&D/RP 3287/2021)

The Authority awarded a contract No.KeNHA /RD/HP&D/RP 3287/2021 to two companies in a joint venture at a contract sum of Kshs.1,999,349,505 for a period of 18 months

effective 21 June, 2021. However, review of the monthly progress report of June, 2023 revealed that the contractors have achieved only 21% overall works completion compared to time elapsed of 24%, an indication that works were behind schedule. Further, records reviewed revealed that only one certificate of Kshs.83,862,151.83 had been raised and part payment of Kshs.74,478,949 or 89% had been paid. Management explained that the slow work progress was due to non-payment of advance payment requested by the contractors of Kshs.199,934,950.60 vide IPC 1 out of which an amount of Kshs.35,000,000 had been paid. However, review of the contract Clause 60.12 of the conditions of the contract revealed that it was not mandatory for employer to pay the advance amount to the contractor and therefore it was not enough justification for slow work progress.

In the circumstances, the project risks incurring additional funds due to cost escalation. In addition, delay in implementation of the project has impacted negatively on service delivery to the public.

ii) Mau Mau Road Lot II

The contract was awarded to a Company at a contract sum of Kshs.4,519,821,279 for 36 months from 20 February, 2020 but was revised to 47 months. Mau Mau Road Lot III was implemented in Nyeri County. A letter Ref: KeNHA/08/CV812/2023 dated 10 May, 2023 from Director General to the contractor revealed that the contractor was awarded extension of time for a further period of three hundred and thirty-seven (337) days. However, physical inspection carried out in the month of July, 2023 revealed that the amount certified to date (up to IPC 12) which had been fully settled was an amount of Kshs.1,775,574,791 and stood at 39.28% of the contract sum. The inspection revealed that spur roads works were at the initial stages and behind schedule despite the revised completion date of 18 February, 2024.

Further, the main road drainage banks had not been reinforced by stone pitching and loose soil on the drainage sides were falling down inside the drainage channels on several sections of the road. Delayed maintenance/repair works may result to further deterioration of the defects attracting huge repair costs.

In the circumstances, effectiveness and efficiency in use of public resources could not be confirmed.

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

Responsibilities of Management and the Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to continue to sustain its services.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures and whether the 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 Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls 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 Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

27 March, 2024

**Kenya National Highways Authority
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14. Statement of Financial Performance for the year ended 30th June 2023


	Notes	2022-2023	2021-2022
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from Development Budget Grants	6	472,533,624	538,180,368
Levies, Fines and Penalties	7	27,384,973,508	28,937,578,804
		27,857,507,132	29,475,759,172
Revenue from exchange transactions			
Rental revenue from facilities and equipment	8	4,381,999	1,168,000
Finance income - external investments	9	964,864,007	921,384,891
Other income	10	183,216,943	13,764,829
		1,152,462,949	936,317,720
Total Revenue		29,009,970,081	30,412,076,892
Expenses			
Road Maintenance and Axle Load Expenses	11	27,205,732,858	24,706,494,795
Use of goods and services	12	647,394,159	548,883,957
Employee costs	13	2,011,037,765	2,053,739,104
Board Expenses	14	55,969,000	72,155,817
Depreciation and amortization expense	15	400,545,025	273,697,520
Repairs and maintenance	16	216,404,657	170,373,343
Transfers from Development Budget Grants	6	472,533,624	538,180,368
Finance costs	17	5,797,849	5,623,642
Total expenses		31,015,414,937	28,369,148,546
Other gains/(losses)			
Gain on sale of assets	18	4,110,130	16,082,409
Profit on foreign exchange translations	19	5,943,216	2,577,361
Surplus before tax		(1,995,391,510)	2,061,588,116
Taxation	20	(330,523,550)	(274,738,055)
Surplus/(Deficit) for the year		(2,325,915,060)	1,786,850,061

The notes set out on pages 8 to 47 form an integral part of these Financial Statements.

The Financial Statements set out on pages 1 to 7 were signed on behalf of the Board of Directors by:


CPA. Chanje Kera
Deputy Director (Finance & Accounts)
 ICPAK Member No. 8279



CPA James Bowen
Director Corporate Services
 ICPAK Member No. 7842


Eng. Kungu Ndungu
Director General

Date... **07 FEB 2024**

Date... **07 FEB 2024**

Date... **07 FEB 2024**


Ms. Winfrida W. Ngumi
Chairperson of the Board
 Date... **07 FEB 2024**

**Kenya National Highways Authority
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for the year ended June 30, 2023.**

15. Statement of Financial Position as at 30th June 2023

	Notes	2022-2023	2021-2022
		Kshs	Kshs
Assets			
Current Assets			
Cash and cash equivalents	21	17,227,706,426	13,993,041,417
Receivables from exchange transactions	22(a)	3,933,434,400	12,562,556,350
Receivables from non-exchange transactions	23	18,310,939,061	21,540,562,776
Inventories	24	12,907,787	9,668,135
Total Current Assets		39,484,987,674	48,105,828,678
Non-Current Assets			
Property, plant and equipment	25	726,602,109,784	675,448,008,179
Intangible assets	26	233,489,209	183,150,435
Long term receivables from exchange transactions	22(b)	24,250,000	24,250,000
Total Non-Current Assets		726,859,848,993	675,655,408,614
Total Assets		766,344,836,667	723,761,237,292
Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions	27	84,073,202,210	80,165,582,338
Refundable deposits from customers	28	228,934,138	195,479,839
Provisions	29	212,837,759	182,875,058
Taxation	30	6,597,648	217,457,784
Total Current Liabilities		84,521,571,755	80,761,395,019
Total Liabilities		84,521,571,755	80,761,395,019
Net assets		681,823,264,912	642,999,842,273
Reserves		665,171,015,227	624,058,936,678
Accumulated surplus		16,652,249,685	18,940,905,595
Total Net Assets and Liabilities		766,344,836,667	723,761,237,292

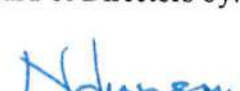
The financial statements set out on pages 1 to 7 were signed on behalf of the Board of Directors by:


CPA Chanje Kera
Deputy Director (Finance & Accounts)
 ICPAK Member No. 8279

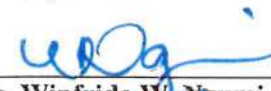
Date... **07 FEB 2024**


CPA James Bowen
Director Corporate Services
 ICPAK Member No. 7842

Date... **07 FEB 2024**


Eng. Kungu Ndungu
Director General

Date... **07 FEB 2024**


Ms. Winfrida W. Ngumi
Chairperson of the Board

Date... **07 FEB 2024**

Kenya National Highways Authority
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16. Statement of Changes in Net Assets for the year ended 30th June 2023

	Retained earnings	Capital/ Development Grants/Fund	Total
	<i>Kshs</i>	<i>Kshs</i>	<i>Kshs</i>
At July 1, 2021	17,154,055,535	556,170,882,658	573,324,938,193
Surplus for the year	1,786,850,061	-	1,786,850,061
Transfers to accumulated surplus	-	-	-
Capital/Development grants received during the year	-	67,888,054,020	67,888,054,020
At June 30, 2022	18,940,905,596	624,058,936,678	642,999,842,274
At July 1, 2022	18,940,905,596	624,058,936,678	642,999,842,274
Deficit for the year	(2,325,915,060)	-	(2,325,915,060)
Transfers to accumulated surplus	37,259,149	-	37,259,149
Capital/Development grants received during the year	-	41,112,078,549	41,112,078,549
At June 30, 2023	16,652,249,685	665,171,015,227	681,823,264,912

**Kenya National Highways Authority
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17. Statement of Cash Flows for the year ended 30th June 2023

		2022-2023	2021-2022
	Notes	Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from other Development Budget Grants	6	472,533,624	538,180,368.00
Levies, fines, and penalties	7	27,384,973,508	28,937,578,804
Rental Revenue	8	4,381,999	1,168,000
Finance income	9	964,864,007	921,384,891
Other income	10	183,216,943	13,764,829
Profit on foreign exchange translations	19	5,943,216	2,577,361
Total Receipts		29,015,913,297	30,414,654,253
Payments			
Road Maintenance and Axle Load Expenses	11	27,205,732,858	24,706,494,795
Use of goods and services	12	647,394,159	548,883,957.00
Employee costs	13	2,011,037,765	2,053,739,104
Board Expenses	14	55,969,000	72,155,817
Repairs and maintenance	16	216,404,657	170,373,343
Finance cost	17	5,797,849	5,623,642
Taxation	20	330,523,550	274,738,055
Transfers from other Development Budget Grants	6	472,533,624	538,180,368
Total Payments		30,945,393,462	28,370,189,081
Working Capital Adjustments			
Decrease in current receivables		7,772,308,350	(7,414,787,149)
Decrease in trade and other payables		(1,085,117,583)	(1,217,512,010)
Increase in long term receivables		-	500,000.00
Increase in Inventory		(3,239,651)	(2,178,514)
Increase in provisions		29,962,701	43,606,327
Total Working Capital Adjustments		6,713,913,817	(8,590,371,346)
Transfer to Revenue reserves		37,259,149	-
Net cash flows from/(used in) operating activities		4,821,692,801	(6,545,906,174)
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		(51,608,438,193)	(87,782,383,649)
Proceeds from sale of property, plant and equipment		7,562,920	16,359,843
Decrease in Development receivables		4,086,437,317	(2,549,388,865)
Increase in Development payables		4,815,331,615	19,603,834,671
Net cash flows from /(used in) investing activities		(42,699,106,341)	(70,711,578,000)
Cash flows from financing activities			
Proceeds from Exchequer/Development Partners		41,112,078,549	67,888,054,020
Net cash flows used in financing activities		41,112,078,549	67,888,054,020
Net increase/(decrease) in cash and cash equivalents		3,234,665,009	(9,369,430,154)
Cash and cash equivalents at 1 July	21	13,993,041,417	23,362,471,571
Cash and cash equivalents at 30 June	21	17,227,706,426	13,993,041,417

**Kenya National Highways Authority
Annual Report and Financial Statements
for the year ended June 30, 2023.**


The Authority's cash flow statement is presented using the direct method.

The financial statements set out on pages 1 to 7 were signed on behalf of the Board of Directors by:



CPA. Chanje Kera
Deputy Director (Finance & Accounts)
ICPAK Member No. 8279

Date..... 07 FEB 2024



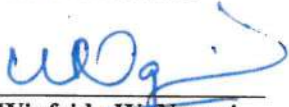
CPA James Bowen
Director Corporate Services
ICPAK Member No. 7842

Date..... 07 FEB 2024



Eng. Kungu Ndungu
Director General

Date..... 07 FEB 2024



Ms. Winfrida W. Ngumi
Chairperson of the Board

Date..... 07 FEB 2024

Kenya National Highways Authority
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18. Statement of Comparison of Budget and Actual Amounts for the year ended 30th June 2023

	Original budget		Adjustments		Final budget		Actual on comparable basis		Performance difference	% of utilization	Notes
	Kshs	a	Kshs	b	Kshs	c=a+b	Kshs	d			
Revenue											
Transfers from Development Budget											
Grants	472,533,624		-		472,533,624		472,533,624		-		100
Levies, fines, and penalties	26,610,461,224		9,877,461,730.00		36,487,922,954		27,384,973,508		9,102,949,446		75
Rental revenue	5,000,000		-		5,000,000		4,381,999		618,001		88
Finance Income	935,000,000		-		935,000,000		964,864,007		(29,864,007)		103 (a)
Other Income	46,500,000		100,000,000.00		146,500,000		183,216,943		(36,716,943)		125 (b)
Gain on sale of assets	-		-		-		4,110,130		(4,110,130)		-
Profit on foreign exchange transactions	-		-		-		5,943,216		(5,943,216)		-
Total income	28,069,494,848		9,977,461,730		38,046,956,578		29,020,023,427		9,026,933,151		(c)
Expenses											
Road Maintenance and Axle Load Expenses	22,974,718,024		9,458,308,460		32,433,026,484		27,205,732,858		5,227,293,626		84 (d)
Use of goods and services	785,945,481		(2,976,219)		782,969,262		647,394,159		135,566,758		83
Employee Costs	2,315,660,175		8,218,096		2,323,878,271		2,011,037,765		312,840,506		87
Board Expenses	67,934,000		-		67,934,000		55,969,000		11,965,000		82
Transfers from Development Budget	472,533,624		-		472,533,624		472,533,624		-		100
Depreciation and amortization expense	-		-		-		400,545,025		(400,545,025)		-
Repairs and maintenance	218,870,925		31,477,000		250,347,925		216,404,657		33,943,268		86
Finance cost	7,173,400		500,000		7,673,400		5,797,849		1,875,551		76 (e)
Taxation	-		-		-		330,523,550		(330,515,245)		-
Total Expenditure	26,842,835,629		9,495,527,337		36,338,362,966		31,345,938,487		4,992,424,439		
Surplus for the period	1,226,659,219		481,934,394		1,708,593,613		(2,325,915,060)		4,034,508,712		
Capital Expenditure	166,174,000		75,808,376		241,982,376		-		241,982,376		

**Kenya National Highways Authority
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Budget notes

a) Finance Income

The Authority continued to invest in call deposits and interest earned on bank account balances and endeavoured to negotiate the best rates in the market thus the favourable variance.

b) Other Income

Other income includes recovery of performance bond for Busia-Malaba project and liquidated damages from various projects including Kiserian-Oletepisi, Lewa-Meru Road, Southern Bypass, Oletepesi-Magadi & Luanda-Kotieno-Bondo, Ruiru-Tatu city Awasi-Nandi Hills thus the favourable variance

c) Changes between Original and Final Budget

The changes between original and final budget were as a result of revision of the budget and inclusion of the approved carry over budget from Financial Year 2021-2022

d) Road Maintenance and Axle Load Expenses

The variance was a result of some projects not fully absorbing their annual budget provisions.

(e) Finance Cost

Finance costs for Authority's bank accounts both at the headquarters and ten regional offices were based on the number of transactions within the period thus the variance.

19. Notes to the Financial Statements

1. General Information

The Authority is established by and derives its authority and accountability from Kenya Roads Act, 2007. The Authority is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is the management, development, rehabilitation, and maintenance of national roads.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the *Authority's* accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *Authority*.

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

**Kenya National Highways Authority
Annual Reports and Financial Statements
for the year ended 30th June 2023.**

Notes to the Financial Statements (Continued)

3. Adoption of New and Revised Standards

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

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

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

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

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Standard	Effective date and impact:
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the Entity. (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement

**Kenya National Highways Authority
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Standard	Effective date and impact:
	Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1 st January 2023.
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

iii. Early adoption of standards

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

Notes to the Financial Statements (Continued)

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

The entity recognizes revenues from fines, penalties and levies when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

Transfers from other government entities

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

Interest and other incomes

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

Other income relates to incomes that arise from miscellaneous activities that are not primarily aimed at raising revenue.

Summary of Significant Accounting Policies (Continued)

ii) Revenue from exchange transactions

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the entity's right to receive payments is established.

Rental income

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

b) Budget information

The original budget for FY 2022-2023 was approved by the board on 10th January 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity did not record additional appropriations on the 2022-2023 budget following the governing body's approval.

The annual budget is prepared on the accrual basis where all planned costs and income are presented in a single statement to determine the needs of the Authority. As a result of the adoption of the accrual basis for budgeting purposes, there is no basis for timing differences on the Authority that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

Summary of Significant Accounting Policies (Continued)

c) Taxes

Current income tax

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

d) **Property, plant and equipment**

- All property, plant and equipment are stated at cost less accumulated depreciation and impairment loss. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Authority recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as 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 on straight line basis at annual rates estimated to write off the cost of the Asset over expected useful lives.

The annual depreciation rates in use are: -

Computer Equipment & Accessories	33.3%
ICT Infrastructure and Telephony	33.3%
Motor Vehicles	25.0%
Office Equipment and Furniture	12.5%
Office Partitioning and fixtures	16.7%
Plant & Machinery	10.0%
Buildings	2.5%

- An item of property and equipment is de-recognised upon disposal. Any gain or losses on de-recognition of the asset is included in the Statement of Financial Performance in the year the asset is de-recognised.
- Contractual commitments for the acquisition of property, plant & equipment in the FY 2022/2023 amounted to Kshs. 108,908,402,549 [2021/2022 Kshs. 123,669,165,473]

**Kenya National Highways Authority
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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

e) Leases

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Authority. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

Non-cancellable operating lease rentals are payable as follows;

	<u>2023</u> <u>Kshs</u>	<u>2022</u> <u>Kshs</u>
Not Later than one year	-	-
Later than one year and not later than three years	-	-
	<hr/>	<hr/>
	-	-
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Lease payments are increased according to the contract stipulations. The Board does not have an option to purchase the leased asset at the expiry of the lease period. There are no contingent rents recognised in the statement of financial performance.

f) Intangible assets

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

The useful life of the intangible assets is assessed as either finite or indefinite.

g) Research and development costs

The Authority expenses research costs as incurred.

Summary of Significant Accounting Policies (Continued)

h) Financial instruments

a) Financial assets

Initial recognition and measurement

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

Impairment of financial assets

The Authority assesses at each reporting date whether there is objective evidence that a financial asset is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset

(an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset can be reliably estimated.

Evidence of impairment may include the following indicators:

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

Financial liabilities

Initial recognition and measurement

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

All financial liabilities are recognized initially at fair value and, in the case of loans and

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

borrowings, plus directly attributable transaction costs.

Loans and borrowing

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

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

i) 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.

After initial recognition, inventory is measured at the lower of cost and current replacement cost. 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.

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

j) 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 an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

k) 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 not remote.

l) 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.

m) Nature and purpose of reserves

The Authority creates and maintains reserves in terms of specific requirements. The Authority maintains grants and surplus reserves. The grant reserves are exchequer and donor funds received from the Government and Development Partners for development of roads. The surplus reserve represents the surplus or deficit of Road maintenance contributions and other internally generated funds against road maintenance and operation expenses. The exchequer and Development partner funds are capitalized in the statement of financial position whereas Road maintenance contributions are expensed in the statement of financial performance. However, the portion of exchequer funds spent on non-capital items or project expenses is transferred to recurrent transfers and treated as recurrent government grants and expenditures accordingly.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

n) 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.

o) Employee benefits

Retirement benefit plans

The Authority provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which the Authority pays fixed contributions into a separate fund account, and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and

prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

p) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date.

Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

q) Related parties

The Authority regards a related party as a person 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 Board and senior managers.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

r) Cash and cash equivalents

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

s) Comparative figures

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

t) Subsequent events

There have been events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2022.

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Authority's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period.

However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Authority based its assumptions and estimates on parameters available when the financial statements were prepared.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Authority. Such changes are reflected in the assumptions when they occur as per IPSAS 1.140

Useful lives and residual values

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

- The condition of the asset based on the assessment of experts employed by the Authority
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 40.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

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Notes to the Financial Statements (Continued)

6. Transfers from Development Budget Grants-Recurrent Revenue/ Project Expenditure

Description	2022-2023	2021-2022
	KShs	KShs
Horn of Africa Gateway Development Projects	116,243,551	112,256,347
Kenya Transport Sector Support Project	19,272,745	17,361,660
Nuno - Modogashe	1,404,662	218,200
Isiolo - Modogashe	1,581,634	1,621,600
South Sudan –EARTTDFP/SS	7,581,881	10,083,626
Mombasa by-pass	5,211,181	4,225,127
Nairobi-Thika Highway	-	454,260
Nairobi Western bypass	831,100	983,300
Consultancy & Design	2,468,199	10,545,600
Road Reserve Mapping	21,223,255	9,648,367
Kiminini Town Service	7,529,191	-
Monitoring & Evaluation*	48,452,285	58,319,424
Dualling of Mombasa - Mariakani	17,240,736	17,416,114
Garissa - Isiolo	5,207,900	2,145,500
Isebania-Mukuyu-Kisii-Ahero	6,379,345	665,100
Kibwezi-Kitui-Isiolo	129,400	201,200
Chebilat-Ikongge-Chabera	-	494,750
Eldoret by-pass	7,060,596	5,764,484
Dualling Eldoret Town Road	13,711,050	-
Kitale-Endebbes-Suam	4,340,025	9,605,858
Garsen-Witu-Lamu	7,794,940	4,363,047
Uplands-Githunguri-Ngewa	-	2,715,600
Thika-Kenol-Marwa-Nyeri*	28,449,392	32,445,425

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Notes to the Financial Statements (Continued)

6. Transfers from Development Budget Grants-Recurrent Revenue/ Project Expenditure

Description	2022-2023	2021-2022
	KShs	KShs
Nairobi-Nakuru*	2,266,189	4,679,793
Nakuru-Mau Summit	6,544,800	28,772,208
Mombasa-Malindi*	15,519,961	33,022,025
Naivasha-Njabini	790,600	7,466,645
Kisian-Busia	-	1,687,266
Aberdare Forest-Njoguini-Kingongo-Kiganjo	2,263,206	3,773,538
Thika-Magumu	5,324,000	5,832,800
Nairobi Expressway	7,532,550	11,865,592
Bomas-Ongata Rongai -Kiserian-Magadi	-	2,864,500
Lamu – Ijara - Garissa	12,448,421	13,516,721
Likoni Floating Bridge	554,785	3,738,364
Access Road Mombasa SEZ	4,507,594	3,197,387
Kisumu – Chemilil - Mamboleo*	9,095,331	28,035,375
MPARD PKG 2-Mwache Jct-Mteza	2,158,170	2,730,430
Marsabit - North Horr	9,800	19,618,917
Dualling of Meru Town Roads	389,600	1,072,914
Mau Mau Roads	5,735,599	13,917,100
Kitale-Morpus	3,001,165	-
Shegel-Maikona	2,599,569	-
Barpelo-Tot	7,174,750	1,950,800
Kainuk Bridge	1,418,999	1,435,240
Wikililye-Kathukini-Kwa Muli-Mbumbuni	1,666,697	14,044,383
Lomut Bridge	-	257,405

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Notes to the Financial Statements (Continued)

6. Transfers from Development Budget Grants-Recurrent Revenue/ Project Expenditure

Description	2022-2023	2021-2022
	KShs	KShs
Kambu Bridge	-	647,369
Mombasa Gate Bridge	10,390,525	7,071,810
Njabini-Kinyona	1,000,000	-
Isinya-Konza	1,835,100	9,252,280
Makupa Causeway Bridge	6,122,857	-
Loruk-Barpelo	3,787,900	-
Posta (Naibor)-Kisima-Maralal	5,349,026	-
Changamwe-Magongo-Miritini	3,337,920	-
Aberdare Forest-Njoguini-Kingongo-Kiganjo	2,263,206	-
Rumuruti - Mararal	1,522,700	-
North Horr - Durathe AP Camp	1,556,600	-
Other Development Projects	22,252,936	16,194,917
Total Transfers from Development Budget Grants-Recurrent Revenue/Expenditure	472,533,624	538,180,368

This is the recurrent component of development project expenses.

b) Transfers from Ministries, Departments and Agencies (MDAs)

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income	Amount recognised in capital fund.	Total grant income during the year	2021-2022
	KShs	KShs	KShs	KShs
MOTIHUD & PW	472,533,624	14,095,957,703	14,568,491,327	24,980,650,648
KRB	26,078,268,796	2,100,000,000	28,178,268,796	32,373,684,084
Total	26,550,802,420	16,195,957,703	42,746,760,123	57,354,334,732

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Notes to the Financial Statements (Continued)

7. Levies, Fines and Penalties

Description	2022-2023	2021-2022
	KShs	KShs
Road Maintenance funds	22,873,525,596	24,814,422,881
Administration & Operations Fund	2,665,743,200	2,553,248,000
Transit Toll	539,000,000	450,016,607
Overload charges	763,882,793	626,141,736
Transgression charges	394,932	1,452,424
Weighbridge Parking fees	3,471,334	5,627,930
Road Cutting charges	53,841,249	47,557,689
Road Reserve user fees	98,384,986	75,415,064
Exemption permit fees	386,728,418	363,694,473
Sale of Tender Documents	1,000	2,000
Total Levies Fines & Penalties	27,384,973,508	28,937,578,804

The annual RMLF from KRB grew by Kshs. 1.06 billion in the current FY 2022/2023. Total RMLF received in FY 2022/2023 was Kshs. 28.2 billion compared to Kshs. 32.4 billion in FY 2021/2022 which resulted from Conditional allocation of Kshs. 5.78 billion received in FY 2021/2022 compared to Kshs. 528 million receivable in FY 2022/2023.

8. Rental Revenue from Facilities and Equipment

Description	2022-2023	2021-2022
	KShs	KShs
Staff Houses & Canteen at Barabara Plaza	4,381,999	1,168,000
Total rentals	4,381,999	1,168,000

This is revenue from the Authority's houses occupied by its staff in South Rift and North Rift Regions & Staff Canteen at Barabara Plaza.

9. Finance Income

Description	2022-2023	2021-2022
	KShs	KShs
Interest on Call deposits	548,952,226	444,692,549
Interest on Bank Balances on transactional accounts	415,911,781	476,692,342
Total finance income – external investments	964,864,007	921,384,891

10. Other Income

Description	2022-2023	2021-2022
	KShs	KShs
Liquidated damages	179,055,822	9,177,581
Insurance compensation & sale of disposable items.	4,126,851	4,554,890
Interest on salary advance	34,270	32,358
Total other income	183,216,943	13,764,829

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Notes to the Financial Statements (Continued)

The Authority pursued and recovered the cost of damages from insurance companies which had insured motor vehicles which damaged its road furniture.

11. Road Maintenance & Axle Load Expenses

Description	2022-2023	2021-2022
	KShs	KShs
Road maintenance expenses	24,113,192,709	20,450,234,549
Emergency Road Works	388,087,240	1,980,301,490
Weighbridges Management Contracts	2,635,571,850	2,203,932,633
Weighbridge Operational Expenses	42,877,464	56,641,801
Research & Innovation	26,003,595	15,384,322
Total Road Maintenance & Axle Load Expenses	27,205,732,858	24,706,494,795

The significant growth in road maintenance expenses resulted from maintenance projects planned for completion in FY 2021/2022 which were completed in FY 2022/2023. Emergency road works expenses dropped following embedding of emergency road works activities in Frame work Contracts for emergency works hence faster response to emergency situations. In addition to the above, Performance Based Contracts facilitate unclogging of roads and drainage systems and facilitate faster response to emergency works whenever they arise.

12. Use of Goods and Services

Description	2022-2023	2021-2022
	KShs	KShs
Electricity	13,870,396	13,501,243
Water	1,215,615	1,020,583
Security costs	55,797,208	53,830,637
Advertising	41,549,379	21,237,318
Audit fees	3,600,000	4,200,000
Conferences and delegations	108,302,838	92,672,798
Consulting fees	49,024,711	46,305,907
Stationery & Consumables	22,747,435	16,686,762
Insurance	3,478,657	2,738,216
Legal expenses	20,600,460	27,852,420
Postage	3,056,380	2,839,034
Printing and photocopying	1,163,978	311,103
Hire charges	64,152	117,980
Telecommunication	18,667,653	11,903,646
Cleaning & Sanitation	20,154,495	21,000,125

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Description	2022-2023	2021-2022
	KShs	KShs
Departmental Field Activities	265,874,606	218,576,000
Anti- Corruption and Integrity Issues	4,552,700	2,697,500
Staff Uniforms	1,704,000	-
Board of Survey	5,166,100	5,411,525
Reference material	569,036	301,920
Kitchen Utensils	387,864	237,734
Newspapers and Magazines	2,513,420	2,224,376
Drinking Water	3,333,076	3,217,130
Total Use of Goods and Services	647,394,159	548,883,957

13. Employee Costs

	2022-2023	2021-2022
	KShs	KShs
Salaries and wages	1,459,047,627	1,528,133,237
Employer contribution to pension schemes	167,957,196	157,923,568
Employer contribution to health insurance schemes	130,992,905	138,369,909
Travel, accommodation, subsistence & other allowances	63,256,310	60,947,501
Training and Subscription	150,829,867	134,909,717
Staff Welfare	36,945,794	28,231,663
Recruitment	2,008,066	5,223,509
Total Employee costs	2,011,037,765	2,053,739,104

The drop in salaries and wages and employer's contribution to health insurance schemes resulted from the lapse and non-renewal of short term contracts employees at the end of FY 2021/2022.

14. Board Expenses

Description	2022-2023	2021-2022
	KShs	KShs
Chairman's Honoraria	960,000	960,000
Directors' emoluments	5,051,000	12,202,570
Director General's Compensation*	9,595,600	8,588,540
Director General's Gratuity*	1,910,716	1,727,735
Transport, Travelling & Accommodation	10,835,060	13,902,452
Insurance	466,304	391,457
Training	14,787,554	14,868,700
Refreshments	1,239,764	255,513
Overseas Travelling & Accommodation	1,851,449	10,853,732
Field Trip	1,223,887	2,326,440
Ministerial and other Official functions	7,963,666	5,994,678
Telephone	84,000	84,000
Total Board /Council Expenses	55,969,000	72,155,817

**In line with IPSAS Financial Reporting template, the Director General's compensation is disclosed under board expenses*

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Notes to the Financial Statements (Continued)

15. Depreciation and Amortization Expense

Description	2022-2023	2021-2022
	KShs	KShs
Property, Plant and Equipment		
Office Equipment	13,580,115	12,315,549
Office Partitions and Fixtures	2,143,750	2,015,361
Computer Equipment and Accessories	22,900,424	21,106,388
ICT Infrastructure and Accessories	5,068,332	7,148,414
Furniture and Fittings	5,185,261	4,349,211
Motor Vehicles	101,605,708	64,261,764
Plant and Machinery	244,632,210	151,640,106
Buildings	5,429,225	5,266,725
Intangible Assets-Sage Pastel	-	5,594,002
Total depreciation and amortization	400,545,025	273,697,520

16. Repairs and Maintenance

Description	2022-2023	2021-2022
	Kshs	Kshs
Equipment and Machinery	16,580,635	10,035,377
Vehicles	147,035,607	130,065,811
Furniture and Fittings	802,966	204,549
Computers and Accessories	6,321,828	615,800
Others (Software support & licence subscriptions)	45,663,621	29,451,806
Total Repairs and Maintenance	216,404,657	170,373,343

17. Finance Costs

Description	2022-2023	2021-2022
	KShs	KShs
Bank charges	5,797,849	5,623,642
Total finance costs	5,797,849	5,623,642

18. Gain on Sale of Assets

Description	2022-2023	2021-2022
	KShs	KShs
Property, plant and equipment	4,110,130	16,082,409
Total gain on sale of assets	4,110,130	16,082,409

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Notes to the Financial Statements (Continued)

19. Profit on foreign currency translation

Description	2022-2023	2021-2022
	KShs	KShs
Profit on foreign currency translation	5,943,216	2,577,361
Total profit on foreign currency translation	5,943,216	2,577,361

20. Taxation

Description	2022-2023	2021-2022
	Kshs	Kshs
Tax charged on interest income, Staff Houses & Canteen	330,523,550	274,738,055
Income tax expense reported in the statement of financial performance	330,523,550	274,738,055

Increase in tax provisions resulted from growth in interest on call deposits, growth in rental income for staff and Barabara canteen.

21. Cash and Cash Equivalents

Description	2022-2023	2021-2022
	Kshs	Kshs
Current Accounts (transactional bank accounts)	11,926,680,168	8,992,102,344
On - Call Deposits	5,300,000,000	5,000,000,000
Others (Cash in Hand)	869,688	939,073
Cash in Transit	156,570	-
Total Cash and Cash Equivalents	17,227,706,426	13,993,041,417

The Authority received approximately 33% of its annual RMLF allocations towards the tail end of the 4th quarter in FY 2022/2023 following delays in receipt of RMLF resources. In addition to the above, substantial exchequer proceeds and revenue grants for Mombasa – Mariakani were received towards the end of the FY 2022/2023.

21 (a) Detailed Analysis of the Cash and Cash Equivalents

Financial institution	Account number	2022-2023	2021-2022
		KShs	KShs
a) Current account			
NCBA Bank -NCTIP A/C)	1000012177	-	59,353,586
NCBA Bank -EATTFP A/C	1000012878	-	12,136,917
NCBA Bank -Timboroa-Eldoret Road A/C	1000015508	-	18,768,445
NCBA Bank -KTSSP A/C	1000017384	-	7,732,595
NCBA Bank -Marsabit- Turbi Road A/C	1000015004	-	3,226,674

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Notes to the Financial Statements (Continued)

21 (a) Detailed Analysis of the Cash and Cash Equivalents (Continued)

NCBA Bank -USD A/C	1001936677	37,072,387	30,841,397
NCBA Bank-NETIP	1005164164	1,087,938,126	1,047,818,371
NCBA Bank-Kwa Mombasa-Mariakani	1005981577	688,054,340	-
Co-operative Bank-GoK	01141160979900	3,613,156,401	5,493,917,425
Co-operative Bank-RMLF	01141160979901	4,244,290,419	1,301,179
National Bank – Salaries A/C	01001032662500	14,013,700	108,247,957
National Bank – Gratuity A/C	01001032733300	33,934,817	34,536,302
National Bank – Retention A/C	01001032733200	561,158,483	183,962,682
National Bank – EARTTDFT- A/C	01001032662501	98,510,924	178,217,731
National Bank-Sirari Corridor	01001133511500	403,830	27,771,750
KCB Bank-Operations A/C	1110623704	419,833,806	91,685,495
KCB Bank-NUTRIP A/C	1138238945	-	8,112,215
KCB Bank-JKIA	1274695775	484,165	490,270
KCB Bank-Nairobi Region	1114840149	181,909,663	114,266,998
KCB Bank-Coast Region	1114772089	62,317,492	56,027,974
KCB Bank-South rift Region	1114781592	34,741,667	30,454,604
KCB Bank-North Eastern Region	1114751928	16,205,559	12,526,549
KCB Bank- North rift Region	1114793272	21,596,724	19,768,362
KCB Bank-Central Region	1114745707	43,859,674	36,649,136
KCB Bank-Upper Eastern Region	1114752045	40,071,095	25,904,996
KCB Bank- Lower Eastern Region	1114756326	42,452,350	32,380,280
KCB Bank-Nyanza Region	1114756229	54,192,024	44,101,469
KCB Bank-Western Region	1114774405	35,551,510	26,060,574
Equity Bank-Headquarters A/C	0810295139897	594,931,012	1,285,840,411
Sub- total		11,926,680,168	8,992,102,344

21 (a) Detailed Analysis of the Cash and Cash Equivalents

		2022-2023	2021-2022
Financial institution	Account number	KShs	KShs
Current account			
b) On - call deposits			
KCB Bank	Call Deposit	2,000,000,000	1,700,000,000
Co-operative Bank	01150160979929	1,500,000,000	1,300,000,000
National Bank	Call Deposit		700,000,000
Housing Finance Bank	-	300,000,000	-
Equity Bank	0810379852427	1,500,000,000	1,300,000,000
Sub- total		5,300,000,000	5,000,000,000
c) Others(specify)			
cash in hand		869,688	939,073
Sub- total		869,688	939,073
Cash in Transit (from Nairobi Region)		156,570	-
Grand total		17,227,706,426	13,993,041,417

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Notes to the Financial Statements (Continued)

22. Receivables from Exchange Transactions

22 (a) Receivables from Exchange Transactions (Current)

Description	2022-2023	2021-2022
	KShs	KShs
Current receivables		
Interest receivable on call deposits	35,700,582	32,565,479
Travel Imprest	25,634,048	18,065,290
Bank guarantee and Deposits	14,761,300	14,761,300
Staff Mortgage deposit fund with Housing Finance Company of Kenya	675,613,821	599,292,901
Road Maintenance Funds	3,157,174,004	11,865,854,651
Debtors and Prepayments	34,929,355	41,315,588
Receivable from Kenya Rural Roads Authority	7,617,789	8,195,298
Receivable from Kenya Urban Roads Authority	6,253,501	6,755,843
Sub Total	3,957,684,400	12,586,806,350
Less: Provision for doubtful debtors	(24,250,000)	(24,250,000)
Total current receivables	3,933,434,400	12,562,556,350

22 (b) Receivables from Exchange Transactions (Long-term)

Description	2022-2023	2021-2022
	KShs	KShs
	-	-
Chase Bank (IR) funds held at Kenya Deposit Insurance Corporation*	24,250,000	24,250,000
Total non-current receivables	24,250,000	24,250,000

*Full Provision has been made for the amount due from KDIC as the Authority follows up with the Corporation for recovery.

23 Receivables from Non-Exchange Transactions

Description	2022-2023	2021-2022
	KShs	KShs
Current receivables		
Other debtors (non-exchange transactions)		
a. Development projects		
Dualling of Magongo	99,048,633	99,048,633
Posta(Naibor)-Maralal	23,388,096	23,388,096
Kitale-Endebes-Suam	74,030,038	298,657,307
Kitale-Morpus	-	8,966,907
Kotulo-Elwak	4,001,405	6,965,900
Mombasa-Kwa Jomvu	8,455,066	11,656,946
Kainuk bridge & Approach Roads	524,368	524,368
Nyaru-Iten(C53)	10,409,057	33,023,182
Busia-Malaba	-	5,848,848
Isebania-Kisii-Ahero	123,371,434	406,686,707
Athi River -Machakos Turn Off	15,516,891	15,516,891
Loichangamatak-Lokichar	57,064,758	429,572,426
Kopasi - Marich Pass Lot 3	353,508,170	441,996,878

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Notes to the Financial Statements (Continued)

23 Receivables from Non-Exchange Transactions

Description	2022-2023	2021-2022
	KShs	KShs
a. Development projects (Continued)		
James Gichuru-Rironi	163,321,765	163,321,765
Barpelo - Tot Lot 1	110,000,000	454,228,493
Barpelo - Tot Lot 2	314,301,740	560,304,220
Uplands-Githunguri-Ngewa- (C65)	122,899,801	212,031,771
Naivasha-Njabini-(C67)	-	855,520,685
Thika-Magumu	113,415,494	149,197,304
T-Mall Flyover	-	18,816,698
Njabini-Kinyona	263,863,028	317,904,648
Mombasa Road & Langata Road Footbridges	-	109,119,057
Mombasa Southern bypass	-	1,612,402,932
Nairobi Expressway	38,667,280	38,667,280
Installation &Relocation Expressway	13,895,511	13,895,511
Kericho & Ahero Interchange	70,705,506	70,705,506
Elwak – Rhamu	-	7,341,797
Eldoret - Lokichar - Nakodok	68,321,824	68,321,824
Sagana-Marua	270,527,028	531,742,484
Kenol-Sagana	-	725,734,390
Mau Mau Lot 1A	312,640,836	-
Mau Mau Lot 3	393,125,726	-
Mau Mau Roads Lot 1B	373,181,427	436,422,590
Mau Mau Lot 2	560,266,534	642,804,142
Kwa Jomvu - Mariakani Lot 2 (A109)	2,154,253,315	-
Wikililye-Kavisuni	69,214,724	-
Marsabit - Shegel	222,757,519	222,757,519
Shegel - Maikona	586,620,300	783,675,165
Ugunja - Ukwala - Ruambwa (Steel Bridges)	35,880,427	35,880,427
Makupa Causeway Bridge	62,221,651	451,106,975
Access Road To Sez Dongo Kundu	73,973,910	73,973,910
Mombasa - Mtwapa	585,332,008	585,332,008
Mtwapa - Kilifi	427,172,610	583,113,868
Mamboleo - Miwani Lot 1	230,489,800	519,452,415
Miwani - Mamboleo Lot 2	354,588,675	496,471,688
Chemilil - Muhoroni Lot 3	418,804,941	572,076,770
Kwale - Kinango	104,873,600	307,067,550
Kenyatta Road	164,224,531	175,491,802
Kambu River Bridge	62,500,000	67,022,452
Dhogoye Bridge	35,000,000	199,934,951
Garissa-Isiolo	1,890,730,121	1,890,730,121
Isiolo - Kula Mawe	1,058,013,751	750,608,755
Kula Mawe - Modogashe	1,499,365,508	1,183,172,527
Kisumu Boys - Mamboleo	94,437,442	94,437,442
Mombasa Gate Bridge	938,214,013	938,214,013
Upgrade of Lamu-Ijara-Garissa Road (A10)	1,083,227,122	1,495,928,157
Sub Total for Development Projects	16,110,347,384	20,196,784,701

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23 Receivables from Non-Exchange Transactions

b. Road Maintenance Projects		
Description	2022-2023	2021-2022
P. Mtce of Thika - Garissa (Lot2) (A3)	-	57,064,756
Bachuma Gate-Voi(A8)	-	7,587,941
Sabasaba -Malindi(B8)	-	6,890,336
Mtito Andei –Tsavo River A8 Road	55,788,285	76,750,361
Ndhiwa-Karungu Road	-	12,311,239
PBC Iten-Kabarnet Rd	11,419,738	39,792,851
PBC Mtce of Madogo - Cheredende (B89)	10,021,441	15,807,249
PBC Emining Marigat	6,016,015	18,281,266
Garsen-Mnazini	46,665,379	-
PBC Ugunja-Ukwala-Ruambwa	40,798,314	-
Bura-Hola	19,669,365	-
Mau Summit-NyahururuInterchange	21,000,000	-
PBC Kendu Bay-Homa Bay	9,027,727	-
PBC Eldama Ravine-Kamwasor	27,627,836	-
PBC Bangaley-Madogo	15,000,000	-
PBC Kisumu Bypass	2,832,685	-
PBC Mwingi Ukasi	-	17,438,828
Strt Lght Mbs RD, Nyayo Stadium-JKIA	-	17,948,321
PBC Athi River- Kyumvi Road	-	7,189,214
PBC Maili Tisa - Kitale	15,171,906	48,352,976
PBC Sultan Hamud Makindu	24,712,781	62,654,606
PBC Maint of Londiani-Fort tenan B132 RD	-	15,783,922
Box Culvert Kwa Majini Along Rd	-	4,860,442
PBC Ngata Njoro	12,579,321	32,747,048
PBC Katitio-Kendu Bay Road	9,420,129	18,090,105
PBC Kampi ya Moto-Eldama Ravine Road	-	24,547,264
PBC maint Athi River-Basil Streetlightn	6,395,153	16,876,160
PBC Maint of Malkis-Marsabit A2 Road	9,319,319	5,000,000
Adv-Maint of Namwela-kamukuywa RD (B140)	22,428,359	22,428,359
PBC for maint of Lanet-Ndundori Road	-	10,964,638
PBC Maint of Amala River - Bomet RD	-	40,064,231
Advance-Narok-Ngoswani	11,436,043	31,011,647
Advance-PBC Maint of Busia- Malaba Road	16,324,429	27,086,995
PBC Meru-Mikinduri-Maua-Kangeta B102Road	44,873,208	44,873,208
PBC maint of Timboroa-Mau Summit A18 RD	10,931,160	62,951,234
PBC Maintenance of Ebuyangu-Ekero RD	23,406	9,498,648
PBC Maint of Athi River-Bisil Road	12,504,795	20,201,714
PBC Mtce of Bondo-Usenge-Osieko RD	27,059,574	57,816,445
Tsavo River-Voi A8 Road	72,686,559	113,457,606
PBC Bondo-Siaya-Rangala RD	-	6,068,536
PBC For Maint Thika-Kilimambogo Road	9,901,625	50,188,771
PBC Maint of Kiambu- Ngewa-Thuita Road	6,074,290	12,734,872
PBC Mai Mahiu Duka Moja(B7)	26,667,750	-
PBC Kachibora-Kapcherop Road	-	3,124,217
PBC Lewa-Meru Rd	18,710,499	28,741,182

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Notes to the Financial Statements (Continued)

23 Receivables from Non-Exchange Transactions

b. Road Maintenance Projects(Continued)		
Description	2022-2023	2021-2022
Adv-Maint. Of Mariakani-Mavueni	29,438,761	-
PBC Luanda kotieno Bondo	38,772,101	64,122,570
PBC Keroka-Nyangusu(B5)	10,237,048	-
PBC Mtce Cherende-Bilbil Rd	-	10,529,433
PBC Garsen- Hola	29,920,671	-
PBC Kakamega Webuye	3,845,584	9,711,070
Isiolo-Ruiru	-	35,030,349
PBC Nanyuki- Lewa	24,571,164	-
PBC Mbwekas - Mayoni - Ekeru (B12) Road	1,941,935	10,147,619
PBC for Mtce Nakuru - Emining	5,478,286	19,674,745
PBC for Mtce of Busia - Unguja (A12) Rd	36,341,772	49,192,483
PBC Kenol-Muranga Road	1,507,112	12,545,210
PBC Amala River-Bomet-Kaplong Road	-	85,637,408
PBC Bomas-Kiserian	15,517,241	-
PBC Outering JN Kangundo-Kamulu	58,333,395	-
Adv. Pedestrian F/B-Athi River-Museum Hill	128,087,725	-
PBC Nairobi-Thika (Ruiru-Thika) Road	32,902,311	-
PBC Iseneti-Loitokitok	19,791,757	-
PBC Malaba-Webuye	19,482,417	-
PBC Cheptongei Chebiemit	10,000,000	-
PBC Kyumvi-Sultan Hamud	31,011,368	-
Adv. Maint. Ruiru- Tatu City-Kiambu Rd	50,685,481	-
PBC Madogo-Modika	21,488,895	-
PBC Bachuma Gate- Maji ya Chumvi	18,211,504	-
PBC Street Lighting Nairobi Thika Superhighway	39,321,018	-
PBC Ngeria-Timboroa A8	9,519,718	-
PBC Narok-Kisiriri	20,325,366	-
PBC Bisil Namanga	44,331,585	-
Adv. Magumu-Njabini	43,838,469	-
PBC Muthaiga-Kiambu(B32) Rd	32,465,111	-
PBC Kakamega-Kiboswa	9,332,585	-
PBC Kisian-Bondo	26,281,282	-
PBC Kaplong-Kisii	87,590,403	-
PBC Kanyonyo- Mwingi	12,635,688	-
Adv. James Gichuru-Nairobi Southern Bypass	119,027,145	-
PBC Ahero- Kericho	17,053,639	-
PBC Kiboswa-Kakamega	15,000,000	-
PBC Wundanyi-Mwatate	7,683,504	-
Adv. Kiriani-Mugeka	59,875,319	-
PBC Ukasi-Banghaley A3 Rd	189,095,297	-
PBC Maint & Safety Chiakariga-Mitunguu	28,792,347	-
Nairobi Southern Bypass- Athi River Interchange	186,782,367	-
PBC Nairobi Thika (Nairobi-Ruiru)	40,987,215	-
Sub Total for Road Maintenance Projects	2,200,591,677	1,343,778,075
Total current receivables from non-exchange transactions	18,310,939,061	21,540,562,776

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Notes to the Financial Statements (Continued)

24 Inventories (Consumable stores)

Description	2022-2023	2021-2022
	KShs	KShs
Headquarters	10,949,507	7,826,581
Nairobi Region	263,603	225,618
Coast Region	125,638	37,581
Lower Eastern Region	221,477	377,643
Upper Eastern Region	373,701	226,032
North Eastern Region	225,183	202,288
South Rift Region	47,927	10,839
North Rift Region	150,592	323,966
Central Region	24,548	55,229
Western Region	120,121	160,512
Nyanza Region	405,490	221,846
Total inventories at the lower of cost and net realizable value	12,907,787	9,668,135

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Notes to the Financial Statements (Continued)

25 Property, Plant and Equipment

	*Road Assets	Office Equipment	Office Partitions	Computer Equipment & Accessories	ICT Infrastructure	Furniture & Fittings	Motor Vehicles	Plant Machinery &	Land	Buildings	Total
Cost	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs
At 1 July 2021	585,695,001,794	124,848,351	29,890,727	249,693,837	117,894,025	72,808,551	473,779,915	2,220,372,415	208,360,000	210,668,985	589,403,318,600
Additions	86,989,693,650	7,370,365	4,749,420	22,576,462	22,600	6,155,442	247,705,234	555,084,423		98,351,356	87,931,708,952
Disposals	-	(291,598)	-	(2,775,702)	(52,800)	(1,184,252)	(58,547,369)				(62,851,721)
Transfers/adjustments	-	-	-	-	-	-	-	(204,542,036)	-	-	(204,542,036)
At 30th June 2022	672,684,695,444	131,927,118	34,640,147	269,494,597	117,863,825	77,779,741	662,937,780	2,570,914,802	208,360,000	309,020,341	677,067,633,795
At 1 July 2022	672,684,695,444	131,927,118	34,640,147	269,494,597	117,863,825	77,779,741	662,937,780	2,570,914,802	208,360,000	309,020,341	677,067,633,795
Additions	51,428,120,103	13,149,502	193,133	24,158,087	25,708,243	10,051,832	69,660,002	(12,555,600)	60,000,000	6,500,000	51,637,540,902
Disposals	-	(492,442)	-	(2,694,744)	-	(1,126,295)	(26,194,867)				(43,063,948)
Transfers/adjustments	-	-	-	-	-	-	-	(79,441,482)	-	-	(79,441,482)
At 30th June 2023	724,112,815,547	144,584,178	34,833,280	290,957,940	143,572,068	86,705,278	706,402,915	2,478,917,720	268,360,000	315,520,341	728,582,669,267
Depreciation and impairment	-	-	-	-	-	-	-	-	-	-	-
At 1 July 2021	-	81,939,273	22,918,326	214,445,981	104,632,021	51,887,549	391,033,784	524,167,281	-	23,072,169	1,414,096,384
Depreciation	-	12,315,549	2,015,361	21,106,388	7,148,414	4,349,211	64,261,764	151,640,106	-	5,266,725	268,103,518
On Disposals	-	(222,610)	-	(2,633,324)	(52,800)	(1,118,183)	(58,547,369)		-		(62,574,286)
Impairment	-	-	-	-	-	-	-	-	-	-	-
At 30th June 2022	-	94,032,212	24,933,687	229,919,045	111,727,635	55,118,577	396,748,179	675,807,387	-	28,338,894	1,619,625,616
At 1 July 2022	-	94,032,212	24,933,687	232,919,045	111,727,635	55,118,577	396,748,179	675,807,387	-	28,338,894	1,619,625,616
Depreciation	-	13,580,115	2,143,750	22,900,424	5,068,332	5,185,261	101,605,708	244,632,210	-	5,429,225	400,545,025
On Disposals	-	(492,442)	-	(2,694,744)	-	(1,126,295)	(26,194,867)	(9,102,810)	-	-	(39,611,158)
Impairment	-	-	-	-	-	-	-	-	-	-	-
At 30th June 2023	-	107,119,885	27,077,437	253,124,725	116,795,967	59,177,543	472,159,020	911,336,787	-	33,768,119	1,980,559,483
Net book values	-	-	-	-	-	-	-	-	-	-	-
At 30th June 2022	672,684,695,444	37,894,906	9,706,460	36,575,552	6,136,190	22,661,164	266,189,601	1,895,107,415	208,360,000	280,681,447	675,448,008,179
At 30th June 2023	724,112,815,547	37,464,293	7,755,843	37,833,215	26,776,101	27,527,735	234,243,895	1,567,580,933	268,360,000	281,752,222	726,602,109,784

**Property, Plant and Equipment does not include the value of Investments in the Road Asset (Road Corridor and its reserves, road furniture and structures and road camps) prior to the Vesting order of 2011*

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Notes to the Financial Statements (Continued)

25 (b) Property, Plant and Equipment at Cost

If the freehold land, buildings and other assets were stated on the historical cost basis the amounts would be as follows:

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land	268,360,000	-	268,360,000
Buildings	315,520,341	33,768,119	281,752,222
Plant And Machinery	2,478,917,720	911,336,787	1,567,580,933
Motor Vehicles, Including Motorcycles	706,402,915	472,159,020	234,243,895
Computers And Related Equipment	434,530,008	369,920,692	64,609,316
Office Equipment, Furniture, and Fittings	266,122,736	193,374,865	72,747,871
Total	4,469,853,720	1,980,559,483	2,489,294,237

Property plant and Equipment includes the following assets that are fully depreciated:

	Cost or valuation	Normal annual depreciation charge
Plant and Machinery	42,706,968	10%
Motor Vehicles including Motorcycles	282,293,573	25%
Computers and Related Equipment	205,457,292	33.3%
ICT & Telephony	104,935,819	33.3%
Office Equipment	29,044,603	12.5%
Furniture & Fitting	40,503,334	12.5%
Office Partitions	21,373,128	16.7%
Total	726,314,717	

26 Intangible Assets

Description	2022-2023	2021-2022
	Kshs	Kshs
Cost		
At beginning of the year	183,150,435	133,527,703
Additions		-
ERP based on MS Dynamics	43,834,293	-
Supply, Implementation of NAC System	6,504,481	-
Electronic Document Management Solution	-	55,216,734
At end of the year	233,489,209	188,744,437
Amortization and impairment		
At beginning of the year		-
Amortization	-	5,594,002
At end of the year	-	5,594,002
Impairment loss		-
At end of the year		-
NBV	233,489,209	183,150,435

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Notes to the Financial Statements (Continued)

27 Trade and Other Payables

Description	2022-2023	2021-2022
	Kshs	Kshs
Trade payables		
Development Payables	78,067,745,313	73,252,413,695
Retention Payables	5,801,402,967	6,144,928,868
Road Maintenance Payables	113,945,165	647,013,580
Sundry Payables	90,108,765	121,226,195
Total trade and other payables	84,073,202,210	80,165,582,338

28 Refundable Deposits and Prepayments from Customers

Description	2022-2023	2021-2022
	Kshs	Kshs
Customer deposits		
Nairobi Region	75,767,605	70,038,211
Central Region	24,411,357	24,319,319
South Rift Region	13,677,992	13,097,081
Lower Eastern Region	18,081,259	16,611,149
Nyanza Region	32,589,729	23,076,204
Coast Region	17,143,398	15,660,881
Upper Eastern Region	23,912,886	14,420,062
Western Region	9,768,220	6,628,253
North Rift Region	9,571,254	7,618,241
North Eastern Region	2,448,700	2,448,700
Headquarters	1,561,738	1,561,738
Total deposits	228,934,138	195,479,839

29 Current Provisions

Description	Leave provision	Gratuity Provision	Audit fees provision	Total
	Kshs	Kshs	Kshs	Kshs
Balance b/f	68,676,504	106,998,554	7,200,000	182,875,058
Additional provisions	-	43,631,054	3,600,000	47,231,054
Provision utilised	(6,231,565)	(7,436,788)	(3,600,000)	(17,268,353)
Total provisions year end	62,444,939	143,192,820	7,200,000	212,837,759

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Notes to the Financial Statements (Continued)

30. Taxation

	2022-2023	2021-2022
	Kshs	Kshs
Gross Interest Income Earned	961,424,466	921,384,891
Less:Expenses: Bank Charges	(5,797,849)	(5,623,642)
Net Taxable Interest Income	955,626,617	915,761,249
Corporate Tax charge for the year (30%)	286,687,985	274,738,055
Corporate Tax from other Incomes	1,561,286	-
Total Tax charge for FY 2022/2023	288,249,271	-
Prior Period Assessments	42,274,279	-
Total Corporation Tax	330,523,550	274,738,055
At beginning of the year	217,457,784	120,891,131
Total Corporate Tax Payable	547,981,334	395,629,186
Prior Year Tax Payment	(259,732,102)	-
W/Tax paid by Bank for FY 2022-2023	(144,213,670)	(138,215,689)
W/Tax paid FY 2022-2023	(137,437,914)	(39,961,940)
At end of the year	6,597,648	217,457,784

31. Cash Generated from Operations

	2022-2023	2021-2022
	Kshs	Kshs
Surplus (Deficit) for the year before tax	(2,325,915,060)	1,786,850,061
Adjusted for:		
Depreciation	400,545,025	273,697,520
Gains and losses on disposal of assets	(4,110,130)	(16,082,409)
Working capital adjustments		
Increase in Long Term Receivables	-	500,000
Decrease in inventory	(3,239,651)	(2,178,514)
Increase/Decrease in receivables	7,772,308,350	(7,414,787,149)
Decrease in Trade and other payables	(1,085,117,583)	(1,217,512,010)
Increase in payments received in advance	29,962,701	43,606,327
Transfer to revenue reserves	37,259,149	-
Net cash flow from operating activities	4,821,692,801	(6,545,906,174)

32 Financial Risk Management

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

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Notes to the Financial Statements (Continued)

Financial Risk Management

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

i) Credit risk

The Entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Entity's management based on prior experience and their assessment of the current economic environment.

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

	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
As at 30 June 2023				
Receivables from exchange transactions	3,933,434,400	3,909,184,400	24,250,000	-
Receivables from non-exchange transactions	18,310,939,061	18,310,939,061	-	-
Bank balances	17,227,706,426	17,227,706,426	-	-
Total	39,472,079,887	39,447,829,887	24,250,000	-
As at 30 June 2022				
Receivables from exchange transactions	12,562,556,350	12,538,306,350	24,250,000	-
Receivables from non-exchange transactions	21,540,562,776	21,540,562,776	-	-
Bank balances	13,993,041,417	13,993,041,417	-	-
Total	48,096,160,543	48,071,910,543	24,250,000	-

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Financial Risk Management

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the Entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The Entity has significant concentration of credit risk on amounts due from xxxx. The board of directors sets the Entity's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

ii) Liquidity risk management

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
As at 30 June 2023				
Trade payables	90,108,765	5,915,348,132	78,067,745,313	84,073,202,210
Provisions	-	-	212,837,759	212,837,759
Total	90,108,765	5,915,348,132	78,280,583,072	84,286,039,969
As at 30 June 2022				
Trade payables	121,226,195	6,791,942,448	73,252,413,695	80,165,582,338
Provisions	-	-	219,857,585	219,857,585
Total	121,226,195	6,791,942,448	73,398,818,081	80,311,986,724

Financial Risk Management

iii) Market risk

The Entity has put in place an internal audit function to assist it in assessing the risk faced by the Entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The Entity's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the Entity's exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign currency risk

The *Entity* has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate. The *Entity* manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

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Notes to the Financial Statements (Continued)

Financial Risk Management

Financial Risk Management

The carrying amount of the *Authority's* foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

FY 2023

	In Kshs	Other currencies	Total
	Kshs	Kshs	Kshs
As At 30 June 2023			
Financial Assets			
Cash	37,072,387	-	30,841,397
Debtors	-	-	-
Total Financial Assets	37,072,387	-	30,841,397
Financial Liabilities			
Trade And Other Payables	-	-	-
Total Financial Liabilities	-	-	-
Net Foreign Currency Asset/(Liability)	37,072,387	-	30,841,397

Foreign currency sensitivity analysis

FY 2023

Financial Risk Management

The following table demonstrates the effect on the Entity's statement of comprehensive income on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

	Change in currency rate	Effect on Profit before tax	Effect on Equity/Net assets
	Kshs	Kshs	Kshs
2023			
Euro	10%	-	-
USD	10%	-	-
2022			
Euro	10%	-	-
USD	10%	-	-

Notes to the Financial Statements (Continued)

b) Interest rate risk

Interest rate risk is the risk that the Entity's financial condition may be adversely affected as a result of changes in interest rate levels. The Entity's interest rate risk arises from bank deposits. This exposes the Entity to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Entity's deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

Financial Risk Management

Sensitivity analysis

The Authority analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year. Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point.

Financial Risk Management

Fair value of financial assets and liabilities

a) Financial instruments measured at fair value.

Determination of fair value and fair values hierarchy

IPSAS 30 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the *Authority's* market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The *Authority* considers relevant and observable market prices in its valuations where possible.

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Notes to the Financial Statements (Continued)

Financial Risk Management

The following table shows an analysis of financial and non- financial instruments recorded at fair value by level of the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
	Kshs	Kshs	Kshs	Kshs
As At 30 June 2023				
Financial Assets				
Quoted Equity Investments	-	-	-	-
Non- Financial Assets				
Investment Property	-	-	-	-
Land And Buildings	-	-	-	-
	-	-	-	-
As At 30 June 2022				
Financial Assets				
Quoted Equity Investments	-	-	-	-
Non- Financial Assets				
Investment Property	-	-	-	-
Land And Buildings	-	-	-	-
	-	-	-	-

There were no transfers between levels 1, 2 and 3 during the year. Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

iv) Capital Risk Management

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

	2022-2023	2021-2022
	Kshs	Kshs
Revaluation Reserve	-	-
Retained Earnings	16,652,249,685	18,940,905,595
Capital Reserve	665,171,015,227	624,058,936,678
Total Funds	681,823,264,912	642,999,842,273
Total Borrowings		-
Less: Cash And Bank Balances	17,227,706,426	13,993,041,417
Net Debt/(Excess Cash And Cash Equivalents)	(17,227,706,426)	(13,993,041,417)
Gearing	-	-

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Notes to the Financial Statements (Continued)

33 Related Party Disclosures

Nature of related party relationships

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

Government of Kenya

The Government of Kenya is the principal shareholder of the *Authority*, holding 100% of the *Authority's* equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the Entity, both domestic and external.

Other related parties include:

- i) The Parent Ministry.
- ii) Kenya Roads Board
- iii) National Land Commission
- iv) Key management.
- v) Board of directors.

	2022-2023	2021-2022
	Kshs	Kshs
Transactions with related parties		
a) Sales to related parties		
	-	-
Total	-	-
b) purchases from related parties		
Purchases of electricity from KPLC	13,870,396	13,501,243
Purchase of water from Nairobi City Water & Sewerage Company Ltd	1,215,615	1,020,583
Training and conference fees paid to Kenya School of Government	16,637,242	22,211,858
Total	31,723,253	36,733,684
c) Grants /transfers from the government		
Grants from national Govt	14,568,491,327	26,178,901,725
Fuel levy funds from Kenya Roads Board	28,178,268,796	26,277,449,379
Total	42,746,760,123	52,456,351,104
d) Expenses incurred on behalf of other agencies		
Kenya Rural Roads Authority	17,888,176	16,263,280
Kenya Urban Roads Authority	14,746,226	13,406,733
Total	32,634,402	29,670,013

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	2022-2023	2021-2022
	Kshs	Kshs
e) Key management compensation		
i) Directors' Emoluments	6,095,000	12,696,109
ii) Directors' Expenses	36,809,684	49,143,433
iii) Compensation to the CEO	11,506,316	10,316,275
iv) Compensation to key management	236,341,887	256,475,566
Total	290,752,887	328,631,383

34 Contingent Assets and Contingent Liabilities

Contingent Liabilities

	2022-2023	2021-2022
	Kshs	Kshs
Contingent Liabilities		
Court Cases against the Authority	16,743,296,243	60,314,451,805
Unclaimed Interest on works and Land acquisitions	262,317,950	262,317,950
Unresolved contractual claims	5,000,000,000	5,000,000,000
Estimated Legal fees & Interest awards	131,153,540	131,153,540
Total	22,136,767,733	65,707,923,295

35 Capital Commitments

Capital Commitments	2022-2023	2021-2022
	Kshs	Kshs
Authorised for	48,954,859,729	34,290,862,061
Authorised and Contracted for	108,908,402,549	123,669,165,473
Total	157,863,262,278	157,960,027,534

36 Surplus Remission

The Authority did not realise any distributable surplus during the year ended 30th June, 2023 and hence there was no remittance to the Consolidated Fund.

37 Events after the Reporting Period

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

38 Ultimate And Holding Entity

The Authority is a Semi- Autonomous Government Agency under the Ministry of Transport & Infrastructure, Housing, Urban Development & Public Works. Its ultimate parent is the Government of Kenya.

39 Currency

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

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20. Appendices

Appendix 1: Implementation Status of Auditor-General's Recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor (FY 2021/2022) Report	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2	<p>Board Expenses</p> <p>The statement of financial performance and as disclosed at Note 14 to the financial statements reflects board expenses of Kshs.72,155,817 which is an increase of Kshs.30,952,377 or 75% from the previous year expenditure of Kshs.41,203,440. During the year, the board held a total of thirteen (13) board meetings which exceeded the recommended maximum of six (6) meeting as per circular OP/CAB.9/1A dated 11 March, 2020. The board expenditure includes tickets cancellation charges of Kshs.133,400 which is a nugatory expenditure to the Authority. The expenditure further includes ministerial and other activities totaling to Kshs.9,367,014 that had no relation to Board activities and an item on field trips amounting to</p>	<p>Board Expenses</p> <p><i>This matter was neither brought to the attention of the auditee nor contained among the matters raised during the exit meeting, which would have facilitated provision of adequate explanation during the audit process. Similarly, the matter was not brought forth in the Management Letter which would have facilitated provision of adequate explanations to the observation.</i></p> <p>We agree with the observation that the Board held seven (7) extra meetings in the year under review instead off the recommended 6 meetings per year. Please note that approvals were sought and granted in all the 7 cases where the Board was called upon to hold a meeting outside their annual calendar of meetings. Please note that requests for additional meetings and their respective formal approvals are tabulated hereunder;</p>	Resolved	

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Kshs.2,326,440 whose supporting schedule indicate that the expenditure was not field related. The expenditure also includes overseas training totaling to Kshs.11,381,934 whose justification was not provided.

In the circumstances, the propriety of board expenditure of Kshs.72,155,817 could not be confirmed.

No.	Letter reference no. & date of Authority's request to hold the board meeting	Letter reference no. & date of approving holding of the board meeting
1	KeNHA/01/Vol 1 dd 17/09/2021	MOTIHUD//A 35:43 Vol. I. dd 17/09/2021
2	KeNHA/01/CP/Vol 1 (8) dd 11/10/2021	MOTIHUD//A35.38 Vol. V. dd 12/10/2021
3	KeNHA/01/Vol.1 dd 14/10/2021	MOTIHUD//A35.38 Vol. V. dd 15/10/2021
4	MOTIHUD&PW//A/5.43/VOL.1/(10).dd 18/10/2021	DV/ES 1091/21/01/'A'(61)/ dd 02/11/2021
5	KeNHA/01/VOL.1 (83) dd 05/01/2022	MOTIHUD//A35.43 VOL.1 dd 06/01/2022
6	KeNHA/01/VOL.1 (84) dd 28/02/2022	MOTIHUD//A35.43 VOL.1 dd 01/03/2022
7	TNT/CONF.60/01TY17 (126) dd 4/08/2021	MOTIHUD&PW//A/14.21/C/VOL.14/(76). dd 13/08/2021

Copies of the 14 letters (representing the applications and approvals to hold the additional seven board meetings are attached and marked as **Appendix KeNHA/OAG/MA/2021-22/1(i)**

We agree that there was an expense of Kshs 133,400 incurred on air ticket cancellation following the Kenyan airspace closure by the national government as part of the Covid-19 pandemic containment measures. We had written to the airline agent demanding refund of the Kshs. 133,400 paid as ticket cancellation fee since the matter was outside the control of the KeNHA officers who were due to travel for Board induction in Nyanza and Western Regions between 29th March 2021 and 1st April 2021.

Attached and marked as **Appendix KeNHA/OAG/MA/2021-22/1(ii)** is a copy of the demand letter to the travel agent.

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		<p>We disagree with the audit observation that there was a misclassification of the budget line item referred to as Ministerial and Other Official Functions under the cluster of Board Expenses.</p> <p>Please note that this budget line item was created to facilitate the Authority's Board of Directors to participate in national government ministry's official functions that had an impact on the Authority's mandate. The budget line also caters for travel facilitation of other senior government officers (who may be accompanied by the Authority's Board) attending official functions which have a direct impact on the Authority's mandate. The expenditure of Kshs. 9,367,014 relates to travel expenses for the then Principal Secretary, State Department for Infrastructure and his staff while on official road inspections. The Principal Secretary by law is a member of the Authority's Board. Further the Kshs 2,326,440 relates to expenses incurred by the Board of Directors when undertaking field related activities such as projects' inspections, launches or commissioning. This expenses would include travel and accommodation expenses, and personnel protective gear.</p> <p>We disagree with this observation. Through our letter Ref: KeNHA/07.B/CONF/42 Vo. 2/(74) dated 25th October 2021, the Authority submitted to the Principal Secretary State Department for Infrastructure a Training plan for the Directors complete with their justifications for the intended training. The Principal Secretary/ State Department for Infrastructure approved the same on 27th October 2021 vide the same letter. Attached for ease of reference is the letter & training plan marked as Appendix KeNHA/OAG/MA/2021-22/2</p>		
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<p>5</p>	<p>Property, Plant and Equipment</p> <p>Lack of Ownership Documents Property, Plant and Equipment</p> <p>The statement of financial position reflects property, plant and equipment balance of Kshs.675,448,008 as disclosed in Note 26 to the financial statements. The balance includes land and buildings valued at Kshs.208,360,000 and Kshs.280,913,447 respectively. As previously reported, the buildings are occupied by Authority's staff in the South Rift region. Although Management has provided Government of Kenya vesting order dated 7 September, 2007 indicative of rightful and beneficial ownership to the properties by the Authority, acquisition of the title deeds is yet to be completed.</p> <p>In the circumstances, the validity and ownership of the land and building valued at Kshs.208,360,000 could not be confirmed.</p>	<p>Lack of ownership documents Property, Plant and Equipment</p> <p>We agree with the audit observation that there are two parcels of land and buildings valued at Kshs. 208,360,00 and Kshs. 280,913,447 respectively in Nakuru town occupied by the Authority's South Rift staff which the Authority does not have title deeds for the two land parcels.</p> <p>The three Roads Authorities i.e. Kenya National Highways Authority (KeNHA), Kenya Urban Roads Authority (KURA) and Kenya Rural Roads Authority (KeRRA) were established through the Kenya Roads Act, 2007. Upon their establishment, various movable and immovable properties which were under the then Ministry in charge of Roads were transferred and vested to them. These properties included various National Roads and their Road Reserves.</p> <p>However, the Vesting Orders gazetted by the then Minister for Finance at that time (Kenya Roads Act, 2007- Legal Notices No. 193, 194 and 195 of 2011) did not include the various other land assets that were also taken up by the Roads Authorities. The various Road Depot Camps and former Provincial/District Works Offices located all over the Country are a case in point. The two land parcels in Nakuru belong to this category.</p> <p>The Authority has been pursuing the issue of vesting of the land assets through the parent ministry to enable us pursue the ownership documents (see attached correspondences). Appendix KeNHA/OAG/MA/2021-22/5.1. This issue was also discussed in a meeting held on 15th September, 2021 between the office of the Auditor</p>	<p><i>Not Resolved</i></p>
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		<p>General, National Land Commission (NLC) and office of the Principal Secretary (State Department of Roads). The said meeting resolved the Principal Secretary, Ministry of Lands to convene a meeting of all stakeholders/state corporations to discuss and start the process of registering the assets. Unfortunately the meeting is yet to be convened. We are however following up on the same through our line ministry.</p>	
<p>5.2</p>	<p>Unsupported Road Assets Additions The Statement of financial Position reflects property, plant and equipment net book value balance of Kshs. 675,448,008 as also disclosed in Note 26 to the financial statements. The balance includes road assets additions totaling to Kshs. 86,942,986.</p> <p>Review of the additions revealed the following unsatisfactory issues;</p> <p>Unsupported Diminution of Profits and Loss of Business</p> <p>The additions include amounts totaling Kshs.6,524,789,256 paid in respect of compensation for diminution of profits and loss of business to business people who had erected their business on road reserves. However, supporting documents including evaluation reports, names, identification numbers and nature of businesses were not provided for audit review.</p>	<p>Unsupported Diminution of Profits and Loss of Business</p> <p>We agree with the audit observation that we did not share valuation reports for the compensations to PAPs amounting to Kshs. 6,524,789,256. This is due to the fact that the National Land Commission did not share the valuation reports while submitting compensation schedules to the Authority.</p> <p>Based on your observation, we have written to the National Land Commission requesting them for copies of the valuation reports. Copies of identification documents and the nature business that was conducted by the respective PAPs will form part of the supporting documents for the valuation report. Once we receive these documents, we will share copies with you.</p>	<p><i>Not Resolved</i></p>

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	In the circumstances, the propriety of the capitalized expenditure totaling to Kshs.6,524,789,256 could not be confirmed.		
5.2.2	<p>Unsupported Compensation by National Land Commission</p> <p>The additions also include Kshs.359,210,703 paid to National Land Commission during the year. Out of this amount, Kshs.274,913,406 was in respect to Kirimukuyu/ Mutathi Ini. However, it was not possible to confirm the occurrence and propriety of the payments as supporting documents in respect of beneficiaries and evidence of remittances were not provided for audit review.</p> <p>In the circumstances, propriety and occurrence of payments totaling to Kshs.Kshs.274,913,406 could not be confirmed.</p>	<p>Unsupported Compensation by National Land Commission</p> <p>We agree with the audit observation that we did not share copies of supporting documents in respect of beneficiaries and evidence of remittances by NLC for the Kshs. 274,913,406 paid in respect to Kirimukuyu/ Mutathi Ini.</p> <p>Based on your observation, we have written to the National Land Commission requesting them for copies of supporting documents giving the beneficiaries' names and proof of remittance of the Kshs. 274,913,406 to the respective beneficiaries. Upon receipt of the requested documents from the NLC, the same will immediately be formally submitted to yourselves.</p>	<p><i>Not Resolved</i></p>
5.2.3	<p>Unsupported Payments on Improvements</p> <p>Additions to roads assets include Kshs. 16,356,921,198 paid to affected persons for</p>	<p>Unsupported Payments on Improvements</p> <p>We are unable to provide a response on Kshs. 16,356,921,198 paid to affected persons for improvements done on various parcels of land.</p>	<p><i>Not Resolved</i></p>

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	<p>road improvements that affected their parcels of land. However, the same was not supported by relevant documents such as evidence of remittances, identification, valuation reports and authenticated reports from local government administration offices.</p> <p>In the circumstances, propriety and occurrence of payments totalling to Kshs.Kshs.16,356,921,198 could not be confirmed.</p>	<p>Please provide us a schedule with full particulars which includes PAPs names, Project names and land parcel numbers to enable us provide specific response to the issues observed.</p> <p>However, not that we have not received any valuation reports and/ or authenticated reports from local government administration offices from NLC for any of the land parcels they acquired for the Authority. Upon receipt of the schedule containing the above mentioned particulars from the NLC, we will proceed and formally request the Commission to share the relevant documents.</p>	
5.2.4	<p>Unsupported Payments on Developments</p> <p>Additions to road assets include reimbursements of Kshs.373,519,923 and refund of development of Kshs.Kshs.34,223,170 both totaling to Kshs.407,743,093 paid to affected persons and businesses as compensation. However, supporting documents including evidence of remittances, identification, valuation reports and authentication by local administration were not provided for audit review.</p>	<p>Unsupported Payments on Developments</p> <p>We agree with the audit observation that we did not share supporting documents including evidence of remittances by NLC, copies of identification documents, valuation reports and authentications by local administration for the compensations to PAPs amounting to Kshs. 407,743,093.</p> <p>Please provide us a schedule with full particulars which includes PAPs names, Project names and land parcel numbers to enable us formally request the NLC to share copies of Valuation Reports and other documents to enable provide specific response to the issues observed whilst sharing copies of the documents received from NLC.</p>	<p><i>Not Resolved</i></p>

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	<p>In the circumstances, it was not possible to confirm the propriety and occurrence of the payments.</p> <p>Unsupported Huge Payments to Individuals</p> <p>Review of payments in respect of development showed that direct payments totalling to Kshs.5,700,470,077 were made to 125 individuals as shown in Appendix 1 for a sample of Kshs.4,906,944,175. Although Management has indicated that the payments were effected by the National Land Commission, no supporting documents were provided such as valuation reports, proof of ownership, acreage and approvals for the payments.</p> <p>In the circumstances, the propriety of the payments could not be confirmed.</p> <p>In the circumstances, the propriety of the unremitted compensations totalling to Kshs.307,252,756 could not be confirmed.</p>		
5.2.5	<p>Unsupported Huge Payments to Individuals</p> <p>We agree with the observation that valuation reports were not availed for the sample of Kshs 4,906,944,175 paid to 125 PAPs since we did not receive them from the NLC.</p> <p>Based on your observation, we have written to the National Land Commission requesting them for copies of valuation reports, proof of ownerships, acreages and proof of remittances to individual PAPs. Upon receipt of the requested documents from the NLC, the same will immediately be formally shared with you.</p>	<p><i>Not Resolved</i></p>	
6	<p>Dormant Bank Accounts</p> <p>The statements of financial position reflect cash and cash equivalents balance of Kshs.13,993,063,067 as at June, 2022. Review of bank statements, cash books and</p>	<p>Dormant Bank Accounts</p> <p>We agree with the audit observation that a total of Kshs. 128,989,967 representing cash balances in 6No. dormant bank accounts were included in the cash and cash equivalent balance of Kshs. 13,993,063,067 as at 30th June 2022. We however disagree with the</p>	<p><i>Resolved</i></p>

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bank reconciliation statements revealed that the Authority maintained dormant bank accounts for road projects deemed complete but for which, completion certificates had not been issued. The accounts had no transactions during the financial year as indicated below;

Financial Institution	Amount (Kshs)
NCBA Bank-NCTIP	59,353,586
NCBA Bank-Timboroa-Eldoret	18,768,445
NCBA Bank-Marsabit-Turbi Account	3,226,674
NCBA Bank-EATTFP	12,136,917
NCBA Bank-KTSSP	7,732,595
National Bank-Sirari Corridor	27,771,750
Total	128,989,967

Inclusion of the balances resulted in overstatement of bank balances since they ought to have been surrendered to The National Treasury upon closure of the projects.

In the circumstances, the accuracy of cash and cash equivalents balance could not be confirmed.

audit observation that the dormant bank accounts are for projects deemed complete but for which completion certificates had not been issued. Please note that all projects previously funded through the first 4No. bank accounts as tabulated by the auditor are complete, and substantial completion certificates, and end of defects liability period certificates were issued to the respective Contractors. What is however outstanding is the submission of the final account by respective contractors owing to the pending bills in each of the projects, which is accruing interest on daily basis, resulting from inadequate budget allocations over the project implementation period to date. Please note that once the individual stock of pending bill is cleared, the respective contractors will prepare their final account which will contain the interest on delayed payment due to them.

Apart from the bank account at National Bank of Kenya Ltd for the Sirari Corridor whose Credit Agreement is still active and the two projects namely Isebania – Kisii and Kisii – Ahero are still on, the Credit Agreements for the other five projects namely NCTIP; Timboroa – Eldoret; Turbi – Moyale; EATTFP and KTSSP have already closed. Note that the balances in the 5No. dormant bank accounts whose credits have since been closed represent interest earned to date. The entire proceeds from the respective development partners whose credits closed were fully accounted for prior to the formal closure of the respective development credit.

The above position does however not hinder the process of closing the dormant bank accounts. Please note that the Authority sought and obtained the National Treasury approval to close the 6No. dormant bank accounts (which included NUTRIP A/c at KCB Bank Ltd). Formal communication was shared with the respective banks to transfer the account balances and interest earned to the Authority's AIA bank account and close the six dormant bank accounts. This process has

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		<p>already been completed. Attached herewith for ease of reference are copies of the Board approval dated 27th October 2022 to close the dormant bank accounts, the National Treasury approval dated 1st March 2023 approving the closure of the 6No. dormant bank accounts and our two letters both dated 18th April 2023 instructing the respective banks on closure of the 6No. dormant bank accounts marked as Appendix KeNHA/OAG/MA/2021-22/6</p> <p>From the foregoing therefore, the inclusion of the above project's bank balances as part of cash and cash equivalents in the Authority's Financial Statements do not overstate the bank balances since the balances are still under the purview of the Authority and are held in the Authority's bank accounts. Their inclusion in the financial statements therefore ensures completeness of reporting and presentation of financial statements which reflect a true and fair view of the Authority's financial status.</p>	
<p>7</p>	<p>Unreconciled and Long Outstanding Current Receivables from Exchange Transactions</p> <p>The statement of financial position and as disclosed at Note 23(a) to the financial statements reflects current receivables from exchange transactions balance of Kshs.12,562,556,350 which includes receivable from Roads Maintenance Fund of Kshs. 11,865,854,651. However, review of the Kenya Roads Board Fund financial statements indicate that the Fund owed the Authority an amount of Kshs.</p>	<p>Unreconciled and Long Outstanding Current Receivables from Exchange Transactions</p> <p>We disagree with the audit observation that the Authority's receivables from KRB was Kshs. 11,865,854,651 instead of Kshs. 10,257,336,897 as reported in KRB books resulting to a variance of Kshs. 1,608,517,754. Please note that the correct receivables from KRB as at 30th June 2022 was Kshs. 11,865,854,651 as reported in the Authority's main Financial Statements for year ended 30th June 2022.</p> <p>The above amount was fully received from KRB after the year end in three tranches as tabulated below.</p>	<p><i>Resolved</i></p>

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<p>10,257,336,897 as at the same date resulting in unreconciled difference of Kshs.1,608,517,754.</p>	<table border="1"> <thead> <tr> <th>Tranche no.</th> <th>Amount received</th> <th>Date of receipt</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>20,507,829,433</td> <td>From 30th Sept. 2021 to 11th May 2022</td> </tr> <tr> <td>2</td> <td>2,135,912,607</td> <td>4th July 2022</td> </tr> <tr> <td>3</td> <td>3,948,808,980</td> <td>8th July 2022</td> </tr> <tr> <td>4</td> <td>5,781,133,064</td> <td>15th July 2022</td> </tr> <tr> <td>Total</td> <td>32,373,684,084</td> <td>From 30th Sept. 2021 to 15th July 2022</td> </tr> </tbody> </table>	Tranche no.	Amount received	Date of receipt	1	20,507,829,433	From 30 th Sept. 2021 to 11 th May 2022	2	2,135,912,607	4 th July 2022	3	3,948,808,980	8 th July 2022	4	5,781,133,064	15 th July 2022	Total	32,373,684,084	From 30th Sept. 2021 to 15th July 2022	
Tranche no.	Amount received	Date of receipt																		
1	20,507,829,433	From 30 th Sept. 2021 to 11 th May 2022																		
2	2,135,912,607	4 th July 2022																		
3	3,948,808,980	8 th July 2022																		
4	5,781,133,064	15 th July 2022																		
Total	32,373,684,084	From 30th Sept. 2021 to 15th July 2022																		
<p>Further, the balance include receivable from Kenya Urban Roads Authority and Kenya Rural Roads Authority of Kshs.6,755,843 and Kshs.8,195,298 respectively. However, the balances have not been reflected as payables in the financial statements of the two roads agencies.</p>	<p>The total amount received against the last 3No. tranches from the Kenya Roads Board sums up Kshs. 11,865,854,651 hence our total RMLF resources of Kshs. 32,373,684,084. Attached for your ease of reference please see our schedule of disbursements from KRB for FY 2021/2022 marked as Appendix KeNHA/OAG/RMLF/DR/2021-22/2</p> <p>We agree with the audit observation that the 2 road agencies namely KURA and KeRRA may have failed to record the same amounts due to KeNHA in respect of shared services at Barabara Plaza as payables in their books of accounts. Please note that we had formally advised the two road agencies of the amounts payable to the Authority as soon as the payments were made. KURA has since paid a total of Kshs. 7,853,336.60 on 30th March 2023. As per the payment remittance, the above amount includes Kshs. 6,755,843. We are still following up with KeRRA to pay their Kshs. 8,195,298 plus the additional bills past June 2022.</p>																			
<p>In addition, current receivables from exchange transactions include travel imprest balance of Kshs.18,065,290 out of which an amount of Kshs.5,381,135 due from four (4) officers had been outstanding for more than three months.</p>	<p>We agree with this observation. These amounts were outstanding as tabulated below</p>																			

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	<p>In the circumstances, the accuracy and recoverability of current receivables from exchange transactions balance of Kshs.12,562,556,350 could not be confirmed.</p>	<table border="1"> <thead> <tr> <th>Employee No.</th> <th>Actual interest issued (Kshs)</th> <th>Amounts recovered as at 30th June 2022 (Kshs)</th> <th>Amount outstanding as at 30th June 2022 (Kshs)</th> </tr> </thead> <tbody> <tr> <td>1110660</td> <td>3,003,875</td> <td>N/A</td> <td>3,003,875</td> </tr> <tr> <td>1110676</td> <td>1,912,260</td> <td>N/A</td> <td>1,912,260</td> </tr> <tr> <td>1110436</td> <td>570,000</td> <td>190,000</td> <td>380,000</td> </tr> <tr> <td>1110662</td> <td>127,500</td> <td>42,500</td> <td>85,000</td> </tr> <tr> <td>Total</td> <td></td> <td>232,500</td> <td>5,381,135</td> </tr> </tbody> </table>	Employee No.	Actual interest issued (Kshs)	Amounts recovered as at 30 th June 2022 (Kshs)	Amount outstanding as at 30 th June 2022 (Kshs)	1110660	3,003,875	N/A	3,003,875	1110676	1,912,260	N/A	1,912,260	1110436	570,000	190,000	380,000	1110662	127,500	42,500	85,000	Total		232,500	5,381,135	<p>Employee 1110660 and 1110676 are undertaking a Japan International Co-operation Agency (JICA) sponsored training in Japan, for Masters & PHD programmes respectively. They are therefore eligible to a 25% living allowance for the duration of study. This period of study is not yet over and as such the amount are not due for surrender/recovery. The amounts outstanding for employees 1110436 & 1110662 have since been recovered in full at Kshs 190,000 and Kshs 42,500 respectively from their payroll in the months of June, July, and August 2022. Attached and marked as <i>Appendix KeNHA/OAG/MA/2021-22/7(i)</i> is a copy of memo ref. KeNHA/07.A/Vol.8/ 234 dated 17th June to Human Resource Department advising on payroll recoveries and copies of the staff sub-ledgers' printouts confirming full recoveries of the unsurrendered imprests.</p>	
Employee No.	Actual interest issued (Kshs)	Amounts recovered as at 30 th June 2022 (Kshs)	Amount outstanding as at 30 th June 2022 (Kshs)																									
1110660	3,003,875	N/A	3,003,875																									
1110676	1,912,260	N/A	1,912,260																									
1110436	570,000	190,000	380,000																									
1110662	127,500	42,500	85,000																									
Total		232,500	5,381,135																									
8	<p>Refundable Deposits from Customers The statement of financial position reflects refundable deposits from customers amounting to Kshs.195,479,839 as disclosed at Note 29 to the financial statements. The amount includes customer balances totalling Kshs.49,442,512 which date back to between 2010/2011 and 2016/2017 financial years and had remained unclaimed as at 30 June,</p>	<p>Refundable Deposits from Customers We agree with the observation that there are old outstanding customer deposits being held by the Authority. The applicants for road-side developments are required to apply for the refundable deposits once they have completed the works as per the</p>	<p><i>Not Resolved</i></p>																									

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<p>2022, which raises doubts on the existence and authenticity of the balances. It is not clear why the deposits had not been surrendered to the Unclaimed Financial Assets Authority as required by law.</p> <p>In the circumstances, the existence of refundable deposits from customers balance of Kshs.195,479,839 could not be confirmed.</p>	<p>approval conditions. However, some of the applicants have not applied for refund of deposits either because;</p> <p>a) The applicants are still utilizing the wayleave for repairs and maintenance of their installed infrastructure especially fibre optic cables, water and sewage lines, electricity lines, access to road side businesses especially petrol stations</p> <p>b) A few applicants ran into financial difficulties and are as yet to complete the works and are therefore not able to apply for the refundable deposits.</p> <p>c) The applicant carried out the works as per the approval conditions but after completion of the works the applicant lost interest in applying for the refundable deposits.</p> <p>The Authority is carrying out a comprehensive audit of all the approved roadside developments with expired completion period and the deposits not applied for, with the view of refunding the deposits to those applicants who followed the approval conditions and works were supervised by Engineer's representative.</p> <p>We will further engage with those applicants who are facing difficulties in completing the works either due to financial difficulties or other challenges and agree on the way forward to facilitate the release of their deposits if they are due.</p>	
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		<p>These deposits have not been surrendered to the Unclaimed Financial Assets Authority since in-line with the Unclaimed Financial Assets Act 2011 Section 18, it is only Assets held for the owner by a court or a Government department that remains unclaimed by the owner for more than one year after becoming payable or distributable is presumed abandoned. Owing to the challenges outlined above these amounts have not become payable and as such cannot be deemed unclaimed.</p>	
	<p>Emphasis of Matter</p>	<p>Emphasis of Matter</p>	
<p align="center">1</p>	<p>Contingent Liabilities (Matter used as a basis for emphasis that the Authority's operations would be adversely affected if the liabilities were to crystallize) I draw attention to page 46 of the financial statements where the Management has disclosed court cases against the Authority, unclaimed interest on works and land acquisitions and unresolved contractual claims totalling to Kshs.65,707,923,295 (2020-2021: Kshs.13,327,522,598). Management is of the opinion that the outcome of these litigations and claims were yet to be determined. However, the Authority operations would be adversely affected if the liabilities were to crystallise.</p>	<p>Contingent Liabilities (Matter used as a basis for emphasis that the Authority's operations would be adversely affected if the liabilities were to crystallize) We agree with the audit observation that the Authority had a Contingent Liability of Kshs. 65,707,923,295 as at 30th June 2022. It is important to note that 92% of the contingent liabilities amounting to Kshs 60,314,451,805 relates to on-going litigation which the Authority is confident of obtaining favourable judgements in many of them.</p>	<p align="center"><i>Not Resolved</i></p>


Eng. Kungu Ndungu
Director General
 Date.....

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Appendix II: Projects implemented by the Authority

Projects implemented by the State Corporation/ SAGA Funded by development partners and/ or the Government.

No.	Project title	Project No.	Donor	Period/ Duration	Donor commitment (Kshs)	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidate d in these financial statements
1.	Horn of Africa Gateway Development Project	6768-KE	IDA	07.10.2020-30.06.2028	85,606,606,960	Yes	Yes
2.	MPARD/Mombasa Gate Bridge	KE-P29	MPARD-JICA	02.06.2012-31.12.2027	22,089,969,121	Yes	Yes
3.	Epc/Turn Key construction of Five Footbridges & T-Mall Flyover in Mombasa & Langata Road	KEN-01001-19 & KEN-02001-19	Spanish Government	12.11.2019-31.01.2024	4,286,595,200	Yes	Yes
4.	Regional Mombasa Port Access Project-Lot 2/Kitale-Morpus	202061919/202083939&202062065	KfW	01.08.2017-31.12.2021	19,120,725,600	Yes	Yes
5.	East Africa Regional Transport, Trade & Development Facilitation Project	5638-KE	IDA	20.07.2015-31.12.2021	46,158,383,724	Yes	Yes
6.	AfDB	2000130015238	AfDB	09.06.2017-08.05.2021	46,243,917,823	Yes	Yes
7.	China -EXIM	BLA2016K001	China -EXIM	26.11.2016-31.12.2020	32,499,088,819	Yes	Yes
8.	Regional Mombasa Port Access Project: Lot 2 Kwa Jomvu - Mariakani	84010	EIB	01.08.2017-31.12.2020	5,842,860,000	Yes	Yes

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Appendix III: Status of Projects completion

No	Credit title	Credit Number	Donor/Partner	Period/Duration	Donor/Partner Commitment	Total expended to date	Projects Completion % to date (Weighted average)	Annual Budget (Kshs.)	Actual per quarter (Kshs.)
1.	NUTRIP	5140-KE	IDA	24.12.2012-31.12.2018	19,140,160,545	3,141,819,952		-	-
2.	KTSSP	4926-KE & 5410-KE	IDA	23.05.2011-31.12.2018	33,258,366,990	31,673,750,335		-	-
3.	AfDB	2000130015238	AfDB	09.06.2017-31.12.2024	94,394,868,040	60,166,681,050		15,600,868,402	3,557,897,005
4.	China -EXIM	BLA2016K001	China -EXIM	26.11.2016-31.12.2020	33,258,366,990	36,145,221,771		4,730,000,000	1,713,102,528
5.	EARTTDFP	IDA	EARTTDFP	20.07.2015-31.12.2021	117,870,162,630	42,406,528,422		3,382,000,000	685,892,400
6.	MPARD/Mombasa Gate Bridge/Mombasa SEZ	KE-P29/KE-P32/KE-P34/KE-P35	MPARD-JICA	02.06.2012-31.12.2027	114,969,423,779	30,257,626,339		3,910,000,000	1,249,006,162
7.	NETIP	IDA	NETIP	-	67,920,000,000	42,406,528,423		-	-
8.	HoAGDP	6768-KE	IDA	07.10.2020-30.06.2028	85,606,606,960	705,629,840		3,350,000,000	473,159,584
9.	Port Reitz/Mombasa International Airport/Magongo Road Dualling	-	TMEA	01.04.2018-31.03.2023	3,606,947,004	3,810,149,485		-	-
10.	Regional Mombasa Port Access Project/Kitale-Morpus	2020619/202062065&202083939	KfW	01.08.2017-31.12.2021	19,120,725,600	3,184,689,104		1,150,000,000	1,120,388,157
11.	Regional Mombasa Port Access Project	840/0	EIB	01.08.2017-31.12.2021	5,842,860,000	1,258,172,563		2,000,000,000	1,258,172,563
12.	Nuno-Modogashe Road Project	1331P 679 0596/10 813	OPEC Fund/BADEA/Saudi Fund/Kuwait Fund/Abu Dhabi	20.11.2015-18.11.2019	5,749,310,633	4,587,378,072		-	-
13.	Epc/Turn Key construction of Five Footbridges & T-Mall Flyover in Mombasa & Langata Road	KEN-01001-19 & KEN-02001-19	Spanish Government	12.11.2019-31.01.2024	4,286,595,200	3,578,157,856		1,200,000,000	34,772,568

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Appendix IV: Transfers from Other Government Entities

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/ Development/ Others	Total Amount - KES	Statement of Financial Performance	Where Recorded/recognized				Total Transfers during the Year
					Capital Fund	Deferred Income	Receivables	Others - must be specific	
A. RECURRENT									
Kenya Roads Board	17 November 2022	Recurrent	3,654,099,548	3,654,099,548					3,654,099,548
Kenya Roads Board	16 December 2022	Recurrent	5,578,227,355	5,578,227,355					5,578,227,355
Kenya Roads Board	02 March 2023	Recurrent	2,536,982,526	2,536,982,526					2,536,982,526
Kenya Roads Board	02 March 2023	Recurrent	39,039,432	39,039,432					39,039,432
Kenya Roads Board	23 March 2023	Recurrent	2,485,295,794	2,485,295,794					2,485,295,794
Kenya Roads Board	01 April 2023	Recurrent	7,061,520,833	7,061,520,833					7,061,520,833
Kenya Roads Board	01 June 2023	Recurrent	2,090,929,304	2,090,929,304					2,090,929,304
Kenya Roads Board	29 June 2023	Recurrent	1,604,405,863	1,604,405,863					1,604,405,863
Kenya Roads Board	29 June 2023	Recurrent	499,960,568	499,960,568					499,960,568
Kenya Roads Board	29 June 2023	Recurrent	527,807,573	527,807,573					527,807,573

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	14 July 2022	Development	9,615,152				9,615,152				9,615,152
	28 July 2022	Development	53,466,678				53,466,678				53,466,678
	01 August 2022	Development	7,053,633				7,053,633				7,053,633
	01 August 2022	Development	9,875,046				9,875,046				9,875,046
	01 August 2022	Development	29,433,630				29,433,630				29,433,630
	01 August 2022	Development	50,161,806				50,161,806				50,161,806
	01 August 2022	Development	2,252,295				2,252,295				2,252,295
	01 August 2022	Development	6,426,746				6,426,746				6,426,746
	01 August 2022	Development	405,640				405,640				405,640
	01 August 2022	Development	10,369,560				10,369,560				10,369,560
	01 August 2022	Development	2,686,319				2,686,319				2,686,319
	01 August 2022	Development	7,284,138				7,284,138				7,284,138
	01 August 2022	Development	7,418,315				7,418,315				7,418,315
	01 August 2022	Development	2,735,978				2,735,978				2,735,978
	01 August 2022	Development	111,759,836				111,759,836				111,759,836
	01 August 2022	Development	33,571,550				33,571,550				33,571,550
	01 August 2022	Development	27,782,800				27,782,800				27,782,800
	24 August 2022	Development	31,476,178				31,476,178				31,476,178

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	24 August 2022	Development	53,642,787	53,642,787					53,642,787
	24 August 2022	Development	104,784,332	104,784,332					104,784,332
	24 August 2022	Development	27,214,568	27,214,568					27,214,568
	24 August 2022	Development	90,597,413	90,597,413					90,597,413
	24 August 2022	Development	46,380,004	46,380,004					46,380,004
	25 August 2022	Development	49,501,569	49,501,569					49,501,569
	25 August 2022	Development	72,771,619	72,771,619					72,771,619
	25 August 2022	Development	21,409,621	21,409,621					21,409,621
	25 August 2022	Development	85,550,362	85,550,362					85,550,362
	25 August 2022	Development	25,169,165	25,169,165					25,169,165
	25 August 2022	Development	79,607,287	79,607,287					79,607,287
	25 August 2022	Development	23,420,695	23,420,695					23,420,695
	28 August 2022	Development	1,888,624	1,888,624					1,888,624
	28 August 2022	Development	1,837,770	1,837,770					1,837,770
	28 August 2022	Development	1,111,528	1,111,528					1,111,528
	28 August 2022	Development	2,287,689	2,287,689					2,287,689
	01 September 2022	Development	6,157,000	6,157,000					6,157,000
	01 September 2022	Development	108,000	108,000					108,000

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	21 October 2022	Development	561,000		561,000				561,000
	21 October 2022	Development	49,307,186		49,307,186				49,307,186
	21 October 2022	Development	167,595,853		167,595,853				167,595,853
	21 October 2022	Development	90,840,821		90,840,821				90,840,821
	21 October 2022	Development	26,725,633		26,725,633				26,725,633
	21 October 2022	Development	3,198,600		3,198,600				3,198,600
	27 October 2022	Development	36,259,965		36,259,965				36,259,965
	27 October 2022	Development	30,007,650		30,007,650				30,007,650
	27 October 2022	Development	120,709,579		120,709,579				120,709,579
	02 November 2022	Development	64,754,129		64,754,129				64,754,129
	02 November 2022	Development	19,451,500		19,451,500				19,451,500
	02 November 2022	Development	29,304,049		29,304,049				29,304,049
	01 December 2022	Development	112,895,147		112,895,147				112,895,147
	01 December 2022	Development	28,065,031		28,065,031				28,065,031
	01 December 2022	Development	33,912,586		33,912,586				33,912,586
	14 December 2022	Development	157,285,573		157,285,573				157,285,573
	14 December 2022	Development	47,247,032		47,247,032				47,247,032
	14 December 2022	Development	40,456,203		40,456,203				40,456,203

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	25 January 2023	Development	38,907,214		38,907,214				38,907,214
	26 January 2023	Development	306,988		306,988				306,988
	26 January 2023	Development	33,347,280		33,347,280				33,347,280
	26 January 2023	Development	9,810,866		9,810,866				9,810,866
	26 January 2023	Development	115,404,252		115,404,252				115,404,252
	26 January 2023	Development	33,952,266		33,952,266				33,952,266
	26 January 2023	Development	11,538,213		11,538,213				11,538,213
	26 January 2023	Development	68,342,280		68,342,280				68,342,280
	26 January 2023	Development	30,544,192		30,544,192				30,544,192
	26 January 2023	Development	580,980		580,980				580,980
	26 January 2023	Development	1,244,437		1,244,437				1,244,437
	26 January 2023	Development	1,590,235		1,590,235				1,590,235
	26 January 2023	Development	2,043,335		2,043,335				2,043,335
	30 January 2023	Development	2,755,700		2,755,700				2,755,700
	30 January 2023	Development	1,091,326		1,091,326				1,091,326
	30 January 2023	Development	2,783,000		2,783,000				2,783,000
	30 January 2023	Development	1,474,765		1,474,765				1,474,765
	30 January 2023	Development	1,278,800		1,278,800				1,278,800

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	01 March 2023	Development	140,695,118					140,695,118												140,695,118
	01 March 2023	Development	41,392,912					41,392,912												41,392,912
	01 March 2023	Development	9,319,553					9,319,553												9,319,553
	01 March 2023	Development	13,640,681					13,640,681												13,640,681
	01 March 2023	Development	2,886,348					2,886,348												2,886,348
	01 March 2023	Development	108,000					108,000												108,000
	01 March 2023	Development	6,707,000					6,707,000												6,707,000
	07 March 2023	Development	40,100,008					40,100,008												40,100,008
	08 March 2023	Development	9,530,264					9,530,264												9,530,264
	08 March 2023	Development	789,000					789,000												789,000
	08 March 2023	Development	34,118,956					34,118,956												34,118,956
	08 March 2023	Development	113,582,151					113,582,151												113,582,151
	08 March 2023	Development	37,983,894					37,983,894												37,983,894
	09 May 2023	Development	56,937,968					56,937,968												56,937,968
	09 May 2023	Development	31,570,418					31,570,418												31,570,418
	09 May 2023	Development	63,825,210					63,825,210												63,825,210
	09 May 2023	Development	27,240,333					27,240,333												27,240,333
	15 May 2023	Development	105,200,380					105,200,380												105,200,380

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	15 May 2023	Development	26,250,817						26,250,817											26,250,817
	15 May 2023	Development	5,697,369						5,697,369											5,697,369
	18 May 2023	Development	14,588,612						14,588,612											14,588,612
	18 May 2023	Development	3,087,274						3,087,274											3,087,274
	18 May 2023	Development	78,000						78,000											78,000
	18 May 2023	Development	6,840,890						6,840,890											6,840,890
	18 May 2023	Development	3,210,312						3,210,312											3,210,312
	18 May 2023	Development	8,760,385						8,760,385											8,760,385
	19 May 2023	Development	79,254,825						79,254,825											79,254,825
	19 May 2023	Development	23,316,999						23,316,999											23,316,999
	19 May 2023	Development	64,135,328						64,135,328											64,135,328
	25 May 2023	Development	203,094,895						203,094,895											203,094,895
	25 May 2023	Development	23,684,915						23,684,915											23,684,915
	25 May 2023	Development	2,840,073						2,840,073											2,840,073
	25 May 2023	Development	7,510,428						7,510,428											7,510,428
	25 May 2023	Development	3,229,838						3,229,838											3,229,838
	25 May 2023	Development	9,336,265						9,336,265											9,336,265
	26 May 2023	Development	25,903,785						25,903,785											25,903,785

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	21 June 2023	Development	68,133,406		68,133,406				68,133,406
	21 June 2023	Development	59,589,248		59,589,248				59,589,248
	21 June 2023	Development	3,312,722		3,312,722				3,312,722
	21 June 2023	Development	9,120,731		9,120,731				9,120,731
	21 June 2023	Development	2,938,603		2,938,603				2,938,603
	21 June 2023	Development	10,101,360		10,101,360				10,101,360
	21 June 2023	Development	5,453,306		5,453,306				5,453,306
	21 June 2023	Development	7,446,072		7,446,072				7,446,072
	21 June 2023	Development	116,527,478		116,527,478				116,527,478
	21 June 2023	Development	35,003,703		35,003,703				35,003,703
	21 June 2023	Development	1,443,465		1,443,465				1,443,465
	21 June 2023	Development	57,753,204		57,753,204				57,753,204
	21 June 2023	Development	17,348,492		17,348,492				17,348,492
	21 June 2023	Development	27,705,141		27,705,141				27,705,141
	22 June 2023	Development	39,313,970		39,313,970				39,313,970
	22 June 2023	Development	208,469,834		208,469,834				208,469,834
	22 June 2023	Development	90,854,141		90,854,141				90,854,141
	22 June 2023	Development	74,335,206		74,335,206				74,335,206

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	30 June 2023	Development	(3,245,741)		(3,245,741)			
	30 June 2023	Development	10,056,355		10,056,355			10,056,355
	30 June 2023	Development	(1,216,211)		(1,216,211)			(1,216,211)
	Total		751,346,722		751,346,722			751,346,722
PEOPLES' REPUBLIC OF CHINA								
	12 July 2022	Development	2,569,653,793		2,569,653,793			2,569,653,793
	12 June 2023	Development	1,713,102,528		1,713,102,528			1,713,102,528
	Total		4,282,756,321		4,282,756,321			4,282,756,321
JICA								
	27 July 2022	Development	815,495		815,495			815,495
	03 August 2022	Development	13,330,293		13,330,293			13,330,293
	03 August 2022	Development	8,594,165		8,594,165			8,594,165
	07 September 2022	Development	13,558,299		13,558,299			13,558,299
	07 September 2022	Development	6,413,828		6,413,828			6,413,828
	07 October 2022	Development	247,714,125		247,714,125			247,714,125
	07 October 2022	Development	149,110,509		149,110,509			149,110,509
	17 October 2022	Development	9,195,987		9,195,987			9,195,987

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	01 September 2022	Development	192,265,535				192,265,535				192,265,535
	12 September 2022	Development	10,644,530				10,644,530				10,644,530
	12 September 2022	Development	10,542,063				10,542,063				10,542,063
	12 September 2022	Development	5,626,281				5,626,281				5,626,281
	12 September 2022	Development	32,175,391				32,175,391				32,175,391
	12 September 2022	Development	59,748,854				59,748,854				59,748,854
	17 October 2022	Development	5,709,165				5,709,165				5,709,165
	17 October 2022	Development	5,661,029				5,661,029				5,661,029
	21 October 2022	Development	9,819,315				9,819,315				9,819,315
	07 November 2022	Development	128,774,602				128,774,602				128,774,602
	07 November 2022	Development	32,193,650				32,193,650				32,193,650
	16 November 2022	Development	49,138,645				49,138,645				49,138,645
	16 November 2022	Development	85,383,450				85,383,450				85,383,450
	03 January 2023	Development	85,872,370				85,872,370				85,872,370
	12 January 2023	Development	5,981,934				5,981,934				5,981,934
	13 January 2023	Development	9,639,116				9,639,116				9,639,116
	13 January 2023	Development	9,960,514				9,960,514				9,960,514
	01 February 2023	Development	50,276,395				50,276,395				50,276,395

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	01 February 2023	Development	10,727,142				10,727,142			10,727,142
	15 February 2023	Development	19,834,141				19,834,141			19,834,141
	03 April 2023	Development	76,998,582				76,998,582			76,998,582
	03 April 2023	Development	145,194,571				145,194,571			145,194,571
	04 April 2023	Development	120,519,815				120,519,815			120,519,815
	02 May 2023	Development	38,862,815				38,862,815			38,862,815
	02 May 2023	Development	27,609,215				27,609,215			27,609,215
	18 May 2023	Development	47,414,218				47,414,218			47,414,218
	18 May 2023	Development	49,770,970				49,770,970			49,770,970
	02 June 2023	Development	75,097,990				75,097,990			75,097,990
	02 June 2023	Development	102,115,432				102,115,432			102,115,432
	02 June 2023	Development	19,218,528				19,218,528			19,218,528
	02 June 2023	Development	106,094,252				106,094,252			106,094,252
	02 June 2023	Development	67,232,748				67,232,748			67,232,748
	02 June 2023	Development	11,660,706				11,660,706			11,660,706
	02 June 2023	Development	204,993,599				204,993,599			204,993,599
	20 June 2023	Development	2,817,133				2,817,133			2,817,133
	22 June 2023	Development	93,635,029				93,635,029			93,635,029

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	22 June 2023	Development	93,635,029					93,635,029	
	23 June 2023	Development	147,883,168					147,883,168	
	23 June 2023	Development	85,249,626					85,249,626	
	30 June 2023	Development	30,724,371					30,724,371	
	30 June 2023	Development	554,090,378					554,090,378	
	30 June 2023	Development	41,947,658					41,947,658	
	30 June 2023	Development	134,977,605					134,977,605	
	Total		3,300,134,659					3,300,134,659	
	Total for Development Partners (C+D)		24,916,120,846					24,916,120,846	
									24,916,120,846

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Appendix V- Inter-Entity Confirmation Letter

Kenya National Highways Authority Headquarters
Barabara Plaza, Jomo Kenyatta International Airport (JKIA),
Off Mazao Road
P.O. Box 49712 - 00100
Nairobi, Kenya

Confirmation of amounts received by Kenya National Highways Authority as at 30th June 2023						
Reference Number	Date Disbursed	Amounts Disbursed by Kenya Roads Board & MOTIHUD & PW (KShs) as at 30 th June 2023			Amount Received by Kenya National Highways Authority (KShs) as at 30 th June 2022 (E)	Differences (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)		
	As per schedules above					
		28,178,268,796	14,568,491,327	-	57,354,334,732	(14,607,574,609)
Total		28,178,268,796	14,568,491,327	=	57,354,334,732	(14,607,574,609)

I confirm that the amounts shown above are correct as of the date indicated.

Head of Accounts department of beneficiary Entity:

Name CPA. Chanje Kera Sign  Date **07 FEB 2024**