REPUBLIC OF KENYA

OAG

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

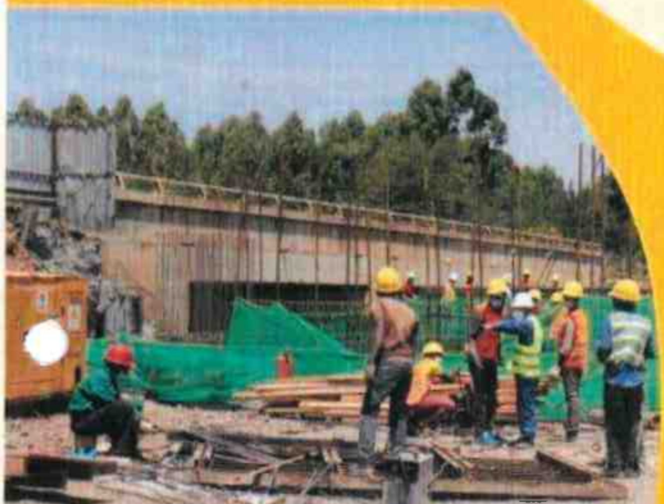
KENYA URBAN ROADS AUTHORITY

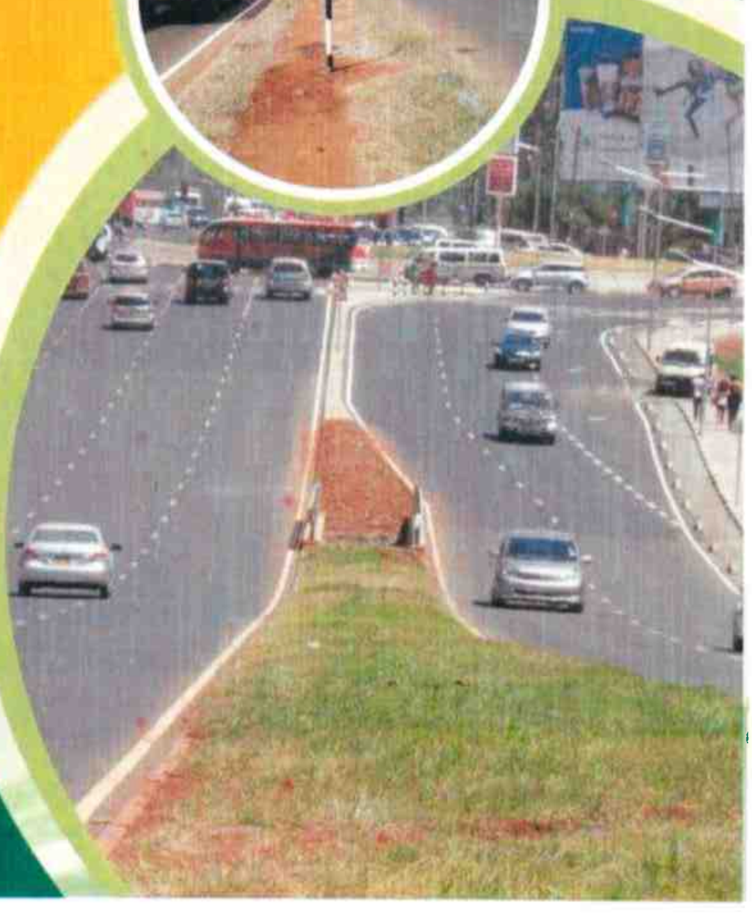
FOR THE YEAR ENDED 30 JUNE, 2022

KENYA URBAN ROADS AUTHORITY

Enhancing Urban Mobility

ANNUAL REPORT & FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2022





CONTENTS

KEY AUTHORITY'S INFORMATION AND MANAGEMENT 4
BOARD OF DIRECTORS 8
MANAGEMENT TEAM 13
CHAIRMAN'S STATEMENT 14
REPORT OF THE DIRECTOR GENERAL 17
STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES...27
CORPORATE GOVERNANCE STATEMENT 31
MANAGEMENT DISCUSSION AND ANALYSIS 36
ENVIRONMENTAL AND SUSTAINABILITY REPORT 41
REPORT OF THE DIRECTORS 50
STATEMENT OF DIRECTORS RESPONSIBILITIES 51
REPORT OF THE AUDITOR GENERAL 52
STATEMENT OF FINANCIAL PERFORMANCE 53
STATEMENT OF FINANCIAL POSITION 54
STATEMENT OF CHANGES IN NET ASSETS 55
STATEMENT OF CASH FLOWS 56
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT 57
NOTES TO THE FINANCIAL STATEMENTS 58
APPENDIX 1: PROGRESS ON THE FOLLOW UP OF AUDITOR GENERAL RECOMMENDATIONS 90
APPENDIX 2: DEVELOPMENT PARTNERS PROJECTS IMPLEMENTED BY THE AUTHORITY 91
APPENDIX 3: INTER ENTITY TRANSFERS-STATE DEPARTMENT OF INFRASTRUCTURE 92

MANDATE, MOTTO, VISION & MISSION

1. Mandate:

To Manage, Develop, Rehabilitate, and Maintain all National Urban Roads.

2. Motto:

Enhancing Urban Mobility

3. Vision:

A World Class Urban Road Network for Sustainable Development

4. Mission:

To Provide and Manage Quality, Safe and Adequate Urban Road Network

KEY AUTHORITY'S INFORMATION AND MANAGEMENT

a) Background information

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

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

b)Principal activities

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

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

c) Key Management

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

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

d) Fiduciary Management

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

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

e) Fiduciary Oversight Arrangements

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

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

f) Authority Headquarters

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

g) Contacts

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

h) Principal Bankers

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

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

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

i) Independent Auditor

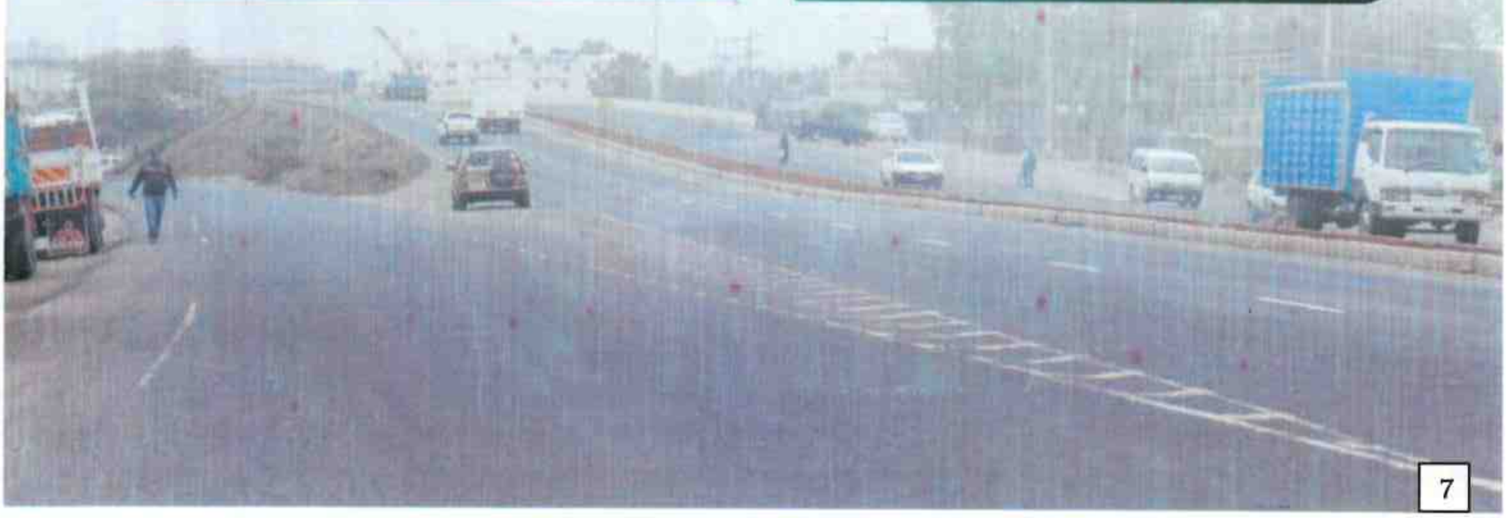
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 49384-00100
Nairobi, GPO

j) Principal Legal Adviser

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

FUNCTIONS OF KURA

1. Constructing, Upgrading, Rehabilitating and Maintaining Roads Under its Control;
2. Controlling Urban Road Reserves and access to Roadside Developments;
3. Road Asset and Corridor Management;
4. Implementing Roads Policies in Relation to Urban Roads;
5. Ensuring adherence by motorists to the Rules and Guidelines on Axle Load Control Prescribed under the Traffic Act and Under Any Regulations Under This Act;
6. Ensuring that the quality Of Road Works is in accordance with such standards as may be defined by the Cabinet Secretary in charge of road function;
7. In Collaboration with the Ministry Responsible for Transport and The Police Department, Overseeing the Management of Traffic and Road Safety on Urban Roads;
8. Monitoring and Evaluating the use of Urban Roads;
9. Planning the Development and Maintenance of Urban Roads;
10. Collecting and Collating all such Data related to the use of Urban Roads as may be necessary for efficient forward planning Under This Act;
11. Preparing the Road Works Programmes for All Urban Roads;
12. Liaising and Coordinating with other Road Authorities in Planning and Operation in respect of Roads;
13. Advising the Minister on all Issues relating to Urban Roads; and
14. Performing such other functions related to the Implementation of this Act as may be directed by the Minister.



BOARD MEMBERS DETAILS

Former Board Chairman
Mr. Henry Musemate Murwa
(deceased)
Institute of Surveyors of Kenya

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

Dr. Julius Muia
Principal Secretary,
National Treasury

Prof. Arch. Paul M. Maringa
(PhD), CBS, Corp. Arch, MAAk, MKIP
Principal Secretary
State Department of Infrastructure

Mr. Julius Korir, CBS
Principal Secretary
State Department of Devolution

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

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

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

Mr. Alfonso Munyali
Alternate Member, PS
Devolution - Ministry Of
Planning & Devolution

Plan. Joyce Kariuki
Kenya Institute of Planners

Mr. Joseph Muganda
Kenya Association of
Manufacturers (KAM)

Mr. Josiah Tarayia Kores
Association of County
Government of Kenya
(ACGOK)

Joyce Nyambura Mundara
Director Representing
Association Of County
Governments (ACGOK)

Basil Ntwiga Nyaga
Matatu Welfare Association
(Urban Public Transport)

Eng. Silas M. Kinoti, MBS
Director General & Board Secretary

BOARD MEMBERS DETAILS

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

Eng. Chiuri is a registered Engineer and a Fellow of the Institution of Engineers of Kenya (IEK). He has over Four decades of experience in the roads sector 29 years of which were spent in the Nairobi City Engineering department where he played a key role in planning design and development of various Nairobi City roads. Eng. Chiuri has also served in various capacities in the private sector designing and supervising major road projects in the country. Born in 1951 he holds a bachelor's degree in Civil engineering from the University of Nairobi and a Masters' Degree in Highway Engineering from the University of Birmingham. In addition, Eng. Chiuri is well versed in the areas of Management development, Transport Project Planning, Evaluation and Management, Road Traffic Management and Corporate Governance.

Eng. Chiuri is serving his second term in the Board where has served in various Board committees and chairs the Technical Committee of the Board. He was appointed as the Board Chair on 8th August, 2022.

Former Board Chairman
Mr. Henry Musemate Murwa
(deceased)
Institute of Surveyors of Kenya

Mr. Murwa was an all-rounded Geospatial Engineer & Consultant with vast experience in Land Survey & Mapping, Land Administration, Digital Photogrammetry, and Computer aided Mapping & Land Information Systems. Mr. Murwa represented the Institute of Surveyors of Kenya in the Board. Prior to his appointment, he worked at the Ministry of Lands & Housing for over 18 years in various capacities including Ag. Assistant Director of Survey with Geodetic & Computer Assisted Mapping Branch where he also served as the Superintendent Surveyor at Cadastral Branch Headquarters. Born in 1959, Mr. Murwa holds a B. Sc (Eng.) Surveying & Photogrammetry (University of Nairobi) and Postgraduate Diploma in Photogrammetry (Digital Photogrammetry) from *Institute of Aerospace Surveys & Earth Sciences* in the Netherlands. He also served as the Chair of the Audit & Compliance Committee of the Board.

Mr. Murwa was diligently serving his second term in the Board of Kenya Urban Roads Authority and had been appointed as the Board Chairman before his demise on November, 20th 2021.

Dr. Julius Muia
Principal Secretary, National Treasury

Dr. Julius Muia is the Principal Secretary at The National Treasury. Prior to this, he was the Principal Secretary at the State Department for Planning - The National Treasury and Planning. Before his appointment as PS Planning, he was the Director General, Vision 2030 Delivery Secretariat. Between April 2008 and October 2016, Dr. Muia served as the Secretary, National Economic and Social Council, Office of the President. Dr Julius Muia graduated with a First-Class Honors Degree in Accounting, Master's Degree and PhD in Finance from the University of Nairobi. His professional qualifications include Certified Public Accountant (CPA-K); Certified Public Secretary (CPS-K), Associate of Kenya Institute of Bankers; Associate Chartered Institute of Arbitrators; and Certified Coach. Dr. Muia has over 25 years' experience in leadership in the private sector in Kenya and UK. Dr. Julius Muia serves as a non-executive board member in several companies and a number of not-for profit organizations

BOARD MEMBERS DETAILS

Prof. Arch. Paul M. Maringa (PhD), CBS, Corp. Arch, MAAk, MKIP
Principal Secretary
State Department of Infrastructure

Professor Paul Mwangi Maringa is the Principal Secretary for the State Department of infrastructure in the Ministry of Transport and Infrastructure. Prior to his appointment as Principal Secretary, he was the Strategic Advisor for Planning and Project Management of Workforce Development Authority (WDA), Kigali, Rwanda. Prior to this he was the Vice Chancellor of Kigali Institute of Science and Technology (KIST), Kigali, Rwanda. Professor Maringa is credited with having pioneered the School of Architecture and Building Sciences (SABS) at Jomo Kenyatta University of Agriculture and Technology (JKUAT) and the Faculty of Architecture and Environmental Design (FAED) at KIST in Rwanda. Born in 1959 professor Maringa has over 30 years of dedicated service variously in the Public Service, Universities and the private sector as a Consultant, Lecturer and Administrator. He holds a Bachelor's degree in Architecture from the University of Nairobi, a Masters of Arts in Planning (Urban & Regional Planning) from the University of Nairobi and is a Doctor of Philosophy in Environmental Planning (PHD) from JKUAT.

Mr. Julius Korir, CBS
Principal Secretary
State Department of Devolution

Mr. Julius Korir, CBS is the principal Secretary State Department of Devolution. Mr. Korir is an experienced Public Servant having held the post of a Permanent Secretary in various Government portfolios namely State Department of Youth, State Department of Infrastructure, State Department of Health, State Department of Investment and Industry, State Department of Investment and Industry.

He is well versed with Managing large scale donor programs and public/Private partnerships he was instrumental in implementing the Infrastructure Annuity Program in the Road sector.

Mr. Korir is a holder of an MBA in International Business and a BSc. in Agricultural Economics.

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

Mr. Joseph Gathua Kiarii is the alternate Member to the Principal Secretary at the National Treasury & Planning he has a wealth of experience in the Public Service particularly on Government Investments and Public Enterprises Management where he has served for over twenty years. He is well versed in Project Appraisal & Risk Analysis, Management of Contingent Liabilities, Debt Management and Corporate Governance. His tour of service includes 4 years as an Accountant at the Machakos District Treasury, Ministry of Foreign Affairs and Office of the President .Currently he serves at The National Treasury in the Directorate of Portfolio Management and Public Investments. Born in 1966 Mr Kiarii holds a Bachelor of Commerce degree (Accounting option) from the University of Nairobi and is a Member of the Institute of Certified Investment & Financial Analysis (ICIFA).

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

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

BOARD MEMBERS DETAILS

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

Mr. Isaac Nderitu Githui served as the Secretary Special Programmes Ministry of Devolution and ASAL. Mr. Githui is a proficient administrator having served in various administrative posts in the Country. He brought to the Board a wealth of knowledge in Public Administration and Strategic Management. He holds a MBA (Strategic Management), BBA (Accounting and Finance) and is currently undertaking a Doctor of Philosophy (PhD) at the University of Nairobi. He was born in 1961 and was the Alternate Member to the Principal Secretary Ministry of Devolution and ASAL.

(He served at the Board from 9th June 2016 to October,2021)

Mr. Alfonso Munyali
Alternate Member, PS Devolution - Ministry Of Planning & Devolution

Mr. Alfonso Munyali is Business Strategy, Professional Management Development and Change Leadership Expert & Leadership Expert with over 33Year's Experience in the Public Sector currently Serving as the Director Devolution Affairs –Technical Assistance at the Ministry of Planning & Devolution. Mr. Munyali represents the PS devolution in the Board.

Mr. Munyali also has vast experience on organizations operational efficiency, intersectoral partnerships and public service management and leadership.

Born in 1961 he holds an MBA in Strategic Management and a Phd in business Administration from Jomo Kenyatta University. He is serving his first term in the Board following his appointment to the Board on 22nd March, 2022.

(He served at the Board from 22nd March ,2022 to date)

Plan. Joyce Kariuki
Kenya Institute of Planners

Ms. Kariuki is a registered and practicing planner specializing in Urban and Regional Planning. She Holds a Bachelor of Arts Degree (1988) and a Master of Arts in planning (1990) from the University of Nairobi. She is a licensed NEMA Lead expert and has extensive knowledge on Strategic Leadership, Change Management, Management of Devolved Systems of Government and Local and Regional Development Planning.
Prior to her appointment Ms Kariuki served in various levels of Government both as a Planner and as an Expert on Management of Devolved Systems of Government where she successfully oversaw the preparation of various urban plans and management of development control initiatives, participated in policy formulation particularly the National Spatial Plan, formulation of regulations for the Lands Act 2012, The Land Registration Act, 2012 and The Community Lands Act, 2016. She was also instrumental in the implementation of the Devolved System of Government in Embu County during her tenure at the Transition Authority. Ms Kariuki represents The Kenya Institute of Planners (KIP) in the board where she currently serves in the Human Resource Committee and Technical Committee of the Board.

Mr. Joseph Muganda
Kenya Association of Manufacturers (KAM)

Mr Muganda is an accomplished leader who has had an illustrious career across the African continent and UK. He is a Consultant on Strategy Development and Execution, Sales, Marketing and distribution for FMCG's and Coaching & Mentorship of young entrepreneurs. For over three decades, Mr. Muganda occupied leadership positions in the large corporations in the private sector including VIVO Energy Kenya (Shell Licensee), Nation Media Group, Kenya Breweries ltd and British American Tobacco who are all market leaders and influential players in their respective areas of competence in the Kenyan economy. He holds an MBA from University of Leicester and B.Sc. (Econ) Accounting & Financial Management the University Of Buckingham. He is a member of Strategy and Finance Committee of the Board.

BOARD MEMBERS DETAILS

Mr. Josiah Tarayia Kores
Association of County Government of Kenya (ACGOK)

Mr. Kores is an astute administrator having served in various public bodies. Previously he has served as a Councilor and Chairman Olkejuado County Council, President, United Cities and Local Government of Africa (UCLGA), Member of United Nations Advisory Council on Local Authorities, (UNACLA), Member of the Commonwealth Local Government Forum, Chairman Association of Local Governments Authorities of Kenya (ALGAK) and Chairman of Kenya Meat Commission. Born in 1970, Mr. Kores holds a bachelor's degree in development studies. He chairs the board technical committee.

Joyce Nyambura Mundara
Director Representing Association Of County Governments (ACGOK)

Ms. Mundara represents the Association of County Governments in the Board. She is a business Development and Communication expert with diverse experience in strategic alliances and partnerships.

She is a graduate in business development, University of North Carolina and has over 15years experience coordinating local governments. She has successfully implemented public sector and development agencies programs and developed advocacy tools for the devolved systems of Governmentin Kenya.

Ms. Mundara is serving her first term in the Board having been appointed to the Board on 14th April 2022.

Basil Ntwiga Nyaga
Matatu Welfare Association (Urban Public Transport)

Mr Basil Ntwiga Nyaga is an established enterpreneur with over 20 years' experience in the public transport sector. He is currently the Secretary General of Matatu welfare association (MWA). Prior to venturing into business Mr. Nyaga served for 12yrs at D.T. Dobie & Co. Ltd as the Deputy General Manager(management services).

Born in 1958 Mr. Nyaga holds a bachelor of commerce degree from University of Nairobi and various professional and governance certificates acquired both locally and internationally .He represents the Matatu welfare association in the board and was appointed into the KURA Board on 22nd July, 2019.

Eng. Silas M. Kinoti, MBS
Director General & Board Secretary

Eng. Silas Kinoti is the Director General of Kenya Urban Roads Authority. He is a Registered Engineer with Engineers Board of Kenya (EBK) & a Corporate Member of The Institution of Engineers of Kenya (IEK). He is a seasoned Engineer with vast experience in Management of Urban Roads, Automation and Innovations in Urban Roads Management and Financing, Urban Mobility and implementation of Non-Motorized Transport Systems and Project Planning & Management. He holds an MBA in Corporate Management, and a Bachelor of Science Degree in Civil Engineering. Eng. Kinoti has extensive training on; Quality Management Systems Corporate Governance and Organizational Development, Strategic Negotiation Skills, , Project Development and Management as well as Public Private Partnership (PPP) Contract Management.

MANAGEMENT TEAM

Eng. Silas M. Kinoti, MBS
Director General
Secretary to the Board
MBA (Corporate Manangement)
BSc. (Civil Engineering)
Member-IEK

Eng. Abdulrashid Mohamed
Director, Road Asset & Corridor Management
Msc (Construction management)
BSc. (Civil Engineering)
Member-IEK

Eng. Mike Yego Tallany
Director, Policy, Strategy & Compliance
MBA (Strategic Management)
BSc. (Civil Engineering)
Member-IEK

Eng. Jacinta W. Mwangi
Ag. Director, Urban Roads Planning & Design
BSc. (Civil Engineering)
Member-IEK

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

Eng. Wilfred R. Oginga
Director, Urban Roads Development
MSc. (Civil Engineering)
BSc.(Civil Engineering)
PE, Member-IEK

CHAIRMAN'S STATEMENT

Infrastructure plays an important role in the economy of any country due to the nature of impact it has on the citizen's welfare and investments. The roads subsector particularly is a vital factor in the socio-economic development of a country as it facilitates access to markets, which in turn enhances production and increases the level of employment. In Kenya the roads transport accounts for 93 % of all freight and passenger traffic with the balance attributed to other modes of transport mainly air sea and water. This underscores the significance of the subsector to the Kenyan economy.

The urban roads network is part of the National critical infrastructure assets that are vital to the continued delivery and integrity of the essential services upon which the nation relies. As the Country seeks to position itself as a regional investment hub through implementation of its development Agenda, the Authority continues to facilitate this aspiration by ensuring development and maintenance of a Safe and Efficient urban road network that supports sustainable socio-economic development

Urban centers in Kenya have gone through a rapid growth process and are therefore grappling with the challenge of traffic congestion and other connectivity issues. As a key stakeholder in the sector, we are continually faced with the challenge of ensuring investments in the urban road infrastructure keeps pace with the growing settlement. Large and sustained public infrastructure investments plays a huge role in stimulating urban productivity and overall quality of life. With improved investment in connectivity, Kenya's cities could then attract vast sums of private finance, allowing them to tap into and enhance their competitiveness in global markets.

The authority continues to play its role in the development of urban roads network as well as other initiatives aimed at improving mobility in the urban centers. During the period under review the Authority implemented various national urban road development and management projects across the country. The National Government investment in the urban roads during the year amounted to Ksh 25.6 billion out of which 14 billion was utilised towards the upgrading part of the existing network to bitumen standards as well as construction of new roads across the country. A total of Ksh 11.6 billion sourced from the Road Maintenance Levy Fund was availed for maintenance of the network.

The Authority has made great strides in actualizing Government policies and playing its enabling role in facilitating the attainment of the Vision 2030 aspirations, the big four agenda as well objectives set out in the Authorities 2018-2022 Strategic Plan. During the year, the Authority had its fair share of disruptions in the project implementation as a result of the prevailing Covid -19 pandemic. Slow progress was recorded in some of the projects following the containment measures issued by the government. The authority put in measures to ensure compliance with the ministry of Health protocols both in her offices as well as projects.

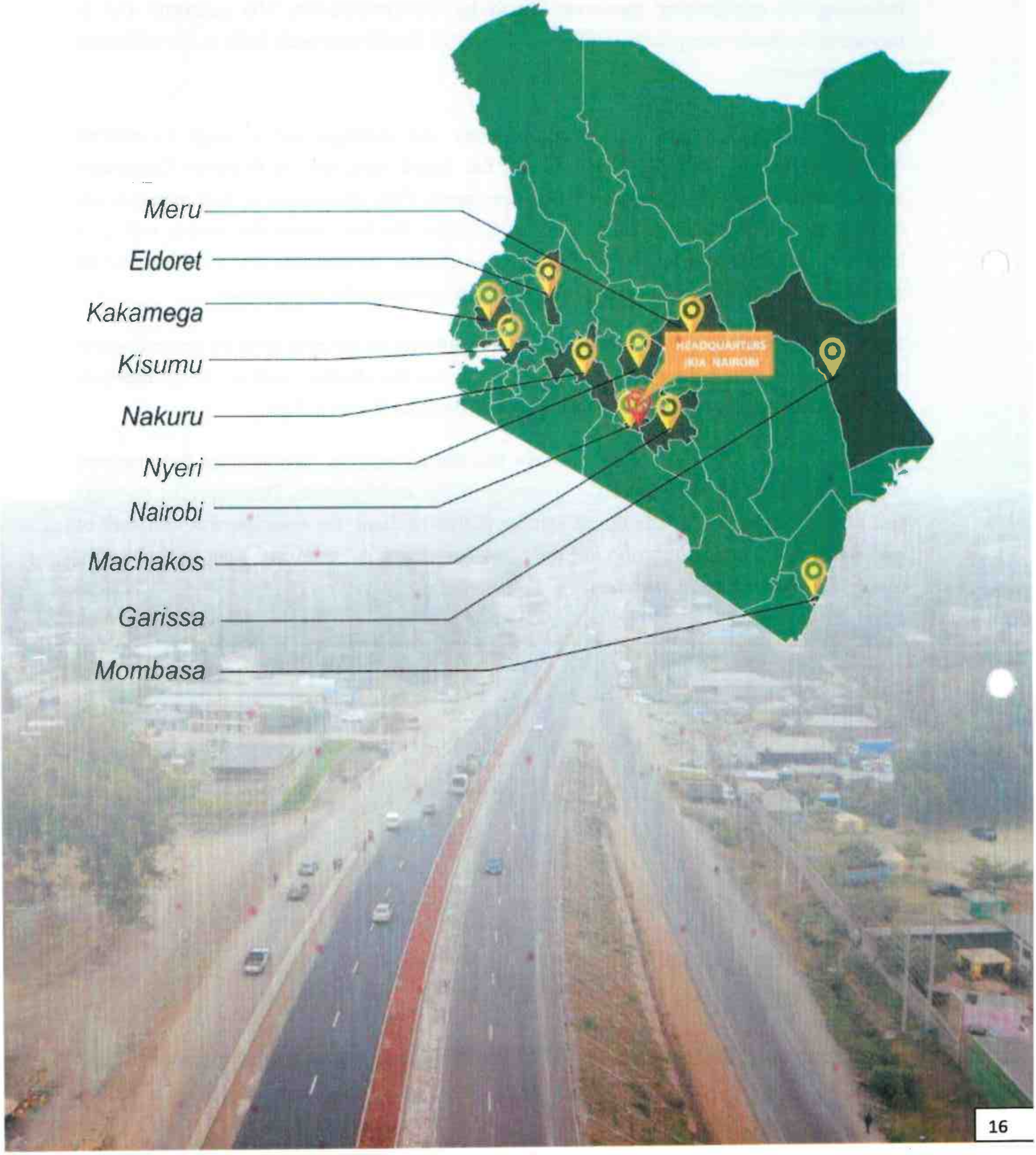
As part of the long-term and enterprise-wide risk management strategy to address disruptions in the authority's operations, the Board approved a Business Continuity Management Policy as well as Business Continuity Plan developed by the management during the year to address business continuity risks. The two policy documents will go a long way in enhancing the capability of the Authority in ensuring the continuity of its critical infrastructure, core services, systems and essential business processes.

The Board remains committed in steering the Authority to the next level by providing the necessary guidance and oversight required to ensure the effective delivery of its mandate and realization of the objectives as listed in the 2018-2022 Strategic Plan.

On behalf of the Board of Directors I take this opportunity to acknowledge the immense support provided by the National Government, our collaborators, Development partners and all our Stakeholders. The Board further wishes to thank the management and staff of Kenya Urban Roads Authority for their tireless efforts in ensuring that the authority continually delivers on its mandate.

Eng. Charles M. Chiuri
Chairman

WE HAVE 10 REGIONAL OFFICES



REPORT OF THE DIRECTOR GENERAL

The Kenyan economy grew by 6.7% in 2021 after 0.3% contraction in 2020. Growth was driven by services on the supply side and by private consumption on the demand side, both benefiting from supportive policies and eased COVID-19 restrictions. The economic performance remained strong in the early months of 2022, even with external challenges. Inflation climbed to 6.1% in 2021 from 5.3% in 2020, reflecting increased input costs. The economy still remains vulnerable to the commodity price shocks resulting from the war, particularly through fuel, fertilizer, wheat and other food imports.

Development and maintenance of physical infrastructure are key to rapid economic growth and poverty reduction. Production costs, employment creation, access to markets, and investment depend on the quality of infrastructure, especially transport. Road transport is the most widely used means of transportation in Africa.

Urban road infrastructure remains a major determinant for sustainable development. Cities and Urban areas being hubs for economic activities require adequate road transport infrastructure development and maintenance. Investment in urban road infrastructure and its operationalization has enhanced economic productivity. However, the undesired condition of road infrastructure with slow average operating speeds poses challenges to and impedes inclusive growth.

For more than a decade since its establishment, Kenya Urban Roads Authority has been at the helm of the development, rehabilitation, maintenance and management of National Urban trunk roads in cities and urban areas. The Authority has continued to address the transport challenges occasioned by high population density and associated socio-economic activities on the urban transport infrastructure. As at 2019, the 70 urban centres where the Authority operates had a population of 12.2 million, representing 82.4% of the total urban population of 14.8 million. This reflects the level of demand and pressure on transport infrastructure in space and time. This high demand coupled with long standing maintenance back log and road asset damage require enhanced, sustainable and progressive investment in urban road development and maintenance. Investment in urban road infrastructure improvement has seen significant positive socio-economic impact in the ever-increasing demand for urban mobility. The government's Road Sector Investment Plan

(RSIP) 2010 – 2024 recognizes the need for road infrastructure towards economic growth. There is therefore need for availing more resources to bridge the gap in urban road maintenance and sustain the benefits accruing from these investments overtime.

1 The Urban Roads Network

Reeling under conditions of rapid growth, urban transport infrastructure and public transport in towns in Kenya has not been able to keep pace, and as a result public space is inefficiently utilized and highly congested especially in Cities.

The Urban Road network currently under the jurisdiction of the Authority is 2,385Km This is expected to grow to 3,982Km with the expected gazettement of additional 1597Km. The condition of the urban network is as tabulated below: -

Road Surface Type	Proportion	Good	Fair	Poor	Total
Paved	KM	573.21	599.9	362.81	**1535.92**
	%	37%	39%	24%	
Unpaved	KM	175.38	417.13	256.74	**849.25**
	%	21%	49%	30%	
Total	KM	748.59	1017	619.55	**2385.17**
	%	31%	43%	26%	

These statistics reflects the gains made in management of urban road network. However more effort is required to improve the 26% network proportion in poor condition to fair condition.

Motorization has been on the increase with notable increase in vehicles on Kenyan roads, of which over 40 percent are private cars, most of them used in urban areas. The growth rate of motor cars in Kenya in the recent past, is estimated to be significantly higher than that of population. The pressure exacted on the urban infrastructure as a result of this growth calls for corresponding increase in allocation of resources for upgrade and maintenance of the urban road network to guarantee improved mobility and connectivity within our urban centres.

Due to rapid urbanization and expansion of our operations into more urban centres, the urban road network in Kenya has been increasing over time and is expected to increase further thus need for investment of more resources.

2 Resource allocation

Kenya Urban Roads Authority has three major sources of funds namely, exchequer, Road maintenance Levy Funds (RMLF) and development partners grants. During the Financial

Year 2021/2022, the Authority received a total of Ksh. 25.6 billion comprising of Ksh. 14 billion from exchequer and KSh.11.6 billion from the Road Maintenance Levy Fund.

2.1 Performance and utilisation of funds

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

3 Project Implementation

The Authority continued to implement its mandate on the development, management and maintenance of the urban road network.

3.1 Road Development

Every year, the Government of Kenya undertakes considerable capital investment in the road infrastructure involving construction of new roads and upgrading existing roads to bitumen standards. The resulting Infrastructure assets comprises of roads, bridges as well as non-motorised facilities which form part of the National strategic assets. Over the years, there has been progressive increase in the urban road network owing to the continued investment by the government. As at 30th June, cumulative investment in the urban road network amounted to Ksh 120.3 billion representing the cumulative capital investment the government has made over the years.

3.1.1 Road design and construction

During the year, the Authority undertook designs and construction of roads including upgrading of earth roads to bitumen standards. A total of 374 Km of roads were designed against a target of 325 Km. A number of development projects were completed during the financial year 2021/2022. Among the key projects undertaken during the financial year includes the Eastern bypass linking the major highways namely Mombasa Road and Thika Road. The project has improved traffic flow between the two highways resulting in reduced travel times as well as reduced fuel consumption for the motorists.

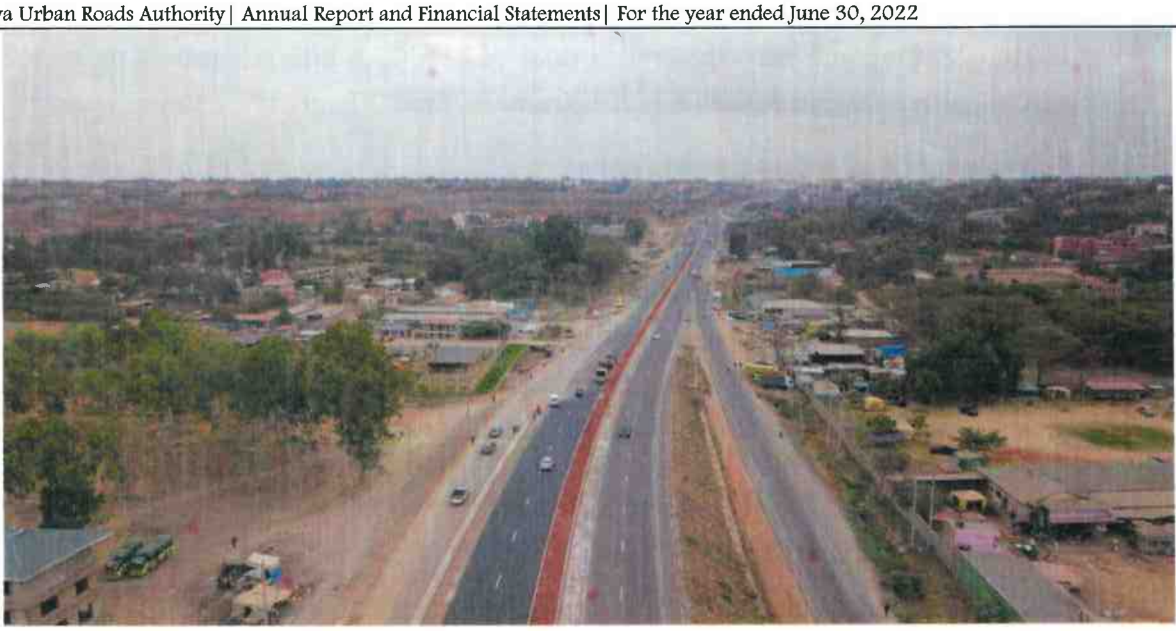


Figure 1: Completed section of Eastern Bypass

The upgrade of 408 Km of roads in the informal settlement was also completed in the course of the year. The two-year project which was rolled out in 2020 in more than 12 informal settlements in Nairobi, involved re-carpeting and upgrading the roads to cabro and asphalt (bitumen) standards. This in addition to the installation of additional road furniture including walkways and cycle lanes where adequate space was available. The project scope comprised of a total of 70 kilometres in Mukuru slums, Githurai 57.48km, Roysambu 50.76km, another 42km in Mwiki, 41km in Kangemi and 40km in Dandora, Utawala, Mihang'o, and Ruai. Dagoretti benefited from 30km, Kawangware 22.6km, Kibera 22.8km, Mathare 18.2km and Korogocho 13.6km.

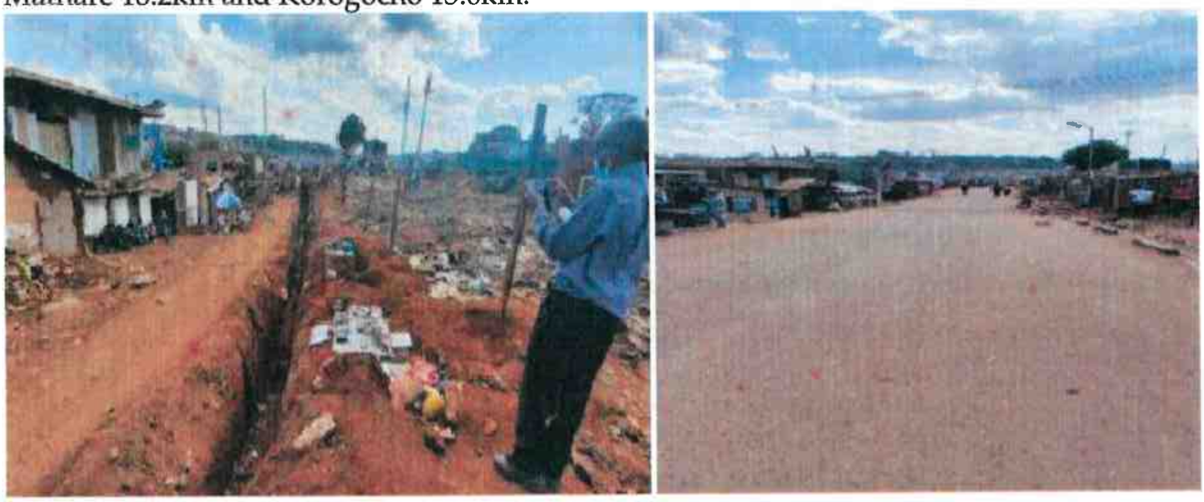


Figure 2:Kibera roads before and after upgrade

The Low Volume Seal Programme was introduced with the main objective of complimenting the construction of 10,000km of road within the Second Medium Term Plan of the Kenya Vision2030. This was aimed at supporting the primary growth sectors by upgrading low trafficked roads in a cost-effective technique. The model combines construction and maintenance components in the same contract ensuring that the contractor is tasked with maintaining the road for a specified period of time at a predetermined cost. Some of the projects completed within the financial year includes Nakuru town roads, Old Malindi Road in Kilifi County and Hola town roads in Tana River County. These projects have since transitioned to maintenance under the Performance Based Contracts (PBC).

Figure 3: Maragoli Road in Nakuru county before and during upgrade under Low Volume seal programme

3.1.2 Socio-economic impact of the upgraded roads

Nairobi county has had a massive growth of informal settlements forming a belt around the urban core. These settlements house more than half of the city's population. Because of the unplanned nature of these areas there has been very poor road infrastructure development, with narrow, unpaved roads constituting the road infrastructure. This situation has limited the opportunities for regular urban transport minibuses providing transport for the majority of the urban poor who live in these settlements. In some cases, the only available means of transport for certain inhabitants are walking and cycling. Access to emergency rescue services such as fire and medical emergencies has been a challenge to the residents of these areas.

Figure 4: Saika/Omega Road in Dandora Nairobi county before upgrade

The project was aimed at developing ways that would promote the safety, security and health of the residents while enhancing mobility in the affected areas.

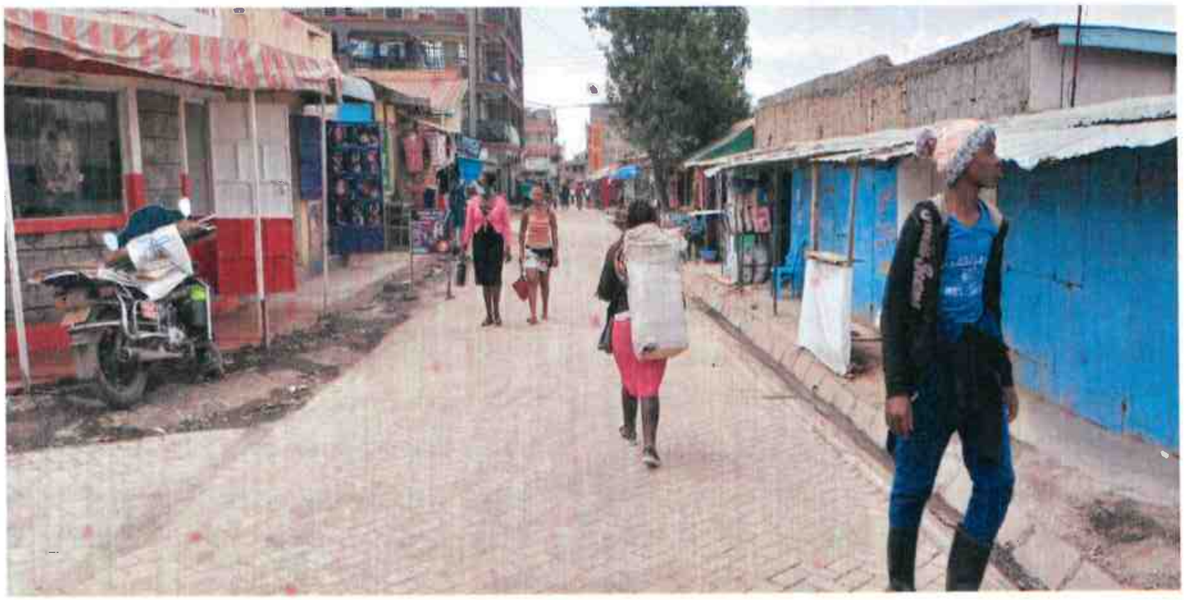


Figure 5: Saika/Omega Road in Dandora Nairobi county after the upgrade

3.2 Road Maintenance and Rehabilitation

In performance of its statutory mandate the Authority preserves and protects the value and investment in the urban road assets through rehabilitation, routine and periodic maintenance of all roads under its jurisdiction on an annual basis based on approved work plans. The Authority's Road maintenance programs are funded through the Road Maintenance Levy Fund (RMLF) administered by Kenya Roads board in accordance with the Roads Board Act 1999 (revised 2020). The Road maintenance Levy is utilised for maintenance of the existing network for the purposes of ensuring they remain motorable as well as protecting the initial investments in the network. During the year, the Authority received a total of **Kshs.11.6 billion** for maintenance and rehabilitation of urban roads.

3.2.1 Annual Public Roads Programme (APRP)

The Authority undertakes annual work programmes for the implementation of the urban road maintenance based on the funding ceilings provided by Kenya Roads Board. The Authority utilises the contracting method while deliberately incorporating labour-intensive Roads 2000 strategy, into work execution methodologies, to support the Government desire to provide employment opportunities to the youth and women. During the 2021/2022 financial year, the Authority created employment for 16,164 equivalent full-time jobs under R2000 program against the performance target of 8420 jobs. The high number of employments compared to the previous years and the target was due to the implementation of Upgrading of Roads in Informal and Densely Populated Areas in Nairobi which was labor intensive. The persons are employed to provide labour through the maintenance works contracts and remunerated by the contractors.

During the year under review, the authority maintained a total of 2405 Kilometers of the urban roads network. This included additional 157 kilometers maintained over and above the planned scope within the planned cost achieving an overall cost efficiency of 8% on the maintenance budget for the year.

Maintenance Intervention	Planned		Implementation		Cost efficiency
	Length (Km)	Cost (Kshs Million)	Length (Km)	Cost (Kshs Million)	
Routine	1,072.25	1,096.79	1,170.06	1,036.37	13%
PBC	795.91	1,306.57	821.71	1,096.54	19%
Periodic	261.95	1,185.16	288.85	1,279.62	2%
Rehabilitation/ Upgrading	116.5	3,422.42	124.7	3,459.34	6%
Total	**2,246.61**	**7,010.94**	**2,405.32**	**6,871.87**	**8%**

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

During the implementation of Financial Year 2021/2022 APRP, the Authority maintained a total of 2,405.32Km of urban roads comprising of Rehabilitation of 124.7Km, periodic maintenance of 288.85 Km, PBRM of 821.71Km and routine maintenance of 1,991.77 km. The figure below shows the annual kilometres maintained by the Authority over the years. Annual Public Roads Programme (APRP)

3.2.2 RMLF Outcomes

The maintenance of urban roads has improved service level of the urban road network. The fund has enabled the Safeguarding of the urban road infrastructure, corridor and associated assets. It has improved access to services such as education, health, administration and housing. The urban road network has as well enhanced urban mobility and travel time reduction, improved environmental conditions through reduced dust and emission pollution and enhanced drainage systems. Further to that, it has enhanced safety of pedestrians through construction of non-motorized transport infrastructure and road furniture and improved livelihoods among the youth, women and persons with disability who have accessed job opportunities from the contracted road works.

3.2.3 Impacts RMLF on the economy and the society

The urban road network contributes to the realization of the Big Four Agenda, Kenya-Vision 2030, Sustainable Development Goals (SDGs) and Sector Performance Standards (SPSs). The network has contributed to spurring economic development in urban areas, towns and cities by enhancing manufacturing and industrialization through transportation of raw materials, products and access to markets. The urban roads contribute to transforming the urban land use, architectural landscape and character to a modern and sustainable outlook. It has enhanced the development of smart and resilient cities, towns and urban areas for Sustainable socio-economic development. The infrastructure remains an enabler for the growth of the agricultural and tourism sectors which have a direct significant contribution to the gross domestic product of the country.

Through the implementation of the annual programme, the authority continues to empower the youth, women as well as People living with disabilities through provision of equal opportunities during procurement. During the year under review, contracts amounting to Ksh 4.6 billion were awarded to the vulnerable groups under the Access to Government Procurement Opportunities programme.

3.2.4 Value for Money

The Authority is keen on ensuring prudent management of the public resources and subscribes strongly to the principles of public finance as required by the constitution. In the implementation of the projects, the Authority ensures that the expenditure achieves value for money. The analysis of value for money for the urban road network investment takes in consideration the number of kilometers maintained, timely delivery of the road projects, cost efficiency, and the socioeconomic impact of the project to the community.

Over the last six years the authority has invested Kshs.**32,055,837,135** in road maintenance works as tabulated below.

FY	Routine Maintenance (Kshs)	Periodic Maintenance (Kshs)	Total (Kshs)
2016-2017	2,439,001,768	1,669,166,334	4,108,168,102
2017-2018	1,946,363,306	1,687,455,666	3,633,818,972
2018-2019	2,097,860,859	3,185,358,805	5,283,219,664
2019-2020	1,147,297,251	3,770,913,310	4,918,210,561
2020-2021	1,865,083,331	5,236,385,268	7,101,468,599
2021-2022	2,403,366,349.42	4,607,584,887.96	7,010,951,237.38
Total	**11,898,972,864.42**	**20,156,864,270.96**	**32,055,837,135.38**

The routine maintenance accounted for 38% while periodic maintenance and rehabilitation works accounted for 62% of the total investment. The annual maintenance output in terms of length maintained was 2,002Km for routine maintenance and 418Km for periodic maintenance.

The maintenance works execution specifications and conditions are structured to ensure timely delivery with provisions for liquidated damages on delayed completion and payment reduction on non-compliance with set service levels.

3.2.5 Implementation challenges

The Authority has achieved significant outputs in the implementation of her strategic objectives in the realization of her mandate despite numerous challenges. These challenges include depletion of naturally occurring road construction materials calling for investment of research, classification of roads in remote locations under urban roads network, limited funding for the expanding needs in the urban road network, encroachment on the road corridor as well as vandalism of the assets, service relocation needs as well as extreme weather conditions that affect project delivery timelines.

3.2.6 Future outlook

Vehicle ownership rates, congestion, and emissions are expected to significantly increase through the next 20 years, even as average travel speeds and accessibility continuing to decline. Without immediate and sustained progressive investment in urban transport infrastructure and services, the average trip speed as well as the average roundtrip journey time to work will decline. Accordingly, the economic cost of a low investment is likely to run into billions of shillings per annum in terms of opportunity cost and lost productivity due to time wasted in traffic congestions. The Government of Kenya is however committed in progressive investment in the urban infrastructure as seen from improved allocation of funds over the years.

Eng. Silas M. Kinoti, MBS
Director General

STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

The urbanization component of the Second Medium Term Plan (MTP2) of the Kenyan Vision 2030 aims to facilitate a sustainable urbanization process through an integrated urban and regional planning management framework of Kenyan urban centers and towns. Infrastructure development in general and roads infrastructure in particular forms a key foundation and enabler of this Vision. The 2018-2022 strategic plan is set out on the Authority's core mandate with clear and measurable targets.

Kenya Urban Roads Authority has 3 (Three) strategic pillars and objectives within the current Strategic Plan. These strategic pillars are as follows:

Pillar 1: Planning, development and management of world class Urban Roads Network

Pillar 2: Develop and deploy latest technological solutions in the planning, design, construction and management of roads

Pillar 3: Implement institutional capacity and corporate governance principles that support execution of KURA's Strategy.

KURA develops its annual work plans based on the above three pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Authority achieved its performance targets set for the FY 2021/2022 period for its three strategic pillars, as indicated overleaf.

Figure 6: Completed section of Infinity park roads

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Planning, development and management of world class Urban Roads Network	Increase road network coverage	% Increase in network coverage per region	Design of urban road network	During the year, the Authority designed 3745 Kms of roads and walkways and 7 no. of bridges.
			Develop new roads, bridges & interchanges	During the year, the Authority constructed 271 Lane Kms of roads, 79 No. bridges/ Box culverts and 315 Km of footpaths.
	Provide and improve adequate drainage system	Kms of road network maintained	Continuous maintenance of KURA road network using modern - methodologies	During the year, the Authority maintained 288 Lane KM under Periodic Maintenance Programme and 1991 Lane KM under Routine Maintenance Programme.
	Improve implementation and monitoring of social and environmental safeguards	% age of projects with socio-environmental safeguards integrated	Continuous social & environmental management	During the year, the Authority undertook Environmental and Social Impact Assessment for 24 no. of projects.
	To ensure full Control of the Road Corridor	Road Corridor fully managed	Identification and mapping of road reserves	During the year, the Authority undertook the identification and mapping of 34.7 kms of roads.
	To effectively Enforce Axle Load Control	Reduction in axle load violations	Monitor and Enforce Axle Load Compliance	During the year, the Authority carried out axle load monitoring and enforcement exercise in 10 regions and prepared 10No. reports.

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Develop and deploy latest technological solutions in the planning, design, construction and management of roads	Ensure sustainable technology for development and maintenance of urban roads	Level of integration of technology	Training of staff on current and upcoming design software	During year, the Authority put in place an ERP Upgrade Team comprising 18 staff members to represent their respective directorates to review and put in place all the necessary user requirements.
Implement institutional capacity and corporate governance principles that support execution of KURA' s Strategy	Improve on Accountability and Ethics	Compliance with Integrity Act and Chapter 6 of the Constitution	Constitute the Corruption Prevention Committee	The Authority implemented a number of activities to combat and prevent corruption, unethical practices and to promote standards and best practices in governance

Performance Contracting

The Authority is committed to meeting its performance targets. Table below shows the performance of the Authority for the year ended 30 June 2022.

Key performance indicator	Unit	Target For Contract Period	Quarter			Cumulative To Date		
			Actual Achievement	Target For Quarter	Variance (B-C)	Actual Achievement	Target	Variance
		A	B	C	D	E	F	G
Roads Designed	KMs	325.2	208.95	178.2	30.75	374.85	325.2	49.65
Roads Maintained under Routine Maintenance Program	Lane KMs	3606.92	1652.43	1013.13	639.3	4955.47	3606.92	1348.55
Traffic Surveys	No	10	3	3	0	11	10	1
Nairobi Intelligent Transportation System (ITS) and BRT Line -5	%	100	13	100	-87	46	100	-54
Road Reserves Identified and Preserved	%	100	25	25	0	95	100	-5
New Roads Constructed	Lane KMs	310.3	46.7	146.7	-100	655.7	310.3	345.4
Environmental and Social Impact Assessment (ESIA) Study	No	20	4	3	1	24	20	4
Project Completion Rate	%	100	5	25	-20	50	100	-50
Jobs Created under Roads 2000 Strategy	No	8420	1456	2520	-1064	11408	8420	2988
Monitoring and Evaluation	%	100	10	25	-15	100	100	0
Feasibility studies and engineering designs for road projects undertaken	%	100	50	50	0	200	200	0
Bridges, box culverts and foot bridges constructed	%	100	1	55.5	-54.5	79	100	-21
Roads Constructed under Low Volume Sealed Roads (LVSR) Programme	Lane KMs	85.3	23.8	34.6	-10.8	75.3	85.3	-10
Annuity Program	%	100	0	50	-50	100	100	0
Axle Load Compliance Monitored and Enforced	No	10	4	4	0	10	10	0
Road Safety initiatives	KMs	180.74	77.75	109.98	-32.23	137.03	180.74	-43.71
Walkways Constructed	KMs	315.08	60.06	147.68	-87.62	146.64	315.08	-168.44
Roads Maintained under Periodic Maintenance Program	Lane KMs	545.9	110.04	203.24	-93.2	537.2	545.9	-8.7

CORPORATE GOVERNANCE STATEMENT

Corporate Governance is the decision-making framework that the Authority utilizes to ensure transparency and accountability in the delivery of its mandate. The Board has put in place stringent measures to ensure that the Tenets of Corporate Governance continue to guide its role of oversighting the Authority operations.

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

Organization Structure

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

Figure 7: KURA Organisation structure

a) The Board of Directors

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

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

b) Board Charter

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

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

c) Appointment, Composition and Size

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

d) Board Committees & Work plan

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

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

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

Mandate	Composition	No. of Meetings
Board Human Resource Committee Meeting		
This Committee is responsible for offering advice and guidance to Management and the Board on development of effective and appropriate Human Resource Policies and adoption of best practices for efficient strategies in human resource management. The Committee examines, reviews and recommends for approval by Board the Authority's staff establishment, appointment, termination of staff and any disciplinary action as delegated.	Mr. Tarayia Ole Kores Mr. Joseph Muganda Mr. Bassil Nyagah Mr. Isaac Githui Planner Joyce Kariuki Eng. Silas Kinoti, MBS	6
Board Finance & Strategy Committee		
This Committee is mandated to consider and make recommendations to the Board regarding issues affecting financial and strategic direction of the Authority. This includes resource mobilization for new projects, investment of surplus funds and financial management procedures	Mr. Basil Nyagah Mr. Tarayia Ole Kores Eng. James Kung'u Mr. Joseph Kiarii Eng. Silas Kinoti, MBS	6
Board Audit & Compliance Committee		
This is an advisory Committee of the Board providing independent oversight so as to ensure integrity of financial statements. It reviews the effectiveness of the system of internal controls and management of financial and other risks. The Committee ensures Compliance with relevant laws and oversees Risk Management through relevant Plan and receipt of status Reports	Mr. Joseph Kiarii Mr. Basil Nyagah Mr. Isaac Githui Eng. Charles Chiuri Plan. Joyce Kariuki	3
Board Technical Committee		
The Technical Committee is mandated to consider and make recommendations to the Board regarding policy issues affecting technical operations of the Authority including: - i) Quality Assurance ii) Technical Standards iii) Environment, Health & Safety Standards on projects iv) Contract Management Standards	Mr. Tarayia Ole Kores Mr. Henry Murwa Eng. James Kung'u Planner Joyce Kariuki Eng. Charles Chiuri Eng. Silas Kinoti, MBS	4

i. Board Work Plan and Meetings

The Board work plan and calendar of meetings are annually prepared in advance. Adequate notice is given for each Board meeting and Directors receive detailed papers on issues to be discussed in good time before the meeting. A total of 7 Full Board meetings and Nineteen Committee Meetings were held during the year. The attendance is tabulated below.

SNO.	Name	Nominating Institution	14th July,2021	11th August,2021	28th September,2021	14th October,2021	12th January,2022	12th April 2022	17th June,2022
1.	Eng. Charles Chiuri	Institution of Engineers of Kenya	✓	✓	✓	✓	✓	✓	✓
2.	Mr. Henry Murwa	Institute of Survey of Kenya	✓	✓	✓	✓			
3.	Eng.James Kung'u	State Department of Infrastructure	✓	✓	✓	✓	✓	✓	✓
4.	Mr. Bassil Nyagah	Matatu Welfare Association	✓	✓	✓	✓	✓	✓	✓
5.	Planner Joyce Kariuki	Kenya Institute of Planners	✓	✓	✓	✓	✓	✓	✓
6.	Mr. Tarayia Ole Kores	Association of County Government Authorities	✓	×	✓	✓	✓		
7.	Joyce N. Mundara								✓
8.	Mr. Isaac Githui	State Department of Devolution	✓	✓	✓	✓	✓	✓	✓
9.	Kula Hache						✓		
10.	Alphonse Munyali							✓	✓
11.	Mr. Joseph Kiarii	The National Treasury	✓	✓	✓	✓	✓	✓	✓
12.	Mr. Joe Muganda	Kenya Association of manufacturers	✓	✓	✓	✓	✓	✓	✓
13.	Eng. Silas Kinoti, MBS	Secretary to the Board	✓	✓	✓	✓	✓	✓	✓

e) Board Evaluation

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

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

f) Directors' Remuneration

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

g) Internal Controls

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

h) Ethical Standards

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

Eng. Charles M. Chiuri
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

This section provides the users of these financial statements a narrative overview and analysis of the financial activities of the Authority for the financial year ended June 30, 2022. Readers are encouraged to consider the information presented here in conjunction with additional information that we have furnished in Director General's report on pages 17-21

1.1 Financial Highlights

The financial highlights for the financial year ended 30th June 2022 is presented below.

1.1.1 Funding

Total funding during the year amounted to Ksh. 25.9 billion comprising of Road maintenance Levy, exchequer funds and AIA. Overall, there was a increase of 65% in total funding compared to the previous financial year. There were no grants from development partners during the year as major projects funded by development partners came to completion. The increase in the road Maintenance Levy fund which amounted to 81% relates to additional allocation of special funds during the year. Exchequer funding increased by 65% during the year. Figure 1 below shows the funding received in the current year.

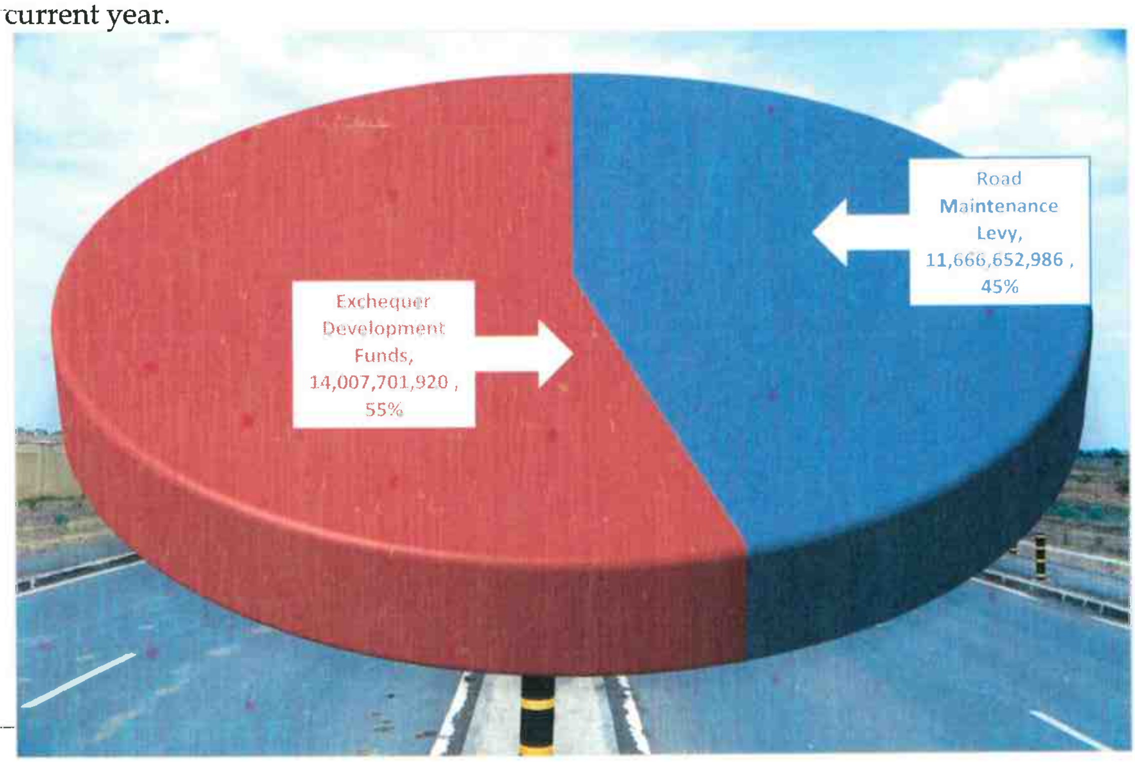
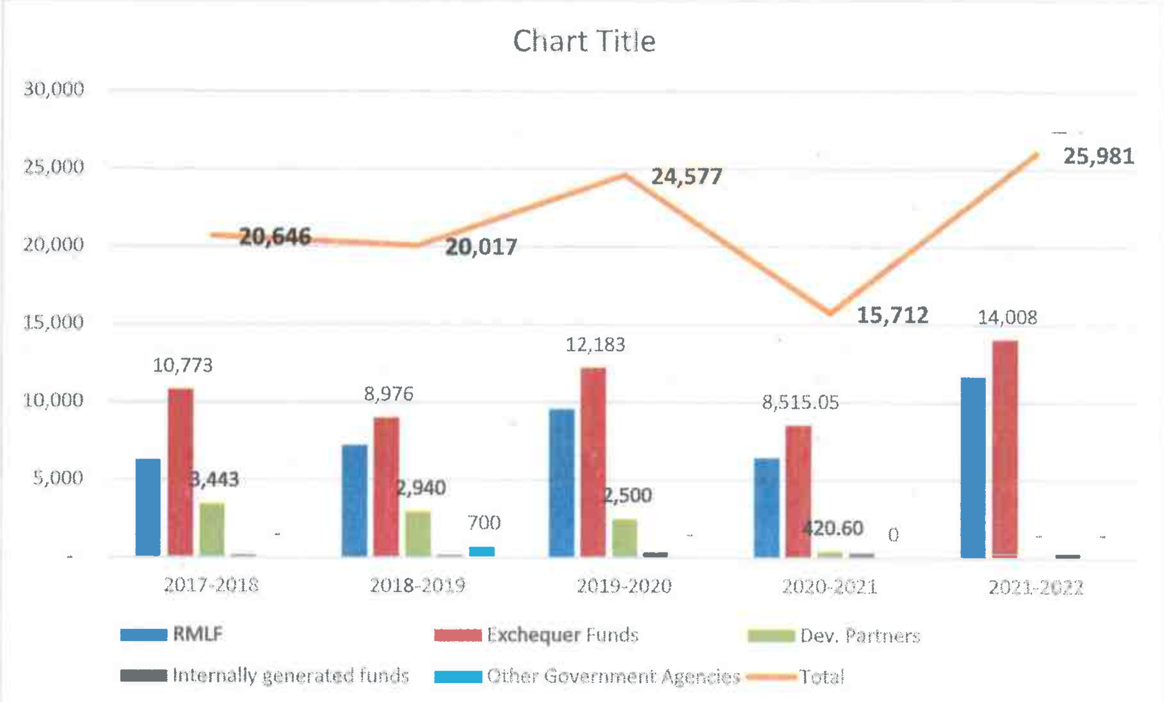


Figure 8:Current year funding

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



Overall, total funding has been on upward trajectory except for the financial year 2020/2021. The significant drop in the prior year funding can be attributed to the slow performance of the Kenyan economy owing to the continued effects of the Covid -19 pandemic.

1.1.2 Expenditure

Investment in the urban roads network comprises of two components: development and maintenance. Over the last five years, the Authority has made investment in the urban roads infrastructure in excess of **Ksh. 80 Billion.** This includes both capital and maintenance.

Development expenditure relates to the capital investment in the infrastructure involving construction of new roads and upgrading existing roads to bitumen standards. The resulting Infrastructure assets comprising of roads, bridges as well as non-motorised facilities form part of the Authority's noncurrent assets presented in the statement of financial position. Over the years, there has been progressive increase in the value of infrastructure assets owned by the Authority owing to the continued investment by the government. As at 30th June, infrastructure assets balance stood at **Ksh.132.3 billion** representing the cumulative capital investment the government has made over the years.

Figure 9: Marsabit town roads-before and after

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

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

Figure 10: Rehabilitation of Links Road Nyali , Mombasa County

1.2 Overview of the financial statements

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

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

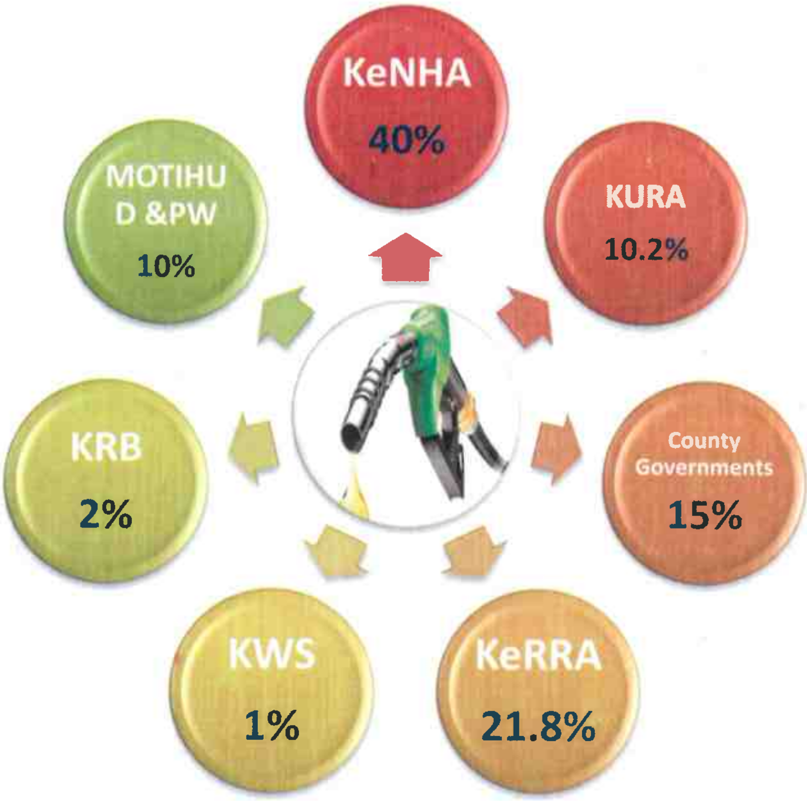


Figure 11: RMLF allocations

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

Surplus for the year represents unutilized funds at the end of the accounting period and is carried forward through the statement of changes in net assets for future utilization by the Authority on the specific contracts. The funds relate to unexecuted works for contracts in progress at year-end for which the funds are already committed. The funds are therefore ring-fenced by the contract provisions and are not available for any other purpose except for meeting the contract obligations already entered into by the Authority.

Statement of financial position presents the net assets position of the Authority as at 30th June 2022. The net assets for the Authority at the end of the financial year amounted to KSh. 131.8 Billion

1.2.1 Performance & Utilization of Funds

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

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

1.2.2 Pending Bills

Pending bills represent unsettled obligations arising out of executed contracts particularly development projects. The balance for development pending bills as at 30th June 2022 amounted to **Ksh. 13.6 Billion**. These are included in the payables as presented in the statement of financial position. The Balance of the obligations included in the payables arise from the routine and maintenance contracts and Authority's normal operations and have matching assets for settlement.

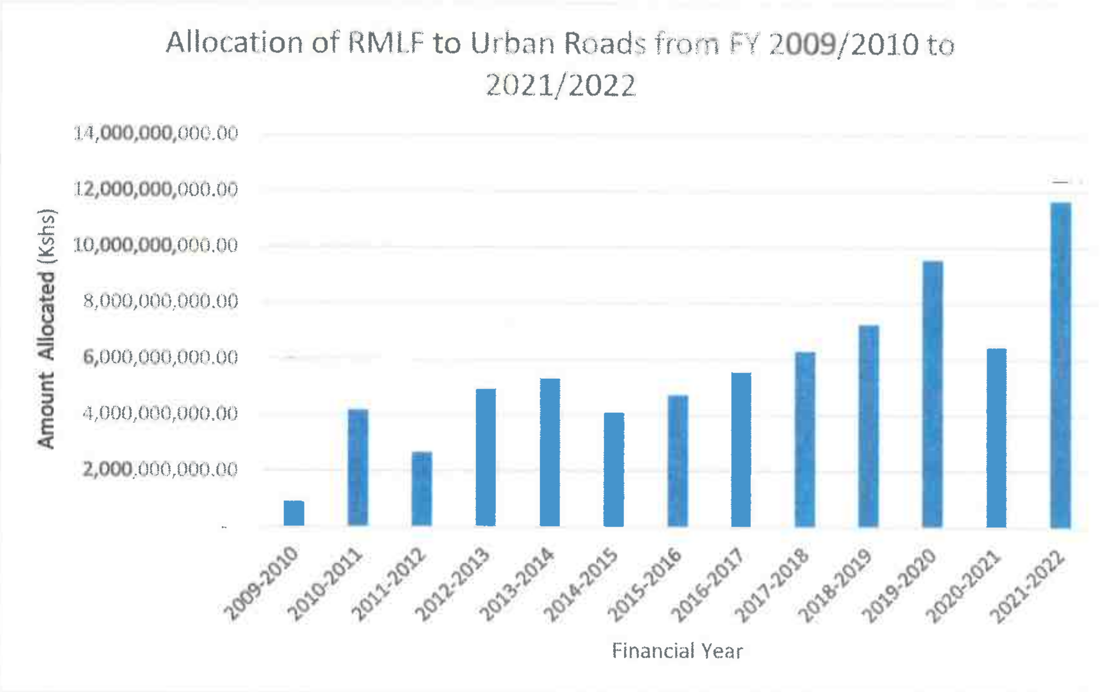
ENVIRONMENTAL AND SUSTAINABILITY REPORT

1.1 Sustainability Strategy & Profile

Kenya Urban Roads Authority mainstreams the global 2030 Agenda for sustainable Development in policies, programs and operations. The urban road network is a key enabler for the realization of the objectives of Kenya Vision 2030 as well as other government policy agenda. In the implementation of our Strategic Plan (2018-2022), we mainstream sustainability principles by adopting the triple bottom-line approach towards sustainable development of the urban road network. This approach constitutes integration of environmental safeguards, financial viability and feasibility as well as social acceptability facets as building blocks in the Authority's operations. In the implementation of the sustainability agenda, the legal and policy framework as well as customer centred considerations are employed. These aspects drive the sustainable urban mobility and connectivity agenda of the Authority as outlined below.

1.2 Financial sustainability

Kenya Urban Roads Authority relies fully on the government funds and development partners' grants in undertaking its mandate. Road maintenance Levy which is the main source of funding for maintenance of roads has been increasing progressively. The allocation of the fund to the Authority since inception is as tabulated below.



Despite the National Governments commitment in investment in the road infrastructure, funding for urban roads development and maintenance remains a major challenge for the Authority based on the budgetary allocations against the Authority's resource requirements. There is therefore need to increase allocation of the fund to the urban roads and explore alternative funding models for sustainability.

1.3 Environmental Performance

The Authority implements programs and projects in line with the national policy and legal requirements for environment, safety and health at various levels of risk exposure and mitigation. The safeguards requirements are adhered to by suppliers, contractors as well as all agents that deliver goods and services to and for the Authority. In the face of emerging global environmental concerns, we have adopted a climate proofing and resilient approach in the design and implementation of projects. This has been achieved through integrating climate change mitigation and adaptation measures such as adequate drainage structures, constructing walkways and cycle lanes, adopting intelligent transport system for decongestion of road traffic as well as tree planting and maintenance as carbon sinks.

The Authority incorporates environmental considerations in the design and implementation of projects through environmental and social impact assessment as well as environmental monitoring of the license conditions. Most of the projects implemented by the Authority pose medium level risks to the bio-physical and social environment. During the reporting period, over 50 projects underwent the environmental and social impact assessment process as per the legal requirement. In order to protect the livelihoods of communities within project sites, the Authority undertakes resettlement action plans as a tool to mitigate such potential socio-economic risks. The Safety and Health of the communities near project sites, employees, contractors and agents is ensured by adhering with the Occupational Safety and Health Act, 2007 requirements. The Authority as well incorporates environmental audit and social impact assessment in the assessment of post-construction impacts of projects.

1.4 Employee Welfare

The Authority has instituted measures to provide a conducive working environment for the well-being of staff and enhanced productivity. We have a comprehensive staff medical cover for both outpatient and inpatient services. This is in addition to group life policy WIBA contributory pension scheme and staff mortgage scheme. Annual staff appraisals are promptly undertaken and forms the basis for promotions and competency development through appropriate training for career development and personal growth.

A total of 193 employees were trained (including the carry-over training for the FY 2021/2022 of 88) as tabulated below. These were trainings on various professional skills and competencies in addition to Continuous Development Programs offered by various professional bodies.

Period	No. Targeted	Actual	Variance
FY 2020/2021	89	88	-1
FY 2021/2022	85	81	-4
Total	201	193	-5

During the financial year 2021-2022, the Authority ensured compliance by submitting all the returns to the relevant regulatory institutions within the prescribed timelines. The Authority has put in place measures for compliance with the provisions of the Occupational Safety and Health Act, 2007. We undertake occupational health and safety assessment and risk assessment for improvement of the work environment for employees and customers.

1.5 Market Place Practices

1.5.1 Ethics and Integrity

The Authority has put in place dedicated measures to mainstream and foster a culture of integrity so as to uphold the principles of Good Governance, during the period under review the Authority continued to implement the Anti-Corruption policy, undertook a corruption risk assessment and implemented varied mitigation measures to address these risks. Further to this, the Authority implemented behaviour and social change initiatives in line with the Public Sector Integrity Programs.

A code of conduct is in place and our staff and stakeholders are required to observe strict adherence to it. Measures have also been put in place to manage conflict of interests as guided by the conflict of interest and gift policies.

1.5.2 Responsible Supply Chain and Supplier Relations

The Authority has aligned the Supply Chain processes to the Public Procurement and Disposal Act and the Public Procurement & Disposal Regulations,2020. We continue to build the Capacity of our Suppliers through awareness creation on best practices, Fair procurement practices and on time payment.

Moreover, the Authority also conducts engagement forums with suppliers to garner feedback on areas of improvement in the Authority processes so to enhance service delivery. The Authority's Service Charter Guides Service Delivery standards detailing payment requirements and set timeframes for turnaround time for supplier payments.

KURA has utilized innovation and technology in handling supplier payments to ensure application of the first in first out principle this is enabled by the Enterprise Resource Management System currently in use by the Authority. Effectiveness of all these measures is also monitored from time to time through internal audits and external checks to ensure continuous improvement.

Figure 12:Capacity building of suppliers in Western Region to create awareness on access to Authority procurement opportunities

1.5.3 Responsible Marketing and advertisement

The Authority continues to implement policies on urban roads management in partnership with Strategic Partners such as County Governments to ensure continued expansion of the National Urban Road Network. We advocate for safe road use practices by use of media platforms for behavior and social change and advocacy on safe road use. and Road sharing to create a safe environment for both motorized and non-motorized traffic. The Authority also uses public fora to create stakeholder awareness on the Authority's mandate.

1.5.4 Product stewardship and Quality control

The Authority delivers her mandate on the principle of quality assurance and control. We are committed to adhering to quality standards and ensures value for money in all its expenditure. The Authority deployed an ERP system for implementation of projects and operations as a whole. The ERP system covers all the Authority's activities from policy, regulations, to construction norms and standards, contract supervision and workmanship. The Authority is ISO 9001:2015 certified, maintains the standard and continually improves its processes in compliance with the requirements. The Authority has also rolled out an information security management system ISO/IEC 27001 Standard to better manage information within the Authority. Regular audits are also utilized as part of quality control. All our works implemented during the period under review were measured against established standards that dictate quality of materials and workmanship incorporated in the roadworks. Routine quality control monitoring was also undertaken to ensure conformity.

Figure 13: Quality Control - Inspection of works during substantial inspection of the upgrading of 8km Wajir bypass phase 1

1.5.5 Corporate Social Responsibility

In line with the Authority's culture of corporate giving, KURA continues to ink its mark in uplifting the welfare of vulnerable members in the Society. During the 2021/2022 the Authority constructed two classrooms at Karoti Girls in Kirinyaga County, Constructed a classroom at Lake Baringo Secondary School in Baringo County. Renovated a Kitchen at SSD Primary School along Tom Mboya Road in Nairobi County, Constructed sanitation facilities in Kiiri Mixed secondary school in Muranga County and another one was built at St Basil Primary School in Lurambi Kakamega County.

Inset a classroom built under the KURA CSR program at Lake Baringo Secondary school in Baringo County. A total of five bus shelters were also constructed at strategic locations as part of the Authority CSR initiatives during the period under review two of the bus shelters are in Kisii Town, Two in Meru Town and one in Nakuru Town. The bus shelters protect road users from weather elements. In the FY2021/2022 the Authority also supported the Nyeri Hospice by raising a total of Ksh.200,000 to provide palliative care to under privileged patients living with Cancer & HIV/AIDS

1.5.6 Community Engagement and Welfare

Public participation is a constitutional requirement in the design and implementation of government projects. The Authority has a functional policy framework that addresses the interests of customers and the larger public in the execution of her mandate. Stakeholders mapping and engagement provides customer feedback to inform decision making for continual improvement. A total of Fifty-Nine Stakeholder and community engagement forums were conducted during the reporting period.

Figure 14:Stakeholders' Consultation Meeting of Isiolo Town Roads in Bute Town, Isiolo County held on 2nd February, 2022 (The Senator Addressing the Meeting).

The design of urban road infrastructure takes in consideration the needs and expectation of vulnerable persons including those living with disability as well as non-motorized road users, through construction of footbridges, ramps and walkways appropriately. The Authority prioritizes access to job opportunities by communities living near project areas. During the period under review, a total of Sixteen Thousand, one Hundred and sixty-four (16,164) jobs were created which was boosted by the implementation of projects in densely populated informal settlements within Nairobi City.

1.5.7 Collaboration and Partnership

The Authority has instituted measures and tools for working with partners and collaborators in the execution of her mandate. We enjoy cordial relations with global development partners and Local Financiers, regulators, road users, County Governments, road sector implementing agencies and other sector players. We have engaged various development partners such as The World Bank, The Africa Development Bank, Korea Exim Bank, The European Union among others in the implementation of road infrastructure projects.

Figure 15:Director General Eng. Silas Kinoti, MBS flanked by Ag. Director Urban Road Planning & Design Eng. Jacinta Mwangi are joined by a team from Korean Consortium Chiel Engineering after signing of the Phase one Intelligent Transport System Consultancy Contract

The Authority implemented memoranda of understating as framework for broader scope of engagement with county governments in the expansion of the urban roads' footprint in county headquarters. We as well entered in to memoranda of agreement for execution of projects with public sector institutions for implementation of the research and innovation agenda.

Eng. Silas M. Kinoti, MBS
Director General

OUR PRESENCE

NAIROBI

County	Towns
Nairobi	Nairobi
Kajiado	Ngong, Rongai
Kiambu	Kikuyu Town

COAST

County	Towns
Mombasa	Mombasa
Kilifi	Kilifi , Malindi
Taita Taveta	Voi, Matete
Lamu	Lamu
Kwale	Kwale, Ukunda
Tana River	Hola

NORTH RIFT

County	Towns
Uasin gishu	Eldoret
Baringo	Kabarnet
West pokot	Kapenguria
Nandi	Kapsabet
Trans nzoia	Kitale
Turkana	Lodwar
Elgeyo Marakwet	Iten

SOUTH RIFT

County	Towns
Nakuru	Nakuru Naivasha
Bomet	Bomet
Kericho	Kericho
Nyandarua	Olkalau
Samburu	Maralal
Narork	Narok

NYANZA

County	Towns
Kisumu	Kisumu Maseno
Kisii	Kisii
Homabay	Homabay
Migori	Migori , Kehancha
Siaya	Siaya , Bondo
Nyamira	Ogembo

WESTERN

County	Towns
Bungoma	Bungoma, Kimilili, Webuye
Kakamega	Kakamega, Mumias
Vihiga	Mbale
Busia	Buisa

UPPER EASTERN

County	Towns
Tharaka Nithi	Chuka, Maara
Embu	Embu, Runyenjes
Meru	Meru, Maua
Marsabit	Marsabit
Isiolo	Isiolo

NORTH EASTERN

County	Towns
Garissa	Garissa
Wajir	Wajir
Mandera	Mandera

CENTRAL

County	Towns
Nyeri	Nyeri, Karatina
Kirinyaga	Kerugoya, Kiumbuni
Muranga	Muranga
Kiambu	Thika,Kiambu, Ruiru Town
Laikipia	Nanyuki

LOWER EASTERN

County	Towns
Kitui	Kitui
Machakos	Machakos, Athi
Makueni	Wote
Kajiado	Kajiado, Kitengela

REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements for the year ended 30th June 2022, in accordance with the provisions of section of the 38 of Kenya Roads Act 2007 which disclose the state of affairs of the Authority.

Principal activities

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

Results

The results for the Authority for the financial year ended 30 June 2022 are set out on page 53.

Directors

The directors who held office during the year and to the date of this report are set out on page 7-11.

Auditors

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

By order of the board

Eng. Silas M. Kinoti, MBS
Secretary to the Board

29th September 2022

STATEMENT OF DIRECTORS RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on June 30, 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Authority; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Authority; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the State Corporations Act. The Directors are of the opinion that the Authority's financial statements give a true and fair view of the state of Authority's transactions during the financial year ended June 30, 2022, and of the Authority's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Authority's financial statements were approved by the Board on 29th September 2022 and signed on its behalf by:

Eng. Charles M. Chiuri
Chairman

Eng. Silas M. Kinoti, MBS
Director General

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

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Anniversary Towers
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P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA URBAN ROADS AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2022

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 Authorities 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 Urban Roads Authority set out on pages 53 to 90, which comprise of the statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of changes in net assets, statement of cash flows and 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 Urban Roads Authority as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Kenya Roads Act, 2007.

Basis for Qualified Opinion

1. Road Rehabilitation and Maintenance Costs

The statement of financial performance and as disclosed in Note 15 to the financial statements reflects road maintenance and rehabilitation costs amounting to Kshs.6,799,078,191 . The following unsatisfactory matters were noted.

1.1 Lack of Payee Details

Review of the supporting ledgers/schedules showed some payments whose payee details were not shown as detailed below;

Item	**Amount (Kshs.)**
Consultancy	10,867,205
Road Safety and Children Traffic Parks	9,185,806
Traffic Census and Forward Planning	1,032,442
Axle Load Control Costs	2,694,799
Road Reserves Mapping and Control Costs	5,279,908
Design Inhouse	4,925,956
Special Programs and Environmental Awareness	10,655,621
Total	**44,641,737**

In the circumstances, accuracy of the expenditure totalling to Kshs.44,641,737 could not be confirmed.

2. Unreconciled Road Maintenance Levy Fund (RMLF)

The statement of financial position and as disclosed in Note 17(b) to the financial statements reflects receivables from non-exchange transactions balance of Kshs.5,533,727,695. Included in the balance is RMLF grants receivable balance of Kshs.5,077,624,094 from Kenya Roads Board. However, the audited financial statements of Kenya Roads Board Fund reflect RMLF disbursement payable to Kenya Urban Roads Authority balance of Kshs.2,322,321,695 resulting to a variance of Kshs.2,755,302,399 which was not explained or reconciled.

In the circumstances, the completeness and accuracy of grants receivable amounting to Kshs.5,077,624,094 could not be confirmed.

3. Receivables from Exchange Transactions

The statement of financial position and as disclosed in Note 17(a) to the financial statements reflects receivables from exchange transactions balance of Kshs.4,153,600,796 in respect of contractors advances as at 30 June, 2022. Age analysis of receivables from exchange transactions revealed that the amount of Kshs.4,153,600,796 has been outstanding for more than one year, an indication that no recoveries have been made against the advances. Management has not provided justification for non-recovery of part of the advances.

In the circumstances, the accuracy of contractors' advances amounting to Kshs.4,153,600,796 could not be confirmed.

4. Failure to Recognize Road Assets

The statement of financial position and as disclosed in Note 20 to the financial statements reflects Infrastructure Work-in Progress balance of Kshs.133,072,963,945. The Infrastructure Work-in Progress balance has accumulated over the years and no capitalization has been made to roads assets.

In the absence of justification for continued accumulation of Infrastructural Work-in Progress, the accuracy and presentation of the financial statements could not be confirmed.

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

Emphasis of Matter

Pending Bills

The statement of financial position and as disclosed in Note 22(a) to the financial statements reflects a balance of Kshs.15,356,572,639 in respect of payables from exchange transactions which comprised of current payables amounting to Kshs.14,180,564,783 and non-current payables amounting to Kshs.1,176,007,856. The balance includes an amount of Kshs.14,146,847,283 due to suppliers and contractors. The total balance as at 30 June, 2022 when compared to amount of Kshs.12,278,076,796 reflected in the financial statement for the year ended 30 June, 2021 results to an increase of Kshs.3,078,495,843 or 25% and exposed the Authority to unnecessary and avoidable costs of claims of interest and penalties on late payments to contractors on various projects.

In the circumstances, the increase in pending bills may affect the cashflow of the Authority and adversely affect its operations.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Review of the road contracts and records on projects implementation under Road Maintenance Levy Fund revealed that road maintenance projects totalling to Kshs.91,074,153 in the Annual Public Roads Programme (APRP) for the year ended 30 June, 2022 were not implemented even though the budget for the roads was approved and funded as detailed below. Management has not provided reasons for non-implementation of the projects.

Projects in the APRP but not implemented	
Periodic	**Amount (Kshs.)**
Bibirioni - Ngarariga - Kamirithu	7,901,563.00
C505/Kiriaini Rd - Muranga Mortuary - Children Department Loop Roads (Vidhu Pry Roads)	12,937,720.00
Kamakwa - Nyeri to Blue Valley	15,212,152.00
Beevers Hotel - Meeting Point Phase II	12,108,109.00
Routine	
Lacquinta Hotel to Flamingo Bar - Tiema (C.B.D)	7,064,150.00
Muregeti-Kinyogori - Limuru Town	7,118,940.00
C544-St Mary Bus Stage - Muranga-High to Law Court. (Muranga High - Bus Stage)	12,081,900.00
Masaku - Wataalam	6,752,472.00
Broadway - Cbd (General Kago Rd - Mku - A3), P 3	9,897,147.00
Total	**91,074,153.00**

In the circumstances, the Authority did not comply with the approved APRP for the year.

2. Implementation of Road Works Projects

2.1 Dualing of Ngong Road (Dagoretti Corner - Karen Roundabout)

The contract was initially awarded at an original contract sum of Kshs.1,987,981,993 on 12 May, 2017 which was later revised to Kshs.2,382,337,515 after a variation order of Kshs.394,355,522. However, the contractor on 17 February, 2021 submitted a proposal for assignment of works to a local company at an assigned amount of Kshs.751,108,491. The agreement for assignment of part of the contract between the two (2) contractors and the Government of Kenya represented by Kenya Urban Roads Authority (KURA) was signed on 26 March, 2021.

The total length of the section is approximately 9.8km (Dagoretti Corner to Karen Roundabout: 6.2 km, Karen Road section 1.9 km; Langat Road section:1.7km.)

The main project consists but not limited to new construction to bitumen standards, rehabilitation to bitumen standards of the existing carriageway, construction of 1 No.22.5m long reinforced concrete road over rail bridge, construction of 5 No. reinforced concrete footbridges and construction of drainage structures.

The assignment agreement was that the employer (KURA) shall pay the assignee the agreed assignment price of Kshs.751,108,491. That the Assignee shall prepare for submission, interim payment certificates for the completed milestones(s) or sections and the employer shall pay the money (net value of the IPC Less 5%) to the assignee Bank. The 5% of the net value of the IPC shall be due to the original or main contractor to cover overheads incurred by the main contractor in management of the contract. These shall be paid directly to the account of the main contractor.

The project's progress report dated November, 2022 indicated that the roadworks were at 90% completion (excluding footbridges) with amount certified of Kshs.2,074,651,038 and a revised completion date of 30 March, 2022. Therefore, the contract duration had expired and Management did not provide evidence of further extension of the contract. The outstanding payment on certified works was Kshs.333,629,164. The report also noted slow progress by the contractor, unpaid pending bills and encroachment by informal operators as the main challenges to completion of the project.

Audit inspection exercise carried out on 15 February, 2023 revealed that the contractor was not on site. The pedestrian walkways on the opposite side of Ngong Racecourse entrance (Ngando area) were not constructed as per design and the section has been encroached by small scale traders with their wares and thereby disrupting free flow of pedestrians. In addition, the works on the carriageway were not complete and the surface was uneven. Further, drainage works were not completed and this poses danger to road users especially during the rainy season.

The contract provides for five (5) footbridges but this had not been done thus exposing pedestrians to risk of accidents given that Ngong road is a heavy traffic road.

In the circumstances, delay in the completion of the road works has adversely impacted service delivery to the public and full value for money on road project could not be confirmed.

2.2 Delayed Construction of Ngong Road Footbridges, Nairobi

The construction of Ngong Road Foot Bridges project was awarded at a cost of Kshs.190,558,366.10. The project is located along Ngong Road and it consists of construction of three footbridges located as outlined below;

(i) Gate B of Kenyatta National Hospital (KNH)

(ii) Coptic Hospital

(iii) Kenya Science Campus

The contract was signed on 24 September, 2020, while possession of site was granted on 7 October, 2020. The estimated completion date was given as 2 May, 2022.

As at the time of the audit inspection in February, 2023, physical progress report was indicated at 31%. Total amount certified and paid was Kshs.40,379,780 with programmed certification of Kshs.21,576,502.53 pending payment which totalled to Kshs.61,956,283 or 32.5% of the contract sum.

The contractor had requested for extension of time and completion date which was revised to May, 2023.

The Nairobi Hospital management had raised concern that the designated location of the footbridge at Gate B of KNH did not have the approved consent from the Hospital through an Environmental Impact Assessment (EIA) involvement as required. The matter had also been referred to the National Environment Complains Committee.

In the circumstances, it is unlikely that the project will be delivered within the expected timeline thus adversely impacting on realization of value for money by the public.

2.3 Nairobi Outering Road Improvement Project

The contract for Nairobi Outering Road Improvement project was awarded at a contract price of Kshs.8,263,399,494 and the contract ended in April, 2020 with a two years defects liability period.

As previously reported, the project was on a maintenance contract but had challenges of open drainages that were used as receptacles of garbage/dumpsites. It was also noted that there were mounds of garbage by the roadside on some sections.

Audit inspection carried out on 15 February, 2023 noted improvement on the observations made in the previous year. However, the following issues were still outstanding;

(i). Cleaning of closed drains was not done well and some drainage covers had been vandalized. The maintenance contractor on site needs to plan for occasional cleaning of the closed drains to avoid flooding especially during the rainy season.

(ii). Dumping of garbage on various sections of the road was noted to be posing a challenge to the contractor.

(iii). Pedestrians were crossing the road on undesignated sections whereas there are footbridges erected for crossing.

In the circumstances, there is a risk of flooding on the road and loss of pedestrians' lives.

2.4 Eastern By-Pass Road-Footbridge near Cabanas Area

The construction of the footbridge was carried out by the Authority through funding from African Development Bank and completed for use to motorists several years back. The Authority had erected metal barriers along the road and in between the bars were light metal sheets to ensure that the pedestrians do not cross the road at un-designated areas but instead use the footbridge for their own safety.

Audit inspection carried out on 15 February, 2023, revealed that the barriers were either crashed by speeding vehicles or had been vandalised thus resulting to risk of loss of lives. This issue had been noted and reported in the previous year's audit with no intervention from the Management of the Authority.

In the circumstances, there is a risk of loss of pedestrians' lives as there are no barriers to ensure safe usage of the footbridge.

2.5 Suspended Project - Improvement to Bitumen Standard of Nakuru Chief's Office - Ndaragua Road

The contract for the road project was initially awarded to a construction company on 22 July, 2020 at a contract sum of Kshs.38,224,685 and a commencement date of 26 September, 2020. The contract period was twelve (12) months with the expected completion date of 25 September, 2021.

The contract stalled and the contractor entered into an assignment agreement, using the same contract rates, with another contractor in September, 2021 for a total assigned amount of Kshs.27,710,660.

The major contract works included new construction of 0.6km walkways and 0.6 Km roads to bitumen standards, reinstatement of damaged drains and installation of culverts.

Audit inspection carried out on 28 February, 2023 revealed that, as previously reported, the project had stalled, the contractor had abandoned site and no work was going on.

Management has not explained the circumstances under which the contractor abandoned the project and action that have been taken on the contractor for failing to implement the project as per the contract.

In the circumstances, the project may not be delivered as per the contract terms.

2.6 Construction of Narok Town Roads - Narok

The contract was awarded to a construction company at a contract sum of Kshs.680,415,106 on 29 April, 2020 for a contract period of eighteen (18) months. The works commenced on 25 August, 2020 with expected completion date of 25 February, 2022. The project duration was later extended by 13 months to 20 March, 2023. The project works comprised of improvement to bitumen standards of junctions B3 Kims Breeze - Polonga road, B3-Olmarei Lang' Road, ENSDA Africa Hope Centre Road, Maasai Mara University-GK Prisons Bridge and County Commissioner's Loop Road in Narok County. The roads covered a total of 7.7 km in length. The main works were construction of a 7-meter single carriageway, 2m wide footpath on either side of the road, drainage structures including a twin box culvert and a river crossing reinforced concrete 40-meter, 2 span bridge, road furniture, safety provisions and street lighting.

As at the time of audit inspection on 5 March, 2023, the contractor had total works certified of Kshs.338,191,933 or 50% of the contract value and the total pending bills/unpaid certified work was Kshs.92,982,638.

The following were noted during audit inspection of the project;

(i). Construction of Kims Breeze-Polongá road was almost complete. The pending section was at the box culvert section joining the Narok-Bomet road.

(ii). There was road encroachment on Olmarei-Lang Road Reserve which reduced the road corridor.

(iii). Only earthworks had been done on ENSDAAfrica Hope road.

(iv). The contractor had only done some piles on the first and second abutment of the bridge.

In the circumstances, it was unlikely that the project would be completed by 20 March, 2023 given that the progress was at 50%.

2.7 Construction of Homabay Town Roads Phase 1

The contract for the works was awarded to a local company at a contract sum of Kshs.630,973,302 on 4 May, 2021 for a contract period of thirty (30) months. The order to commence works was given on 14 June, 2021 with the expected completion date of 14 December, 2023. The main project works covered 7.11km long single carriageway, walkways and drainage works within Homabay town. The works comprised of upgrading to bitumen standards of Ruma – Stadium road, Ruma – Homabay High school, Ruma – Site, SDA – Waterworks road, KeRRA offices – Arunda School – Sophia road and Sophia – Nyagedha road.

A review of progress report for the month of January, 2023 revealed that assessed completed works was estimated at 8.6% against an elapsed time of 65.3%. The report also indicated that the amount of certified and paid works was Kshs.145,398,402 representing 23% of financial progress. The progress report also indicated that the project was likely to be extended by 203 days. The main challenges highlighted were presence of utility services on road corridor and inadequate mobilization by the contractor.

At the time of audit inspection on 2 March, 2023, the contractor was doing earthworks, culvert installation and drainage works on some road sections.

In the circumstances, there is a likelihood that the project delivery will be delayed due to the slow progress of works by the contractor.

2.8 Improvement to Bitumen Standards of Eldoret Township Roads, Uasin Gishu County

The contract for the road project was awarded to a construction company at a contract sum of Kshs.1,156,540,838 for a contract period of forty-four (44) months. The works commenced on 5 May, 2017 with expected completion date of 30 December, 2020. The main project works were to cover 10.5 km upgrade to bitumen standards of Rivatex - Kipkaren road and Kapsoya - Munyaka - Hawaii - Kiplombe road.

A review of the taking over certificate and minutes of completion dated 27 January, 2021 showed that the project was substantially complete and outstanding works were as follows;

(i). Installations of road signs, road marking, installation of guard rails on Rivatex-Kipkaren road.

(ii). Installations of road signs, road marking, installation of guard rails, stone pitching and completion of unpaved walkways on Kapsoya- Munyaka- Hawaii road and Hawaii- Kiplombe road.

Audit inspection carried out on 1 March, 2023 revealed that the outstanding works had not been done and the contractor was not on site. The outstanding payments amounted to Kshs.403,711,576 and interest on late payment was Kshs.2,197,895, an indicator that the Authority had delayed making payments to the contractor.

In the circumstances, the project delivery has delayed and therefore value for money has not been realized.

2.9 Construction of Kisii Bypass Phase 2 - Kisii County

The contract for the road works was awarded to a local contractor at a contract sum of Kshs.846,921,029 and works commenced on 30 July, 2021, with a contract duration of 30 months and expected completion date of 14 December, 2023.

The main project works comprised of construction of 15.58 km long single carriageway in Kisii town. The works included upgrading to bitumen standards of Itibo Market – Nyagesa junction road, Omogonchoro market – Riverbank junction, Botorio – Lesos – Kona Mbaya – La Premier and Access to Kisii University. Other works involved installation of road furniture, drainage and construction of two box culverts.

Review of the monthly progress report dated 17 January, 2023, revealed that the value of works certified by December, 2022 was Kshs.81,126,253 and that the assessed completed works were estimated at 9.24% against an elapsed time of 60%.

During the audit inspection carried out on 2 March, 2023, the contractor was not on site and the works had been suspended.

In the circumstances, the project delivery may be delayed due to the slow progress of works and the citizens of Kisii County may not get value for money on this project.

2.10 Delayed Completion of Nyeri Town Roads

The contract for the road works was awarded to a local company in respect of upgrading to bitumen standards of Nyeri roads at a contract sum of Kshs.396,797,262 and the commencement date of 28 October, 2020 with expected completion date of 28 April, 2023. The road network under construction is a system of inter-linked roads, divided into three sections with total length of 5.4km.

Audit inspection exercise carried out in February, 2023, revealed that the contractor was on site and works were going on. However, the project progress report as at January 2023 indicated that the project time elapsed was 90% against assessed work done of 40.9%.

In the circumstances, it is unlikely that the project will be delivered within the expected completion date of 28 April, 2023 and the public may not get value for money on the project.

2.11 Upgrading of Roads in Meru County Headquarters

The contract for the road works was awarded to a construction company at a contract sum of Kshs.1,043,328,635 and the commencement date was 27 July, 2020 with expected completion date of 27 July, 2022.

Audit verification exercise carried out in February, 2023 revealed that the contractor was not on site and no work was going on. Available information indicated that due to protracted delays in payments of certified interim payment certificates (IPCs) by the Authority, the contractor demobilized 70% of the labour force and some equipment thus significantly reducing the implementation capacity. It was further noted that the amount certified as at 28 February, 2023 was Kshs.298,457,824 against the amount paid of Kshs.164,403,685, thus leaving an unpaid balance of Kshs.134,054,139.

In addition, the contract period expired on 27 July, 2022 and the contractor had requested for extension of time which was pending approval by the Authority as at the time of audit.

In the circumstances, the project is behind schedule and value for money may not be realized. Further, the project risk incurring additional costs in interest due to non-payment of certified works.

2.12 Upgrading of Maua Town Roads

The contract was awarded to a construction company at a contract sum of Kshs.993,165,499 with expected completion date of 19 May, 2019. It also included a maintenance contract at a cost of Kshs.28,720,440 resulting to a total contract sum of Kshs.1,021,885,939.

Available information indicated that the contractor was unable to complete the work, which resulted to the work being assigned to three (3) assignees.

As previously reported and also observed during the audit inspection exercise carried out on 28 February, 2023, one assigned contractor had completed their part of contract of upgrading 1.5 km road and vacated the site.

The second assigned contractor was on site. A section of 1.5 km was substantially done with outstanding works being road marking and drainage works. However, a section of 0.75 km had not been done with material for sub base on site but not spread.

The third assigned contractor was not on site and therefore no work was going on for the 0.7 km section of police station road and 0.8 km water intake roads as per the contract. Overall, the percentage of time elapsed was 100% against work done of 80% and therefore the two assignees may not meet their contractual obligation.

In the circumstances, the project is behind schedule and the public may not get value for money on the project.

2.13 Construction of Access Roads to Maai Mahiu and Suswa SGR Stations

The contract was awarded to a local company at a contract sum Kshs.1,199,903,846 and with expected completion date of 2 June, 2024. The project is funded by GOK (Kenya Railways)and commenced on 2 December, 2021. The contractor has been paid advance payment of Kshs.119,990,385 and the amount certified as per IPC 1 was Kshs.62,281,558.

The scope of works involves construction of 12km access road to Maai Mahiu SGR station and adjacent access roads and 3km access road to Suswa SGR station and adjacent access roads. The project components included 9.0m wide carriageway inclusive of a 2.0M cycle track and 2.0M walkway, storage lanes and bus bays, in-situ concrete and masonry lined u drains on both sides of the road, construction of box culverts as instructed by the engineer, road furniture, markings and identification and relocation of services.

Audit inspection carried out in February, 2023 revealed that construction of access road to Suswa SGR station was ongoing. Physical progress was at 10% as compared to time elapsed of 58%. The contractor attributed the slow progress to delayed payment of the advance payment and the IPC raised. Works on the access road to Maai Mahiu station had not started. Challenges observed were excessive erosion on access road to Maai Mahiu station due to the inherent nature of the loose volcanic soil and presence of Kenya Power and Lighting Company electric poles along the road reserve. Further, discussions were on-going between the Authority and Kenya Pipeline Company Ltd on removal of the Company's property from the road reserve.

In the circumstances, there is a risk that the project will not be completed within the contract period thus impacting adversely on realization of value for money.

2.14 Improvement of Nairobi Lot 2 - Upgrading of Shreeji Rd and Parts of Likoni and Enterprise Roads

The contract for the road works was awarded to a construction company at a contract sum of Kshs.892,661,116 on 8 September, 2020 for a contract duration of 24 months with expected completion date of 30 September, 2022. It also included a 36 months Performance Based Contract (PBC) on maintenance at a cost of Kshs.13,250,790.

The scope of the contract included rehabilitation and upgrading of single carriageway of Shreeji road (1.1K.m) to two lanes two-way 7m, construction of walkways and drains, expansion of existing bridge over rail on Likoni road and river bridge on Enterprise road, concrete drains on both sides, pipe culverts and other drainage works and road furniture. Audit inspection carried out in February, 2023 revealed the following anomalies;

(i). Likoni road bridge was incomplete despite time lapse.

(ii). Enterprise road bridge was incomplete. The contractor had not submitted design drawings for the proposed bridge structure.

(iii). A section of Shreeji road was incomplete. The contractor was doing earthworks as at the time of the audit.

In the circumstances, it is unlikely that the project will be completed by the revised completion date of 8 April, 2023, thus impacting adversely on realisation of value for money.

2.15 Road Annuity Programme Lot 18; Kakamega, Vihiga, Bungoma & Busia

The Government through the Ministry of Transport, Infrastructure, Housing and Urban Development and Public Works represented by the Kenya Urban Roads Authority (KURA), identified the need to construct roads under the Road Annuity Programme Lot 18 and upgrade to bitumen standard under the Roads 10,000 programme. These roads are intended to support the primary growth sectors of commerce, tourism, agriculture and rural production, and extractive industries. The project is being implemented under Finance, Design, Build, Maintain and Transfer (FDBMT) arrangement.

In Western Kenya the project covered roads with a total length of 35.3 km located in four counties as follows:

County	Road Name	Road Length
Kakamega	Kakamega - Ilesi Road	7.6km
	Lutonyi - Kakamega Road	3.0km
Vihiga	Vihiga - Chavakali- Munoywa - Kiritu	6.0km
Bungoma	Mateka - Samoia Road	6.3km
	Mateka - Mwanda - Siritanyi - A104 Road	7.2km
Busia	Busia (Jnc B1) - Alupe (Jnc C43) Bypass	5.2km
Total Length		**35.3km**

The total contract sum for the entire project was Kshs.14,496,000,000 with commencement date of 16 February, 2022 and expected completion date of February, 2024.

Audit inspection carried out in February, 2023 revealed that;

(i). Kakamega-Ilesi road was about 70% done.

(ii). Vihiga- Chavakali- Munoywa- Kiritu was almost complete with 80% works done.

(iii). Works in the other two counties of Busia and Bungoma were still at initial/mobilisation stage.

In the circumstances, the project is not likely to be completed within the contract period which will adversely impact realization of value for money.

2.16 Dualling of the Nairobi Eastern Bypass Road (From Baraka Roundabout to Ruiru Kiambu Junction (63)

The contract for the road works was awarded to a Contractor at a contract sum Kshs.12,494,837,029. The works commenced on 14 January, 2022 for a contract period of 12 months, and was expected to be completed on 14 January, 2023. The defects liability period (DLP) was agreed at 12 months after the completion date.

The scope of works involved upgrading of the existing 26.98 km Nairobi Eastern bypass road from a single 2-lane carriageway to a dual 4-lane carriageway (6-lane carriageway from Km 10+045 to Km11+688) complete with structures, drainage, lighting, and road furniture and ancillary works.

Review of records and audit inspection carried out in February, 2023, revealed the following;

(i) Overall Project Progress

Overall, 93.7% of the work was complete while 100% contract period had elapsed. Site clearance, earthworks and road structures along the 26.98 Km road was complete while drainage works, protection works and bituminous works were in progress.

(ii) Pending Bills

As at the time of audit, in February, 2023 the amount certified for payment (including advance payment) was Kshs.10,760,639,820 and the amount paid totalled Kshs.9,231,244,640 resulting in a pending bill of Kshs.1,529,395,180.

(iii) Safety Challenges - Roundabout at Nairobi Gate Industrial Park

The Authority on 16 February, 2022 approved change of the road's design to include a roundabout at Githurai Kimbo Phase III link Junction due to heavy traffic on Githurai-Kimbo road and especially trucks for Nairobi Gate Industrial Park. However, although the request was made in good faith, the roundabout poses safety challenges to users due to its location in the highway.

(iv) Insufficient Space at U-turns

It was observed that there was insufficient provision for U-turn radii on most of the U-turns along the highway due to insufficient space within the road reserve and adjoining road junctions. This presents safety hazards due to limited space to accommodate safe and smooth turning of vehicles and allow- uninterrupted flow of traffic.

In the circumstances, there is need to continuously monitor the project to ensure that emerging safety issues are addressed promptly.

2.17 Construction of Valley Road-Kenyatta Avenue/Ngong/Nyerere Road Interchange and Upper Hill-Haile Selassie Overpass and Associated Road Networks in Nairobi County

The contract for the road works was awarded to a Contractor at a contract sum Kshs.2,987,506,754. The tender notice was issued on 31 March, 2020 while the contractor was notified of award on 9 July, 2020. The contract agreement was signed on 17 September, 2020 and commenced the same day. The contract period was thirty-six (36) months with expected completion date of 17 September, 2023 and with a defects liability period (DLP) of twenty-four (24) months.

The main project works covered approximately 7 Km long dual carriageway with intermittent service roads/slip roads and construction of 2 No. overpasses in Nairobi City County. The project comprises of construction of 2-lane 2-way 7.0 m wide carriageway up-grade road with raised central median, 2.0 m wide footpaths on each side of the road, 1.5m wide open drain with invert block drain and side slabs, 2 no. overpasses, road furniture and marking, bus bays, utility relocation, safety provisions and protection works, street lighting and landscaping.

As at 30 June, 2022, payments totalling to Kshs.219,800,000 had been made to the contractor.

Further, as at the time of audit inspection carried in February, 2023, twenty-nine (29) months or 81% of the contract period had elapsed, with work progress reported at 30.44% and financial progress made was at 12.37%. Further, certified works amounted to Kshs.975,945,069 out of which Kshs. 678,651,770 had not been paid. In addition, the contractor was not on site having suspended work due to non-payment of certified work.

In the circumstances, the continued delay in payment is likely to attract interest and penalties thus escalating the project cost. Further, delay in completion of the project is an indication that the citizens may not obtain value for money on the project.

2.18 Stalled Jomvu Kuu-Jitoni-Rabai Road Project

The contract was awarded to a construction company at a contract sum of Kshs.1,023,765,470 on 10 July, 2017 and a revised completion date of 21 March, 2022.

The main project works comprised of construction to bitumen standards of Jomvu-Kuu-Jitoni Rabai road with 7.0m wide carriageway, lined drains on both sides and 2.0m wide walkways on both sides. The total length of the project is approximately 11.7km. The works are situated in Mombasa and Kilifi Counties. The project was conceived under the Low Volume Sealed Urban Roads (LVSUR).

Review of records revealed that Kshs.769,948,223 had been certified as at 31 May, 2022 out of which an amount of Kshs.579,171,604 had been paid leaving an unpaid balance of Kshs.190,776,619.

Audit inspection exercise carried out in February, 2023 revealed that the project implementation was behind schedule going by the project extended completion date of 21 March, 2022. It was noted that seven (7) milestones had been completed out of the nine (9) programmed milestones. The works had stalled and the contractor was not on site.

Further, some completed sections of the road had been worn out and required to be redone.

In the circumstances, the project completion is behind schedule as approximately 11 months had elapsed from the revised project completion date of 21 March, 2022. This will adversely impact on realization of value for money by the citizens.

2.19 Upgrading to Bitumen Standards of Mlolongo-Athi River-Joska Roads

The contract for the road works was awarded to a Contractor at an original contract sum of Kshs.2,193,745,878 and later revised to Kshs.2,730,964,561 on 24 September, 2022 for a contract duration of twelve (12) months with an expected completion date of 14 October, 2023 and a twelve (12) months defects liability period.

The original scope of the project involved construction of single carriageways of approximately 15kms of Mlolongo-Athi River-Joska Roads in Machakos County. This was however revised to include additional works at Uhuru Gardens, Nairobi as emergency works for the purpose of movement in and around the venue during Madaraka Day 2021 celebrations. The main works included construction to bitumen standards of the carriageways, footpaths on either side of the carriageways, lined drains on either side of the road, road furniture and markings, utility relocation and safety provisions and protection works.

As at the time of audit inspection in February, 2023, twenty-nine (29) months or 76% of the contract duration had elapsed while 61% work had been completed. Further, the total amount certified for payment was Kshs.1,797,696,787 while the amount paid was Kshs.833,029,058 thus leaving pending payments of Kshs.964,667,729.

Further, the contractor had withdrawn from site due to non - payment of the certified amount of Kshs.964,667,729.

In the circumstances, the Authority has breached contractual obligation due to non-payment of certified works.

2.20 Upgrading to Bitumen Standards of Mombasa Road (Devki)-Kinanie Park/Kinanie Leather, Machakos County

The contract was awarded to a consortium at a contract sum of Kshs.1,785,779,142 on 15 July, 2021 with a contract period of 36 months and expected completion date of 14 July, 2024. The project is situated in Machakos County.

The works comprise upgrading to bitumen standards of Mombasa Road (Devki)-Kinanie Park/Kinanie Leather Park to include 7.0m wide carriageway, lined drains on both sides and 2.0m wide walkways on both sides on a 25km distance.

As at the time of audit in February, 2023, progress was 41% while time elapsed was 18 months (50% of contract period). The amount paid on the contract was Kshs.238,434,076 out of total works certified of Kshs.476,005,001 resulting to unpaid certified amount of Kshs.237,570,925.

In the circumstances, there is a risk of breach of contractual obligation by the Authority and the delayed payment may attract interest and penalties thus escalating the project cost.

2.21 Upgrading to Bitumen Standards of Roads Within East Africa Portland Housing Scheme-Machakos County

The contract was awarded to a Contractor at a contract sum of Kshs.1,532,891,267 on 14 April, 2021 for a contract period of thirty (30) months with an expected completion date of 26 December, 2023. The project is located at East Africa Portland land in Machakos County with a total length of 15Km to provide access to affordable housing units.

The scope of works includes site clearance for the whole road reserve, earthworks to formation level and construction of 300-450 mm improved sub-grade.

As at the time of audit in February, 2023, twenty (20) months or 66% of contract period had elapsed with progress of work estimated at 50%, implying that the contractor was slightly behind schedule. Further, the contractor was not on site and it was indicated that he had scaled down operations due to delayed payments.

In the circumstances, the Authority risks incurring interest and penalties due to non-payment. Further, citizens may not get value for money on the project.

2.22 Upgrading to Bitumen Standards of Kwale and Ukunda Township Roads

The contract was awarded to a Contractor at a contract sum of Kshs.529,440,462. The project is located within Kwale Town, Matuga Constituency and Ukunda Township in Msambweni Constituency all in Kwale County.

The main works comprise of construction of single carriageway gravel roads to bitumen standards, construction of walkways and related drainage facilities. The roads to be upgraded are 1.38 km Kwale Tsimba Clinic road, 1.48 km Bongwe-Ibiza-Ukunda road and 3.83 km Diani Markaz Shamu Primary School.

The works to be executed included site clearance, pavement construction, drainage and protection works, installation of road furniture, relocation of services and other ancillary works including guardrails where necessary.

Audit inspection carried out in February, 2023 revealed that while works on the Kwale-Tsimba Clinic section was 97% complete with only road markings and road furniture installation remaining, the other two sections were below 30% completion and the contractor was not on site. The constructed drainage on the Kwale town section had overgrown bushes a sign of neglect or lack of site maintenance by the contractor.

In the circumstances, there is a risk that citizens may not get full value for money on the project.

3. Interest on Late Payments

Review of records revealed that there were claims of interest on late payment to contractors in respect of seven (7) projects undertaken by the Authority totalling to Kshs.110,438,332 which had accrued as at 30 June, 2022.

Interest on delayed payments represents unnecessary additional charge to public funds beyond the projects' cost.

In the circumstances, the interest on delayed payment represents nugatory expenditure which could have been avoided had the Authority made the payments to the contractors within the agreed contract duration.

4. Non-Preparation of Separate Financial Statements for Staff Mortgage Scheme

During the year under review, Management did not prepare separate financial statements for the Staff Mortgage Scheme. However, the Funds operations were reported together with the Authority's financial statements. This contravened Regulation 221(1) of the Public Finance Management (National Government) Regulations, 2015 which states that the accounting officer for a national government entity listed in Schedule 2 and 3 shall prepare and submit annual financial and non-financial statements in the format gazetted by the Cabinet Secretary within three months to the Auditor General with copies to the responsible Cabinet Secretary and the National Treasury.

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

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND OVERALL GOVERNANCE

Conclusion

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

Under Establishment of Human Resources

Review of human resources records revealed that the Authority has an approved harmonized staff establishment of 639 staff with only 287 in post resulting to an under establishment of 352 staff leading to an understaffing of 55%.

Further analysis of the records revealed that:

(i). Two out of the six required directors' positions-Grade 2 (Director, Urban roads planning and Design and Audit Services) were not filled.

(ii). Nine out of the thirty-one required Deputy Director Positions-Grade 3, were not filled with three positions out of the nine filled on acting capacity.

(iii). Forty-eight Assistant Director-Grade 4, positions out of the 75 required positions were not filled.

(iv). Departments such as Office of Director Policy, Strategy and Compliance, Research and Innovation Department, Quality Assurance and Compliance Department, Office of the Director Corporate Services and Office of the Director Audit Services have less than 2 staff with others having none.

(v). Departments such as the Road Asset Management, Survey Department, Special Projects Department, Legal Services and all regional offices have less than half of the required staff.

(vi). The Top management levels-Grade 1 to Grade 4, are understaffed by 49.6% with only 57 of the required 113 Assistant Directors, Deputy Directors and Directors in post.

In the circumstances, Management was in breach of the approved staff establishment and the Authority may not be able to meet its mandate and objectives due to the understaffing.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards requires that I plan and perform the audit so as to obtain assurance as to whether effective processes and systems of internal control, risk management and governance was maintained 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 control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the financial statements, management is responsible for assessing the Authority's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the 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 overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

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

CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

16 June, 2023

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2022

	Note	2021-2022 Kshs	2020-2021 Kshs
REVENUE			
Revenue from non-exchange transactions			
Road maintenance Levy Fund	6	11,666,652,986	6,447,467,129
Penalties and levies	7	9,299,111	10,513,641
Total Revenue from non-exchange transactions		**11,675,952,097**	**6,457,980,770**
Revenue from exchange transactions			
Finance income	8	200,280,999	315,784,643
Other income	9	9,451,444	2,547,460
Total Revenue from exchange transactions		**209,732,443**	**318,332,103**
Total Revenue		**11,885,684,540**	**6,776,312,873**
EXPENSES			
Directors' expenses	10	19,657,643	10,255,434
Employment costs	11	1,238,222,438	1,079,439,429
Depreciation and amortization costs	12	96,917,957	74,473,619
Use of goods and services	13	226,358,481	197,565,552
Repairs and maintenance	14	35,952,151	46,360,583
Road rehabilitation and maintenance costs	15	6,799,078,191	6,493,231,756
Total expenses		**8,416,186,861**	**7,901,326,373**
Surplus/(Deficit) for the year		**3,469,497,679**	**(1,125,013,500)**

The significant accounting policies and the notes on pages 58 to 89 form an integral part of these financial statements. The financial statements on pages 53 to 89 were approved by the board of directors on 29th September 2022 and were signed on its behalf by:

Eng. Silas M. Kinoti, MBS	CPA Reuben Mayienda	Eng. Charles M. Chiuri
Director General	**Director corporate services**	Chairman
	ICPAK Member No:4941	

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

	Note	2021-2022 Kshs	2020-2021 Kshs
ASSETS			
Current assets			
Cash and cash equivalents	16	4,620,899,977	7,651,708,488
Receivables from exchange transactions	17	4,153,600,796	1,620,828,564
Receivables from non-exchange transactions	17	5,533,727,695	2,078,423,883
Inventories	18	4,276,893	18,537,370
Total Current asets		**14,312,505,360**	**11,369,498,305**
Non-current assets			
Property, plant and equipment	19	351,668,244	337,214,297
Infrastructure Work-In-Progress	20	133,072,963,945	115,458,146,804
Intangible assets	21	4,727,909	9,455,818
Total non-current assets		133,429,360,097	115,804,816,918
Total Assets		**147,741,865,457**	**127,174,315,223**
LIABILITIES			
Current liabilities			
Payables from exchange transactions	22	14,180,564,783	10,983,075,562
Payables from Non exchange transactions	22	24,024,532	56,973,239
Employee Benefits Obligations	22	45,711,469	45,983,627
Current tax	23	45,075,655	-
Total current liabilities		**14,295,376,440**	**11,086,032,428**
Non-current liabilities			
Payables from exchange transactions	22	1,176,007,856	1,295,001,233
Total liabilities		**15,471,384,296**	**12,381,033,661**
Net assets		**132,270,481,160**	**114,793,281,561**
REPRESENTED BY:			
Revaluation Reserve	4(s)(i)	96,718	128,957
Accumulated surplus	4(s)(ii)	9,053,566,278	8,104,036,360
Staff Mortgage Fund	4(s)(iii)	511,247,512	311,247,512
Road assets reserve fund	4(s)(v)	122,705,570,652	106,377,868,732
Total Nets Assets and Liabilities		**132,270,481,160**	**114,793,281,561**

The significant accounting policies and the notes on pages 58 to 89 form an integral part of these financial statements. The financial statements on pages 53 to 89 were approved by the board of directors on 29th September 2022 and were signed on its behalf by:

Eng. Silas M. Kinoti, MBS	CPA Reuben Mayienda	Eng. Charles M. Chiuri
Director General	Director corporate services	Chairman
	ICPAK Member No:4941	

STATEMENT OF CHANGES IN NET ASSETS

	Accumulated Surplus	Revaluation Reserve Kshs	Staff Mortgage Fund Kshs	Road Assets reserve Fund Kshs	Total Kshs
As at 1st July 2020					
As previously stated	7,359,872,045	9,531,337	-	99,782,755,744	107,152,159,126
Prior year adjustment	1,863,810,240	-	307,212,708	(2,340,538,700)	(169,515,752)
As Restated	9,223,682,285	9,531,337	307,212,708	97,442,217,044	106,982,643,374
Surplus for the year	(1,125,013,500)	-	-	-	(1,125,013,500)
Transfer of excess depreciation on revaluation	9,402,380	(9,402,380)	-	-	-
Interest earned	(4,034,804)	-	4,034,804	-	-
Grants from Exchequer		-	-	8,515,049,752	8,515,049,752
Grants from Development Partners		-		420,601,935	420,601,935
As at 30th June 2021	**8,104,036,360**	**128,957**	**311,247,512**	**106,377,868,732**	**114,793,281,561**
As at 1st July 2021	8,104,036,360	128,957	311,247,512	106,377,868,732	114,793,281,561
Surplus for the year	3,469,497,679	-	-	-	3,469,497,679
RMLF development Grant	(2,320,000,000)	-	-	2,320,000,000	-
Transfer to staff mortgage fund	(200,000,000)	-	200,000,000	-	-
Transfer of excess depreciation on revaluation	32,239	(32,239)	-	-	-
Grants from Exchequer		-	-	14,007,701,920	14,007,701,920
As at 30th June 2022	**9,053,566,278**	**96,718**	**511,247,512**	**122,705,570,652**	**132,270,481,160**

See note 4(q) on the nature and purpose of reserves

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2022

	Note	2021-2022 Kshs	2020-2021 Kshs
Cashflow from/(used in) operating activities	23	601,663,082	4,790,406,473
Cash flows from investing activities			
Interest Income	7	200,280,999	315,784,643
Purchases of Property Plant and equipment	19	(106,643,995)	(180,365,834)
Infrastructure work In progress	20	(17,614,817,141)	(15,938,574,074)
Purchases of Intangible Assets	21	-	(14,183,727)
Net cash used in investing activities		(17,521,180,136)	(15,817,338,992)
Cash flows from Financing activities			
Movement in retention funds		(118,993,378)	(211,299,834)
Capital Grant received	5	14,007,701,920	8,935,651,687
Net cash used from financing activities		13,888,708,542	8,724,351,854
Net increase in cash and cash equivalents		(3,030,808,512)	(2,302,580,665)
Cash and cash equivalents at start of year		7,651,708,488	9,954,289,154
Cash and cash equivalents at end of year	16	4,620,899,977	7,651,708,488

The significant accounting policies and the notes on pages 58 to 89 form an integral part of these financial statements. The financial statements on pages 53 to 89 were approved by the board of directors on 29th September 2022 and were signed on its behalf by:

Eng. Silas M. Kinoti, MBS Director General	CPA Reuben Mayienda Director corporate services ICPAK Member No:4941	Eng. Charles M. Chiuri Chairman

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT

FOR THE YEAR ENDED 30 JUNE 2022

	Original budget 2021-2022 Kshs	Adjustments 2021-2022 Kshs	Final budget 2021-2022 Kshs	Actual on comparable basis 2021-2022 Kshs	Performance difference 2021-2022 Kshs	Note
REVENUE						
RMLF Funds	6,651,970,473	5,014,682,513	11,666,652,986	11,666,652,986	-	26(a)
AIA -Interests and other incomes	70,000,000	-	70,000,000	219,031,554	(149,031,554)	26(b)
GOK exchequer-Development	7,472,536,653	9,060,880,000	16,533,416,653	14,007,701,920	2,525,714,733	26(c)
Donor funds AIA	764,130,000	(233,000,000)	531,130,000	-	531,130,000	26(d)
Total income	**14,958,637,126**	**13,842,562,513**	**28,801,199,639**	**25,893,386,460**	**2,907,813,179**	
EXPENDITURE	-					
Property plant and Equipment	121,300,000	-	121,300,000	106,643,995	14,656,005	26(e)
Board of Directors Expenses	30,000,000	-	30,000,000	19,657,643	10,342,357	26(f)
Compensation to employees	1,501,793,000	-	1,501,793,000	1,238,222,438	263,570,562	26(g)
Depreciation & Amortization Costs	10,000,000	-	10,000,000	96,917,957	(86,917,957)	26(h)
Operating & other Administrative Costs	228,085,200	-	228,085,200	226,358,481	1,726,719	26(i)
Repairs and maintenance	70,821,800	-	70,821,800	35,952,151	34,869,649	26(j)
Road Rehabilitation & Maintenance Costs	4,759,970,473	5,014,682,513	9,774,652,986	6,799,078,191	2,975,574,795	26(l)
Road Infrastructure Assets	8,236,666,653	8,827,880,000	17,064,546,653	17,614,817,141	(550,270,488)	26(m)
Total expenditure	**14,958,637,126**	**13,842,562,513**	**28,801,199,639**	**26,137,647,997**	**2,663,551,642**	
Surplus for the year	-	-	-	**(244,261,537)**	**244,261,537**	
RECONCILIATION						
Surplus as per statement of budget and actual amounts				(244,261,537)		
Add:Purchase of Assets				106,643,995		
Add:Road infrastructure assets				17,614,817,141		
Less: Transfer to Road Assets Reserve				(14,007,701,920)		
Surplus as per statement of financial performance				**3,469,497,679**		

The significant accounting policies on pages and the notes on pages 58 to 88 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. General Information

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

2. Statement of compliance and basis of preparation

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

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

The Financial Statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) issued by International Public Sector Accounting Standards Board (IPSASB), the Public Financial Management Act, 2012, Public Audit Act, 2015 and Kenya Roads Act 2007. The accounting policies adopted have been consistently applied to all the years presented.

3. Adoption of new and revised Standards

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

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

Key Requirements	Effective Date	Impact to the Authority
IPSAS 41: Financial Instruments		
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: • 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.	**1st January 2023:**	
IPSAS 42: Social Benefits		
The objective of this Standard is to improve the	**1st January 2023**	

Key Requirements	Effective Date	Impact to the Authority
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: (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.		
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments		
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. 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.	**1st January 2023:**	
Other improvements to IPSAS		
• *IPSAS 22 Disclosure of Financial Information about the General Government Sector.* Amendments to refer to the latest System of National Accounts (SNA 2008). • *IPSAS 39: Employee Benefits* Now deletes the term composite social security	***1st January 2023***	

Key Requirements	Effective Date	Impact to the Authority
benefits as it is no longer defined in IPSAS. • **IPSAS 29: Financial instruments: Recognition and Measurement** Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.		
IPSAS 43		
The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognize, measure and present information on right of use assets and lease liabilities.	*January 2025*	
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations		
The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.	*January 2025*	

i. Early adoption of standards

The Authority did not early-adopt any new or amended standards in year 2022.

4 Summary of significant Accounting Policies

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

(a) Basis of Preparation

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

(b) Presentation of Financial Statements

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

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

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

(c) Budget Information

The original budget for FY 2021-2022 was approved by the National Assembly on 9th June 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities.

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

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

(d) Taxation

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

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

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

(e) Translation of foreign currencies

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

(f) Revenue recognition

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

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

i) Road Maintenance Levy Fund

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

ii) Transfers from Government and other entities

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

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

iii) Interest Income

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

iv) Fees, Penalties and Other income

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

(g) Financial Instruments

(i) Financial assets

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

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Authority provides money or services directly to a debtor with no intention of trading the receivable. Receivables mainly arise from non-exchange transactions which accrue in the ordinary course of business and there is no intention of trading the receivable.

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

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

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

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

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

(ii) Financial Liabilities

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

Payables

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

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

(h) Provisions

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

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

Contingent Liabilities

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

Contingent assets

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

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

(i) Operating leases

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

(j) Provision for liabilities and charges

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

(k) Property, plant and equipment

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

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

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

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

	Rate %
Land and buildings	2.5%
Buildings Partitions	2.5%
Computer Equipment and software	33 1/3%
Furniture and Fittings	12.5%
Office Equipment	12.5%
Motor Vehicles	25.0%
Road Work In Progress	Nil

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

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

(l) Intangible Assets

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

(m) Research and Development costs

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

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

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

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

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

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

Like other assets, all specialized public service assets provide either service potential or future economic benefit. Service potential is a measure of the capacity of an asset to provide services or benefits to those that use that asset. Future economic benefit is a measure of the capacity of an asset to provide monetary benefits to those that hold or own that asset. Currently the Authority classifies these assets as capital work in progress

(o) Construction contracts

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

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

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

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

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

(p) Impairment of Non-Financial Assets

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

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

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

(q) Inventories

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

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

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

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

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

(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 the various commercial banks at the end of the financial year.

(s) Nature and purpose of reserves

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

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

i. **Road projects reserve funds** which relates to cumulative exchequer and development partners' funds received for development projects which currently stands. This represents the Authority's Investment in Road works to 30 June 2022.

ii. **Capital reserves** relates to assets (Motor vehicles) donated to the Authority by KTTSP Project as part of capacity building.

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

iv. **Staff Mortgage fund:** The Authority established independently managed staff Mortgage Scheme Funds for members of staff. The scheme is based on a minimum cash balance at the Kenya Commercial Bank account commensurate with the mortgage amount. This cash balance, built up for the scheme as a revolving fund, is as at 30th June 2022 amounted to **Ksh. 511.2 Million**. There was no transfer from the accumulated surplus to the staff mortgage fund during the year

v. **Road Maintenance Levy Fund (Road works component):** relates to accounting surplus which accrues from unutilised funds for the roadworks component of the road maintenance levy fund (RMLF). The funds relate to unexecuted works for contracts in progress at year-end for which the funds are already committed. The funds are ring-fenced by the contract provisions and are not available for any other purpose except for meeting the contract obligations already entered into by the Authority

(t) 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.

(u) Employee Benefits

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

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

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

(v) Comparatives

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

(w) Subsequent Events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions

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

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

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

- Whether the assets are impaired;
- The classification of financial assets;

- The going concern.

(b) Critical Accounting Estimates and Assumptions

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

(i) Contingent Liabilities

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

(ii) Provision for Doubtful Debts

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

(iii) Other Provisions

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

(iv) Impairment Losses

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

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

6. Government Grants and Subsidies

a) Road maintenance Levy Fund

	2021-2022	2020-2021
	Kshs	**Kshs**
Road Maintenance Levy Fund (Works)	9,774,652,986	4,755,217,129
Road Maintenance Levy Fund (Operations)	1,892,000,000	1,692,250,000
Total Road Maintenance Levy Fund	**11,666,652,986**	**6,447,467,129**
Transfer to Road Assets Reserve	-	-
Total Road Maintenance Levy Fund	**11,666,652,986**	**6,447,467,129**

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

b) Transfers from Central Government and other government agencies

Decongestion and GES Programmes	-	-
County Government grants	-	-
Development Funds	14,007,701,920	8,515,049,752
Total	14,007,701,920	8,515,049,752
Transfer to Road Assets Reserve	(14,007,701,920)	(8,515,049,752)
Total Revenue	-	-

c) Development Partner Grants

African Development Bank (AfDB)	-	420,601,935
Japanese International Cooperation Agency(JICA)	-	-
European Union	-	-
Total Funds	-	420,601,935
Transfer to Road Assets Reserve	-	(420,601,935)
Total Revenue	-	-

d) Transfers from Ministries, Departments and Agencies

Name of agency	Amount recognised in the statement of financial performance Ksh	Amount recognised in development fund Ksh	Total grant income during the year 2021-2022 Ksh	2020-2021 Ksh
Kenya Roads Board (RMLF-Roadworks)	9,774,652,986	-	9,774,652,986	4,755,217,129
Kenya Roads Board(RMLF-Operations)	1,892,000,000	-	1,892,000,000	1,692,250,000
State Department of infrastructure	-	14,007,701,920	14,007,701,920	8,515,049,752
County Governments	-	-	-	-
Sub Total	**11,666,652,986**	**14,007,701,920**	**25,674,354,906**	**14,962,516,881**
ii) Transfers from Development partners:				
African Development Bank (AfDB)	-	-	-	420,601,935
Japanese International Cooperation Agency(JIC	-	-	-	-
European Union	-	-	-	-
Sub Total	**-**	**-**	**-**	**420,601,935**
Total grants	**11,666,652,986**	**14,007,701,920**	**25,674,354,906**	**15,383,118,816**

7. Licences, Penalties and Levies

Liquidated Damages	2,179,111	5,933,641
Road cutting fees	7,120,000	4,580,000
Total	**9,299,111**	**10,513,641**

8. Finance Income

Net Interest on bank deposits	200,280,999	315,784,643

9. Other Income from Exchange Transactions

Tender sales	1,640	19,000
Asset disposal	9,449,804	-
Other Income	-	2,528,460
Total Other Income	**9,451,444**	**2,547,460**

10. Directors' Expenses

Directors' Emoluments	7,098,000	7,403,050
Training and Development	5,210,548	2,449,510
Travelling and subsistence	7,349,095	402,874
Total directors' expenses	19,657,643	10,255,434

	2021-2022 Kshs	2020-2021 Kshs
11. Employment Costs		
Salaries and wages	855,139,736	822,712,398
Pension and Garatuity costs	97,741,156	90,159,050
Medical and Insurance	71,859,877	66,825,153
Training and Development	91,192,050	3,270,104
Travelling and subsistence	119,833,407	94,702,093
Other Staff Welfare costs	2,456,213	1,770,632
Total employment costs	**1,238,222,438**	**1,079,439,429**
12. Depreciation and amortization costs		
Depreciation on Property Plant and Equipment	92,190,048	69,745,710
Armotisation of Intangible Assets	4,727,909	4,727,909
	96,917,957	74,473,619
13. Use of goods and services		
Audit fees	2,900,000	2,900,000
Consultancies	5,089,698	14,376,400
Conference and seminars	47,897,469	27,466,479
Subscriptions	-	74,100
Communication costs	11,267,030	6,695,814
Vehicle running expenses	14,784,268	13,561,003
Printing and stationery	23,737,834	16,075,794
Other occupancy costs	711,830	3,253,929
Electricity and water	15,161,048	10,504,258
Advertising , Publicity and CSR expenses	36,232,163	34,405,158
Bank charges and commissions	1,997,667	870,646
Security costs	18,634,279	25,933,954
Cleaning and sanitation	10,974,816	13,282,620
Information Security Management costs	4,550,771	4,479,836
ISO monitoring and surveylance costs	4,098,162	756,000
Postage and courier	441,142	482,552
Insurance	10,570,766	11,560,898
Consumables	13,018,782	9,578,203
Legal expenses	-	985,393
Newspapers and periodicals	291,057	322,515
Research and innovation expenses	3,999,700	-
Total General Expenses	**226,358,481**	**197,565,552**

	2021-2022 Kshs	2020-2021 Kshs
14. Repairs and maintenance		
Equipment and Machinery	7,135,817	10,458,860
Motor vehicles	12,989,744	15,902,483
Computer and accessories	15,826,590	19,999,239
Total Repairs and Maintenance Costs	35,952,151	46,360,583
15. Road Maintenance and Rehabilitation Costs		
Routine maintenance	1,837,327,595	1,865,083,331
Periodic maintenance	4,776,288,051	4,481,488,176
Consultancy, Planning, Feasibility ESIA Costs	42,553,127	34,717,338
Road Safety and Children's Traffic Parks Costs	15,848,690	35,091,370
Road Furniture and Road Marking	12,822,104	3,836,100
Traffic census and forward planning	7,468,861	9,100,751
Axle load control costs	10,588,673	2,970,800
Road reserve mapping and control costs	29,844,531	15,533,748
Design inhouse	15,197,263	15,907,701
Special Programmes and environmental awareness costs	33,615,281	21,593,744
Intelligent Traffic Management System Costs	17,524,016	7,908,696
Total road maintenance and Rehabilitation expenses	**6,799,078,191**	**6,493,231,756**
16. Cash and cash equivalents		
Current accounts	4,109,378,813	7,340,248,385
Staff Mortgage Fund	511,247,513	311,247,513
Cash in hand	273,651	212,591
	4,620,899,977	7,651,708,488

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

	2021-2022 Kshs	2020-2021 Kshs
Current accounts		
KCB Bank Limited	2,874,426,187	5,266,898,380
National Bank of Kenya	165,829,882	893,640,690
Co-operative Bank of Kenya	1,069,122,745	1,179,709,315
Total current accounts	4,109,378,813	7,340,248,385
Staff Mortgage Fund		
KCB Bank Limited	511,247,513	311,247,513
Others		
Cash in Hand	273,651	212,591
Total cash and cash equivalents	4,620,899,977	7,651,708,488

17. Receivables

a) Receivables From Exchange Transactions		
Contractor advances	4,153,600,796	1,620,828,564
b) Receivables From Non-Exchange Transactions		
Staff Debtors	1,742,215	3,344,448
Grants Receivable-Development Funds	436,716,424	938,755,550
Grants Receivable-RMLF	5,077,624,094	1,133,678,923
Deposits and other prepayments	17,644,962	2,644,962
Total Receivables From Non-Exchange Transactions	**5,533,727,695**	**2,078,423,883**
Total receivables	**9,687,328,491**	**3,699,252,447**

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

(i) Contract advances represent funds provided to the contractors and are recoverable in accordance with the contract terms. Contract advances are secured by bank guarantees from approved commercial banks Kenya.

(ii) RMLF Grants receivables represent Road Maintenance Levy Funds due from the Kenya Roads Board based on the approved APRP and disbursement schedule.

(iii) Development Grants receivables represent Development Funds due from the State department of infrastructure based on the approved budget for 2021-2022.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Authority does not hold any collateral as security. The aged analysis of receivables is as follows:

	0-3 Months Ksh	3-12 Months Ksh	Over 12 Months Ksh	Total Ksh
Contractor advances	-	-	4,153,600,796	4,153,600,796
Staff Debtors	1,742,215	-	-	1,742,215
Grants Receivable	-	5,514,340,518	-	5,514,340,518
Deposits & Other Prepayments	17,644,962	-	-	17,644,962
Total	**19,387,177**	**5,514,340,518**	**4,153,600,796**	**9,687,328,491**

18. Inventories

Consumable supplies	4,276,893	18,537,370

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

19. Property Plant and equipment

	Land and Buildings	Furniture and Fittings	Computers and Technical Equipment	Office Equipment	Motor Vehicles	Capital Work In Progress	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs (Vehicles)	Kshs
Cost/ Valuation							
As at 1st July 2020	130,323,370	61,814,141	55,523,923	16,202,243	136,027,801	-	399,891,477
Additions during the year	(0)	1,437,774	20,616,848	11,565,946	39,300,966	107,444,300	180,365,834
As at 30 June 2021	**130,323,369**	**63,251,915**	**76,140,770**	**27,768,189**	**175,328,766**	**107,444,300**	**580,257,310**
Additions during the year	12,091,294	2,437,027	29,086,550	2,050,176	60,978,947	-	106,643,995
Transfer from Work in Progress	-	-	-	-	107,444,300	(107,444,300)	-
Disposals					(16,610,000)		(16,610,000)
As at 30 June 2022	**142,414,664**	**65,688,942**	**105,227,320**	**29,818,366**	**327,142,014**	**-**	**670,291,305**
Depreciation							
As at 1st July 2020	9,460,566	15,939,596	49,021,624	5,518,468	93,357,050	-	173,297,304
Charge for the Year	3,258,084	7,906,489	11,277,921	3,471,024	43,832,192	-	69,745,710
As at 30 June 2021	**12,718,650**	**23,846,085**	**60,299,545**	**8,989,492**	**137,189,242**	**-**	**243,043,014**
On disposal	-	-	-	-	(16,610,000)		(16,610,000)
Charge for the Year	3,862,649	8,062,869	18,574,881	3,727,296	57,962,353	-	92,190,048
As at 30 June 2022	**16,581,299**	**31,908,954**	**78,874,426**	**12,716,788**	**178,541,595**	**-**	**318,623,062**
Net Book Value							
As at 30 June 2022	**125,833,364**	**33,779,988**	**26,352,894**	**17,101,578**	**148,600,418**	**-**	**351,668,244**
As at 30 June 2021	**117,604,719**	**39,405,830**	**15,841,226**	**18,778,698**	**38,139,524**	**-**	**337,214,297**

	2021-2022 Kshs	2020-2021 Kshs

20. Infrastructure Work In Progress

	2021-2022 Kshs	2020-2021 Kshs
As at 1st July	115,458,146,804	99,519,572,731
Additions during the year	17,614,817,141	15,938,574,074
As at 30 June	**133,072,963,945**	**115,458,146,804**

21. Intangible Assets

	Computer software 2021-2022 Ksh	Computer software 2020-2021 Ksh
Cost/ Valuation		
As at start of the year	87,595,605	156,338,767
Prior Year adjustment	-	(82,926,889)
Additions	-	14,183,727
	87,595,605	87,595,605
Amortization		
As at start of the year	78,139,787	153,015,297
Prior Year adjustment	-	(79,603,419)
Charge for the year	4,727,909	4,727,909
As at end of the year	**82,867,696**	**78,139,787**
Net Book Value		
As at 30 June	**4,727,909**	**9,455,818**

22. Payables

a) Payables from Exchange Transactions		
Current		
Due to Suppliers and Contractors	14,146,847,283	10,953,778,062
Refundable Deposits	33,717,500	29,297,500
	14,180,564,783	**10,983,075,562**
Non Current		
Contract Retention	1,176,007,856	1,295,001,233
Total Payables from Exchange Transactions	**15,356,572,639**	**12,278,076,796**

	2021-2022 Kshs	2020-2021 Kshs
b) Payables from Non-Exchange Transactions		
Other payables	24,024,532	56,973,239
Total Payables from Non-Exchange Transactions	**24,024,532**	**56,973,239**
c) Employee Benefits Obligations		
Staff gratuity	35,655,718	33,604,979
Other Staff statutory obligations	10,055,751	12,378,648
Total Employee Benefits Obligations	**45,711,469**	**45,983,627**
Total Payables	**15,426,308,640**	**12,381,033,661**

23. Current tax

Tax charged on assesable income	87,878,555	-
Withholding tax	(42,802,899)	-
Current Tax	45,075,655	-

Income tax is calculated at 30 per cent of the estimated assessable income for the year. The tax on the assessable income differs from the theoretical amount that would arise using the basic rate as follows:

Gross Interest income	285,352,662	315,784,643
Income from disposal of assets	12,321,500	-
Tender sales income	2,000	19,000
Total assessable income	297,676,162	315,803,643
Tax calculated at a tax rate of 30%	89,302,849	-
Tax effect of:		
Tax Deductible expenses	(1,424,294)	-
Tax charge	**87,878,555**	-
Tax charged on other income	2,872,056	-
Tax charged on Interest income	85,006,499	-
	87,878,555	-

24. Cash generated from operations

	Note	2021-2022 Kshs	2020-2021 Kshs Restated
Surplus (Deficit)for the year		3,469,497,679	(1,125,013,500)
Adjustments for:			
Depreciation of property, plant and equipment	11	92,190,048	69,745,710
Armotisation of intangible assets	11	4,727,909	4,727,909
Interest Income		(200,280,999)	(315,784,643)
Changes in operating assets and liabilities			
Receivables from exchange transactions		(2,532,772,233)	(879,849,125)
Receivables from non exchange transactions		(3,455,303,811)	(939,510,898)
Inventories		14,260,478	6,760,041
Payables from exchange transactions		3,197,489,221	7,949,258,592
Payables from Non-exchange transactions		(32,948,707)	16,773,412
Employee benefit obligation		(272,158)	3,298,974
Net cash from operating activities		556,587,427	4,790,406,473
Tax paid		45,075,655	-
Net cash from operating activities		601,663,082	4,790,406,473

25. Financial risk management objectives and policies

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

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

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

(i) **Operational risks** are events, hazards, variances or opportunities which could influence the achievement of the Board's compliance and operational objectives.

(ii) **Strategic risk** is a significant unexpected or unpredictable change or outcome beyond what was factored into the organization's strategy and business model which could have an impact on the entity's performance.

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

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

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

The financial management objectives and policies are as outlined below:

a) Liquidity Risk

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

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

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

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

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

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

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

b) Market Risk

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

(i) Currency Risk

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

(ii) Price Risk

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

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

(iii) Interest Rate Risk

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

c) Credit Risk

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

Year Ended 30 June 2022

	Fully Performing	Past Due But Not impaired	Past due and Impaired	Total
	Ksh	Ksh	Ksh	Ksh
Contractor advances	4,153,600,796			4,153,600,796
Staff Debtors	1,742,215	-	-	1,742,215
Grants Receivable	5,077,624,094	-	-	5,077,624,094
Deposits & Other Prepayments	17,644,962			17,644,962
Cash at Bank	4,620,899,977	-	-	4,620,899,977
Gross Financial Assets	**13,871,512,044**	**-**	**-**	**13,871,512,044**

Year Ended 30 June 2021

	Fully Performing	Past Due But Not impaired	Past due and Impaired	Total
	Ksh	Ksh	Ksh	Ksh
Contractor advances	740,979,439	-	-	740,979,439
Staff Debtors	2,596,363	-	-	2,596,363
Grants Receivable	1,133,671,660	-	-	1,133,671,660
Deposits & Other Prepayments	2,644,962	-	-	2,644,962
Cash at Bank	9,954,289,154	-	-	9,954,289,154
Gross Financial Assets	11,834,181,578	0	-	11,834,181,579

c) Operational Risk

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

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

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

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

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

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

d) Compliance and Regulatory Risk

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

e) Legal Risk

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

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

26. Explanation for budget variances

The original budget for FY 2021-2022 was approved by the National Assembly on 9th June 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities.

27. Related Parties Balances and Transactions

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

(a) Related party transactions

The following transactions were carried out with related parties during the year.

(i)Grants from the Government		
Grants from National Government	25,674,354,906	14,962,516,881
	25,674,354,906	14,962,516,881
(ii) Key management personnel compensation		
Directors emoluments	7,098,000	7,403,050
Compensation to the Director General	10,076,570	10,076,570
Compensation to the key management	201,826,086	201,706,081
	219,000,656	219,185,701

(b) Outstanding balances arising from non-exchange transactions

The following were outstanding balances with related parties as at 30th June 2022

Receivable from related parties	5,514,340,518	2,072,434,473
Payable to related parties	27,901,692	33,604,979
Receivables from related parties can be analysed as follows:		
Road maintenance Levy (RMLF)	5,077,624,094	1,133,678,923
Development Funds	436,716,424	938,755,550
	5,514,340,518	2,072,434,473
Payables to related parties can be analysed as follows:		
Key management personnel	27,901,692	33,604,979

28. Fair value

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

29. **Capital Commitments**

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

30. **Currency**

The financial statements are presented in Kenya Shillings (Kshs)

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

The Authority has not yet received audit report for the financial year 2020-2021. However, all audit matters raised during the audit were resolved and closed during the audit.

Reference No. on external audit report	Observation	Project	Management comments	Status	Time frame
1.0	Inadequacies in the implementation of Road Projects	Various	The issues raised have been addressed. However some of the issues which require additional budget will be addressed when funds are available.	Ongoing	June 30 2023
2.0	**Interest on late payments**	Various	Interest on late payment is in accordance with the contract provisions.	O/S	June 30 2023

APPENDIX 2: DEVELOPMENT PARTNERS PROJECTS IMPLEMENTED BY THE AUTHORITY

Project title	Project Number	Donor	Period/ duration	Donor Commitment (Total)	Separate Donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1. Nairobi Outer Ring Road Improvement Project.	P-KE-DB0-020	AfDB	5 years	7,553,819,905.45	YES	YES

APPENDIX 3: INTER ENTITY TRANSFERS-STATE DEPARTMENT OF INFRASTRUCTURE

Reference Number	Date Disbursed	Recurrent (KShs) (A)	Development (KShs) (B)	Total (KShs) (C)=(A+B)	Amount Received by KURA as at 30 June 2022 (KShs) (D)
EXCHEQUER DEVELOPMENT FUNDS					
FT21242C5LSH	30-Aug-21		2,516,709,536.00	2,516,709,536.00	2,516,709,536.00
FT21253B5X11	10-Sep-21		1,300,000,000.00	1,300,000,000.00	1,300,000,000.00
FT21327G525D	23-Nov-21		1,704,725,960.00	1,704,725,960.00	1,704,725,960.00
FT21364KLB2W	30-Dec-21		2,000,000,000.00	2,000,000,000.00	2,000,000,000.00
FT22017SDC4X	17-Jan-22		1,400,000,000.00	1,400,000,000.00	1,400,000,000.00
FT22104KJMZH	14-Apr-22		3,000,000,000.00	3,000,000,000.00	3,000,000,000.00
FT22116HNRZ5	26-Apr-22		230,000,000.00	230,000,000.00	230,000,000.00
FT221305H166	10-May-22		1,419,550,000.00	1,419,550,000.00	1,419,550,000.00
FT221895V3G9	8-Jul-22		250,000,000.00	250,000,000.00	250,000,000.00
FT22187SPVBV	6-Jul-22		186,716,424.00	186,716,424.00	186,716,424.00
Sub-Total			**14,007,701,920.00**	**14,007,701,920**	**14,007,701,920**
FUNDS FROM KRB - RMLF FUNDS					
FT2126627LD3	23-Sep-21	1,662,992,618.00		1,662,992,618.00	1,662,992,618.00
FT22040RS3CW	9-Feb-22	3,263,043,656.00		3,263,043,656.00	3,263,043,656.00
FT221303KHYL	10-May-22	1,662,992,618.00		1,662,992,618.00	1,662,992,618.00
FT22186L1GHS	5-Jul-22	1,025,834,012.00		1,025,834,012.00	1,025,834,012.00
FT22189W2KLM	8-Jul-22	1,133,678,923.00		1,133,678,923.00	1,133,678,923.00
FT22196QWRMD	15-Jul-22	2,918,111,159.00		2,918,111,159.00	2,918,111,159.00
TOTAL		**11,666,652,986.00**	**14,007,701,920.00**	**11,666,652,986.00**	**11,666,652,986**
GRAND TOTAL		**11,666,652,986.00**	**14,007,701,920.00**	**25,674,354,906.00**	**25,674,354,906.00**