REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

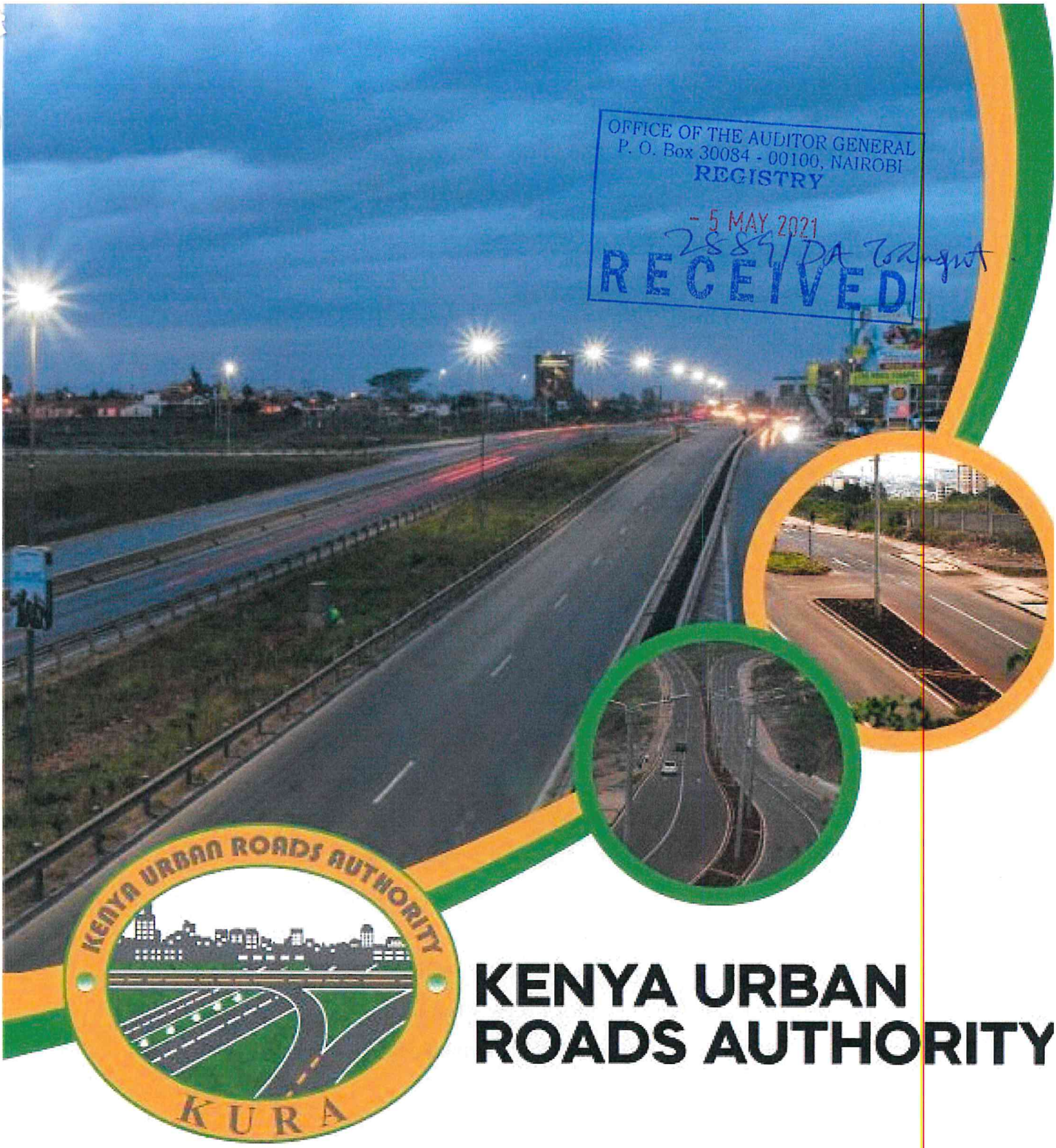
OF

THE AUDITOR-GENERAL

ON

KENYA URBAN ROADS AUTHORITY

FOR THE YEAR ENDED 30 JUNE, 2020



KENYA URBAN ROADS AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

For The Financial Year Ended June 30th, 2020

Prepared in accordance with the accrual basis of accounting metho
Under the international Public Sector Accounting Standards
(IPSAS)

CONTENTS

OUR MANDATE

The mandate of KURA as defined in the Kenya Roads Act, 200
is the Management, Development, Rehabilitation and
Maintenance of National Urban Trunk Roads.

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 2020 and who had direct fiduciary responsibility were:

1. Director General	:	Eng. Silas Murira Kinoti
2. Director, Corporate Services	:	CPA.Reuben Mayienda
3. Director, Urban Roads Development	:	Eng. Wilfred Oginga
4. Director, Urban Roads Planning & Design	:	Eng. Daniel G. Muchiri
5. Ag. Director, Road Asset & Corridor Management	:	Eng. Mike Yego Telieny
6. Ag. Director, Policy, Strategy & Compliance	:	Eng. Abdulrashid Mohamed

e) Fiduciary Oversight Arrangements

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

f) Authority Headquarters

Barabara Plaza
Mombasa Road,
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

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

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

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

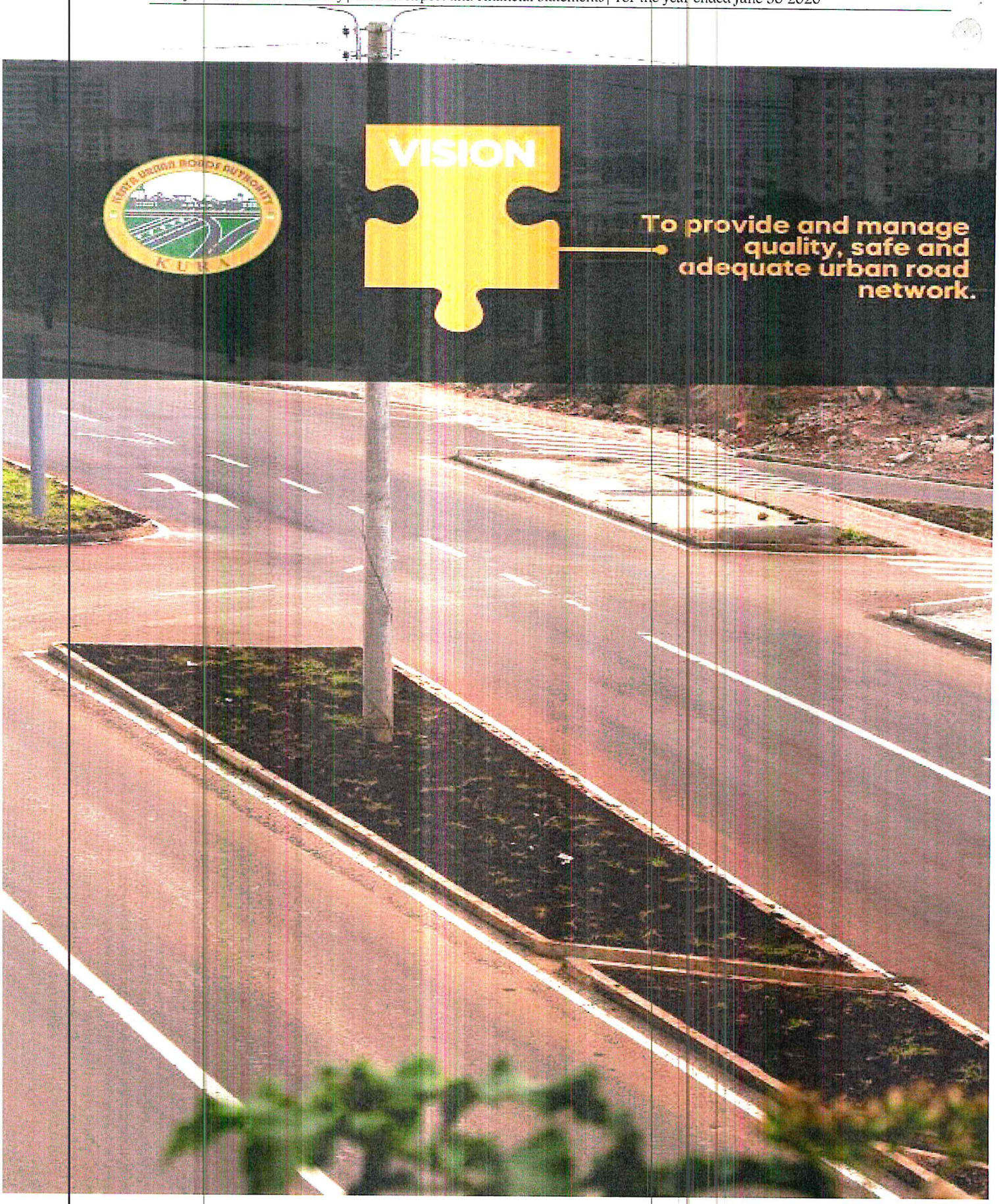
3. National Bank of Kenya
Hill Branch,
P.O BOX 45219-00100,
Nairobi.

i) Independent Auditor

The Auditor General
Kenya National Audit Office
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


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

BOARD OF DIRECTORS

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

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 which operated under the Office of the President, Republic of Kenya to facilitate the implementation of Vision 2030. This is Kenya's long-term policy framework that is premised on making Kenya a globally competitive, rapidly industrializing and upper middle income economy by 2030.Between April 2008 and October 2016, Dr. Muia served as the Secretary, National Economic and Social Council, Office of the President. This is a top advisory government think tank whose flagship project was formulating Vision 2030.An alumnus of the University of Nairobi's School of Business, Dr Julius Muia graduated with a First Class Honors Degree in Accounting; Master's Degree and PhD in Finance from the same university. His professional qualifications include: Certified Public Accountant (CPA-K); Certified Public Secretary (CPS-K), Associate Kenya Institute of Bankers; Associate Chartered Institute of Arbitrators; and Certified Coach. Dr. Muia has over 25 years' experience in leadership in the private sector in Kenya and UK. He started his career as an auditor with PricewaterhouseCoopers in mid-1980's, and later worked as Head of Finance and Company Secretary in the hotel, manufacturing and banking sector. His other engagements include an adjunct faculty at Strathmore Business School; adviser on strategy and trainer on leadership. Dr. Julius Muia serves as a non-executive board member in several companies and a number of not-for profit organizations

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 public service. 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.

Charles T. Sunkuli
Principal Secretary
State Department of Devolution

Mr. Charles T. Sunkuli, is the Principal Secretary, State Department for Devolution, Ministry of Devolution and ASAL. Previously he served as the Principal Secretary, Ministry of Environment and Forestry. Mr. Sunkuli is an experienced management strategist with a solid background in Administration, Planning, Management and Leadership. Prior to his appointment as a Principal Secretary, Mr. Sunkuli worked with Ewuaso Ng'iro South River Development Authority (ENSDA) where he rose through the ranks to become the Managing Director in the period between 2010-2016.He holds two Executive Masters Degrees in Business Administration (EMBA) from Eastern and Southern Africa Management Institute (ESAMI) and Maastricht School of Management (MSM) Netherlands and a Bachelor of Education Degree (B.Ed. Arts) from Moi University

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

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

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

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

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

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

Mr. Henry Musemate Murwa
Institute of Surveyors of Kenya

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

Mrs Hellen Kithuma Nzainga
Kenya Institute of Planners

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

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

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

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

Mr. Josiah Tarayia 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 National Advisory Council on Local Authorities, (UNACLA), Member of the Commonwealth Local Government Forum and Chairman of Kenya Meat Commission. Born in 1970, Mr. Kores holds a Bachelor degree in Development Studies. He chairs the board technical committee

Basil Ntwiga Nyaga
Matatu Welfare Association (Urban Public Transport)

Mr. Basil Ntwiga Nyaga is an established businessman with over 20 years in the transport sector. He is currently the executive chairman of Kapsowa Sacco Society Limited, Mbuni safaris and Mbuni trucks. Prior to venturing in business, Mr. Nyaga served for 12 years at DT Dobie Limited rising from management trainee to the deputy general manager (management services). Born in 1958, Mr. Nyaga holds a bachelor of commerce degree from the University of Nairobi. He represents Matatu Welfare Association on KURA Board.

Eng. Charles Mugo Chiuri
Institute of Engineers of Kenya

Eng. Charles Mugo Chiuri is a registered engineer and a fellow of the Institution of Engineers of Kenya (IEK). He has over 4 decades of experience in the roads sector 29 years of which was spent in the city engineering department where he was instrumental in planning design and development of various Nairobi City roads. Eng. Chiuri has also served in various capacities in the private sector where he was involved in the design and supervision of 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 has extensive training in the areas of transport project planning, road traffic management and corporate governance.

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

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

MANAGEMENT TEAM

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

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

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

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

Eng. Mike Yego Telieny
Ag. Director, Road Asset & Corridor Management
BSc. (Civil Engineering)
Member-IEK

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

CHAIRMAN'S STATEMENT

I am delighted to present to you the Kenya Urban Roads Authority Annual report and financial statements for the year ended 30th June, 2020. The report details the authority's performance during the year and serves as a score card for the year under review.

The condition of the urban road network is far from the recommended standard owing to the limited resource available for maintenance. However the government continues to make considerable investment in the road sector with an aim of bringing the network to the acceptable conditions. Currently the demand for maintenance far outstrips the available resources and more investment is required to remedy the situation.

The Authority continued to implement its mandate during the year based on the approved work plan and the performance targets agreed upon at the commencement of the year. Considerable progress was recorded in the project implementation in the first three quarters of the year. However slow progress was witnessed in the fourth quarter as Covid-19 impacted on working hours as well as the availability of labor.

The Authority remains focused on playing its role as an enabler towards the achievement of the Governments Big 4 agenda. The programme for the upgrade of county headquarters roads is well on course. The low volume seal programme that seeks to upgrade the low trafficked roads in the urban areas also recorded impressive progress during the year. More than 1000 jobs were created directly through the road 2000 strategy that incorporates labor in the project execution.

On the financial front, there was notable improvement in the funding from the national Government. Road Maintenance Levy Fund which is utilized for maintenance of the urban roads network increased considerably translating into more kilometers of roads maintained during the year. The Government commitment in investment in the roads infrastructure could also be seen through the increased funding for development projects. This enabled the authority to clear a good percentage of the pending bills leaving a small balance at the end of the year. Funds absorption was slightly affected in the fourth quarter by the slow progress owing to the Covid 19 impacts.

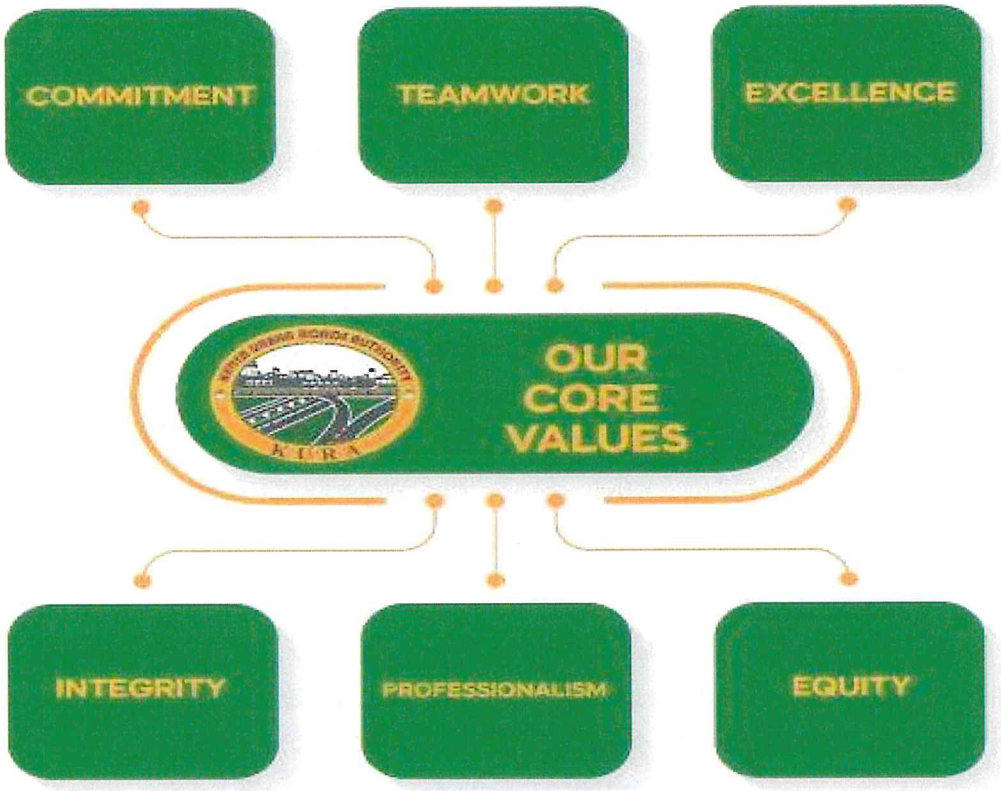
The board is committed in discharging its oversight mandate and guiding the Authority in the implementation of the strategic plan. Inadequate funding and rapid growth in urban centers still remains a challenge for the Authority. The authority continues to collaborate with the county governments and the development partners. The aboard is however committed in finding innovative ways of dealing with the challenges.

On behalf of the board, I wish to thank the Authority's financiers, the National Government and development partners for their continued support and commitment in providing the resources required the maintenance of the roads. I wish to further thank my fellow directors for their untiring suppor

steering the Authority despite numerous challenges during the year. Finally my sincere gratitude goes to the management and the entire staff of the Authority for their hard work in ensuring the Authority continues to deliver on its mandate.

Henry Musemate Murwa

REPRESENTATIVE OF THE BOARD



KENYA URBAN ROADS AUTHORITY

Barabara Plaza-JKIA, Off Airport South Road
Along Mazao Road Opposite Aviation House
P.O BOX 41727-00100
Nairobi, Kenya

REPORT OF THE DIRECTOR GENERAL

Kenya's economy grew by 5.7% in 2019, a slight decrease from the estimated 5.8% growth experienced in 2018, placing Kenya as one of the fastest growing economies in Sub-Saharan Africa. In 2020 this growth is projected to decelerate due to the effects of Covid – 19 pandemic. World bank economic update projects a drop in the annual average of 5.7% (2015-2019) to 1.5% in 2020.

The anticipated demographic, social and economic changes, brought about by rapid urbanization, have prompted the Government of Kenya (GoK) to prepare the National Urban Development Policy (NUDP), whose objectives are to strengthen urban governance and management, development planning, urban investment and the delivery of social and physical infrastructure in urban areas. The long-term goal of NUDP is to accelerate economic development, eradicate poverty, promote equity and help the nation to achieve its economic blue print 'the Vision 2030'. The Authority gearing up to play its role in the implementation of this policy.

1 Urban Road Network

The Mandate of the Authority as defined in the Kenya Roads Act, 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 Trunk Roads in Cities, Municipalities and Towns of Kenya. Currently the Authority manages an estimated road network 4,000 kilometers. Table below shows the urban road network under Kenya urban Authority.

2 Project Implementation

Over the years the Authority has continued to register an excellent performance on project completion rate. A remarkable completion rate of all the planned projects was recorded. During the year under review, the Authority successfully implemented its performance targets and achieved considerable results in all the performance indicators despite the disruption caused by the Covid-19 pandemic which slowed down the project execution in 4th quarter. Table below summarises the key performance indicators for the Authority and the achievements during the year under review.

Table 1: Key performance indicators

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

2.1 Construction of new roads under the conventional model

During the financial year 2019-2020 the Authority launched and commissioned various projects that are set to transform and build the economies of their locality. Notable in this category are Ngong Road project phase II and phase three which are nearing completion. The Authority initiated more projects within Nairobi county as well as other counties aimed at decongesting the urban areas and easing mobility. Included under this is dualling of valley road

2.2 Construction of Roads under the Low Volume Sealed Roads (LVSR) Programme

The low volume seal programme was introduced with the main objective of constructing 10,000km of road within the second medium plan of the Kenya Vision2030. This will support the primary growth sectors by upgrading low trafficked roads in a cost effective technique. The Authority achieved 70 Lane KMs on Construction of Roads under this programme

2.3 Development of Roads under the Road Annuity Programme

As part of the strategy to diversify the sources of funds for the development of roads, the government has been exploring an alternative funding model for the roads construction. The Annuity Financing Mechanism involves engagement of private entities to Finance, Design, Build Maintain and Transfer

roads for a specified period (the "Concession Period") based on agreed periodical payments by the Government (Annuities). The Authority is in the process of procuring three road projects under this programme. The projects which total to 141 kilometers and spread in 14 counties were identified under the Roads 10000km programme which was aimed at stimulating the primary growth sectors of the economy.

2.4 Routine and periodic Maintenance

The Authority continues to maintain the existing road network through the Road Maintenance levy fund to ensure the road network remains motor able. During the year under review the Authority undertook periodic maintenance of 335 Lane KM while carrying out routine maintenance of 23431Lane KM.

3 Strategic Plan

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.

Figure 1: Proposed 2nd Nyali bridge

Pillar	Overarching Goal	Strategic Targets

Planning, development and management of world class Urban Roads Network	Planning and development of world class urban roads and attendant infrastructure	Reduce travel time Improve road safety Increase network coverage to include all counties Provide and improve adequate drainage system Reduce pollution on the roads Improve aesthetics Provide well maintained roads Improve implementation and monitoring of social safeguards
	Robust legal and regulatory regime that supports sustainable urban roads development	Enhance legal scope and clarity To seek proper Classification of Urban Roads To effectively Enforce Axle Load Control To ensure full Control the Road Corridor To seek harmonization of the PPADA provisions with the Civil Engineering Project Management Standard (FIDIC)
Research, Innovation and Development	Develop and deploy latest technological solutions in the planning, design, construction and management of roads	Use of modern technology in the collection of data on Urban Roads condition Adoption of Intelligent traffic management systems Adoption of current design software Establish the functionality of the roads within the existing environment. Ensure sustainable technology for development and maintenance of urban roads Establish the effects of utility services on Urban Roads Develop updated standards for roads design, construction and attendant developments
Institutional Capacity and Corporate Governance	Institutional and corporate governance structures and practices that support execution of KURA's strategy	To have a clear communication framework for both internal and external interested parties To comply with integrity act and chapter 6 of Constitution Identify additional (Diversified) sourcing of finances To generate extra funding To achieve optimal staffing To continuously train and develop staff To carry out effective succession planning To establish a value system (culture change programme) To continually ensure compliance with Procurement laws To prioritize projects with high impacts Entrench a risk based approach to all projects and programmes

4 Resource allocation

Figure 2: Funding trend

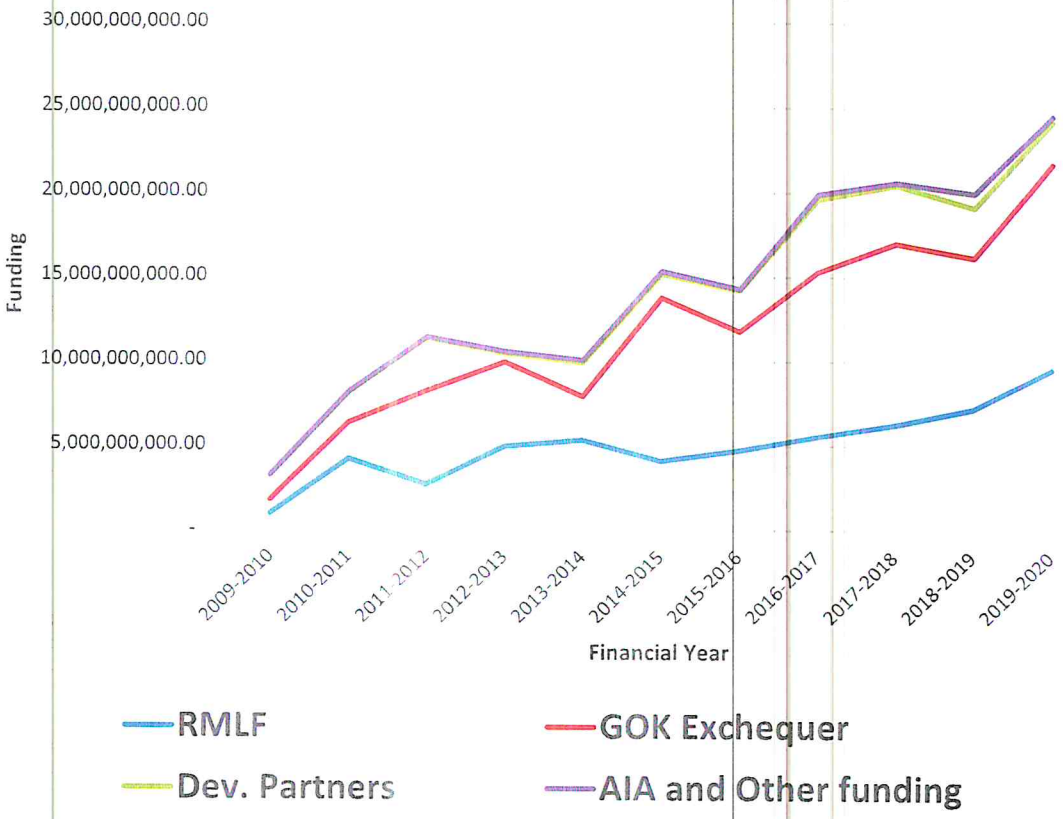


Figure 3: completed Part of waiyaki way Redhill

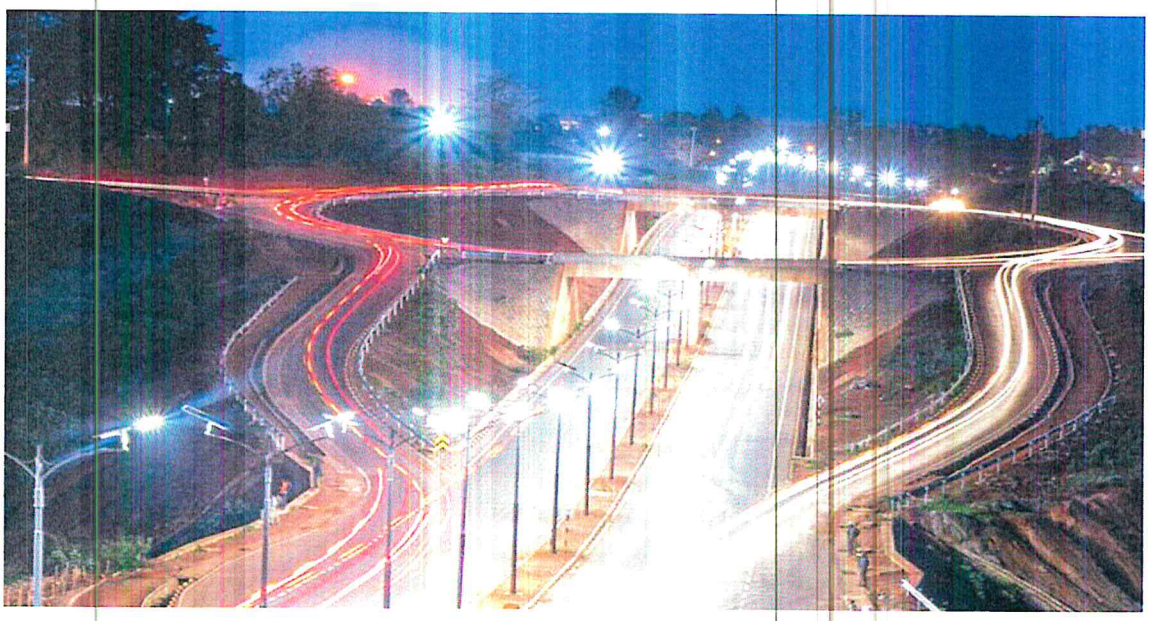
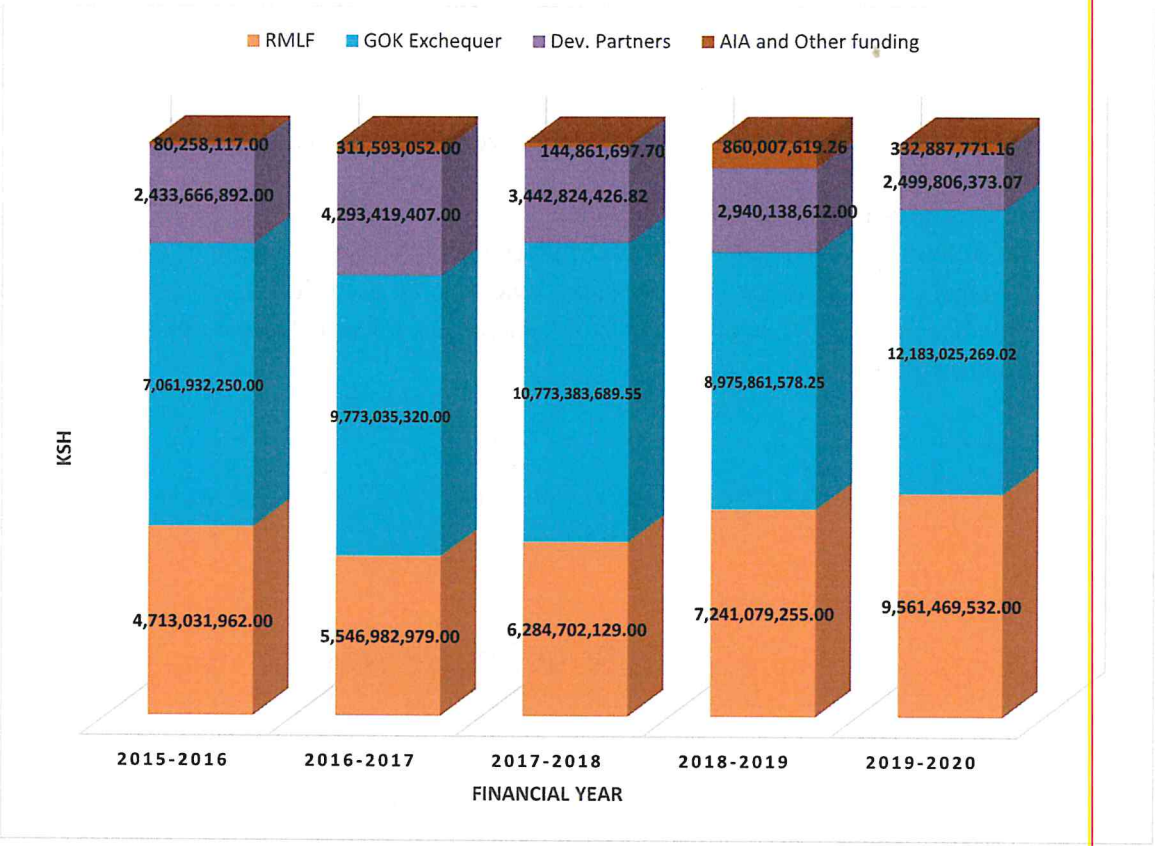


Figure 4: Five year funding trend



The Authority continues to receive support from the government through the Parent ministry.

Eng. Silas M. Kinoti
DIRECTOR GENERAL

CORPORATE GOVERNANCE STATEMENT

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

a) Organization Structure

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

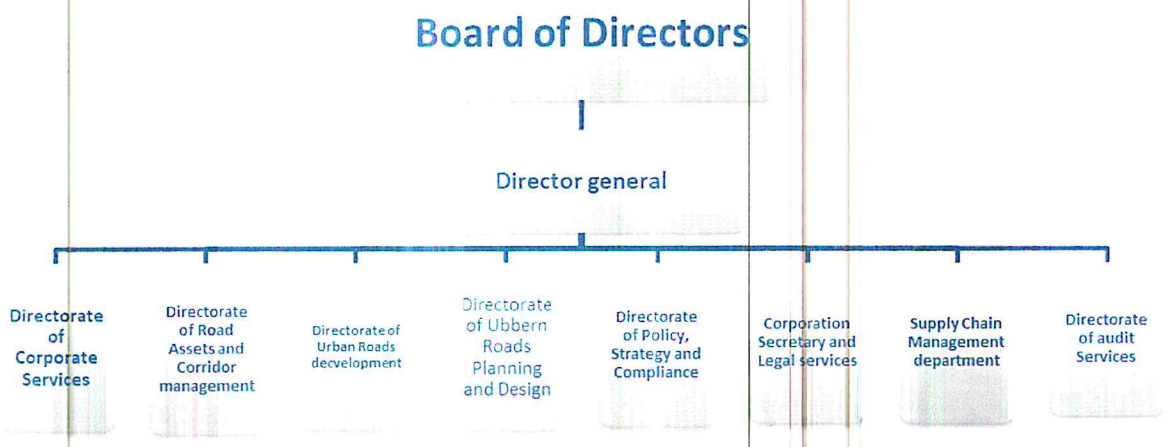


Figure 5: KURA Organisation structure

b) The Board of Directors

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

The Board is composed of competent, diverse and qualified members capable of exercising objective and independent judgment. The Board has appropriate autonomy and authority to exercise

its functions and is accountable to the appointing Authority and acted responsibly towards stakeholders.

c) Board Charter

The Board Charter_sets out the role, composition and responsibilities of the Board of Directors of the Kenya Urban Roads Authority (KURA) within the governance structure of the Authority and its delegation of authority to Management. The Charter has been adopted by KURA, acting in accordance with *Mwongozo*, Code of Governance for State Corporations and in line with best practice, and is complementary to the requirements regarding the Board and Board members contained in applicable Kenyan laws and regulations.

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

The Board Charter further provides for review of the same annually and has incorporated a Schedule of the delegated powers on recruitment and discipline as adopted in the approved Human Resource Manual of the Authority.

d) Appointment, Composition and Size

The Board of Directors were appointed in line with *Mwongozo* and consists of 8 (Eight) members including. The Director General but with no voting rights. The Board consist of 4 (Four) Committees discharging the oversight role.

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

i. Audit, Risk & 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. The committee held 3 meetings during the year.

ii. Human Resource Committee

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. The Committee held **5**.meetings during the year.

iii. 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. The committee held a total of 6 meetings during the year.

iv. 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

The committee held a total of 3 meetings during the year.

v. 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 12 board meetings were held during the year. The attendance is indicated below.

	10/7/2020	26/9/2019	9/10/2019	4/12/2019	10/1/2020	30/1/2020	26/2/2020	24/4/2020	29/5/2020	11/6/2020	17/6/2020	25/6/2020
1. Mr. Henry Murwa	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
2. Mr. Joseph Kiarii	✓	×		✓	✓	×	✓	✓	✓	✓	✓	✓
3. Eng. Charles Chiuri	✓	×	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
4. Mr. Bassil Nyaga	✓	×	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
5. Mr. Stephen Brooks	✓	✓	✓	×	✓	✓	✓	✓	✓	✓	✓	✓
6. Mr. Tarayia Kores	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
7. Eng. James Kung'u	✓	✓	✓	×	✓	✓	✓	✓	✓	✓	✓	✓
8. Planner Hellen Nzainga	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
9. Mr. Isaac Githui	✓	✓	✓	✓	×	✓	✓	✓	✓	✓	✓	✓
10. Eng. Silas Kinoti	✓	✓	✓	✓	✓	✓	✓	✓	✓	×	×	×

e) Board Evaluation

During the year, the Board undertook a self-evaluation as required under Mwongozo Code of Governance of State Corporations in line with best practices. The issues of the effectiveness of the whole board, individual director assessment and the performance of the 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 taking reasonable steps to ensure that the systems are being maintained. Internal control systems are designed to meet the particular needs of the Authority, and the risks to which it is exposed with procedures intended to provide effective internal financial control. However, such a system can only provide reasonable, but not absolute, assurance against material misstatement.

h) Ethical Standards

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

Henry Musemate Murwa

REPRESENTATIVE OF THE BOARD

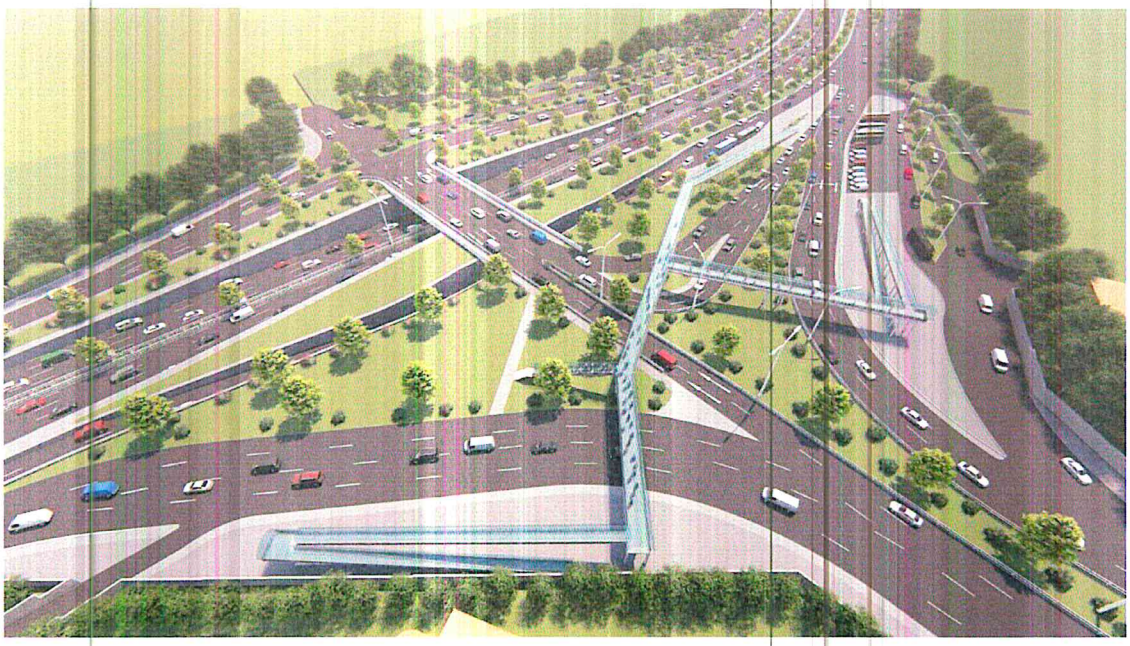
MANAGEMENT DISCUSSION AND ANALYSIS

1. Operational Performance

During the year under review, the Authority managed to achieve considerable performance in most of the operational areas exceeding the targets in some areas. The 2019-2020 Authority's PC had seven (7) Performance Criteria Categories based on 15th Cycle Guidelines namely:

i) Financial Stewardship & Fiscal Discipline;
ii) Service Delivery;
iii) Core Mandate;
iv) Implementation of Presidential Directives;
v) Access to Government Procurement Opportunities (AGPO);
vi) Promotion of Local Content in Procurement; and
vii) Cross-Cutting Issues.

Each of these broad categories have been subdivided into specific indicators. A Work Plan for implementation of these targets was been prepared to tally with planned activities and budgetary conatraints.



The table below summarises the key performance indicators for the Authority and the achievements during the year.

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

4.1 Performance & Utilization of Funds

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

The Authority Received considerable funding from the Government and Development partners. Further funding was received from the Nairobi County Government towards the Nairobi Regeneration Programme.

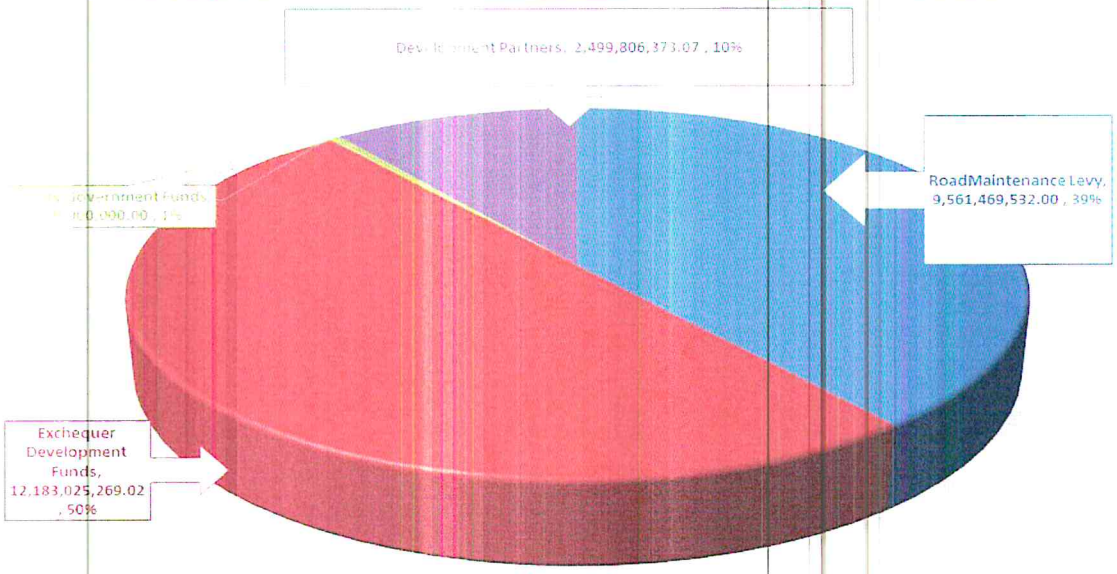


Figure 6: Current year funding

4.1.1 Funding Trend

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

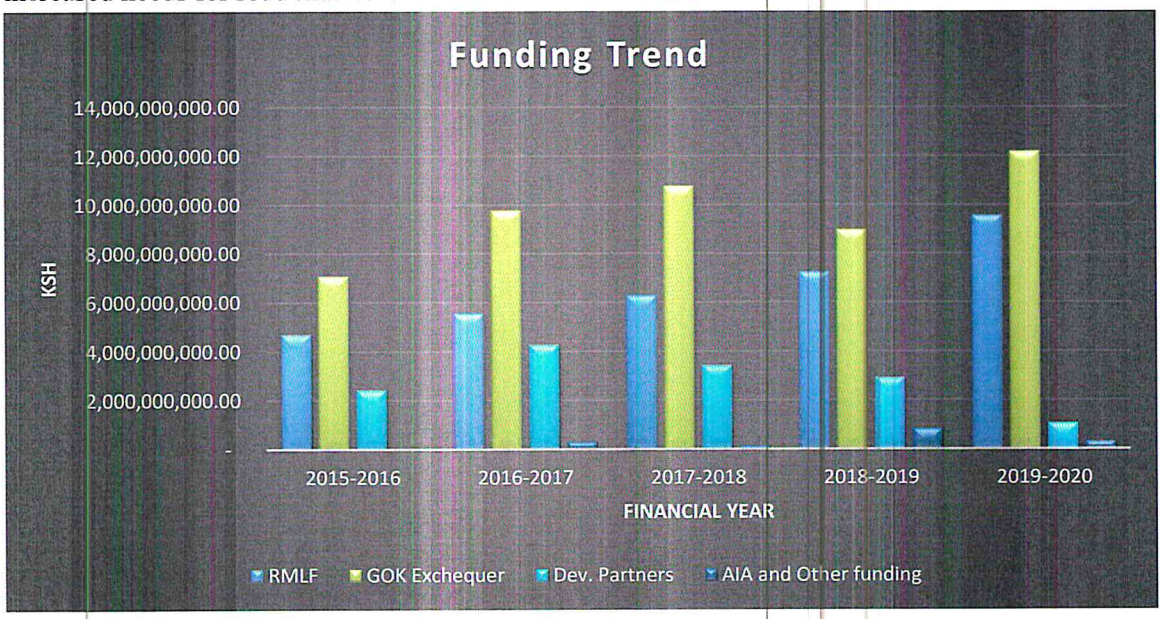
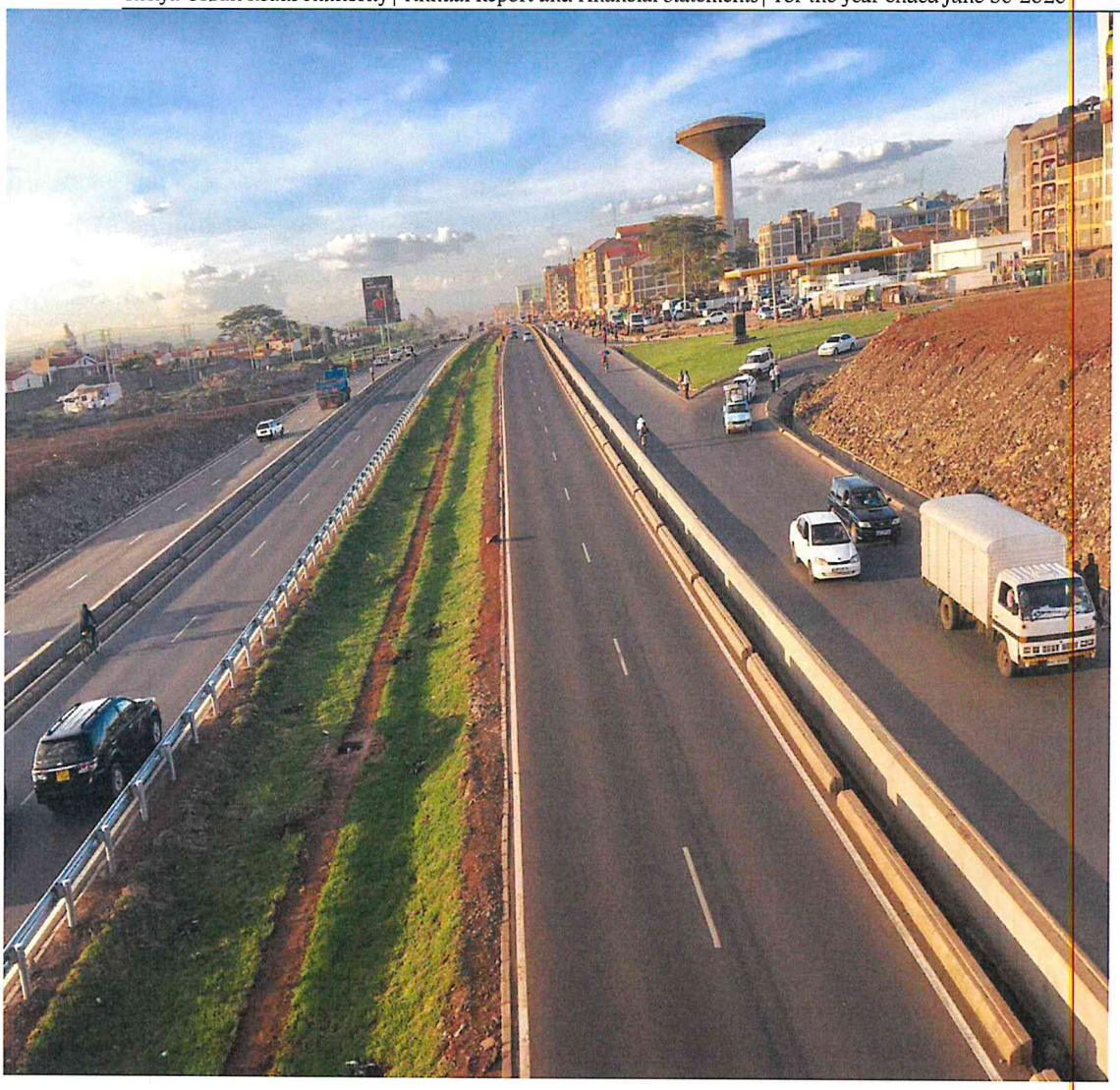


Figure 7: Five year funding trend

4.1.2 Funding Gap

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



CORPORATE SOCIAL RESPONSIBILTY/SUSTAINABILITY REPORT

1. Sustainability strategy and profile

An adequate and quality road network is an important prerequisite for facilitating national and regional integration, promoting trade, economic development, contributing to poverty reduction and wealth creation and for achieving the objectives of Kenya Vision 2030 and beyond. Over the last two decades, the Roads Sub-sector has undergone tremendous reforms aimed at providing a high quality road network to support Kenya economic development.

(i) Strategic direction

A Strategic plan is key in determining the general direction of any institution. It provides the long term goals of the organization and by extension its sustainability. A clear vison, mission and measurable goals secures the future. The 2018-2022 strategic plan is set out on the Authority's core mandate with clear and measurable targets. The plan is regularly reviewed to determine new opportunities and risks.

(ii) Financial sustainability

Infrastructure development and maintenance is a capital intensive investment that requires enormous resource outlay by the government. To effectively fulfill its mandate, the Authority requires adequate resources for maintenance of the existing road network and development of new roads to enhance urban mobility and reduce travel time and the related costs to the economy.

Kenya Urban Roads Authority relies fully on the government and development partners' grants in undertaking its mandate. 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.

Road maintenance Levy which is the main source of funding for maintenance of roads has been increasing progressively owing to the increased importation of vehicles in the country over the years. In 2016 the government increased the levy from Ksh 12 to Ksh 18 per litre of petrol/diesel. However even with this increase the funds are still inadequate due to backlog in road maintenance.

The Kenyan Government's commitment on development continues to be seen through the improved budgetary allocation to the road sector for developmental projects. However, even with the increased allocation, there is still exists gap between financial resources available and the escalating urban road network demand driven by growing urban population. In its efforts to bridge the funding gap, the government has been considering alternative funding mechanisms including long term infrastructure bonds, public private partnerships as well as additional levies and licenses. The annuity proramme whose objective is to bring on board the private sector in financing of the road infrastructure is in the piloting phase with two roads under negotiation.

The Authority maintains a good relationship with the development partners by ensuring prudent utilization of the resources and compliance with the financing agreements.

(iii) Human Resource

Human capital is a key resource in the efficient execution of the authority's mandate. Inadequate staffing remains a challenge and has an impact on the Authority's performance. At the end of the financial year, the Authority had a total of 281 staff members in post against the approved optimum establishment of 638. This is equal to 44% of the approved establishment. Recruitment is hampered by the available resources.

The average age for the Authority's workforce is 35 years old with the majority (48%) falling in the age bracket of 35- 45 years. Those below 35 years accounts for 21% of the workforce while 31% is between 46-60 years old. The authority has an elaborate succession plan in place. Acting opportunities, promotions and sponsored training are given to eligible employees as part of succession planning.

2. Environmental performance

By their nature road works can potentially result in environmental hazard through for instance spillage of carbon products which may contaminate the surrounding land, dust and noise pollution, interference with the natural drainage resulting in soil erosion among others. Such potential damages and the mitigating measures are identified during the planning phase in line with the relevant legislation and government regulations.

The Authority's environmental policy is guided by the government policy and the global policy on environmental conservation. To address the air contamination issues, the Authority has put in place safety measures to safeguard the construction workers as well as other road users. These include dust suppression and controlling of sped of the construction related vehicles and machinery. At the tendering stage, the Authority requires the contractor to conduct training for workers about the importance of dust suppression and reduction.

Excessive noise emissions and ground vibrations are regulated by NEMA through the Environmental and Coordination (Noise and Excessive Vibration Pollution Control) regulations 2009. These regulations require mandatory Environmental Impact Assessment (EIA) on all construction projects. The Authority ensures that EIA reports are done and approved before commencement of works on all projects.

With regard to effect on the land use resulting from the construction activities, the Authority continuously monitors the effectiveness of the environmental guidelines implementation to assure

satisfactory mitigation of adverse impacts from improper disposal of construction debris while maintaining a working relationship with KFS/KWS planners and specialists to control to advise and consent to more effective resource management strategies made necessary by improved access

3. **Employee welfare**

The Authority identifies its human capital as one of the most significant assets in fulfilling its mandate Consequently measures have been put in place to provide a conducive working environment safe guard the well-being of staff to enhance productivity A comprehensive medical cover for both outpatient and inpatient is in place for all the staff. 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. The Authority employees with skills for career development and personal growth. During the period under review, a total of fifty staff were trained for various short courses in addition Continuous Development Programs offered by various professional bodies

To enhance professionalism in our work, professional staff are encouraged to register with their respective professional bodies with the cost of subscription taken care of by the Authority The Authority continues to comply with the relevant government laws, regulations and policies. During the financial year 2019-2020, the Authority ensured compliance by submitting all the returns to the relevant regulatory institutions within the prescribed timelines

4. **Market place practices-**

(i) **Ethics and Integrity**

The Authority has an anti-corruption policy in place which is continuously updated. Around twenty Integrity officers are continuously trained and serve as the Authority's anti-corruption champions. Staff are required to commit to the Authority's code of conduct and declare conflict of interest. Wealth declaration forms are filled by all staff and directors every two years as per the existing government policy.

The authority maintains a transparent procurement process ensuring compliance with the relevant laws and regulations.

(ii) **Quality control measures**

The Authority is committed to adhering to the quality standards and ensures value for money in all its expenditure. The Authority has developed a total quality assurance system for implementation of projects and operations as a whole. The total quality system covers all the Authority's activities from policy and regulations, to construction norms and standards, contract supervision and workmanship. The Authority is ISO certified and continually improves its processes and uphold the quality standards in compliance with the ISO requirement.

5. Community Engagements-

(i) Community Welfare

Providing employment to community members is an incontestable benefit from road construction and maintenance. In an effort to achieve this, the road contractor is encouraged to recruit labor locally. This is often valid where a road is to be built using labor intensive technology. The Authority has put mechanism in place to ensure that local workers are recruited in preference to outside labor requiring equivalent qualifications and skills, hiring of unskilled and semi-skilled workers recruited from the local labor pool is gender neutral and ensuring that the wages paid to locally recruited workers are equivalent and competitive with wages paid to outside laborers.

During the financial year ended 30 June 2020, the Authority built ten (10) bus bays placed at strategic locations within the Nairobi Metropolis to shelter road users from adverse weather conditions

(ii) Stakeholder engagement

The Authority has in place a vibrant Community and Stakeholder Engagement framework that we continued to implement during the period under review. The Authority continued to engage the public in road prioritization and monitoring activities through sensitization forums. The Community engagement strategies deployed in this period were premised on creating awareness and public goodwill as well as collecting feedback on development and management of the National Urban Road Network. A total of Forty-Nine Stakeholder and community engagement forums were conducted

(iii) Collaboration and partnership

Strategic partnerships with Counties has also helped us expand the urban road network. This is coupled by the various measures that the Authority has put in place to garner goodwill with donors for continued funding and strict compliance to set regulatory framework to ensure that our operations continue to be implemented in the most sustainable manner.

Eng. Silas M. Kinoti

DIRECTOR GENERAL

REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements for the year ended 30th June 2020, 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 2020 are set out on page 2.

Directors

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

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

Secretary to the Board

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, 2020. 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, 2020, 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 _____ and signed on its behalf by:

Director	**Director General**	**Director**

REPUBLIC OF KENYA

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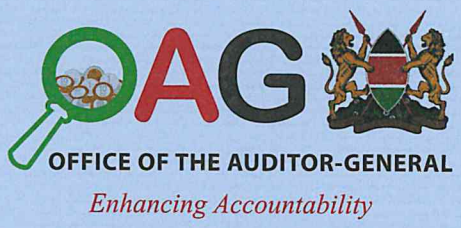

HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA URBAN ROADS AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kenya Urban Roads Authority set out on pages 1 to 35 which comprise the statement of financial position as at 30 June, 2020, 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, the financial statements present fairly, in all material respects, the financial position of the Kenya Urban Roads Authority as at 30 June, 2020, 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 Opinion

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 opinion.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Projects Behind Schedule

Review of sampled projects for physical verification in March, 2021 revealed that the following projects were behind schedule in completion as detailed out below: -

1.1. Rehabilitation of Old Malindi Road-KURA/DEV/LVSUR/317/2016-2017

The contract was awarded at a contract sum of Kshs.796,371,134 commencing from 13 September, 2017 for twenty (24) months and was expected to be completed by 13 September, 2019 and which was later revised to 10 June, 2020. However, physical verification conducted in March, 2021, revealed that the project was about 73% complete with project completion time exceeded by 9 months. This is an indication that the project may result in delays and cost escalation due to extension of time.

Consequently, the improved service delivery envisioned with its implementation could not be confirmed.

1.2. Garissa Township Roads Upgrades to Bitumen Standard and Performance Based Routine Maintenance

The contract was awarded at a contract sum of Kshs.483,366,251 with a project duration of twenty (24) months and expected to be completed by 11 November, 2018. However, as at the time of project inspection in March, 2021, the project was about 32% complete with the completion period exceeded by 30 months. There was no evidence that the contract was extended while the project is at risk of cost overruns due to the delays.

Consequently, the service delivery envisioned and value for money for the delayed project could not be confirmed.

1.3. Upgrading of Maua Town Roads KURA/DEV/LVSUR/265/2016-2017

The contract was awarded at a contract sum of Kshs.1,021,885,939 with initial project duration of twenty (24) months which was later revised to 48 months with expected completion date of 19 May, 2019. However, the contractor was unable to complete the project and the work was awarded to three assignees. Two of the three assignees had not completed their components as at March, 2020. As at 30 June, 2020 the project was 70% complete, twenty (22) months after the lapse of the completion date. Project

inspection conducted in March, 2021 revealed that the contractor was not on site. This is an indication that the project had stalled and was behind schedule.

Consequently, service delivery to the public and value for money for the unimplemented project could not be confirmed.

1.4. Other Projects Behind Schedule

Four (4) projects with total contract sums of Kshs.3,746,399,202 carried out at Thika and Nyahururu by-passes, Old Malindi road and Garissa Township roads were behind schedule for more than one-year an indication of uncertainty in their completion.

In the circumstances, value for money on the uncompleted projects could not be confirmed.

2. Lack of a Board Chairman

The Board operated without a Board Chairman during the year under review. This is contrary to the provisions Section 11(1)(a) of the Kenya Roads Board Act, 2007, which states that 'the Urban Roads Authority shall be managed by a Board which shall consist of the following members 'a non-executive Chairman who shall be appointed by the president from amongst the members appointed under paragraph (g)'.

The Authority is therefore in breach of the law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal 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 its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Authority or to cease operations.

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

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

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

27 January, 2022

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2019-2020 Kshs	2018-2019 Kshs
REVENUE			
Revenue from non-exchange transactions			
Road maintenance Levy Fund	6(a)	7,241,469,532	7,241,079,255
Grants from Exchequer and Other Government Agencies	6(b)	410,655,616	1,181,291,165
Penalties and levies	7	14,240,348	12,673,572
Total Revenue from non-exchange transactions		**7,666,365,496**	**8,435,043,992**
Revenue from exchange transactions			
Finance income	8	198,562,514	144,723,647
Other income	9	434,370	2,610,400
Total Revenue from exchange transactions		**198,996,884**	**147,334,047**
Total Revenue		**7,865,362,380**	**8,582,378,040**
EXPENDITURE			
Directors' expenses	10	30,944,517	28,165,735
Employment costs	11	1,057,663,320	1,044,576,058
Depreciation and amortization costs	12	54,709,821	100,983,482
General expenses	13	143,106,653	200,129,855
Repairs and maintenance	14	37,983,053	26,926,133
Road rehabilitation and maintenance costs	15	5,394,161,745	6,597,428,500
Total expenditure		**6,718,569,109**	**7,998,209,763**
Surplus for the year		**1,146,793,271**	**584,168,277**

The significant accounting policies on pages and the notes on pages 41 to 69 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	2019-2020 Kshs	2018-2019 Kshs
ASSETS			
Current assets			
Cash and cash equivalents	16	9,947,076,446	6,204,447,649
Receivables from exchange transactions	17	740,979,439	1,888,199,174
Receivables from non-exchange transactions	17	1,314,839,604	1,274,030,984
Inventories	18	25,297,412	15,455,637
Total Current asets		**12,028,192,901**	**9,382,133,444**
Non-current assets			
Property, plant and equipment	19	224,072,544	227,404,164
Infrastructure Work-In-Progress	20	99,519,572,731	87,915,893,669
Intangible assets	21	3,323,470	4,985,205
Total non-current assets		99,746,968,745	88,148,283,039
Total Assets		**111,775,161,645**	**97,530,416,482**
LIABILITIES			
Current liabilities			
Payables from exchange transactions	22	3,033,816,970	6,646,929,944
Payables from Non exchange transactions	22	40,199,827	101,590,120
Employee Benefits Obligations	22	42,684,653	37,984,800
Total current liabilities		**3,116,701,451**	**6,786,504,864**
Non-current liabilities			
Payables from exchange transactions	22	1,506,301,069	1,741,377,405
Total liabilities		**4,623,002,520**	**8,527,882,269**
Net assets		**107,152,159,126**	**89,002,534,213**
REPRESENTED BY:			
Revaluation Reserve		9,531,337	19,800,687
Accumulated surplus		7,359,872,045	6,202,809,424
Road assets reserve fund		99,782,755,744	82,779,924,102
Total Nets Assets and Liabilities		**107,152,159,126**	**89,002,534,213**

The significant accounting policies and the notes on pages 41 to 69 form an integral part of these financial statements. The financial statements on pages 36 to 69 were approved by the board of directors on _____ and were signed on its behalf by:

Eng. Silas M. Kinoti **Director General**	CPA Reuben Mayienda **Director corporate services** ICPAK Member No:4941	Henry M. Muriwa **Chairman of the Board**

STATEMENT OF CHANGES IN NET ASSETS

	Capital Reserve	Accumulated Surplus	Revaluation Reserve	Road Assets reserve Fund	Total
	Kshs	Kshs	Kshs	Kshs	Kshs
As at 1st July 2018	19,652,510	5,598,988,637	30,070,037	71,334,945,727	76,983,656,911
		(10,269,350)		10,269,350	-
Surplus for the year	-	584,168,277	-	-	584,168,277
Depreciation on Donated assests	(19,652,510)	19,652,510	-	-	-
Transfer of excess depreciation on revaluation		10,269,350	(10,269,350)	-	-
Grants from Exchequer	-	-	-	8,494,570,413	8,494,570,413
Grants from Development Partners	-	-	-	2,940,138,612	2,940,138,612
As at 30th June 2019	**-**	**6,202,809,424**	**19,800,687**	**82,779,924,102**	**89,002,534,213**
As at 1st July 2019	-	6,202,809,424	19,800,687	82,779,924,102	89,002,534,213
Surplus for the year	-	1,146,793,271	-	-	1,146,793,271
Transfer of excess depreciation on revaluation	-	10,269,350	(10,269,350)	-	-
Capital grants from RMLF	-	-	-	2,320,000,000	2,320,000,000
Grants from Exchequer	-	-	-	12,183,025,269	12,183,025,269
Grants from Development Partners	-	-	-	2,499,806,373	2,499,806,373
As at 30th June 2020	**-**	**7,359,872,045**	**9,531,337**	**99,782,755,744**	**107,152,159,126**

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

	Note	2019-2020 Kshs	2018-2019 Kshs
Cashflow from/(used in) operating activities	23	(1,570,293,495)	7,118,156,714
Cash flows from investing activities			
Interest Income	8	198,562,514	144,723,647
Purchases of Property Plant and equipment	19	(49,716,466)	(29,661,270)
Infrastructure work In progress	20	(11,603,679,062)	(17,116,542,157)
Net cash used in investing activities		(11,454,833,014)	(17,001,479,780)
Cash flows from Financing activities			
Movement in retention funds		(235,076,336)	403,568,497
Capital Grant received	6(d)	17,002,831,642	11,434,709,025
Net cash used from financing activities		16,767,755,306	11,838,277,522
Net increase in cash and cash equivalents		3,742,628,797	1,954,954,456
Cash and cash equivalents at start of year		6,204,447,649	4,249,493,193
Cash and cash equivalents at end of year	16	9,947,076,446	6,204,447,649

The significant accounting policies on pages and the notes on pages 41 to 69 form an integral part of these financial statements.

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT

FOR THE YEAR ENDED 30 JUNE 2020

	Original budget 2019-2020 Kshs	Adjustments 2019-2020 Kshs	Final budget 2019-2020 Kshs	Actual on comparable basis 2019-2020 Kshs	Performance difference 2019-2020 Kshs
REVENUE					
RMLF Funds	6,116,808,511	4,956,044,334	11,072,852,845	9,561,469,532	1,511,383,313
AIA -Interests and other incomes	65,000,000	-	65,000,000	213,237,232	(148,237,232)
County Government Funds	-	120,000,000	120,000,000	120,000,000	-
GOK exchequer-Development	9,043,635,732	3,430,045,153	12,473,680,885	12,473,680,885	-
Donor funds AIA	1,870,000,000	-	1,870,000,000	2,499,806,373	(629,806,373)
Total income	**17,095,444,243**	**8,506,089,487**	**25,601,533,730**	**24,868,194,022**	**733,339,708**
EXPENDITURE	-				
Property plant and Equipment	51,195,000	-	51,195,000	49,716,466	1,478,534
Board of Directors Expenses	36,178,600	-	36,178,600	30,944,517	5,234,083
Compensation to employees	1,247,863,739	-	1,247,863,739	1,057,663,320	190,200,419
Depreciation & Amortization Costs	50,000,000	-	50,000,000	54,709,821	(4,709,821)
Operating & other Administrative Costs	227,580,480	-	227,580,480	143,106,653	84,473,827
Repairs and maintenance	73,538,796	-	73,538,796	37,983,053	35,555,743
Road Rehabilitation & Maintenance Costs	4,545,451,896	5,076,044,334	9,621,496,230	5,394,161,745	4,227,334,485
Road Infrastructure Assets	10,913,635,732	3,430,045,153	14,343,680,885	11,603,679,062	2,740,001,823
Total expenditure	**17,145,444,243**	**8,506,089,487**	**25,651,533,730**	**18,371,964,637**	**4,539,567,270**
Surplus for the year	**(50,000,000)**	**-**	**(50,000,000)**	**6,496,229,385**	**(3,806,227,562)**
RECONCILIATION					
Surplus as per statement of budget and actual amounts				6,496,229,385	
Add:Purchase of Assets				49,716,466	
Add:Road infrastructure assets				11,603,679,062	
Less: Transfer to Road Assets Reserve				(17,002,831,642)	
Surplus as per statement of financial performance				**1,146,793,271**	

The significant accounting policies on pages and the notes on pages 41 to 69 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. Relevant new standards and amendments to published standards effective for the year ended 30 June 2020

Standard	Impact
IPSAS 40: Public Sector Combinations	**Applicable: 1st January 2019** The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3(applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations. This standard is not applicable to the

Standard	Impact
	Authority.
IPSAS 41: Financial Instruments	**Applicable: 1st January 2022:** 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. This standard is not relevant to the Authority and therefore has no impact on the Authority's financial statements.
IPSAS 42: Social Benefits	**Applicable: 1st January 2022** The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess: (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.
Other Improvements to IPSAS	**Applicable: 1st January 2021:** a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have

Standard	Impact
	been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets. d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard

ii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2020.

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 2019-2020 was approved by the National Assembly on 9th June 2019. 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 company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits

will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

(k) Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

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

(m) Construction contracts

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

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

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

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

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

(n) Impairment of Non-Financial Assets

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

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

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

(o) Inventories

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

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

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

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

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

(p) Cash and Cash Equivalents

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

(q) Nature and purpose of reserves

The Authority creates and maintains reserves in terms of specific requirements.
The net assets are made of up of designated funds and accumulated reserve which are explained as follows:

i. **Road projects reserve funds** which relates to cumulative exchequer and development partners' funds received for development projects which currently stands. This represents the Authority's Investment in Road works to 30 June 2020.

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

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

(r) Changes in accounting policies and estimates

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

(s) Employee Benefits

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

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

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

(t) Comparatives

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

(u) Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2020

5. Critical Accounting Estimates, Judgements and Assumptions

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

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the

circumstances. Although these estimates are based on the directors' knowledge of current events and actions, actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

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

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

(b) Critical Accounting Estimates and Assumptions

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

(i) Contingent Liabilities

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

(ii) Provision for Doubtful Debts

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

(iii) Other Provisions

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

(iv) Impairment Losses

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

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

6. Government Grants and Subsidies

a) Road maintenance Levy Fund

	2019-2020 Kshs	2018-2019 Kshs
Road Maintenance Levy Fund (15%)	6,116,808,511	5,825,531,915
Road Maintenance Levy Fund(10% Special Allocation)	3,444,661,021	1,415,547,340
Total Road Maintenance Levy Fund	**9,561,469,532**	**7,241,079,255**
Transfer to Road Assets Reserve	(2,320,000,000)	-
Total Road Maintenance Levy Fund	**7,241,469,532**	**7,241,079,255**

Road Maintenance Levy Fund (RMLF) comprise of 15% 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.

Transfer to road reserve relates to the capital grant received during the year. It relates to development projects under RMLF and is accounted for through statement of net assets.

b) Transfers from Central Government and other government agencies

Decongestion and GES Programmes	290,655,616	481,291,165
County Government grants	120,000,000	700,000,000
Development Funds	12,183,025,269	8,494,570,413
Total	12,593,680,885	9,675,861,578
Transfer to Road Assets Reserve	(12,183,025,269)	(8,494,570,413)
Total Revenue	410,655,616	1,181,291,165

	2019-2020 Kshs	2018-2019 Kshs
c) Development Partner Grants		
African Development Bank (AfDB)	877,179,659	1,311,924,010
Japanese International Cooperation Agency(JICA)	1,426,006,201	969,919,930
World Bank	-	338,294,720
European Union	196,620,513	319,999,952
Total Funds	2,499,806,373	2,940,138,612
Transfer to Road Assets Reserve	(2,499,806,373)	(2,940,138,612)
Total Revenue	-	-

d) Transfers from Ministries, Departments and Agencies

Name of agency	Amount recognised in the statement of financial performance Ksh	Amount deferred under deferred income Ksh	Amount recognised in development fund Ksh	Total grant income during the year 2019-2020 Ksh	2018-2019 Ksh
Kenya Roads Board (15% RMLF)	6,116,808,511	-	-	6,116,808,511	5,825,531,915
Kenya Roads Board(10% RMLF)	1,124,661,021	-	2,320,000,000	3,444,661,021	1,415,547,340
State Department of infrastructure	290,655,616	-	12,183,025,269	12,473,680,885	8,975,861,578
County Government of Kisii	20,000,000	-	-	20,000,000	-
Nairobi County Government	100,000,000	-	-	100,000,000	700,000,000
Sub Total	**7,241,469,532**	**-**	**14,503,025,269**	**22,155,150,417**	**16,916,940,833**
ii) Transfers from Development partners:					
African Development Bank (AfDB)	-	-	877,179,659	877,179,659	1,311,924,010
Japanese International Cooperation Agency(JICA	-	-	1,426,006,201	1,426,006,201	969,919,930
World Bank	-	-	-	-	338,294,720
European Union	-	-	196,620,513	196,620,513	319,999,952
Sub Total	**-**	**-**	**2,499,806,373**	**2,499,806,373**	**2,940,138,612**
Total grants	**7,241,469,532**	**-**	**17,002,831,642**	**24,654,956,790**	**19,857,079,445**

	2019-2020 Kshs	2018-2019 Kshs
7. Licences, Penalties and Levies		
Donated Vehicles (NCIP)	-	2,563,612
Liquidated Damages	9,560,348	6,839,960
Road cutting fees	4,680,000	3,270,000
Total	**14,240,348**	**12,673,572**
8. Finance Income		
Interest on bank deposits	198,562,514	144,723,647
9. Other Income from Exchange Transactions		
Tender sales	28,000	38,000
Other Income	406,370	2,572,400
Total Other Income	**434,370**	**2,610,400**
10. Directors' Expenses		
Directors' Emoluments	8,826,142	6,802,734
Training and Development	7,319,184	7,345,322
Travelling and other field costs	14,799,191	14,017,679
Total directors' expenses	30,944,517	28,165,735
11. Employment Costs		
Salaries and wages	798,554,601	762,755,336
Pension and Garatuity costs	85,492,193	78,926,114
Medical and Insurance	79,355,851	75,872,717
Training and Development	23,007,367	34,332,244
Travelling and subsistence	69,603,647	91,753,656
Other Staff Welfare costs	1,649,661	935,991
Total employment costs	**1,057,663,320**	**1,044,576,058**
12. Depreciation and amortisation costs		
Depreciation on Property Plant and Equipment	53,048,086	57,027,435
Armotisation of Intangible Assets	1,661,735	43,956,047
	54,709,821	100,983,482

	2019-2020 Kshs	2018-2019 Kshs
13. Other administrative expenses		
Audit fees	2,900,000	2,900,000
Consulting fees	8,794,869	3,405,032
Conference and seminars	21,026,016	25,449,590
Communication costs	5,024,862	9,897,326
Vehicle running expenses	7,307,452	13,166,727
Printing and stationery	8,300,086	19,186,475
Occupancy costs	58,961,007	79,235,450
Advertising , publicity and CSR activities	13,357,695	11,547,568
Bank charges and commissions	1,541,782	1,477,812
Other office running costs	15,892,884	33,863,875
Total General Expenses	**143,106,653**	**200,129,855**
14. Repairs and maintenance		
Equipment and Machinery	14,586,071	6,544,549
Motor vehicles	12,292,123	10,850,084
Computer and accessories	11,104,859	9,531,500
Total Repairs and Maintenance Costs	37,983,053	26,926,133
15. Road Maintenance and Rehabilitation Costs		
Routine maintenance	1,147,297,251	2,097,860,859
Periodic maintenance	3,770,913,310	3,185,995,573
Decongestion programme	290,655,616	481,291,165
County Roads	100,000,000	700,000,000
Consultancy, Planning, Feasibility ESIA Costs	10,654,470	46,670,494
Road Safety and Children's Traffic Parks Costs	9,920,488	45,718,980
Road Furniture and Road Marking	11,720,814	10,515,243
Traffic census and forward planning	4,671,891	2,052,553
Axle load control costs	4,898,812	7,829,464
Road reserve mapping and control costs	1,035,422	6,268,639
Design inhouse	6,580,815	1,323,663
Special Programmes and environmental awareness costs	12,599,386	11,901,866
Intelligent Traffic Management System Costs	23,213,470	-
Total road maintenance and Rehabilitation expenses	**5,394,161,745**	**6,597,428,500**

	2019-2020 Kshs	2018-2019 Kshs
16. Cash and cash equivalents		
Current accounts	9,646,807,054	5,904,284,117
Staff Mortgage Fund	300,000,000	300,000,000
Cash in hand	269,392	163,533
	9,947,076,446	6,204,447,649

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

KCB Bank Limited	6,928,896,699	4,136,119,159
National Bank of Kenya	1,189,952,333	575,448,789
Co-operative Bank of Kenya	1,527,958,023	1,492,716,151
Total current accounts	9,646,807,054	6,204,284,099
Staff Mortgage Fund		
KCB Bank Limited	300,000,000	300,000,000
Others		
Cash in Hand	269,392	163,533

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.

17. Receivables

a) Receivables From Exchange Transactions		
Contractor advances	740,979,439	1,888,199,174
b) Receivables From Non-Exchange Transactions		
Staff Debtors	2,596,363	1,629,673
Grants Receivable-RMLF	1,309,598,279	1,269,756,350
Deposits and other prepayments	2,644,962	2,644,962
Total Receivables From Non-Exchange Transactions	**1,314,839,604**	**1,274,030,984**
Total receivables	2,055,819,043	3,162,230,158

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

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	-	-	740,979,439	740,979,439
Staff Debtors	2,596,363	-	-	2,596,363
Grants Receivable	1,133,671,659	175,926,620	-	1,309,598,279
Deposits & Other Prepayments	2,644,962	-	-	2,644,962
Total	**1,138,912,984**	**175,926,620**	**740,979,439**	**2,055,819,043**

	2019-2020 Kshs	2018-2019 Kshs
18. Inventories		
Consumable supplies	25,297,412	15,455,637

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

	Furniture and Fittings Kshs	Computers and Technical Equipment Kshs	Motor Vehicles Kshs	Total Kshs
Cost/ Valuation				
As at 1st July 2018	152,401,677	56,209,463	111,902,601	320,513,741
Additions during the year	8,998,543	7,067,528	13,595,200	29,661,270
As at 30 June 2019	**161,400,220**	**63,276,990**	**125,497,801**	**350,175,011**
Additions during the year	30,737,290	8,449,176	10,530,000	49,716,466
As at 30 June 2020	**192,137,510**	**71,726,166**	**136,027,801**	**399,891,477**
Depreciation				
As at 1st July 2018	19,050,210	18,717,551	27,975,650	65,743,411
Charge for the Year	18,023,610	14,623,287	24,380,538	57,027,435
As at 30 June 2019	**37,073,820**	**33,340,838**	**52,356,188**	**122,770,846**
Charge for the Year	19,355,477	12,774,706	20,917,903	53,048,086
As at 30 June 2020	**56,429,297**	**46,115,545**	**73,274,091**	**175,818,933**
Net Book Value				
As at 30 June 2020	**135,708,213**	**25,610,621**	**62,753,710**	**224,072,544**
As at 30 June 2019	**124,326,400**	**29,936,152**	**73,141,613**	**227,404,164**

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

20. Infrastructure Work In Progress

	2019-2020 Kshs	2018-2019 Kshs
As at 1st July	87,915,893,669	70,799,351,512
Additions during the year	11,603,679,062	17,116,542,157
As at 30 June	**99,519,572,731**	**87,915,893,669**

21. Intangible Assets

	2019-2020 Ksh	2018-2019 Ksh
Cost/ Valuation		
As at start of the year	156,338,767	156,338,767
Depreciation		
As at start of the year	151,353,562	107,397,515
Charge for the year	1,661,735	43,956,047
As at end of the year	**153,015,297**	**151,353,562**
Net Book Value		
As at 30 June	**3,323,470**	**4,985,205**

22. Payables

a) Payables from Exchange Transactions		
Current		
Due to Suppliers and Contractors	3,007,419,470	6,623,702,444
Refundable Deposits	26,397,500	23,227,500
	3,033,816,970	**6,646,929,944**
Non Current		
Contract Retention	1,506,301,069	1,741,377,405
Total Payables from Exchange Transactions	**4,540,118,039**	**8,388,307,349**
b) Payables from Non-Exchange Transactions		
Taxes payable	40,199,827	101,590,120
Total Payables from Non-Exchange Transactions	**40,199,827**	**101,590,120**
c) Employee Benefits Obligations		
Staff gratuity	31,184,263	26,903,028
Other Staff statutory obligations	11,500,391	11,081,773
Total Employee Benefits Obligations	**42,684,653**	**37,984,800**
Total Payables	**4,623,002,520**	**8,527,882,269**

23. Cash generated from operations

	Note	2019-2020 Kshs	2018-2019 Kshs
Surplus for the year		1,146,793,271	584,168,277
Adjustments for:			
Depreciation of property, plant and equipment	12	53,048,086	57,027,435
Armotisation of intangible assets	12	1,661,735	43,956,047
Interest Income		(198,562,514)	(144,723,647)
Changes in operating assets and liabilities			
Receivables from exchange transactions		1,147,219,735	665,939,664
Receivables from non exchange transactions		(40,808,620)	1,955,513,747
Inventories		(9,841,775)	(8,483,680)
Payables from exchange transactions		(3,613,112,974)	3,872,332,811
Payables from Non-exchange transactions		(61,390,293)	81,591,451
Employee benefit obligation		4,699,853	10,834,610
Net cash from operating activities		(1,570,293,495)	7,118,156,714

24. Financial risk management objectives and policies

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

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

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

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

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

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

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

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

The financial management objectives and policies are as outlined below:

a) Liquidity Risk

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

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

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

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

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

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

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

Year Ended 30 June 2020

	Less Than 1 Month Ksh	Between 1-3 Months Ksh	Between 3-12 Months Ksh	Over One Year Ksh
Due to Suppliers and Contractors	-	-	3,007,419,470	-
Refundable Deposits	-	-	26,397,500	-
Contract Retention	-	-	-	1,506,301,069
Defered Revenue		-	-	-
Taxes payable	40,199,827	-	-	-
Employee Benefits obligations	42,684,653	-	-	-
Total	**82,884,481**	**-**	**3,033,816,970**	**1,506,301,069**

Year Ended 30 June 2019

	Less Than 1 Month Ksh 000'	Between 1-3 Months Ksh 000'	Between 3-12 Months Ksh 000'	Over One Year Ksh 000'
Due to Suppliers and Contractors	-	-	6,623,702,444	-
Refundable Deposits	-	-	23,227,500	-
Contract Retention	-	-	-	1,741,377,405
Tax payable	101,590,120	-	-	-
Employee Benefits obligations	37,984,800	-	-	-
Total	**139,574,921**	**-**	**6,646,929,944**	**1,741,377,405**

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 2020

	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	1,133,671,659	175,926,620	-	1,309,598,279
Deposits & Other Prepayments	2,644,962			2,644,962
Cash at Bank	9,947,076,446	-	-	9,947,076,446
Gross Financial Assets	**11,826,968,869**	**175,926,620**	-	**12,002,895,489**

Year Ended 30 June 2019

	Fully Performing	Past Due But Not impaired	Past due and Impaired	Total
	Ksh	Ksh	Ksh	Ksh
Contractor advances	1,888,199,174	-	-	1,888,199,174
Staff Debtors	1,629,673	-	-	1,629,673
Grants Receivable	1,093,829,730	175,926,620	-	1,269,756,350
Deposits & Other Prepayments	2,644,962	-	-	2,644,962
Cash at Bank	6,204,447,649	-	-	6,204,447,649
Gross Financial Assets	9,190,751,188	175,926,620	-	9,366,677,809

c) Operational Risk

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

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

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

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

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

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

d) Compliance and Regulatory Risk

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

e) Legal Risk

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

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

25. Explanation for budget variances

The original budget for FY 2019-2020 was approved by the National Assembly on 9th June 2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities.

Budget Item	2019-2020	2019-2020	Budget Performance	Explanation for variance
REVENUE				
a) RMLF Funds	11,072,852,845	9,561,469,532	-14%	Revcised ceilings
b) AIA -Interests and other incomes	65,000,000	213,237,232	228%	Additional interest from increased retention funds
c) GOK exchequer	12,473,680,885	12,473,680,885	0%	No variance
d) Donor funds AIA	1,870,000,000	2,499,806,373	34%	Increased absorption of funds
EXPENDITURE				
e) Property plant and Equipment	51,195,000	49,716,466	-3%	No significant variance
g) Board of Directors Expenses	36,178,600	30,944,517	-14%	Reduced activity due to covid containment measures
h) Compensation to employees	1,247,863,739	1,057,663,320	-15%	Reduced activity due to covid containment measures
i) Depreciation & Amortization Costs	50,000,000	54,709,821	9%	No significant variance
j) Operating & other Administrative Costs	227,580,480	143,106,653	-37%	Reduced activity due to covid containment measures
k) Repairs and maintenance	73,538,796	37,983,053	-48%	Reduced activity due to covid containment measures
l) Road Rehabilitation & Maintenance Costs	9,621,496,230	5,394,161,745	-44%	Reduced activity due to covid containment measures
m) Road Infrastructure Assets	14,343,680,885	11,603,679,062	-19%	Reduced activity due to covid containment measures

26. 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.

	2019-2020 Kshs	2018-2019 Kshs
(a) Related party transactions		
The following transactions were carried out with related parties during the year.		
(a)Grants from the Government		
Grants from National Government	22,035,150,417	16,216,940,833
Grants from county government	120,000,000	700,000,000
	22,155,150,417	16,916,940,833
(b) Key management personnel compensation		
Directors emoluments	8,826,142	6,802,734
Compensation to the Ag. DG	10,150,034	9,104,720
Compensation to the key management	198,073,108	199,118,422
	217,049,284	215,025,876

(b) Outstanding balances arising from non-exchange transactions

The following were outstanding balances with related parties as at 30th June 2020

Receivable from related parties	1,309,598,279	1,269,756,350
Payable to related parties	31,184,263	26,903,028
Receivables from related parties can be analysed as follows:		
Road maintenance Levy (RMLF)	1,309,598,279	1,269,756,350
	1,309,598,279	1,269,756,350
Payables to related parties can be analysed as follows:		
Key management personnel	31,184,263	26,903,028

27. 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.

28. Capital Commitments

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

29. Currency

The financial statements are presented in Kenya Shillings (Kshs)

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

The Authority received an unqualified report for the financial year 2018-2019. All audit matters raised during the audit were resolved and closed during the audit.

APPENDIX 2: DEVELOPMENT PARTNERS PROJECTS IMPLEMENTED BY THE AUTHORITY

Project title	Project Number	Donor	Period/ duration	Donor Commitment (Total)	Separate Donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1. National Urban Improvement Project	IDA 5140-KE	World Bank	7 years	2,255,464,221.60	YES	YES
2. Nairobi Outer Ring Road Improvement Project.	P-KE-DB0-020	AfDB	5 years	7,553,819,905.45	YES	YES
3. Nairobi Missing Link Roads and Non-Motorised Transport Facilities - Kenya Project	KE/FED/022-51	EU	7 years	3,239,476,730.00	YES	YES
4.The Project for dualling of Nairobi – Dagoretti Corner Road C60/C61 (Phase 1) - Kenya	NO. 24–VJ-174	JICA	18 Months	1,341,943,019	YES	YES
5.The Project for dualling of Nairobi – Dagoretti Corner Road C60/C61 (Phase 2) - Kenya	NO. 24–VJ-174	JICA	18 Months	1,341,943,019	YES	YES

APPENDIX 3: INTER ENTITY TRANSFERS-STATE DEPARTMENT OF INFRASTRUCTURE

i) ROAD MAINTENANCE LEVY

Date Received	Agency	Financial Year	Amount	Satatement of Financial Performamnce	Satatement of Financial Position	
					Receivables	Road Assets Reserve
September 16, 2019	Kenya Roads Board	2018-2019	961,446,427	-	961,446,427	-
September 16, 2019	Kenya Roads Board	2018-2019	132,383,303	-	132,383,303	-
October 15, 2019	Kenya Roads Board	2019-2020	1,529,202,128	1,529,202,128	-	-
October 15, 2019	Kenya Roads Board	2019-2020	2,330,000,000	10,000,000	-	2,320,000,000
December 13, 2019	Kenya Roads Board	2019-2020	1,529,202,128	1,529,202,128	-	-
December 13, 2019	Kenya Roads Board	2019-2020	50,265,916	50,265,916	-	-
March 19, 2020	Kenya Roads Board	2019-2020	40,000,000	40,000,000	-	-
April 14, 2020	Kenya Roads Board	2019-2020	972,562,121	972,562,121	-	-
May 27, 2020	Kenya Roads Board	2019-2020	1,529,202,128	1,529,202,128	-	-
May 27, 2020	Kenya Roads Board	2019-2020	31,832,984	31,832,984	-	-
June 24, 2020	Kenya Roads Board	2019-2020	395,530,468	395,530,468	-	-
June 24, 2020	Kenya Roads Board	2019-2020	20,000,000	20,000,000	-	-
6/30/2020-Accrual	Kenya Roads Board	2019-2020	1,133,671,659	1,133,671,659	1,133,671,659	-
Total			**10,655,299,262**	**7,241,469,532**	**2,227,501,389**	**2,320,000,000**

ii) DEVELOPMENT EXCHEQUER RECEIPTS

Dater Received	Description	GoK Amount	Satatement of Financial Performamnce	Satatement of Financial Position	
				Receivables	Road Assets Reserve
4-Jul-19	State Department of Infrastructure	210,000,000	-	-	210,000,000
9-Oct-19	State Department of Infrastructure	720,000,000	290,655,616	-	429,344,384
9-Oct-19	State Department of Infrastructure	1,892,454,014	-	-	1,892,454,014
9-Oct-19	State Department of Infrastructure	1,157,885,120	-	-	1,157,885,120
7-Feb-20	State Department of Infrastructure	155,533,612	-	-	155,533,612
3-Feb-20	State Department of Infrastructure	1,761,377,320	-	-	1,761,377,320
3-Feb-20	State Department of Infrastructure	968,701,513	-	-	968,701,513
24-Jun-20	State Department of Infrastructure	70,000,000	-	-	70,000,000
11-Jun-20	State Department of Infrastructure	381,152,213	-	-	381,152,213
26-May-20	State Department of Infrastructure	2,127,273,759	-	-	2,127,273,759
26-May-20	State Department of Infrastructure	101,709,313	-	-	101,709,313
24-Jun-20	State Department of Infrastructure	2,488,179,810	-	-	2,488,179,810
24-Jun-20	State Department of Infrastructure	439,414,210	-	-	439,414,210
Total Exchequer Receipts		12,473,680,885	290,655,616	-	12,183,025,269

iii) DEVELOPMENTPARTNERS RECEIPTS (DIRECT PAYMENTS)

Date of Payment	Description	Amount	Satatement of Financial Performamnce	Satatement of Financial Position	
				Receivables	Road Assets Reserve
30-Aug-19	European Union	30,135,821	-	-	30,135,821
9-Apr-20	European Union	56,134,374	-	-	56,134,374
9-Apr-20	European Union	13,865,626	-	-	13,865,626
9-Apr-20	European Union	31,589,907	-	-	31,589,907
9-Jul-20	European Union	26,218,530	-	-	26,218,530
7-Jul-20	European Union	22,388,150	-	-	22,388,150
Jul-20	European Union	16,288,104	-	-	16,288,104
Sub-total		**196,620,513**	-	-	**196,620,512.96**
6-Dec-19	African Development Bank (AfDB)	9,729,617			9,729,617
13-Sep-19	African Development Bank (AfDB)	11,934,374			11,934,374
13-Sep-19	African Development Bank (AfDB)	11,592,499			11,592,499
13-Sep-19	African Development Bank (AfDB)	10,551,318			10,551,318
19-Sep-19	African Development Bank (AfDB)	7,980,813			7,980,813
16-Sep-19	African Development Bank (AfDB)	203,291,489			203,291,489
23-Sep-19	African Development Bank (AfDB)	119,122,540			119,122,540
23-Sep-19	African Development Bank (AfDB)	207,033,461			207,033,461
6-Dec-19	African Development Bank (AfDB)	1,794,880			1,794,880
23-Sep-19	African Development Bank (AfDB)	161,658,157			161,658,157
27-Jan-20	African Development Bank (AfDB)	107,595,641			107,595,641
27-Jan-20	African Development Bank (AfDB)	24,894,871			24,894,871
Sub-total		**877,179,659**			**877,179,659.30**
31-Oct	Japan International Cooperation Agency (JICA)	682,509,600			682,509,600
12-Mar	Japan International Cooperation Agency (JICA)	470,421,600			470,421,600
4-Jun	Japan International Cooperation Agency (JICA)	233,505,840			233,505,840
12-Mar	Japan International Cooperation Agency (JICA)	26,261,286			26,261,286
11-Jun	Japan International Cooperation Agency (JICA)	13,307,875			13,307,875
Sub-total		**1,426,006,201**	-	-	**1,426,006,200.82**
Total Development Partners Receipts		**2,499,806,373**	-	-	**2,499,806,373.08**

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

Head of Finance
Kenya Urban Roads Authority

Head of Accounting Unit
State Department of Infrastructure