

REPUBLIC OF KENYA



**OFFICE OF THE AUDITOR-GENERAL**

*Enhancing Accountability*



REPORT NATIONAL ASSEMBLY	
DATE: 09 MAR 2023	Thursday
TABLED BY: OF	Hon. Naomi Wago, MP. (Deputy Majority Whip)
CLERK-AT-THE-TABLE:	Joyce Lemelette

**THE AUDITOR-GENERAL**

**ON**

**KENYA NATIONAL  
HIGHWAYS AUTHORITY -  
ROAD MAINTENANCE LEVY FUND**

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







**Kenya National Highways Authority**

*Quality Highways, Better Connections*

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***KENYA NATIONAL HIGHWAYS AUTHORITY***

**ANNUAL FINANCIAL STATEMENTS FOR ROAD MAINTENANCE LEVY FUND**

**FOR THE YEAR ENDING**

**30<sup>TH</sup> JUNE 2021**

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

**KENYA NATIONAL HIGHWAYS AUTHORITY**  
**Annual Report and Financial Statements For Road Maintenance Levy Fund**  
**For the year ended 30<sup>th</sup> June 2021**

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**1. KEY ENTITY INFORMATION AND MANAGEMENT**

**(a) Background information**

The Authority was established vide the Kenya Roads Act, 2007. The Authority is under the State Department of Infrastructure in the Ministry of Transport, Infrastructure, Housing, Urban Development & Public Works for the general policy and strategic direction.

**(b) Principal Activities**

The principal activity/mission of the Authority is to manage, develop, rehabilitate, and maintain the national road network.

**(c) Key Management**

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

**(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2021 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Director General	Eng. Peter M. Mundinia, EBS
2.	Director, Highway Planning and Design	Eng. Samuel O. Omer
3.	Director, Development	Eng. David Muchilwa
4.	Director, Policy, Strategy & Compliance	Eng. Njuguna Gatitu
5.	Director, Corporate Services	CPA James Bowen
6.	Director, Audit Services	CPA. William Masita (resigned on 15 <sup>th</sup> September 2020)
7.	Director, Audit Services	Dr. CPA. Sammy Kimunguyi (appointed 11 <sup>th</sup> March, 2021)
8.	Director, Road Asset & Corridor Management	Eng. Kungu Ndungu
9.	Corporation Secretary/Deputy Director, Head Legal Services	Ms. Norah Odingo-Kajwang'
10.	Deputy Director, Head Supply Chain Management	Ms Levina Wanyonyi

**(e) Fiduciary Oversight Arrangements**

No.	Designation	Name
1.	Chairman ( <i>non-executive</i> )	Eng. Wangai Ndirangu, MIEK, RCE
2.	Director	Mr. Charles Gathogo
3.	Director	Mr. Protus Sigei, Alternate to CS National Treasury
4.	Director	Mr. George Wanjau; Alternate to PS State Department for Transport
5.	Director	Eng. Carey O. Orege, CBS
6.	Director	Eng. Francis Gitau: Alternate to PS Infrastructure
7.	Director	FCCA Julius W Mwatu (appointed 18th November, 2020)
8.	Director	Ms. Winfrida W. Ngumi (appointed 18th November, 2020)
9.	Director	Ms. Brenda N. Mayabi (appointed 18th November, 2020)
10.	Director General/Board Secretary ( <i>ex-officio member</i> )	Eng. Peter M. Mundinia, EBS

The Board of Directors constituted four Board Committees which included the Technical and Strategy Committee, the Finance, Human Resource and General Purpose Committee, the Audit, Risk and Governance Committee and the Procurement and Disposal Oversight Committee. The Finance, Human Resource and General Purpose Committee, and the Audit, Risk and Governance Committee are responsible for the fiduciary oversight of the Authority.

Their key responsibilities are outlined below:

**i) Finance, Human Resource and General Purpose Committee**

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

- Review, approve and/or recommend for Board's approval;
  - 1) Financial, Human Resources, ICT, Legal & Regulatory Affairs and Corporate Communications policies and procedures,
  - 2) Estimates of receipts and expenditures including their revisions,
  - 3) Re-allocation of funds between budget heads,
  - 4) Special funding proposals including borrowings and grants,
  - 5) Proposals for opening bank accounts,
  - 6) Proposals for investments and their returns,
  - 7) Annual Corporate Social Responsibility activities and
  - 8) Staff terms and conditions of service.



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

**ii) Audit, Risk and Governance Committee**

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

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

**iii) Technical and Strategy**

This is a committee of the Board whose key responsibilities are review, approve and/or recommend for Board's approval;

- 1) Proposals formulated by Management for re-classification of a roads.
- 2) The road works programme formulated by Management, for all national roads.
- 3) The viability of Private Public Partnerships.

**iv) Procurement and Disposal Oversight Committees**

This is a committee of the Board whose key responsibilities are to review, approve and/or recommend for Board's approval: -

- 1) The consolidated Annual Procurement and Disposal Plans;
- 2) Revision of the approved Consolidated Procurement Plans;
- 3) Quarterly procurement reports;
- 4) Procurement of goods, services and projects that would require external financing;
- 5) Proposals for contract awards for strategic procurements;
- 6) Awarded contracts are complying with the law;
- 7) Implementation of the Procurement Plan.

**v) Office of the Auditor General**

The Annual Report and Financial Statements of the Kenya National Highways Authority are audited in accordance with Article 229 *sub article 7* of the Constitution of Kenya and Section 35 of the Audit Act 2015

**vi) Kenya Road Board (KRB)**

KRB has a mandate to ensure prudent Road Fund Management in the provision of a quality, efficient and sustainable road network. The Board oversee and coordinate Road Maintenance, Rehabilitation and development through Optimal Utilization of resources for a sustainable Road Network. Some of the key responsibilities include;

- 1) Co-ordinate the optimal utilization of the Fund in implementation of programs relating to the maintenance, rehabilitation and development of the road network;
- 2) Seek to achieve optimal efficiency and cost effectiveness in road works funded by the Fund;
- 3) Manage the fund;
- 4) Based on five-year road investment program approved by the Cabinet Secretary and the Cabinet Secretary for Finance, determine the allocation of financial resources from any other source available to the Board required by road agencies for the maintenance, rehabilitation and development of the road network to ensure that the allocation of funds is pegged to specific categories of roads.
- 5) Monitor and evaluate, by means of technical, financial and performance audits, the



- delivery of goods, works and services funded by the Fund;
- 6) Recommend to the Cabinet Secretary appropriate levels of road user charges, fines, penalties, levies or any sums required to be collected under the Road Maintenance Levy Fund Act, 1993 and paid into the Fund;
  - 7) Recommend to the Cabinet Secretary such periodic reviews of the fuel levy as are necessary for the purposes of the Fund;
  - 8) Identify, quantify and recommend to the Cabinet Secretary such other potential sources of revenue as may be available to the Fund for the development, rehabilitation and maintenance of roads.
  - 9) To conduct financial management supervision and offer project implementation support
  - 10) Review of quarterly Interim Financial Reports
  - 11) Commission independent auditors to undertake financial and technical review of projects they have financed.

**(vii) The Public Investments Committee**

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

Its key responsibilities as appertains to the Authority are to;

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

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

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**(f) Kenya National Highways Authority Headquarters**

**Nairobi, Kenya**

Barabara Plaza, Blocks A & C, Jomo Kenyatta International Airport (JKIA), Nairobi,  
Off Mazao Road  
P.O. Box 49712  
GPO 00100  
**Nairobi, Kenya**

**(g) Kenya National Highways Authority Contacts**

Telephone: (254) 02 8013842  
E-mail: [dg@kenha.co.ke](mailto:dg@kenha.co.ke)  
Website: [www.kenha.co.ke](http://www.kenha.co.ke)

**(h) Kenya National Highways Authority Bankers**

1. Kenya Commercial Bank Limited  
Moi Avenue Branch  
P.O Box 30081  
GPO 00100  
**Nairobi, Kenya**

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

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

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

4. NCBA Bank  
NCBA House  
P.O Box 44599  
GPO 00100  
**Nairobi, Kenya**

**(i) Independent Auditors**




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

**(j) Principal Legal Adviser**

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



**2. THE BOARD OF DIRECTORS/COUNCIL**





Director	Brief Profile
 <p>1. Eng. Wangai Ndirangu, MIEK, RCE Chairman</p>	<p>Date of Birth: 20<sup>th</sup> September, 1973            Member of the Institution of Engineers of Kenya,            Registered Consulting Engineer            Master of Science (Water Engineering)            Bachelor of Technology in Civil &amp; Structural            Engineering            Lecturer, at Jomo Kenyatta University of            Agriculture &amp; Technology &amp; Consultant in Water            Resources and Engineering            21 years of management experience</p>
 <p>2. Mr. Charles R. Gathogo Director</p>	<p>Date of Birth: 24<sup>th</sup> February 1966            Member of Institute of Surveyors of Kenya            Licensed Land Surveyor and GIS Consultant            Master of Science (Cadastral Application)            Bachelor of Science (Survey and Photogrammetry)            23 years of Private Sector Management experience            in Engineering Survey, Cadastral Surveying and            planning.  <i>(Re-appointed 18<sup>th</sup> November, 2020)</i></p>
 <p>3. Eng. Carey O. Orege, CBS Director</p>	<p>Date of Birth: 14<sup>th</sup> October, 1955            Registered Consulting Engineer,            Member of Institution of Engineers of Kenya            Master of Science (Highway Engineering)            Bachelor of Science (Civil Engineering)            41 years of management experience</p>

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 <p>4. FCPA Julius W Mwatu Director</p>	<p>Date of Birth: 9<sup>th</sup> December, 1972          Fellow of the Institute of Certified Public Accountants of Kenya (ICPAK),          Member of the Institute of Certified Secretaries (ICS),          Member of the Institute of Certified Investment &amp; Financial Analysts (ICIFA)          Master of Business Administration (Finance)          Bachelor of Science (Statistics)          20 years of experience specialising in audit, tax, finance and integrated reporting.  <i>(Appointed 18<sup>th</sup> November, 2020)</i></p>
 <p>5. Ms. Winfrida W. Ngumi Director</p>	<p>Date of Birth: 22<sup>nd</sup> December, 1974          Member of the Architectural Association of Kenya          Member of the Kenya Association of Manufacturers, Kenya Private Sector Alliance          Bachelor of Architecture (Hons)          18 years of experience in the building, construction and manufacturing industry  <i>(Appointed 18<sup>th</sup> November, 2020)</i></p>
 <p>6. Ms. Brenda N. Mayabi Director</p>	<p>Date of Birth: 25<sup>th</sup> June, 1992          Member of the Law Society of Kenya, and the East African Law Society          Bachelor of Laws (Hons)  <i>(Appointed 18<sup>th</sup> November, 2020)</i></p>
 <p>7. Eng. Francis Gitau Director-Alternate to PS (Infrastructure)</p>	<p>Date of Birth: 1965          Member of the Institution of Engineers of Kenya          Executive Master of Business Administration          Bachelor of Science (Civil Engineering)          Advanced Professional Training in Management of Road Maintenance (Aachen University, Germany)          Chairman, Mechanical Transport Fund          33 years of management experience</p>



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 <p>8. Mr. Protus Sigei          Director – Alt. to CS (National Treasury)</p>	<p>Date of Birth: 1<sup>st</sup> December 1965          Master of Science          Bachelor of Arts (Hons) (Economics with Mathematics)          Member of the Society for Benefit-Cost Analysis          Graduate of the Australian Institute of Company Directors (GAICD)          21 years of experience in Board directorship.</p>
 <p>9. Mr. George Wanjau          Director – Alt. to PS (Transport)</p>	<p>Date of Birth: 19<sup>th</sup> January, 1962          Economist and Urban Transport Planner.          Master of Science (Project Planning &amp; Financing)          Bachelor of Arts (Economics)          34 years of Public Sector Management experience</p>
 <p>10. Ms. Mary Gesare          Director</p>	<p>Date of Birth: 31<sup>st</sup> January 1968          Member, Institute of Human Resource management (IHRM)          Bachelor of Business Management          Member, Infrastructure Committee, Devolution and Security Committee (KAM)          28 years of management experience  <i>(Retired on 18<sup>th</sup> September, 2020)</i></p>
 <p>11. CPA Andrew C. Mitei          Director</p>	<p>Date of Birth: 9<sup>th</sup> June 1956          Member of the Institute of Certified Public Accountants (Kenya)          Member of the Australian Institute of Company Directors          Bachelor of Commerce (Accounting)          41 years of Private Sector Management experience  <i>(Retired on 18<sup>th</sup> September, 2020)</i></p>

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12. Eng. Peter M. Mundinia, EBS  
Director General & Secretary to  
the Board

Date of Birth: 7<sup>th</sup> December, 1963  
Member of the Institution of Engineers of Kenya  
Registered Professional Engineer with Engineers  
Board of Kenya  
Member of Kenya Institute of Management (KIM)  
Master of Business Administration (Business  
Management)  
Bachelor of Science. (Civil Engineering)  
Diploma in Theology  
33 years of management experience



**3. MANAGEMENT TEAM**





Manager	Brief Profile
 <p>1. Eng. Peter M. Mundinia, EBS Director General</p>	<p>Date of Birth: 7<sup>th</sup> December, 1963            Member of the Institution of Engineers of Kenya            Registered Professional Engineer with Engineers Board of Kenya            Member of Kenya Institute of Management (KIM)            Master of Business Administration (Business Management)            Bachelor of Science. (Civil Engineering)            Diploma in Theology            33 years of management experience</p>
 <p>2. Eng. Samuel O. Omer Director, Highway Planning &amp; Design</p>	<p>Date of Birth: 17<sup>th</sup> February 1962            Member of the Institution of Engineers of Kenya            Bachelor of Science. (Civil Engineering)            34 years of Management experience</p>
 <p>3. CPA James K. Bowen Director, Corporate Services</p>	<p>Date of Birth: 1<sup>st</sup> January, 1973            Certified Professional Credit Managers (CMP),            Member of the Institute of Certified Public Secretaries (CPS K),            Member of the Institute of Certified Public Accountants (ICPAK)            Master of Business Administration            Bachelor of Commerce (Accounting)            24 years of Management experience</p>
 <p>4. Eng. David Muchilwa Director, Development</p>	<p>Date of Birth: 28<sup>th</sup> December 1964)            Member of the Institution of Engineers of Kenya            Bachelor of Science (Civil Engineering)            32 years of Management experience</p>

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 <p><b>5. Eng. Njuguna Gatitu</b>          Director, Policy, Strategy &amp; Compliance</p>	<p>Date of Birth: 1965          Member of the Institution of Engineers of Kenya          Bachelor of Science (Civil Engineering)          Post Graduate Diploma in Computer Science          31 years of Management experience</p>
 <p><b>6. Eng. Kungu Ndungu</b>          Director Road Asset &amp; Corridor Management</p>	<p>Date of Birth: 18<sup>th</sup> October 1972          Registered Professional Engineers Board of Kenya,          Member of the Institution of Engineers of Kenya (IEK), and Kenya Institute of Management (KIM),          Executive Master of Business Administration          Bachelor of Science.(Civil Engineering)          25 Year of Management Experience  <i>Appointed Acting Director Road Asset &amp; Corridor Management on 15th July, 2020.</i></p>
 <p><b>7. Dr. CPA. Sammy Kimunguyi</b>          Director, Audit Services</p>	<p>Date of Birth: 22<sup>nd</sup> September, 1980          Certified Information Systems Auditor (CISA)          Certified Fraud Examiner (CFE)          Certified Public Accountant (CPA)          Certified Information System Auditor (CISA)          Member of ICPAK, ISACA, CFE          Doctor of Philosophy in Business Management          Master of Arts in Project Planning &amp; Management          Bachelor of Education          14 years of Management Experience  <i>(Appointed 11<sup>th</sup> March, 2021)</i></p>
 <p><b>8. Ms. Norah Odingo-Kajwang</b>          Corporation Secretary/Deputy Director, Head of Legal Services</p>	<p>Date of Birth: 27<sup>th</sup> April 1969          Registered Advocate          Member Law Society of Kenya          Member Public Secretaries of Kenya          Master of Business Administration          Bachelor of Laws          26 years of Management experience</p>



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 <p><b>9. Ms. Levina Wanyonyi</b> Deputy Director, Head of Supply Chain Management</p>	<p>Date of Birth: 13<sup>th</sup> February 1972          Member of the Kenya Institute of Supplies Management, and the Chartered Institute of Purchasing &amp; Supplies          Master of Business Administration          Bachelor of Science          24 years of Management experience.</p>
 <p><b>10. CPA. William O. Masita</b> Director, Audit Services</p>	<p>Date of Birth: 2<sup>nd</sup> February 1979          Certified Information Systems Auditor (CISA)          Certified Internal Auditor (CIA)          Certified Public Accountant (CPA)          Certified Public Secretary (CPS)          Member of ICPAK, ISACA, IIA          Master of Business Administration,          Bachelor of Arts (Economics)          17 years of Management Experience  <i>(Resigned on 15<sup>th</sup> September 2020)</i></p>
 <p><b>11. Eng. Mutii Kivoto</b> Ag. Director Road Asset &amp; Corridor Management</p>	<p>Date of Birth: 18<sup>th</sup> August 1965          Registered Engineer          Member of the Institution of Engineers of Kenya          Master of Science. Project Management          Bachelor of Science Civil Engineering          22 years of Management experience  <i>(Transferred to Directorate of Development from 15<sup>th</sup> July, 2020)</i></p>
 <p><b>12. Fuad Ali</b> Ag. Director, Audit Services</p>	<p>Date of Birth: 11<sup>th</sup> March 1968          Certified Public Accountant          Member of the Institute of Certified Public Accounts,          Member of the Association of Certified Fraud Examiners          Executive Master of Business Administration          Bachelor of Commerce (Accounting)          28 years of Management Experience  <i>(Resigned on 15<sup>th</sup> December, 2020)</i></p>

#### **4. CHAIRMAN'S STATEMENT**

Dear Stakeholders,

It is my pleasure to present the Kenya National Highways Authority's Annual Financial Statements for Road Maintenance Levy Fund for the year ended 30<sup>th</sup> June 2021. The Authority made significant progress in delivering its mandate despite the challenges posed by the outbreak of the Covid-19 pandemic. During the period, the Authority completed the mid-term review of its FY 2018/2019 – 2022/2023 Strategic Plan, aligning it to the ever dynamic business environment. The plan provides a road map that will guide the Authority's strategy over the next two years.

Provision of adequate, safe and efficient national trunk road network remained a top priority for the Government being a key enabler towards meeting the aspirations of Vision 2030 and the Big four development agenda. The Authority made significant investments geared towards constructing new roads and maintaining the existing roads which is key in minimising road user costs and reducing travel time.

The Authority maintained 12,553km of National Trunk Roads across the country through the 40% allocation of Fuel Levy Fund. These road maintenance works were supervised and administered through the established ten (10) Regional Offices and three (3) Corridor Offices. The road network within the Authority's purview as per the new road classification is approximately 21,291 Km; comprising both paved and unpaved roads. At the beginning of the Financial Year 2020/2021, the authority had planned to maintain approximately 18,014Km of the road network through periodic, routine (inclusive of PBC) maintenance and spot improvements. Following reclassification of roads in the entire country, the Authority was allocated an additional network of 3,277 Km.

Our continued implementation of Annual Public Roads Program through Performance-Based Contract (PBC) maintenance approach has guaranteed timely maintenance intervention on our road network and ensured high service levels. The high service levels resulted in reduced vehicle operating costs, risk sharing with contractors, prompt response to emergencies, improved road safety and reduced encroachments on our road reserves.

The Authority continued to engage its stakeholders in policy development, project identification, project design and implementation to ensure the sustainability of project interventions. We operationalised grievance redress mechanisms in all ongoing projects and monitored the



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implementation of environmental and social safeguards in projects. The Authority also implemented interventions aimed at HIV/AIDs prevention and promotion of road safety to minimise negative impacts of road construction.

Some of the setbacks and risks that affected project implementation include inadequate budgetary provisions and restrictions in movement and disruption of the supply chain for construction materials due to the Covid-19 pandemic. The Authority has put in place measures to guarantee the safety of our customers and staff during project implementation in line with the Ministry of Health COVID-19 protocols and guidelines.

The Board remained steadfast in its fiduciary responsibility by ensuring efficient and transparent utilisation of resources allocated to the Authority. During the financial year, CPA. Andrew Mitei, Ms. Mary Gesare and Mr. Charles Gathogo retired from the Board. Mr. Charles Gathogo was however reappointed to the Board alongside three new entrants; Ms. Brenda Mayabi, Ms. Winfrida Ngumi and FCPA. Julius Mwatu. I wish to thank my fellow Directors for their invaluable support and contribution during the year.

I wish to express my sincere gratitude to the Authority's Management and Staff for their dedication and teamwork that enabled the Authority to deliver on its mandate. I also thank all stakeholders, including our Customers, the high stock of pending bills, the Government of the Republic of Kenya and Development Partners, for their support which helped us deliver on our mandate effectively.



**Eng. Wangai Ndirangu, MIEK, RCE**  
**Chairman of the Board of Directors**

30<sup>th</sup> May, 2022

## **5. DIRECTOR GENERAL'S STATEMENT**

An efficient transport network is a crucial enabler in achieving the government's "Big Four" Development Agenda of enhancing manufacturing, food security and nutrition, universal health coverage, and provision of affordable housing. Such a network further aids the achievement of the "Kenya Vision 2030". This Annual Report for FY 2020/2021 presents utilisation of allocated Road Maintenance levy funds for the year ended 30<sup>th</sup> June 2021. It also provides an overview of the projects maintained by the Authority to ensure efficiency in road transport. The report has been prepared as per the International Public Sector Accounting Standards and conforms with Section 44 of the Kenya Roads Act, 2007.

The Authority continued to deliver on its mandate during the year as envisioned in the FY 2018/2019 – 2022/2023 Strategic Plan. The RMLF budgetary allocation to KeNHA in the FY 2020/2021 was Kshs 25,791,579,592 representing 40% fund allocation pursuant to the KRB Act 1999. The authority received a cumulative amount of Ksh. 22,502,099,690 from KRB in as at 30<sup>th</sup> June 2021 while the balance of Kshs 3,264,358,753 was received in July 2021. These funds were used to implement Maintenance programmes across the country. As at 30<sup>th</sup> June 2021, the Authority had achieved a total of 12,553 Km maintenance against a target length of 18,014Km (68%).

In the approved budget of FY 2020/2021, KSh. 2,100,000,000.00 was allocated to finance road development projects. The development projects supported by RMLF Fund were, Isebania - Mukuyu - Kisii - Ahero Road (A1) Lot 1 & 2, Kibwezi - Mutomo - Kitui Road (B7), NUTRIP: James Gichuru junction – Rironi (Uhuru Highway) (26 km), Garsen - Witu - Lamu Road (C112), Mau-Mau Road, Lamu Port Access Road, Nuno - Modogashe Road Project and KTSSP: Rehabilitation Kakamega - Webuye Road

During the year under review, the Authority was allocated an additional network of 3,277Km from the recent reclassification of Road Network. This together with other roads that were planned for in 4<sup>th</sup> quarter were procured towards the end of the Financial Year. A total of 102 Contracts were successfully procured and are currently under implementation. These together with other multiyear Contracts were carried over for implementation to FY 2021/2022.

The Authority utilised the Performance-Based Contract (PBC) maintenance approach to guarantee timely maintenance intervention and ensure high service levels. The high service levels resulted in reduced vehicle operating costs, risk sharing with contractors, prompt response to emergencies, improved road safety and reduced encroachments on our road reserves.

During the year under review, the Authority installed and integrated 13 virtual weigh stations. Further, the Authority administered 6 No Management Contracts for Static and virtual weighbridge, covering 9,329km for static weigh stations and 1,440km for virtual weigh stations. We also fully automated the processing of Exemption Permits and roadside development applications and adopted the Lipa na M-pesa payment platform in all our ten regions. This was meant to simplify the process of acquiring Exemption Permits and Roadside Development approvals which applicants can now apply and pay at the comfort of their offices. Consequently, the Authority was able to issue a total of 33,566 exemption permits thereby generating revenue of Ksh 346 Million. In order to preserve to road asset, the Authority enhanced compliance and Axle load enforcement. Towards this end, the Authority attained compliance level of 99.39% and 79% for the virtual and the static weigh stations respectively.

The Labour and Employment sector is critical in achieving the aspirations of the Kenya Vision 2030. Expansion of employment opportunities, especially for the youth, have been identified as key towards development of a formidable human resource base that can deliver the country's development goals. Towards this, the Authority engaged a total of 1 Million employees through works contracts awarded and implemented using the RMLF Funds.

The Authority continues to face challenges of inadequate funding to maintain its network. Significant length of the road network has aged pavements that are prone to potholes, rutting, cracking and edge deterioration thus requiring heavy investment to clear the maintenance backlog. The Authority further faced challenges of encroachments on its road reserves and vandalism of road furniture which have together compromised the safety of motorists and other road users. In addition, from the year 2013 to 2021, the paved road network has significantly increased from 13,400Kms to 19,281Kms leading to high maintenance funding requirement. Generally, there has been an increase in new developments and overloading especially on LVSR, leading to fast deterioration of the road network. In order to address some of these constraints, the Authority continues to task PBC contractors to be vigilant and liable with regard to maintaining and guarding the road furniture. We are further developing a Road

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Maintenance Policy in order to review the existing and identify new sources of funding that will guarantee sustainable financing of road maintenance interventions.

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



**Eng. Kungu Ndungu**  
**DIRECTOR GENERAL**

30<sup>th</sup> May, 2022



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**6. STATEMENT OF AUTHORITY'S PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2020/2021**

During the year, the Authority implemented projects and programmes as espoused in its FY 2018/2019 – 2022/2023 Strategic Plan, which is aligned to the Kenya Vision 2030, third medium term plan and the road sector investment plan.

During the year, the Authority maintained 12,553km of National Trunk Roads throughout the country through 40% allocation of RMLF. These road maintenance works are supervised and administered through the established ten (10) Regional Offices and three (3) Corridor Sections

The Authority focused on delivering its mandate in line with the six key intervention areas identified in its Strategic Plan. Some of the key achievements include:

<b>Interventions</b>	<b>Indicators</b>	<b>Annual Target</b>	<b>Cumulative Achievements FY 2020/21</b>	<b>% Cumulative Achievements</b>
Periodic Maintenance	Lane Kms	30	277	92%
Routine Spot Improvement		11,757	11,906	101%
Performance Based Contracts		15,895	15,810	99%
Stage Improvement		181	163	90%
Road Safety	Guard rails (Meters)	14,524	11,465	79%
	Boundary Posts (No.s)	2,268	1,486	66%
	Road signs (No.s)	1,410	779	55%
	Road marking (Km)	817	381	47%
		Edge white	1,065	686

## **7. CORPORATE GOVERNANCE STATEMENT**

The Kenya National Highways Authority is committed to the values and principles of good corporate governance as an integral part of the corporate culture. This guides the way its Directors, Management and Staff conduct the business of the organization. As a public sector organization dedicated to providing quality service to its stakeholders, the Authority's decisions are guided by the core tenets prescribed in the Public Officers Ethics Act, the Leadership and Integrity Act, Corporate Governance Guidelines and the Authority's code of conduct. The Authority endeavours to develop, strengthen and sustain the trust that the Government, employees and the public have bestowed on it. The Board is committed to regularly evaluating national and international standards in responsible, transparent and efficient manner with a view of enhancing corporate governance at the Authority and consistently delivering on its statutory mandate.

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

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

In line with the provisions of the Kenya Roads Act, 2007, the Chairman and other members of the Board, other than designated public officers, shall hold office for a period of three years from the date of appointment and may be eligible for re-appointment for one further term. The appointment of all members of the Board as first constituted and at every change in membership shall be by notice published in the Kenya Gazette. The Director General is appointed by the Board in consultation with the Cabinet Secretary in charge of roads following a competitive recruitment process.

New Directors are provided with extensive materials on the Authority and its operations, the procedures relating to the Board and its Committees and their duties and responsibilities as Directors.

The primary function of the Board of Directors' (the Board) is to provide effective strategic leadership and direction to enhance the long-term value of the Authority to its stakeholders. The Board has the overall responsibility for overseeing the development and implementation of the strategic plan,

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

The Board has established four Committees from among its Members to assist in the execution of its responsibilities. These are the Audit, Risk and Governance Committee, the Finance Human Resources and General Purpose Committee, Procurement and Disposal Oversight Committee and the Technical and Strategy Committee. Each of these Committees operates pursuant to approved terms of reference delegated to them by the Board. The Board and each Committee have scheduled meetings held in every quarter of the financial year. The Chairman of each Committee regularly reports to the full Board on the Committee's deliberations at quarterly meetings of the Board.

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

## 8. MANAGEMENT DISCUSSION AND ANALYSIS

### Mandate

To manage, develop, rehabilitate, and maintain national roads.

### SECTION A

#### The Entity's Operational and Financial Performance

##### Road Maintenance

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

No.	Project Activity	Targeted Output(lane Km)	Actual Output(lane Km)	Source of Funding
1.	Periodic maintenance	289	280	Road Maintenance Levy Fund
2.	Routine maintenance	11,652	12,376	Road Maintenance Levy Fund
3.	Performance Based Contracts	15,895	13,831	Road Maintenance Levy Fund
	<b>Total</b>	<b>27,836</b>	<b>26,487</b>	

### SECTION B

Entity's compliance with statutory requirements

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

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

### SECTION C

#### 1.0 The Key Corporate Risk Profile

The key corporate risks for the Authority have been classified into three broad categories namely Strategic, Operational and Financial Risks. However, it is worth noting that all the risks stated herein would have negative financial implications whenever they crystallize.



**Strategic Risks**

1. Works Contract Management Risk
2. Design & Structural Risks
3. Disaster and Pandemic Risk
4. People Risk
5. Reputation Risk

**Operational Risks**

6. Road Reserve and Camp Encroachment Risk
7. Cyber Security Risk
8. Public Private Partnership (PPP) Risks
9. Road Asset Management Risks

**Financial Risks**

10. Budgetary Constraints Risk
11. Low Absorption of RMLF Funds

**2.0 Actions Taken to Address Key Risks**

Actions taken to address the key risks in the Authority are as summarized below:

1. To address the risks identified in Road Asset Management, a draft maintenance policy has been prepared. The objective of the policy is to give a framework for sustainable road maintenance to facilitate economic growth. This Policy proposes strategies for sustainable road maintenance, innovative financing strategies and enabling legal framework and will be presented to the Cabinet Secretary for the line ministry for approval.
2. A proposal for management of consultants is being prepared to facilitate more effective supervision of contractors and address some of the risks identified on the following Corporate Risks; Works Contract Management Risks; Highways and Structures Design Risks, Road Asset Management Risks as well as Road Reserve and Camp Encroachment.

Further, there has been an improvement in documentation of risks and implementation of the mitigation strategies in projects. Project Implementation teams have prepared project risk registers, with some tracking and including progress of implementation of mitigation strategies in their monthly progress reports. Risk management improves attainment of objectives.

3. To ensure enhanced absorption of RMLF funds, the Authority has adopted early planning and procurement for maintenance works. The 1<sup>st</sup> and 2<sup>nd</sup> quarter maintenance works for FY 2021/2022 were advertised to be submitted on 5<sup>th</sup> July 2021 to facilitate timely implementation of these works and enhance absorption of RMLF.

4. All actions reported in December 2020 to assist in combating the COVID-19 are still in place. The Committee arranged a vaccination exercise carried out on 1<sup>st</sup> April 2021 for staff in the Headquarters. Administration of the second dose of the vaccine was conducted on 15<sup>th</sup> June 2021. The Authority also identified designated laboratories for COVID-19 testing of its staff. And with the observance of Covid-19 protocols, the bulk of meetings are now held virtually. To enhance security against cyber-attacks, the Sophos XG450 firewall of the Authority was upgraded and deployed. The ICT department further offers support for remote access and virtual meetings/collaboration.

To further enhance security, installation of biometric access systems at the premises has been rolled on at Barabara Plaza and is ongoing in other regional offices.

5. On the whole, the Authority has revised its Strategic Plan. Furthermore, performance reviews will be undertaken every 6 months. It is expected that this will facilitate the Authority in effectively managing its risks and meeting its objectives.

## **9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

### **i. Sustainability strategy and profile**

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

KeNHA's Environmental and Social Safeguards Policy is in line with one of the KeNHA's core value of equity and integrity and assists KeNHA to comply with Kenya's Constitution 2010 and with the provisions in the Environmental Management and Coordination Act (EMCA) of 1999.

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

**ii. Environmental Performance**

Majority of the Authority's functions (design, construction and rehabilitation) change both physical and the socio-economic salient environmental features of the areas they are taking place. The impacts generated by our projects wherever they are taking place include but not limited to the following; -

- Air quality impacts
- Impacts on the ecology
- Impacts on water quality
- Lithosphere impacts
- Occupational health and safety impacts
- Waste generation and disposal impacts
- Socio-economic impacts like displacements
- Noise impacts
- Impacts on utilities among others

The Authority ensures that Environmental and Social Impact Assessments are carried out and required approvals obtained before projects are implemented. The assessments are done by NEMA registered experts who are competitively procured for the assignments in line with the terms of references developed by the Authority and sometimes together with our development partners (World Bank, African Development Bank among others). More often the consultants are required to come up with a stand-alone Environmental and Social Management Plan which specifies preservation, conservation, preventive and mitigation measures to be implemented by the contractors in order to maintain a clean and health environment in the areas they operate.

The quality of the assessments by our consultants is checked by Environmental and Social Safeguards Department and our development partners in line with their safeguard guidelines and our national guidelines on Environmental Impact Assessment and Audit Regulations, 2003.

Environmental and Social Monitoring of KeNHA projects are done by project implementation supervising consultants who must have in their team Environmentalist and Sociologist. The team supervises the implementation of the developed ESMP and makes the necessary recommendations to the contractor's team who in turn implements the recommendations. Environmental Monitoring is done based on the agreed recommendations of the Environmental and Social Management Plans within the Environmental and Social Impact Assessment reports.

Road/bridge construction contractors are required to prepare the following plans before actual road/bridge construction starts: Within 28 days of the order to commence work, the contractor is required to prepare, submit and implement a project specific overall Environmental and Social Management Plan (ESMP) for the project basing it on the approved project Environmental and Social Impact Assessment. The plan contains the following specific plans:-

- Erosion and Sediment Control Plan (ESCP) to ensure that potential soil erosion and sediment transport to nearby surface-water resources is addressed and protect water quality during road or bridge construct
- Noise and Ground Vibration Control Plan (NGVCP) to reduce the possibility of adverse noise and vibration impacts to human health.
- To prepare and implement a specific Occupational Health and Safety Management Plan which should identify risks and mitigation measures. The plan should provide guidelines on how to deal with environmental emergencies and accidents.
- HIV/AIDS Control Plan to provide guidelines on how HIV/ AIDS awareness and sensitization will be carried out.
- Waste management plan
- Traffic management plan
- Emergency preparedness plan
- Ecological management plans and
- Hazardous substances management plan

Environmental and Social Monitoring reports are submitted to the Authority by the construction/rehabilitation supervising consultant quarterly for review. The reports are reviewed and action taken on non-conformances. The Authority is responsible for overall supervision of the implementation of environmental and social safeguard recommendation in the projects and oversees Environmental and Social Monitoring during project operation phase.

The Authority is putting a focus on making its infrastructure more resilient to climate change. After participating in 2020 in a training organized by TraCS on climate-proofing transport infrastructure, the template for tender documents for construction consultancies was updated to include climate change.

In the last two years, 250 kilometers of road infrastructure have been climate proofed. Currently, a study about climate resilience of the Horn of Africa is being implemented. In a road section of about



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740 kilometres several activities for increasing infrastructure resilience have been identified, such as climate-resilient pavement that withstands high temperatures.

Constructed roads that are climate proofed, have improved size of structures and caraverts to safeguard investments because of climate change issues. Approximately 500km of the climate proofing done in the last two years.

**iii. Employee welfare**

.No.	Policy Documents	Provisions	Efforts made
1.	Human Resource Policy and Procedures	The Manual encapsulates all the policies of the Authority on Human Resource management functions on recruitment , training and development , performance management, terms and conditions of service and welfare services accorded to all staff	The Authority implements on a continuous basis the provisions of the Manual and adheres to the Values and Principles of Public Service of equity and fairness by affording adequate and equal opportunities for appointment , training and advancement to men and women, members of all ethnic groups and persons with disabilities
2.	Career Guidelines	The grading structure, qualifications, membership with professional bodies are laid down in the guidelines	<ul style="list-style-type: none"> <li>• Strict adherence to the guidelines</li> <li>• Training of staff guided by the requirements for them to advance to the next level positions</li> <li>• Support for Continous Professional Development given priority</li> </ul>
3.	Policy and compliance with Occupational Safety and Health Act of 2007 (OSHA)	The policy ensures a safe working environment and emergency preparedness measures	<p>The Authority has complied with the Occupational Safety and Health Act of 2007 and implemented programs and activities towards assuring compliance by;</p> <ul style="list-style-type: none"> <li>• Domestication of internal Safety Policy for staff</li> <li>• Formulation of Safety Policy for use in Road Projects</li> <li>• Establishment of a Safety and Health Committee.</li> <li>• Undertaking safety Audits and implementing recommendations arising thereof.</li> </ul>

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4.	Training Policy	The Authority provides equitable training. The training policy stipulates that all staff must be trained in at least five days in each financial year. Training for each staff is based on identified needs through the training needs analysis.	Conducting Training Needs Assessment & Preparation of Training Plan
5.	HIV& AIDS	The Policy provides for none discrimination and support for the affected and infected. Various activities are carried out which includes sensitization for all staff.	<ul style="list-style-type: none"> <li>• The Authority undertakes;</li> <li>• Sensitization forums for HIV/ Prevention</li> <li>• Distribution of Condoms</li> <li>• Voluntary Counselling &amp; Testing</li> <li>• Provision of Medical Services to cover HIV/ AIDS</li> </ul>
6.	Disability and Gender Mainstreaming Policy	The advocate for non-discrimination as provided in the Constitution of Kenya (2010)	<ul style="list-style-type: none"> <li>• The Authority is an equal employer and encourages all genders and Persons with Disability to apply for available openings.</li> <li>• The Authority has observed gender mainstreaming ,balance on appointments, promotion and ensure that a minimum of a third (1/3) are of either gender by invoking affirmative action during recruitment</li> <li>• Placement of Adverts at the National Council for People with Disabilities</li> </ul>
6.	Alcohol and Drug Abuse Policy	Provides for procedure to be followed in handling substance abuse in the Authority	The Authority frequently undertakes survey on ADA prevalence and implements the recommendations of the survey Operationalizes Employee Assistance Programme and Rehabilitation programmes for employees struggling with substance abuse

**iv. Corporate Social Responsibility / Community Engagements**

At the heart of the Authority's mandate is a firm commitment to Corporate Social Investment. Good corporate citizenry requires that we strive to be publicly accountable not only for our financial performance but also for our social and environmental record. The Authority believes in long term relationships with all its stakeholders, including the communities with which we work to deliver projects. As an Authority, we believe, we do not just build roads, but provide development corridors. We, therefore, always seek to partner with the communities to ensure the corridors assist in attaining sustainable development.

The Authority integrates her projects with community needs and aspirations. This is to ensure that the projects foster long-term relationships with stakeholders and communities around our projects. In the financial year under review, our CSI focused on the following major areas: -

- 1) Education,
- 2) Health and Sanitation,
- 3) Security enhancement,
- 4) Youth and Women Empowerment,
- 5) Promotion of sustainable livelihoods, and
- 6) Improving access to social amenities.

CSI activities we carried out, in this regard, included: -

- a) Drilling of boreholes and construction of water pans in arid and semi-arid regions,
- b) Construction of classrooms, health centres, town roads and feeder roads to public institutions,  
and
- c) Charity donations.

The Table below provides highlights on Corporate Social Initiatives (CSI) undertaken during the FY under review by projects that had RMLF funding.

**a) Facilities for various communities**

**Project Specific CSI Initiatives**

<b>Project Name</b>	<b>CSI interventions /Initiatives</b>
Construction of the James Gichuru Junction - Rironi	i. Scoping of Road Side Amenities at Kangemi Market ii. 6 No. Collector Roads: <ul style="list-style-type: none"> <li>• Spenkon – Nduma 5km</li> <li>• Gichecheni-Magana 3km</li> <li>• Regen –Kinoo 2Km</li> <li>• Nderi-Thamanda-Spenkon 3.8Km</li> <li>• Old Naivasha Road 1.2Km</li> <li>• Kinoo- Kanyariri 3kmMarket sheds</li> </ul>
Rehabilitation Project: Lot 1 Isebania - Kisii Section	i. Construction of 6 No Road side market sheds ii. Rehabilitation of Migori Market iii. Levelling of play grounds for several primary and secondary schools

**b) Youth and Women Empowerment**

The Authority continues to live to her statutory obligation of supporting vulnerable categories of the society namely the youth, women and Persons living with Disabilities (PWDs). Indeed, we are at the forefront of bringing change and creating opportunities through a scholarship programme that is slowly, but surely, causing waves of change among the youth and women across the country. In a partnership between the Authority and the African Development Bank, which aims at building economic capabilities through self-development, a number of youth and women have been sponsored to undertake courses in Technical and Vocational Education Training (TVET) institutions under some of the projects that had RMLF Funding. Under this program, during the FY 2020/2021, the Authority sponsored students at a cost of Kshs. 27 million under its two projects as follows: -

- |                              |                 |
|------------------------------|-----------------|
| 1. Mombasa - Mariakani Lot 1 | Ksh. 16,220,000 |
| 2. Kitale - Endebes – Suam   | Ksh. 10,770,000 |

**c) Donations**

The Authority has partnered with various institutions through sponsorships and donations in various sectors. These include the Mater Heart Run, Annual Diabetes Walk, Cerebral Palsy Society of Kenya (CPSK) and the Institution of Engineers of Kenya (IEK) president's dinner.

In the coming years, we commit to continue deepening our involvement in community initiatives, so as to contribute to sustainable development of Kenyans.



## **10. REPORT OF THE DIRECTORS**

The Directors submit their report together with the un-audited financial statements for the year ended 30<sup>th</sup> June, 2021 which show the state of the Authority's affairs.

### **i) Principal activities**

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

### **ii) Results**

The results of the Authority for the year ended 30<sup>th</sup> June, 2021 are set out on page 34.

### **iii) Directors**

The members of the Board of Directors who served during the year are shown on page 7. During the year, Ms. Mary Gesare and CPA Andrew Mitei retired from the Board of Directors on 18<sup>th</sup> September 2020. Consequently, FCPA Julius W. Mwatu, Ms. Winfrida W. Ngumi and Ms. Brenda N. Mayabi were appointed to the Board on 18<sup>th</sup> November 2020.

### **iv) Surplus remission**

The Authority did not realise any distributable surplus during the year ended 30<sup>th</sup> June, 2021 and hence there was no remittance to the Consolidated Fund.

### **v) Auditors**

The Auditor General is responsible for the statutory audit of the Authority's financial statements for the year ended 30<sup>th</sup> June 2021 in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board

  
**Eng. Kungu Ndungu**  
**Director General and Secretary to the Board**

30<sup>th</sup> May, 2022

## **11. STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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


The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year (period) ended on June 30, 2021. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the Authority; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

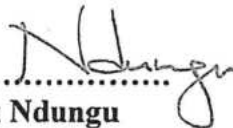
The Directors accept responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the State Corporations Act. The Directors are of the opinion that the Authority's financial statements give a true and fair view of the state of Authority's transactions during the financial year ended June 30, 2021, and of the Authority's financial position as at that date. The Directors further confirms the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control.

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

**Approval of the financial statements**

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

  
Signature.....  
**Eng. Wangai Ndirangu, MIEK, RCE**  
**Chairman of the Board of Directors**

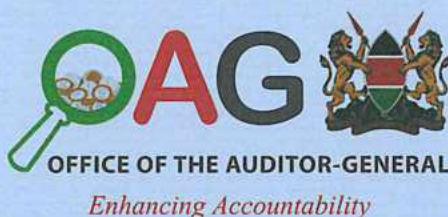
  
Signature.....  
**Eng. Kungu Ndungu**  
**Director General**





# REPUBLIC OF KENYA

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NAIROBI

## REPORT OF THE AUDITOR-GENERAL ON KENYA NATIONAL HIGHWAYS AUTHORITY - ROAD MAINTENANCE LEVY FUND FOR THE YEAR ENDED 30 JUNE, 2021

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### PREAMBLE

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

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

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

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

### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Kenya National Highways Authority - Road Maintenance Levy Fund set out on pages 34 to 52, which comprise of



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

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

### **Basis for Qualified Opinion**

#### **1. Unsupported Cash and Cash Equivalentents**

The statement of financial position reflects cash and cash equivalentents balance of Kshs.10,197,835,027 as disclosed in Note 5 to the financial statements. The balance includes a call deposit balance of Kshs.981,255,555 for which bank reconciliation statement was not provided for audit.

In the circumstances, the accuracy and completeness of the call deposit balance of Kshs.981,255,555 could not be confirmed.

#### **2. Variance in Development Projects Expenses**

The statement of financial performance reflects development projects expenses amount of Kshs.2,074,878,851 as disclosed under Note 3 to the financial statements. However, Kenya Roads Board records reflect Kshs.2,100,000,000 for the same resulting in an unexplained and unreconciled variance of Kshs.25,121,149.

In the circumstances, the accuracy and completeness of development projects expenses amount of Kshs.2,074,878,851 could not be confirmed.

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

### **Emphasis of Matter**

As disclosed in Note 13 to the financial statements, the Fund's financial statements were prepared using the 2020/2021 financial year as the base year and therefore no



comparative balances have been reflected. The Fund's transactions were previously accounted for in the Authority's main financial statements.

My opinion is not qualified in respect to this matter.

### **Key Audit Matters**

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

### **Other Matter**

#### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects actual expenditure on Kshs.21,686,653,587 against a budgeted amount of Kshs.29,039,333,029 resulting in an under-absorption of Kshs.7,352,679,442 or 25% of the budget.

The under-absorption affected the planned activities and may have impacted negatively on service delivery to the public.

#### **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

##### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

##### **Basis for Conclusion**

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

#### **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

##### **Conclusion**

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

## **Basis for Conclusion**

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

## **Responsibilities of Management and those Charged with Governance**

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

In preparing the financial statements, Management is responsible for assessing the Fund'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 Fund or to cease operations.

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

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

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

## **Auditor-General's Responsibilities for the Audit**

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



or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and 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 controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to 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 Fund 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 Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal 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


26 September, 2022

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**12. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30<sup>TH</sup> JUNE**  
**2021**

	Notes	2020-2021
		Kshs
<b>Revenue</b>		
Road Maintenance Levy Fund	1	25,766,458,443
<b>Expenses</b>		
Operation and Administration Expenses	2	2,535,320,000
Development Projects Expenses	3	2,074,878,851
Road Maintenance and Axle Load Expenses	4	20,905,684,356
<b>Total expenditure</b>		<b>25,515,883,207</b>
<b>Surplus/(Deficit) for the year</b>		<b>250,575,236</b>


The notes set out on pages 50 to 52 form an integral part of these Financial Statements. The Financial Year 2020-2021 is the first year of separate reporting of Financial Statements for Road Maintenance Levy Fund hence no comparative figures for Prior period are provided.

  
**Director General**  
**Eng. Kungu Ndungu**


Date...<sup>30<sup>th</sup></sup>... May, 2022

  
**Director Corporate Services**  
**CPA James Bowen**  
 ICPAK Member Number: 7842

Date...<sup>30<sup>th</sup></sup>... May, 2022

  
**Chairman of Board of Directors**  
**Eng. Wangai Ndirangu, MIEK, RCE**

Date...<sup>30<sup>th</sup></sup>... May, 2022

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

Date...<sup>30<sup>th</sup></sup>... May, 2022






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**13. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021**

	Notes	2020-2021 Kshs
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	5	10,197,835,027
Receivables	6	4,107,808,210
		<b>14,305,643,237</b>
<b>Total assets</b>		<b>14,305,643,237</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Certificates Payable	7	497,209,382
Retention Payable to Contractors	8	1,550,743,545
<b>Total Liabilities</b>		<b>2,047,952,927</b>
<b>Net assets</b>		<b>12,257,690,310</b>
Accumulated surplus		12,257,690,310
<b>Total net assets and liabilities</b>		<b>12,257,690,310</b>

The Financial Statements set out on pages 34 to 39 were signed on behalf of the Board of Directors by:

  
**Director General**  
**Eng. Kungu Ndungu**


Date...<sup>30<sup>th</sup></sup> May, 2022

  
**Director Corporate Services**  
**CPA James Bowen**  
 ICPAK Member Number: 7842

Date...<sup>30<sup>th</sup></sup> May, 2022

  
**Chairman of Board of Directors**  
**Eng. Wangai Ndirangu, MIEK, RCE**

Date...<sup>30<sup>th</sup></sup> May, 2022

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

Date...<sup>30<sup>th</sup></sup> May, 2022

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

	<b>Retained earnings</b>	<b>Total</b>
<b>At July 1, 2020</b>	<b>12,007,115,074</b>	<b>12,007,115,074</b>
Surplus for the year	250,575,236	250,575,236
<b>At June 30, 2021</b>	<b>12,257,690,310</b>	<b>12,257,690,310</b>

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**16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021**

	<b>2020-2021</b>
	<b>Kshs</b>
<b>Cash flows from operating activities</b>	
<b>Receipts</b>	
Receipts from KRB	25,766,458,443
<b>Total Receipts</b>	<b>25,766,458,443</b>
<b>Payments</b>	
Road Maintenance and Axle Load Expenses	20,905,684,356
Operation and Administration Expenses	2,535,320,000
Development Projects Expenses	2,074,878,851
<b>Total Payments</b>	<b>25,515,883,207</b>
<b>Net Cashflow from Operating Activities</b>	<b>250,575,236</b>
<b>Cashflow from Investing activities</b>	
(Increase)/Decrease in Receivable Exchanges	(509,732,204)
Increase/(Decrease) in Payables	368,682,638
<b>Net cash flows used in investing activities</b>	<b>(141,049,566)</b>
<b>Net cash flows used in financing activities</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>109,525,670</b>
Cash and cash equivalents at 1 <sup>st</sup> July	10,088,309,357
<b>Cash and cash equivalents at 30<sup>th</sup> June</b>	<b>10,197,835,027</b>

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

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**17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021**

	APRP BUDGET		ACTUAL		VARIANCE		% VARIANCE	
	2020-2021	Kshs.	2020-2021	Kshs.	2020-2021	Kshs.	2020-2021	
<b>Revenue</b>								
40% Fuel Levy	25,252,579,592		25,227,458,443		(25,121,149)		100%	
Transit Tolls	539,000,000		539,000,000		0		100%	
<b>Total Funds from KRB</b>	<b>25,791,579,592</b>		<b>25,766,458,443</b>		<b>(25,121,149)</b>		<b>100%</b>	
Less Operation Budget	2,535,320,000		2,535,320,000		0		100%	
Less Transfer to Development	2,100,000,000		2,074,878,851		(25,121,149)		99%	
<b>Balance for Maintenance Works</b>	<b>21,156,259,592</b>		<b>21,156,259,592</b>		-		<b>100%</b>	
Carry Over Funds	7,883,073,437		7,883,073,437		0		100%	
<b>Total</b>	<b>29,039,333,029</b>		<b>29,039,333,029</b>		<b>0</b>		<b>100%</b>	
<b>Expenditure</b>								
Axle Load Activities	2,436,444,159		2,275,876,012		160,568,147		93%	
Emergency Works	750,000,000		702,569,299		47,430,701		94%	
Road Safety	46,708,408		46,708,408		0		100%	
Bailey Bridges	45,680,375		38,936,374		6,744,001		85%	
Road Condition Survey	94,713,657		53,068,857		41,644,800		56%	
Operations, Maintenance of RMS & PBC Workshops	70,961,887		65,554,042		5,407,845		92%	
Arbitration and Court Matters	353,000,000		349,162,239		3,837,761		99%	
Road Side Development	7,000,000		6,440,100		559,900		92%	
Research and Innovation	5,000,000		2,560,488		2,439,512		51%	



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<b>Expenditure</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>%</b>
Special Allocation (Thika Garisa Road)	1,166,314,285	178,478,530	987,835,755	15%
Corridor A (794KM)	2,343,470,262	1,400,342,556	943,127,706	60%
Corridor B (957KM)	1,774,012,832	1,636,040,947	137,971,885	92%
Corridor C (968KM)	1,962,276,950	1,583,449,161	378,827,789	81%
Nairobi (760KM)	1,313,539,353	801,682,501	511,856,852	61%
Central (889KM)	2,798,312,905	2,365,454,651	432,858,254	85%
Coast (1,423KM)	1,539,506,886	1,289,710,600	249,796,286	84%
Upper Eastern (2,100KM)	2,014,957,762	1,489,212,888	525,744,874	74%
Lower Eastern (1,100KM)	1,503,924,461	1,171,311,593	332,612,868	78%
North Eastern (3,351KM)	1,793,386,872	1,269,473,939	523,912,933	71%
Nyanza (999KM)	2,281,293,708	1,456,728,854	824,564,854	64%
South Rift (897KM)	1,801,565,482	1,207,242,483	594,322,999	67%
North Rift (2,469KM)	1,696,642,587	1,583,082,192	113,560,395	93%
Western (652KM)	1,240,620,199	713,566,874	527,053,325	58%
<b>Totals</b>	<b>29,039,333,029</b>	<b>21,686,653,587</b>	<b>7,352,679,442</b>	<b>75%</b>

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**BUDGET NOTES**

**a) Road Maintenance Levy Fund & Transit Tolls**

The fuel levy budget includes carryover funds approved by the Board of Directors on 29<sup>th</sup> January, 2021

**b) Road maintenance and axle load expenses**

The variance was a result of some projects not fully absorbing their annual budget provisions, the fourth quarter maintenance works procurement process was concluded towards the end of the Financial year. Advance payments are also included in the statement of comparison of Budget Vs Actual while in the Financial performance they are treated as receivables.

**c) Changes between Original and Final budget.**

The changes between original and final budget were as a result of revision of the budget within the Financial Year and inclusion of the approved carry over budget from Financial Year 2019-2020.

**18.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1. Statement of Compliance and Basis of Preparation**

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

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

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

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**2. Adoption of new and revised standards**

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

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

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

Standard	Effective date and impact:
<p><b>IPSAS 41: Financial Instruments</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2022:</b></p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of Financial Statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of Financial Statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• 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.</li> </ul>
<p><b>IPSAS 42: Social Benefits</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2022</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its Financial Statements about social benefits. The information provided should help users of the Financial Statements and general purpose financial reports assess:</p> <ol style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the entity;</li> <li>(b) The key features of the operation of those social benefit schemes;</li> <li>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</li> </ol>
<p>Amendments to Other IPSAS resulting from</p>	<p><b>Applicable: 1st January 2022:</b></p>



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Standard	Effective date and impact:
IPSAS 41, Financial Instruments	<p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>

**c) Early adoption of standards**

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

**3. Revenue Recognition**

**i) Revenue from Non-Exchange Transactions**

**Transfers from Other Government Entities/ Transfer of RMLF from KRB**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. In particular, revenue from non-exchange transactions relates to the transfer of funds from KRB to RMLF for the Road Authorities.

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

**4. Certified Works**

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

## **5. Roadwork Commitments**

Roadwork commitments arise from contracts entered into with contractors for road maintenance and development. These commitments are disclosed in note no. 12 of these financial statements.

## **6. Transfers to Operations**

This relates to 4% of the RMLF amount allowable for use by the Road Authority for operational activities. Operating expenses are expenses incurred by the Road Authority in the normal day to day operation of the RMLF.

## **7. Cash and cash equivalents**

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

## **8. Financial instruments**

### **a) Financial assets**

#### ***Initial recognition and measurement***

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

#### ***Loans and receivables***

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

**KENYA NATIONAL HIGHWAYS AUTHORITY**  
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***Impairment of financial assets***

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

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

***Financial liabilities***

***Initial recognition and measurement***

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

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

***Loans and borrowing***

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

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

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**ACCOUNTING POLICIES (CONTINUED)**

For the purposes of these Financial Statements, receivables and payables will include: -

- a. **GoK Receivables:** Relates to RMLF that is receivable or refundable by GoK (RMLF that is utilized for development purpose by the Road Authority and is therefore refundable by the GoK)
- b. **Receivable from KRB:** Relates to RMLF amounts yet to be disbursed by KRB to the Road Authority.
- c. **Advances to Contractors:** Relates to recoverable advances made by a Road Authority to the Contractor.
- d. **Certificate Payables:** Relates to amounts owed to Contractors with respect to road maintenance, rehabilitation and development arising from certified works. When a certificate of work is raised by the contractor, the Road Authority will debit contract payable and credit certificate payable. When the actual payment is done based of the raised certificates, the Road Authority will debit the Certificate Payables and credit RMLF Bank
- e. **Other Payables:** This relates to other payables to suppliers that is not part of road maintenance, rehabilitation and development. This may be in form of consultancies or normal office supplies relating to the RMLF that is not directly attributed to the road development.
- f. **Retention Monies:** This relates to the percentage of the Contract amount that is retained by Road Authorities on every payment certificate raised awaiting the lapse of the defect period.

**9. Budget information**

The Annual Public Roads Programmed APRP (Original budget) for FY 2020/2021 was approved on 28<sup>th</sup> January 2020. Subsequent revisions or additional appropriations were made to the approved budget (APRP) in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget (APRP) by the entity upon receiving the respective approvals in order to conclude the final budget.

The entity's budget is prepared based work plans from the Roads Authorities which is on cash basis. The Financial Statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.



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

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

**10. Nature and purpose of reserves**

The surplus reserve represents the surplus or deficit of Road maintenance contributions against road maintenance expenses.

**11. Changes in accounting policies and estimates**

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

**12. Related parties**

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors/ Trustee, the Fund Managers and Fund Accountant.

**13. Comparative figures**

The comparative figures for the previous financial year have not been provided since this was the first year of separate reporting of Financial Statements for Road Maintenance Levy Fund.

**14. Events after the reporting period**

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

**15. Ultimate and Holding Entity**

The entity is a Road Maintenance Levy Fund Agency established by KRB Act

**16. Currency**

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

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**17. Significant judgments and sources of estimation uncertainty**

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

**a) Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the Financial Statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140.

**b) Provisions**

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

**18. Financial risk management**

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

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

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**a) Credit risk**

The Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

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

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

**Liquidity risk management**

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

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**19. NOTES TO THE FINANCIAL STATEMENTS**

**1.0 Road Maintenance Levy Fund**

<b>Description</b>	<b>2020-2021</b>
	<b>KShs</b>
40% Fuel Levy	23,152,579,592
Transit Toll	539,000,000
Capital Grant for Development Projects	2,074,878,851
<b>Total Revenue</b>	<b>25,766,458,443</b>

**2.0 Operations and Administration Expenses**

<b>Description</b>	<b>2020-2021</b>
	<b>KShs</b>
Use of goods and services	508,194,965
Employee costs	1,829,448,494
Board /Council Expenses	41,633,340
Repairs and maintenance	150,493,476
Finance costs	5,549,725
<b>Total expenses</b>	<b>2,535,320,000</b>

**3.0 Development Projects Expenses**

<b>Description</b>	<b>2020-2021</b>
	<b>KShs</b>
<b>List per project</b>	
Isebania - Mukuyu - Kisii - Ahero Road (A1)	100,000,000
Kibwezi - Mutomo - Kitui Road (B7)	100,000,000
NUTRIP: James Gichuru junction – Rironi (Uhuru Highway) (26 km)	700,000,000
Garsen – Witu – Lamu Road (C112)	650,000,000
Mau-Mau Road	250,000,000
Lamu Port Access Road	100,000,000
Nuno - Modogashe Road Project	74,878,851
KTSSP: Rehabilitation Kakamega - Webuye Road	100,000,000
<b>Total</b>	<b>2,074,878,851</b>



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**4.0 Road Maintenance & Axle Load Expenses**

<b>Description/Region</b>	<b>2020-2021</b>
	<b>KShs</b>
HQ Activities	1,993,196,300
Axle Load	1,586,187,408
Corridor A	1,380,462,446
Corridor B	1,487,851,471
Corridor C	1,537,911,006
Nairobi	801,682,501
Central	2,312,913,628
Coast	1,322,587,591
Upper Eastern	1,500,536,078
Lower Eastern	1,124,335,560
North Eastern	1,173,453,252
Nyanza	1,291,522,494
South Rift	1,188,362,933
North Rift	1,535,400,395
Western	669,281,293
	<b>20,905,684,356</b>

**5.0 Cash and Cash Equivalents**

**(a) Analysis of Bank and Cash balances**

These represent cash held at various banks, as follows

<b>Description</b>	<b>2020-2021</b>
	<b>KShs</b>
Co-operative Bank-RMLF A/C No. 1141160979901	8,647,091,482
National Bank – Retention A/C No. 01001-327332	569,487,990
Call Deposit – Co-operative Bank Ac No. 01150160979926	981,255,555
<b>Total</b>	<b>10,197,835,027</b>

The Authority is not exposed to credit risk on cash and bank balances as the funds are held with sound financial institutions approved by the Central Bank of Kenya.

**6.0 Receivables**

<b>Description</b>	<b>2020-2021</b>
	<b>KShs</b>
Receivable from KRB	2,764,479,902
Contractors Advances	1,343,328,308
<b>Total</b>	<b>4,107,808,210</b>

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**Movement of Contractors Advances**

<b>Description</b>	<b>2020-2021</b>
	<b>KShs</b>
Bal as at 1 <sup>st</sup> July 2020	833,596,483
Advances issued during the Year	1,073,329,406
Less Recoveries from Contractors	563,597,581
<b>Closing Balance as at 30<sup>th</sup> June 2021</b>	<b>1,343,328,309</b>

**7.0 Certificates Payable**

<b>Description</b>	<b>2020-2021</b>
	<b>KShs</b>
Opening Balance as at 1 <sup>st</sup> July	340,151,730
Add Total Certified Works during the year	20,905,684,356
Less Certificates paid within the year	20,748,626,704
<b>Closing Balance as at 30<sup>th</sup> June</b>	<b>497,209,382</b>

**8.0 Retention Payable**

<b>Description</b>	<b>2020-2021</b>
	<b>KShs</b>
Retention Monies	1,550,743,545
Other Roadworks Expenses	-
<b>Total</b>	<b>1,550,743,545</b>

**(a) Analysis of Retention Monies**

<b>Description</b>	<b>2020-2021</b>
	<b>KShs</b>
Opening Balance as at 1 <sup>st</sup> July	1,339,118,559
Contract Retentions during the year	1,045,290,109
Retentions paid during the year	833,665,124
<b>Closing Balance as at 30<sup>th</sup> June</b>	<b>1,550,743,544</b>

**9.0 Disclosure Note on Unexecuted Contracts and ongoing Contracts yet to be certified**

<b>Description</b>	<b>2020/21</b>
	<b>KShs '000</b>
Balances of unexecuted /ongoing contracts at the beginning of the Year	20,035,299,633
Add: Road Contracts Awarded in the Current Year	40,997,016,536
Less Certified works during the Year	20,327,838,870
<b>Closing Balance of Contract Commitment</b>	<b>40,704,477,299</b>