



REPUBLIC OF KENYA



**KENYA RURAL
ROADS AUTHORITY**

ANNUAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2024



Connecting Devolved Kenya

Prepared and issued in accordance with Section 44
of the Kenya Roads Act, 2007



Njoro-Sobe C935 Road in Nakuru County.

PRINCIPAL STATEMENTS

Vision

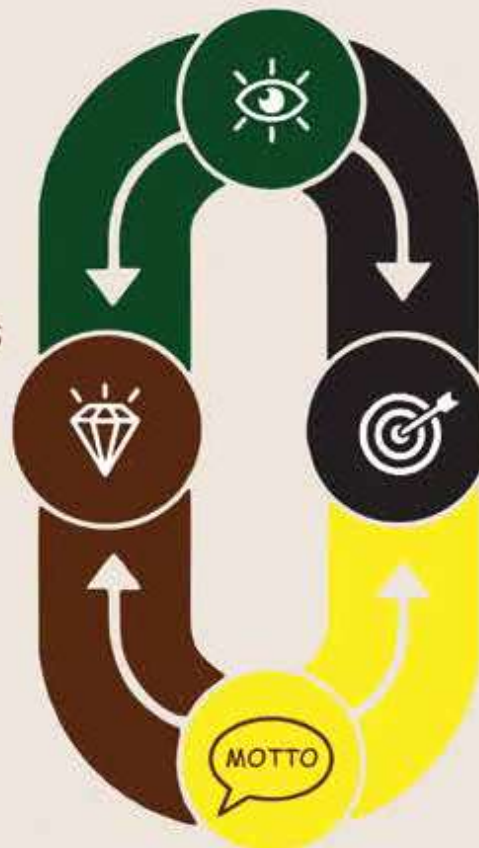
Sustainable road network for easy access to resources and services

Core Values

- Transparency
- Professionalism
- Integrity
- Collaboration
- Sustainability

Mission

To manage, develop, rehabilitate and maintain national secondary trunk roads for sustainable socio-economic transformation



Connecting Devolved Kenya

© KENYA RURAL ROADS AUTHORITY

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means electronic, mechanical, photocopying, recording, scanning or otherwise, without the prior permission in writing of the Kenya Rural Roads Authority.

All enquiries about this report should be directed to:

Head Office

Kenya Rural Roads Authority

Barabara Plaza, Block B
Airport South Road, Opp. KCAA
P.o. Box 48151-00100,
Nairobi. Kenya

Email: dg@kerra.go.ke
Tel: 020-7807600 (01-05)
Mobile: +254 711 851103

First published 2024



Table of Contents

<i>List of Tables</i>	<i>v</i>
<i>Acronyms</i>	<i>vi</i>
<i>Chairman's Statement</i>	<i>ix</i>
<i>Director General's Statement.....</i>	<i>xiii</i>
<i>Board of Directors.....</i>	<i>xvii</i>
<i>Management Team</i>	<i>xxiv</i>
<i>KeRRA at a Glance</i>	<i>xxv</i>
<i>Key Performance Indicators during the Year</i>	<i>xxvi</i>
<i>National Trunk Roads</i>	<i>xxviii</i>
 Chapter 1: The Mandate of the Authority	 1
1.1 Functions of the Authority	1
1.2 Corporate Governance	2
1.3 Policies and Guidelines of the Authority	2
1.4 Organizational Structure	3
1.5 Staff Establishment	4
1.6 Directorate/Departmental Functions	4
 Chapter 2: Progress of the Authority for Financial Year 2023/2024	 7
2.1 Strategic Objectives, Performance targets, Planned Activities/Outcomes, and Outputs.....	7
2.2 Performance Outputs for Key Programmes/Projects/Activities	12
 Chapter 3: Assessment of the Degree to which Performance Targets have been achieved	 37
3.1 Performance Contract Achievements Financial Year 2023/2024	37
3.2 Contribution of the Authority to the attainment of Kenya Vision 2030	38
 Chapter 4: Assessment of Adequacy of Roads Funding and Condition of Road Network	 43
4.1 Funding Sources	43
4.2 Condition of the Road Network in the Country	44
4.3 Degree of Change	44
4.4 Projected Optimal Level of the Road Network	44

4.5	Extent of Financing Required to meet optimal level.....	45
Chapter 5: A Review of Technical Adequacy and Proven Cost Efficiency of Road Management Operations		47
Chapter 6: Coordination between Authorities and Regional Entities.....		49
Chapter 7: Degree of realisation of the objectives of the Kenya Roads Act 2007 and levels of compliance		55
7.1	Degree of realization of the objectives of the Kenya Roads Act 2007	55
7.2	Level of Compliance with the Provisions of the Roads Act 2007	55
Chapter 8: Approved Annual Financial Statements.....		59
8.1	Annual Financial Statements	59
8.2	Report by the Auditor General	59
Chapter 9: Conclusion		61
Annex 1: Signed Financial Statements.....		62
Annex 2: List of Annual Report Preparation and Publication Committee		114

List of Tables

Table 1:	Table on Staff Strength	4
Table 2:	Strategic Objectives, Performance targets and Planned Activities/ Outcomes and Outputs	7
Table 3:	Drainage Structures	14
Table 4:	Roads Maintenance Levy Funded Projects.....	17
Table 5:	Achievements of the Authority against Planned Exchequer Funds for Road Maintenance	18
Table 6:	Financing Utilization.....	22
Table 7:	Expected Outputs per county, Kms and Estimated Costs.....	22
Table 8:	Tree Growing Activities by Region	27
Table 9:	Total Value of Procured Works	30
Table 10:	Accesss to Government Procurement Opportunities	30
Table 11:	Evaluation Criteria.....	37
Table 12:	Assessment of Performance Contract Evaluation Composite Score	38
Table 13:	A summary of the Coordination between Authorities and Regional Entities	49
Table 14:	Level of Compliance with the provisions of the Roads Act 2007	55



Chebilat - Ikonge - Chabera Road in Nyamira County.

Acronyms

AFD	Agence française de développement/ French Development
AGPO	Access to Government Procurement Opportunities
AIDS	Acquired immunodeficiency syndrome
ARWP	Annual Road Works Programme
ASAL	Arid and Semi-Arid Land
BADEA	Arab Bank for Economic Development in Africa
BETA	Bottom Up Economic Transformation Agenda
CAJ	Commission on Administrative Justice
CFA's	Community Forest Associations
CRC	Constituency Roads Committee
CSR	Corporate Social Responsibility
EACC	Ethics and Anti-Corruption Commission
EBK	Engineers Board of Kenya
EIA	Environmental Impact Assessment
ERP	Enterprise Resource Planning
ESIA	Environmental and Social Impact Assessment
EU	European Union
GoK	Government of Kenya
ICT	Information and Communication Technology
IPSAS	International Public Sector Accounting Standards
ISO	International Organization for Standardization
KeRRA	Kenya Rural Roads Authority
KfW	Kreditanstalt für Wiederaufbau/ German Development Bank
KFS	Kenya Forest Service
KRB	Kenya Roads Board
LVSR	Low Volume Seal Roads
MDA	Ministries, Departments and Agencies
M&E	Monitoring and Evaluation
SDR	State Department for Roads
MTP	Medium Term Plan
NACADA	National Authority for the Campaign Against Alcohol and Drug Abuse
NSDCC	National Syndemic Disease Control Council
NEMA	National Environment Management Authority
NLC	National Land Commission
NTSA	National Transport & Safety Authority
NG-CDF	National Government Constituency Development Fund
PFM	Public Finance Management
PPP	Public Private Partnership



PPRA	Public Procurement Regulatory Authority
PWD	Persons with Disabilities
RDCC	Regional Development Coordination Committee
RMLF	Road Maintenance Levy Fund
RMS	Road Management System
SCAC	State Corporations Advisory Committee
UNTOC	United Nations Convention Against Transnational Organized Crime
WED	World Environment Day
WWD	World Wetlands Day



His Excellency Dr. William Samoei Ruto, C.G.H., President of the Republic of Kenya and Commander-in-Chief of the Defence Forces launching the tarmacking of the 50 Kilometer Mtangawanda-Faza-Kizingintini Road in Lamu County.



Former Cabinet Secretary (Ministry of Roads and Transport), Hon Kipchumba Murkomen, E.G.H., at Barabara Plaza during a performance review meeting.

Chairman's Statement



Prof. (Eng.) Oyuko Mbeche, EBS
Chairman (Board of Directors)



This year has been a pivotal one for the Authority, marked by significant achievements and the successful completion of several projects that are vital to infrastructural and economic growth of our nation.

Dear Stakeholders

It is with great pleasure that we present the Kenya Rural Roads Authority (KeRRA) Annual Report for the year ended 30th June 2024. This year has been a pivotal one for the Authority, marked by significant achievements and the successful completion of several projects that are vital to infrastructural and economic growth of our nation. The Mission of the Authority is to manage, develop, rehabilitate and maintain national secondary trunk roads for sustainable socio-economic transformation towards achieving a visionary agenda of sustainable road network for easy

access to resources and services. The Authority continues to derive inspiration from its Motto namely “Connecting Devolved Kenya” in pursuit of excellence in the construction of roads.

Overview of the Year

Over the past year, KeRRA made remarkable progress in enhancing and expanding our road network by upgrading an additional 366Km of roads to Bitumen Standards. As a result of a challenging fiscal environment, the Authority prioritized completion of ongoing road development projects over

commencement of new projects. This was further in line with the directive of the Government of Kenya which has prescribed several austerity measures in a bid to reduce the country's debt burden. In the year under review, the Authority implemented a selected number of road upgrading projects and also maintained and managed all national secondary trunk roads in line with the Government's Bottom-up Economic Transformation Agenda (BETA). These projects support the core pillars of BETA namely: Agriculture; Micro, Small and Medium Enterprises; Housing and Settlement; Healthcare; the Digital Superhighway and Creative Economy. Provision of quality and safe road infrastructure remains a guiding principle of the Authority as we ensure improvement of the road conditions and safeguard the investments made hitherto on the network.

Board Milestones

The Board oversaw several milestones by the Authority in the reporting period. The key milestones recorded in the year included; the approval of the Authority's 5-year Strategic Plan (2023-27) which shall steer the Authority's programs and operations in line with the outlined strategic objectives, approval of several key policies and enhancing the governance environment through undertaking several trainings relevant to the Board.

The Board approved the improvement in the Human Resourcing of the Authority by overseeing the recruitment of two Directors (Roads and Corporate Services) and the Deputy Director in charge of Human Resource and Administration. The

recruitment of the above staff is among the key interventions that have hitherto impeded efficiency in the Authority's operations.

Customer focus

Customer-centricity is significant in improving service delivery and operational efficiency and prioritizing the needs and preferences of customers. The Authority has adopted a client-centric approach to facilitate the incorporation of customer feedback in decision making. This has enabled the Authority to meet and exceed the demands and expectations of its stakeholders. The Authority conducts customer satisfaction surveys periodically to monitor customer satisfaction and foster in-depth analysis of customer feedback for the requisite strategic interventions.

Corporate Governance

We continued to ensure compliance with applicable laws, regulations, and corporate policies as instruments for holding management accountable for decisions and actions. This is further augmented by performance evaluations and audits that are subject to review by the Board. The board continued to ensure effective corporate governance practices to enhance stakeholders' confidence, reduce risks, and contribute to the long-term sustainability and success of the Authority.

Acknowledgments

On behalf of the Board, I wish to extend my heartfelt appreciation to the Government of Kenya for granting us the opportunity to serve the country in this capacity. We commend our development partners namely EU, AfD and KfW for their support



in the achievement of our mandate. We further appreciate the Ministry of Roads and Transport and the State Department for Roads for their continued support to the Authority. Our collective stakeholders remain the anchor of our success and we cannot overlook their immense contribution to our success. We extend sincere appreciation to

the management and staff of KeRRA whose dedication, hard work and commitment are instrumental in the attainment of the Authority's mandate. Finally, I wish express my gratitude to my fellow Board members for their commitment and invaluable contribution to the Authority's strategic vision and leadership.



Prof. (Eng.) Oyuko Mbeche, EBS

Chairman (Board of Directors)



Eng. Joseph Mbugua, CBS Principal Secretary State Department of Roads presenting a Certificate to Prof. (Eng.) Oyuko Mbeche, EBS Chairman (Board of Directors) after successfully completing a Road Asset Management training.



KeRRA Board of Directors and Senior Management during the Performance Contract negotiations in Naivasha.

Director General's Statement



Eng. Philemon K. Kandie, MBS
Director General



The outputs and achievements reported herein are the result of strategic interventions, project implementation and exemplary performance.

Background

This Annual Report has been prepared to provide stakeholders with an accurate and balanced view of the Authority's performance in the implementation of its mandate in the Fiscal Year 2023/24. The outputs and achievements reported herein are the result of strategic interventions, project implementation and exemplary performance. In addition, the report addresses material matters the Authority faced in the reporting period and strategies to be deployed in addressing the same for continuous improvement. The report has

been prepared in accordance with the provisions of Section 44 of the Kenya Roads Act 2007.

The 2023-2027 Strategic Plan

During the year, we embarked on several strategic initiatives aimed at enhancing our operational efficiency and sustainability. Notably, the Strategic Plan (2023-2027) was finalized and approved by the Board of Directors. It has been prepared in line with the Fourth Medium Term Plan of the Kenya Vision 2030.

2,500Km

Developing 2,500Km of roads to bitumen standard by 2027.

18,500Km

Managing 18,500Km of road asset.

92,500Km

Maintaining cumulative 92,500Km roads by 2027.

The plan provides a framework for the Authority to deliver efficient, effective and sustainable services for the fulfilment of its mandate and entails the following strategic objectives: Developing 2,500Km of roads to bitumen standard by 2027; Promoting environmental sustainability and social interests in road development and maintenance; Managing 18,500Km of road asset; maintaining cumulative 92,500Km roads by 2027; Enhancing institutional capacity; Promoting corporate governance; Enhancing collaboration and stakeholder engagement; Annually improving publicity, visibility and image of the Authority; and Diversifying sources of funding and implement accountability measures by 2027.

The Authority has embarked on implementing the strategy with a view of its full actualization to transform the road network within its mandate thus underpin national development in accordance to the Government strategy of BETA.

Operational Efficiency

In addition, the Authority oversaw the development and rollout of additional modules of the Enterprise Resource Planning (ERP). This continues to facilitate improved operational efficiency and timely service delivery through integration of the various functions and departments into a unified system. This

has resulted in immense benefits in terms of integration, centralization of databases, automation of processes, robust reporting and analytics, standardization of processes and adaptability to the changing operating system of the Authority.

Further, the Authority successfully integrated six services to the e-Citizen platform through the Roadside Development Application and Approval (E-Services) portal. The services offered include: Access Roads Application; Roadside Development Application; Advert and Signage Application; Water Utility Application; Electricity Lines Application; and Telecommunication Lines Application. This shall enable our stakeholders access the integrated services easily and remotely at their convenience thereby enhancing access to Government services.

Performance Review

The Financial Year 2023/2024 was marked by significant milestones in the Authority in terms of core operations. In the year under review, the Authority achieved the following milestones: Upgraded 366Km of roads to bitumen standard, routinely maintained 32,000Km of roads, constructed 4 No. Major Structures, carried out emergency works at various roads and bridges, Reconstructed and Rehabilitated 78.8Km of roads, periodically maintained 125.7Km of roads, Planted 58,264 No. tree seedlings at designated places in collaboration with the State



ACHIEVEMENTS

366Km

Roads upgraded to to bitumen standard.

32,000Km

of roads routinely maintained.

78.8Km

of roads periodically maintained

520,579No.

Seedlings planted at designated places in collaboration with the State Department for Forestry.

Ksh27billion

The total volume of contracted works within the Authority's portfolio for the year was Ksh27billion.

Department for Forestry. The total volume of contracted works within the Authority's portfolio for the year was Ksh27billion. In addition, the Authority developed a Science, Technology and Innovation Strategy; reviewed its Human Resource Instruments and undertook 8No. major Corporate Social Responsibility initiatives.

Future Plans

As we reflect on the achievements of the Financial Year under review and contemplate

Eng. Philemon K. Kandie, MBS

Director General

the road ahead, it is imperative to acknowledge and address the diverse array of challenges that confront us. These challenges serve not as barriers but as opportunities for innovation, collaboration, and strategic adaptation. Efforts are being made to secure additional funding to clear pending bills and ensure timely payments to contractors and suppliers. The Authority in conjunction with the State Department of Roads is working on a legal framework to enforce axle load limits and facilitate effective axle load monitoring to safeguard road investments.

Management and Board Commitment

The management team remains unwaveringly committed to the attainment of the Authority's strategies goals and continue to work hand-in-hand with members of staff towards this end. The Authority's staff thus have demonstrated outstanding levels of dedication and professionalism in their duties thus deserve commendation. The combined effort is evidenced by the continued stellar performance of the Authority in the various indicators overseen by respective statutory bodies, regulators and commissions. We therefore appreciate the overwhelming support we have received from all our key stakeholders led by the Government of Kenya, Development Partners, Ministry of Roads and Transport, Members of Parliament, Sister Agencies in the sector and members of the public.



Completed Nakujit Bridge in Turkana County.



His Excellency Dr. William Samoei Ruto, C.G.H., President of the Republic of Kenya and Commander-in-Chief of the Defence Forces launching the of upgrading to Bitumen Standard and Maintenance of Longisa - Sigor - Chebunyo Jct B7 Kyongong - Sigor Roads in Kapkesosio, Chepalungu Constituency, Bomet County.

Board of Directors



Prof. (Eng.) Oyuko Mbeche, EBS
Chairman (Board of Directors)

Prof (Eng) Oyuko. O. Mbeche was born in 1946. Prof.(Eng.) Mbeche is a holder of B.Eng. From Stevens Institute of Technology(USA), MSc from Polytechnic Institute of Brooklyn(USA) and PhD from the University of Nairobi. He is a Civil Engineer specializing in the field of Transportation Planning and Engineering.

Prof. (Eng) Mbeche is a Nobel Peace Prize recipient, this was bestowed on him by the International Panel on Climate Change (IPCC) in December, 2007. He is Member American Society of Civil Engineers, Member American Society of Engineering Education, Member Kenya National Academy of Sciences and Member Engineering Board of Kenya. He is a Professor of Civil Engineering at the University of Nairobi and has supervised various undergraduate and postgraduate projects, he has published widely.

He is the Chairperson of the Board. He has written many research papers on matters touching on land use, planning, transport economics and urban planning. In his work experience, he has worked as a project coordinator, team leader, and project civil/structural engineer in various government organizations and has trained in corporate governance.



Prof. Njuguna Ndung'u, CBS
Cabinet Secretary,
The National Treasury & Economic
Planning
9th August 2024

Prof. Njuguna Ndung'u was born in 1960. and is a holder of Bachelor of Arts in Economics degree , and Master of Arts in Economics both from the University of Nairobi, he has a PhD in Economics from the University of Gothenburg , Sweden.

Prof Njuguna is an Associate Professor of Economics at the University of Nairobi and a former Governor of the Central Bank of Kenya. He has been a member of the Global Advisory Council (GAC) of the World Economic Forum and a Visiting Fellow of Practice at the Blavatnik School of Government, Oxford University. He was the Director of Training at AERC, Program specialist at IDRC and Team Leader in Macro-modelling at the Kenya Institute for Public Policy Research and Analysis. He is a Member of Brookings Africa Growth Initiative, Member of the Advisory Committee of the Alliance for Financial Inclusion that coordinates financial inclusion policies in Africa, Asia and Latin America, and Senior Advisor for the UNCDF-based Better Than Cash Alliance.

Prior to his appointment, Prof. Ndung'u was serving as the Executive Director of the African Economic Research Consortium (AERC), a Pan African premier capacity building network of researchers, trainers, students, universities, policy makers and international resource persons.



Hon. CPA John Mbadi Ng'ongo, EGH
Cabinet Secretary,
The National Treasury & Economic
Planning
From 9th August 2024

Hon. John Mbadi is the Cabinet Secretary (CS) for The National Treasury and Economic Planning. Before his appointment, Hon. Mbadi had an extensive career in public service, most recently serving as a nominated Member of Parliament (MP) and the Chairperson of the Public Accounts Committee in the National Assembly.

The CS has a rich history in legislative leadership, having served as the elected MP for Suba South Constituency, Suba Constituency, and Gwassi Constituency. His experience extends to roles such as Assistant Minister in the Office of the Prime Minister and Leader of Minority in the National Assembly. Throughout his parliamentary tenure, he was a member of numerous key committees, including the House Business Committee, Liaison Committee, Budget and Appropriations Committee, Selection Committee, Appointments Committee, Public Accounts Committee, Public Investments Committee, Constitutional Implementation Committee, the Ad Hoc Committee on the Cost of Living, and the Defence and Foreign Relations Committee. Notably, he was also a member of the Legislative Taskforce responsible for drafting the Public Finance Management Act of 2012.

In addition to his political and legislative accomplishments, the CS is a seasoned finance professional with 28 years of experience. He has held the position of Accountant at the University of Nairobi and served as the Chair of Medair East Africa. Hon. Mbadi holds a Bachelor of Commerce degree with a specialization in Accounting from the University of Nairobi and is a registered member of the Institute of Certified Public Accountants of Kenya (ICPAK). His professional affiliations extend to the Architectural Association of Kenya (AAK), the Institute of Quantity Surveyors of Kenya, and the Chartered Institute of Arbitration.

Hon. Mbadi's skills span planning, budgeting, financial analysis, accounting, economics, and community development, complemented by strong leadership, effective communication, and interpersonal skills.



Samson Palia Wangusi, OGW
Alternate to Cabinet Secretary,
The National Treasury & Economic
Planning

Mr Samson Palia Wangusi was born in 1966. He holds a Bachelor's degree in Public Administration from Moi University and Masters of Arts in Public Administration from the University of Nairobi.

Mr. Wangusi is a seasoned administrator with vast experience in Public Sector Management, spanning over 30 years and currently the Principal Administrative Secretary (PAS) at the National Treasury. Prior to his current appointment, Mr. Wangusi was the Director of Administration at the State Department for Immigration. He has served in a similar capacity at the State Departments for: Social Protection, Industrialization, Trade and, Public Service, Youth & Gender.

Mr. Wangusi has also served on various Boards as an Alternate Director to the Principal Secretary. These include: Bukuru Agricultural College Board, Special Programme on the National Cereals and Produce Board, Micro Small Enterprises Authority and Kenya Shipyard Limited. He is trained in corporate governance.



Eng. Joseph Mbugua, CBS
Principal Secretary,
State Department of Roads,
Ministry of Roads and Transport

Eng. Joseph Mbugua was born in 1962. He holds a BSC in Civil Engineering from University of Nairobi. He is a registered professional Engineer with Engineers Board of Kenya (EBK) and a Fellow of the Institution of Engineers of Kenya (FIEK). He is a Strategic Manager who has successfully risen in ranks to be a highly capable change-agent; consistently refining and revitalizing strategies, initiating changes and facilitating solutions driven by team collaboration within the Public Sector. He has served in various capacities including Kenya Rural Roads Authority whereby he rose to the rank of a Regional Deputy Director.

He is extensively trained in Strategic Leadership Development, Senior Management, Highway Development Management, Contract Management, Labour Based Road Construction and Maintenance, Quality Management Systems and Master Certificate in Project Management. He has valuable experience in policy formulation, planning, design, construction and management of projects and programs gained from his working experience in Public Service for over 30 years and is trained in corporate governance.

Eng Mbugua is an Executive Member of the Board of Management for Thogoto Teachers College, Moi Girls Kamangu Secondary School and Kikuyu Township Primary School.



Eng. Stephen Kogi, OGW
Alternate to Principal Secretary,
State Department of Roads,
Ministry of Roads and Transport.
Upto January 2024

Eng. Stephen K. Kogi was born in 1964. He is a graduate of Civil Engineering from the University of Nairobi and has a Master's degree of Business Administration from Jomo Kenyatta University of Agriculture and Technology. He was the alternate to the the Principal Secretary, State Department of Infrastructure department in the Ministry of Roads and Transport from June 2020 until January 2024.

He has extensive experience in professional and public administration, including strategic leadership and corporate governance gained from his training and responsibilities in the different programmes and mandates in government. He has previously coordinated the improvement of roads under various development partners and steered the development of policies including the design guidelines in support of the Government agenda for the improvement of over 10,000Km road network under the Low Volume Seal Roads Programme.

He has been involved in various local and international forums and is the current President of the African Road and Transport Research Forum of which membership consists of Sub-Saharan African countries



Eng. James Mwathi Kung'u, OGW
Alternate to Principal Secretary,
State Department of Roads,
Ministry of Roads and Transport
From January 2024

Eng James Mwathi Kung'u was born in 1966. He holds a BSC in Civil Engineering from University of Nairobi and a Master of Science in Construction Management from University of Birmingham, UK. Eng. Kungu is a registered professional Engineer with Engineers Board of Kenya (EBK), a Corporate Member of the Institution of Engineers of Kenya (MIEK) and a Registered Consulting Engineer with Engineers Board of Kenya.

He is an Advisor to the Government on matters related to Road Policy that includes roads development and maintenance standards.

Eng Kungu in his capacity as Chief Engineer Roads has been involved in Capacity Building of the road subsector, Monitoring of Programmes and Projects financed through exchequer allocations and development partners assistance, Projects Procurement reviews related to detailed design and tender documentation to advise on value, Coordination of the Sector Agencies, Review of standards, Road Sector Investment Programme (RSIP).

Eng Kungu was also the Project Coordinator/Head of Infrastructure in IGAD Secretariat, Djibouti. During this period His Responsibilities involved Coordinating the regional transport, energy and transboundary water projects within the Horn of Africa Region, Supervising regional studies among others.

Eng. Kungu is the Current Chairperson of the Finance and Technical Board Committees.



Ms. Teresia Mbaika, CBS
Principal Secretary,
Ministry of Devolution

Ms Teresia Mbaika Malokwe was born in 1986. Ms Teresia holds a Bachelor of Science degree in Environmental Health from Kenyatta University and a Master of Science degree in Health Economics, obtained from the University of Nairobi.

In June 2018, Ms. Teresia was appointed to the board of directors at the National Environment Management Authority of Kenya. Ms Teresia was also a member of the eleven-person board of directors at the Kenya Nuclear Electricity Board. While there, she chaired the Finance and General Purpose Committee.

In January 2014, she served as a board member at Beams Construction & Supplies Limited, a Nairobi-based construction company. She also worked at the Kaiti Constituency NG-CDF in June 2013. Her duties included overseeing financial management, corporate governance and compliance at the government agency.



CPA Margaret Akiring Osilli
Alternate to Principal Secretary,
Ministry of Devolution

CPA Margaret Osilli was born in 1974. She is a Certified Public Accountant, a Member of Association of Women Accountants of Kenya (AWAK) and holds a Certificate in Strategic Leadership Development Programme. She is an accounting professional with management skills and expertise in financial management. CPA Osilli is currently the Deputy Director Devolution Affairs State Department for Devolution.

She has over 27 years Public Sector experience in cash management, procurement, internal controls, budgeting, financial reporting and analysis. She was the part of the secretariat of the 9th Africities Summit in Kisumu held in 2022 and Kenya Devolution Support Program between 01/2016 - 01/2021. She was also a member of the Inter – Agency Working Committee on County Own Source Revenue.

She possesses exceptional interpersonal and management skills. She has worked for various institutions including Malaba Town Council, Busia County Council, Nairobi City Council, Kisumu City Council, and the County Government of Kisumu.

CPA. Osili currently chairs the Board Human Resource Committee.



CPA Caroline Waithira Ndung'u
Council of Governors

CPA Caroline Ndungu was born in 1971. Ms. Caroline holds a Bachelor of Arts in Economics degree from University of Nairobi, Advanced Management Programme, Strathmore Business School/IESE Business School, Barcelona, ES and is a Member of the Institute of Certified Public Accountant of Kenya(ICPAK).

CPA Caroline is certified in Women Directors Leadership Programme, from Strathmore Business School/Cranfield University, 2018, Certificate of Strategic Analysis & Choices, Cranfield University, 2007, Diageo Way of Brand Building (Trainer & Training), 2005

CPA Caroline has over 25 years experience in the Corporate world in various capacities and is an expert in Strategic Planning, Performance Management, Business Development, Training and Development, Financial Management, Stakeholder Management and Project & Program Management. Some of her selected achievements include the successful transition of the Barclays brand to Absa over a period of three years, defining the Jubilee Insurance brand and creating a strong affinity brand in the eyes of consumers.



Eng. Dorcas Mutheu Musingi
Institution of Engineers of Kenya

Eng. Dorcas Mutheu Musingi was born in 1978. Eng Dorcas is holder of Bachelors of Technology (BTech) degree and a Master of Philosophy Degree in Civil Engineering both from Moi University, a Doctor of Philosophy (PhD) student at Jomo Kenyatta University of Agriculture and is a Registered Member of Engineers Board of Kenya (EBK) and Institute of Engineers of Kenya (IEK) and has a certificate in Strategic Leadership Development Programme (SLDP).

Eng. Dorcas has over 20 years' experience in various capacities. Currently she is a lecturer at the Technical University of Mombasa (TUM) and is involved in developing curriculum, developing course material, conducting research and writing papers and journals. Eng Dorcas worked for Powerlead Limited as a professional Engineer between 2009 and 2019 and is also well versed in Corporate Governance.

Eng. Dorcas has served as the Second Vice Chairperson and committee member for IEK Coast Branch, member of the Syllabus Review Committee for TUM and Organizing Secretary of Coast Kamba Professionals.



Mr. Alvin Kibet Kirui, MBS
Kenya Farmers Association

Mr. Alvin Kirui was born in 1993 and holds Bachelors of Business Information Technology Degree from Jomo Kenya University of Agriculture and Technology and has successfully completed the investing in Agribusiness Value Addition programme from Strathmore University.

Mr. Kirui is a Member of the Micro and Small Enterprise Tribunal representing SME Sector under the Judiciary, whose mandate is settlement of commercial disputes. He is a Founding Director of Tekelbei Water Foundation, a non state actor with a goal of providing water storage facilities for rural farmers, providing farmers with market information, and climate adaptive farming strategies. Mr Kirui also leads the East Sotik Co-operative Society which deals with value addition to dairy farmers

Mr. Kirui is the Current Chair to the Board Audit Committee



Eng. Philemon K. Kandie, MBS
Director General/Secretary
to the Board

Eng. Philemon Kandie was born in 1971 and is a registered Engineer with Engineers Board of Kenya and a member of the Institution of Engineers of Kenya (MIEK).

Eng. Kandie holds a BSc. Hons in Civil Engineering from Jomo Kenyatta University of Agriculture & Technology, a Diploma in Transport Planning, Development & Management from Galilee Management Institute (Israel) and a Master of Science in Road Management & Engineering from the University of Birmingham in United Kingdom. He has been extensively trained in Management Infrastructure embracing Road Asset Management and has valuable experience in policy formulation, planning, design, construction and management of projects and programs gained from his working experience in Public Service for over 24 years.

He worked in the Ministry of Roads and Kenya National Highways Authority as Regional Manager in various stations and was promoted to Regional Network Coordinator in the headquarters. He is a Registered Professional Engineer with Engineers Board of Kenya and a Corporate Member of Institution of Engineers of Kenya.

Eng. Kandie holds leadership portfolios in and out of the Authority and a member of various committees amongst them, Road Sector Investment Plan, Review of Road Classification, Performance Based Contracts and Roads 2000 Strategy Implementation.

Management Team



Eng. Philemon K. Kandie, MBS
P.Eng., BScHons, MIEK, MSc
Director General



Eng. Peter P. Gichohi
P.Eng., MSc BSc., MIEK, A(CIAB)
Director (Research, Strategy & Compliance)



Mr. Patrick Mutisya
BEd, MBA, CHRP-K
Director (Corporate Services)
From May 2024



Eng. Jackson K. Magundu
P.Eng., M(IBC) BSc., MIEK, A(CIARB-UK)
Director (Planning, Design & Environment)



Eng. Julius K. Gakubia
Ag. Director (Research, Strategy & Compliance) Up to May 2024



Eng. Enock A. Kombo
P.Eng., MA(Planning), Bsc, MIEK
Director (Road Asset Management)



CPA Judith C. Chumo
Bcom, MBA, CPA(K), CISA, CIQA
Deputy Director (Audit Services)



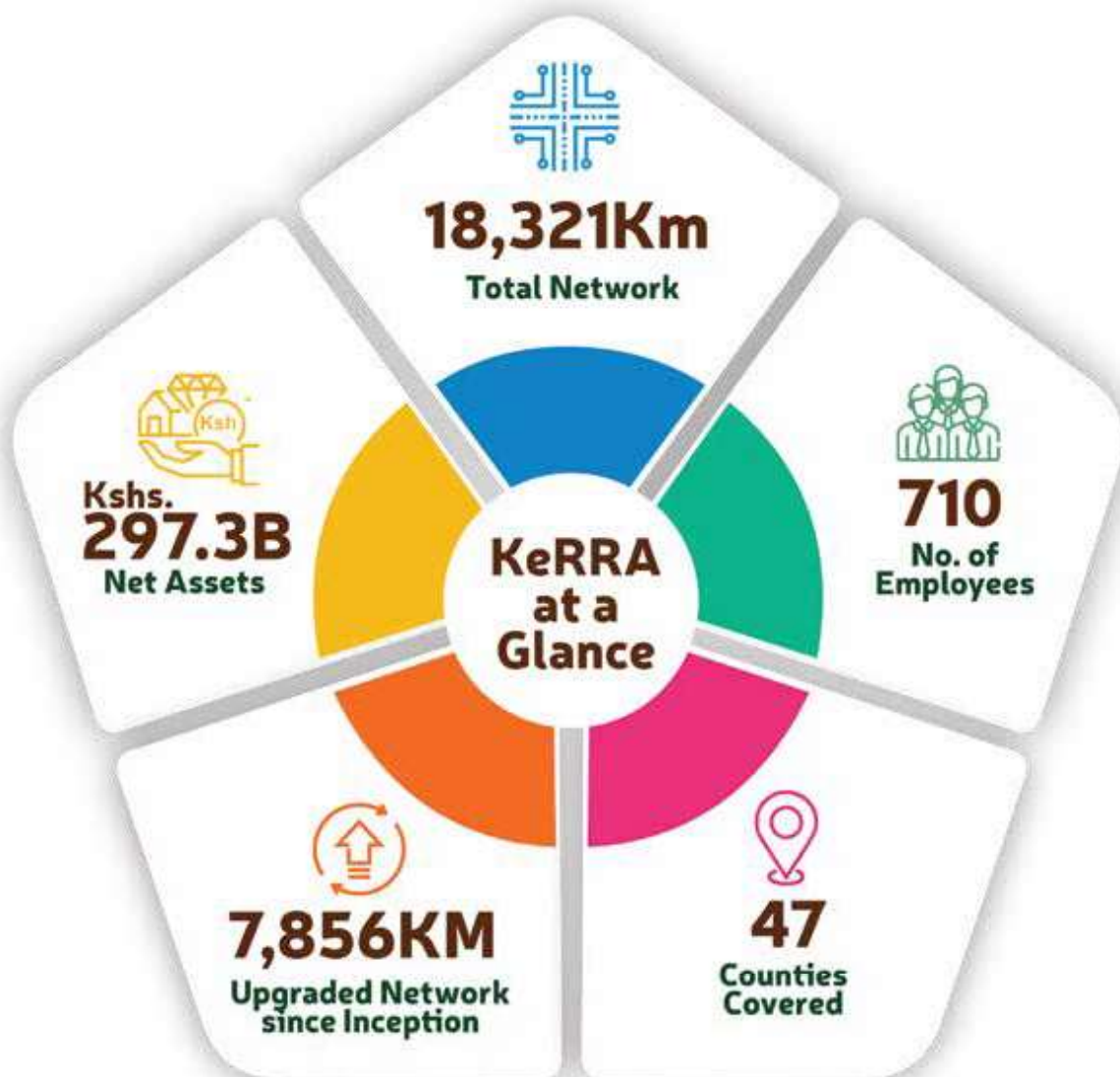
Mr. Justin M. Rapando
LLM, LLB Msc, Dip(KSL), CPS(K), M(CIARB)
Deputy Director (Legal Affairs)

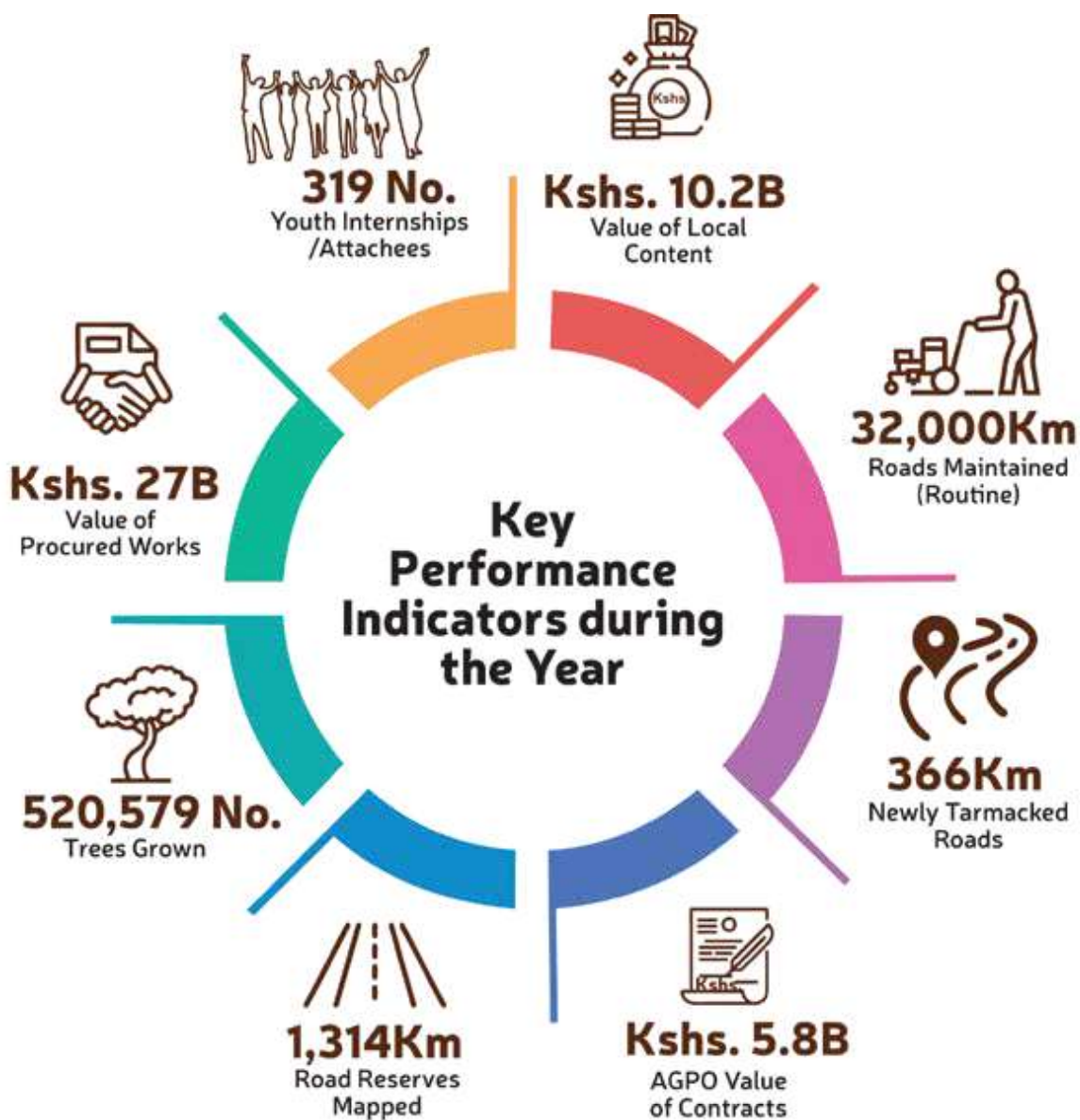


Ms. Catherine Kangangi
Msc(Proc. & Logistics), MKISM, MCIPS
Ag. Deputy Director (Supply Chain Management)



Eng. George Chiaji
Bsc, Msc, MIEK
Director (Roads Development)
From May 2024





Our Vision

Sustainable road network for easy access to resources and services.

Our Mission

To manage, develop, rehabilitate and maintain national secondary trunk roads for sustainable socio-economic transformation.

Motto

Connecting Devolved Kenya

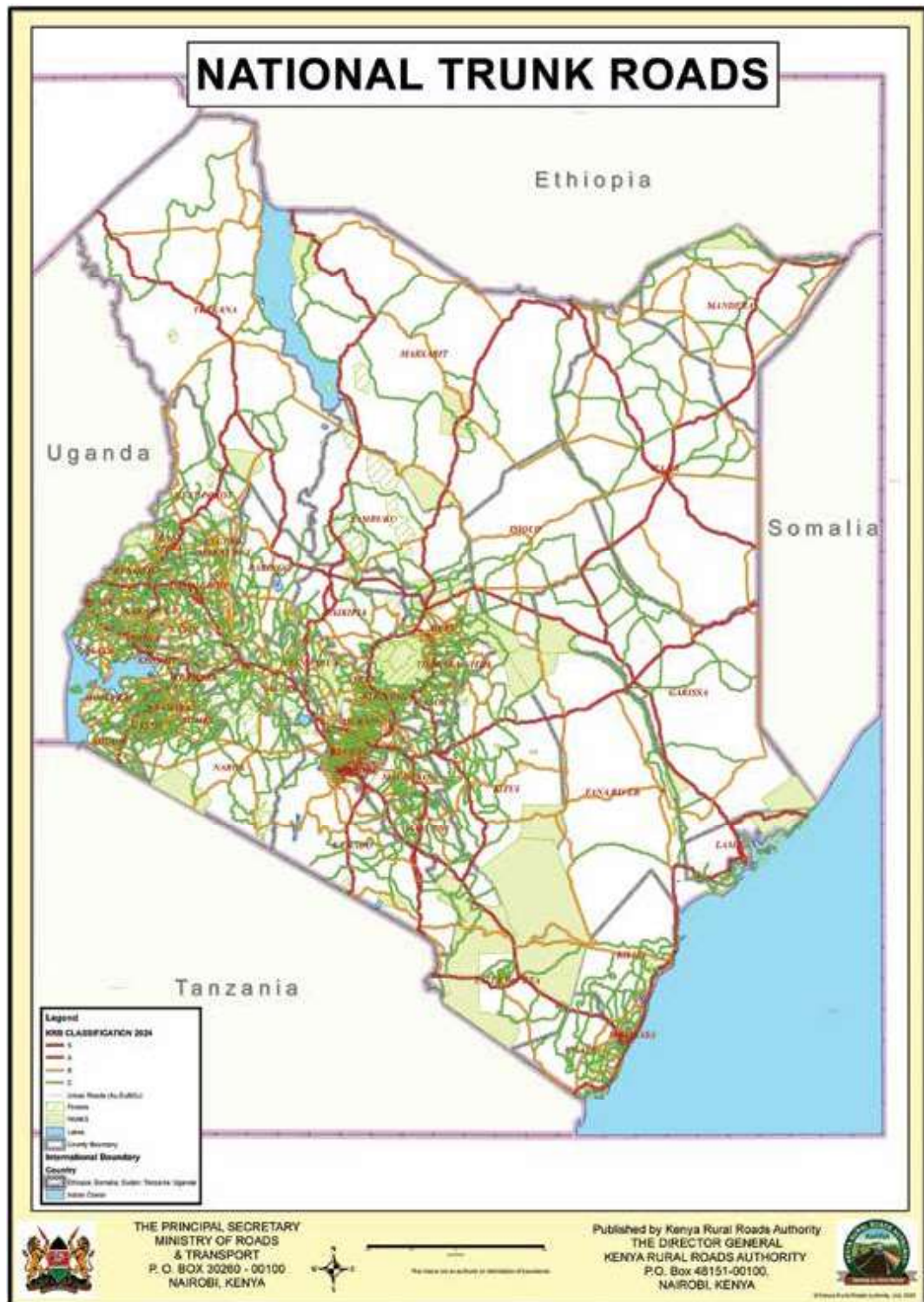
Strategic Objectives

- (i) To develop 2,500 Km of roads to bitumen standard by 2027
- (ii) To promote environmental sustainability and social interests in road development and maintenance
- (iii) To manage 18,500 Kms of road assets
- (iv) To maintain cumulative 92,500 km roads by 2027
- (v) To enhance social institutional capacity
- (vi) To promote corporate governance
- (vii) To enhance collaboration and stakeholder engagement
- (viii) To annually improve publicity, visibility and image of the Authority.
- (ix) To diversify sources of funding and implement accountability measures by 2027.

Core Values

- (i) Transparency
- (ii) Professionalism
- (iii) Integrity
- (iv) Collaboration
- (v) Sustainability

National Trunk Roads



Chapter 1

The Mandate of the Authority

The Kenya Roads Act, 2007 provides for the mandate of the Authority to manage, develop, rehabilitate and maintain the rural road network within the Republic of Kenya. However, the Constitution of Kenya 2010 assigns the responsibility of managing National Trunk Roads to National Government and County Roads to County Governments under the Fourth Schedule Part 18(b). In line with this provision, the road network in Kenya was reclassified vide Kenya Gazette Notice of 22nd January 2016 by the Transition Authority established under the Transition to Devolved Government Act, 2012.

The Authority has a total road network of 18,321Km out of which 4,519Km are paved. The unpaved road network consists of 10,122Km of gravel roads, 2,592Km of earth roads, 246Km of track roads and 842km of unconfirmed road lengths.

1.1 Functions of the Authority

The Kenya Rural Roads Authority mandate as per the Kenya Roads Act 2007 is as follows:

- (a) Constructing, upgrading, rehabilitating and maintaining roads under its control;
- (b) Controlling reserves for rural roads and access to roadside developments;
- (c) Implementing road policies in relation to rural roads;
- (d) Ensuring adherence by motorists to the rules and guidelines on axle load control prescribed under the Traffic Act (Cap. 403) or any regulations under this Act;
- (e) Ensuring quality of road works is in accordance with such standards as may be defined by the Cabinet Secretary;
- (f) In collaboration with the Ministry responsible for Transport and the Police Department, overseeing the management of traffic on rural roads and issues related to road safety;
- (g) Collecting and collating all such data related to the use of rural roads as may be necessary for efficient forward planning under this Act;
- (h) Monitoring and evaluating the use of rural roads;
- (i) Planning the development and maintenance of rural roads;
- (j) Liaising and co-coordinating with other authorities in planning and operations in respect of roads;

- (k) Preparing the road work Programmes for all rural roads;
- (l) Advising the Cabinet Secretary on all issues relating to rural roads; and
- (m) Performing such other functions related to the implementation of the Act as may be directed by the Cabinet Secretary.

1.2 Corporate Governance

1.2.1 Overview

The Board provides oversight to Management who are responsible for the day-to-day running of the organization and emphasizes the principles of good Corporate Governance in the discharge of its mandate. The Board has 4 committees through which it discharges its mandate and is evaluated annually by the State Corporations Advisory Committee (SCAC).

1.2.2 Organizational Structure of the Authority

The Authority is governed by a Board of Directors as per section 8 of the Kenya Roads Act 2007. The day-to-day management of the Authority is carried out by the Director General who is also the secretary to the Board. The Authority carries its mandate through six Directorates, two Departments and forty-seven regional offices.

1.2.3 Appointment of Board Members

Appointment to the Board is carried out pursuant to section 8 of the Kenya Roads Act 2007. The Chairman of the Board is appointed by the President of the Republic of Kenya. Members of the Board are appointed by the Cabinet Secretary responsible for Roads on recommendation of the various nominating institutions provided for under the Kenya Roads Act 2007.

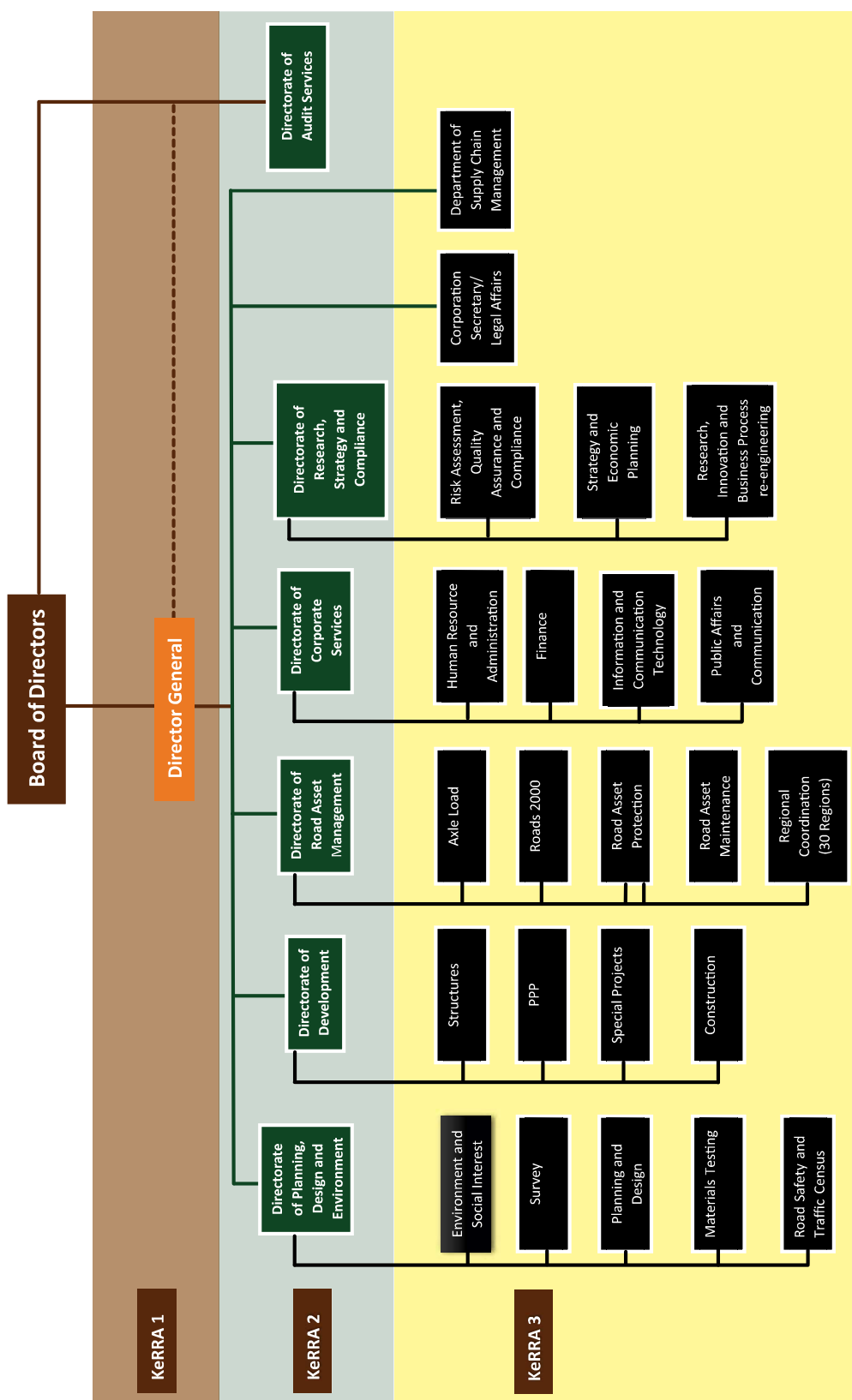
1.2.4 The role of the Board

The role of the Board is to provide strategic direction and oversight to Management in the running of the Authority's affairs. The Board has set up standing committees to discharge its oversight role.

1.3 Policies and Guidelines of the Authority

The Authority has developed various policies and guidelines in the implementation of its mandate. They include but are not limited to; Internal Audit Charter, Information Security Policy, Board Charter, Service Charter, Anti-Corruption Policy, Human Resource Policy and Procedures Manual, KeRRA Organization Structure and Staff Establishment, Career Progression Guidelines, Road Safety Policy, Corporate Social Responsibility (CSR) Policy, Financial Management Policies and Procedure Manual, Procurement Policies and Procedure Manual, Environmental Policy, Legal Policy, Occupational Safety and Health Policy, Alcohol and Drug Abuse Workplace Policy, Gender Mainstreaming Policy, Sexual and Gender Based Violence (SGBV) Policy, Disability Mainstreaming Policy, Road Asset Management Policy, Road and Bridge Works Contract Management Policy, and Communication Policy.

1.4 Organizational Structure



1.5 Staff Establishment

The Authority has a staff strength of 710 members. The table below provides a summary of distribution of the staff strength.

Table 1: Staff Strength

No.	Designation	No.
1.	Engineers	117
2.	Surveyors	28
3.	GIS Officers	1
4.	Senior/ Assistant Road Officers	144
5.	Economist	1
6.	Environmentalists	3
7.	Sociologist	1
8.	Legal Officers	5
9.	Finance and Accounting Officers	97
10.	Public Communication Officers	6
11.	Human Resource Management Officers	4
12.	Information, Communication and Technology Officers	59
13.	Senior/ Office Administration Officers	42
14.	Supply Chain Management Officers	85
15.	Auditors	7
16.	Records Management Officers	2
17.	Senior/Drivers	80
18.	Senior/ Office Assistants	28
	Total	710

1.6 Directorate/Departmental Functions

1.6.1 Office of the Director General

The Office is responsible to the Board of Directors for the broad implementation of the Authority's strategic goals and the management of its resources. The Office is responsible for the day-to-day running and management of the Authority's operations.

1.6.2 Directorate of Development

The Directorate is responsible for upgrading of roads through conventional and low volume seal standards, as well as construction of drainage structures.

1.6.3 Directorate of Road Asset Management

The Directorate is responsible for formulating Road Asset Management policies and

coordinates regional road asset management programmes. Further it undertakes all maintenance activities of the road network, monitoring of axle loading and approval of roadside developments.

1.6.4 Directorate of Planning, Design and Environment

The Directorate is in charge of formulation and review of road policies and plans, coordination of feasibility studies, undertaking preliminary and detailed engineering designs of roads and drainage structures, and overseeing surveying and mapping of road corridors. In addition, it carries out traffic counts and road safety audits, facilitates knowledge transfer and capacity building, and institutes environmental and social safeguards.

1.6.5 Directorate of Research, Strategy and Compliance

The Directorate is charged with enhancement of strategic policy initiatives and guiding the performance contracting framework in the Authority. It is charged with promoting research and innovation in all the areas of operations, Quality Assurance, Business Development, Risk Assessment and Compliance. The Directorate is also responsible for the implementation of Quality Management Systems (QMS).

1.6.6 Directorate of Corporate Services

The Directorate is in charge of functional areas of Finance and Accounts, Information and communication Technology, Human Resource and Administration, and Public Affairs and Communication. The Directorate provides strategic leadership in the functional areas through appropriate policies, plans and procedures. The directorate ensures optimal utilization and management of the Authority's resources.

1.6.7 Directorate of Audit Services

The Directorate of Audit Services reports to the Board Audit, Risk and Governance Committee and administratively to the Director General. The Directorate provides independent assurance on the Authority's risk management, governance and internal control processes.

1.6.8 Department of Corporation Secretary and Legal Affairs

The Department is responsible for the provision of legal advice, litigation services, statutory compliance, legislative and legal drafting, contract advisory services and offers support in the Board secretarial function. In view of the nature of Board secretarial and legal services, the Deputy Director reports to the Director General and is the custodian of Board records and the Authority's key documents.

1.6.9 Department of Supply Chain Management

The department is responsible for acquisition of works, assets, goods, and services, as well as providing end-to-end procurement planning and processing, coordination and collaboration with partners and stakeholders, in the supply chain system. In addition, the Department is responsible for the disposal of assets. This Department reports to the Director General, it gives advice and capacity building on matters of Supply Chain Management.

Chapter 2

Progress of the Authority for Financial Year 2023/2024

2.1 Strategic Objectives, Performance targets, Planned Activities/Outcomes, and Outputs

The Authority adopted various intervention measures during the year under review to achieve its objectives, targets and planned outcomes as tabulated in table 2 below:

Table 2: Strategic Objectives, Performance targets and Planned Activities/Outcomes and Outputs

Indicator	Performance Target	Planned Activities/ Outcome	Outputs FY 2023-2024
Strategic Objective 1: To develop 2,500Km of roads to bitumen standard by 2027			
Design Roads	To design 711Km of road network	Design roads to support accessibility to all production, market and social centers for enhanced economic growth	740Km
Undertake Feasibility Studies	To carry out preliminary assessments for proposed projects	Assess the viability of the proposed projects	Feasibility study reports for 6 No. Project roads
Construction of Roads under LVSR approach	To upgrade 461 Km of roads network to bitumen standards	Open up roads to reduce transport cost and journey time	341Km
Strategic Objective 2: To promote environmental sustainability and social interests in road development and maintenance			
Promotion of environmental conservation and management	Undertake Environmental and Social Impact Assessment Studies for new projects	Undertake ESIA Studies to ensure resulting impacts are managed to minimize environmental degradation	28No. ESIA study reports submitted to NEMA

Indicator	Performance Target	Planned Activities/ Outcome	Outputs FY 2023-2024
Undertake Environmental and Social Audits for completed projects	Undertake Environmental and Social Audits for completed projects	Assess compliance levels to set standards and conditions	5 No. Environmental and Social Audit report
Enhancement of resilience of the road infrastructure to climate change	Undertake tree growing initiatives along KeRRA roads to act as carbon sink for environmental preservation	Trees grown along KeRRA roads	8,990 trees grown along KeRRA roads
	Undertake tree growing initiatives at approved designated forests, marine ecosystems, in Road Camps / KeRRA Regional offices and in school	Trees grown at approved designated forests, marine ecosystems, in Road Camps/ KeRRA Regional offices and schools	511,589 trees grown
Strategic Objective 3: To manage 18,500Kms of road assets			
Mapping and demarcation of road reserves	Undertake mapping of road reserves	To collect and analyze boundary information on the Authority's road reserves	1,314Km of roads mapped
Road Safety Campaigns and Audits	Carry out public awareness on road safety in 47 regions	Public awareness campaign reports	Carried out public awareness campaigns in 9No. regions
	Undertake road safety audits	Road safety audit reports	Road safety audits for 9No. roads
Management of land assets	To carry out topographic surveys for 355 Km of roads.	Collect topographic information for preliminary designs for roads	Topographic surveys for 355Km of roads
Monitoring Axle loading	To monitor 86 No. rural roads for axle loading	Safeguarding rural roads investment	90 No. rural roads monitored for axle loading
Controlling of roadside development	Approve 50 No. roadside developments	Ensure compliance with required standards	50 No. Roadside developments approved
Strategic Objective 4: To maintain cumulative 92,500Km roads by 2027			
Undertake Rehabilitation/ Reconstruction works	To rehabilitate 78.5 Km of rural road network	Well maintained rural roads	79Km
Undertake Routine Maintenance of roads	To maintain 25,451 Km of rural road network	Well maintained rural roads	32,385Km

Indicator	Performance Target	Planned Activities/ Outcome	Outputs FY 2023-2024
Undertake Periodic Maintenance of roads	To carry out periodic maintenance of 126 Km of rural road network	Well maintained rural roads	126Km
Maintenance of Roads under Annuity Programme/PPP	To maintain 92Km of Roads under Annuity/ PPP	Well maintained rural roads	92Km
Strategic Objective 5: To enhance institutional capacity			
Digitalization of Government Services: Proportion of automated functions	Digitalization of key services to enhance efficiency of the Authority's operations thereby improving quality of service.	(i) Identify and prioritize citizen-facing and back-office services to be digitalized	(i) 4 Processes were identified and prioritized for digitization; Roadside Development Application and Approval Registration of Suppliers/ Contractors Payment Processing Inventory Management
		(ii) Re-engineer Business Processes for at least 25% of the prioritized services to access both AS-IS and TO-BE processes for the candidate services for digitalization	(ii) Business process Re-engineered for all 4 processes completed
		(iii) Digitalize at least 25% of the identified service	(iii) All 4 identified processes have been digitized (automated)
		(iv) On-board at least 25% of the identified services to the e-Citizen Platform	(iv) Roadside development & approval portal was successfully integrated into the e-Citizen Platform

Indicator	Performance Target	Planned Activities/ Outcome	Outputs FY 2023-2024
		v) Institute measures for cybersecurity and Data Protection. This is to be achieved through; a) Implementation of Biometric Access to all entrances at Block B, Barabara Plaza b) SSL certificate implementation for KeRRA website c) Implementation of an upto date Network based antivirus across KeRRA WAN d) Updated data backup reports for all KeRRA systems e) Training of Senior Management and Champions on Data Privacy/ protection	v) Measures for cybersecurity and Data Protection successfully instituted this includes; a.) Biometric Access installation to all entrances at Block B b) Implementation of SSL certificate for KeRRA website c) Network based Kaspersky Antivirus acquired and installed d) Data backup reports updated e) Training on Data Protection for Senior Management and Champions conducted in July and October, 2023
		vi) Review and implement the Authority's Business Continuity and Disaster Recovery Plan to align with best practice and current trends	(vi) Business Continuity and Disaster Recovery Plan to reviewed and implemented
		vii) Automation of Audit processes	vii) Successfully implemented the integrated Audit Management system
Employee Satisfaction Index	Improved productivity strategy thereby improving the overall Authority's productivity	Develop productivity metrics Collect productivity measurement data Compute productivity index	Productivity metrics developed Productivity data collected Productivity index computed

Indicator	Performance Target	Planned Activities/ Outcome	Outputs FY 2023-2024
Strategic Objective 6: To promote corporate governance			
Enhancement of Internal efficiency	Implement the Quality Management System (ISO 9001:2015)	Develop Quality Management System Staff Awareness Training QMS Internal Auditors training	Developed Quality Management System developed Carried out QMS staff awareness training Trained QMS Internal auditors
Corruption Prevention	Formation of corruption prevention committee & Integrity Assurance Committee Develop Corruption mitigation plan	Establish Corruption and Integrity Assurance Committee Develop whistle blowing policy and Anti-corruption policy Train staff and CRC members on Anti-corruption measures Carry out corruption mitigation plans covering core mandate	Corruption and Integrity Assurance Committee established Drafted Whistle blowing policy and Anti-corruption policy Carried out Integrity Training for Staff and Constituency Roads Committees Mitigation plans on Core Mandate Carried out; (i) Financial audits, (ii) Operational Audits (iii) Technical Audits (iv) Carried out compliance Financial and performance audits (v) Automated audit services operations
Compliance with Technical standards, legal and regulatory framework	Undertake regular systems, financial and technical (compliance)) audits	No. of Compliance audits reports	30 No. Compliance Audit reports compiled
Undertake Monitoring and Evaluation	To Undertake Monitoring and Evaluation	No. Of monitoring and evaluation reports	4No. Monitoring and Evaluation reports prepared
Enhancement of Corporate Governance	Develop capacity for the Board and Senior Management	No. of Board inductions and training	Board Members were inducted on two occasions and trained on various aspects of corporate governance.

Indicator	Performance Target	Planned Activities/ Outcome	Outputs FY 2023-2024
			Board Members and Senior Management were trained on Road Asset Management
Strategic Objective 7: To enhance stakeholder engagement			
Positive stakeholder engagement	Participation in stakeholder engagement forums	Number of stakeholder engagement forums held	15 No engagement forums held.
Strategic Objective 8: To annually improve publicity, visibility and image of the Authority			
Improvement in publicity, visibility and image of the Authority	Enhance stakeholder engagement via social media	Improvement in social media following	2253 No new followers.
Strategic Objective 9: To diversify sources of funding and implement accountability measures by 2027			
Enhance Internally generated revenue.	Undertake investments of funds not for immediate use	Investment income	Kshs. 2.1Billion generated as interest income
	Collection of Miscellaneous Income	Miscellaneous Income	Kshs.7.6Million received from Miscellaneous Income
Strengthening fiduciary assurance, equity and transparency	Prepare Annual Reports and Financial Statements	Annual Report and Financial statement in place	Annual Report and Financial Statement submitted
	Prepare and submit Quarterly Financial reports to the National Treasury	No. of Quarterly financial reports to the National Treasury	4.No. Quarterly Reports Submitted
Ensure effective use of public resources	External and Internal Audits Reports	No of Audits reports	7No. Audit reports form Office of the Auditor General received and corrective actions taken

2.2 Performance Outputs for Key Programmes/Projects/Activities

2.2.1 Upgrading of Roads to Bitumen Standard - Low Volume Seal Roads

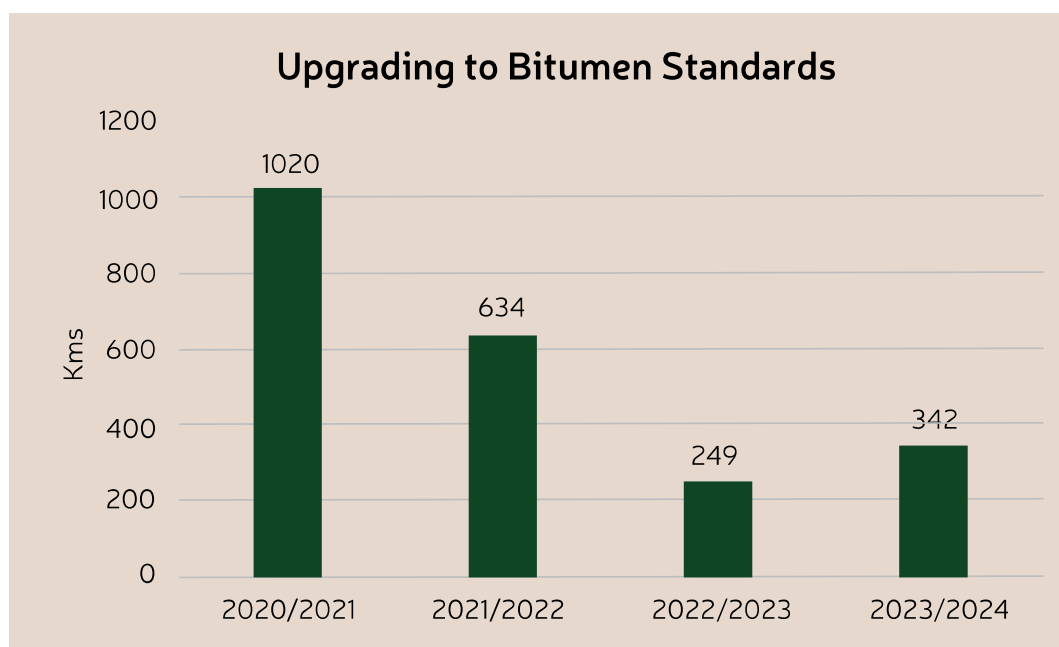
The Authority under the Low Volume Seal Roads (LVSr) programme tendered 221 projects with a scope of 8,676 Km and a value of Kshs.411 billion.

To date a total of 83 No. projects totaling 3,244Km have been fully completed and opened to traffic. Out of this, 46No. projects totaling 2,008Km are at the Performance Based Routine Maintenance (PBRM) stage while 37No. Projects totaling 1,236Km are at the Defects Liability Period (DLP).

Currently, 135 projects, with a combined tendered scope of 5,418km, are ongoing and have collectively achieved a total of 1,942 km of black top (tarmac). Additionally, 8No. projects have been terminated, retendered, and successfully awarded to new contractors who are at various stages of mobilization.

Out of the 135 ongoing projects, 48 projects, representing approximately 36%, have achieved a physical progress of 50% or more. Of these, 23 projects have achieved at least 80% physical progress, indicating they are nearing completion. Dedicated and enhanced budgetary allocations would greatly facilitate the swift completion of these projects, thereby freeing up subsequent resources for projects with greater needs and improve the Authority's performance outlook.

The trend of performance over the past 4 years is summarized in the graph overleaf.



An in-depth analysis of the performance of upgrading roads to bitumen standards - low volume roads for the last four years shows a decline in performance from 2020/2021 to 2022/2023 due to the inadequate budgetary allocations as well as a downward revision of initial allocations for most projects. There is some increase in performance from 2022/2023 to 2023/2024 that can be attributed to facilitation of contractors to complete pending works.



Completed Section along the Kiutine-Kina-Garbatulla Road connecting Meru and Isiolo Counties.

2.2.2 Construction of Drainage Structures

During the year under review, the Authority constructed 2No. major drainage structures (bridges and box culverts) and undertook emergency protection works of 2No. drainage structures as tabulated in table 3 below::

Table 3: Drainage Structures

No.	Name of Structure	Contract Sum (Kshs)	Configuration	Length (m)	Road Name	Status
1.	Emergency Bridge Protection Works at Thwake Bridge	172,721,390.00	2 cell 5.0m x 7.0m	10m	Mumbuni – Kangundo C447	Completed
2.	Emergency Reinstatement of Nunguni Washout on Salama – Nunguni Road (C466).	29,104,400.00	Protection works	Protection works	Salama - Nunguni	Completed
3.	Timbila-Mboghoni Bridge and Approach Roads	36,730,629.00	3 cell 5.0m x 3.5m	15m	Timbila-Mboghoni	Completed
4.	Construction of Vented Drift at Nakujit Crossing	353,007,140.00	49 cells 5.0 x 2.5m	261m long	Kodich – Nakujit - Ptoyo Road	Completed



Construction of Baricho Bridge in Kilifi County.



Ongoing construction of Oloosuyan bridge in Kajiado County.

2.2.3 Road Maintenance Interventions

Road maintenance is essential to keep the existing road in good condition. It plays a vital role in sustaining the life span of roads to their designed levels of service, protecting the road asset, optimizing the returns on investment and ensuring minimum disruptions to road users.

There are three roads maintenance interventions as detailed below:

- (i) Routine maintenance involves regular tasks necessary to keep a road in the required serviceable condition and prevent deterioration, these include; pothole patching, grading and gravelling, shoulder maintenance, bush clearing, cleaning drains and desilting culverts.
- (ii) Periodic Maintenance involves the reinstating of the initial service levels of the road asset and preserving structural integrity of paved and unpaved roads over a specified time interval.
- (iii) Reconstruction and Rehabilitation - involves major repairs or alterations to a road, often to restore it to its original condition or improve its functionality. It involves; overlaying deteriorated road sections, upgrading sections to bitumen standards, widening of roads, bridge extension or replacement, extension of culverts

There are two funding sources for road maintenance interventions namely:

- (i) Road maintenance levy funds and
- (ii) Exchequer funds

2.2.3.1 Roads Maintenance Levy Funded Projects

Road Agencies receive financing for road maintenance every year from the Road Maintenance Levy Fund (RMLF) managed by the Kenya Roads Board (KRB). The Authority prepares and implements road maintenance work plans based on funding ceilings advised by the KRB and emergency allocation from the Cabinet Secretary. It is apportioned as follows:

- (i) 22% RMLF Constituency roads;
- (ii) 10% RMLF critical link roads; and
- (iii) Emergency allocation from the Cabinet Secretary for roads

The planned targets versus achievements by the Authority under the various RMLF allocations in the year under review are summarized in table 4 overleaf:

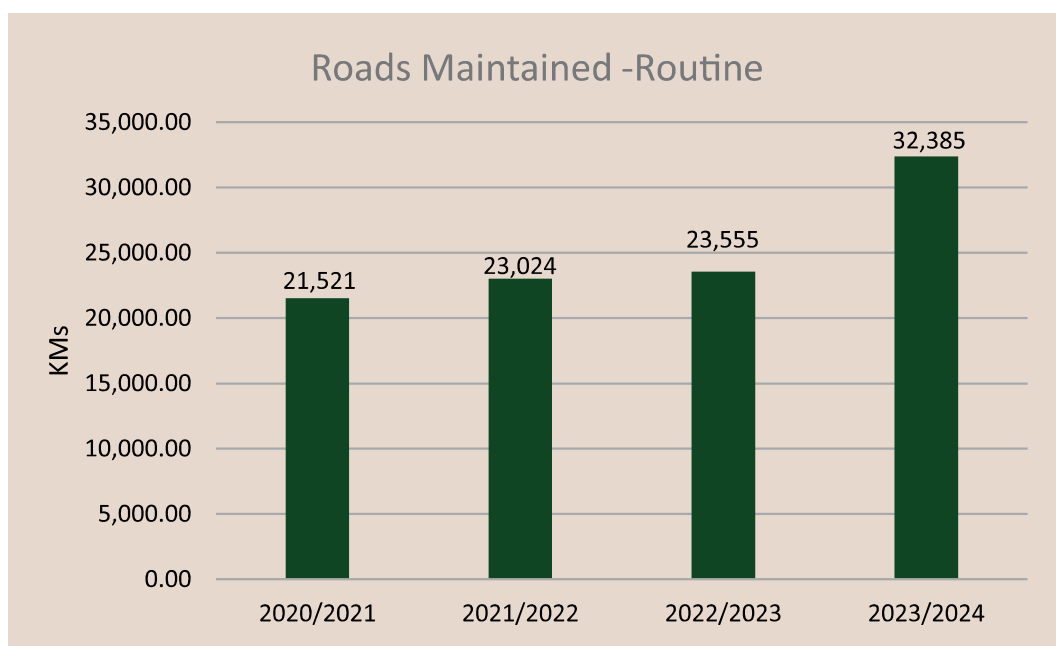
Table 4: Roads Maintenance Levy Funded Projects

Funding Source	Planned Km	Planned Funding (Kshs'000)	Km Achieved	Expenditure (Kshs'000)
22% RMLF Constituency roads	23,288	19,065,085	21,699	13,460,912
10% RMLF critical link roads	10,826	8,877,419	8,704	6,091,207
Cabinet Secretary Emergency Allocation	2,671	8,016,935	1,982	5,602,051
Total	36,785	35,959,439	32,385	25,154,170

NOTES:

- (a) Planned funding for 22% RMLF Constituency roads allocation comprises regular, budget balances and carried over funds
- (b) Planned funding for 10% RMLF critical link roads allocation comprises regular, budget balances and carried over funds
- (c) Planned Km and Achieved Km emanate from Class C roads and other roads as proposed and ratified by the respective Constituency Roads Committees. Where roads proposed by the CRCs are not part of KeRRA's road network, the Authority has obtained no objections and/or Memorandums of Understanding from the respective County Governments to promote synergy between the two entities.

The kilometers maintained under routine maintenance over the past 4 years have shown an upward trend due to the increase in the RMLF and Exchequer allocations as depicted in the graph below. In the year under review, RMLF contributed 25,348Km of roads maintenance while the Exchequer funds contribution was 7,037Km.





Construction of access road to Magongo Primary School in Mombasa County.

2.2.4.1 Exchequer Funded Projects

The Exchequer funds available to the Authority for the period under review was Kshs. 20.8 Billion for Routine Maintenance projects. From the funds available, the Authority managed to achieve 7,037Km. The achievements of the Authority against funding under the above programme is summarized in table 5 below:

Table 5: Achievements of the Authority against Planned Exchequer Funds for Road Maintenance

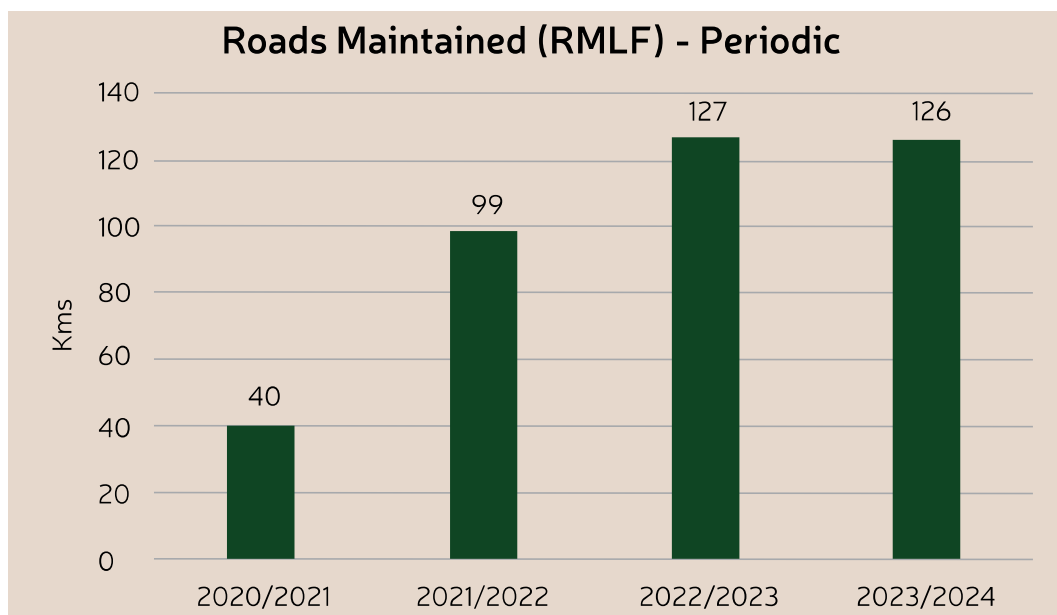
Programme	Planned Km	Planned Funding (Kshs'000)	Km Achieved	Km Achieved
GOK Funded Routine Maintenance	8,284.90	20,823,281	7,037	14,479,441

NOTES

- (a) *Km Achieved comprises of works implemented with regular funds and works implemented with carried over funds during the year under review*
- (b) *The balance of works were at various stages of procurement.*
- (c) *Planning Funding amounting to approximately Kshs 20.8Billion comprises regular funds and carried over funds.*

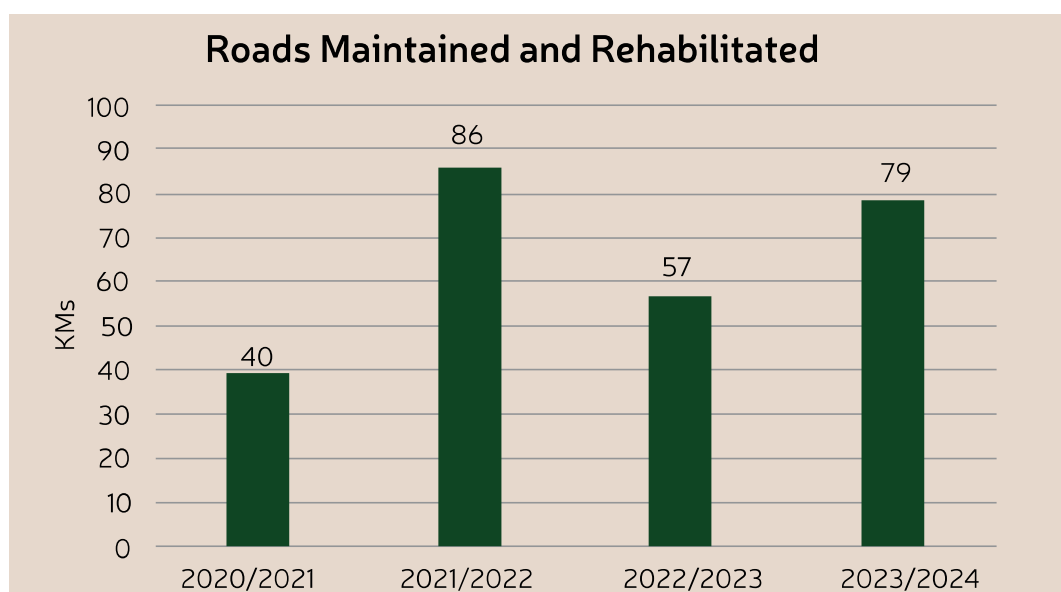
2.2.4 Periodic Maintenance

Over the past 4 years, there has been a positive trend of kilometers achieved under periodic maintenance due to timely release of RMLF. During the year under review, the Authority undertook periodic maintenance of 125.7Km of roads.



2.2.5 Reconstruction and Rehabilitation

There has been a cyclical trend in the Roads Reconstructed and Rehabilitated over the last 4 years because the projects are funded by both RMLF and Exchequer, where the latter has experienced delayed payments among other exogenous factors. During the year under review, the Authority rehabilitated 79Km of roads.





Completed section of Maragi- Gatheru- Gitige- Wanjegi Road in Murang'a County.

2.2.6 Public Private Partnership (PPP)

Public Private Partnership (PPP) is a long-term partnership between a private party and government entity, to provide a public asset or service, where the private party takes up significant risks and management responsibility, and payments accruing to performance levels. The private entity bears the full responsibility of designing, building, funding, rehabilitating, operating and maintenance of the project. The main aim is to promote private sector efficiency in asset creation and service delivery, hence achieving value for money through provision of public services, and infrastructure.

The Authority completed the construction of a 92Km PPP project namely the Ngong-Kiserian – Isinya and Kajiado - Imaroro Road which was upgraded to bitumen standard in October, 2020. The Project is now in the 8-year Operation and Maintenance (O&M) phase starting from 1st November 2020 which will end on 20th May 2028. During this period, the Service Provider will continuously; monitor and rectify defects such as roughness of the road, rutting, edge deterioration, cleanliness, traffic calming measures, road markings, traffic signs, safety measures, guardrails, potholes, drainage and conducting surveys.

The Service Provider has, as a part of their O&M activities, commenced round the clock patrolling / surveillance activities on the road reserve to prevent any encroachment,

ensuring smooth traffic operations and management of accidents / incidents with the aid of emergency contact numbers displayed along the project corridor for the road users to report any accidents or incidents.

2.2.7 The Roads 2000 Strategy

The Roads 2000 Strategy is a road maintenance and management approach that optimizes mixed use of labour and equipment by utilization of locally available resources. The Authority has continued to implement the Road 2000 Maintenance Strategy whose main goal is to improve accessibility in rural areas.

The key features of the strategy include:

- (i) Labour based construction and maintenance of roads
- (ii) Local resource based approach
- (iii) Training and hiring local contractors
- (iv) Rights based approach
- (v) Strengthening the managerial, administrative and technical capacities for road planning, procurement, supervision and monitoring of road maintenance and climate proofing of the relevant Road Agencies and Project Counties through training and capacity building;

The key objectives of the strategy are;

- (i) To provide quality access to agricultural areas and to markets and reduce transportation costs for the majority of Kenyans through improvement and maintenance of low volume traffic roads hence alleviating poverty through these intervention measures,
- (ii) To create employment to the local community through labour-based methods and thus increase household incomes among local communities in targeted intervention areas,
- (iii) Ensure optimum utilization of locally available resources where technically and economically feasible, and
- (iv) Enhance skills and capacity building to local contractors through training to use innovative techniques in road maintenance works.

The Strategy is currently financed by GoK and Development Partners; European Union(EU), French Development Bank(AfD) and German Development Bank(KfW).

2.2.7.1 ASAL Rural Roads Project

The AfD in conjunction with EU is co-financing the construction of climate-proofed rural roads. Climate proofing is the integration of climate change mitigation and adaptation measures into the development of roads. The project covers ASAL Regions of Laikipia, Meru, Tharaka Nithi, Isiolo, Samburu and Marsabit.

The Financing Agreement was signed in October 2020. The total financial outlay is 110 Million Euro comprising of 60 Million Euro as Credit, 30 Million Euro as Grant and 20 Million Euro as GoK counterpart funding.

The financing is to be utilized as indicated in table 6 below;

Table 6: Financing Utilization

Main activities	Amount in Euro			
	Total	GoK	AFD loan	EU grant
Construction	101,072,667	21,356,000	59,800,000	19,916,667
Technical assistance	9,896,000	1,096,000	200,000	8,600,000
Grand total	110,968,667	22,452,000	60,000,000	28,516,667

Key Outputs

The Project will conform to the R2000 Strategic objective of improving the living conditions of the rural population in the Project Counties. Other features will include: -

- (i) Job creation for the local population through the use of labour based methods in construction;
- (ii) Strengthening the managerial, administrative and technical capacities for road planning, procurement, supervision and monitoring of road maintenance and climate proofing of the relevant Road Agencies and Project Counties through training and capacity building;
- (iii) Additional knowledge to contractors and staff of the consulting companies on labour based technology in the design, construction and maintenance of roads; and environmental protection and management of natural resources within the focal area.
- (iv) Construction of about 831 km of road to all weather standards. This comprises of 106 km of Low Volume Seal (LVS) and 725 km of gravel roads (with concrete pavements on steep and rocky sections). The total budget is Ksh 13.5B as shown in table 7 below.

Table 7: Expected Outputs per county, Kms and Estimated Costs

County	Gravel	LVS	Total	
	Km	Km	Km	Cost (Ksh)
Meru	56.9	33.5	90.4	2,060,358,849
Laikipia	136.1	14.2	150.3	1,934,384,576
Tharaka Nithi	53.7	27.4	81.2	1,977,269,816
Marsabit	96.4	26.9	123.3	2,651,669,254
Isiolo	203.7	-	203.7	2,310,925,513
Samburu	178.4	4	182.4	2,572,518,401
Total	725.3	106.1	831.4	13,507,126,409

2.2.7.2 KfW Phase II Programme

The KfW has financed a Phase II Rural Roads Programme in Western Kenya with a Credit valued at Euro 17Million and a Grant of Euro 1.2Million. The GoK counterpart funding in this Programme is Ksh. 225Million. The Financing Agreement was signed on 9th March 2022 and the Programme targets rural roads in Vihiga, Kakamega and Trans Nzoia Counties. The length of roads proposed to be improved under low volume seal roads totals 30Km with an additional 80Km to be constructed to gravel standard.

Roads to be improved will be identified once a Project Management Consultant is procured. This will be a stakeholder driven process to ensure support and ownership of the entire programme.

2.2.7.3 EU – Eastern Kenya

The Government of the Republic of Kenya (GoK) through KeRRA is currently undertaking the upgrading of approximately 99 Km of Rural Roads in the Eastern Region of Kenya under five Lots covering five Works Contracts at a cost of Ksh. 1.94 Billion. The counties covered under the programme are Embu, Tharaka/Nithi, Meru, Machakos and Makueni Counties. In the year under review the Authority upgraded 24.5Km of roads under the programme.

2.2.8 Road Safety Mainstreaming

Road safety mainstreaming involves integrating road safety considerations into construction and maintenance of roads under the Authority's Mandate. It involves a holistic approach that goes beyond traditional road infrastructure and traffic management. It involves policy development and integration, institutional coordination, public awareness and education, infrastructure improvement and development of emergency response strategies. The aim is to significantly lower the impact of road crashes in the country.

The National Transport and Safety Authority (NTSA) provides guidelines on activities to be undertaken by various Government Ministries, Departments and Agencies on matters of road safety.

The Authority undertook the following road safety mainstreaming activities during the 2023/2024 FY in compliance with NTSA guidelines;

- (i) Sensitization on anti-drunk/drug driving, seatbelt wearing, fatigue management in KeRRA Regions namely Samburu, Muranga, Nyandarua, Kitui, Machakos, Kiambu, Busia, Bungoma and Turkana.
- (ii) Undertook road safety and traffic management audits along 9No. Roads.
- (iii) Participated in road safety events organized by NTSA among them the World Day of Remembrance on 19th November 2023 for road traffic victims in Meru, Nakuru, Isiolo, Samburu, Muranga, Migori, Vihiga, Kakamega, Machakos, Makueni, Embu, Wajir, Kisumu and other regions
- (iv) Reviewed reports on maintenance and improvement of existing road infrastructure to enhance road safety,

- (v) Promoted development of safe infrastructure that meets the mobility and access needs of all road users,
- (vi) Reviewed reports on traffic management during construction of ongoing projects
- (vii) Liaised with the Directorates of RAM and Development on corrective action on recommendations of road safety audits
- (viii) Trained drivers in defensive driving



KeRRA staff at the World Remembrance of Road Traffic Victims commemoration held on 19th November, 2023 in Nakuru County.

2.2.9 Project Management and Quality Assurance

The Authority implemented measures to enhance project management and ensure adherence to relevant standards, policies, rules, and regulations to promote the effective management of road projects. Compliance Audits for 30 No projects were conducted to verify that designs and construction met the necessary standards and delivered value for money. Additionally, projects were monitored and evaluated, and project risk management was implemented.

2.2.10 System and Financial Audits

The Annual Audit Work Plan was prepared and implemented to monitor the efficiency and effectiveness of the operations, processes and procedures within the Authority. During the year, the Authority undertook;

- (i) System and Financial audits
- (ii) Management requests and follow-up audits

The Office of the Auditor General and Kenya Roads Board also undertook audits to ensure that systems were in place, value for money is achieved and that maintenance interventions were technically sound.

2.2.11 Monitoring and Evaluation

In the year under review, the Authority undertook Monitoring and Evaluation (M&E) of ongoing road projects to ensure that the desired results were achieved. The exercise provided feedback on the effectiveness of project design and implementation strategies. The lessons learnt were documented and utilized to improve project planning and implementation.

During the year, 4No. monitoring and evaluation exercises were undertaken on on-going development projects. The M&E exercise focused on gathering evidence of progress made in the implementation of the projects against the planned targets and documentation of the results, challenges and risks associated with the projects. This was useful in promoting good governance in project implementation, generating knowledge and lessons learnt, and ensuring public accountability in resource utilization to guarantee the achievement of project objectives.

2.2.12 ISO Certification

The Authority is set to transition from ISO 9001:2008 to ISO 9001:2015 certification. This is consistent with the Authority's mandate to develop, manage and maintain national secondary trunk roads for sustainable socio-economic transformation. To deliver this mandate, it is imperative to provide high quality services that meet and exceed customer's satisfaction as well as ensure compliance to the statutory/regulatory requirements.

The Authority engaged consultancy services to guide the development and implementation of a Quality Management System that complies with the ISO 9001:2015 standard, with the key deliverable being the documentation review and validation of processes and procedures to ensure consistency with the ISO 9001:2015 requirements and certification of the Authority. The Quality Management System's development is progressing, with key milestones achieved. Certain activities are still pending for certification, such as conducting QMS internal audits, implementing corrective actions, management review, and precertification audits.

2.2.13 Risk Management

The Authority continued to monitor existing and emerging project risks and adopted measures to mitigate them as appropriate. However, acknowledging that risks are dynamic, the Authority engaged the National Treasury to guide the Authority in reviewing its enterprise risk management framework. This will inform the risk management guidelines and ensure mechanisms are in place to monitor and report on corporate risks.

2.2.14 Environmental and Social Sustainability

The Authority is committed to promoting environmental conservation and mainstreaming environmental and social sustainability into its processes. Environmental sustainability aims to promote resource utilization and protection of the ecosystem and species and adaptation and mitigation actions against climate change. Social sustainability focuses on the well-being of people, communities and future generations. It encompasses promoting social inclusion and ensuring intergenerational equity.

To contribute to this commitment, the Authority undertook the following activities in the last financial year -

(a) Promotion of Environmental and Social Safeguards

- (i) Undertook Environmental and Social Impact Assessment Studies for 28No. projects and final reports submitted to the National Environment Management Authority (NEMA) for review and licensing,
- (ii) Carried out periodic monitoring of ongoing projects to ensure compliance to environment and social safeguards requirements, while recommending corrective actions for continuous improvement,
- (iii) Assessed compliance to proposed actions in the Environmental and Social Management Plan (ESMP), and to the conditions of EIA License issued. The Authority undertook 5No. Environmental and Social Audits for recently completed projects. Reviewed the Environmental and Social Sustainability Policy. This is instrumental in ensuring the Authority is on course in incorporating emerging issues and actions to promote sustainable development in its operations.

(b) Promotion of Environmental Protection and Conservation through Stakeholder Partnerships

The Authority supported and participated in the 2nd Annual Environment Conference and Exhibitions held on 25th and 26th October 2023 in Mombasa, the World Wetlands Day (WWD) on 2nd February 2024 in Timbora, Uasin Gishu County. In addition, the Authority was a sponsor and a participant in the World Environment Day (WED) National Celebration in Embu County on 5th June 2024

(c) Tree Growing Initiatives

The Authority is committed to enhancing environmental conservation by securing riparian lands, water towers, improving the national forest cover and other measures to facilitate sustainable development. This is also in support of the President's initiative to plant 15 billion trees by 2032, a move aimed at reducing greenhouse emissions, stopping and reversing deforestation and restoring 5.1 million hectares of deforested and degraded landscapes through the African Landscape Restoration Initiative. The initiative also aims at increasing National Tree Cover to over 30% by 2032.

In partnership with the Kenya Forest Service (KFS), Ministry of Interior and National Administration, Educational and Health institutions, the Authority planted a total of 520,579 trees across its 47 regions as shown in the table below.

Table 8: Tree Growing Activities by Region

S/No.	Region	Number of Trees grown
1.	Mombasa	2,300
2.	Kwale	7,715
3.	Kilifi	1,450
4.	Tana River	45,100
5.	Lamu	27,630
6.	Taita Taveta	1,505
7.	Garissa	3,000
8.	Wajir	2,255
9.	Mandera	4,960
10.	Marsabit	3,000
11.	Isiolo	3,362
12.	Meru	4,690
13.	Tharaka Nithi	6,100
14.	Embu	1,667
15.	Kitui	1,648
16.	Machakos	3,600
17.	Makueni	1,745
18.	Nyandarua	7,000
19.	Nyeri	15,340
20.	Kirinyaga	13,000
21.	Muranga	33,000
22.	Kiambu	52,003
23.	Turkana	3,700
24.	West Pokot	5,300
25.	Samburu	100
26.	Trans Nzoia	3,515
27.	Uasin Gishu	6,680
28.	Elgeyo Marakwet	6,040
29.	Nandi	9,490
30.	Baringo	37,200
31.	Laikipia	3,300
32.	Nakuru	61,097
33.	Narok	11,302

S/No.	Region	Number of Trees grown
34.	Kajiado	11,620
35.	Kericho	6,000
36.	Bomet	10,000
37.	Kakamega	4,630
38.	Vihiga	7,825
39.	Bungoma	1,800
40.	Busia	3,670
41.	Siaya	3,800
42.	Kisumu	3,600
43.	Homa Bay	6,000
44.	Migori	47,190
45.	Kisii	10,262
46.	Nyamira	7,100
47.	Nairobi	7,288
	Grand Total	520,579

Sustainability measures have been put in place to ensure maximum survival of the planted trees. These measures include;

- (i) Collaboration with Community Forest Associations (CFAs) in charge of respective forest sections where the Authority planted trees. The CFAs are tasked with periodic maintenance of the planted seedlings until maturity.
- (ii) Trees planted within the Authorities Camp Sites, Regional Offices and road reserves are maintained by casuals under the regional offices/projects.
- (iii) In educational institutions, adopt a tree strategy was employed where students from schools where trees were planted are given prerogative to take care of a given number of planted trees.
- (iv) In prisons and correctional institutions, inmates will be responsible for weeding and watering of planted seedlings. In other institutions such as local administration offices, dispensaries and churches, the various institutions have in place casuals who carry out periodic maintenance of the trees.



KeRRA staff taking part in a trees growing exercise at the Bomas Beat Forest in Nairobi County.



Tree growing exercise by KeRRA staff in collaboration with other stakeholders during the World Environment Day.

2.2.15 Value of Procured Works

In the reporting period, the Authority procured roadworks valued at Ksh 26.671Billion funded under Road Maintenance Levy Fund, GoK Exchequer and Equalization Fund. The value of the procured works as segregated by funding is as per the table below;

Table 9: Total Value of Procured Works

Funding Source	Amount (Kshs'000,000)
22% RMLF Constituency Allocation	12,911.4
10% RMLF Equitable Allocation	5,868.8
10% Emergency Allocation	3,246.0
GoK Exchequer	4,601.3
Equalization Fund	43.5
Total	26,671.0

2.2.16 Access to Government Procurement Opportunities (AGPO)

KeRRA has adhered to Public Procurement and Asset Disposal Amendment Regulations 2013 (amended in 2020) that requires all public procurement entities to set aside at least 30 per cent of their procurement spending for purposes of procuring goods, assets, works and services from micro and small enterprises owned by youth, women and persons living with disabilities (PWDs). The scheme aims at empowering youth, women and PWDs by linking them with Access to Government Procurement Opportunities (AGPO) through reservation for the special category.

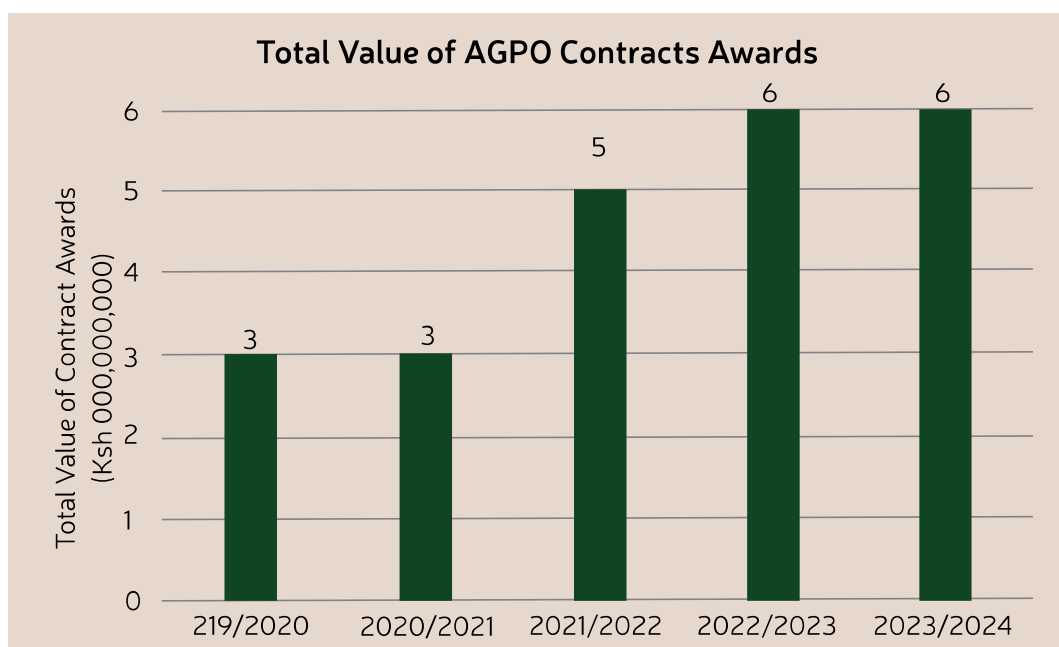
During the year under review, the Authority awarded Kshs. 5,713,936,970.00 0 to special groups under AGPO (Youth, Women, and Persons living with Disabilities (PWDs)) as per the Public Procurement Circular No.1/2014. The distribution is as in the table below:

Table 10: Access to Government Procurement Opportunities

Special Group	Value (Ksh)	Allocation (%)
Persons with Disabilities (PWD)	1,989,427,363.00	37.96
Women	2,039,722,067.00	38.6
Youth	1,684,787,540.00	23.44
TOTAL	5,713,936,970.00	100

Total value of AGPO contracts awarded

A five-year analysis of the AGPO contracts awarded is as per the graph below;



2.2.17 Management of Public Complaints/Information Requests

Stakeholder feedback underpins our approach to planning for roadworks and informs the implementation of our programs. To this extent the Authority has endeavored to process stakeholder feedback effectively and adequately as per the guidelines on management of public complaints and inquiries issued by Commission on Administrative Justice (CAJ).

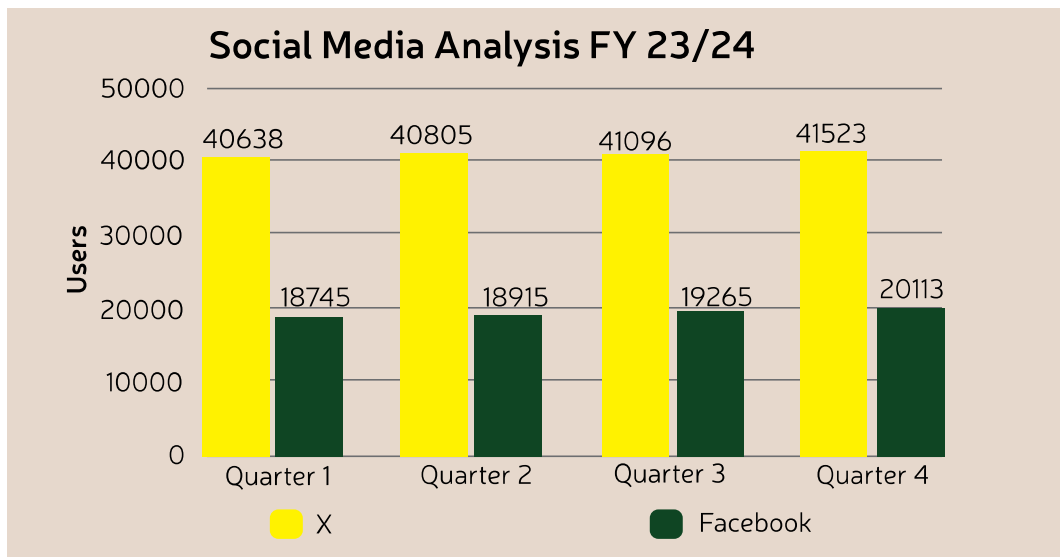
The Authority filed quarterly returns on handling of complaints and information requests to the CAJ, who rated the Authority's performance at 100% Rating (Excellent) for the year under review.

2.2.18 Analysis of KeRRA Social Media Usage for Financial Year 2023/2024

Social media has changed how the Authority communicates in the corporate world; digital platforms have enabled instantaneous access to and sharing of information, making them a critical component of communication. The Authority's social media platforms have been instrumental in facilitating real-time interactions, inspiring fresh concepts that foster an environment and community for meaningful interactions between different people and trends that mold and affect how organizations or individuals are perceived.

KeRRA's social media presence on Twitter and Facebook during the Financial Year 2023/2024 is vital in enhancing brand reputation, corporate image and stakeholder engagement strategies. This is evident by the high volume of users, interaction rate and engagement rate by the stakeholders.

An analysis of the social media growth in FY 2023/2024 is as shown in the graph below:



2.2.19 Corporate Social Responsibility (CSR) Activities Conducted in FY 2023/2024

Corporate Social Responsibility (CSR) initiatives in the Authority demonstrate its commitment to empower and develop local communities. These initiatives manifest KeRRA's dedication towards sustainable development, ensuring that societal welfare is sustained as the Authority undertakes its mandate. In the year under review, CSR activities undertaken by the Authority focused on critical areas such as community development, environmental preservation, health, and education.

Notable CSR initiatives in the FY 2023/2024 is as shown in the figure below:





KeRRA staff donating Desks and Chairs to Endarasha Primary in Nyeri County.



KeRRA staff at the Mater Heart Run held in Nairobi County.

2.2.20 Digitalization of the Authority's Services

The Authority remains committed to digitalization of its services to continually enhance quality of services by improving ease of access, cost effectiveness, convenience and efficiency in service delivery. This is through re-engineering of business processes and the application of digital technologies. It also entails aligning institutional structures, functions, policies and strategies that will facilitate progressive digitalization and on-boarding of key services on the e-citizen Platform.

In the year under review the Authority achieved the following milestones;

- (i) Development of Enterprise Resource Planning (ERP) modules covering operations under Planning, Design and Environment, Research, Strategy & Compliance and Road Asset Management Directorates
- (ii) Integration of the Road Side Development Application and approval (e-services) portal to the e-Citizen platform. The portal offers the following six services;
 - (a) Access Roads Application
 - (b) Road Side Development Application
 - (c) Advert and Signage Application
 - (d) Water Utility Application
 - (e) Electricity Lines Application
 - (f) Telecommunication Lines Application
- (iii) Implementation of an integrated Audit Management system to strengthen governance process, through active data accessibility and interrogative system to enhance confidentiality, Integrity and Availability (CIA) of information systems as enablers in decision making.
- (iv) Reviewed its Business Continuity/Disaster Recovery plan to ensure that the plan remains relevant and addresses current risks and business needs, considering the additional automated processes.

The Authority obtained a score of 80.1% on the digitalization assessment conducted by the Ministry of Information, Communication and Digital Economy on its level of digitalization based on; institutional and management strategies; infrastructure and technology; digital skills and competency and digital processes and work flows.

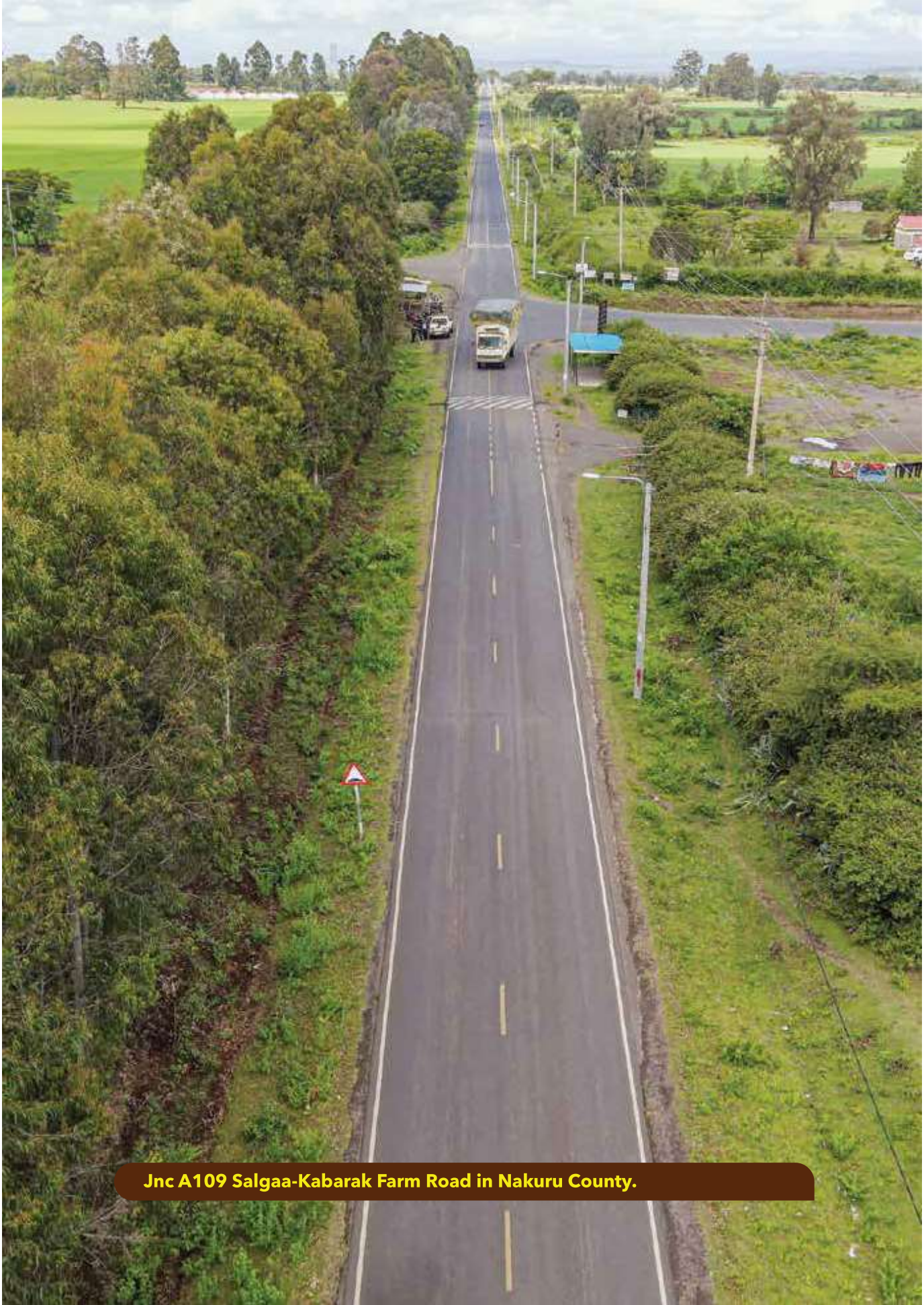
2.2.21 National Values and Principles of Governance

National cohesion and values are a central rallying ingredient and theme in the planning and execution of national policies, programs, projects and activities for effective service delivery as envisaged in Sessional Paper No.8 of 2013 on National Values and Principles of Governance. The Authority submitted a report to the Directorate of National Cohesion and Values on measures taken and progress achieved in the realization of National Values and Principles of Governance. It is noteworthy to mention that the Authority achieved 100%

score towards realization of National Values and Principles of Governance.

The Authority undertook the following activities as indicated in the report: -

- (i) Implemented measures to support the five pillars of the Government Plan as outlined in the Bottom Up Economic Transformation Agenda (2022-2027) namely: Agriculture, Micro, Small and Medium Enterprise (MSME) Economy, Housing and Settlement, Improved Healthcare for all Kenyans and Digital Superhighway and Creative Economy.
- (ii) Leveraged digitization and automation of government services to make 80% of government services online.
- (iii) Enhanced adherence to the provisions of Article 10 of the Constitution through civic education, training and sensitization and mainstreaming of national values and principles of governance. Under this commitment the Authority:
 - (a) Carried out staff training programmes on the provisions of the Constitution on national values and principles of governance,
 - (b) Trained members of Constituency Roads Committees on national values and principles of governance,
 - (c) Trained members of the committee on national values and principles of governance as trainers of trainers in respect of national values and principles of governance to enhance their capacity and Allocated funds to enhance capacity of the Authority to adhere to national values and principles of governance within the Authority.
- (iv) Continued to implement measures to protect the environment and mitigate climate change.



Jnc A109 Salgaa-Kabarak Farm Road in Nakuru County.

Chapter 3

Assessment of the Degree to which Performance Targets have been achieved

3.1 Performance Contract Achievements Financial Year 2023/2024

Performance contract achievement over the years since inception of the Authority exhibits cyclical trends influenced by various internal and external factors. External factors included budget constraints coupled with El Nino rains which critically damaged our road infrastructure.

The evaluation criteria below guided the performance scoring

Table11: Evaluation Criteria

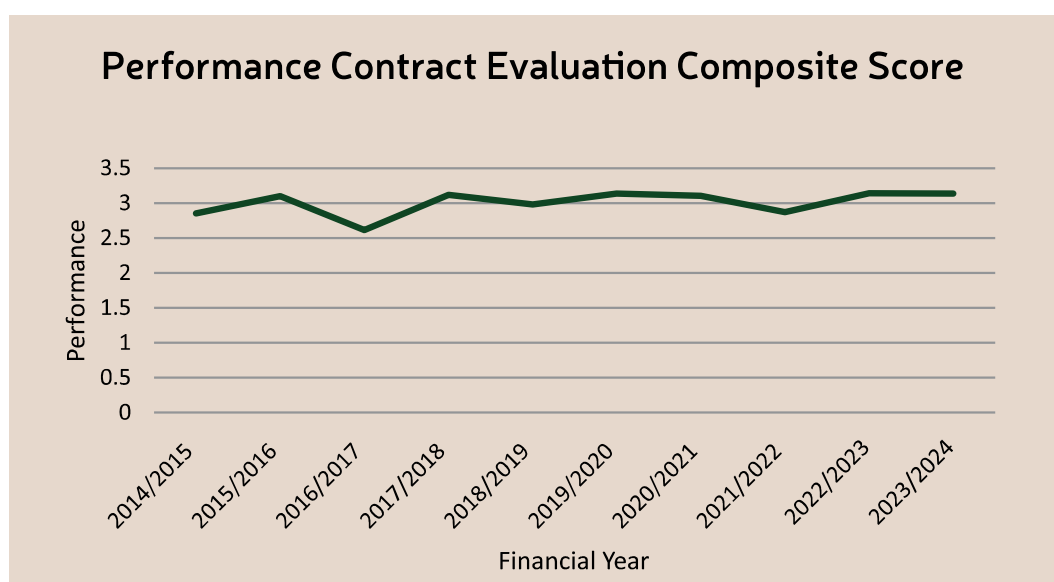
Performance Grade	Criteria Value Range	Performance Evaluation Methodology
Excellent	$1.00 \leq X \leq 2.40$	130% - 200%
Very Good	$2.40 \leq X \leq 3.00$	100% -130%
Good	$3.00 \leq X \leq 3.60$	70% - 100%
Fair	$3.60 \leq X \leq 4.00$	50% - 70%
Poor	$4.00 \leq X \leq 5.00$	0% - 50%

Below is Performance Contract Evaluations Comparative Analysis for the last ten (10) financial years;

Table 12: Assessment of Performance Contract Evaluation Composite Score

Financial Year	Evaluation Composite Score Performance Contract	Performance
2014/2015	2.8524	Very Good
2015/2016	3.0963*	Good
2016/2017	2.6123*	Very Good
2017/2018	3.1158	Good
2018/2019	2.9812	Very Good
2019/2020	3.1363	Good
2020/2021	3.1026	Good
2021/2022	2.8700	Very Good
2022/2023	3.1387	Good
2023/2024	3.1366*	Good

Key: * Self-evaluation results for financial years where Ad-Hoc Evaluations have not been conducted.



3.2 Contribution of the Authority to the attainment of Kenya Vision 2030

3.2.1 KeRRA's Role in Vision 2030

Kenya Rural Roads Authority is making remarkable steps in driving socio-economic development agenda of Kenya towards prosperity as anchored in the Vision 2030 blueprint. The Kenya Vision 2030 is a development blueprint, aiming to raise the average standard of living in Kenya to middle income by 2030. The Vision provides three (3) key pillars namely: Social, Economic and Political Pillar which are anchored upon six foundational development

tenets, Infrastructure; Science, Technology and Innovation; Land reforms; Human Resource Development; Security; and Public Service Reforms. The Authority derives its sole mandate in the infrastructural development foundation. The Vision 2030 aspire for a prosperous nation interconnected through modern road networks, railways, ports, water, airport and telecommunications leaving no part of the country as “remote”.

In full alignment with the requirement of the Vision 2030 Development Blueprint, the Authority is resiliently working to provide cost-effective and world-class infrastructural national secondary trunk roads connectivity within 47 counties. The Authority is instrumental in developing, and maintaining an integrated, safe and efficient national secondary trunk road networks countrywide. As a result, unlocking the efficient supply chain of raw agricultural products, improving the livelihoods of citizens, farmers, traders and firms in their wealth-creation efforts, and employments pursuits in both informal and formal sectors.

The Authority through its Motto “Connecting Devolved Kenya” is enhancing digital corridor access and traceability into remote rural areas countrywide. The Authority is committed to open up wider access to resources and services to improve mobility, and free movement of goods and services in rural areas thereby boosting local trade and food security through its nationwide low volume seal road programme. The Authority is enhancing optimal utilization of local resources by opening rural corridors thereby triggering high volumes of primary products in the economy as well as generating a mushroom of satellite commercial centres along constructed road infrastructure.

3.2.2 Fourth Medium Term Plan (MTP IV) 2023-2027

The Kenya Vision 2030 Development Blueprint is being implemented through attendance Medium Term Plans, with the current being the Fourth Medium Term Plan 2023-2027 which encompasses the Bottom-Up Economic Transformation Agenda (BETA). The theme of MTP IV is “*Bottom-Up Economic Transformation Agenda for Inclusive Growth*”. The aim of the MTP IV is to transition the economy fully towards an upper middle-income country and enhancing Kenya’s competitiveness, by focusing on: human capital development, capital accumulation; development, protection and regulation of markets; domestic resource mobilization and optimal tax instruments; and leveraging the Fourth Industrial Revolution (4IR) to digitalize the economy. . MTP IV builds on gains made so far in key sectors of the economy including completing and maintaining road infrastructure projects initiated during MTP III.

MTP IV focuses on fostering inclusive growth by empowering the lower segment of the society and promoting grassroot development. This is achieved through prioritizing investment in five pillars of the Bottom-Up Economic Transformation Agenda (BETA) namely: Agriculture; Micro, Small and Medium Enterprise (MSME); Universal Health Coverage (UHC); Digital superhighway and the creative economy and Housing and Settlements thus providing impetus for the achievement of MTP IV.



Completed Section of Moiben – Kachibora Road Project in Uasin Gishu County.

3.2.2.1 KeRRA's role in implementation of the Fourth Medium Term Plan (MTP IV)

Investment in road infrastructure enhances connectivity and opens up the country for trade and development. KeRRA is prioritizing completion of several projects which are under different stages of implementation coupled with maintenance of completed projects to safeguard their design life and hence their service levels. KeRRA is among the foundations for economic transformation enabling the realization of MTP IV through the following:

- (i) Development, maintenance and rehabilitation of National Secondary Trunk Roads to ease access to resources and services for socio-economic transformation.
- (ii) Provision of technical support to County Governments on road management
- (iii) Supporting take-off of industrialization in the rural areas.
- (iv) Optimization of financial, human and technological resources to provide quality infrastructure.
- (v) Distribution of National Secondary Trunk Roads development in a manner that promotes social equity.
- (vi) Capacity building for efficient and effective planning, contracting and construction of infrastructure.
- (vii) Enhancement of Road Safety
- (viii) Reduction of road user costs, travel times and vehicle operating costs



Completed Section of Lamuria - Ngobit - Withare - Jnct B5 (Solio) Lamuria and Jnct B5 (Gatemu) Ngobit Girls High School - Kihara Primary School Roads in Lamuria, Laikipia County.



His Excellency Dr. William Samoei Ruto, C.G.H., President of the Republic of Kenya and Commander-in-Chief of the Defence Forces launching the of upgrading to Bitumen Standard and Maintenance of Maili Kumi - Subuku- Sipala- Shamata - Kaka - Kariamu/ Warukira- Shamata/ Shamata Town Roads/ Access to Shamata Girls Secondary School Roads in Nyandarua County.



Golbanti-Kipao Footbridge across Tana River in Tana River County.

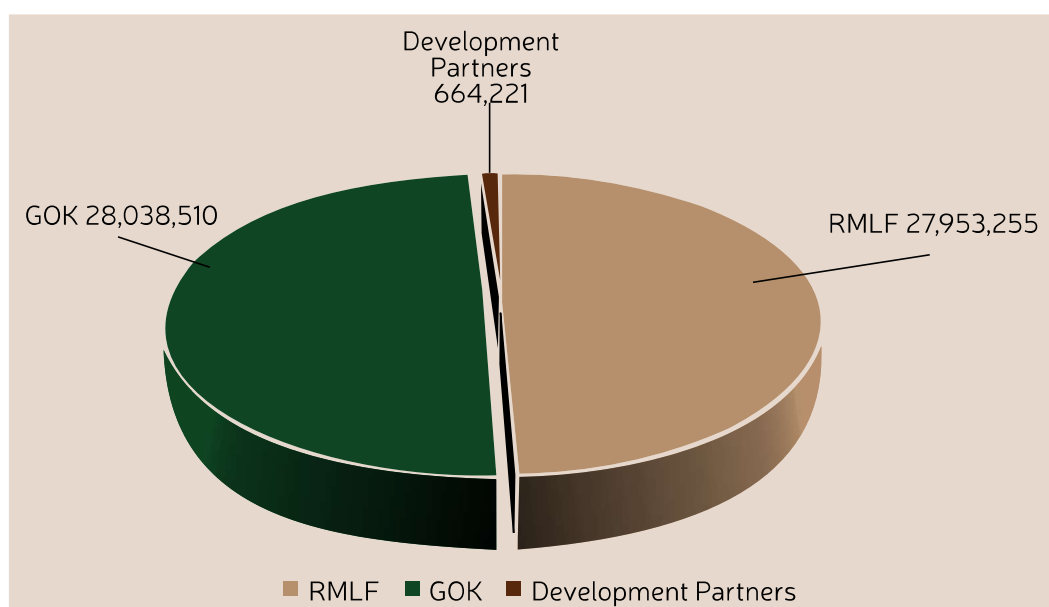
Chapter 4

Assessment of Adequacy of Roads Funding and Condition of Road Network

4.1 Funding Sources

The Authority's primary funding sources are the Exchequer, Road Maintenance Levy Fund (RMLF) and Development Partners.

During the Year under review the Authority received Ksh 56.66 Billion from the various funding sources. Exchequer releases contributed Ksh 28.03 Billion, RMLF Ksh 27.95 Billion and Development Partners Ksh 664.22 Million as indicated in the diagram below.

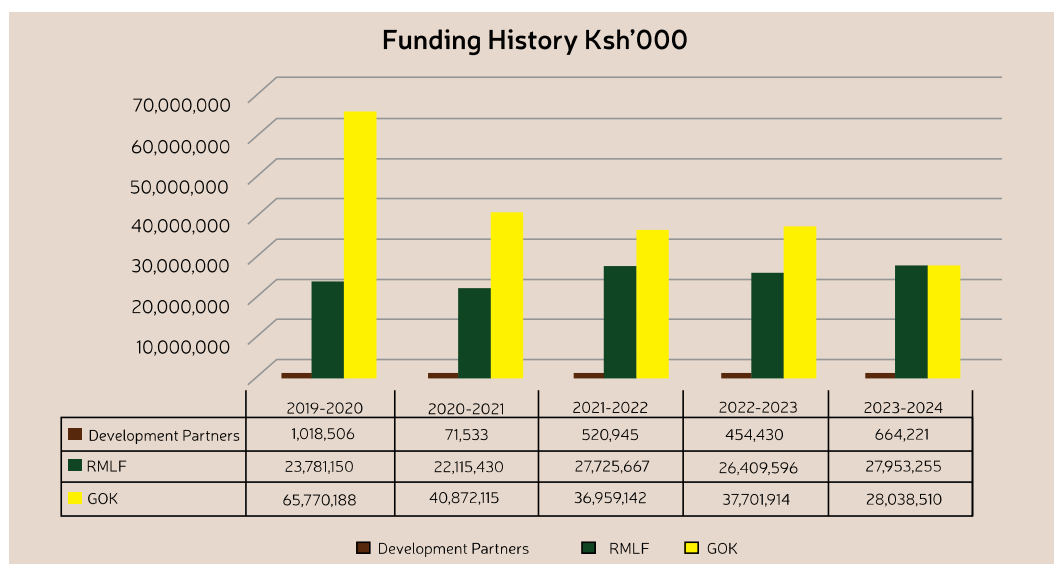


**The figures above are in thousands of Kshs.*

The Authority in the period under review received Kshs. 56.66Billion against a resource requirement of Kshs. 99.89 Billion (KeRRA Strategic Plan 2023 - 2027) and Ksh. 84.7 billion

original budget estimates. This depicts an under funding estimated at Kshs.43.23 billion against the Authority's financial requirements. Additionally, the initial budget estimates for year under review was underfunded by Ksh. 28.04 Billion. This has a resultant effect on the Authority's outstanding payables (pending bills) amounting to Kshs 68.97 billion in the year under review as compared to the previous period of Ksh 55.00 Billion representing a growth of approximately 25.4% in pending bills.

The funding history for the Authority over the last five years is as shown in the table below;



4.2 Condition of the Road Network in the Country

Over the last fifteen years, the Government has invested heavily in road maintenance, rehabilitation and development. This concerted effort has led to an overall improvement of the road condition resulting in the maintainable road network expanding to 68.9% over the period (APRP 2023/2024).

4.3 Degree of Change

At the formation of the Authority in the Year 2009, a total of 2,680Km of road network had been paved; subsequently the Authority has upgraded a total of 7,857Km since inception to bitumen standard in various classes of roads equivalent to 561Km annually. The current paved road network under the Authority is 4,519Km following reclassification of 3,338Km to a higher classification managed by the Kenya National Highways Authority.

4.4 Projected Optimal Level of the Road Network

The Authority has a total road network of 18,321Km out of which 4,519Km are paved. To achieve the projected optimal level of 18,321Km, the Authority projects future prospects

of upgrading 13,802Km. The unpaved Road Network consists of 10,122Km of gravel roads, 2,592Km of earth roads, 246Km of track roads (sections left after re-alignment and abandoned road sections mostly in ASAL Counties) and 842Km of unconfirmed road lengths (un-surveyed due to insecurity, sub-merged road sections, missing links and gaps).

To achieve this projected optimal level of the road network the following assumptions will be made: -

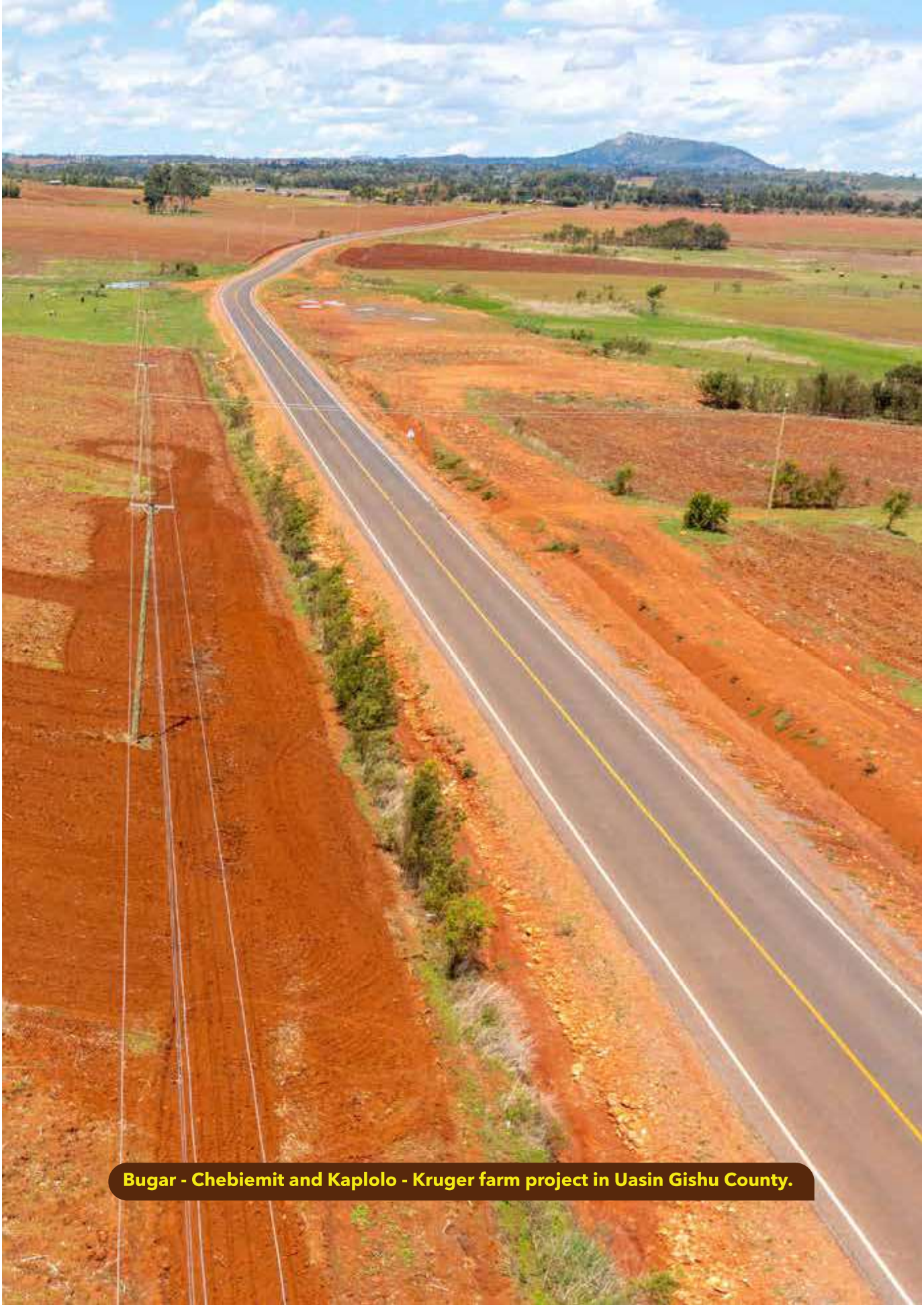
- (i) Revenue requirements from the exchequer and development partners will be realized and maintained.
- (ii) Stable macro-economic and political environment.
- (iii) Stability in the monetary and fiscal policies.
- (iv) Stakeholders support to the Road Sector will continue.
- (v) Timely disbursement of funds
- (vi) Conducive weather conditions.
- (vii) The mandate of the various Road Agencies will remain the same.

4.5 Extent of Financing Required to meet optimal level

The Authority's mandated network is 18,321Km out of which 13,802Km remains unpaved. The optimal level of financing required to upgrade the unpaved road network is approximately Ksh 690.1Billion. The optimal annual funding requirement is Ksh 95Billion for construction and maintenance of the total road network.



KeRRA Communications department engages Maasai Maara University Journalism Students on an industry meets classroom program to shed light on the job market offers and skills requirement on 16th November, 2023 at Barabara Plaza.



Bugar - Chebiemit and Kaplolo - Kruger farm project in Uasin Gishu County.

Chapter 5

A Review of Technical Adequacy and Proven Cost Efficiency of Road Management Operations

The Authority is currently implementing several strategies aimed at improving technical adequacy and cost efficiency which include but not limited to: -

- (i) Low Volume Seal contracting model. The model ensure that construction and subsequent maintenance works are procured at the same time.
- (ii) Leveraging on technical expertise from third parties for construction and maintenance works (contractor facilitated road development mechanism – PPP Annuity Mechanism).
- (iii) Use of internal capacity during design of the road works and supervision of contracted works including ESIA/ESA and Feasibility studies
- (iv) Capacity building of staff to improve skills and competencies
- (v) Adoption of technologies aimed at reducing operational costs such as use of networked printers, outsourcing of printing and document management services, use of emails, use of IP telephony for internal communication and virtual meetings.
- (vi) Use of new survey technologies such as Global Navigation Satellite System (GNSS) which reduces time for field surveys and increases output
- (vii) Implementation of Quality Management System for standard operating procedures and processes.
- (viii) Implementation of integrated Road Management System (i-RMS) for effective project management
- (ix) Implementation of E-Procurement through the Public Procurement Information Portal
- (x) Adoption of a risk-based approach where resources are focused on high-risk areas.
- (xi) Engagement of Development Partners to support technical adequacy for civil works consultancies and capacity building.
- (xii) Leveraging on digital platforms to enhance road condition monitoring,

communication to stakeholders, in addition to informing road works planning and interventions

- (xiii) Continuous implementation of the Business Continuity and Disaster Recovery Plan
- (xiv) Monitoring of axle loads on road corridors to protect the road asset
- (xv) Prequalification of Contractors in each region to hasten the procurement process during disaster management/ emergency works.

Chapter 6

Coordination between Authorities and Regional Entities

The Authority has strong linkages with other Authorities and Regional Entities who have an interest in what the Authority does as it impacts them in one way or the other. It recognizes that these Authorities and Regional Entities can either facilitate or impede its work and therefore, there is need to build mutually beneficial relationships.

Table 13: A summary of the Coordination between Authorities and Regional Entities.

No.	Regional Entity	Nature of Coordination/Engagement	Challenges	Recommendation
Government Agencies				
1.	National Land Commission (NLC)	Gazettement, valuation and compensation of land for land acquisition purposes	Delayed gazettement, valuation and compensation	NLC to fast track gazettement, valuation and compensation of PAPs
2.	Kenya Power	Relocation of power lines	(i) Delays in relocations (ii) High costs of relocations	Inter-Ministerial Meetings (RDCC)
3.	National Authority for the Campaign Against Alcohol and Drug Abuse (NACADA)	Public awareness to the staff on reduction of alcohol and drug abuse	(i) Capacity building gaps (ii) Insufficient funds for mainstreaming and support of the Employee Assistance Programme (EAP)	(i) Increased collaboration with NACADA. (ii) Lobby for enhanced funding.

No.	Regional Entity	Nature of Coordination/Engagement	Challenges	Recommendation
4.	National Syndemic Disease Control Council (NSDCC)	Prevention of new HIV infections and reduction of stigma, and Sexual & Gender Based Violence	Lack of prioritization of mainstreaming activities within the road projects	Prioritization of Syndemic Diseases interventions and collaboration with NSDCC
5.	State Department of Gender and National Gender and Equality Commission	Commitment to integrate gender concerns into processes, programs and projects.	Under representation of gender requirements in staffing	Increased commitment to bridge the gap continuously
6.	National Council for Persons with Disabilities (NCPWD)	The mainstreaming process aims to promote physical access as well as access to information and services with PWD's	Insufficient implementation of PWD requirements	Continuous improvement in enforcement of PWD requirements.
7.	National Construction Authority	Capacity building, regulation and evaluation of contractors	Inadequate consultations with industry players	Enhanced collaboration with industry players
8.	Public Procurement Regulatory Authority (PPRA)	Capacity building and training of employees. Regulation of the public procurement and asset disposal system through monitoring and enforcement for socio economic development in Kenya.	(i) Delays in procurement appeals review. (ii) Minimum scope of capacity building and development of professionals	(i) Enhanced efficient and effective procurement appeals review. (ii) Enhanced collaboration with professionals. (iii) Broaden the capacity building and development scope of professionals
9.	Kenya Institute of Supplies Management (KISM)	Capacity building and training of employees. Licensing of qualified supplies staff	Minimum scope of capacity building and development of professionals	Broaden the capacity building and development scope of professionals
10.	National Environment Management Authority (NEMA)	Issue EIA Licenses for road projects	Delayed issuance of EIA Licenses as a result of delayed payment of Licence fees	(i) Enhance allocation of specific budget lines for ESIA studies (ii) Fast track payment of Licence fees to facilitate timely issuance of EIA Licenses

No.	Regional Entity	Nature of Coordination/Engagement	Challenges	Recommendation
11.	County Governments	Collaboration as per the Inter-Governmental Relations Act	(i) Lack of a coordinated framework for sharing of work-plans (ii) Demand for payment of Cess for construction materials	(i) Sharing of work plans for road works (ii) Inter-Ministerial meetings to waive the charges
12.	Road Agencies	Collaboration on common functions e.g. Axle load monitoring, planning and budgeting, traffic control, road safety, development of road related policies, etc.	Inadequate sectoral budgets, increased road accidents/fatalities, overloading, missing links, inadequate inter-agency coordination in road construction and maintenance, etc.	Enhanced inter-agency coordination,
13.	National Government Constituency Development Fund (NG-CDF)	Engagement with Constituency Roads Committees (CRCs)	Frequent changes in the Annual Roads Works Programme (ARWP)	Prioritize road works as per the Finance Act, 2009
14.	Kenya Forest Service	Collaboration in Environmental Conservation Programmes	(i) Delayed progress in development of a collaborative framework for tree growing (ii) Delayed acquisition approvals for road corridors traversing forests	(i) Fast track the development of the collaborative framework between KeRRA and KFS (ii) Enhanced collaboration and engagement with KFS
15.	Kenya Roads Board (KRB)	(i) Approve Annual Road Works Programme (ARWP) (ii) Disbursement of RMLF allocations (iii) Undertake technical, performance and financial audits	(i) Delay in disbursement of RMLF (ii) Unanticipated changes in budget ceilings (iii) Inadequate stakeholder engagement in reclassification of roads	(i) Engage KRB to fast track disbursement of RMLF (ii) Enhanced stakeholder collaboration

No.	Regional Entity	Nature of Coordination/ Engagement	Challenges	Recommendation
16.	National Assembly and Senate	Enactment of enabling legislation on the road sector in line with the Constitution.	Delay in the enactment of an enabling legislation on roads such as the Kenya Roads Bill.	Fast track the process of enacting a law on the road sector in tune with the provisions of the Constitution, 2010.
17.	Ministries, Departments and Agencies (MDAs)	(i) Policy guidelines (ii) Approval of budgets, work-plans (iii) Disbursement of funds	(i) Delay in disbursement of funds (ii) Delay in approval of budgets, work-plans	(i) Engage the Ministry to fast track disbursement of funds (ii) Engage respective MDAs to fast track approval of budgets and work-plans
18.	Research Institutions and Institutions of Higher Learning	Research in Road Development and Maintenance, Financing Options, Road Development Technologies, Material Testing and Research	(i) Inadequate Budget, (ii) Inadequate Research and development	(i) Increased investment in Research and Development, (ii) Enhanced budgets (iii) Enhanced linkage between academia and industry
19.	Ministry of Lands	Cadastral Plans	Lack of cadastral plans in areas where adjudication and registration has not been finalized	Liaise with the Ministry in those areas for a proposal on road reserves
Development Partners				
1.	(i) Arab Bank for Economic Development in Africa (BADEA) (ii) German Development Bank (KfW) (iii) Agence Française de Développement (AFD) (iv) World Bank (v) European Union (EU);	(i) Issuance of "No Objections" (ii) Disbursement of funds	Procedural bureaucracies	Engage respective development partners to fast track disbursement of funds and timely issuance of "No Objections"



KeRRA football team during the KECOSO games.



Kericho-Ainamoi-Kapsoit-Ainamoi-Thessalia Mission Road-Premier-Kabianga-Taplotin-Cheborge-Kibugat-Cheplanket-Kapkotet Loop Roads in Kericho County.

Chapter 7

Degree of realisation of the objectives of the Kenya Roads Act 2007 and levels of compliance

7.1 Degree of realization of the objectives of the Kenya Roads Act 2007

The Kenya Road Act 2007 was enacted to streamline the Roads Sub sector and provided for the establishment of the three Road Authorities. The Kenya Rural Roads Authority was established under section 6 (1) of the Act and has continued to discharge its responsibility for the management, development, rehabilitation and maintenance of rural roads in accordance with the Act.

7.2 Level of Compliance with the Provisions of the Roads Act 2007

The Authority carries out its operations as per the provisions of the Roads Act 2007. This is as illustrated below:-

Table 14: Level of Compliance with the provisions of the Roads Act 2007

Item No.	Provision of the Kenya Roads Act, 2007	Level of Compliance
1.	Part I on the title, commencement and interpretation	The Authority continues to take note of the title and commencement date of the Act and further takes cognizance of the definitions attached to the key terms in part I of the Act.

Item No.	Provision of the Kenya Roads Act, 2007	Level of Compliance
2.	Part II on the Establishment of the various Roads Authorities	<ul style="list-style-type: none"> (i) The Authority operates as a legal entity in the discharge of its functions. (ii) The composition of the Board of Directors is as per the provisions of the Act. (ii) The Board conducts its affairs and business as per the stipulations of the Act.
3.	Part III on the administration of the Authority	<p>The internal administration of the Authority is as per the provisions of the Act.</p> <ul style="list-style-type: none"> (i) The members of the Board and the Director General have qualifications required of them under the Act. (ii) The staff of the Authority are appointed and remunerated as per the provisions of the Act. (iii) The Authority has established regional offices that operate as per the provisions of the Act.
4.	Part IV on the powers of the Authorities generally	The Authority exercises the powers conferred to it. This is taking cognizance of the purpose for which the organization was set up. The exercise of the powers is on need basis.
5.	Part V on financial provisions	<p>The Authority manages its financial issues as per the provisions of the Act. This includes: -</p> <ul style="list-style-type: none"> (i) Recognizing and utilizing the funds allocated to it. (ii) Investing funds as per the legal guidelines. (iii) Participation in preparation of Roads Sector Investment Programme. (iv) Preparation of Annual Road work plans. (v) Preparation of Budgets for all financial years and abiding by them. (v) Submission of Annual work plans to the Kenya Roads Board. (vi) Keeping of proper books of accounts and preparation of Annual Financial statements (vii) Ensuring Audit of the financial statements by the Auditor-General. (viii) Ensuring sound financial management of the Authority
6.	Part VI on Miscellaneous provisions	<p>The Authority abides by the miscellaneous provisions of the Act in the discharge of its mandate. This is in regard to: -</p> <ul style="list-style-type: none"> (i) Protection of employees from liability for bonafide acts done in the course of duty.

Item No.	Provision of the Kenya Roads Act, 2007	Level of Compliance
		<ul style="list-style-type: none"> (ii) Performance agreement obligations. (iii) Submission of Annual Report to the Cabinet Secretary. (iv) Cabinet Secretary's power of direction. (v) Making of regulations. (vi) Classification of roads. (vii) Inventory of roads. (viii) Structures and other works on, over and below roads. (ix) Compliance with the provisions of the Roads Act 2007. (x) Confidentiality of information. (xi) Offences under the Act. (xii) Making of returns.



KeRRA environmental team participate in the cleanup along Lake Nakuru Park riparian land.



Construction of Kapsoiyo-Riwo-Seretunin-Pemwai-Talai-Kaptumo-Kasisit-Trimionin-Kampi Samaki in Baringo County.

Chapter 8

Approved Annual Financial Statements

8.1 Annual Financial Statements

In compliance with the Public Financial Management (PFM) Act of 2012, Section 14 of the State Corporations Act and the Kenya Roads Act of 2007, the Authority prepared its annual financial statements for the Financial Year 2023/2024 in accordance with International Public Sector Accounting (IPSAS). This was delivered within the stipulated time lines to the relevant statutory bodies.

8.2 Report by the Auditor General

In accordance with the Public Audit Act of 2003, the Authority submitted the financial statements for the FY 2023/2024 to the Office of the Auditor General, Kenya. The audit certificate is expected once the Auditor General completes the audit process and procedures.



Completed Golbanti- Kipao footbridge in Tana River County.



Completed section of Gati Iguru-Ithanga Road in Murang'a County.

Chapter 9

Conclusion

This Annual Report has been prepared to provide stakeholders with an accurate and balanced view of the Authority's past performance, strategies for project implementation, and future prospects and has addressed the material issues faced by the Authority.

Over the past year, the Authority made remarkable progress in enhancing and expanding its road network by upgrading an additional 366Km of roads to Bitumen Standard. The Authority prioritized completion of ongoing road development projects over commencement of new projects because of a challenging fiscal environment. The year was marked by significant growth and progress despite facing various challenges including fluctuations in fuel and road construction material prices. Despite these obstacles, the Authority navigated the market with agility and resilience. The Authority remained committed to driving innovation, improving operational efficiency, and delivering value to its stakeholders.

The Authority developed a five (5)-year Strategic Plan (2023-2027) which shall steer its programs and operations in line with outlined strategic objectives, approval of several key policies and enhancement of capacity building and promotion of corporate governance within the Authority.

The Authority is cognizant while reflecting on the achievements for the year under review, it is also cognizant of the challenges facing it which include inadequate financing, shortage of technical staff, cyber security, depletion of natural sources of construction material, low contracting capacity, etc. These challenges serve not only as barriers but as opportunities for innovation, collaboration, and strategic adaptation.

Members of staff have continued to demonstrate selfless contribution to the overall progress of the Authority by working innovatively to ensure that the organization delivers on its core mandate. This diligence is premised on the continued commitment to the achievement of the Authority's vision and mission.

Annex 1: Signed Financial Statements

Corporate Governance Statement Overview

The Board provides oversight to management who are responsible for the day to day running of the organization and emphasizes on principles of good Corporate Governance in the discharge of its mandate. The Board has 4 committees through which it discharges its mandate and is evaluated annually by SCAC. The positions of Chairman and Director General are held by different persons, as stipulated in the Mwongozo Code of Corporate Governance for State Corporations. The Board and management have been trained on the Mwongozo Code of Corporate Governance for State Corporations.

Organization structure of the Authority

The Kenya Rural Roads Authority is governed by a Board of Directors as per the Kenya Roads Act 2007. The day to day management of the Authority is carried out by the Director General who is also secretary to the Board. The Authority carries out its mandate through the following Directorates and Departments.

- (a) Directorate of Development
- (b) Directorate of Road Asset Management
- (c) Directorate of Research, Strategy & Compliance
- (d) Directorate of Planning, Design and Environment
- (e) Directorate of Corporate Services
- (f) Directorate of Audit Services.
- (g) Corporation Secretary/ Legal Affairs Department
- (h) Supply Chain Management Department.

Appointments to the Board

Appointments to the Board are carried out pursuant to section 8 of the Kenya Roads Act 2007. The Chairman of the Board is appointed by the President of the Republic of Kenya. Members of the Board are appointed by the Cabinet Secretary, Ministry of Roads and Transport on recommendation of the various nominating institutions provided for under the Kenya Roads Act 2007.

Board Organization and structure

The composition of the Board is as per the provisions of Section 8 of the Kenya Roads Act 2007. The Board is composed of representatives of relevant Government Ministries

and private sector as represented by the various nominating bodies and is independent of management. The Board has set up Four standing committees to discharge its oversight role.

The role of the Board

The role of the Board is to provide strategic direction and oversight to management in the running of the Authority's affairs.

Activities of the Board

It is the responsibility of the Chairman and the Secretary to work closely together in planning the annual program and agendas for meetings. The Board is required to meet at least four times a year and the meetings are structured to allow open discussion. All substantive agenda items have comprehensive briefing papers, which are circulated well in advance.

In addition to regular Board meetings, Special Board Meetings are held on a need basis to deal with specific matters. When directors are unable to attend a meeting, they are advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting.

During the period under consideration, the Board had various meetings to deliberate on issues affecting the Authority. The Board, through representation by the Chair, also made several site visits to launch and inspect various projects being undertaken by the Authority. An evaluation of the Board was facilitated by State Corporation Advisory Committee (SCAC) during the period.

Board Effectiveness

The Board is sufficiently independent of management and performs its functions in a way to enhance Board effectiveness. To further enhance effectiveness, the directors have been trained on various issues on Corporate Governance and specifically Mwogozo code of Corporate Governance for State Corporation.

Board meeting attendance for the period 1.7.2023 - 30.6.2024

S/No	Member	17th July 2023	25th July 2023	3rd August 2023	26th Sept- ember 2023	28th Sept- ember 2023	19th October 2023	7th Dece- mber 2023	30th January 2023	2nd Febr- uary 2024	22nd April 2024	11th June 2024	26th June 2024
1.	Prof. Oyuko Mbeche, EBS	√	√	√	√	√	√	√	√	√	√	√	√
2.	CPA Margaret Osilli	√	√	x	√	√	√	√	√	√	√	√	√
3.	Eng. Stephen Kogi, OGW	√	√	√	√	√	√	√	√	-	-	-	-
4.	Eng. James Kung'u, OGW	-	-	-	-	-	-	-	-	x	√	√	√
5.	Mr. Samson Wangusi	x	x	√	x	x	√	√	√	√	√	√	x
6.	Ms. Caroline Ndung'u	√	x	√	x	√	√	√	√	√	√	√	√
7.	Eng. Dorcas Mutheu Musingi	√	√	√	x	√	√	√	√	√	√	√	√
8.	Mr. Alvin Kibet, MBS	√	√	√	√	√	√	√	√	√	√	√	√

- a. √ – Present
- b. x – Apology
- c. – Member was not a Member of the Board at the time

Board Committees

In line with the provisions of the Kenya Roads Act 2007 and other relevant regulatory framework, the Board established four Standing Committees. These are Board Finance Committee, Board Human Resources Committee, Board Audit, Risk & Governance Committee and Board Technical Committee. The committees are provided with all necessary resources to enable them to undertake their duties in an effective manner.

Board Audit, Risk & Governance Committee

The Board Audit Committee was established in accordance with the provisions of Treasury Circular No 16. of 25. The Board receives reports from the Audit Committee. The Internal Audit function reports directly to the Board Audit Committee and is independent of management operations. The Board has a responsibility of ensuring the Authority has adequate systems and processes of accountability, risk management and internal controls and the Internal Audit does provide an enterprise assurance of the functional areas in reference to responsibility attributed to the Board.

Board Finance Committee

The committee meets on Quarterly basis. The committee assists the Board in its oversight role of the Authority relating to Authority's finance matters. This is as per the committees Terms of Reference.

Board Human Resource Committee

The committee assists the Board in its oversight role of the Authority relating to Authority's human resource matters. This is as per the committees Terms of Reference.

Board Technical Committee

The committee assists the Board in its oversight role of the Authority's function relating to the technical issues relating to the Authority's mandate. This is in terms of the design, construction and maintenance of roads under the Authority's mandate.

Board and Member Performance

The Board undertakes a self-performance evaluation every year. The performance evaluation is facilitated by the oversight body (State Corporations Advisory Committee). The evaluation helps in improving the performance of the Board.

Board Remuneration

Members of the Board are remunerated in accordance with the policy of the Government of Kenya as communicated from time to time.

Conflict of interest

Directors are required to disclose to the Board any real or potential conflict of interest that comes to the attention of the Directors. This requirement was observed during the reporting period.

Ethics and governance audit

The Board subjects the organization to a Governance audit by a member regulated by the Institute of Certified Public Secretaries of Kenya and accredited for the purpose.



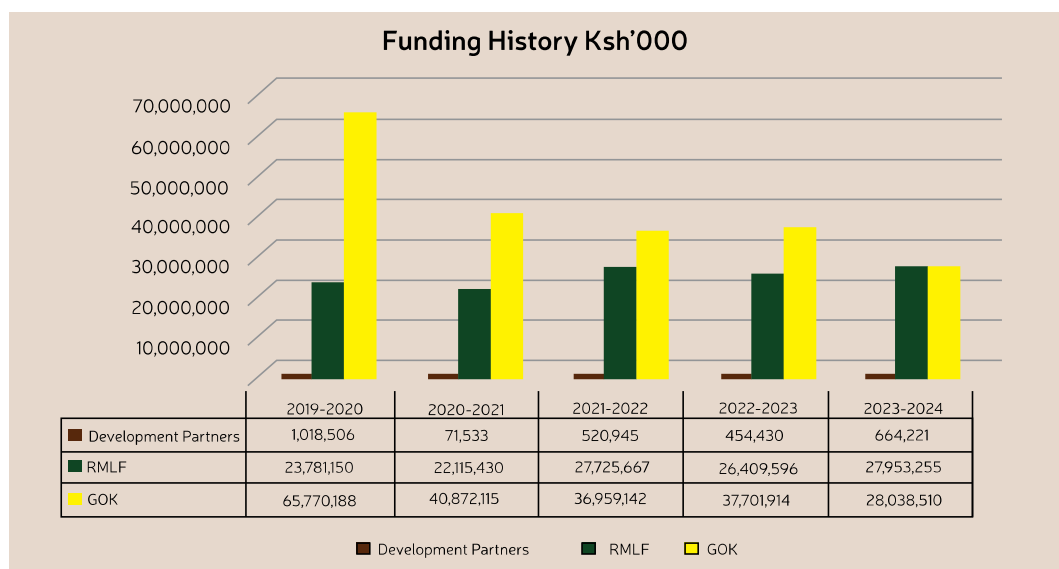
DIRECTOR

Management Discussion and Analysis

The entity's operational and financial performance

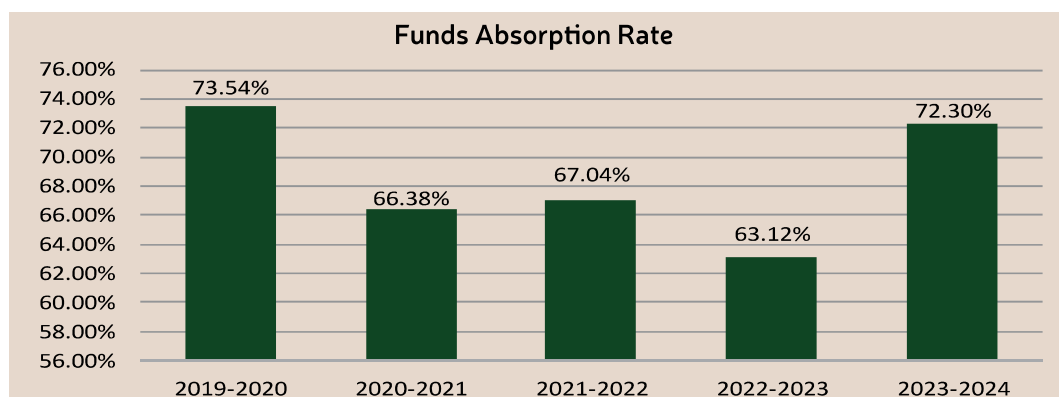
The National Government's commitment continues to be seen through the improved budgetary allocation to the road sector. In the period under review, the Authority received a total of 56.10 Billion against a budget allocation 65.19 Billion for the full financial year.

The graph below indicates our funding over the last five financial periods.



Funds Absorption

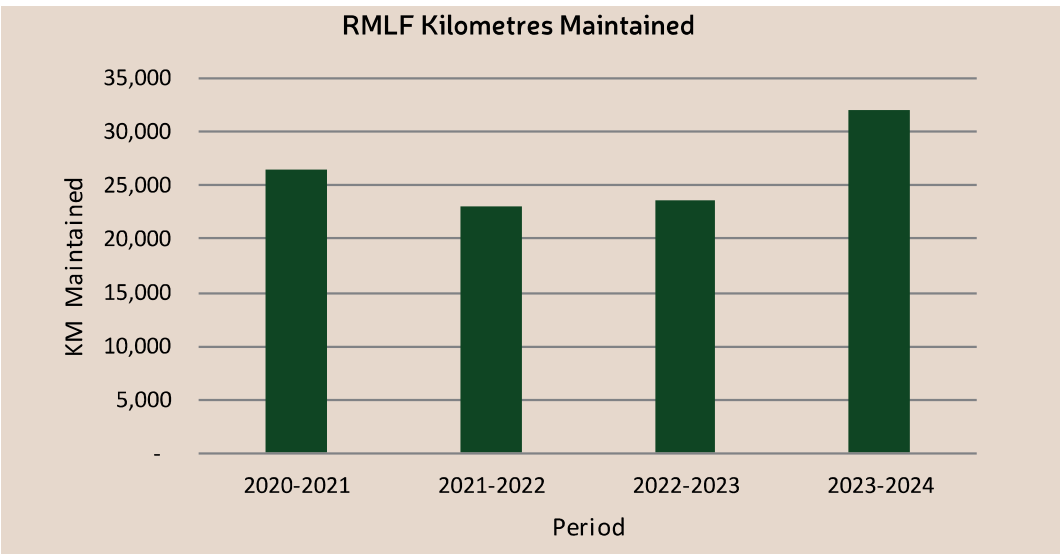
In this financial year the Authority achieved a funds absorption rate of 72.30% of all the funds available at its disposal. This represents an increase of 9.18 % compared to the previous financial period.



**Funds Absorption is based on cash balances available for the period. It is calculated by adding Opening Cash Balance and total Receipts less closing cash Balance and compared total funds available.*

RMLF Fund Output Performance

In the period under review the Authority maintained 32,000 km of Roads. The table below indicates the performance of the RMLF over time.



Entity’s compliance with statutory requirements

The Authority has complied with all statutory requirements externally imposed throughout the Period. There are no major noncompliance issues that may expose the authority to potential contingent liabilities.

Key projects and investment decisions the entity is planning/ implementing

The Authority has an ongoing portfolio of 3,309 Kms of contracts under reconstruction and Upgrading worth Kshs. 189 Billion. These works are expected to be completed within the next three years. The bulk of the contracted works falls under the Roads 10,000 low volume sealed roads programme

Major risks facing the entity

The major risks that the Authority is exposed to are reported on the note 31 of this report.

Material arrears in statutory/financial obligations

The Authority is not in arrears in the payment of statutory obligations though it has pending bills of approximately Ksh 68 billion as at 30th June 2024. These have been included as part of Payables.

The entity’s financial probity and serious governance issues

There has been no reports of financial improbity by the internal audit, external audit nor Other Government agencies.

Corporate Social Responsibility Statement/ Sustainability

1. Sustainability strategy and profile

The Authority recognizes that it does not operate in isolation. The Statutes enacted in law within the Republic of Kenya guide its operations. To succeed in implementing its mandate, the Authority has to bear in mind the external factors and carefully wade through them taking note of the opportunities and threats. Using Political, Economic, Social, Technological, Ecological and Legal (PESTEL) approach, the outcome of these analyses, and significance of the factors

The external environmental scanning provided insights into the opportunities and threats as summarized.

Factors	Opportunity	Threats
Political	<ul style="list-style-type: none"> a) Positive outlook by politicians leading to support in positive legislations and allocation of resources. b) Collaboration with County Governments. 	<ul style="list-style-type: none"> a) Political chaos and unrest resulting into damage of the road infrastructure. b) Political interference and competing interest may cause delay in implementation of projects or lead to inequity. c) Occasional changes in government policies and priorities may disadvantage the Authority. d) Abolishment of the institution or its organizational structure.
Economic	<ul style="list-style-type: none"> a) Strong fiscal and monetary policies ensure resources for investment in infrastructure are allocated and implemented. b) Growth of Gross Domestic Product (GDP Index) results in enhanced budgetary allocations by the government. c) Existence of alternative funding and development partners will ease pressure on dependency on exchequer. 	<ul style="list-style-type: none"> a) Delayed release of funds by exchequer or inadequate budget allocation may lead to non-timely completion of projects, increased project cost because of claims, unmet stakeholders' expectations and bad organizational reputation. b) The increasing foreign exchange rates and interest fluctuation have negative impact on the road sector as financing costs rise up. c) The rising cost of living and inflation will negatively influence infrastructure development.

Factors	Opportunity	Threats
	<ul style="list-style-type: none"> d) Growth of population, rapid urbanization and need for road interconnectivity implies greater need for the Authority to continue implementing its mandate. e) Readily available labour and competent contractors. 	
Social	<ul style="list-style-type: none"> a) Availability of modalities for community and stakeholder engagements. b) Enhanced awareness on other social cross-cutting issues such as gender, social sustainability, stakeholder voices etc. 	<ul style="list-style-type: none"> a) Conflict of interest leading to increased costs, low quality of works and organizational reputational damage. b) Inequitable allocation of resources leading to stakeholder isolation. c) Insecurity and vandalism of road furniture resulting in delayed project completion, increased costs and reduced road safety. d) Road reserve encroachment leading to limited expansion, reduced road safety, legal disputes and cost escalation. e) Poor handling of labour issues that may result in cost escalation, negative reputation, litigations and strikes. f) Social inequity due to underserving certain areas, uneven economic developments and disparities in access to quality infrastructure.
Technological	<ul style="list-style-type: none"> a) Enhanced contractor's capacity leading to efficient and effective delivery of infrastructure projects. b) Technological enhancements that lead to optimized operational efficiencies when deployed. c) Continuous research and innovative ways to undertake road construction in support of climate mitigation and infrastructure sustainability. d) Automation and information security making it possible to store large quantity of data, easily retrieve and share information and enhance stakeholder engagement and participation. e) Emerging technologies in road construction and ICT. 	<ul style="list-style-type: none"> a) Data security concerns. b) Proliferation of social media that is used to escalate misinformation.

Factors	Opportunity	Threats
Environmental/ Ecological	a) Availability of climate change financing.	a) Adverse weather/climate variability causing slow progress or change in work plans. b) Depletion of natural resources for road construction and maintenance. c) Climate Change - adverse weather conditions lead to increased cost of maintenance of roads, destruction of structures, delays in construction. d) Dust emission during construction leading to conflicts with the local population. e) Carbon emission by construction equipment. f) Environmental degradation due to continuous excavation of gravels for backfilling. g) Adverse effect on green gas emissions. h) External disaster mitigation.
Legal	a) Existence of regulatory bodies such as NLC, NEMA, CA-I, PPRB provides mechanism for moderating Authority's activities. b) Anticipation of passing the Roads Bill into a new law, thus clarifying the Authority's mandate.	a) Conflicting legal framework on the mandate of the Authority. b) Compliance with existing and new employment laws, health and safety laws. c) Protection of personal and sensitive data is anchored on the law and lack of adequate preparedness and systems to comply may lead to punitive measures against the Authority. d) Changes in environmental regulations and other laws that necessitate appropriate actions for compliance.

2. Environmental Performance Sustainability

Environmental Performance

KeRRA is committed to continuous improvement of environmental performance by putting in place strategies and actions to ensure that potential negative impacts of its operations to the environment are minimized. It is therefore the Authority's commitment to improve human welfare through the protection of natural capital throughout its operations. An Environmental and Social Sustainability Policy is in place with its main aim being to guide the Authority in conforming to the prevailing Government strategies as highlighted in the National Environment Policy. In accordance with the Policy, the Performance Contracting guidelines and the requirements of the Environmental Management and Coordination Act,

the Authority implemented the following activities during the 2023/2024 financial year: -

Measures to mitigate against water, air, noise and other forms of pollution.

Environmental and Social Impact Assessment (ESIA) Studies were finalised and submitted to NEMA for 25 No. Projects. Additionally, the Authority continues to monitor compliance to the Environmental & Social Management Plans and EIA Licence conditions for the various projects under implementation, and corrective measures have been employed whenever a non-conformity is noted. 5No. Environmental & Social Audits (ESA) were undertaken to check environment compliance level for recently completed projects.

Promoting Environmental Protection and Conservation through Stakeholder Partnerships

The Authority sponsored and participated in the Annual Environmental Conference on 24th – 27th October, 2023 in Mombasa, the World Wetlands Day (WWD) 2024 National Commemoration on 31st January - 2nd February 2024 in Uasin Gishu County, and the World Environment Day (WED) National Commemoration on 5th June, 2023 in Embu County.

Tree Planting Initiatives

The Authority, through its Regional Offices planted a total of 25,474 trees in the Financial Year. The Authority also participated in tree planting events that took place in Ngong, Kinale and Upland Forests.

The above initiatives are aimed at enhancing the Authority's efforts to manage biodiversity, ensure sustainable waste management and in the long run minimize the institution's environmental footprint. Achievement of the Authority's full potential has nonetheless not been actualized due to limitations of funds and competing interests. The Authority is however committed to harmonization of infrastructural development and environmental objectives in the delivery of core business activities to maximize value.

3. Employee Welfare

The Authority recruitment process is guided by the following statutes

(a) The Employment Act 2007

The Employment Act 2007 provides a framework for the relationship between employers and employees, helping to create a stable and productive work environment while providing basic conditions of employment of employees and protecting their fundamental rights. It ensures both the rights of employees and employers are protected in terms of Relationships, Protection of Wages, Employment Relationship, termination and dismissal.

(b) The National Cohesion and integration Act 2008

It requires all public entities to make deliberate effort to ensure full representation of the

diversity of the people of Kenya in the employment of staff in line with the provisions of the Act and prohibits discrimination in employment.

(c) The Public Service Commission Act 2017 and PSC Regulations 2020

KeRRA is a public entity and is therefore bound by the provisions of the Act. It defines the terms of service in the public service in terms of appointments, facilitating retention and development of staff in the public service.

(d) The KeRRA HR Policies and Procedures Manual

The Human Resource Policies and Procedures Manual is intended to inform staff and offer guidance on how to handle a variety of matters affecting their day-to-day operations at work. It is intended to address and streamline all staff matters ranging from employee entry into the service to the exit of an employee from the service of the Authority in order to ensure attraction and retention of a competitive and efficient work force.

The Authority offers equal opportunity to all in its recruitment and selection process. It adheres to the constitutional requirement on mainstreaming of Gender and Persons with Disabilities as stipulated in Article 232 of the Constitution of Kenya which are observed alongside any policies issued by the National Cohesion and Integration Commission (NCIC) and any other government agencies from time to time.

(e) Persons with disabilities Act 2003

The Act is intended to provide for the rights and rehabilitation of persons with disabilities in order to ensure equalization of opportunities for persons with disabilities. The Authority has taken steps within its available resources with a view to achieving the full realization of the rights of persons with disabilities by offering opportunities in recruitments and reservation of tenders in line with existing government regulations.

Performance Management framework

The Authority's performance management system is intended to measure employee performance and ultimately the achievement of intended results for the organization, which is predicated upon the principle of work planning, setting of agreed performance targets, feedback and reporting. The employee incentive scheme ensures recognition of exemplary performance while administering sanctions for poor performance which motivates employees to have positive attitude to work and to enhance productivity in the Authority.

The Authority endeavors to enhance institutional performance by continuously improving the Knowledge, Skills and Attitudes of its employees to ensure that their performance meets the expected standards. It offers training opportunities to staff to ensure continuous upgrading of core competencies, knowledge, skills and attitudes of employees including their ability to assimilate technology to enable them create and seize opportunities for career growth, social advancement, economic growth and development.

The Authority's career guidelines establish distinct levels of responsibilities in the grading structure and sets standards for advancement to higher grades on the basis of professional competence, specialization, knowledge, experience, proven ability, diligence and drive as reflected in work performance and results. It provides a linkage between an employee's performance and career advancement.

The Authority's Occupational Safety and Health Policy guides its operations to ensure the safety, health and welfare of employees and all persons lawfully present at workplace. It is developed in line with the provisions of the occupational safety and health Act 2007.

4. Market place practices

Kenya Rural Roads Authority operates in sync with the emerging best practices in the market place and in accordance with the provisions of article 227 of the Constitution of Kenya and Public Procurement and Asset Disposal Act 2015 as revised in 2022. Procurement runs under 48 administrative units; the headquarters and 47 regional offices.

To align the operations to these requirements, deliberate efforts have been made under the following;

- (i) Supplier/Contractor identification.
- (ii) Supplier/Contractor Segmentation.
- (iii) Management of Supplier/Contractor expectation.
- (iv) Operationalization of performance indicators.
- (v) Market Sourcing.
- (vi) Specialized Procurements.
- (vii) Asset protection.
- (viii) Output/throughput works measurement.
- (ix) Public Participation in procurement.
- (x) Dealing with market turbulence.

(a) Supplier/Contractor Identification

Our prospective suppliers are invited through publication in Newspapers and MyGov every two years happening in the odd year. The invitation acts as a clarion call but the registration is on-going and the registers updated every 6 months so that newly registered companies are not disadvantaged. From the traditional manual registration to the techno-cognizant e-procurement platform where they open accounts and can update profile upon logging into the system.

(b) Supplier/Contractor Segmentation

So as to promote competition as like for like Kenya Rural Roads Authority has segmented the works, goods and services and employed the diversity of the procurement methods to source. For works categorization has been done to register contractors as eligible to carry out grading and graveling, structures and paved roads. This is to encourage specialization and

achieve better outcomes. Services, are broken down to those under service level agreement, annual contracts and framework agreement. This is intended to improve on quality of service and reduce the delivery times/lead times.

(c) Management Of Supplier/Contractors

Contracts are packaged in such a way as to have all contractor categories are on board. International Tenders for the very large and complex contracts, National Tenders for local contractors also broken down to the newly registered contractors. To comply with article 55 of the Constitution of Kenya 2010, affirmative action has been actualized in the setting aside at least 30% of the value of the procurement opportunities for Youth, Women and Persons Living with Disabilities.

(d) Operationalization Of Performance Indicators

To assist stakeholders understand the performance of contracts, especially the paved roads, a new performance measure is in place whereby the completion is staged and measured vide milestone. This is line with transparency in procurement clearly anticipated in the article 227 of the constitution. In sectional/staged completion a final surface of the works has to be achieved for a pre-determined length. The stakeholders can as well confirm the works done.

(e) Market Sourcing

Sourcing at KeRRA is done in line best practices in the market, and consolidation of orders is at play to take advantage of economies of scale from the volumes of purchase especially for goods. Central sourcing of works also happen at the headquarters for some works exceeding a set threshold that the regional offices cannot handle. Works exceeding set threshold are centrally procured at the headquarters through Open National Tender, open tendering is the preferred method of procurement at KeRRA.

(f) Specialized Procurements

Market expectation for complex works is that they be handled by contractors with undoubted capacity. Some contracts are done under design and build or a more recently, hybrid. In the hybrid system the design is done jointly together the contractor.

(g) Asset Protection

The assets ranging from fixed assets to road asset are now managed for protection. The road corridors are being demarcated to protect against encroachment and elaborate programmes have been developed to protect the road damage through overloading with weighbridge programmes both fixed, mobile and virtual. Timely road maintenance interventions are also geared to mitigate the otherwise high costs of reconstruction.

(h) Output/Throughput Works Measurement.

To address the expectation of stakeholders to complete projects and coupled with need to support contractors, KeRRA has put in place the Milestone concept to measure and payment for the works. Milestone allows the stakeholder to experience the part-finished and still pay the contractor part and therefore support the contractors financially and assist them to grow. This is in line with expected partnership between the buyers and sellers to deliver more satisfaction with consumers.

(i) Supply Chain Management As A Cost Centre.

The emerging trends in supply chain call for Supply Chain to operate as a cost centre that in

its operation achieve saving while maintaining the quality of goods and services. At KeRRA the procurements are done upon fair cost establishment through market survey and updated works book that guide identification of contractors. Competitive cost are determined but below the budget.

(j) Public Participation In Procurement Process.

The identification of works programmes to be implemented in a financial year in the 47 region is through CRCs-Constituency Roads Committees. This helps the authority's programmes to be embraced by the affected communities where the projects pass through and thus ease the implementation.

(k) Emergence Preparedness.

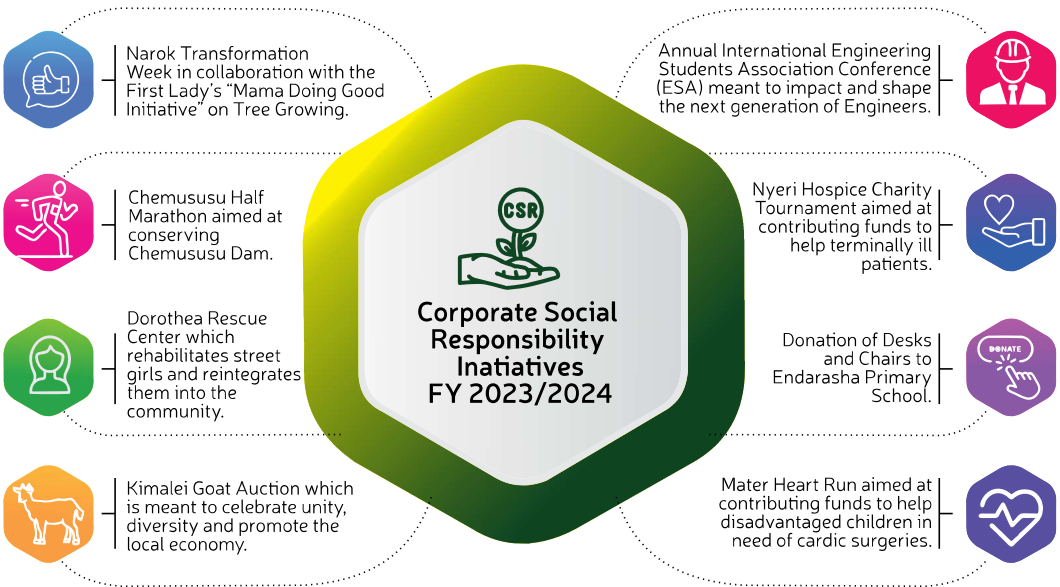
As an authority, to help mitigate the effects of unforeseen emergencies, KeRRA has appraised contractors to deal with situation on the road works should there be a situation requiring immediate intervention.

(l) Performance Management.

To assure the projects are implemented as intended and achieve value for money, there are Contract Implementation Team for all large contracts that review the progress that they are delivered on time as designed unless appraised otherwise. The contract supervision through teams is an emerging policy to increase objectivity on assessment of performance of projects.

5. Community Engagements

In the fiscal year 2023/2024, the Authority allocated Kshs 5 million towards the Corporate Social Responsibility (CSR) Program as part of its commitment to give back to society. During this period, the Authority received numerous requests for support from various organizations, leading to the full utilization of the Kshs 5 million provision. Notable CSR initiatives undertaken by the Authority in the FY 2023/2024 include the following;



REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements for the year ended 30th June 2024, in accordance with the provisions of section of the 38 of Kenya Roads Act 2007 which disclose the state of affairs of the Authority.

Principal activities

The principal activity of the Authority is the management, development, rehabilitation and maintenance of the Rural Road Network in Kenya classified as C and others.

Results

The results for the Authority for the year ended 30 June 2024 are set out on page 79.


Directors

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

Auditors

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

By order of the Board

Signature..........Date..........

Name : Eng. Philemon Kandie MBS
Corporation Secretary/Secretary to the Board

STATEMENT OF DIRECTORS RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year (period) ended on June 30, 2024. This responsibility includes:

- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period.
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Authority.
- (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud.
- (iv) Safeguarding the assets of the Authority.
- (v) Selecting and applying appropriate accounting policies.
- (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, 2024, and of the Authority's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Authority will not remain as 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 26/9/2024 2024 and signed on its behalf by:

Signature: 
Name: Eng. Philemon K. Kandie MBS
Director General

Signature: 
Name: Prof.(Eng) Oyuko Mbeche EBS
Chairperson of the Board

Statement of Financial Performance for the Year Ended 30th June 2024

	Note	2023-2024 Jun-24 Shs'000	2022-2023 Jun-23 Shs'000
REVENUE			
Revenue from Non Exchange Transactions			
Road Maintenance Levy Fund	6	27,953,255	26,409,596
Government Grants	7	6,197,600	15,060,064
Development partners' Grants	8	664,221	454,430
Total Revenue from Non Exchange Transactions		34,815,076	41,924,090
Revenue from Exchange Transactions			
Finance Income	9	2,108,165	899,756
Other income	10	6,397	3,302
Rental Revenue	11	840	1,125
Total Revenue from Exchange Transactions		2,115,402	904,183
Total Revenue		36,930,478	42,828,273
EXPENDITURE			
Road Works costs	12	40,255,202	37,991,235
Directors' Costs	13	30,034	20,549
Employment Costs	14	3,095,950	2,969,366
Repairs and maintenance	15	122,531	135,179
Other Operating Costs	16	725,740	729,221
Depreciation and amortization expense	17	61,933	87,465
Total Expenditure	44,	291,390	41,933,015
Taxation	19	634,788	762,337
Operating Surplus/(Deficit) for the year		(7,995,701)	132,921

The significant accounting policies on pages and the notes on pages 85 to 113 form an integral part of these financial statements.


**Deputy Director Finance
& Accounts**

CPA Matilda Wakere Ita
ICPAK M. No: 5469

Date 26/9/2024


Director General
 Eng. Philemon Kandie MBS

Date 26/9/2024


Director

Date 26/9/2024

Statement of Financial Position as at 30 June 2024

	Note	2023-2024 Jun-24 Shs'000	2022-2023 Jun-23 Shs'000
ASSETS			
Current Assets			
Cash and cash equivalents	18	37,372,914	48,301,429
Receivables from exchange transactions	20	19,736,923	20,173,825
Receivables from non exchange transactions	20	6,243,989	854,244
Inventories	21	4,625	3,114
		63,358,452	69,332,612
Non-Current Assets			
Property Plant and Equipment	22	297,472	225,073
Road Infrastructure Assets	23	123,790,704	139,961,577
Capital Work In Progress	24	187,513,487	197,694,836
		311,601,663	337,881,486
Total Assests		374,960,115	407,214,098
LIABILITIES			
Current liabilities			
Payables from exchange transactions	25	69,736,049	55,066,422
Payables from Non-Exchange transactions	25	-	-
Employee benefit obligation	26	245,241	190,741
		69,981,290	55,257,163
Non Current Liabilities			
Payables from exchange transactions	25	7,711,615	7,740,381
		7,711,615	7,740,381
Total Liabilities		77,692,905	62,997,544
Net Assets		297,267,209	344,216,554
REPRESENTED BY:			
GOK Development Fund	SCNA	371,707,826	349,866,916
Road Infrastructure Acc.Deprn Reserve	SCNA	(60,799,002)	-
Staff Mortgage Fund	SCNA	551,408	546,960
Accumulated(Deficit)/ Surplus	SCNA	(14,193,022)	(6,197,321)
Total Net Assets and Liabilities		297,267,209	344,216,554

The significant accounting policies on pages and the notes on pages 85 to 113 form an integral part of these financial statements. The financial statements on pages 79 to 84 were approved for issue by the board of directors on and were signed on their behalf by:


Deputy Director Finance & Accounts
 CPA Matilda Wakere Ita Eng.
 ICPAK M. No: 5469
 Date: 26/9/2024


Director General
 Philemon Kandie MBS
 Date: 26/9/2024


Director
 Date: 26/9/2024

Statement of Financial Performance for the Year Ended 30th June 2024

Note	Accumulated Surplus Shs'000	GOK Development Fund Shs'000	Staff Mortgage Fund Shs'000	Infrastructure Acc. Deprn. Shs'000	Road Shs'000	Total Shs'000
At 1st July 2022						
Funds received during the year	(6,330,242)	327,225,066	541,941	-	-	321,436,765
Surplus for the Period	-	22,641,850	5,019	-	-	22,646,869
	132,921	-	-	-	-	132,921
At 30th June 2023	(6,197,321)	349,866,916	546,960	-	-	344,216,555
At 1st July 2023						
Movements during the year	(6,197,321)	349,866,916	546,960	-	-	344,216,555
Surplus for the Period	-	21,840,910	4,449	(60,799,002)	-	(38,953,644)
	(7,995,701)	-	-	-	-	(7,995,701)
At 30th June 2024	(14,193,022)	371,707,826	551,408	(60,799,002)	-	297,267,210

The significant accounting policies on pages and the notes on pages 7 to 41 form an integral part of these financial statements.

Statement of Cash Flows for the Year Ended 30th June 2024

	Note	2023-2024 Jun-24 Shs'000	2022-2023 Jun-23 Shs'000
Cash flows from operating activities			
Receipts			
Transfers from other governments entities		51,256,748	65,381,342
Rental revenue from facilities and equipment		840	1,125
Finance income		2,108,165	899,756
Other income		6,397	3,302
Total receipts		53,372,150	66,285,525
Payments			
Use of goods and services		(730,347)	(747,006)
Employee costs		(3,028,861)	(2,899,358)
Board Expenses		(30,034)	(20,549)
Repairs and maintenance		(122,531)	(135,179)
Contracted services		(25,177,439)	(24,344,961)
Taxes		(634,788)	(762,337)
Total payments		(29,724,001)	(28,909,391)
Net cash flows from/(used in) operating activities		23,648,148	37,376,134
Cash flows from investing activities			
Purchase of PPE and Intangible assets	22	(134,338)	(18,902)
Proceeds from sale of PPE		-	-
Investment in Road Infrastructure	24	(34,446,779)	(33,588,328)
Sale of investments		-	-
Net cash flows from/(used in) investing activities		(34,581,117)	(33,607,230)
Cash flows from financing activities			
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Proceeds from Mortgage Fund	SCNA	4,449	5,019
Net cash flows from financing Activities		4,449	5,019
Net increase/(decrease) in cash & Cash equivalents		(10,928,520)	3,773,922
Cash and cash equivalents at the Start of Year		48,301,429	44,527,506
Cash and cash equivalents at the End of the Period	18	37,372,909	48,301,429

Cash flow for previous year has been re-stated to comply with the requirement of direct method of presentation.

The significant accounting policies on pages and the notes on pages 7 to 41 form an integral part of these financial statements.


Deputy Director Finance & Accounts
 CPA Matilda Wakere Ita Eng.
 ICPAK M. No: 5469
 Date: 26/9/2024


Director General
 Philemon Kandie MBS
 Date: 26/9/2024


Director
 Date: 26/9/2024

Statement of Comparison of Budget and Actual Amount FY 2023/2024

Note	Original Budget 2023-2024 Shs'000	Adjustments 2023-2024 Shs'000	Final Budget 2023-2024 Shs'000	Actual on comparison Basis 2023-2024 Shs'000	Performance Difference 2023-2024 Shs'000	% Variance 2023-2024 Shs'000	Remarks /Variance Explanation
Revenue							
Road Maintenance Levy Fund	29,978,667	(84,740)	29,893,927	27,953,255	(1,940,671)	-6%	Releases by KRB
Government Grants	52,867,347	(16,383,697)	36,483,650	28,038,510	(8,445,141)	-23%	Delayed Exchequer Releases
Development partners' Grants	1,946,000	(1,146,000)	800,000	664,221	(135,779)	-17%	Delayed project Implementation
Finance Income	1,219,725		1,219,725	2,108,165	888,440	73%	Improved interest rates
Other income	55,500		55,500	6,397	(49,103)	-88%	Suppressed level of economic activities
Rental Revenue	2,000	-	2,000	840	(1,160)	-58%	Ministry of Housing Challenges
Total Revenue	86,069,239	(17,614,437)	68,454,801	58,771,387	(9,683,414)		
EXPENDITURE							
Road Works Costs-Maintenance	28,097,771	(1,230,740)	26,867,031	25,775,761	(1,091,271)	-4%	Variance within range
Directors' Costs	30,000	30,000	18,213	(11,787)	-	39%	Austerity measures undertaken by the Authority
Employment Costs	2,998,409	109,320	3,107,729	3,107,771	43	0%	Variance within range
Repairs and maintenance	119,167	119,167	122,531	3,364		3%	Variance within range
Other Operating Costs	1,217,804	(456,000)	761,804	725,740	(36,064)	-5%	Variance within range
Depreciation and amortization expense		55,000	55,000	61,933	6,933	13%	Variance within range
Taxation	180,000	456,000	636,000	634,788	(1,212)	0%	Improved interest rates
Exchequer Fund-Maintenance	52,867,347	(16,383,697)	36,483,650	14,479,441	22,004,209		Transfer to Fund
Transfer to GOK Fund	-	-	21,840,910		(21,840,910)		Transfer from Exchequer receipts
Fixed Assets Purchase	503,740	(109,320)	394,420	134,338	260,082		Delayed acquisition of assets
Total Expenditure	86,069,239	(17,614,437)	68,454,801	66,767,088	(966,694)		
Operating Deficit for the year	-	-	-	(7,995,701)	(8,716,720)		

Statement of Comparison of Budget and Actual Amount Discussion

1. RMLF Revenue
 - Prompt Release by KRB.
2. Governments Grants Shortfall-
 - This is due to delayed Exchequer of Release of Counterpart and regular Funding by National Treasury.
 - The Authority Received 77% of its Exchequer releases in June 2024
3. Finance Income. -increase in interest rate
4. Other Income.-Suppressed levels of economic activities
5. Directors cost not fully absorbed due to austerity measures.

Notes To The Financial Statements

1. GENERAL INFORMATION

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

The Kenya Roads Act 2007 provides for the mandate of the Authority to manage, develop, rehabilitate and maintain the rural road network within the Republic of Kenya. However, the Constitution of Kenya 2010 assigns the responsibility of managing National Trunk Roads to National Government and County Roads to County Governments under the Fourth Schedule Part 18(b). In line with this provision, the road network in Kenya was reclassified vide Kenya Gazette Notice of 22nd January 2016 by the State Department of Infrastructure. National trunk roads in Class C totaling 19,504 Km were vested to the Authority by the Cabinet Secretary. A further reclassification by the Cabinet Secretary on 8th May 2020 revised the Authority network to 18,662 Km of national trunk road network in Class C.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying Kenya Rural Roads Authority 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 4.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of Kenya Rural Roads Authority. The financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) issued by International Public Sector Accounting Standards Board (IPSASB), the Public Finance Management Act, 2012, Public Audit Act, 2015 and Kenya Roads Act 2007.

3. ADOPTION OF NEW AND REVISED STANDARDS

- (i) *New and amended standards and interpretations in issue effective in the year ended 30 June 2024.*
There were no new and amended standard issued in the period
- (ii) *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024.*

Standard	Effective date and impact:
IPSAS 43	<p>Applicable 1st January 2025</p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognize, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p>Applicable 1st January 2025</p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p>The Authority does expect a significantly impacted by the standard</p>
IPSAS 45- Property Plant and Equipment	<p>Applicable 1st January 2025</p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognized as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g. valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p> <p>The Authority does expect a significantly impacted by the standard</p>
IPSAS 46 Measurement	<p>Applicable 1st January 2025</p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ol style="list-style-type: none"> Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. Clarifying transaction costs guidance to enhance consistency across IPSAS;

Standard	Effective date and impact:
	<p>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</p> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> <p>The Authority does expect a significantly impacted by the standard</p>
IPSAS 47- Revenue	<p>Applicable 1st January 2026</p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p> <p>The Authority does expect a significantly impacted by the standard</p>
IPSAS 48- Transfer Expenses	<p>Applicable 1st January 2026</p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p> <p>The Authority does expect a significantly impacted by the standard</p>
IPSAS 49- Retirement Benefit Plans	<p>Applicable 1st January 2026</p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p> <p>The Authority does expect a significantly impacted by the standard</p>

(iii) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2024.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of Preparation

The financial statements have been prepared under the historical cost convention, unless otherwise stated. The Financial Statements are presented in Kenya Shillings which is the functional and reporting currency of the Authority and all values are rounded to the nearest thousand (Ksh 000).

(b) Presentation of Financial Statements

The financial statements comprise of statement of financial performance, statement

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

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

The disclosure on risks are presented in the financial risk management objectives and policies contained in note 5.

(c) Budget Information

The original budget for FY 2023-2024 was approved by the National Assembly in June 2023. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities.

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

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

(d) Taxation

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

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

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

Tax in the statement of Financial performance relates to Income tax payable on

interest income earned by the authority. The relate applicable is the corporation tax rate.

(e) Translation of foreign currencies

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

(f) Revenue recognition

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

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

(i) Road Maintenance Levy Fund

Receipts from the Road Maintenance Levy Fund comprise of 32% of collections from the Road Maintenance Levy Fund administered by the Kenya Roads Board in accordance with the Kenya Roads Board act 1999.

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

(ii) Agricultural Cess

The Agricultural Cess comprises of 80% of all monies collected as Cess in respect of tea and coffee as per Agricultural Act. The fund is administered by Kenya Roads Board. Proceeds from agricultural Cess are recognized in the Statement of Financial Performance on accrual basis.

(iii) Transfers from Government and other entities

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

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

(iv) Interest Income

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

(v) Rental Income

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

(vi) Other income

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

(g) Financial Instruments**(i) Financial assets**

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

Receivables

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

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

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

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

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

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

(ii) Financial Liabilities

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

Payables

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

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

(h) Provisions

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

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

Contingent Liabilities

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

Contingent assets

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

Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value

can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs

(i) Operating leases

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

(j) Provision for liabilities and charges

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

(k) Property, plant and equipment

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

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

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

Depreciation is calculated using the straight line method to write down the cost of each asset to its residual value over its estimated useful life, and 365 day calendar year adopted, using the following annual rates:

	Rate - %
Buildings	2.5%
Computers	33.3%
Furniture and Fittings & Fixtures	12.5%
Technical Equipment/Machinery	12.5%
Motor Vehicles	25.0%
Road Infrastructure Assets (Butimen Roads)	10.0%
Road Infrastructure Assets (Bridges)	2.5%

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

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

(l) Specialised Public Service Assets-Infrastructure Assets

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

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

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

(m) Construction contracts

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

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

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

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

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

(n) Impairment of Non-Financial Assets

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

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

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

(o) Inventories

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

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

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

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

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

(p) Cash and Cash Equivalents

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

(q) Nature and purpose of reserves

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

(i) Staff Mortgage Fund

The Authority established independently managed staff Mortgage Scheme Funds for members of staff. The scheme is based on a minimum cash balance at the Kenya Commercial Bank account commensurate with the mortgage amount. This cash balance, built up for the scheme as a revolving fund.

(ii) Capital Fund

The Authority proposes to establish a Capital Fund for the purpose of purchase of office, property, plant and equipment.

(iii) Accumulated surpluses/Deficit

Accumulated surpluses/ (deficit) represent excess operating revenue over expenditure which has accumulated over the years. These funds are available for utilization in the Authority's operations in the subsequent years.

(iv) Development Fund

Development fund represents the Authority's investment in infrastructure assets as funded by the exchequer development vote.

(r) Changes in accounting policies and estimates

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

(s) Employee Benefits

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

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

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

The total expense recognized in the income statement of Shs Million (2023-2024): Shs 243.9 Million) represents contributions payable to the plan by the Authority at rates specified in the rules of the plan. The expense has been included within the staff pension costs under staff costs.

(t) Comparatives

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

(u) Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2024.

5. CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

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

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

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

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

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

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

(b) Critical Accounting Estimates and Assumptions

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

(i) Contingent Liabilities

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

(ii) Provision for Doubtful Debts

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

(iii) Other Provisions

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

(iv) Impairment Losses

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

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

6. ROAD MAINTENANCE LEVY

10% Constituency Links Roads

10% Emergency Allocation

22% Constituency Roads Fund

RMLF Operations

Total Road Maintenance Levy

7. OTHER GOVERNMENT GRANTS

Development Projects

Spot Improvement Projects(Public Participation)

Total Government Grants

Transfer to Development Fund

8. DEVELOPMENT PARTNERS GRANTS

European Union

L'Agence Française de Développement(AFD)

German Development Bank(KFW)

AFD ASAL

Interest -Development Partner

BADEA

Total Development Partners'Grants

9. FINANCE INCOME

Interest from fixed deposits & Current accounts

Total Finance income

10. OTHER INCOME

Receipts from sale of tenders

Disposal of Assets

Recall of Performance Guarantees

Other Levies

Total other income

11. Rental Revenue

Receipts from operating lease rental

Total Rental revenue

2023-2024 Shs'000	2022-2023 Shs'000
4,961,062	5,615,091
6,936,004	4,648,427
12,359,302	12,352,473
3,696,888	3,793,605
27,953,255	26,409,596
21,840,910	22,641,850
6,197,600	15,060,064
28,038,510	37,701,914
(21,840,910)	(22,641,850)
6,197,600	15,060,064
317,832	-
-	-
35,005	-
274,744	-
3,227	3,047
33,413	451,383
664,221	454,430
2,108,165	899,756
2,108,165	899,756
12	194
5,765	-
-	-
620	3,108
6,397	3,302
840	1,125
840	1,125

Rental income is rent income received from various Regional Office camps. The properties were inherited from our Parent Ministry.

12. ROAD WORKS EXPENDITURE

	2023-2024 Shs'000	2022-2023 Shs'000
RMLF 10%-Critical Link Roads	6,091,207	3,647,667
RMLF 22%-Constituency Roads Fund	13,460,912	8,202,645
RMLF 10%-Emergency Allocation	5,039,875	12,240,170
Donor Funded Projects	773,545	749,423
GoK Spot Improvement Funds	14,479,441	13,141,972
Equilisation Fund	410,222	9,358
Total Road Works Expenses	40,255,202	37,991,235

13. DIRECTORS' COSTS

a. Executive Directors

Emoluments	11,821	11,606
	11,821	11,606

b. Non Executive Directors

Emoluments	9,048	4,798
Training and field activities	9,165	4,145
	18,213	8,943
Total Directors Costs	30,034	20,549

14. EMPLOYMENT COSTS

Salaries and Wages	2,117,149	2,024,046
Pension and Gratuity costs	243,999	233,208
Medical and Insurance	203,160	99,368
Training and Development	163,677	149,127
Travelling and accomodation	343,617	423,093
Other Staff welfare costs	24,347	40,524
Total employment Costs	3,095,950	2,969,366

15. REPAIRS AND MAINTENANCE

Office building	12,647	11,867
Furniture and equipment	69,203	74,209
Motor vehicles	40,682	49,104
Total Repairs and Maintenance	122,531	135,179

16. OTHER OPERATING EXPENSES

	2023-2024 Shs'000	2022-2023 Shs'000
Public relations and Corporate affairs	14,823	18,975
Audit Fees	2,000	3,000
Advertisement and publicity	11,268	29,224
Rent and Rates	9,226	19,704
Electricity and Water	15,297	10,911
Cleaning and sanitation	9,438	11,760
Fuel and other vehicle running expenses	104,874	179,715
Security	29,841	42,989
Consultancies	62,316	41,616
Legal Fees	9,428	15,731
Printing and Stationery	35,232	42,867
CRC and tender evaluation Expenses	224,839	178,236
Telephone, Internet and Postage	76,385	34,013
Bank Charges	15,483	23,181
Office expenses	17,155	13,393
Performance Contracting	88,133	63,907
Total Other Operating expenses	725,740	729,221
Taxes-The authority paid Corporation		
Tax on prior year Interest income .		

17. DEPRECIATION AND AMORTIZATION

Property Plant and equipment	61,933	87,465
Total Depreciation Expense	61,933	87,465

18. CASH AND CASH EQUIVALENTS

Cash in hand and Bank	28,310,811	37,106,058
Staff mortgage Fund	1,104	1,071
Fixed term deposits	9,061,000	11,194,300
Total Cash and Cash equivalents	37,372,914	48,301,429

The cash and bank balances as the funds are held with sound financial institutions approved by Central Bank of Kenya as follows:

KCB Bank Kenya limited	37,011,400	47,821,137
Equity Bank Kenya Limited	163,976	193,360
Cooperative Bank Kenya Limited	62,354	118,069
NCBA Bank Kenya Limited	135,184	168,863
Cash in Hand	-	-
Total cash in hand and bank	37,372,914	48,301,429

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash in hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months.

19. TAXATION

	2023-2024 Shs'000	2022-2023 Shs'000
Current Income Charge	-	-
Tax Charge on Interest Income	634,788	413,801
Deferred Tax	-	-
Original and Reversal of Temporary Differences	-	-
Income Tax Expense Reported in the SFOFP	-	-
	634,788	413,801

20. RECEIVABLES FROM EXCHANGE

(i) Receivables from Exchange transactions(Current)

Contractors advances	19,736,923	20,173,825
Total Receivables from Exchange transactions	19,736,923	20,173,825

(ii) Receivables from Exchange transactions(Long Term)

Contractors advances	-	-
Total Receivables	-	-
Current Portion transferred to current Receivables	-	-

(iii) Ageing Analysis for Receivables from Exchange Transactions

	Current	% of total	Comparative FY	% of total
Contractors advances				
Less Than 1Year	(436,902)	-2%	178,577	1%
Between1-2 Years	178,577	1%	4,760,016	24%
Between 2-3 Years	4,760,016	24%	(854,643)	-4%
Over 3 years	15,235,232	77%	16,089,875	80%
Total	19,736,923	100%	20,173,825	100%

(iv) Reconciliation for Impairment Allowance on Receivable from Exchange Transactions

	2023-2024 Jun-24	2022-2023 Jun-23
Impairment Allowance / Provision		
At The Beginning of the Year	-	-
Additional Provisions during the year	-	-
Recovered During the year	-	-
Written off during the Year	-	-
At the end of the Year	-	-
Total Non CurrentReceivables	-	-
Total Receivables from Exchange transactions	19,736,923	20,173,825

20. (b) Receivables from Non Exchange transactions

	2023-2024 Shs'000	2022-2023 Shs'000
Advances to Staff	13,218	25,806
Deposits and Prepayments	88,634	85,537
Other Receivables(Accrued Income)	6,142,138	742,900
Total Receivables from Non Exchange transactions	6,243,989	854,244
Total receivables	25,980,913	21,028,069

Ageing Analysis Receivables from Non-Exchange transactions

	2023-2024 Jun-24		2022-2023 Jun-23	
Less Than 1Year	6,244,042	100.0%	852,032	97.4%
Between1-2 Years	-	0.0%	-	1.2%
Between 2-3 Years	-	0.0%	-	1.4%
Over 3 years	-	0.0%	2,212	0.0%
Total	6,244,042	100%	854,244	100.0%

Reconciliation for Impairment Allowance on Receivable from Non Exchange Transactions

	2023-2024 Jun-24	2022-2023 Jun-23
Impairment Allowance / Provision		
At The Beginning of the Year	-	-
Additional Provisions during the year	-	-
Recovered During the year	-	-
Written off during the Year	-	-
At the end of the Year	-	-

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

21. INVENTORIES

	2023-2024 Shs'000	2022-2023 Shs'000
Consumable stores	4,625	3,114
Total Inventories	4,625	3,114

22. PROPERTY PLANT AND EQUIPMENT

	Building Shs'000	Furniture and Fittings Shs'000	Motor Vehicles Shs'000	Office Equipment Shs'000	Computers and Software Shs'000	Plant and Machinery Shs'000	Total Shs'000
Cost							
At 1st July 2023	120,773	199,839	674,322	63,596	354,824	56,503	1,469,857
Additions	-	8,237	113,098	6,468	6,534	-	134,338
Disposal	-	-	(29,119)	-	-	-	(29,119)
At 30th June 2024	120,773	208,077	758,301	70,064	361,358	56,503	1,575,076
Depreciation							
At 1st July 2023	29,978	159,681	637,703	43,901	319,379	54,149	1,244,790
Charge for the year	4,041	9,537	23,310	5,472	19,117	456	61,933
Disposal	-	-	(29,119)	-	-	-	(29,119)
At 30th June 2024	34,019	169,217	631,894	49,373	338,495	54,605	1,277,604
Net Book Value							
At 30th June 2024	86,754	38,859	126,407	20,691	22,863	1,898	297,472

The gross carrying amount of fully depreciated property, plant and equipment amounted to Kshs 811,827,817

	Building Shs'000	Furniture and Fittings Shs'000	Motor Vehicles Shs'000	Office Equipment Shs'000	Computers and Software Shs'000	Plant and Machinery Shs'000	Total Shs'000
Cost							
At 1st July 2022	119,932	196,314	674,322	58,271	345,612	56,503	1,450,955
Additions	841	3,525	-	5,325	9,211	-	18,902
At 30th June 2023	120,773	199,839	674,322	63,596	354,824	56,503	1,469,857
Depreciation							
At 1st July 2022	26,210	150,664	599,894	37,904	288,956	53,693	1,157,319
Charge for the year	3,768	9,020	37,809	5,989	30,422	456	87,465
At 30th June 2023	29,978	159,684	637,703	43,892	319,379	54,149	1,244,784
Net Book Value							
At 30th June 2023	90,795	40,155	36,619	19,704	35,445	2,354	225,073

The gross carrying amount of fully depreciated property, plant and equipment amounted to Kshs 989,846,468

23. ROAD INFRASTRUCTURE ASSETS

	2023-2024 Shs'000	2022-2023 Shs'000
At 1st July	139,961,577	124,175,119
Transfer from work in progress	44,628,129	15,786,458
Infrastructure Assets Cost	184,589,706	139,961,577
Depreciation	(60,799,002)	-
Net Infrastructure Assets	123,790,704	139,961,577

24. CAPITAL WORK IN PROGRESS

At 1st July	197,694,836	179,892,966
Additions	34,446,779	33,588,328
Transfer to Road Infrastructure Asset	(44,628,129)	(15,786,458)
	187,513,487	197,694,836

25. PAYABLES

(a) Exchange Transactions

Current:

Due to Contractors	68,974,601	54,227,073
Other Trade payables(General Suppliers)	381,930	529,230
Staff Creditors	2,546	-
Other Payables(Accruals & provisions)	376,972	310,119
Total current	69,736,049	55,066,422

(b)Non Current:

Contract Retention	7,711,615	7,740,381
Total Non Current	7,711,615	7,740,381
Total Payables	77,447,664	62,806,803

Current trade and other payables are expected to be settled in Authority's normal operating cycle and within twelve months after the reporting period and are not attached to an unconditional right to defer payment of the liability.

26. EMPLOYEE BENEFIT OBLIGATIONS

	Gratuity Ksh'000	Pension Costs Ksh'000	Total Ksh'000
As at 1st July 2023	121,651	69,090	190,741
Additional Provisions	54,500	-	54,500
Provision utilised	-	-	-
As at 30th June 2024	176,151	69,090	245,241

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Authority has an integrated risk management framework/ strategy. The Authority's approach to risk management is based on risk governance structures, risk management policies, risk.

identification, measurement, monitoring and reporting. The risk management policies and systems are reviewed regularly to ensure they are in tandem with the micro and macro environment, regulatory guidelines, industry practice, market conditions as well as the services offered.

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

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

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

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

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

The financial management objectives and policies are as outlined below:

(a) Liquidity Risk

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

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

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

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

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

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

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

	Less Than 1Month	Between 1-3 Months	Between 3- 12 Months	Over One Year
Due to contractors			68,974,601	
Other Trade Payables	-	381,930	-	-
Staff Creditors	-	2,546	-	-
Contract Retention	-	-	-	7,711,615
Deferred Income	-	-	-	-
Other Payables	-	376,972	-	-
	-	761,447.94	68,974,601	7,711,615

Year Ended 30th June 2023

	Less Than 1Month	Between 1-3 Months	Between 3- 12 Months	Over One Year
Due to contractors			54,227,073	
Other Trade Payables	-	529,229.90	-	-
Staff Creditors	-	-	-	-
Contract Retention	-	-	-	7,740,381.00
Deferred Income	-	-	-	-
Other Payables	-	310,119.05	-	-
	-	2,293,879.25	38,629,061	7,985,151.98

(b) Market Risk

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

The Authority is exposed to the following market risks:

(i) Currency Risk

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

(ii) Price Risk

Kenya Roads Board collects Kshs. 18 per litre of diesel and petrol imported into the country, 32% of which is disbursed to the Authority. The Authority is exposed to the extent that the levy on diesel and petrol is reduced or eliminated due to changes in the international fuel prices, inflation or other macro indicators.

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

(iii) Interest Rate Risk

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

(c) Credit Risk

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

Period Ended 30th June 2024

	Fully Performing	Past Due Date but not Impaired	Past Due Date and impaired	Total
Advances to Staff	13,218			13,218
Contractors advances	19,736,923			19,736,923
Deposits and Prepayments	88,634			88,634
Other Receivables	6,142,138			6,142,138
Cash at Bank	37,372,914			37,372,914
	63,353,827	-	-	63,353,827

Period Ended 30th June 2023

	Fully Performing	Past Due Date but not Impaired	Past Due Date and impaired	Total
Advances to Staff	25,806			25,806
Contractors advances	20,173,825			20,173,825
Deposits and Prepayments	85,537			85,537
Other Receivables	742,900			742,900
Cash at Bank	48,301,429			48,301,429
	69,329,498	-	-	69,329,498

(d) Operational Risk

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

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

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

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

- (i) Requirements for appropriate segregation of duties, including the independent authorization of transactions;

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

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

(e) Compliance and Regulatory Risk

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

(f) Legal Risk

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

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

28. RELATED PARTIES BALANCES AND TRANSACTIONS

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

(a) Related party transactions

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

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

(i) Receipt and Transfers

The Government of Kenya
Kenya Roads Board

2023-2024 Shs'000	2022-2023 Shs'000
28,038,510	36,959,142
27,953,255	27,725,667
55,991,765	64,684,808
11,821	11,008
9,048	6,184
9,165	14,894
30,034	32,085

(ii) Directors Emoluments

Emoluments -Executive directors
Emoluments - Non Executive directors
Training and field activities

(b) Outstanding balances arising from non-exchange transactions

The following were outstanding balances with related parties as at 30th June 2024

Receivable from related parties

Payable to related parties

Receivables from related parties can be analysed as follows:

The Government of Kenya

Kenya Roads Board

Key management personnel

Payables to related parties can be analysed as follows:

Key management personnel

-	-
69,090	69,090
-	-
-	-
-	-
-	-
69,090	69,090

29. CONTINGENT ASSETS AND LIABILITIES

(i) Contingent Liabilities

Due to the uncertainty of the outcome of our Legal cases, it is not practically possible to estimate the resulting liabilities and the effect they are likely to have on the results of the Authority's operations, financial position or liquidity. Therefore no provision has been made in the financial statements.

(ii) Contingent assets

Advance Guarantees
Performance Guarantee

2023-2024 Shs'000	2022-2023 Shs'000
22,159,632	21,509,582
27,599,105	27,108,035
49,758,738	48,617,618

30. CAPITAL COMMITMENTS

Authorised and contracted for - -

Non-cancellable operating lease rentals are payable as follows:

Operating lease rentals	2023-2024 Jun-24 Shs'000	2022-2023 Jun-23 Shs'000
Non-cancellable operating lease rentals are payable as follows		
Within one year	-	-
Later than one year but within five years	-	-
	-	-

The Authority has leased office premises under an operating lease. The lease typically runs for 5 years with an option for renewal. Lease payments are increased accordingly to reflect market rentals. The Authority does not have an option to purchase the leased asset at the expiry of the lease period. There are no contingent rents recognized in the Statement of Financial Performance.

31. RECONCILIATION OF SURPLUS AS PER BUDGET STATEMENT AND STATEMENT OF FINANCIAL PERFORMANCE

	2023-2024 Jun-24 Shs'000
Surplus as per statement of Budget and Actual amounts	(7,360,912)
Less: Taxation	(634,788)
Add: Transfer of Roadwork Costs to Infrastructure assets	-
Less: Transfer to Development Fund	-
Add: Transfer from Deferred Income	-
Surplus(Deficit) as per Statement of financial performance	(7,995,701)

32. FAIR VALUE

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

33. EVENTS AFTER THE REPORTING PERIOD

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

34. ULTIMATE AND HOLDING ENTITY

The Authority is a State Corporation under the Ministry of Roads and Transport State Department of Roads. Its ultimate parent is the Government of Kenya.

35. CURRENCY

The financial statements are presented in Kenya Shillings (Kshs.'000).

Annex 2: List of Annual Report Preparation and Publication Committee

- | | | | |
|-----|------------------------|---|--|
| 1. | Eng. P. P. Gichohi | - | Director (RSC) |
| 2. | Eng. J. K. Gakubia | - | Deputy Director (R2000) |
| 3. | Mr. Nicholas Kibe | - | Principal Economist |
| 4. | Eng. Macharia Tumu | - | Senior Engineer (Dev) |
| 5. | Eng. Yvette Olende | - | Engineer (RAM) |
| 6. | Eng. Angela Murigi | - | Senior Eng. (RSC) |
| 7. | Ms. Joan Lwanya | - | Senior ICT Office |
| 8. | Ms. Rose Mukhongo | - | Senior SCMO |
| 9. | Mr. William Abungu | - | Principal Accountant |
| 10. | Ms. Charity Kiget | - | Principal Legal Officer |
| 11. | Mr. David Mwangi | - | Senior Internal Auditor |
| 12. | Mr. Reuben Omondi | - | Senior Public Affairs and Com. Officer |
| 13. | Ms. Kathleen Chepkemai | - | HRM Officer |
| 14. | Ms. Jane Kabicho | - | PAC Officer |
| 15. | Ms. Janet Kipyatich | - | Environmental |
| 16. | Ms. Gladys Kirera | - | Senior Office Administrator |
| 17. | Ms. Stephanie Basweti | - | Accountant. |
| 18. | Mr. Titus Kimaiyo | - | Office Assistant (RS |
| 19. | Ms. Caroline Nyakio | - | Office Administrator (RSC) |
| 20. | Ms. Joyce Randiga | - | Office Assistant (RSC) |

[illegible]

[illegible]



Tirap-Embobut in Elgeyo Marakwet County.



**KENYA RURAL
ROADS AUTHORITY**

Head Office
Kenya Rural Roads Authority
Barabara Plaza, Block B
Airport South Road, Opp. KCAA
P.o. Box 48151-00100,
Nairobi. Kenya

Email: dg@kerra.go.ke
Tel: 020-7807600 (01-05)
Mobile: +254 711 851103