

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

THE NATIONAL ASSEMBLY
PAPERS LAYD

DATE: 24 FEB 2021

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REPORT

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BY:

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Maarah wayiku

THE AUDITOR-GENERAL

ON

ROADS ANNUITY FUND

FOR THE YEAR ENDED

30 JUNE, 2021

**STATE DEPARTMENT
FOR INFRASTRUCTURE**





OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY

30 SEP 2021

RECEIVED



THE ROADS ANNUITY FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2021

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

Roads Annuity Fund
Annual Reports & Financial Statements for the year ended June 30, 2021.

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**Roads Annuity Fund
Annual Reports & Financial Statements for the year ended June 30, 2021.**

1. Key Entity Information and Management

(a) Background information

The Roads Annuity Fund was incorporated/ established under the Public Finance Management Act 2012: (Roads Annuity Fund) Regulations, 2015 on 2nd April, 2015.

(b) Principal Activities

The objective and purpose of the Fund is to provide funds to meet the National Government's Annuity payment obligations for the development and maintenance of roads under the Annuity programme.

(c) Key Management

The Fund's day-to-day management is under the following key organs:

- Officer Administering the Fund
- Oversight Committee
-

(d) Fiduciary Management

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

No.	Designation	Name
1.	Chairman	FCPA Dr. Julius Muja PhD, CBS - PS Treasury
2.	Officer Administering the Fund	Prof. Arch. Paul Mwangi Maringa, (PhD), CBS, FAAK, MKIP - PS Infrastructure
3.	Member	Mr. Saitofi Torome, CBS – PS Planning
4.	Member	Terry Rotich - Office of the Attorney General and Department of Justice

(e) Fiduciary Oversight Arrangements

The Annuity Fund was managed under the Annuity Oversight Committee that approved the annual Annuity Budgets financed from the Annuity Fund. The Annuity Fund is financed from annual appropriations in the printed budget as approved by Parliament.

Roads Annuity Fund
Annual Reports & Financial Statements for the year ended June 30, 2021.

i) Our Contacts

Telephone: (254) 0202723232
E-mail: ps@infrastructure.go.ke
Website: www.transport.go.ke

g) Our Bankers

Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya

h) Independent Auditors

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

i) Principal legal Adviser

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

Roads Annuity Fund Annual Reports & Financial Statements for the year ended June 30, 2021.

2. The Oversight committee

**FCPA Dr. Julius Muja, PhD, CBS, PS Treasury
Chairman**



FCPA Dr. Julius Muja, (PhD), CBS, is currently the Principal Secretary, The National Treasury & Ministry of Planning. Before this appointment, he was the Director General of the Vision 2030 Delivery Secretariat which operates under the Office of the President. Prior to this, Dr. Muja served as the Secretary, National Economic and Social Council, Office of the President. He holds a First Class Honours Degree in Accounting; Masters Degree and PhD in Finance from the University of Nairobi's School of Business. He is also a Certified Public Accountant (CPA-K); Certified Public Secretary (CPS-K), Associate Kenya Institute of Bankers; Associate Chartered Institute of Arbitrators; and Certified Coach.

Dr. Muja has over 20 years' experience in leadership in the private sector in Kenya and UK. Dr. Julius Muja serves as a non-executive board member in several companies and a number of not-for profit organizations.

**Prof. Arch. Paul Mwangi Maringa, (PhD), Corp. Arch, FAAK, MKIP
Fund Administrator**



Pro. Arch. Paul Mwangi Maringa, (PhD), CBS, FAAK, MKIP, is the current Principal Secretary for the State Department for Infrastructure. He has also served as the Principal Secretary of State Departments for Public Works and Transport in the Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works.

He has served for over 30 years variously in the Public Service, Universities and the private sector as a Consultant, Lecturer and Administrator. Prof.

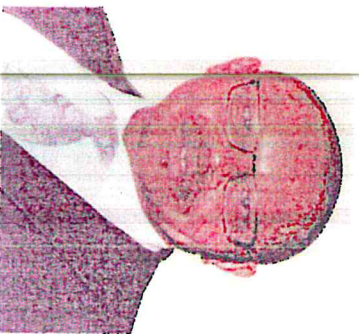
Maringa, an Architect and Planner, holds a Doctor of Philosophy in Environmental Planning from the Jomo Kenyatta University of Agriculture and Technology (JKUAT) and a Masters of Arts in Urban and Regional Planning from the University of Nairobi. He trained as an architect at the University of Nairobi where he attained an Honors degree in Architecture.

He is a member of various professional bodies amongst them Architectural Association of Kenya (AAK – Architects Chapter) Architectural Association of Kenya (AAK – Town planning chapter) and Kenya Institute of Planners (KIP). He is a

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registered Architect with the Board of Registration of Architects and Quantity Surveyors (BORAQSI).

Professor Maringa is credited with having pioneered the School of Architecture and Building Sciences (SABS) at Jomo Kenyatta University of Agriculture and Technology (JKUAT) and the Faculty of Architecture and Environmental Design (FAED) at KIST University in Rwanda where he also served as a Deputy Vice Chancellor and Vice Chancellor. He is passionate to the realization of Kenya's National Vision 2030 in which the country aspires to be middle income economy by 2030.



**Mr. Saitoti Torome, CBS
Member**

Joel Saitoti Torome, CBS, was born on 6th September, 1964 in Narok County, Kenya. He grew up in Nairragie-Enkare village and began his elementary education at Ilhurot Orrok Primary school where he completed Certificate of Primary Education (CPE) in 1979.

He then proceeded to St. Anthony Secondary School in the same locality and completed his "O Level" secondary education with a Kenya Certificate of Education (KCE) in 1983. He then attended Chewoyet High School in Kitale and finished his "A Level" Kenya Advanced Certificate of Education (KACE) in 1985.

He did his undergraduate degree studies at the Kenyatta University and graduated in 1991 with a Bachelor's degree in Education majoring in Economics and Geography. He then proceeded to the University of Nairobi and graduated in 2003 with an MBA in Strategic Management.

Before his appointment as the Principal Secretary in the State Department for Planning in 2015, he served as the Director for Strategy and Development at Kenya National Bureau of Statistics (KNBS). He later worked as the Principal Secretary in the Ministry of Defence before returning to the State Department for planning as a Principal Secretary in August 2019 till to date.

He is a member of the Certified Public Secretaries of Kenya (CPS). He is married to Jacinta Wanjiru and has four children. He enjoys reading world history, jogging and watching football

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**Terry Rotich
Member**



Ms. Terry Rotich is a member of the committee and currently serves as a Senior State Counsel in the Office of the Attorney General and in the Department of Justice, Government Transactions Division. She has previously been a Senior Associate Advocate with Kairu & McCourt Advocates and a Program Officer at the AIDS Law Project. Ms Rotich has further worked as Rapporteur, Coalition on Violence Against Women-Kenya (COVAW-K) in September 2012 and a Pupil, State Law Office.

She has trained in a number of areas among them Negotiations & Contracting in the Oil & Gas sector training at the International Law Institute, African Centre for Legal Excellence (2019), a Senior Management Course at the Kenya School of Government (2017) and a distance Learning Blended Course on Intellectual Property, Public Health & Local Pharmaceutical Production for East African Community, UNCTAD/UNIDO (2015) 2011. She holds a Postgraduate diploma in Law (Advocates Training Program), Kenya School of Law 2010 and a Bachelor of Laws (LLB) from Moi University.

Roads Annuity Fund

Annual Reports & Financial Statements for the year ended June 30, 2021.

3. Report of The Officer Administering the Annuity Fund

The Roads Annuity Fund is managed under the Annuity Fund Regulations 2015. The Fund is governed through an Oversight Committee chaired by the Principal Secretary, National Treasury. The Officer Administering the Fund is the Principal Secretary responsible for Roads.

The Roads Annuity Programme was rolled out in the Financial Year 2016/2017 after the enactment of the Annuity Fund Regulations in the year 2015. Collections into the Annuity Fund started in the Financial Year 2015/2016 under the Finance Act 2015. Funding to the Annuity Fund is from the Fuel Levy funds at three shillings (Kshs. 3) per litre. The initial target km under the first phase of the Annuity Programme amounted to 465km for various roads. The State Department through Kenya Rural Roads Authority (KERRA) has since awarded one project, Lot 33 (Ngong – Kiserian - Isinya and Kajjado – Imaroro) with a length of 91 kilometres

Collections into the Fund are appropriated through the Annual Printed Budget. The collections are banked at the Central Bank of Kenya. After approval of the Annuity Budgets by the Oversight Committee, expenditure against the Fund is done for the Projects approved by the PPP Committee of the National Treasury. Procurement for the Annuity Financed Projects is done through the PPP Act 2013.

The Roads Annuity Fund was created as an alternative financing mechanism to help relieve pressure on the net GOK exchequer. Since the Financial Year 2007/2008, the Roads Sector experienced a phenomenon growth in terms of upgrading of roads to bitumen standards. During the same period, there was an exponential increase in terms of contractor capacity due to an influx of foreign contractors. Overtime, the output exceeded the available budgets leading to an accumulation of pending bills and the resultant costs. Coupled with the foregoing scenario, the Government adopted a policy of increasing the paved road network by an additional 10,000 kilometers from 2016/2017 over a five year period. It was observed that the budgetary allocations would not be able to meet the demands for the roads sector. The Roads Annuity fund, in addition to other alternative financing mechanisms was expected to bridge the gap between the net GOK financing and the budget requests. The Roads Annuity Fund has recorded a success in that the State Department has been able to roll out and complete the first ever annuity financed road in Africa - The 91 km Ngong – Kiserian - Isinya and Kajjado – Imaroro (Lot 33) Road Project. The project has been implemented on time and on schedule owing to optimal financing. However, being a new concept, there has been delays in actualization of the earmarked projects. Owing to the slow take off, the fund had accumulated cash in excess of the planned absorption. Arising from this accumulation, the

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Government amended the Roads Annuity Fund Regulations (2015), through Gazette Supplement No 10 of 22nd February 2019 to allow usage of annuity savings (surpluses) to finance other road projects procured outside the PPP Act 2013. An annuity saving of Ksh. 32 billion was declared in June 2020. The saving was subsequently paid out of the Annuity Fund to finance the approved budget 2019/2020 for settlement of Pending Bills. No saving was declared in the Financial Year 2020/2021

The State Department has lined up an additional 4 lots under the Annuity Fund amounting to 276 kilometres. Construction works for the four earmarked lots are expected to commence within the 2021/2022 financial year

In the Financial Year 2020/2021 the Approved Budget had a provision of Ksh. 12,326,000,000. All the budgeted funds were transferred to the Roads Annuity Bank Account at the Central Bank of Kenya

**Roads Annuity Fund
Annual Reports & Financial Statements for the year ended June 30, 2021.**

4. Corporate Governance Statement

The Annuity Oversight Committee held two meetings as detailed below:

First Meeting: 6th Road Annuity Oversight Committee Virtual Meeting Held On Monday, 27th November 2020, At 7:30 A.M.

No.	Present	Organization/ State Dept.	Email Address
1.	FCPA Dr. Julius Muiya, (PhD), CBS	PS/NT	psircasuny01@gmail.com - Chairman
2.	Prof. Arch. Paul Mwangi Maringa, (PhD), CBS, FAAK, MKIP	PS/MOTIHUD/(I)	ps@mirtstructure.go.ke - Secretary
3.	Terry Roitch	OAG&DOJ	Terry.roitch@og.go.ke
In Attendance			
1.	Eng. Francis Gitau	IS/MOTIHUD(I)	fgitau@gmail.com
2.	Eng. Peter Mundinia	DG/KENHA	p.mundinia@kenha.co.ke
3.	Eng. Philemon Kandile	DG/KeRRA	philemon.kandile@kerra.go.ke
4.	Eng. Silas Kinoti	DG/KURA	skinoti@kura.go.ke
5.	Eng. Kennedy Nyakuti	KeRRA	kennedy.nyakuti@kerra.go.ke
6.	Eng. Stanley Mwawasi	KENHA	Stanley.mwawasi@kenha.co.ke
7.	Eng. Abdulrashid Mohamed	KURA	smrashid2000@gmail.com
8.	Eng. Richard Yagan	KURA	ryagan@kura.go.ke
9.	Martin Agumbi	KRB	magumbi@krb.go.ke
10.	Eng. James Kungu	CE/MOTIHUD(I)	jmkungu@yahoo.com
11.	Eng. Peter Gichohi	KeRRA	pogichohi@yahoo.com
12.	Philip Wachira	CFO/SDI	philiwachira@yahoo.com - Taking Minutes
13.	Sophie Mwangashi	HAU/SDI	sophiemwangashi@gmail.com
14.	Joseph Muoka	FO/SDI	jmilmuoka@gmail.com

Absent With Apologies

1. Saitoti Torome, CBS PS/Planning

**Roads Annuity Fund
Annual Reports & Financial Statements for the year ended June 30, 2021.**

**Second Meeting: 7th Roads Annuity Oversight Committee Virtual Meeting Held
On Friday, 7th May 2021, At 7:00 A.M.**

<u>No.</u>	<u>Present</u>	<u>Organization/ State Dept.</u>	<u>Email Address</u>
1.	FCPA Dr. Julius Muja, CBS	PS/NT	Chairman
2.	Prof. Paul Maringa, CBS	PS/MOTIHUD/(I)	Secretary
3.	Saitoti Torome, CBS Absent With Apology	PS/PLANNING	saitotitorome@gmail.com
1.	Terry Rotich	OAG&DOJ	Terry.rotich@ag.go.ke
In Attendance			
1.	Christopher Kirigua, OGW	DG- PPP	chris.kirigua@gmail.com
2.	Dr. Rono Tuimising Eng. Silas Kinoti	Legal Adviser- PPP DG/KURA	Dr.rtuimising@gmail.com skinoti@kura.go.ke
3.	Eng. Stanley Mwawasi	KeNHA	Stanley.mwawasi@kenha.co.ke
4.	Eng. Abdulrashid Mohamed	KURA	smarashid2000@gmail.com
5.	Martin Agumbi	KRB	magumbi@krb.go.ke
6.	Eng. Peter Gichochi	KeRRA	ppatichochi@yahoo.com
7.	Philip Wachira	CFO/SDI	philwagchira@yahoo.com
8.	Sophie Mwangashi	HAU/SDI	sophiemalomba@gmail.com
9.	Joseph Muoka	FO/SDI	emlynmuoka@gmail.com

Roads Annuity Fund
Annual Reports & Financial Statements for the year ended June 30, 2021.

Functions of the Roads Annuity Fund Oversight Committee

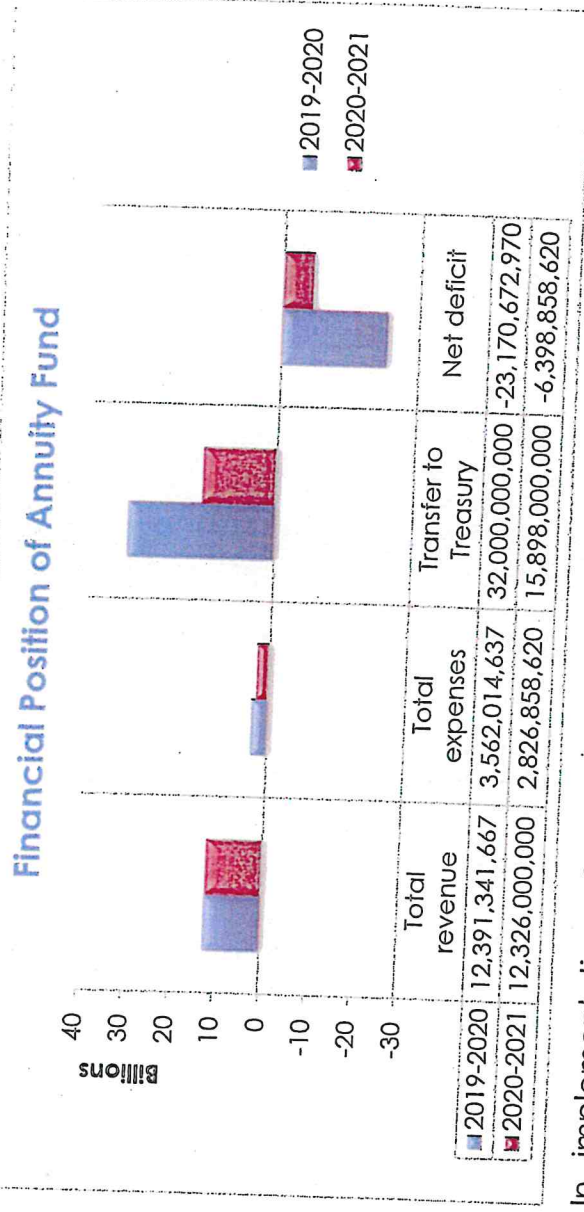
The functions of the Roads Annuity Oversight Committee are captured under the Annuity Fund Regulations Section 13 as follows

- (a) inform the Cabinet Secretary on the funding requirements of the Fund
- (b) adopt the estimates of annual revenue and expenditure of the Fund and recommend them to the Cabinet Secretary for Approval;
- (c) Ensure that the annual estimates of revenue and expenditure for the Fund include cumulative Annuity Programme commitments for the financial year under review;
- (d) Ensure that only the projects included in the Annuity Programme are promoted for funding under these Regulations;
- (e) Inform the Cabinet Secretary on the amounts and timing for the fund transfers into the Fund;
- (f) Approve and review the investment of surplus funds into the Fund;
- (g) Advise the Cabinet Secretary on the sources of funds for the Fund;
- (h) Adopt the financial statements prepared by the Officer Administering the Fund before submission to the Auditor- General; and
- (i) Adopt the non-financial reports of the Fund and submit them to the Cabinet Secretary

**Roads Annuity Fund
Annual Reports & Financial Statements for the year ended June 30, 2021.**

5. Management Discussion and Analysis

In the Financial Year 2020/2021, the Annuity fund had an opening bank balance of Ksh.14,497,822,997 as at 1st July 2021. Within the Financial Year, the annuity fund received ksh.12,326,000,000. The total payments from the Annuity Fund bank Account over the financial year amounted to kshs.2,826,858,620. The Fund closed the year with a bank account balance of kshs.8,598,964,377.



In implementation of the Annuity Fund, the collections to the fund are appropriated by parliament through the Annual Printed Estimates with financing from the Fuel Levy Fund. The expenditure from the Annuity Fund is approved by the Annuity Oversight Committee in form of yearly budgets. The Road projects financed by the Annuity Fund are implemented by the Road Agencies. Up to the end of the Financial Year 2020/2021, only one road project- Lot 33 Ngong – Kiserian – Isinya- Kajjado/Imaroro under implementation by KeRRA has been on going. Once an invoice is raised by the promoter of the project, the Independent Expert certifies the invoice as due for payment and forwards to the Implementing Agency. The Implementing Agency requests for a cash transfer from the Annuity Fund. The Officer Administering the Fund (The Principal Secretary State Department of Infrastructure) authorises transfer of the requested cash from the Annuity Fund to the Implementing Agency’s bank Account. The Implementing Agency subsequently pays the promoter of the project

Roads Annuity Fund
Annual Reports & Financial Statements for the year ended June 30, 2021.

The State Department has learned valuable lessons on the annuity model having implemented one project to completion and has documented the lessons learnt geared towards greater improvement of the Annuity Fund

**Roads Annuity Fund
Annual Reports & Financial Statements for the year ended June 30, 2021.**

6. Report of the Oversight Committee

The Management submits their report together with the audited financial statements for the year ended June 30, 2021, which show the state of the affairs of the fund.

i) Principal activities

The objective and purpose of the Fund shall be to provide funds to meet the National Government's Annuity payment obligations for the development and maintenance of roads under the Annuity programme.

ii) Results

The results of the entity for the year ended June 30, 2021, are set out on page 10.

iii) Oversight Committee

The Oversight Committee who served during the year are shown on page iv and v.

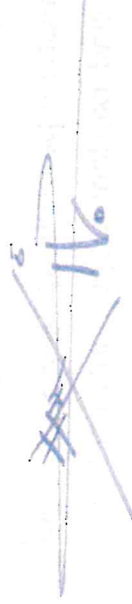
iv) Surplus remission

In accordance with Regulation 219 (2) of the Public Financial Management (National Government) Regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. The Fund remitted Kshs 15,898,000,000 FY 2020/2021 and Kshs. 32,000,000,000 FY 2019/2020.

v) Auditors

The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the oversight Committee



.....

Fund Administrator

Roads Annuity Fund

Annual Reports & Financial Statements for the year ended June 30, 2021.

7. Statement of Oversight Committee's responsibilities

Section 81 of the Public Finance Management Act, 2012 require the Accounting Officer of the Fund to prepare financial statements in respect of the Roads Annuity Fund, which give a true and fair view of the state of affairs of the Roads Annuity Fund at the end of the financial year and the operating results of the Roads Annuity Fund for that year. The Accounting Officer is also required to ensure that the Roads Annuity Fund keeps proper accounting records which disclose with reasonable accuracy the financial position of the Roads Annuity Fund. The Accounting Officer is also responsible for safeguarding the assets of the Roads Annuity Fund.

The Accounting Officer is responsible for the preparation and presentation of the Roads Annuity Fund's financial statements, which give a true and fair view of the state of affairs of the Roads Annuity Fund for and as at the end of the financial year

ended on June 30, 2021. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Roads Annuity Fund; (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 Roads Annuity Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting Officer accepts responsibility for the Roads Annuity Fund'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

**Roads Annuity Fund
Annual Reports & Financial Statements for the year ended June 30, 2021.**

Accounting Officer is of the opinion that the Roads Annuity Fund's financial statements give a true and fair view of the state of Roads Annuity Fund's transactions during the financial year ended June 30, 2021, and of the Roads Annuity Fund's financial position as at that date. The Accounting Officer further confirms the completeness of the accounting records maintained for the Roads Annuity Fund, which have been relied upon in the preparation of the Roads Annuity Fund's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Accounting Officer to indicate that the Roads Annuity Fund will not remain a going concern for at least the next twelve months from the date of this statement.
Approval of the financial statements

The Roads Annuity Fund's financial statements were approved by the Oversight Committee on _____ 2021 and signed on its behalf by:



**FCPA Dr. Julius Muia, (PhD) CBS – PS Treasury
Chair of the Oversight Committee**



.....
**Prof. Arch. Paul Mwangi
(PhD), CBS, FAAK, MKIP
Accounting Officer**





REPORT OF THE AUDITOR-GENERAL ON ROADS ANNUITY FUND FOR THE YEAR ENDED 30 JUNE, 2021 - STATE DEPARTMENT FOR INFRASTRUCTURE

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Roads Annuity Fund set out on pages 1 to 19, which comprise the statement of financial position as at 30 June, 2021,

Report of the Auditor-General on Roads Annuity Fund for the year ended 30 June, 2021 - State Department for Infrastructure

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

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Roads Annuity Fund as at 30 June, 2021, and its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Cash Basis) and the Public Finance Management Act, 2012.

Basis for Opinion

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

Key Audit Matters

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

Other Matter

Under-Absorption of Funds

The statement of comparison of budget and actual amounts reflects approved budgeted transfers to other Government entities of Kshs. 12,326,000,000 against actual transfers of Kshs.2,826,858,620 resulting in an under absorption of Kshs.9,499,141,380. Further, it was observed that roads work of Kshs.2,682,858,620 relating to Ngong-Kiserian-Isinya and Kajjado-Imororo road was the first activity since the Road Annuity Fund was operationalized in 2015. The under absorption is an indication that the Fund may not be achieving its mandate as per the Public Finance Management Act, 2012.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis of Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Effectiveness of the Road Annuity Oversight Committee

Review of the composition of the Fund's Oversight Committee revealed that, the Committee is not duly constituted as required by Regulation 12(1) of the Public Finance Management (Roads Annuity Fund) Regulations, 2015 as there was no representation from the Kenya Bankers Association and two other persons being eminent professionals drawn from the engineering, accounting or legal professionals. It was therefore not clear whether the oversight committee as was constituted discharged its oversight functions as provided in the law.

In the circumstances, the oversight committee may not effectively discharge its mandate as envisaged by the Public Finance Management (Roads Annuity Fund) Regulations, 2015.

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

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material

misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the project to cease to continue to sustain its services.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

17 January, 2022

Road Annuity Fund
Annual Reports & Financial Statements for the year ended June 30, 2021.


9. Statement of Financial Performance

	Note	2020-2021	2019-2020
		Kshs	Kshs
Revenue- Non-Exchange Transactions			
Transfers from Other Government entities	6	12,326,000,000	12,391,341,667
Total revenue		12,326,000,000	12,391,341,667
Expenditure			
Transfers to Government Agencies	7	2,826,858,620	3,562,014,637
Total expenses		2,826,858,620	3,562,014,637
Surplus/Deficit for the year		9,499,141,380	8,829,327,030
Remission to Treasury	8	15,898,000,000	32,000,000,000
Net deficit for the year		(6,398,858,620)	(23,170,672,970)

The Financial Statements were signed onby:



.....
Principal Secretary
Prof. Arch. Paul Mwangi Maringa,
(PhD), CBS, FAAK, MKIP


.....
Head of Accounting Unit
Mwangashi Sophie Wakio
ICPAK No. 11341

Road Annuity Fund
Annual Reports & Financial Statements for the year ended June 30, 2021.

10. Statement of Financial Position

	Note	2020-2021	2019-2020
		Kshs	Kshs
Assets - Current Assets			
Cash and Cash Equivalents	9	8,598,964,377	14,997,822,997
Total Assets		8,598,964,377	14,997,822,997
Net Assets			
Capital Fund	10	500,000,000	500,000,000
Accumulated Surplus		8,098,964,377	14,497,822,997
Total Net Assets		8,598,964,377	14,997,822,997

The Financial Statements were signed on behalf of the oversight committee by:

.....
Principal Secretary
Prof. Arch. Paul Mwangi Maringa,
(PhD), CBS, FAAK, MKIP

.....
Head of Accounting Unit
Mwangashi Sophie Wakio
ICPAK No. 11341

Road Annuity Fund
Annual Reports & Financial Statements for the year ended June 30, 2021.

11. Statement of Changes in Net Assets

	Capital Fund		Accumulated Surplus		Total	
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
At July 1, 2019	500,000,000	37,668,495,967	38,168,495,967			
Surplus for the Year		(23,170,672,970)	(23,170,672,970)			
At June 30, 2020	500,000,000	14,497,822,997	14,997,822,997			14,997,822,997
At July 1, 2020	500,000,000	14,497,822,997	14,997,822,997			
Net Deficit for the Year		(6,398,858,620)	(6,398,858,620)			
At June 30, 2021	500,000,000	8,098,964,377	8,098,964,377			8,598,964,377



.....
Principal Secretary
Prof. Arch. Paul Mwangi Maringa,
(PhD), CBS, FAAK, MKIP



.....
Head of Accounting Unit
Mwangashi Sophie Wakio
ICPAK No. 11341

Road Annuity Fund
Annual Reports & Financial Statements for the year ended June 30, 2021.

12. Statement of Cash Flows

	Notes	2020-2021	2019-2020
		Kshs	Kshs
Cash flows from Operating Activities			
Receipts			
Transfers from Other Government entities	6	12,326,000,000	12,391,341,667
Total Receipts		12,326,000,000	12,391,341,667
Payments			
Transfers to Government Agencies	7	2,826,858,620	3,562,014,637
Remission to Treasury	8	15,898,000,000	32,000,000,000
Total Payments		18,724,858,620	35,562,014,637
Net cash flows from Operating Activities	11	(6,398,858,620)	(23,170,672,977)
Net Increase in Cash & Equivalents			
		(6,398,858,620)	(23,170,672,977)
Cash & Equivalents at the Year Start	9	14,997,822,997	38,168,495,967
Cash & Equivalents at Year End	9	8,598,964,377	14,997,822,997

13. Statement of Comparison of Budget and Actual Amounts

	Original budget	Adjustments	Final budget	Actual on comparable basis	Variance	%
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	
Transfers from Other Government entities	12,326,000,000	-	12,326,000,000	12,326,000,000	-	100%
Total Revenue	12,326,000,000	-	12,326,000,000	12,326,000,000	-	
Expenses						
Transfers to other Government Entities	2,855,000,000	-	2,855,000,000	2,826,858,620	23,141,380	99%
Total expenditure	2,855,000,000	-	2,855,000,000	2,826,858,620	23,141,380	
Remittance to Treasury						
Net Deficit						

Budget Notes:

14. Notes to the Financial Statements

1. General Information

The Roads Annuity Fund entity is established by and derives its authority and accountability from Public Finance Management Act. The Roads Annuity Fund is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to provide funds to meet the national government's annuity payment obligations for the development and maintenance of roads under the Annuity Programme.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Roads Annuity Fund's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of The Roads Annuity Fund

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

Roads Annuity Fund

Annual Reports & Financial Statements for the year ended June 30, 2021.

3. Adoption of New and Revised Standards

New and amended standards and interpretations in issue effective in the year ended 30 June 2021.

Standard	Impact
Other Improvements to IPSAS	<p>Applicable: 1st January 2021:</p> <p>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks.</p> <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment.</p> <p>Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved.</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets.</p> <p>Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs).</p> <p>Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard.</p> <p>The amendments did not have impact on The Roads Annuity Fund</p>

**Roads Annuity Fund
Annual Reports & Financial Statements for the year ended June 30, 2021.**

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

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2023: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: <ul style="list-style-type: none">• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. The Standard did not have any impact on The Roads Annuity Fund.

**Roads Annuity Fund
Annual Reports & Financial Statements for the year ended June 30, 2021.**

Standard	Effective date and impact:
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows. <p>The Standard did not have any impact on The Roads Annuity Fund.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p>The Standard did not have any impact on The Roads Annuity Fund.</p>

Roads Annuity Fund
Annual Reports & Financial Statements for the year ended June 30, 2021.

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.

Related parties

The Roads Annuity Fund regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are also regarded as related parties.

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 Central Bank of Kenya and at various commercial banks at the end of the financial year.

Comparative figures

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

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, 2021.

**Roads Annuity Fund
Annual Reports & Financial Statements for the year ended June 30, 2021.**

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions

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

Useful lives and residual values

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

- a)** The condition of the asset based on the assessment of experts employed.
- b)** The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- c)** The nature of the processes in which the asset is deployed.
- d)** Availability of funding to replace the asset.
- e)** Changes in the market in relation to the asset

Roads Annulity Fund
Annual Reports & Financial Statements for the year ended June 30, 2021.

Note 6

Transfers from Other Government Entities	2020-2021	2019-2020
	Kshs	Kshs
Transfers from Kenya Roads Board (Levies)	12,326,000,000	12,391,341,667
Total	12,326,000,000	12,391,341,667

Note 7

Transfers to Other Government Agencies	2020-2021	2019-2020
	Kshs	Kshs
Kenya Rural Roads Authority	2,826,858,620	3,562,014,637
Total	2,826,858,620	3,562,014,637

Note 8

Remission to National Treasury	2020-2021	2019-2020
	KShs	KShs
Surplus Remitted	15,898,000,000	32,000,000,000
Total	15,898,000,000	32,000,000,000

**Roads Annuity Fund
Annual Reports & Financial Statements for the year ended June 30, 2021.**

Note 9

Cash and Cash Equivalents

	2020-2021	2019-2020
	KShs	KShs
Cash In Bank (CBK - A/c1000236663)	8,598,964,377	14,997,822,997
Total	8,598,964,377	14,997,822,997

Note 10

Capital Fund

	2020-2021	2019-2020
	Kshs	Kshs
Capital Fund	500,000,000	500,000,000
Total	500,000,000	500,000,000

Note 11

Cash From Operating Activities

	2020-2021	2019-2020
	Kshs	Kshs
Net Deficit for Year	(6,398,858,620)	(23,170,672,970)
Adjustments	-	-

Net Cash From Operating Activities	(6,398,858,620)	(23,170,672,970)
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Roads Annuity Fund
Annual Reports & Financial Statements for the year ended June 30, 2021.

Financial Risk Management

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

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

i) Credit risk

The Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment.

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

	Total amount Kshs	Performing Kshs	Impaired Kshs
At June 2021			
Bank balances	8,598,964,377	8,598,964,377	-
At 30 June 2020			
Bank balances	14,997,822,997	14,997,822,997	-

**Roads Annuity Fund
Annual Reports & Financial Statements for the year ended June 30, 2021.**

ii) Liquidity risk management

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

iii) Capital Risk Management

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

	2020-2021	2019-2020
Capital	Kshs	Kshs
Retained earnings	500,000,000	500,000,00
	8,098,964,377	14,497,822,997
Total borrowings	8,598,964,377	14,997,822,997
Less: cash and bank balances	-	-
Net debt/(cash and cash equivalents)	8,098,964,377	14,497,822,997
Gearing	0%	0%

29 Related Party Disclosures

Nature of related party relationships

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

Roads Annuity Fund
Annual Reports & Financial Statements for the year ended June 30, 2021.

Government assistance

The Government of Kenya is the principal shareholder of the Roads Annuity Fund, holding 100% equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the entity, both domestic and external.

Other related parties

- i) The Parent Ministry;
- ii) Other SCs and SAGAs
- iii) Key management;

	2020-2021		2019-2020	
	Kshs		Kshs	
Transactions with related parties				
a) Transfers from the Government				
Transfers from Kenya Roads Board	12,326,000,000	12,391,341,667		
Total	12,326,000,000	12,391,341,667		
b) Key management compensation				
Directors' emoluments	-	-		
Compensation to key management	-	-		
Total	-	-		

**Roads Annuity Fund
Annual Reports & Financial Statements for the year ended June 30, 2021.**

30 Surplus Remission

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. In line with this legal requirement the entity remitted Kshs 32,000,000 in respect to FY2019/20.

31 Events after the Reporting Period

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

32 Ultimate and Holding Entity

The entity is a Semi- Autonomous Government Agency under the Ministry of Infrastructure. Its ultimate parent is the Government of Kenya.

33 Currency

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

**Roads Annuity Fund
Annual Reports & Financial Statements for the year ended June 30, 2021.**

15. Appendix

Appendix 1 Progression from the external auditor's recommendations

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
---	---	------------------------	---	---

There were no outstanding issues raised the external auditor



.....
The Fund Administrator

**Roads Annuity Fund
Annual Reports & Financial Statements for the year ended June 30, 2021.**

Appendix II: Projects Implemented by the Entity

Projects funded by the Roads Annuity Fund are implemented and reported state agencies like Kenya Rural Roads Authority (KeRRA).

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Annual Reports & Financial Statements for the year ended June 30, 2021.**

Appendix III: Inter Entity Statement

The Roads Annuity Fund

Break Down of Transfers from Kenya Roads Board

Development Grants	Bank Statement		Indicate The FY To Which The Amounts Relate
	Date	Amount (Kshs)	
Development Grants	29-Mar-21	4,698,845,154	FY 2020/2021
Development Grants	11-Jun-21	2,928,309,696	FY 2020/2021
Development Grants	06-Jul-21	4,698,845,150	FY 2020/2021
Total		12,326,000,000	

The above amounts have been communicated to and reconciled with the Parent Ministry and Kenya Roads Board

.....
**Administrator
The Roads Annuity Fund**

.....
**Head of Finance
The Kenya Roads Board**

Date:

Date:

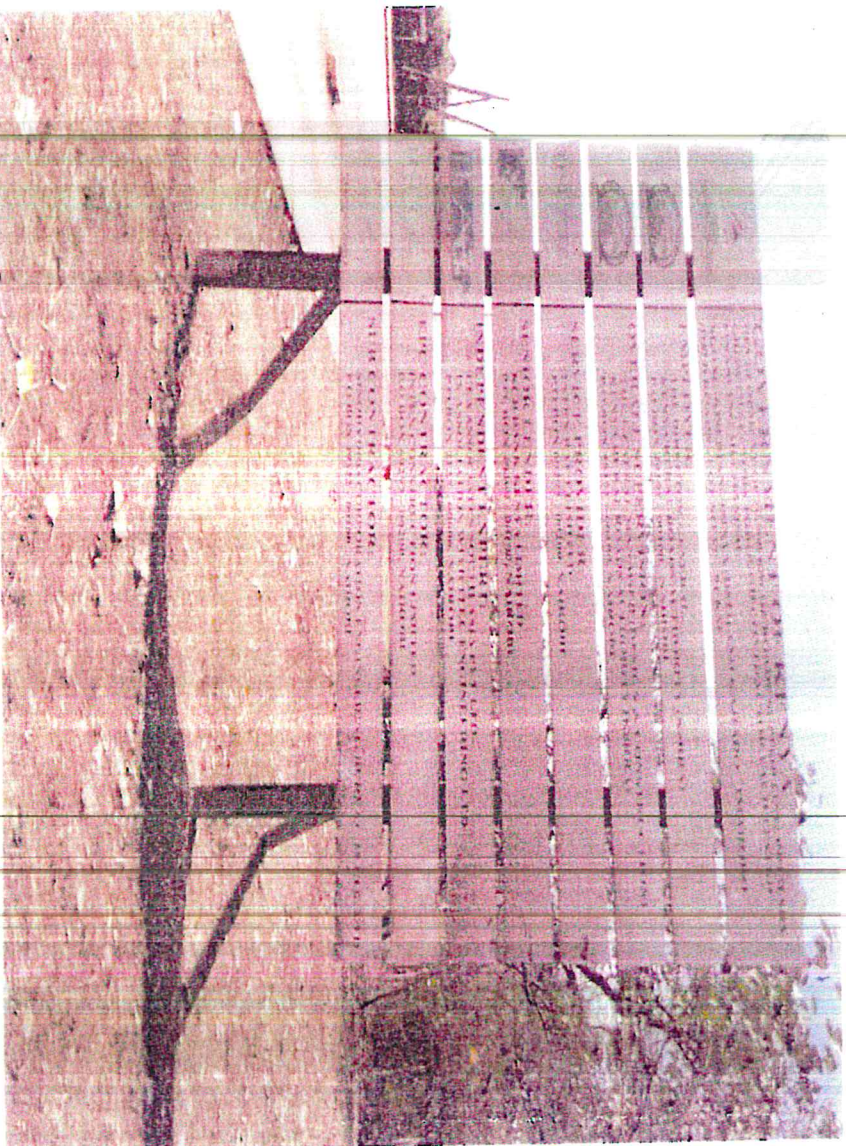
**Roads Annuity Fund
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Appendix IV: Recording of Transfers from Other Government Entities

Entity Transferring the Fund	Date received as per bank statement	Nature: Development	Statement of Financial Performance Kshs	Total Transfers during the year Kshs
Kenya Roads Board	29-Mar-21	Development	4,698,845,154	4,698,845,154
Kenya Roads Board	11-Jun-21	Development	2,928,309,696	2,928,309,696
Kenya Roads Board	06-Jul-21	Development	4,698,845,150	4,698,845,150
Total			12,326,000,000	12,326,000,000

**Roads Annuity Fund
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Appendix V: Projective Photos



Publicity sign board at the start point of Ngong – Kiserian project corridor

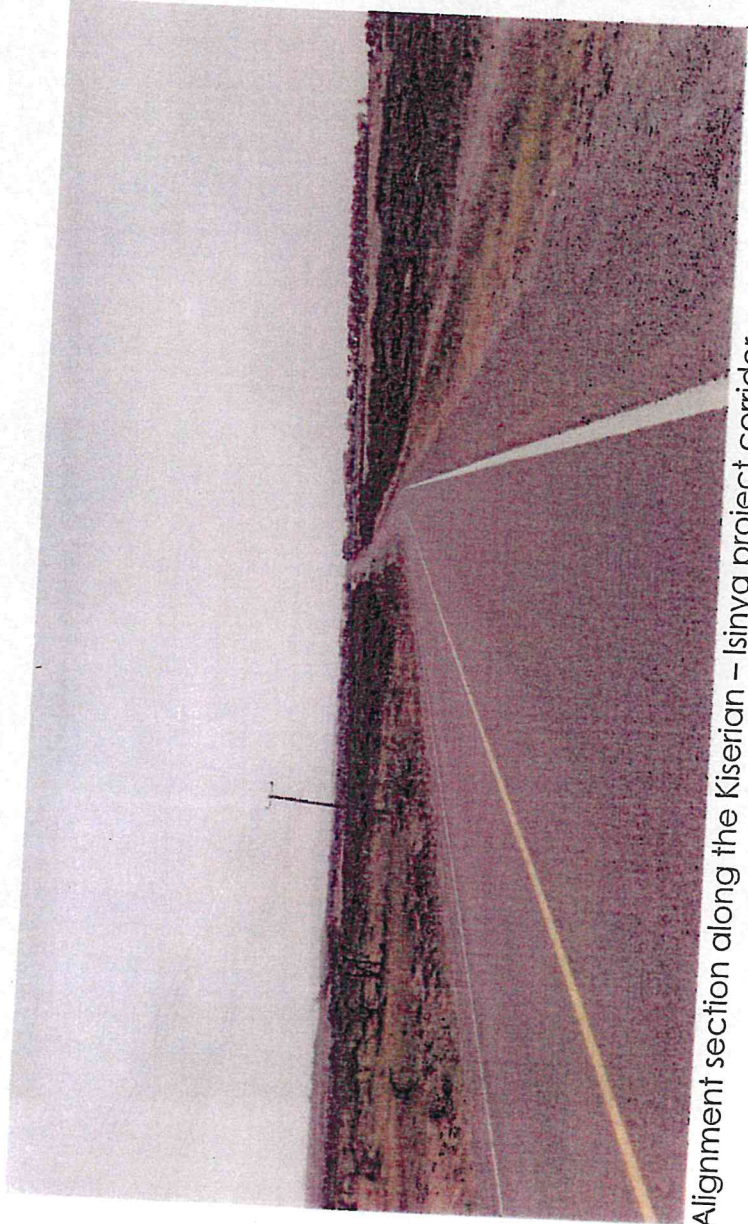


Completed Bridge in Kajjado – Imaroro at Km 32+298

**Roads Annuity Fund
Annual Reports & Financial Statements for the year ended June 30, 2021.**

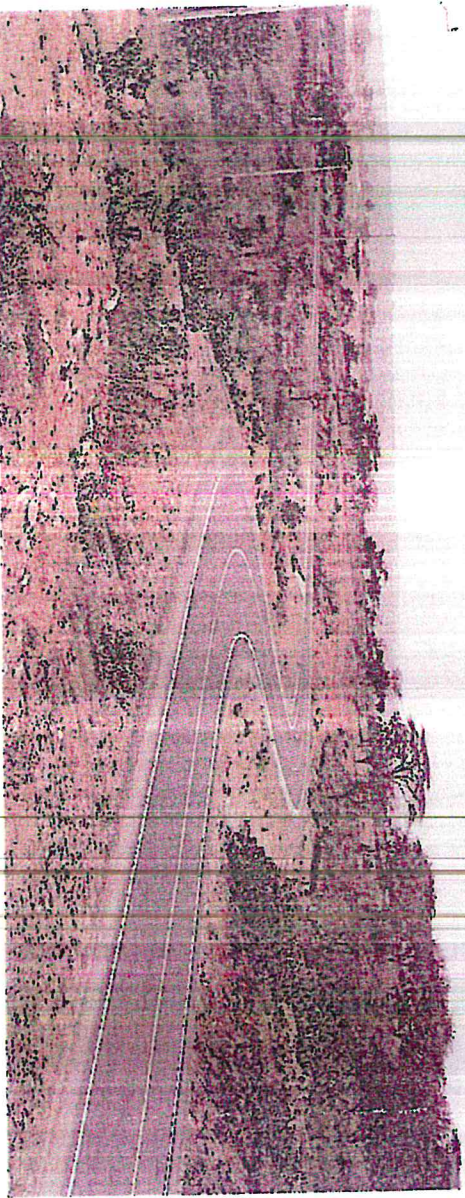


Alignment section along the Ngong – Kiserian project corridor



Alignment section along the Kiserian – Isinya project corridor

**Roads Annuity Fund
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Alignment section along Kajjado - Imaroro project corridor



New 20m long single span concrete bridge at KM 17+757 along Kiserian – Isinya project Corridor

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New 2 x 4m x 2.5m Box Culvert at Km 33+205 along Kiserian – Isinya project corridor



Widened 30m long two span concrete bridge at Km 36+093 along Kiserian – Isinya project corridor

**Roads Annuity Fund
Annual Reports & Financial Statements for the year ended June 30, 2021.**



New 24m long single span concrete bridge at KM 18+743 along Kajijado – Imaroro project corridor



New 32m long two span concrete bridge at KM 32+777 along Kajijado – Imaroro project corridor

**Roads Annuity Fund
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New 32m long two span concrete bridge at KM 35+346 along Kajjado – Imaroro project corridor



Aerial view of Completed major junction at Kiserian-Isinya Km 10+000 (R1)



Date 30 06 2021

Report of the Board al Survey on the Cash and Bank Balances of HQS
STATE DEPT. FOR INFRASTRUCTURE – THE ROADS ANNUITY FUND

business on... 30/06 2021

The Board, consisting of—(Names and official titles)

MR SIL VESTER LIECH	HEAD ICT	CHAIRMAN
MR CYRUS NJAU	PRINCIPAL	SECRETARY
MR MARTIN MOSIRIA	SPFO	MEMBER

assembled at the office of HQS CASH OFFICE
at 10.00 AM (time) on the

and the following cash was produced: —

Notes	Sh.	NIL
Silver	Sh.	NIL
Copper	Sh.	NIL
Cheques (as per details on reverse)	Sh.	NIL
		NIL

It was observed that cheques amounting to Sh NIL
had been on hand for more than 14 days prior to the date of the survey.

The cash consists of East African currency and does not contain any der. metized coin
or notes.

The Cash Book reflected the following balances as at the close of business on the

Cash on hand	Sh.	NIL
Bank Balance	Sh.	8,598,964,376.75
		8,598,964,376.75

THREE BILLION,NINE HUNDRED MILLION,ONE HUNDRED NINETEEN
NINETEEN THOUSANDS,TWO HUNDRED TWENTY SEVEN CTS TWENTY-FIVE
The Bank Certificate of Balance showed a sum of Sh

standing to the credit of the account on 30TH JUNE 2021 cts. NIL SHS (3,900,119,227.25)

The difference between this figure and the Bank Balance as shown by the Cash Book is
accounted for in the Bank Reconciliation Statement (F.O. 30) attached.

[Signature] 30/6/2021
Chairman.

[Signature] 30/6/21
Members of the board.

Date

STATE DEPARTMENT FOR INFRASTRUCTURE
ROADS ANNUITY FUND
TRIAL BALANCE FOR THE FY 2020/2021

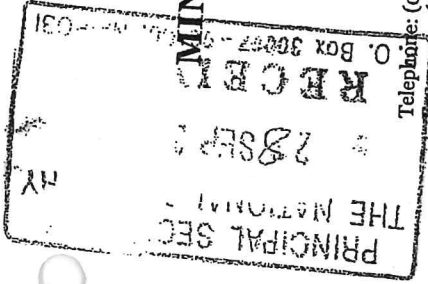
Account No and Description	July - 2020 to June - 2021	DEBIT	CREDIT
1330402 - Funds Received by Ministry of Roads and Public Works from roads Maintenance Levy Fund			14,997,822,997.20
3110402 - Access Roads			12,326,000,000.00
6590204 - Roads Annuity Fund			
Transfer to KeRRA for Lot 33	2,826,858,620.00		
Remission to Treasury	15,898,000,000.00		
Bank Balance Carried Forward	8,598,964,377.25		
			27,323,822,997.25

The Statement has been Prepared, reviewed and approved by the following:

Prepared by: Haron Koro
 Reviewed by: CHRIS WABU
 Approved by: Sophia Mwangi

Date: 30th Sept. 2021
 Date: 30th SEPT 2021
 Date: 30th SEPT. 2021





**MINISTRY OF TRANSPORT, INFRASTRUCTURE, HOUSING,
URBAN DEVELOPMENT & PUBLIC WORKS
STATE DEPARTMENT FOR INFRASTRUCTURE**

Office of The Principal Secretary

Telephone: (020) 2723232
Fax: (020) 2719658
Email: ps@infrastructure.go.ke
Website: www.transport.go.ke
When replying please quote:

WORKS BUILDING
NGONG ROAD
P.O. BOX 30260-00100
NAIROBI-KENYA

Ref: MOTIHUD&PW/I/A/35-21/B/VO

Dr. Julius Muia, CBS
Principal Secretary
The National Treasury
Treasury Building
P. O. Box 30007 - 00100
NAIROBI

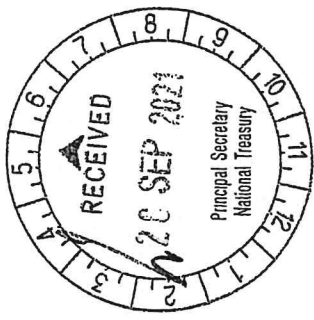
27th September, 2021

PS TREASURY OFFICE	27
Initiated by Action	✓
Please See Me	
Please Review and Advice	
Note	
To Keep in View	
Noted & Appreciated	
Please Let's Discuss	

Signed

Dear Sir

Julius Muia
28/9/2021



**RE: REQUEST TO SIGN FINANCIAL STATEMENTS 2020/2021 OF
THE ROADS ANNUITY FUND**

The Roads Annuity Oversight Committee, at its 8th meeting held virtually on 21st September, 2021 adopted the Roads Annuity Fund Financial Statements 2020/2021 in line with the Annuity Fund Regulations Clause 13(h).

The purpose of this letter is to request you to sign the following accompanying documents:

- (i) Two (2) copies of the Roads Annuity Financial Statements for the year ended 30th June, 2021. Please sign on the tagged page.

Kindly facilitate return of the signed copies for our records.

Yours Sincerely

[Handwritten signature]

Prof. Arch. Paul. M. Maringa (PhD), CBS, F.A.A.K, MKIP
PRINCIPAL SECRETARY

