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REPUBLIC OF KENYA



THE NATIONAL ASSEMBLY



TWELFTH PARLIAMENT
SECOND SESSION



**FOURTH REPORT OF THE SPECIAL FUNDS ACCOUNTS COMMITTEE
ON AUDITED FINANCIAL STATEMENTS FOR THE KENYA ROADS BOARD FUND
FOR THE YEAR ENDED JUNE 2017**

Directorate of Committee Services
The National Assembly
Parliament of Kenya
NAIROBI

NOVEMBER, 2018

NATIONAL ASSEMBLY
RECEIVED

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SPEAKER'S OFFICE
P. O. Box 41842, NAIROBI.

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ANNEX 1- Committee Minutes

LIST OF ABBREVIATIONS AND ACRONYMS

CoK	-	Constitution of Kenya, 2010
FY	-	Financial Year
GoK	-	Government of Kenya
KeNHA	-	Kenya National Highways Authority
KeRRA	-	Kenya Rural Roads Authority
KuRA	-	Kenya Urban Roads Authority
KRBF	-	Kenya Roads Board Fund
KWS	-	Kenya Wildlife Service
MP	-	Member of Parliament
OAG	-	Office of the Auditor- General

CHAIRPERSON'S FOREWORD

The Special Funds Accounts Committee is amongst the three Watchdog Committees of the twelfth Parliament. The Committee was established in the fifth session of the Eleventh Parliament following the review of the National Assembly's Standing Orders. Examination of audited financial statements for Kenya Roads Board Fund is amongst the mandate of the Committee as provided under the National Assembly Standing Order number 205A.

Article 95 (4) (c) of the Constitution of Kenya, 2010 outlines the roles of Parliament which includes oversight over the national revenue and its expenditure. Further, Article 229(8) provides that "*Within three months after receiving an audit report, Parliament shall debate and consider the report and take appropriate action*".

In fulfillment of these constitutional provisions, the National Assembly Standing Orders has established three Committees which examine reports of the Auditor-General to ascertain whether public funds have been utilized in a lawful, authorized, effective, efficient, economical and transparent manner.

The Kenya Roads Board Fund is established under section 31 of the Kenya Roads Board Act, 1999 to receive all proceeds from the Road Maintenance Levy Fund and other sources and distributes the monies to various road agencies based on the criteria set by the Kenya Roads Board.

The Committee wishes to thank the Offices of the Speaker and the Clerk of the National Assembly for the support extended to it during consideration of the reports. The Committee further extends its appreciation to the Office of the Auditor-General and the National Treasury for the complimentary role that they continue to playing in oversight over public funds.

The Committee acknowledges with gratitude the Office of the Executive Director, Kenya Roads Board for availing necessary information that was required which enabled the Committee finalize this report on time.

On behalf of the Special Funds Accounts Committee, and pursuant to Standing Order 199(6), it is my pleasant duty and honour to present to this House the report of the Committee on audited financial statements of the Kenya Roads Board Fund for the year ended 30th June, 2017.

HON. KATHURI MURUNGI, M.P

EXECUTIVE SUMMARY

Examination of audited accounts of Kenya Road Board Fund is amongst the mandate of the Committee as provided under the National Assembly Standing Order number 205A . This is in line Article 95 (4) (c) of the Constitution of Kenya 2010 which stipulates oversight over national revenue and its expenditure as amongst the roles of the National Assembly. Further, Article 229(8) of the Constitution of Kenya 2010 provides that “*Within three months after receiving an audit report, Parliament shall debate and consider the report and take appropriate action*”.

The report of the Auditor-General on the financial statements of Kenya Roads Board Fund for the year ended June 2017 was tabled in the House on 10th April, 2018 and was referred to the Special Funds Accounts Committee for scrutiny.

The Kenya Roads Board Fund is established under section 31 of the Kenya Roads Board Act, 1999 to receive all proceeds from the Road Maintenance Levy Fund and other sources and allocates the monies to various road agencies and the County Governments based on the criteria set by the Kenya Roads Board.

The Fund is administered by Kenya Roads Board (KRB) which is a statutory body established by the Kenya Roads Board Act, No. 7 of 1999 in accordance with Chapter 446 of the State Corporations Act.

The Special Funds Accounts Committee invited the Executive Director, Kenya Roads Board being the administrator of the Fund who appeared before it on 21st June, 2018 during examination of the report of the Auditor- General on financial statements of Kenya Roads Board Fund for the financial year ended June, 2017.

The Committee observed that the audited financial statements of the Fund were unqualified as per the opinion of the Auditor-General which indicated that the financial statements presented fairly, in all material aspects of the financial position of the Fund as at 30th June, 2017 and that the Kenya Roads Board had complied with the International Public Sector Accounting Standards and Kenya Roads Board Act, 1999.

The Committee further observed that Kenya Roads Board Fund had grown to Ksh. 60 Billion in 2017/18 financial year and was projected to reach Ksh. 68 Billion in the financial year 2018/19.

The Committee noted that the Kenya Roads Board had made proposals for review of the allocation criteria as contained in the amendments to Kenya Roads Bill, 2017 as follows:

<i>Current allocations</i>		<i>Proposed allocations as contained in the amendments to Kenya Roads Bill, 2017</i>
Entity	Percentages	Proposed percentages
Kenya National Highway Authority	40%	35%
Kenya Rural Roads Authority	21.8%	28%
Kenya Urban Roads Authority	10.2%	10%
Kenya Wildlife Service	1%	1%
County Governments	15%	16% equally
Kenya Roads Board (KRB) operations	2%	2%
KRB/Cabinet secretary priority projects	10%	7% out of which 1% shall be for materials development and 1% for research and training

The Committee made the following recommendations arising from the observations and findings during examination of the audited financial statements of the Fund:

1. Reporting on funds disbursed by the Kenya Roads Board Fund

The Committee observed that the Kenya Roads Board Fund disburses moneys received in the Fund as per the set criteria and that financial statements for institutions that receive the moneys are audited and reported separately from those of the Fund.

The Committee further observed that reports of the Auditor-General for the following state agencies that receive funding from Kenya Roads Board Fund: Kenya National Highways Authority (40%), Kenya Rural Roads Authority (21.8%), Kenya Urban Roads Authority (10.2%) and the Kenya Wildlife Service (1%) are examined by the Public Investments Committee of the National Assembly while those allocated to County Governments (15%) are examined by the respective Committee of the Senate.

The Committee recommends that the respective Committees of the Parliament mandated to examine audited financial statements for institutions that receive moneys from the Kenya Roads Board Fund ensures timely examination of the reports of the Auditor-General to ensure accountability of the funds.

2. Classification of Roads Projects

The Committee observed that there was lack of adequate information on category of roads under each government agency given the fact that various agencies, including County Governments are involved in implementation of road projects. This posed a challenge of overlap of functions with regard to identification of implementing agency of roads project, especially in constituencies.

The Committee recommends that the Board provides a status report on the current roads classification in the country, the agency involved in maintenance of these roads and the allocations of funds made to these agencies in the financial year 2018/19 towards implementation of the roads projects. *This report should be submitted to the National Assembly within three months of adoption of this report.*

3. Utilisation of the 10% allocation to priority projects by the Cabinet Secretary

The Committee observed that Kenya Roads Board did not have adequate information on utilization of the 10% allocation to priority projects by the Cabinet Secretary.

The Committee recommends that proposals made to the Cabinet Secretary on priority projects be availed to the Kenya Roads Board to enhance transparency and accountability.

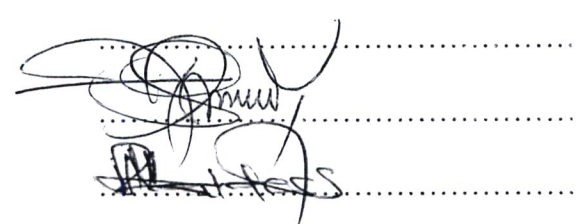
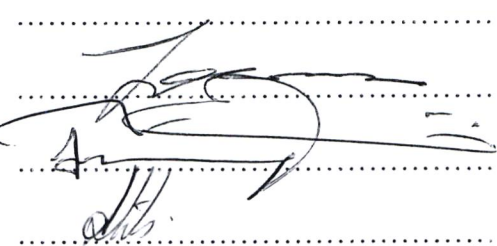
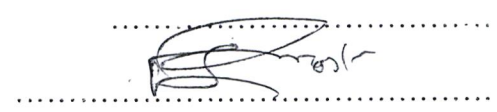
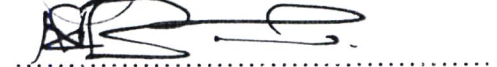
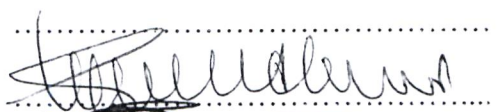
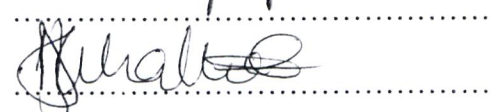
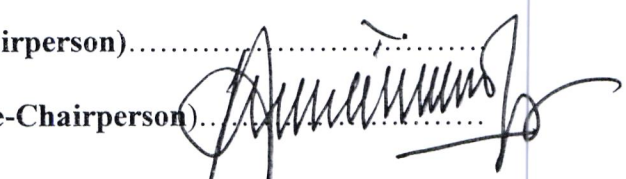
ADOPTION LIST

Pursuant to Standing Order 199 (2), we the undersigned Members of the Special Funds Account Committee of the National Assembly, do hereby append our signatures to adopt this Report.

1. Hon. Kathuri Murungi, M.P.
2. Hon. William Kamuren Chepkut, M.P.
3. Hon. Alfred Agoi Masadia, M.P.
4. Hon. Dennitah Ghati, M.P.
5. Hon. Mark Lomunokoi, M.P.
6. Hon. Shakeel Shabbir, M.P.
7. Hon. Erastus Kivasu Nzioka, M.P.
8. Hon. Esther M. Passaris, M.P.
9. Hon. Geoffrey Omuse, M.P.
10. Hon. Irene M. Kasalu, M.P.
11. Hon. James Kamau Wamacukuru, M.P.
12. Hon. Jared Okelo, M.P.
13. Hon. Justus Gesito Mugali, M.P.
14. Hon. Marwa Maisori Kitayama, M.P.
15. Hon. Mohamed M. Ali, M.P.
16. Hon. Mwambu M. Mabongah, M.P.
17. Hon. Rehema Dida Jaldesa, M.P.
18. Hon. Mohamed Ali Lokiru, M.P.
19. Hon. Abdi Koropu Tepo, M.P.

- (Chairperson).....

- (Vice-Chairperson).....



1.0 PREFACE

The Special Funds Accounts Committee is amongst the three audit Committees of the twelfth Parliament. The Committee was established in the fifth session of the Eleventh Parliament following the review of the National Assembly's Standing Orders.

1.1 Mandate of the Committee

The Committee is established under the National Assembly's Standing Order number 205A to examine accounts laid before the House of the Equalization Fund, the Political Parties Fund, the Judiciary Fund, the National Government Constituencies Development Fund and such other Fund established by law as the Speaker may direct.

1.2 Committee Membership

Hon. Kathuri Murungi, M.P.

Chairperson

Hon. William Kamuren Chepkut, M.P.

Vice-Chairperson

Members

Hon. Alfred Agoi Masadia, M.P

Hon. Mark Lomunokol, M.P

Hon. Dennitah Ghati, M.P.

Hon. Shakeel Shabbir, M.P.

Hon. Erastus Kivasu Nzioka, M.P.

Hon. Geoffrey Omuse, M.P.

Hon. Irene Kasalu, M.P.

Hon. Marwa Maisori Kitayama, M.P.

Hon. Mohamed Ali, M.P

Hon. Jared Okelo, M.P.

Hon. Mwambu M. Mabongah, M.P.

Hon. Esther Passaris, M.P.

Hon. Justus Gesito Mugali, M.P.

Hon. James Kamau Wamacukuru, M.P.

Hon. Rehema Dida Jaldesa, M.P.

Hon. Mohamed Ali Lokiru, M.P.

Hon. Abdi Koropu Tepo, M.P.

1.3 Committee Secretariat

Ms. Lucy Kimathi
Principal Clerk Assistant II

Ms. Hellen Ekadelli
First Clerk Assistant

Mr. Peter Mwaura
Senior Legal Counsel

Ms. Clare Jerotich Kidombo
Research Officer

Mr. Ngetich Robert Kiprotich
Fiscal Analyst

Ms. Deborah Mupusi
Media Relations officer

Mr. Ian Otieno
Audio-recording Officer

Mr. Josphat Bundotich
Serjeant- at- Arms

Ms. Naserian Kaare
Serjeant-at- Arms

2.0 INTRODUCTION

Oversight over national revenue and its expenditure is amongst the roles of the National Assembly as provided under Article 95 (4) (c) of the Constitution of Kenya, 2010. In addition, Article 229(8) provides that “*Within three months after receiving an audit report, Parliament shall debate and consider the report and take appropriate action*”. In fulfillment of these constitutional provisions, the National Assembly Standing Orders have established three audit committees that examine reports of the Auditor-General to ascertain whether public funds have been utilized in a lawful, authorized, effective, efficient, economical and transparent manner.

The Special Funds Accounts Committee is amongst the three audit Committees of the twelfth Parliament. The Committee was established in the fifth session of the Eleventh Parliament following the review of the National Assembly’s Standing Orders. Article 229(8) provides that “*Within three months after receiving an audit report, Parliament shall debate and consider the report and take appropriate action*”.

It is on this basis that the report of the Auditor- General on financial statements of Kenya Roads Board Fund for the year ended June, 2017 was committed to the Special Funds Accounts Committee for scrutiny and thorough examination to ascertain whether public funds had been utilized in a lawful, authorized, effective, efficient, economical and transparent manner.

Further, section 68(1) of the Public Finance Management Act, 2012 states that “*An accounting officer for a national government entity, Parliamentary Service Commission and the Judiciary shall be accountable to the National Assembly*”. The Executive Director, Kenya Roads Board who is responsible for the management of the affairs of the Board under section 12 of the Kenya Road Board Act, 1999 which includes Kenya Roads Board Fund was invited by the Committee on 21st June, 2018 during consideration of the report of the Auditor-General on financial statements for the financial year ended June, 2017

2.1 Kenya Roads Board Fund

The Kenya Roads Board was first formed in 1992 when the Kenya Government together with the Road Maintenance Initiative (RMI) World Bank team hosted a Road Sector Stakeholders Seminar, to address the deteriorating condition of the road network in Kenya and the constraints to timely and proper road maintenance. Various constraints which included institutional, managerial and financial were identified. It was agreed that a sustainable source of funding be established and the existing road management institutional set-up be reviewed.

In 1993, the Road Maintenance Levy Fund (RMLF) Act was enacted, providing a sustainable source of funding for the maintenance of the road network. In 1995, with assistance of the European Commission, the Road Sector Institutional Study was commissioned. Its objective was to identify the most appropriate institutional framework within which the management of Kenya's entire road network would be most effectively undertaken. The study recommended the formation of an Executive Roads Board, working together with identified road agencies to effectively deliver an efficient road transport system for road users in Kenya. This marked the establishment of the Kenya Roads Board.

Kenya Roads Board (KRB) was entrenched in the law the Kenya Roads Board Act, No. 7 of 1999 in accordance with Chapter 446 (State Corporations Act) of the Laws of Kenya. Kenya Roads Board is a State Corporation under the Ministry of Transport, Infrastructure, Housing and Urban Development.

The Board is mandated to amongst others co-ordinate the optimal utilization of the Fund in implementation of programs relating to the maintenance, rehabilitation and development of the road network and seek to achieve optimal efficiency and cost effectiveness in roadworks funded by the Fund.

Section 31 of the Kenya Roads Board Act, 1999 established the Kenya Roads Board Fund which receives all proceeds from the Road Maintenance Levy Fund and other sources and distributes the monies to various road agencies based on the criteria set by the Kenya Roads Board.

3.0 CONSIDERATION OF THE REPORT OF THE AUDITOR-GENERAL ON AUDITED FINANCIAL STATEMENTS FOR THE KENYA ROADS BOARD FUND FOR THE PERIOD ENDED JUNE 2017.

3.1 Background

Eng. Jacob Ruwa, the Executive Director, Kenya Roads Board accompanied by Eng. Margaret N. Ogai, the Ag. General Manager, Planning and Programming and Eng. David Orwenyo, the General Manager, Technical Compliance appeared before the Committee on 21st June, 2018 during examination of the report of the Auditor-General on financial statements for Kenya Roads Board Fund for the year ended June, 2017

3.2 Opinion of the Auditor-General

The Auditor -General's report for the year ended June, 2017 had not raised any queries on the operations of Kenya Roads Board Fund as presented. The report, stated that the financial statements presented fairly, in all material aspects of the financial position of the Fund as at 30th June, 2017. With regard to financial performance and its cash flows for the financial year, the Kenya Roads Board had complied with the International Public Sector Accounting Standards and Kenya Roads Board Act, 1999.

3.3 Submissions by the Executive Director

Although the Auditor General's report for the year ended 30th June, 2017 had not raised any queries on the operations of the Fund, the Committee raised various issues regarding the operations of the Fund which may have an impact on the efficiency and effectiveness of the Board and the prudent use of resources handled by the Board.

Eng. Jacob Ruwa, Executive Director, Kenya Roads Board, submitted to the Committee that:

- (1) The mandate of the Kenya Roads Board Fund was to collect and disburse funds as per the set criteria for road maintenance;

- (2) The Kenya Roads Board manages the Road Maintenance Levy Fund which has grown from Ksh. 7 billion in financial year 2002/2003 to Ksh. 60 billion in 2017/18 and was projected to grow to Kshs. 68 billion in the financial year 2018/2019 ;
- (3) The levy to the Fund is Ksh. 18 per litre of petrol or diesel with an Annual Yield of Ksh. 60 Billion, which includes a sum of Ksh. 10 Billion from the Road Annuity Fund;
- (4) The Road Annuity Fund was created under the Public Finance Management (Roads Annuity Fund) Regulations, 2015 (the Annuity Regulations) is administered by the Principal Secretary State Department of Infrastructure. It is funded at Ksh. 3 per litre from the fuel levy;
- (5) The general development and tarmacking of roads is funded by the exchequer through Kenya National Highways Authority (KeNHA), Kenya Rural Roads Authority (KeRRA) and the Kenya Urban Roads Authority (KuRA);
- (6) Pursuant to the section 6 of the Kenya Roads Board Act, the allocation of Funds under the Act is as follows-
- i. Kenya National Highways Authority (KeNHA)– 40%
 - ii. Kenya Rural Roads Authority (KeRRA) -21.8%
 - iii. Kenya Urban Roads Authority (KuRA) -10.2%
 - iv. Kenya Wildlife Service (KWS) – 1%
 - v. County Governments – 15%
 - vi. Kenya Roads Board operations -2%
 - vii. Kenya Roads Board /Cabinet Secretary priority projects – 10%
- (7) The Board had proposed amendments to Kenya Roads Bill, 2017, which seek to amend the allocation of funds as follows-
- i. Kenya National Highways Authority (KeNHA) – 35%
 - ii. Kenya Rural Roads Authority (KeRRA) -28%
 - iii. Kenya Urban Roads Authority (KuRA) -10%
 - iv. Kenya Wildlife Service (KWS) – 1%
 - v. County Governments – 16% equally
 - vi. Kenya Roads Board operations -2%
 - vii. National Transport and Safety Authority (NTSA) – 1%

- viii. Kenya Roads Board /Cabinet Secretary priority projects – 7% out of which 1% shall be for materials development and 1% shall be for research and training
- (8) Noting that devolved system of government and possible overlap of functions with regard to the maintenance of roads, the Board had conducted a classification exercise where verification and validation was done and various networks gazetted in 2016.
- (9) The gazette notice provided clarity on National and County Governments roads where roads classified as S, A, B fall under Kenya National Highways Authority (KeNHA), Class C under Kenya Rural Roads Authority (KeRRA) and all other roads are under the County Governments;
- (10) The Kenya Roads Board was conducting sensitisation campaigns across the country to create an understanding on which roads fall under which level of government;
- (11) The Board informed the Committee that the annual roads programme is distributed to Members of Parliament. This programme provided details of funds that fall under the twenty two percent (22%) Constituency Roads and the ten percent (10 %) for maintenance of link roads between constituencies under the Kenya Rural Roads Authority (KeRRA). Where there is an understanding between the two levels of government, the Kenya Roads Board can allow each level to work on the other levels category of roads through memorandums of understanding, and depending on availability of resources;
- (12) Compliance, performance and financial audits are carried out through consultants and that the Kenya Roads Board has commissioned seven consultants to cover the country. The consultants submit reports to Kenya Roads Board which are then shared with Road Authorities for responses and a workshop to discuss the issues raised is held every year next;
- (13) The Board conducts monitoring of usage of Fuel levy and publishes reports on the same. In addition, it was facilitating formulation of the Road Sector Investment Programme to streamline planning in the road sector and a draft five year Road Sector Investment Programme was read;
- (14) Kenya Roads Board was also reviewing the Road Register and would advise the Cabinet Secretary in charge of the Ministry of Transport, Infrastructure, Housing and Urban Development.
- (15) The Board had engaged stakeholders with a view of integrating the needs of persons with disabilities in the Roads development;

(16) During the financial year 2017/18, the Board had disbursed moneys to road agencies as shown in the table as at February, 2018

ROAD AGENCY	%	CEILING	DISBURSEMENTS TO DATE	% OF ALLOCATION
KRB Operations	2.0%	1,269,472,000	1,269,472,000	100%
National Roads (KeNHA)	40.0%	21,464,128,000	21,464,128,000	100%
Rural Roads (KeRRA)	21.8%	11,438,297,872	11,438,297,872	100%
Urban Roads (KURA)	10.2%	5,361,702,128	5,361,702,128	100%
National Park Roads (KWS)	1.0%	525,000,000	525,000,000	100%
Kenya Roads Board /Cabinet Secretary Allocation	10.0%	5,250,000,000	5,250,000,000	100%
County Governments	15.0%	7,875,000,000	7,875,000,000	100%
TOTAL	100.0%	53,183,600,000	53,183,600,000	100%
Roads Annuity Fund		10,290,000,000	10,290,000,000	100%
GRAND TOTAL		63,473,600,000	63,473,600,000	100%

(17) The challenges and opportunities for improvement for the Kenya Roads Board included;

a. Inadequate funding and allocation criteria

- From the recent Road Inventory and Condition survey, it is estimated, that only 100,000 kms of the road network is in maintainable condition.
- The Backlog maintenance is estimated at Kshs 500 billion and the goal of the road sector is to bring the entire road network to a maintainable condition by the year 2030 at an estimated to cost Kshs. 1500 Billion.
- If this was realized a sum of Kshs. 100 Billion annually would cover maintenance. However, the current maintenance budget from the fuel levy is Kshs. 53 Billion with the bulk of it going to rehabilitation works.
- The current fund covers about 50,000 Kms annually out of the classified network of 161,451 kms pausing a huge funding gap.

b. Road Network Data

Lack of road network data or inaccurate data is a challenge to prioritization of road maintenance projects.

c. Legal and institutional capacity of Kenya Roads Board

- Kenya Roads Board (KRB) had sought amendments to Kenya Roads Board Act No. 7 of 1999 to enable the board to effectively oversee the road network as well as enhance its ability to mobilize funds.
- The Board was in the process of establishing procedures that Road Agencies would use in accessing funds from KRB.
- The Board was also in the process of reviewing the KRB Act No. 7 of 1999 with a view to aligning the Board with current realities in the roads sector

4.0 COMMITTEE OBSERVATIONS

The Committee made the following observations arising from submission made:

1. Reporting of funds disbursed by the Kenya Roads Board

The Committee observed that the Kenya Roads Board Fund disburses moneys received in the Fund as per the set criteria by the Kenya Roads Board and that financial statements for institutions that receive the moneys are audited and reported separately.

The Committee further observed that reports of the Auditor-General for the following state agencies that receive funding from Kenya Roads Board Fund: Kenya National Highways Authority (40%), Kenya Rural Roads Authority (21.8%), Kenya Urban Roads Authority (10.2%) and the Kenya Wildlife Service (1%) are examined by the Public Investments Committee of the National Assembly while those to County Governments (15%) are examined by the Senate.

2. Classification of Roads Projects

The Committee observed lack of adequate information on category of roads under each government agency given the fact that various agencies, including County Governments are involved in implementation of road projects. This posed a challenge of overlap of functions with regard to identification of implementing agency of roads project, especially in constituencies.

3. Utilisation of the 10% allocation to priority projects by the Cabinet Secretary

The Committee observed that Kenya Roads Board did not have adequate information on utilization of the 10% allocation to priority projects by the Cabinet Secretary.

5.0 COMMITTEE RECOMMENDATIONS

The Committee made the following recommendations:

1. Reporting on funds disbursed by the Kenya Roads Board Fund

The Committee recommends that the respective Committees of Parliament mandated to examine audited financial statements for institutions that receive moneys from the Kenya Roads Board Fund ensures timely examination of the reports of the Auditor-General to ensure accountability of the funds.

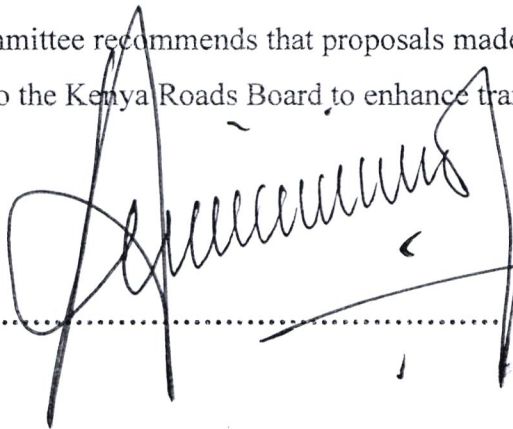
2. Classification of Roads Projects

The Committee recommends that the Board provides a status report on the current road classification in the country, the agency involved in maintenance of these roads and the allocations of funds made to these agencies in the financial year 2018/19 towards implementation of the roads projects. *This report should be submitted to the National Assembly within three months of adoption of this report.*

3. Utilisation of the 10% allocation to priority projects by the Cabinet Secretary

The Committee recommends that proposals made to the Cabinet Secretary on priority projects be availed to the Kenya Roads Board to enhance transparency and accountability.

Sign:.....



.....

Date.....

29.11.2018

HON. WILLIAM KAMUREN CHEPKUT, M.P.

VICE-CHAIRPERSON, SPECIAL FUNDS ACCOUNTS COMMITTEE

MINUTES OF THE 39TH SITTING OF THE SPECIAL FUNDS ACCOUNTS COMMITTEE HELD ON THURSDAY 21ST JUNE 2018, IN THE COMMITTEE ROOM ON 5TH FLOOR CONTINENTAL HOUSE, PARLIAMENT BUILDINGS, AT 9.00 A.M.

PRESENT

1. Hon. Kathuri Murungi, M.P. - Chairperson
2. Hon. William Chirchir Chepkut, M.P. - Vice- Chairperson
3. Hon. Alfred Agoi Masadia, M.P.
4. Hon. Mark Lomunokol, M.P.
5. Hon. Dennitah Ghati, M.P.
6. Hon. Geoffrey Omuse, M.P.
7. Hon. Shakeel Shabbir Ahmed, M.P.
8. Hon. Erastus Kivasu Nzioka, M.P.
9. Hon. Jared Okelo, M.P.
10. Hon. Mohamed Ali, M.P.
11. Hon. Irene Kasalu, M.P.
12. Hon. Mwambu M. Mabongah, M.P.
13. Hon. Marwa Kitayama Maisori, M.P.

APOLOGIES

1. Hon. Justus Gesito Mugali, M.P.
2. Hon. Esther M. R. Passaris, M.P.
3. Hon. James G.K Wamacukuru, M.P.
4. Hon. Mohamed Ali Lokiru, M.P.
5. Hon. Abdi Koropu Tepo, M.P.
6. Hon. Rehema Dida Jaldesa, M.

IN- ATTENDANCE

OFFICE OF THE AUDITOR GENERAL

1. Mr. Francis N. Kabui - Manager, Audit/Liason Officer
2. Grace Atila - Manager, Audit

KENYA ROADS BOARD

1. Eng. Jacob Ruwa - Executive Director
2. Eng. Margaret N. Ogai - Ag. General Manager, Planning and Programming
3. Eng. David Orwenyo - General Manager, Technical Compliance

NATIONAL ASSEMBLY SECRETARIAT

1. Ms. Ruth Mwhaki - Third Clerk Assistant.
2. Ms. Claire Kidombo - Research and Policy analyst
3. Ms. Deborah Mupusi - Media Relations officer
4. Mr. Ian Otieno - Audio Recording
5. Mr. Meshack Mutali - Office Assistant

MIN.NO. NA/ SFAC/2018/171: PRELIMINARIES

The Chairman called the meeting to order at 9.20 a. m and a prayer was said. He thereafter invited those present to introduce themselves.

MIN.NO. NA/ SFAC/2018/172: CONFIRMATION OF MINUTES

The agenda item was rescheduled to the next sitting.

MIN.NO. NA/ SFAC/2018/ 173: MEETING WITH THE EXECUTIVE DIRECTOR, KENYA ROADS BOARD FUND ON THE AUDITED REPORT OF THE FUND FOR THE PERIOD ENDED 30TH JUNE 2017.

Eng. Jacob Ruwa, Executive Director, Kenya Roads Board , appeared before the Committee and submitted as follows:

1. Management of the Road Maintenance Levy Fund(RMLF)

The Fund was established by RMLF Act of 1993.It has grown from Kshs. 7 billion in 2002/2003 to the current levels of Kshs. 60 billion and is projected to grow to Kshs. 68 billion next financial year. The current rate is Kshs. 18 per litre of petrol or diesel with an Annual Yield Kshs. 60 Billion. This includes a sum of Kshs. 10 Billion Road Annuity Fund (Kshs.3 per litre from the fuel levy)

The Road Annuity fund was created by an Act of parliament and is administered by the Principal Secretary State Department of Infrastructure. The Kenya Roads Board only collects and disburses to the state Department.

2. The KRB fund is only for road maintenance and not for development of new roads. General development and tarmacking of Roads is funded by the exchequer through KeNHA, KeRRA and KURA.

3. Allocation of Funds

Currently the allocation is as follows;

- a) KeNHA – 40%
- b) KeRRA -21.8%
- c) KURA -10.2%
- d) KWS – 1%
- e) County Governments – 15%
- f) KRB operations -2%
- g) KRB/Cabinet Secretary priority projects – 10%

4. Proposed amendments to Kenya Roads Bill, 2017, currently before the Senate propose allocation as follows:

- a) KeNHA – 35%
- b) KeRRA -28%
- c) KURA -10%
- d) KWS – 1%
- e) County Governments – 16% equally
- f) KRB operations -2%
- g) NTSA – 1%
- h) KRB/Cabinet Secretary priority projects – 7% out of which 1% shall be for materials development and 1% shall be for research and training

5. The Board conducted a classification exercise and verification and validation of the same was done. The various networks were gazetted in 2016.The gazette notice is clear on National and

County Governments road. For Clarity, Roads classified as S, A, B fall under KeNHA, Class C under KeRRA and all other roads are under the County Governments. The KRB is conducting sensitisation campaigns across the country to create an understanding on which roads fall under which level of government.

6. The annual roads programme is usually distributed to Members of Parliament. This programme provides details of funds that fall under the 22% Constituency Roads and the 10 % for maintenance of link roads between constituencies under the Kenya Rural Roads Authority
7. Where there is an understanding between the two levels of government, the KRB can allow each level to work on the other levels category of roads through memorandums of Understanding, and depending on availability of resources.
8. **Technical Compliance, Performance and Financial Audits**
These are carried out through Consultants. Currently KRB has commissioned Seven (7) Consultants to cover the country. The Consultants submit reports to KRB which are then shared with Road Authorities for responses and a workshop to discuss the issues raised is held every year next.
9. **Recommend fuel levy rate and road user charges that may be available.**
Various proposals for adjustment of fuel levy rate were made to the Ministry culminating in the approval to raise the fuel levy rate to Kshs. 18/= in June, 2016. Various proposals for additional revenue have been made to the Ministry as follows;-
 - a) Issue of infrastructure bonds
 - b) Mass Distance Charges
 - c) PPP's
 - d) Road Tolling
 - e) Pension Funds
 - f) Motor vehicle registration
10. **Coordination of implementation of road works for efficiency and effectiveness;**
KRB Compiled the APRP FY 2017/2018 which has been approved by CS and National Treasury. The road inventory and condition survey is expected to be completed in June, 2017. It was expected that the road network length would rise by 70,000kms from the current 161,475 Kms. Most of the additional networks are narrow roads. Further Kenya Roads Board hosted the 2nd International Transport and Road Research (iTRARR) Conference in Mombasa on 14th to 18th June, 2018.
11. **Seek to achieve optimality in the utilization of the Fuel Levy.** KRB conducts monitoring of usage of Fuel levy and make reports. KRB is facilitating the formulation of the Road Sector Investment Programme (RSIP) to streamline planning in the road sector. The Draft five year RSIP is ready. KRB is also reviewing the Road Register and will advise the CS, MOTIHUD.
12. The Board had engaged stakeholders with a view of integrating the needs of Persons with disabilities in the Roads development.
13. **Disbursements in FY 2017/18 – as at February, 2018**

ROAD AGENCY		CEILING	DISBURSEMENTS TO DATE	% OF ALLOCATION
KRB Operations	2.0%	1,269,472,000	1,269,472,000	100%

National Roads (KeNHA)	40.0%	21,464,128,000	21,464,128,000	100%
Rural Roads (KeRRA)	21.8%	11,438,297,872	11,438,297,872	100%
Urban Roads (KURA)	10.2%	5,361,702,128	5,361,702,128	100%
National Park Roads (KWS)	1.0%	525,000,000	525,000,000	100%
KRB /CS Allocation	10.0%	5,250,000,000	5,250,000,000	100%
County Governments	15.0%	7,875,000,000	7,875,000,000	100%
TOTAL	100.0%	53,183,600,000	53,183,600,000	100%
Roads Annuity Fund		10,290,000,000	10,290,000,000	100%
GRAND TOTAL		63,473,600,000	63,473,600,000	100%

14. Challenges/ Opportunities For Improvement

- a) Inadequate funding and allocation criteria. From the recent Road Inventory and Condition survey, it is estimated, that only 100,000 kms of the road network is in maintainable condition. Backlog maintenance is estimated at Kshs 500 billion. The goal of the road sector is to bring the entire road network to a maintainable condition by the year 2030 estimated to cost Kshs. 1500 Billion. If this was realized a sum of Kshs. 100 Billion annually would cover maintenance. However, the current maintenance budget from the fuel levy is Kshs. 53 Billion with the bulk of it going to rehabilitation works. The current fund covers about 50,000 Kms annually out of the classified network of 161,451 kms. There is therefore a huge funding gap.
- b) Road Network Data. Inaccurate or unavailable road network data resulting in poor prioritization
- c) Legal and institutional capacity of KRB. KRB has sought amendments to KRB Act to enable the board to effectively oversee the road network as well as enhance its ability to mobilize funds. KRB is coming up with procedures that the Road Agencies will use in accessing funds to KRB. The Board is in the process of reviewing the KRB Act No. 7 of 1999 with a view to aligning the Board with current realities in the roads sector.

COMMITTEE OBSERVATIONS

The Committee made the following observations:

1. The auditor general's report had not raised any queries on the operations of the fund as presented. The Committee however noted that the Kenya Roads Board Fund was only acting as a conveyor belt for the Kshs. 60 billion collected (including the sum of Kshs. 10 billion Road Annuity Fund). For the Committee to properly interrogate the fund in its entirety, the allocations from the fund to

KeNHA – 40%, KeRRA -21.8%, KURA -10.2%, KWS – 1%, County Governments – 15%, KRB operations -2% and KRB/Cabinet Secretary priority projects – 10%.

The Committee further noted that at the moment, audit reports for State Agencies, including KeNHA, KeRRA, KURA and KWS are scrutinised by the Public Investments Committee.

The Committee directed that the Board avails to the Committee a breakdown of the specific amounts allocated to the various government agencies from the fund for scrutiny.

The Committee further directed that audit queries relating to the percentages allocated from the fund to the other state agencies should be directed to the Special Funds Accounts Committee for Scrutiny.

The Office of the Auditor General should also ensure that funds allocated to these state Agencies from the Kenya Roads Board Fund are reported separately in the current audit cycle. The OAG committed to consult and report back in the next sitting.

2. Members raised concerns that KeRRA regional managers had been demanding a 5 % administrative Cost at the Constituency level for facilitation. The Committee was informed that this was wrong and KRB had communicated to the Director General, KeRRA and advised that KeRRA should facilitate its engineers and for KeRRA to refund amounts irregularly paid.

The Committee directed that KRB copies that communication to all members of Parliament for them to be advised accordingly.

3. The Board has proposed to hold a sensitisation workshop for Members of Parliament to sensitise them on the KRB and its functions. That the Board had already prepared CDs with the information for circulation to members.

The Committee directed that in the meantime, the CDs with the information on road classification be circulated to all Members of Parliament.

4. The Committee noted that being a new Committee, playing a significant role in the oversight of the KRB fund, the board should loop in the Committee in its external engagements with stakeholders through conferences and other international Fora.

5. Members observed that it was not clear how the 10 % allocation to the Priority projects under the Cabinet Secretary was being utilised.

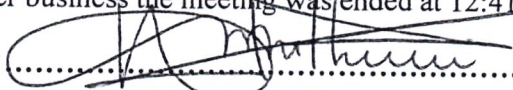
The Board proposed that any proposals made to the Cabinet Secretary on priority projects should be copied to the Board for follow up.

MIN.NO. NA/ SFAC/2018/174:

ADJOURNMENT

There being no other business the meeting was ended at 12:41 p. m.

SIGNED:

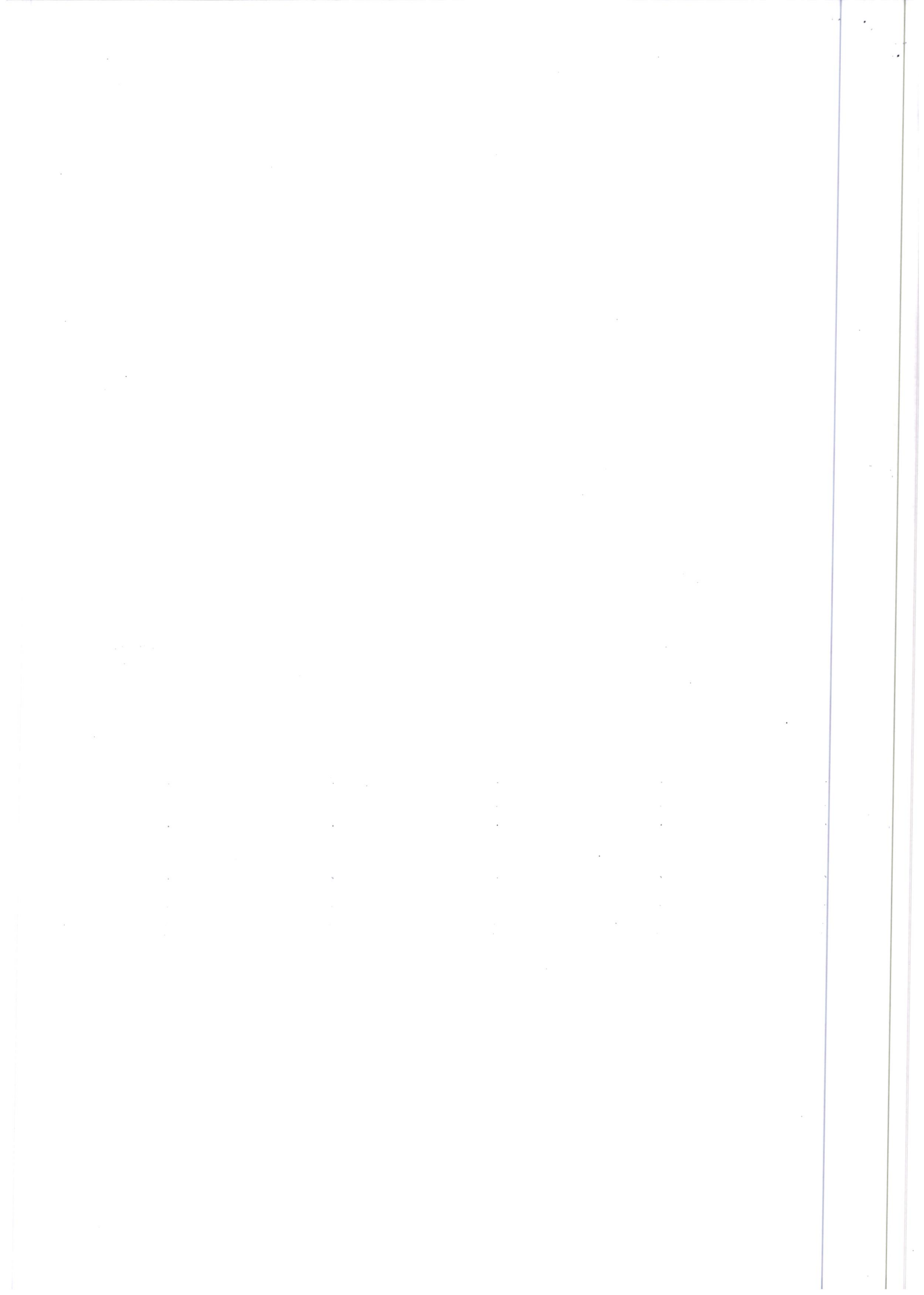


HON. KATHURI MURUNGI, M.P

CHAIRPERSON

DATE:

03-07-2018



MINUTES OF THE 77TH SITTING OF THE SPECIAL FUNDS ACCOUNTS COMMITTEE HELD ON TUESDAY, 29TH NOVEMBER, 2018 COMMITTEE ROOM 12, MAIN PARLIAMENT BUILDINGS AT 10.00 A.M.

PRESENT

1. Hon. William Kamuren Chepkut, M.P. - Vice Chairperson Chairing
2. Hon. Erastus Kivasu Nzioka, M.P.
3. Hon. Justus Kizito Mugali, M.P.
4. Hon. Geoffrey Omuse, M.P.
5. Hon. Rehema Jaldesa, M.P.
6. Hon. Dennitah Ghati, M.P.
7. Hon. Marwa Kitayama Maisori, M.P.
8. Hon. Shakeel Shabbir Ahmed, M.P.
9. Hon. James Kamau Wamacukuru, M.P.
10. Hon. Mwambu Mabongah, M.P.
11. Hon. Esther Passaris, M.P.
12. Hon. Jared Okelo, M.P.

APOLOGIES

1. Hon. Kathuri Murungi, M.P. - Chairperson
2. Hon. Alfred Agoi Masadia, M.P.
3. Hon. Abdi Koropu Tepo, M.P.
4. Hon. Irene Kasalu, M.P.
5. Hon. Mohamed Ali, M.P.
6. Hon. Mohamed Ali Lokiru, M.P.
7. Hon. Mark Lomunokol, M.P.

COMMITTEE SECRETARIAT

1. Ms. Lucy Kimathi - Principal Clerk Assistant II
2. Ms. Deborah Mupusi - Media Relations Officer
3. Ms. Claire Kidombo - Research & Policy Analyst
4. Mr. Ian Otieno -Audio Officer

MIN.NO./NA./SFAC/2018/355 - PRELIMINARIES

The Chairperson called the meeting to order at 10.15 a.m with a word of prayer from Hon. Esther Passaris, M.P.

The Agenda was adopted as proposed by Hon. Erastus Kivasu Nzioka, M.P. and seconded by Hon. Mwambu Mabongah, MP.

1. Prayers
2. Preliminaries
3. Confirmation of Minutes

4. Matters Arising
5. Review and Adoption of the fourth report of the Special Funds Accounts Committee on Audited Financial Statements for Kenya Roads Board Fund for the financial year ended June, 2017
6. Any Other Business
7. Adjournment/Date of the Next Sitting

MIN.NO./NA./SFAC/2018/356 - CONFIRMATION OF MINUTES

The Minutes of the 76th Sitting held on 27th November, 2018 were confirmed as true record of the proceedings of that sitting on a proposal by Hon. Mwambu Mabongah, M.P, seconded by Hon. Geoffrey Omuse, MP.

MIN.NO./NA./SFAC/2018/357 - MATTERS ARISING

Members noted that the following two reports were tabled on Wednesday 28th November, 2018:

1. Third Report of the Committee on Audited Financial Statements for the National Government Constituencies Development Fund for the seven Constituencies in Kisumu County for financial years 2013/14, 2014/15 & 2015/16; and
2. Report on Regional Public Financial Management Training held on 22nd to 26th October, 2018 in Accra, Ghana.

MIN.NO./NA./SFAC/2018/358 - ADOPTION OF THE FOURTH REPORT OF THE SPECIAL FUNDS ACCOUNTS COMMITTEE ON AUDITED FINANCIAL STATEMENTS FOR KENYA ROADS BOARD FUND FOR THE FINANCIAL YEAR ENDED JUNE, 2017

The fourth report of the Special Funds Accounts Committee on audited financial statements for Kenya Roads Board Fund for the financial year ended June, 2017 was reviewed and adopted and proposed by Hon. Justus Kizito Mugali, M.P and seconded by Hon Esther Passaris, MP with the following recommendations:

1. Reporting on funds disbursed by the Kenya Roads Board Fund

THAT the respective Committees of Parliament mandated to examine audited financial statements for institutions that receive moneys from the Kenya Roads Board Fund ensures timely examination of the reports of the Auditor-General to ensure accountability of the funds;

2. Classification of Roads Projects

THAT the Board provides a status report on the current roads classification in the country, the agency involved in maintenance of these roads and the allocations of funds made to these agencies in the financial year 2018/19 towards implementation of

the roads projects. *This report should be submitted to the National Assembly within three months of adoption of this report;* and

3. Utilisation of the 10% allocation to priority projects by the Cabinet Secretary

THAT proposals made to the Cabinet Secretary on priority projects be availed to the Kenya Roads Board to enhance transparency and accountability.

MIN.NO./NA./SFA/2018/359 - ADJOURNMENT/DATE OF THE NEXT MEETING

There being no other business the meeting was adjourned at 12.10 p.m. and the next meeting was scheduled for Tuesday 4th December, 2018 at 10:00 a.m.

SIGNED..... *for Lenam Oluo Jared (MP)*
HON. KATHURI MURUNGI, M.P
(Chairperson)

DATE..... *04/12/18*

