

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability



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REPORT

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ON

MINISTRY OF DEFENCE

**FOR THE YEAR ENDED
30 JUNE, 2025**



MINISTRY OF DEFENCE

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2025**

**Transitional IPSAS Financial Statements/Prepared in accordance with the Accrual Basis of
Accounting Method Under International Public Sector Accounting Standards (IPSAS)**

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MINISTRY OF DEFENCE

Annual Report and Financial Statements for the year ended June 30, 2025.

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1. Acronyms and Definition of Key Terms

A: Acronyms and Abbreviations

<i>CS</i>	<i>Cabinet Secretary</i>
<i>PS</i>	<i>Principal Secretary</i>
<i>CDF</i>	<i>Chief of Defence Forces</i>
<i>KDF</i>	<i>Kenya Defence Forces</i>
<i>MoD</i>	<i>Ministry of Defence</i>
<i>CBK</i>	<i>Central Bank of Kenya</i>
<i>ICPAK</i>	<i>Institute of Certified Public Accountants of Kenya</i>
<i>IPSAS</i>	<i>International Public Sector Accounting Standards</i>
<i>OCOB</i>	<i>Office of the Controller of Budget</i>
<i>OAG</i>	<i>Office of the Auditor General</i>
<i>OSHA</i>	<i>Occupational Safety and Health Act of 2007</i>
<i>PFM</i>	<i>Public Finance Management</i>
<i>PPE</i>	<i>Property Plant & Equipment</i>
<i>PSASB</i>	<i>Public Sector Accounting Standards Board</i>
<i>SAGAs</i>	<i>Semi-Autonomous Government Agencies</i>
<i>SC</i>	<i>State Corporations</i>
<i>TNT</i>	<i>The National Treasury</i>
<i>WB</i>	<i>World Bank</i>
<i>MDA</i>	<i>Ministry, Department or Agency</i>
<i>IPPD</i>	<i>Integrated Personnel Payroll Database</i>
<i>MPMC</i>	<i>Ministerial Performance Management Committee</i>
<i>MHRMAC</i>	<i>Ministerial Human Resource Management Advisory Committee</i>
<i>HRM</i>	<i>Human Resource Management</i>
<i>AGPO</i>	<i>Access to Government Procurement Opportunities</i>
<i>PSO</i>	<i>Peace Support Organisation</i>
<i>UNMISS</i>	<i>United Nations Mission in South Sudan</i>
<i>EASF</i>	<i>East Africa Standby Force</i>
<i>ICGLR</i>	<i>International Conference on Great Lakes Region</i>
<i>EAC</i>	<i>East African Community</i>

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<i>ECA</i>	<i>Export Compensation Agreement</i>
<i>ATMIS</i>	<i>African Union Transition Mission in Somalia</i>
<i>AUSSOM</i>	<i>African Union Support and Stabilization Mission in Somalia</i>
<i>MONUSCO</i>	<i>United Nations Organization Stabilization Mission in the Democratic Republic of the Congo</i>
<i>NSSF</i>	<i>National Social Security Fund</i>
<i>ECL</i>	<i>Expected Credit Loss</i>

B: Definition of Key Terms

Fiduciary Management- Members of Management directly entrusted with the responsibility of financial resources of the organisation.

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2. Key MDA Information and Management.

(a) Background information

The Ministry continued to execute its mandate as provided for in Article 241 of the Constitution and Executive Order No. 2 of May 2013. To this end the ministry was able to perform its core mandate and address emerging security challenges. The emerging security threats included terrorism, cattle rustling, human and drug trafficking, proliferation of small arms and piracy.

The Ministry is headed by the Cabinet Secretary, Hon. Soipan Tuya, EGH who is responsible for the Policy and the General Administration of the Ministry.

The Ministry is categorized as vote 1041 within the approved National Budget which is administered by Dr. Patrick Mariru, Phd, as the Accounting Officer.

The accompanying financial statements constitute the financial statements for the Ministry of Defence.

1.2 VISION

A premier, credible and mission capable Force deeply rooted in professionalism.

1.3 MISSION

To defend and protect the sovereignty and territorial integrity of the Republic, assist and cooperate with other civil authorities in situations of emergency or disaster and restore peace in any part of Kenya affected by unrest or instability as assigned.

1.4 CORE VALUES

To achieve its mission and vision, the Ministry has several core values and beliefs namely: -

- a. Apolitical:** The Defence Forces will steer clear of politics and will remain steadfastly apolitical.

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b. The Civil prerogative: The Defence Forces shall always subordinate itself to democratic Civil Authority and exemplify civility in its dealings with the people of Kenya.

c. Loyalty and Commitment: The Defence Forces will uphold its loyalty and commitment to the Commander-In-Chief and the people of Kenya through the chain of command.

d. Patriotism: The staff of the Ministry of Defence shall always be patriotic to the Government and the people of Kenya.

e. Professionalism: Service delivery will be based on the highest professional standards and will be blind to gender, ethnic, race or any other consideration.

f. Integrity: The staff of the Ministry of Defence will carry out duties with the highest integrity and in accordance with the laid down rules and regulation

(b) Mandate

The core mandate of the Ministry of Defence as stipulated in the Executive Order No. 2/2013 are:

- a. National Defence.
- b. Development and Management of the National Defence Policy.
- c. Protection of National Borders.
- d. Support for Civil Authority.
- e. Defence Intelligence.

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The Ministry's day-to-day management is under the following Key organs/Offices/
Directorates/Divisions

No.	Designation	Name
1.	Cabinet Secretary	Hon. Roselinda Soipan Tuya
2.	Principal Secretary and Accounting Officer	Dr. Patrick Mariru, PhD, CBS
3	The Chief of the Defence Forces	Gen. Charles M Kahariri CBS 'nwc'(USA)'psc'(K)
4	The Commander Kenya Army	Lt. Gen David K. Ketter CBS 'ndc' (TZ) 'psc' (K)
5	Commander Kenya Air Force	Maj. Gen. Bernhard Waliaula CBS 'ndu'(China) 'psc'(K) 'acsc'(USA)
	Commander Kenya Navy	Maj Gen. Paul Owuor Otieno EBS 'ndc' 'psc'(K)

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2025 and who had direct fiduciary responsibility were:

No.	Designation	Name	Period Served
1.	Cabinet Secretary	Hon. Roselinda Soipan Tuya	8 th Aug 2024-30 th June 2025
2.	Principal Secretary and Accounting Officer	Dr. Patrick Mariru, PhD, CBS	1 st Jul 2024-30 th June 2025

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3	The Chief of the Defence Forces	Gen. Charles M Kahariri CBS 'nwc'(USA)'psc'(K)	1 st Jul 2024-30 th June 2025
4	The Commander Kenya Army	Lt. Gen David Tarus CBS 'ndc' (K) 'cgsc' (USA) 'psc' (K)	1 st Jul 2024-27 th June 2025
	The Commander Kenya Army	Lt. Gen. D K Ketter CBS 'ndc' (TZ) 'psc' (K)	27 th June 2025-30 th June 2025
5	Commander Kenya Air Force	Maj Gen. Fatuma G Ahmed CBS OGW 'ndc' 'psc'(K)	1 st Jul 2024-27 th June 2025
	Commander Kenya Air Force	Maj. Gen. B Waliaula CBS 'ndu'(China) 'psc'(K) 'acsc'(USA)	27 th June 2025-30 th June 2025
6	Commander Kenya Navy	Maj Gen. Paul Owuor Otieno EBS 'ndc' 'psc'(K)	1 st Jul 2024-30 th June 2025

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(e) Fiduciary Oversight Arrangements

(i) Ministerial Committees

(a) Budget Implementation

The committee is mandated to undertake the following:

- i. To review and consider the cash-flow plans
- ii. To review the utilization of cash limits and consider any changes as may be required
- iii. To review the utilization of donor funds voted to the Ministry
- iv. To advise the accounting officer on any challenges related to the budget implementation
- v. To review and recommend reallocation of expenditure
- vi. To review and approve the submission of the expenditure returns, IPPD, pending bills and Revenue for the Ministry and recommend actions to be taken.
- vii. To participate in Sector Working Groups.
- viii. To prepare budgets for line Ministries in consultation with Heads of Departments

The Committee is scheduled to meet monthly to review any budget related issues and periodically advise the Accounting Officer

(b) Ministerial Human Resource Management Advisory Committee (MHRMAC)

The functions of MHRMAC entail making recommendations to the authorized officer regarding:

- i. Recruitment,
- ii. Performance management,
- iii. Promotions,
- iv. Training and development,
- v. Deployment,
- vi. Recommendations for retirement under 50-year rule among others.

It is chaired by the Principal Secretary or his deputy. The Director HRM is the Secretary. The HoD's and Military representation from DHQ and the Three Services are members of the Committee.

(c) Ministerial Performance Management Committee (MPMC)

The functions of MPMC entail:

- i. Undertaking quarterly review of implementation of Strategic Plans and Performance Contracts,

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- ii. Ensure linkage between institutional performance contract and individual performance contract,
- iii. Ensure that the performance of all officers are evaluated and feedback on performance is relayed at the end of the Financial Year,
- iv. Develop and implement the internal monitoring and evaluation and reporting system.

It is chaired by the Principal Secretary or his deputy. The Director HRM is the Secretary. The HoD's and Military representation from DHQ and the three Services are members of the committee.

(d) Procurement Advisory Board

The function of Procurement Advisory Board is to advise the Accounting Officer in decision making on matters of procurement and assets disposals.

(e) Ministerial Audit Committee

The Ministerial Audit Committee has been reorganized with guidance from the National Treasury and has clear corporate terms of reference which include the following: -

- i. Support the Accounting Officers with regard to their responsibilities for issues of risk, control and governance and associated assurance;
- ii. Follow up on the implementation of recommendations of internal and external auditors;
- iii. Follow up on recommendations of the Parliamentary Accounts Committee (PAC).

(f) Public Finance Management Standing Committee (PFMSC)

The purpose of the Public Finance Management Committee (PFMC) is to help the Commission fulfil its financing, financial management and fiscal responsibility mandate:

- i. To provide recommendations on the Ministerial plans, budgets and budget implementation;
- ii. To make recommendations on the management of recurrent and development expenditure by the Ministry;
- iii. To develop a framework for prudent financial management.
- iv. To promote adherence to the principles of fiscal responsibility throughout the PFM structures and processes.
- v. To advice on adoption and usage of ICT systems for prudent financial management.

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(g) Parliamentary Committee Activities

(a) Parliamentary Committee on Defence and Foreign Relations.

The Ministry engaged the committee to:

- i. Discuss the budget strategy paper
- ii. To discuss Kenya Space Agency.
- iii. Ulinzi Prime Health Services
- iv. National Defence University
- v. To review the performance of the National Security Sector.

(b) Public Accounts Committee

- i. The Committee held discussions with the Ministry on the Report of the Auditor General on the Ministry's Appropriation Accounts for the Financial Year 2022/2023.

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Ministry's Contact Details

(a) Ministry Headquarters

P.O. Box 40668-00100
Ulinzi House-Lenana Road
Nairobi, KENYA

(b) Ministry Contacts

Telephone: (254) 020-2721100
E-mail: ps@mod.go.ke
Website: www.mod.go.ke

(c) Ministry Bankers

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

(d) Independent Auditors

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

(e) Principal Legal Adviser

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

3. Profile of Cabinet Secretary



Hon. Soipan Tuya, is the Cabinet Secretary for Defence of the Republic of Kenya, having been sworn into office by H.E. President Dr. William Ruto on 8th August 2024. Prior to this role, Hon. Tuya served as the Cabinet Secretary for Environment, Climate Change, and Forestry.

A distinguished lawyer, Advocate of the High Court of Kenya, and politician, Hon. Tuya holds a Bachelor of Laws (LLB) degree from the University of Nairobi, a Master of Laws (LLM) degree in Sustainable International Development from the University of Washington, Seattle, and a Diploma in Law from the Kenya School of Law.

Hon. Tuya has served as a two-term elected Member of Parliament (MP) for Narok County. She was first appointed to the Cabinet by H.E. President Dr. William Ruto in November 2022 while serving in the Senate of Kenya as a special-interest nominee of the ruling United Democratic Alliance party.

During her 10-year tenure as MP for Narok County, Hon. Tuya focused on the economic and social empowerment of affirmative action groups, leaving a strong legacy of success. In Parliament, she spearheaded legislative reforms and held several senior leadership roles, including serving as the 1st Chairperson of Committees in the National Assembly's Speaker's Panel, where she presided over National Assembly sittings.

As a lawyer and Advocate of the High Court of Kenya, Hon. Tuya dedicated most of her 18-year legal career to community service, offering free legal representation to vulnerable populations, including women and children, especially among pastoralist Kenyan communities.

As Cabinet Secretary for Environment, Climate Change, and Forestry, Hon. Tuya prioritized the restoration of Kenya's degraded landscapes and ecosystems through the 10-year National Landscape and Ecosystem Restoration Strategy, the anchor framework of the 15 Billion National Tree Growing Programme aimed at raising Kenya's tree cover to 30% by 2032.

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Hon. Tuya also strengthened Kenya's credentials in climate action, demonstrated through the successful co-hosting with the African Union of the inaugural Africa Climate Summit in September 2023, which led to the African Leaders Nairobi Declaration on Climate Change and Call-to-Action.

At the Ministry of Environment, Climate Change, and Forestry, Hon. Tuya's agenda included policy reforms to guarantee sustainable climate action and transitioning Kenya's troubled linear waste management model to a circular economy, opening the sector's value chains for wealth and employment creation in line with the Kenya Kwanza administration's Bottom-up Economic Transformation Agenda (BETA).

At the Ministry of Defence, the Cabinet Secretary (CS) is responsible for policy formulation and implementation. She provides strategic direction to support the Ministry in effectively operationalizing its mandate by formulating, presenting, and articulating Cabinet memoranda, sessional papers, and other policy issues emanating from the Ministry.

The Cabinet Secretary is the principal advisor to the President on matters related to defence policies and serves as the primary link to the National Assembly and the Senate, or other relevant fora. The CS Defence provides regular reports and responses on Ministry matters. Additionally, she serves as the chairperson of the Defence Council, the highest organ managing Defence affairs.

4. Profile of Accounting Officer and Key Management.



Dr. Patrick Mariru is the current Principal Secretary (PS) in the Ministry of Defence, a position he was appointed to on 2nd December 2022 by H.E William Ruto, the President of the Republic of Kenya and Commander-in-Chief of the Defence Forces. He is the Chief Accounting Officer for all budgetary allocations in the Ministry of Defence as well as secretary to the Defence Council.

He is an enthusiastic and dedicated Public Policy & Management Expert with local, national and international experience of over 15 years in public policy development, community engagement, program development and supporting national government initiatives.

Dr. Mariru previously served as a Member of Parliament for Laikipia West Constituency and an Alternate Speaker at the National Assembly in Kenya's 12th Parliament between 2017 and 2022. As a legislator, Dr. Mariru actively articulated issues of national importance touching on security, infrastructure, national development among others. As a Speaker at the National level, he presided over sessions of both the plenary and committees of the National Assembly including interpreting and ruling on all matters touching on procedure and in law.

Prior to his election as a lawmaker, Dr. Mariru served as the first Speaker of the Laikipia County Assembly between 2013 and 2017 under the new Constitution 2010. He oversaw the growth of the pioneer County Assembly from scratch to a robust institution which achieved its constitutional mandate. He is credited with presiding over the enactment of tens of laws, policies and oversight programs as well as the adoption of the first Strategic Plan of the Assembly.

Between 2011 and 2013, Dr. Mariru served as an International Governance Advisor at ActionAid International (AAI) where he provided technical oversight on governance programs for over 26 countries in Africa, Europe, Asia and the United State of America (USA). Dr. Mariru was awarded for exceptional contribution to the formulation of the AAI Strategic Plan working with over 2000 staff across 44 countries.

The PS has also served as a legal advisor of the National Council of Churches of Kenya (NCCCK) from the year 2005 to 2011. During his tenure, he was instrumental in conceptualizing and leading the

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NCCK and other organizations in Kenya to participate in the national constitution review process that birthed the Constitution 2010.

While at the Council, he provided legal advice and technical support to the General Secretary and the organs of the NCCK in resolving the 2007/2008 post-election violence. He additionally Spearheaded a major review process of the current NCCK constitution which fundamentally changed its mission and vision as well as the national and regional governance structures across the country.

The PS is an Advocate of the High Court of Kenya having studied a Bachelor of Laws (LLB) Degree at the University of Nairobi between 1999-2002 before proceeding to the Kenya School of Law (KSL) for a Diploma in Law (2002-2003). He was consequently admitted to the bar in 2003 and served as an Advocate with Kamotho Waiganjo Advocates until 2004.

Dr. Mariru holds a Doctor of Philosophy degree from JKUAT in Leadership and Governance, a double master's degree of Science in Public Policy and Management and in Divinity from the University of London, UK and the Africa International University respectively and he is also admitted for a third Master's Degree in Sustainable Development at the University of Sussex in the UK.

The PS has been accredited and certified by various professional bodies and institutions in the country and beyond for his exemplary leadership spanning for over two decades. In 2013, Dr. Mariru, was accredited for effective Devolution through Access to Information by the International Commission of Jurists in Kenya. In 2021, he was certified by the National Defence College (NDC) after successful completion of National Security and Strategy Course for the Leadership of the National Assembly of Kenya. Earlier this year (2022), he was certified by Intelligent Business Center in Morocco for Leadership and Governance in a Transitional Parliament. He was additionally feted for Corporate Governance & Policy-Making by the Public Administration International (PAI) in Turkey in 2022.

Dr. Mariru has written widely on areas of civil engagement, national healing, reconciliation and development.

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5. CHIEF OF DEFENCE FORCES.



**GEN C M KAHARIRI CBS 'nwc' (USA) 'psc' (K)
CHIEF OF THE DEFENCE FORCES**

Gen. Charles Kahariri CBS 'nwc'(USA)'psc'(K) was promoted and appointed to be the Chief of the Defence Forces, Kenya Defence Forces on the 02 May 2024. Prior to his current appointment, he served as the Vice Chief of the Defence Forces, Kenya Defence Forces from 09 March 2024. He enlisted in the Kenya Defence Forces on 03 Apr 1987 and was commissioned as an Officer (Second Lieutenant) on 15 April 1988. Following his commissioning, he underwent further training in the United Kingdom before serving in various capacities on board ships within the Kenya Navy Fleet.

Throughout his illustrious career spanning over three decades, Gen Kahariri has held a range of leadership, command and management positions. These include roles such as Commanding Officer – Kenya Navy Ships Mamba, Madaraka, and Umoja, as well as Commanding Officer at Kenya Navy Manda Base. He later served in key appointments like Squadron Commander, Commander of the Kenya Navy Fleet, and Deputy Commander of the Kenya Navy.

He thereafter transitioned to serve at the prestigious National Defence College as Senior Directing Staff (Navy), Deputy Commandant (Military) and Commandant. Notable operational assignments include serving as the Maritime Component Commander for “Operation Linda Nchi” and as the Task Force Commander for “Operation Sledge Hammer” during the capture of Kismayu. Additionally, he has represented Kenya as the National Focal Person for the Contact Group on Piracy off the Coast of Somalia and the Djibouti Code of Conduct. He also served on the National Task Forces for the Delimitation of Kenya’s Exclusive Economic Zones and Delimitation of Kenya’s Extended Continental Shelf.

Gen. Kahariri has completed numerous local and international courses to build his capacity and enhance his skills in the dispensation of Service duties. Amongst these courses are the International Midshipman Course (UK), Long Navigation Course (India), Management and Strategic Planning Course, Naval Command Course (USA), Joint Campaign Planning, Flag Level Combined Maritime Component Command Course (Italy), Senior Strategic Leadership Course (UK) and Executive

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Development Course (University of N/Carolina, USA). He also holds a Diploma in Strategic and Security Studies from the United States Naval War College.

Gen Kahariri is a laureate of various honours and awards with Chief of the Order of the Burning Spear (CBS) being his most recent accolade.

During the Financial Year under review, there was notable change in the Governance structure:

- i. During the financial year there were changes in Senior Leadership of the Kenya Defence Forces.
 - a) Lt. Gen David Ketter CBS 'ndc' (TZ) 'psc' (K) was appointed as Commander Kenya Army replacing Lt. Gen David Tarus CBS 'ndc' (K) 'cgsc' (USA) 'psc' (K) who was appointed Vice Chancellor National Defence University(K).
 - b) Maj. Gen. B Waliula CBS 'ndu'(China) 'psc'(K) 'acsc'(USA) was appointed as Commander Kenya Airforce replacing Maj Gen. Fatuma G Ahmed CBS OGW 'ndc' 'psc'(K) who attained mandatory retirement age.

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6. Foreword by the Cabinet Secretary



I am honoured to present the Ministry of Defence (MoD) Financial Statement for the Financial Year 2024/2025, in accordance with the Public Finance Management Act, 2012.

In today's dynamic global security environment, national defence remains a critical pillar for the stability and prosperity of any country. In Kenya, the Ministry of Defence plays a pivotal role in safeguarding national sovereignty, ensuring peace within our borders, and contributing to regional and global security.

The mandate of the Ministry is derived from Article 241(3)(a), (b) and (c) of the Constitution of Kenya, 2010, the Kenya Defence Forces Act, 2012, and Executive Order No. 1 of 2025. These frameworks empower the Kenya Defence Forces (KDF) to defend and protect the sovereignty and territorial integrity of the Republic of Kenya; assist and cooperate with other authorities in situations of emergency or disaster; and restore peace in any part of Kenya affected by unrest or instability. KDF continues to pursue its vision of being a premier, credible, mission-capable force rooted in professionalism.

During the 2024/2025 Financial Year, the Ministry maintained high performance standards by promoting prudent resource utilization and efficient budget implementation. We undertook projects in a timely and cost-effective manner and have consistently produced clean books of accounts for the past seven consecutive financial years, a trend we are determined to uphold as we reinforce our status as one of the most accountable institutions within the Government of Kenya.

The Ministry achieved a 100% absorption rate of its approved Recurrent Vote Budget amounting to Kshs.172,215,661,938. In compliance with the Presidential directive on the Access to Government Procurement Opportunities (AGPO), procurement contracts worth Kshs.3,546,465,066 were awarded to enterprises owned by youth, women, and persons with disabilities. Additionally, under the 40%

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local content policy, Kshs. 4,557,493,420. 85 was spent on procuring locally manufactured goods and services, reinforcing the "Buy Kenya, Build Kenya" initiative.

The Ministry's key focus during this period was to strengthen Kenya's defence capabilities and proactively address emerging security threats. This included enhancing force regeneration, training, modernization, and adopting a soldier-centric welfare approach. KDF also actively participated in both domestic and regional peace support operations and humanitarian assistance missions.

Regional and international peacekeeping continues to be a priority consideration for Kenya as a dependable and respected member of the community of nations. As a country, we have continued to play a vital role in international peacekeeping efforts, further solidifying Kenya's reputation as a reliable contributor to global security.

On combating trans-national crimes, Kenya is at the forefront in the fight against terrorism and related criminal activities. Effective counterterrorism measures, intelligence gathering and collaboration with international partners have helped reduce the threat of terrorism.

These achievements were made possible through enhanced personnel services, strategic operational deployments, defence diplomacy, national development contributions, expansion of military health and educational institutions, and robust welfare programmes.

A significant milestone during the reporting period was the operationalization of the Ulinzi Prime Health Services (UPHS) Fund Regulations, 2023. These regulations now allow limited access by prescribed civilian categories to Kenya Defence Forces medical facilities, on a fee-for-service basis. This initiative will support the Government's Universal Health Coverage agenda while also generating additional resources to sustain the operations of KDF medical facilities.

To safeguard Kenya's sovereignty and territorial integrity, KDF intensified patrols across land, air, maritime, cyber and information domains. We improved operational readiness by attaining a manning availability level of 72% and a key trained personnel availability level of 95%. The Ministry maintained equipment readiness across infantry, armour, artillery, engineers, communications, air and naval platforms by acquiring new systems and refurbishing existing ones. Forces were strategically re-postured to deter threats and protect critical national assets.

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In collaboration with other government authorities, KDF supported multiple multi-agency security operations aimed at restoring peace and facilitating service delivery in volatile areas. Key operations included Operation Maliza Uhalifu in the North Rift Region, Operation Amani Boni in Lamu and Garissa counties and Operation Country Watch I, among others. Operation Amani Boni registered considerable success in disrupting Al-Shabaab activities and restoring peace in affected regions.

In Fostering Regional and International Peace and Security we participated in various Peace Support Operations (PSO), where the ministry achieved great milestones through the PSO Fund which was launched in February 2024. The fund has supported the acquisition and maintenance of Contingent-Owned Equipment for the KDF during deployments in PSOs across the globe, enabling our military to attain the required international standards and enhance force posture as a leading Troop Contributing Country. Through the KDF, Kenya participated in various Peace Support Operations, including African Union Transition Mission in Somalia/African Union Support and Stabilization Mission in Somalia (ATMIS/AUSSOM), United Nations Mission in South Sudan (UNMISS), the African Union Monitoring Verification and Compliance Mechanism (AU-MVCM) in Tigray (Ethiopia), and the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo (MONUSCO). The Ministry has also been participating in the East African Community (EAC), Eastern Africa Standby Force (EASF), African Conference of Commandants (ACoC) of Staff Colleges and International Conference on the Great Lakes Region (ICGLR) through paying annual subscriptions and attending meetings, trainings and exercises.

The Ministry also continued to advance its corporate social responsibility agenda through Humanitarian Civil Activities (HCAs), especially in North Eastern Kenya, Boni Forest and the North Rift Region. Under Operation Maliza Uhalifu, KDF completed renovations at 14 schools, with work ongoing in five more schools in West Pokot County. Road access has been restored along key corridors previously blocked by insecurity, such as the Arabal–Mukutani and Kitale–Lodwar routes.

KDF has also provided critical support through the rehabilitation of boreholes, medical camps, and transportation of teachers and students in conflict-affected areas. In response to El-Niño-related humanitarian crises, KDF partnered with national and county governments to deliver relief supplies to affected communities.

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In support of the Government's Kshs. 15 billion National Tree Growing Programme, the Ministry spearheaded the Environmental Soldier Programme. During the reporting period, MoD planted 47,851,490 trees and propagated 49,335,966 seedlings for internal use and distribution to other government agencies.

To address the housing deficit for military personnel, the Ministry broke ground for Phase I of the Kenya Defence Forces Affordable Housing Programme at Embakasi Garrison on 26th June 2025. This phase targets the Nairobi region with 10,095 housing units across Kahawa, Lang'ata, and Embakasi Garrisons. Phase II will deliver an additional 26,948 units in regions such as Moi Air Base, Lamu, Marsabit and Turkana. The programme includes social amenities and is being implemented in partnership with the Ministry of Lands.

In parallel, the KDF Public-Private Partnership (PPP) Housing Programme is delivering 3,069 units across Roysambu, Gilgil, Nakuru, Nanyuki and Mariakani. The 500-unit project in Roysambu will be completed and handed over by July 2025, with the remainder due in 2026.

The Ministry also completed several key infrastructure projects in support of national development. These projects include the Wanini Kireri Magereza Level 4 Hospital for the Kenya Prisons Service in Ruiru, the National Police Service Level 4 Hospital along Raila Odinga Road, and the rehabilitation of stadiums in Embu, Homa Bay, Kisii, Kisumu, Bungoma, and Kericho. Ongoing projects include preparations for the 2025 African Nations Championship (CHAN) and the 2027 Africa Cup of Nations (AFCON), including construction of Talanta Sports City and renovations of Nyayo, Kasarani, Ulinzi, Police SACCO and Kipchoge Keino stadiums.

The Ministry is also involved in the rehabilitation of the Nairobi River under the Climate WorX initiative and continues to support county governments in implementing infrastructure projects.

Despite these milestones, the Ministry faces persistent challenges, including inadequate funding that hampers timely project delivery. Other significant hurdles include cross-border conflicts, piracy and the persistent threat of terrorism. These challenges demand sustained multi-agency collaboration, regional partnerships and international cooperation.

The evolving global security landscape, marked by terrorism, cyber warfare, regional conflicts and climate-induced disasters, calls for continuous innovation and resilience. Despite these challenges,

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Annual Report and Financial Statements for the year ended June 30, 2025.

the Ministry remains steadfast in fulfilling its constitutional mandate to defend Kenya's sovereignty and territorial integrity.

As we move forward, the Ministry is prioritizing the modernization of KDF capabilities and the integration of civilian staff to enhance institutional effectiveness and achieve our mission objectives.



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HON. SOIPAN TUYA, EGH/ CABINET SECRETARY

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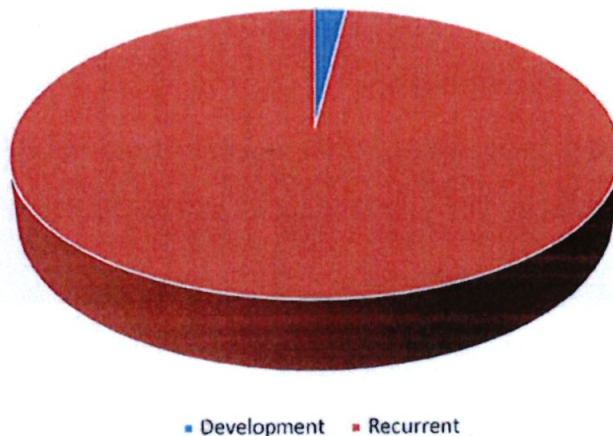
Annual Report and Financial Statements for the year ended June 30, 2025.

7. Statement by the Accounting Officer

a. BUDGETARY ALLOCATION

The budget allocated to the Ministry for the FY 2024/25 to accomplish the set objectives was **KShs.175,749,661,938**. This constituted an allocation of **Kshs.172,215,661,938** for Recurrent Expenditure and **Kshs.3,534,000,000** as Capital Grant for BETA Modernization Programme; apportioned as shown on the Chart below.

Budgetary Allocation FY 2024/25



The total budgetary allocation for FY 2024/25 was **KShs.175,749,661,938**, the actual expenditure for the year was **Kshs.147,751,389,398** and prior year pending bills of **Kshs.22,341,773,637** were paid. The budgetary allocation for Development vote was allocated for construction of Affordable Housing **Kshs 534,000,000** and **Kshs 3,000,000,000** for BETA Modernization programme. Out of the budgeted Allocation for **Kshs 534,000,000** the Ministry was able to collect **Kshs.604,652,003**. The Ministry was able to utilize the **Kshs 3,000,000,000** under ECA Programme.

Below is an overview of the financial performance for the year ended 30th June 2024 as reported in the detailed financial statements.

MINISTRY OF DEFENCE**Annual Report and Financial Statements for the year ended June 30, 2025.****For Budgeted Recurrent Expenditure;**

Details	Annual Final Budget	Actual Cumulative to Date	Utilisation%
	Kshs	Kshs	
Receipts	172,163,412,337	172,163,412,337	100%
Payments	172,163,412,337	147,749,523,290	84%
<i>Surplus/ Deficit</i>	0	27,484,601,469	

For Budgeted the Development Expenditure ;

a) Escrow Accounts

Details	Annual Final Budget	Actual Cumulative to Date	Utilisation%
	Kshs	Kshs	
Bal bf		530,546,997	
Receipts	534,000,000	604,652,003	105%
Payments	534,000,000	667,272,619	117%
<i>Surplus/ Deficit</i>		467,926,381	

During the FY under review the payments exceeded collections. However, due to balances carried forward from the previous FY the Ministry was able to facilitate the payments.

b) BETA ECA Modernization Programme

	Printed Estimates	Actual Receipts	Variance	% Utilization
	Ksh	Ksh	Ksh	Variance
Total Receipts	3,000,000,000	2,978,324,360	21,675,640	1%
Total Payments	3,000,000,000	2,978,324,360	21,675,640	1%

MINISTRY OF DEFENCE**Annual Report and Financial Statements for the year ended June 30, 2025.****b. Budget Utilization**

The Ministry spent KShs.167,020,584,505 against an approved budget of KShs.172,214,118,548 representing absorption of 97%. Utilisation of the budget was carried out through various activities (economic classifications) as shown in the table below:

Classification	Approved Budget	Actual Expenditure	Utilization Difference	% Utilization
Employees Costs	2,298,800,000	2,254,711,336	44,088,664	98%
Use of goods and services	404,961,938	400,766,018	4,195,920	99%
KDF Expenses	168,157,856,610	140,171,733,514	27,986,123,096	83%
Transfers to other government units	1,352,500,000	1,851,600,000	-499,100,000	137%
Total recurrent expenses	172,214,118,548	144,678,810,868	27,535,307,680	84%
Prior Year pending Bills		22,341,773,637		-
	172,214,118,548	167,020,584,505	5,193,534,043	97%
Capital items				-
Acquisition of PPE	1,543,390	1,399,581	143,809	91%
Total expenses Development	1,543,390	1,399,581	143,809	91%
Total expenses	172,215,661,938	167,021,984,086	5,193,677,852	97%

MINISTRY OF DEFENCE**Annual Report and Financial Statements for the year ended June 30, 2025.****c. CURRENT YEAR PERFORMANCE AGAINST PRIOR YEAR***i. Receipts and Payments*

	Year to Year Ending 30 th June 2025	Year to Year Ending 30 th June 2024	Change	% Change
Total Receipts	175,838,776,762	133,201,237,735	42,637,539,027	132%
Total Payments	167,021,984,086	133,200,730,920	33,821,253,166	125%

Total Receipts Broken Down

Receipts Classification	Year to Year Ending June 2025	Year to Year Ending June 2024	Variance	% Change
Exchequer Releases	172,163,412,337	133,201,237,734	38,962,174,603	129%

d. Total Payments

Payments Classification	Year to Year Ending June 2025	Year to Year Ending June 2024	Variance	% Change
Compensation of Employees	2,254,711,336	1,731,378,718	523,332,618	30%
Use of goods and services	400,766,018	441,775,017	-41,008,999	-9%
Military Payments	140,171,733,514	128,888,041,205	11,283,692,309	9%
Other Grants and Transfers	1,851,600,000	2,106,000,000	-254,400,000	-12%

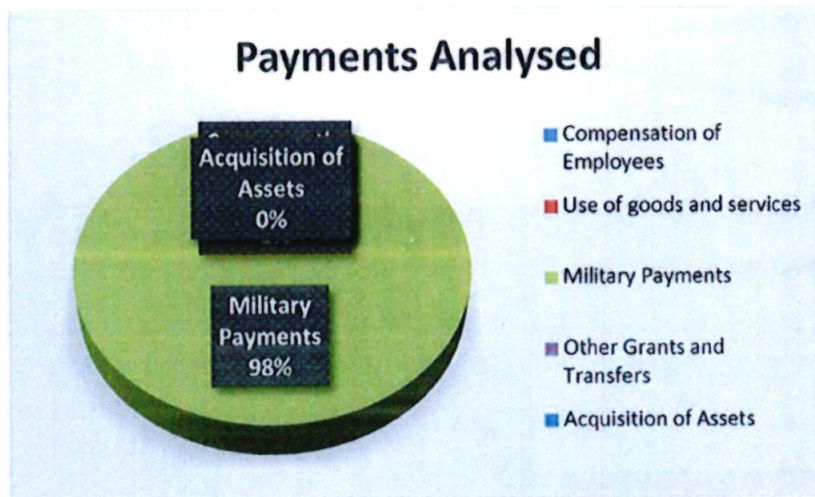
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Acquisition of Assets	1,399,581	33,535,980	-32,136,399	-96%
TOTAL PAYMENTS	144,680,210,449	133,200,730,920	11,479,479,529	9%

The overall increase in payments is because of significant increase in KDF Expenses.

The diagram below depicts the share of major categories of payments for the fiscal year



ended 30th June 2025.

Financial Assets Summary

Description	FY 2024/2025	Opening statement	Variance	% Variance
	30th June 2025	1st July 2024		
	Kshs	Kshs		
Recurrent Account	134,569	407,170	(272,601)	(67%)
Development Account	-	99,645	(99,645)	(100%)
Deposits Account	4,001,080,638	2,722,874,298	1,278,206,340	47%
KDF Escrow	467,926,381	530,546,997	(62,620,616)	(12%)

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Ulinzi Sports Complex	770,497	770,497	-	0%
Total	4,469,912,085	3,254,698,607	1,215,213,478	37%

Recurrent Bank balances decreased by 67% because of utilization of the entire budget. Deposit Account Bank Balance increased by 171% because of increased collection of deposits, transfer of Unclaimed Liabilities (Pensions, Uncleared Effects) and unused agency funds. The decrease in Escrow Account Bank Balance was because of utilization of funds during the financial year under review.



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PRINCIPAL SECRETARY / ACCOUNTING OFFICER
MINISTRY OF DEFENCE

MINISTRY OF DEFENCE

Annual Report and Financial Statements for the year ended June 30, 2025.

8. Statement of Performance Against Predetermined Objectives for FY 2024/25

Introduction

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each Financial Year, the Accounting Officer when preparing financial statements of each national government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the Ministry’s performance against predetermined objectives.

The key objectives of the Ministry of Defence as per its constitutional mandate are to:

- a) To defend and protect the sovereignty and territorial integrity of the Republic, support internal security operations and promote Regional and International Peace and Security,
- b) To support humanitarian activities,
- c) To provide policy direction and administrative support services,
- d) To administer and coordinate space related activities.

Progress on attainment of Strategic Development Objectives

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement: The progress on attaining the stated objectives as detailed below

MDA Program:	Objective	Outcome	Indicator	Performance
1. National Defence				
Sub Program: 1. Defence Policy Management	To defend and protect sovereignty and territorial integrity of the Republic, support internal security	Provide direction and support to the three Services to secure the Nation.	Timely and effective logistics support	Provided ammo and material, and Maintained equipment and infrastructure
			Efficient personnel administration	General personnel administration and welfare was provided.

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	operations and promote Regional and International Peace & Security		Timely and effective operational support	Provided support to military operations
			Intelligence gathering and dissemination	Intelligence gathered and disseminated
			Comprehensive medical support	Coordination, provision of medical supplies and services was done
			Level of public awareness	Public awareness and information dissemination was done
			Quality and effectiveness of legal support	Litigations and legal support to services was provided
			Military modernisation	Acquisition of new equipment and development of related infrastructure on going
Sub Program: 2 Land Defence		Secure National land borders	Respond to land-based threats.	Timely and effective response to land-based threats
		Border Securitization	Percentage of completion of the border	45% completion
		Enhanced regional & International Peace & Security	Participation in regional and international Peace support Operations (PSOs) and programmes	Timely deployment and effective participation in PSOs and programmes
Sub Program: 3. National Air Space Defence		Secured National Air Space	Respond to airborne threats	Timely and effective response to airborne threats

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		Enhanced regional & International peace & security	Participation in regional and international Peace support operations (PSOs) and programmes	Timely deployment and effective participation in PSOs and programmes
Sub Program: 4. Territorial Water Defence.		Secured Territorial Waters	Respond to Territorial Waters threats	Timely and effective response to Seaborne Threats
		Enhanced regional & International peace & security	Participation in regional and international Peace Support Operations (PSOs) and programmes	Timely deployment and effective participation in PSOs and programmes
2. Civil Aid				
Sub Program: 1. Civil Aid	To support humanitarian activities	Humanitarian assistance provided	Respond and mitigate crisis, disasters and emergencies	Timely and effective response to emergencies and disasters
3. General Administration, Planning and Support				
Sub Program: 1. General Administration, Planning and Support Services	To provide policy direction and administrative support services	Effective Service Delivery	Provide administrative support services	Effective administrative support services were provided
		Strategic Plan 2023-2027	Strategic Plan 2023-2027	Implementation of 2023-2027 Strategic Plan done
		Strategic Defence and Security Review (SDSR)	Strategic Defence and Security Review (SDSR)	Develop the Peace Support Operations Policy
		Peace Support Operations Policy	Peace Support Operations Policy	

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		Military Land Policy	Military Land Policy	Development of Military Land Policy on going
Sub Program: 2. Military Industrialization		Manufacture of small arms ammunition	Timely supply of Small Arms Ammunition	Sustained operational requirements of security agencies
		Modernization of small arms ammunition production lines	New WARSAW and NATO Ammo Production Lines	Acquisition of modern ammo production line on going
		Military Dehydrated Food and Ration Supplies produced	Timely Supply of Dehydrated Food and Rations	Production of dehydrated vegetables, fruits and MREs done
4 National Space Management				
Sub Program: National Space Management	To administer and coordinate space related activities	Effective management and regulation of space related activities	National Space sector regulation framework established	<p>Linkages among academia, industry, Government and partners</p> <p>Sustainable development of capacity and outreach programs on going</p> <p>Promote use of space derived data across Government</p>

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Table xx1: Programme performance

Programme/ Sub-Program	Delivery unit	Key Output	K.P. I	Annual Target	Annual Achievement	Variance	Remark
Vote 1041: MoD							
Programme Name: National Defence							
Programme Outcome: Secured Nation							
1. Defence Policy and Management	DHQ	Policy and strategic guidance provided	% level of Policy and strategic guidance provided	100	100	0	Target Achieved
		Logistical and operational support provided to the Services	% level of Logistical and operational support to the Services	100	100	0	Target Achieved
		Modern equipment acquired	% level of modern equipment acquired	100	100	0	Target Achieved
		Military infrastructure modernization	% infrastructure in support of operations developed	100	100	0	Target Achieved
			% infrastructure in support of training developed	100	100	0	Target Achieved

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			% infrastructure in support of welfare developed	100	100	0	Target Achieved
		Regional & international peace & security enhanced	% of joint trainings and exercises attended	100	100	0	Target Achieved
			% of peace support operations undertaken as assigned	100	100	0	Target Achieved
2. Land Defence	Kenya Army	Land-based threats responded to	% of land-based threats responded to	100	100	0	Target Achieved
3. National Air Space Defence	Kenya Air Force	Airborne threats responded to	% of airborne threats responded to	100	100	0	Target Achieved
	NASD	National air support provided	Aircraft serviceability state (%)	75%	75%	0%	Achieved
			No. of flying hours	550	404.25	145.75	Hours flown by one aircraft
4. Territorial Water Defence	Kenya Navy	Seaborne threats responded to	% of seaborne threats responded to	100	100	0	Target Achieved

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5. Defence Industrialization	Kenya Ordnance Factories Corporation (KOFC)	Small arms ammunition manufactured and supplied to security agencies	% of supply to the requirement by Security Agencies	100	30.92	69.08	Delayed orders from customers
		Dehydrated vegetables and food rations for security agencies produced	Metric Tonnes (MT) of vegetables and food rations produced	166	97.5	32.5	Delayed Supply of Raw materials
	DHQ Systems	Small arms ammunition production lines modernized	% level of completion of Ammunition Production Lines (WARSAW and NATO)	20	15	-5	There was delay in release of exchequer
Programme Name: Civil Aid							
Programme Outcome: Humanitarian Civic Action (HCA)							
6. Civil Aid	DHQ	Humanitarian Civic Action undertaken	% of HCA projects undertaken on need basis (Water pans/boreholes, medical, food supplies, schools' rehabilitation)	100	100	0	Target Achieved

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		Disasters and emergencies responded to	% of disasters and emergencies responded to when called up	100	100	0	Target Achieved
Programme Name: General Administration, Planning and Support Services.							
Programme Outcome: Effective Service Delivery							
General Administration, Planning and Support Services	Admin. Dept.	Administrative support services provided	% provision of administrative support services	100	100	0	Target Achieved
Defence Policy and Planning	PS&P	Policies /strategies/plans developed, reviewed and implemented	No. of Defence and affiliate policies/plans reviewed and developed	2	2	0	Target Achieved
		M&E Reports	No. of M&E reports	1	1	0	Target Achieved
Defence Cooperation and Diplomacy	PS&P	Facilitation on signing, and implementation of Bilateral agreements and treaties provided	% of Memorandums of Understanding, and Agreements facilitated	100	100	0	Target Achieved
Defence Financial Management and Oversight	Finance Unit	Financial Resource mobilization and management conducted	No. of budget proposals developed and submitted to National Treasury	1	1	0	Target Achieved

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	Accounting Unit	Accounting Services undertaken	Financial Reports	1	1	0	Target Achieved
Programme: National Space Management							
Programme Outcome: Utilization of Space Opportunities							
National Space Management	Kenya Space Agency	KSA fully Operationalized	% Level of completion of Earth Observation Data Processing Centre	50	50	-	The set target was successfully achieved with the following realized in the FY24/25; Refurbishment of the Antenna for data acquisition; Installation of antenna control unit; Refurbishment of the building to host the centre in Malindi, the preparation of the room to host the Nairobi node of the project, shipment of the assorted equipment is ongoing with the final installation and training of staff projected for the Q1 of FY25/26.

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		% Level of Completion of Spatial Data Infrastructure	10	5	-5	-Data Hub established at KSA -Decision support product developed and uploaded -Geoportal visualization interface developed.
		% Level of Completion of Centre for Microsatellite Development	30	5	-25	-Design works for building complete -Construction at Malindi Space Centre to begin in 1st Quarter FY 2025/26
		% Level of completion of Astronomical Telescope Observatory	50	40	10	The structure for the Optical telescope observatory is ready for equipping with a telescope.
		% Level of Completion of Spaceport	10	-	10	-Project Concept Note Complete -TORs for transactional Advisory Services for feasibility study done and submitted to PPP Directorate -PS-NT has approved procurement of Transactional Advisory Services -Feasibility study to begin in 1st Quarter FY 2024/26
		% Level of Completion of Satellite Ground Station	100	75	-25	-Ground station activity Operationalized -Data processing software procured

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						-Training of operators on ground segment operations completed
						-Training of users on Data processing ongoing
						-Evaluation of commercialization of Ground Station as a service ongoing
		The Kenya Space Bill	100	100	0	The final draft of Kenya Space Policy 2025 and the Kenya Space Bill 2025 have been forwarded to the CS Defence for consideration and further action
	Space Infrastructure Developed	No. of staff Recruited	10	4	-6	Agency has advertised four positions. Interview to begin in the 1st Quarter FY 2025/26
		Level of completion of KSA HQs	10	2	-8	-Agency has procured architectural services for designed drawing of KSA HQs -Model under development.

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9. Governance Statement

The Ministry of Defence is headed by Cabinet Secretary. The Ministry has a civilian wing headed which is headed by Cabinet Secretary with the Principal Secretary as the Accounting officer and the Kenya Defence Forces headed by Chief of Defence Forces. The KDF is managed by the Defence Council which is headed by the Cabinet Secretary of Ministry of Defence and has membership of the CDF, KDF Service commanders and the Principal Secretary of the Ministry of Defence.

The Defence Council is responsible for the overall policy, control, and supervision of the Kenya Defence Forces; and performs any other functions prescribed by national legislation.

Compliance with Statutory Requirements

The Ministry complied with all applicable statutory requirements in the preparation and presentation of the financial statements for the year ended 30th June, 2025. These financial statements have been prepared in accordance with the provisions of:

- The Constitution of Kenya, 2010;
- The Public Finance Management (PFM) Act, 2012;
- The Public Finance Management Regulations, 2015;
- The Public Procurement and Asset Disposal Act, 2015;
- The Public Audit Act, 2015;
- Relevant Treasury Circulars and Instructions;
- International Public Sector Accounting Standards (IPSAS), as adopted in Kenya.

The Ministry ensured timely submission of the financial and non-financial statements to the Office of the Auditor-General and the National Treasury in compliance with Regulation 221(1) of the PFM Regulations, 2015, as revised by Treasury Circular Ref. No. AG.3/88 Vol. VII (41) of 4th December, 2024.

Additionally, all procurement activities were conducted in line with statutory provisions and ethical standards as stipulated under the Public Procurement and Asset Disposal Act, 2015.

Major Risks Facing the Ministry

In the execution of its mandate to safeguard national sovereignty and territorial integrity, the Ministry of Defence (MoD) operates in a dynamic environment characterized by operational complexity,

MINISTRY OF DEFENCE

Annual Report and Financial Statements for the year ended June 30, 2025.

evolving security threats, and budgetary constraints. The Ministry recognizes the following key risks that could impact its performance and financial accountability:

a. Insecurity and Armed Conflict in Operational Areas

The Ministry operates in regions prone to insecurity, cross-border threats, and terrorism (e.g., northern Kenya and border areas). These conditions expose personnel and assets to risk and hinder project implementation, physical verification of assets, and logistical operations.

b. Budgetary Constraints and Delayed Exchequer Releases

Inadequate budget allocations and delays in release of funds affect the timely execution of planned defence programs, procurement of equipment, infrastructure development, and settlement of pending bills.

c. Disruptions in the Defence Supply Chain

The Ministry relies on both local and international suppliers for the procurement of essential military equipment, food rations, fuel, medical supplies, and construction materials. Disruptions in the global or regional supply chain—due to geopolitical tensions, import restrictions, delays in clearance at ports, supplier insolvency, or logistical challenges—pose a significant risk to operational readiness and timely project implementation.

d. Human Resource Risks

The Ministry continues to experience the loss of highly qualified and technically skilled personnel to international organizations, foreign militaries, NGOs, and private sector entities offering more competitive remuneration, improved working conditions, and broader career development opportunities.

Loss of such critical personnel affects institutional memory, weakens operational capacity, delays mission execution, and increases training and recruitment costs.

e. Dwindling Military Training Areas

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The Ministry of Defence faces a growing challenge of diminishing access to suitable and secure military training grounds. This is due to increasing population growth, urban development, land encroachment, and competing land use in traditional training areas. These developments restrict the ability to conduct effective military drills, live-fire exercises, and field training essential for operational readiness.

The continued loss of training grounds may lead to reduced troop preparedness, increased training costs, safety concerns, and potential conflicts with surrounding communities.

f) Material Arrears in Statutory and other Financial Obligations

The Ministry did not incur any material arrears in statutory or other financial obligations during the period to which these financial statements relate. All obligations falling due within the financial year were settled in a timely manner, in compliance with applicable laws and regulations.

MINISTRY OF DEFENCE**Annual Report and Financial Statements for the year ended June 30, 2025.****10. Management Discussion and Analysis**

Recurrent Vote			
Financial Year	Budget Kshs	Expenditure Kshs	Variance Kshs
2019-2020	107,076,516,495	99,668,077,294	7,408,439,201
2020-2021	112,519,133,506	112,512,421,202	6,712,304
2021-2022	130,608,604,247	128,597,327,282	2,011,276,965
2022-2023	135,615,483,200	127,429,811,232	8,185,671,968
2023-2024	153,028,586,616	131,757,113,592	21,271,473,024
2024-2025	172,214,118,548	144,678,810,868	27,535,307,680

The Budget of the Ministry has in the last three financial years shown a steady increase the budget provision. This has been occasioned by the Ministry having new Semi-Autonomous State Agencies. This includes Kenya Shipyards Limited, National Telecommunication Security Services, Kenya Meat Commission and Kenya Space Agency and National Defence University. The Ministry has also seen its workforce increase in number due to recruitment in both the civilian and the military.

The Ministry has also been engaged in construction of regional hospitals in KDF barracks to provide medical services to service personnel and their families and Ulinzi Sports Complex.

Over the years, variance in budget has been because of under issue of exchequer, resulting in Pending Bills which has affected the budget in the subsequent financial years. In the FY 2024-2025 the Ministry was able to receive all the exchequer requested hence the Ministry has no carry over bills arising from implementation of Budget for FY 2024-2025.

Development Vote			
Financial Year	Budget Kshs	Expenditure Kshs	Variance Kshs
2019-2020	9,644,150,058	8,053,465,618	1,590,684,440
2020-2021	9,742,786,689	9,742,157,884	628,805
2021-2022	6,080,000,000	6,079,897,746	102,254
2022-2023	3,365,350,874	1,747,489,410	1,617,861,464

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2023-2024	2,720,000,000	1,443,746,686	1,276,253,314
2024-2025	3,534,000,000	3,645,596,980	-111,596,980

The Budget of the Ministry has in the last three financial years shown a steady decrease the budget provision. However, in Financial Year 2024-2025 the Ministry had no Development budget funded by the Exchequer.

Review of the Economy and Sector

a. Global Economy

The global economy demonstrated resilience in 2024, despite facing challenges such as high energy and food prices, as well as tighter monetary policies. Global real GDP increased by 3.2 percent in 2024, compared to 3.3 percent in 2023. Advanced economies experienced stable growth of 1.7 percent, primarily supported by easing monetary policies, strong domestic demand, and increased investment. In contrast, emerging markets and developing economies (EMDEs) saw a decline in growth from 4.4 percent in 2023 to 4.2 percent in 2024, mainly due to disruptions in commodity production and shipping. In 2024, the real GDP of Sub-Saharan Africa (SSA) grew by 3.8 percent, while the East African Community (EAC-5) region recorded a growth of 5.4 percent, largely driven by government spending, productivity in the service sector, and regional trade.

b. Domestic Economy

In 2024, Kenya's real Gross Domestic Product (GDP) grew by 4.7%, down from a revised growth of 5.7% in 2023. This growth was observed across most sectors of the economy. Specifically, Agriculture, Forestry, and Fishing grew by 4.6%, compared to 6.6% growth in 2023. Other sectors that experienced notable growth included Financial and Insurance Activities (7.6%), Transportation and Storage (4.4%), and Real Estate (5.3%). However, the construction sector experienced a contraction of 0.7%, a decline from a growth rate of 3.0% in 2023. Similarly, mining and quarrying recorded a significant contraction of 9.2%, compared to a contraction of 6.5% in 2023. This decline was reflected in reduced production of key minerals, including construction materials, titanium, salt (crude), and gemstones.

c. Public Finance

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In terms of public finance, the National Government's revenue grew by 13.4 percent, reaching Kshs 3,115.5 billion in 2024/25. This amount includes Kshs 2,535.6 billion in tax revenue, Ksh 529.6 billion in non-tax revenue, and Kshs 50.3 billion from grants. Total expenditure increased from Kshs 3,605.2 billion in 2023/24 to Kshs 3,978.3 billion in 2024/25, resulting in a budget deficit of Kshs 862.7 billion. As of the end of June 2024, the national government debt was estimated at Kshs 9,955.6 billion. Interest payments on this debt rose from Kshs 840.7 billion in 2023/24 to Kshs 995.8 billion in 2024/25.

d. Outlook in 2025

Kenya's economy is projected to remain resilient and stable in 2025. This anticipated growth is expected to be driven by a strong services sector and improved agricultural productivity, supported by favourable weather conditions and the distribution of subsidized fertilizers and seeds by the government. The positive outlook is further supported by a stable macroeconomic environment and steady international oil prices. Inflation is projected to stay within the government's target range of 2.5% to 7.5%, aided by low non-food and non-fuel inflation, reduced food and energy prices, and a stable exchange rate. The declining interest rates are expected to continue fostering growth in private sector credit, boosting economic activity and accelerating overall growth. Additionally, enhanced implementation of priority value chains under the Bottom-Up Economic Transformation Agenda in key areas such as Agricultural Transformation, the Micro, Small, and Medium Enterprise (MSME) Economy, Housing and Settlement, Healthcare, and the Digital Superhighway and Creative Economy—supported by identified enablers—will promote inclusive growth, lower the cost of living, eradicate hunger, create jobs, expand the tax base, and improve foreign exchange balances. On the demand side, aggregate demand is expected to remain robust, bolstered by both public and private sector activities, stronger exports of goods and services, and sustained remittances from the diaspora.

Review of the Sector (Defence)

During the period under review, the Ministry of Defence focused on its core mandate as provided in the Constitution of Kenya 2010, the KDF Act 2012 and the Executive Order No.2 of 2023. Specifically, the Ministry:

- a. Defended and protected the sovereignty and territorial integrity of the Republic by intensifying border patrols against land, air, maritime, cyber and information-based threats.
- b. Enhanced KDF capabilities and capacity by maintaining appropriate manning availability, trained personnel and operations equipment readiness.

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- c. Conducted disaster management in collaboration with other authorities. Some of the operations include: Close Operations in North Eastern and Upper Eastern Region, Operation Maliza Uhalifu (OMU) in the North Rift Region.
- d. Fostered International and Regional Peace and Security in the country line with Article 240 (8) (a) by deploying KDF whenever called upon.
- e. Undertook Humanitarian Civic Action (HCA) Activities such as drilling boreholes in various Counties, construction/renovation of schools in various counties, and construction of hospitals.
- f. The Ministry enhanced environmental protection activities by planting trees in various parts of the country under tree growing strategy.

Future Development

In the medium term, the Ministry will continue to discharge its constitutional mandate as provided for in Article 241(3) (a), (b) & (c) using the available resources to foster defence for national development. Specifically, the Ministry will focus on modernization of the military systems and equipment to enhance operational effectiveness in safeguarding the country against security threats. The Ministry will also enhance collaboration with other MDAs as well as the regional and international community to promote socio-economic development in the country. Key areas of focus are:

Modernization of military systems: Modernization of security infrastructure and systems to enhance efficiency and responsiveness to internal and external security threats. The project targets acquisition of modern security equipment and maintenance of military security equipment.

National defence and security: The project aims at defending and protecting the sovereignty and territorial integrity of the Republic of Kenya. It entails creating of a secure and peaceful environment for socio-economic development for all sectors and investors through land, national air space, and territorial water defence.

Cyber security and intelligence: The project entails strengthening national information security to improve capabilities to detect, mitigate, report and respond to cyber security threats. It involves establishing and operationalizing a data centre, a data recovery site and a cyber security operation centre, and undertaking research and innovation in cyber security and intelligence.

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Security enterprises revenue generation: The project targets to enhance efficiency in security enterprise operations and revenue generation by: transforming the prisons enterprises; mechanizing prisons farms; establishment of irrigation projects; acquisition of livestock; construction of farm stores; acquisition of assorted equipment; and construction of workshops/stores.

Manufacturing of security hardware, machinery and equipment: The programme aims at increasing manufacturing and supply of military and other security organs hardware, machinery, and equipment. It will entail establishing additional production lines, and manufacturing and supply of small arm and ammunitions to security agencies.

Ship building, repairs and maintenance: The programme entails leading and catalysing the introduction of a new shipbuilding industry in Eastern Africa with a focus on meeting the local demand from Kenya Navy, MDAs with maritime assets, and other public and private domestic and regional clients. The programme will entail acquiring additional tools and production equipment for Kenya Shipyards Limited, carrying out of repairs, maintenance, refitting and converting Government vessels.

11. Environmental and Sustainability Reporting

The Ministry of Defence' primary mandate is to **defend** and **protect** the sovereignty and territorial integrity of the Republic of Kenya.

Its secondary mandate is to assist and cooperate with other authorities in situations of emergency or disaster and restore peace in any part of Kenya affected by unrest or instability as assigned.

Environment, Social and Governance ideals are firstly espoused in Kenyan legislation within the provisions of the Constitution of Kenya 2010 (Constitution). With respect to environmental ideals, the right to a clean and healthy environment is set out as a fundamental human right in Article 42 of the Constitution. Furthermore, Article 69 of the Constitution imposes an obligation on the Government of Kenya (GoK) to protect and conserve the environment. It further renders its guidance to land management in articles 60 and 66 by emphasising the principles promoting sustainable exploitation, utilization, management and preservation of the environment.

The Ministry of Defence manages a broad range of ESG programs across its operations. We asses and identify issues that impact OR be impacted by our operations on an ongoing basis.

Environmental

- i. Climate change, pollution and waste are prominent considerations by the Ministry that continue to endanger both its operations and social-economic welfare of its members and the communities that the Ministry operates in.
- ii. The Ministry broad based strategy in mitigating the factors above the Ministry has endeavored to
- iii. Managing environmental risks, including climate-related risks.
- iv. Minimizing the environmental impacts of our physical operations.
- v. Partnering with organizations to advance sustainable development.

Social

In this pillar we consider the effect of Ministry's practices regarding social issues. Its broad-based strategy include improving employee welfare, customers welfare and community welfare.

The Ministry's broad-based strategy in promoting social sustainability include

- i. Social Impact under the Humanitarian Civic Action, HCA activities.

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- a) Strengthening community bonds through medical camps in neighboring communities, scholarship to needy families, distribution of foodstuff to the needy, access of water through boreholes and distribution of tanks.
- ii. Sustainable employee practices and welfare improvement
 - a) Having a wellness center dedicated to employee welfare. Family wellness promotion activities under the Military Wives Association Kenya.
 - b) Promoting diversity, equity and inclusion including fair recruitment and including employment of persons with disability (PWD) in the Ministry employee cadre.
 - c) Continuous wellness sensitization programs to promote employee health.

Governance

The governance pillar refers to how the Ministry operates internally and its organizational behaviour.

The Ministry endeavours to:

- a) Provide fair compensation to employees,
- b) Ensure employee diversity,
- c) Eliminate Bribery, Fraud and corruption,
- d) Promote ethics and values,
- e) Fair payment,
- a) **Sustainability strategy and profile**

The Ministry of Defence (MOD), through the Kenya Defence Forces (KDF), has firmly embedded environmental sustainability as a cornerstone of national security. Recognising that environmental degradation and climate change directly influence stability, operational effectiveness, and resilience, MOD has integrated environmental safeguards into defence operations and planning. Guided by the Defence Environmental and Sustainability Policy, adopted in September 2024, Defence has aligned its programmes with the Constitution of Kenya, the National Environment Policy 2013, the National Landscape and Ecosystem Restoration Strategy (NLERS), and international frameworks such as the

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Paris Agreement and the Sustainable Development Goals (SDGs). The Defence Environmental and Sustainability Policy sets out clear objectives, including reducing greenhouse gas emissions by at least 50% in ten years, strengthening resource efficiency, and embedding climate risk analysis into all operations. This policy envisions Defence as a key player in sustainable national development while supporting the broader goal of “Total National Defence.”

b) Environmental performance /climate change/ mitigation of natural disasters

In FY 2024/2025, ecological restoration efforts were intensified under the Environmental Soldier Programme (ESP) and the Accelerated Tree Growing Programme. These programmes form the principal vehicle through which Defence contributes to NLERS and to the presidential directive to grow 15 billion trees.

During this period, MOD generated 49,335,966 seedlings and planted 47,851,490 trees, achieving a fifth-place ranking nationally among Ministries, Departments, and Agencies.

By the third quarter, 34.8 million seedlings had been produced and 24.8 million planted within the financial year. To date, over 76 million seedlings have been planted cumulatively, with progress tracked on the Jaza Miti platform.

Restoration activities included rehabilitation of degraded landscapes, river clean-ups such as the Nairobi River, and planting of 650,000 mangroves along the coast to improve marine ecosystems and buffer coastal communities.

Specific sites adopted for large-scale restoration include Sururu and Bahati forests, Keringet and Olbanita wetlands, Lorian Swamp and Darajani Springs, Maragoli Hills, Konza City, Dongo Kundu and Mida Creek.

c) Employee welfare

- d) The Ministry is guided by various Government policies in recruitment of personnel, specifically the Public Service Commission policies and guidelines. The recruitment takes into consideration one third gender ratio.
- e) The Ministry has continued to train its staff to enhance performance and facilitate career development. Promotion, re-designation and job enrichment are the key strategies applied in promoting employee career growth.
- f) All employees are placed on annual performance appraisal system. The Ministry has a reward/sanction system based on performance.

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- g) The Ministry has implemented various measures to comply with the Occupational, Safety and Health Act, 2007. These include development of ministerial guidelines on health and safety management, training of personnel on OSHA as well as provision of Personal Protective Equipment to staff.

In addition;

The Kenya Defence Forces (KDF) aligns its policy on safety and health with the provisions of the Occupational Safety and Health Act (OSHA) 2007. In accordance with Section 6 of the Act, KDF bears the statutory duty to ensure the safety, health, and welfare of all personnel under its command. This is operationalized through proactive risk assessments, the implementation of safe systems of work, and the maintenance of a secure and hazard-free environment. These efforts are embedded within the broader doctrine of force protection and form a critical component of strategic readiness. KDF's commitment to zero harm also extends to duty-specific protective equipment and medical surveillance protocols.

h) Operational practices

The Ministry maintains good relations with its suppliers. The Ministry continuously improves its systems to enable it to serve its customers better. Despite exchequer challenges the Ministry strives to ensure payments are paid whenever funding is available promptly while prioritizing payment of Carry-Over bills as First Charge in circumstances that the Ministry has Carry-Over bills.

i) Community Engagements-

The Ministry of Defence (MOD) continues to undertake various HCA programmes to support vulnerable communities nationwide. The objectives of these programmes include winning the hearts and minds (WHIMS) of the local populace in Operation Areas (Ops Areas), alleviating resource-based conflicts in the Arid and Semi-Arid Lands (ASALs) and offering relief during emergencies and disasters.

At peacetime locations, the programmes entail the provision of survivability services, mainly enhancing access to potable water through the sinking of boreholes, the construction of water pans, and the opening of access roads for economic activities.

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The HCA programmes are also directed towards climate change mitigation, particularly in areas that are drastically affected by environmental degradation arising from increasing population and inordinate human activities.

During the FY 2024/25, MOD was involved in various HCA projects addressing critical infrastructure to various communities as follows:

1. Reconstruction of schools affected by banditry activities under OPERATION MALIZA UHALIFU (OMU) in the North Rift region. The main components of the schools' infrastructure restoration involved renovations to facilities that were in fair shape and construction of additional basic facilities such as Classrooms, Administration Blocks and Staffrooms, Bathrooms and Latrines for Boys and Girls, Kitchens, Staff Accommodation and Sanitation, and Laboratories and Dormitories where applicable. The projects have had a significant impact on the local communities, including increased school enrolment, improved academic performance, community stability, attraction of suitable teaching staff, creation of selected boarding schools and enhanced learning environment complete with all the required basic infrastructure.

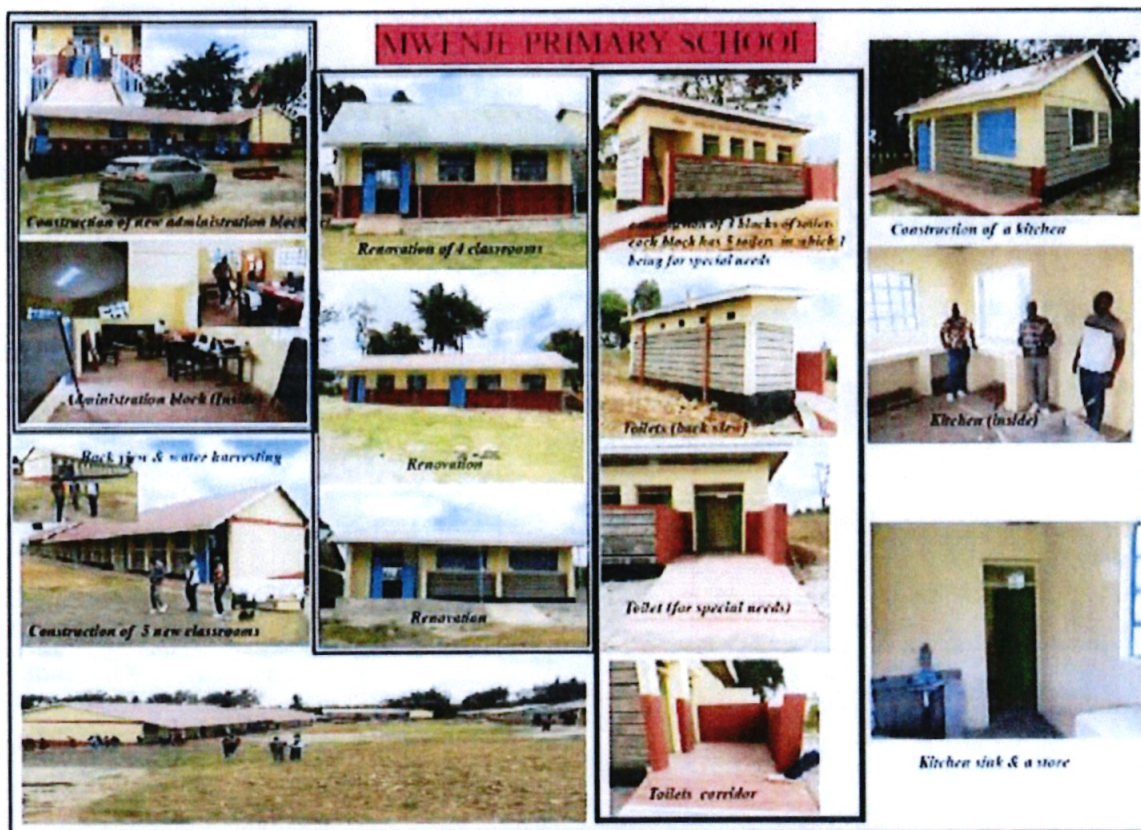
Among the schools that benefitted from these activities included Kapedo Mixed secondary school, Lomelo Primary School and Loyapat Primary School in Turkana County. Also, Kositei Primary School, Chesitet Primary School, Chepkesin Primary School, Mukutani Primary School, Kapindasum Primary School among others in Baringo County. Others included Pura Primary, Baragoi Primary in Samburu County.

2. Sinking of Boreholes to Communities nationwide and at KDF training areas and Forward Operation Bases (FOBs) in the North Eastern region and in other parts of the country. The objective of sinking boreholes and water pans was to provide reliable and safe sources of water in arid and semi-arid regions (ASALS). This initiative aims to alleviate water scarcity, support agricultural activities, and enhance the overall quality of life for local communities. The Ministry through KDF was able to sink 33 boreholes in different locations across the entire country. The impact of sinking boreholes is to facilitate access to clean water for consumption and agricultural activities. The provision of boreholes and water pans ensures that communities have proximal access to clean and safe drinking water, reducing the incidence of waterborne diseases in humans and livestock. With a reliable water source, local communities can irrigate their crops, leading to improved agricultural productivity, food security, and economic empowerment

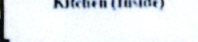
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Among the areas where boreholes were drilled include Elwak Airstrip FOB, Recruits Battle Camp Training in Kapedo, Baringo County, Dadajibula FOB Equipping and Plumbing Works. Diff FOB Equipping and Plumbing Works, 14 Engrs Bn Borehole Solarization, Lanet Regional Hospital, Nakuru County, Kenya Military Academy, Nakuru County, Solarization of Thika Garrison HCA Borehole, Kiambu County, CDF Drilling Reserve Materials for 14 Engr Bn, Hamey FOB, Kibiko Athletics Centre in Ngong, Kajiado County, Wajir Airbase Borehole equipping and plumbing materials.



NYAKINYUA PRIMARY SCHOOL



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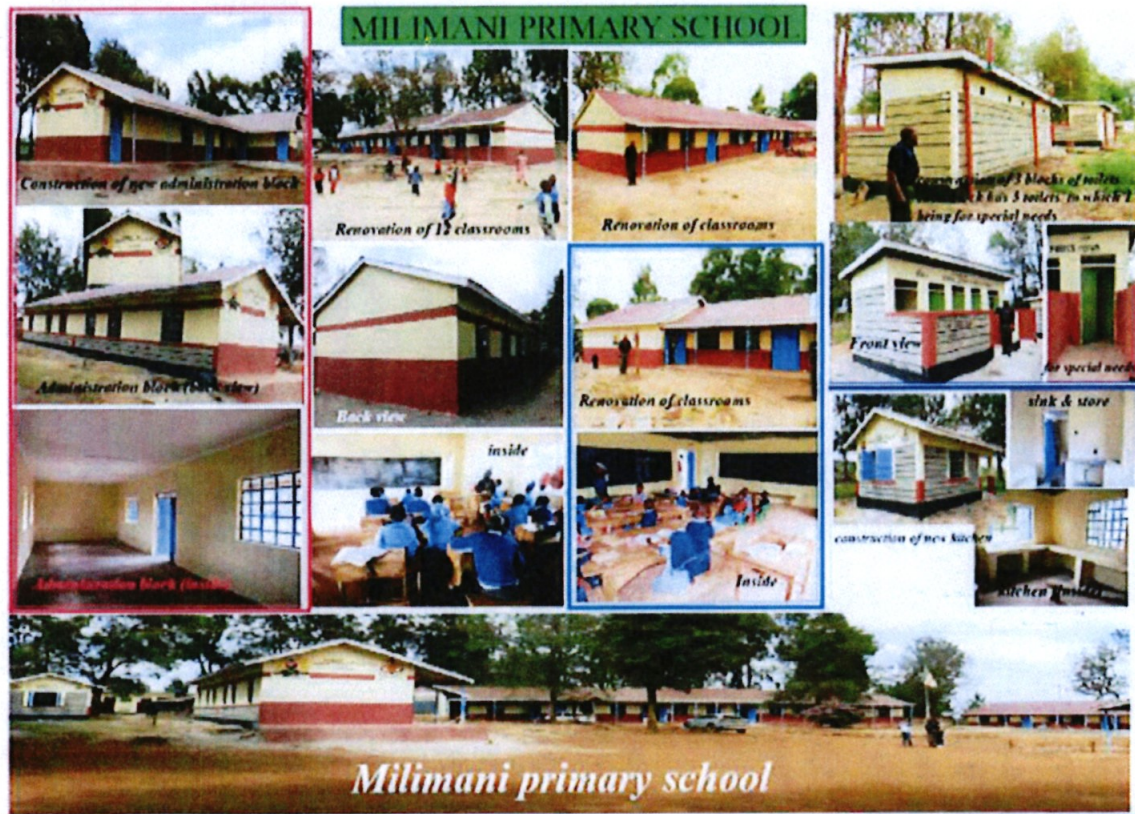


Figure 1 Kakuyuni HCA Borehole Machakos County



Figure 2 Borehole at Kelvin Kiptums home in Uasin Gishu

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Figure 3 Kahawa West Building Collapse



Figure 5 Athi River drowning rescue



Figure 4 Tree Planting, Konza Technopolis (25 Acres)



Figure 7 2nd Brigade Tree planting Bahati Forest



Figure 6 3KR Tree planting St Andrews Turi

12. Statement of Management Responsibilities

Section 81 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer for a National Government MDA shall prepare financial statements in respect of that MDA. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed the Public Sector Accounting Standards Board of Kenya from time to time.

The Accounting Officer in charge of the Ministry of Defence is responsible for the preparation and presentation of the Ministry's financial statements, which give a true and fair view of the state of affairs of the Ministry for and as at the end of the financial year (period) ended on June 30, 2025. 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 Ministry, (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 Ministry; (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting Officer in charge of the Ministry of Defence accepts responsibility for the Ministry's financial statements, which have been prepared on the Accrual Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the Ministry's financial statements give a true and fair view of the state of Ministry's transactions during the financial year ended June 30, 2025, and of the MDA's financial position as at that date. The Accounting Officer further confirms the completeness of the accounting records maintained for the Ministry, which have been relied upon in the preparation of the Ministry's financial statements as well as the adequacy of the system of internal controls.

The Accounting Officer in charge of the Ministry of Defence confirms that the Ministry has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the Ministry's funds received during the year under audit were used for the eligible

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purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the Ministry's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the financial statements

The Ministry's financial statements were approved on 03/12 2025 and signed by:



.....

Name: Dr. Patrick Mariru, PhD, CBS
Accounting Officer

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON MINISTRY OF DEFENCE FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

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

- A. Report on 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 the 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 the Government achieves value for money and that such funds are applied for the intended purpose; and,
- 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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An Unmodified Opinion is issued when the Auditor-General concludes that the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management, and Governance.

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, the Public Finance Management Act, 2012, 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 transitional IPSAS financial statements of Ministry of Defence set out on pages 1 to 72, which comprise of the statement of financial position as at 30 June, 2025, 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 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 transitional IPSAS financial statements present fairly, in all material respects, the financial position of the Ministry of Defence as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards Accrual Basis (including the transitional provisions permitted under IPSAS 33) and comply with the Public Finance Management Act, 2012 and The National Treasury and Economic Planning Circular No.3 of 14 April, 2025.

Basis for Opinion

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

Key Audit Matter

Key audit matters are those matters that, in my professional judgement, 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

In the prior year audit report, several issues were raised under Emphasis of Matter, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. These include pending accounts payable, stalled infrastructure modernization and development projects, Agency funding and enhancement of governance systems for security related expenditures. Review of the status during audit of the Ministry in 2024/2025 revealed that the issue on stalled infrastructure modernization and development projects and issue on enhancement of governance systems for security related expenditures remained unresolved.

Other Information

The Management is responsible for the Other Information set out on page iv to lix which comprise of Key MDA Information and Management, Profile of Cabinet Secretary, Profile

of Accounting Officer and Key Management, Foreword by Cabinet Secretary, Statement by the Accounting Officer, Statement of Performance Against Predetermined Objectives, Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, and Statement of Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Ministry of Defence financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Stalled Infrastructure Modernization and Development Project

Review of project progress and implementation status reports indicated that the Ministry initiated construction of a level six (6) Referral Hospital in Kabete-Nairobi in January 2022 at a contract sum of Kshs.18,889,083,433. However, the project stalled at 20% completion level and is past the expected completion date of January 2025. Cumulative certified works and payments as at 30 June, 2025 amounted to Kshs.2,902,054,096. Physical verification carried out in the month of June, 2025 revealed that the contractor was not on site and no work was ongoing. Further, Management did not disclose measures and strategies put in place to revive and complete the stalled project.

In addition, evidence that the contractor renewed the performance bond was not provided for audit review. This was contrary to Section 72(l) of the Public Finance Management Act, 2012 which states that the Accounting Officer for a national government entity shall be responsible for the management of the entity's assets and liabilities, manage those assets in a way which ensures that the national entity achieves value for money in acquiring, using or disposing those assets.

In the circumstances, the value for money for the expenditure of Kshs.2,902,054,096 incurred on the stalled project could not be confirmed.

2. Construction of Talanta Sports City at Jamhuri Sports Ground

The Ministry entered in to a two (2) year contract with a foreign contractor on 26 May, 2024 for design, building and equipping of Talanta Sports City at contract sum of USD 344,514,966 (Kshs.45,848,051,675). The Ministry of Sports Culture and Social services transferred the procuring responsibility and a total of Kshs.2,009,756,437 to the Ministry of Defence. Review of documentation provided for audit revealed the following unsatisfactory matters;

- (i) The contract was awarded through direct procurement method which did not meet competitive procurement and direct procurement criteria demanded by Section 91(1) and Section 103(2) of the Public Procurement and Disposals Act, 2015.
- (ii) The National Treasury had approved project funding of Kshs.35Billion which was to be drawn from the Sports and Arts Social Development Fund over a six (6) years payment plan against a contract amount of Kshs.Kshs.45,848,051,675 resulting to an unsupported price variation of Kshs.10,848,051,675.
- (iii) The project implementation report as at 1 June, 2025 indicated that the project was at 44.54% completion level with 15 months to expected contract completion date while cumulative payments to the contractor amounted to Kshs.2,000,000,000 or 4.5% as at June, 2025. However, late payments will attract an interest at 3% (above the Central Bank of Kenya average rate for base lending prevailing as of the first day the payments becomes overdue) in accordance with Article 3.5 of the contract agreement resulting in additional avoidable project expenditure.
- (iv) Clearance from the Attorney General for the award of the contract was not provided.

Subsequent information indicates that a Deed of assumption of payment obligations was signed on 22 July, 2025 between the Government of Kenya represented by the Principal Secretary, Ministry of Defence, Sports Kenya and a Trustee transferring the duty and obligation of making subsequent payments to the Trustee. Similarly, the contractor signed a consent agreeing to the transfer of duty and obligation of making subsequent payments to the Trustee on behalf of the Ministry of Defence. The changes in funding model were aimed at ensuring that the project was fully funded to completion. However, full details of the new funding model have not been provided, hence the need for a special audit to determine value for money in achievement of the project.

3. Construction and Equipping of Bomas International Conference Center

The Ministry entered into a contract with a foreign contractor on 18 March, 2025 for the construction and equipping of Bomas International Convention Complex (BICC) at a contract sum of USD.324,090,561.49 (Kshs.41,904,909,600) for a contract period of twenty-four (24) months. The State Department for Culture, Arts and Heritage transferred to the Ministry of Defence the procuring responsibility for design, construction and equipping of BICC. However, review of documents provided for audit revealed the following unsatisfactory matters;

- (i) The Accounting Officer approved request for authority for direct procurement on 17 February, 2025 while the procurement proceedings had already commenced as evidenced by the tender invitation documents and site visit certificate dated 13 and 14 of February, 2025. This was contrary to Section 69(2) of the Public Procurement and Asset Disposal Act, 2015 which states that no procurement approval shall be made to operate retrospectively to any date earlier than the date on which it is made except on procurements in response to an urgent need.
- (ii) The contract agreement provided for a repayment plan of nine (9) instalments payable within a period of 24 months while The National Treasury approved financing provided for ten (10) years deferred payment plan which was not consistent with contract agreement.
- (iii) Review of the budget for the State Department for Culture, Arts and Heritage for 2024/2025 financial year does not include development budget allocations towards design, construction and equipping of BICC.
- (iv) As at 30 June, 2025, the Ministry had received cumulative disbursements of Kshs.1,730,000,000 from the State Department for Culture, Arts and Heritage, out of which Kshs.1,450,000,000 or 3.46% was paid, being partial payment for the 10% (USD32,409,056.15 approximately Kshs.4,190,490,960) advance payment. The project progress report dated 02 July, 2025 indicated 12.9% completion level while payment was at 3.46%.

In the circumstances, Management was in breach of the law and the Government is likely to incur penalties and charges where there is delay in making payments.

4. Proposed Development of Residential Houses Project

The Ministry entered into a contract with a foreign contractor on 17 January, 2024 for design, building, developing and financing of residential accommodation for the Kenya Defence Forces with a local company financing the project. The project was approved by The National Treasury and the Public Private Partnership (PPP) Directorate. Clearance from the Attorney General was also obtained. A deed of novation was signed by the Ministry, the contractor and the financing company. The project company and the contractor signed a contract on 19 March, 2024 at a contract sum of Kshs.4,346,784,538

inclusive of VAT to construct 3,069 residential units in five sites deliverable in two years. The project company and the Ministry was to contribute Kshs.3,346,784,538 and Kshs.1,000,000,000 respectively towards cost of the project.

Further, the Ministry was to make post construction additional payments of Kshs.6,500,000,000 in fifty-two (52) quarters at Kshs.125,000,000 per quarter from Ministry's rent Appropriations-In-Aid. However, the following unsatisfactory matters were noted;

- i. The Ministry (contracting authority) did not undertake mandatory feasibility study of the project under the direction of the PPP Directorate to determine the project's viability including; technical, legal and land requirements, social, economic and environmental impact and affordability and value for money as required by Section 32 of the Public Private Partnership Act, 2021.
- ii. The Ministry's cumulative rent collection amounted to Kshs,1,035,199,000 as at 30 June, 2025. The Ministry, with initial available capital of over Kshs.1,035,000,000 and yearly average rent collection of over Kshs.500,000,000, had enough capacity to finance and complete the same project in a phased-out approach within a period of five (5) to seven (7) years considering increased rent collection from completed housing unit.
- iii. The contracting authority will incur cumulative financing charges of Kshs.3,153,215,462 on project company's financing contribution of Kshs.3,346,784,538. However, no evidence was provided on whether the contracting authority considered the strategic and operational benefits of the public private partnership arrangement compared to the development of the facility or provision of the service by the contracting authority. This was contrary to Section 30(2) of the Public Private Partnerships Act, 2021.
- iv. Review of land ownership documents revealed that the land ownership in one of the sites in Nairobi had previously been disputed with a court ruling delivered on 19 May, 2025 in favour of the Ministry. However, the Ministry is yet to obtain official title for the land under its name. Further, land ownership of the five sites is not specified in the project agreement in accordance with third schedule of the Public Private Partnerships Act, 2021.
- v. An agreement between Ministry of Defence and an independent expert was signed on 27 May, 2024 pursuant to Section 73(2) of the Public Private Partnerships Act,2021 providing for payment of Kshs.26,000,000 inclusive of VAT shared equally between the contracting Authority and Project company. This is contrary to Section 73(3) of the Public Private Partnerships Act, 2021 which states that the cost of hiring an independent expert under subsection (2) shall form part of the project cost to be borne by the private party.

In the circumstances, Management was breach of the law.

5. Non-Compliance with One-Third of Basic Salary Rule

During the year under review, three hundred and forty-two (342) employees earned net salaries of less than a third (1/3) of the basic salary. This was contrary to Section 19(3) of the Employment Act, 2007 which states that all deductions made by an employer from the wages or salaries of his employees at any one time shall not exceed two thirds of such wages or salaries.

In the circumstances, Management is in breach of the law.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require 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 comply 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 described in the Basis for Conclusion on Effectiveness of Internal Controls, 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.

Basis for Conclusion

Enhancement of Governance Systems for Security Related Expenditures

During the year under review, the Ministry incurred some expenditure on confidential security operations. A certificate of confidential expenditure was issued, supported by a declaration from the Accounting Officer affirming proper use of funds in compliance with Regulation 101(5) of the Public Finance Management (National Government) Regulations, 2015.

As previously reported, there is need to enhance accountability of confidential expenditures through review of the Regulations to clearly define entities eligible for confidential security related expenditures and to specify what constitutes security related operations. Further, entities should establish internal oversight mechanisms and processes that include detailed budget projections and post-operation financial summaries to address risks and ensure responsible use and accountability of the funds, beyond the certificate.

The measures are aimed at strengthening governance, fostering trust, and ensuring funds are utilised responsibly without compromising State security. However, as at the time of audit in November 2025, no action had been taken to implement the audit recommendations.

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

Responsibilities of the Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Ministry's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply 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 Ministry's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require

that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment 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.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

23 December, 2025

MINISTRY OF DEFENCE

Annual Report and Financial Statements for the year ended June 30, 2025.

14. Statement of Financial Performance for the year ended 30 June 2025

	Notes	Period Ended June 2025
		Kshs
Revenue from non-exchange transactions		
Transfers from Exchequer	6	172,163,412,337
Transfers from Other Government entities	7	92,388,062
Transfers from Domestic and Foreign Partners	8	2,978,324,360
Penalties and Levies	9	-
Reimbursement and Refunds	10	-
Total Revenue from non-exchange transactions		175,234,124,759
Revenue from exchange transactions		
Licenses, Fees and Permits	11	-
Rendering of services	12	-
Rental revenue from facilities and equipment	13	604,652,003
Finance income	14	-
Miscellaneous income	15	-
Total Revenue from exchange transactions		604,652,003
Total revenue		175,838,776,762
Expenses		
Employee costs	16	2,254,711,336
Use of goods and services	17	400,766,018
Use of goods and services- KDF Expenses	17a	140,171,733,514
Transfers to other Government Entities	18	1,851,600,000
Other Expenses	19	3,070,712,422
Depreciation and amortization expense	20	466,527
Other Grants and Subsidies	21	-
Finance costs	22	-
Social Benefits	23	-
Total expenses		147,749,989,817
Other gains/(losses)		
Gain/(loss) on sale of assets	24	-
Gain/Loss on foreign exchange transactions	25	-
Gain/Loss on fair value of investments	26	-
Impairment loss	27	-
Total gains/(losses)		-
Surplus/Deficit for the year		28,088,786,945
Taxation	28	-
Net Surplus/Deficit		28,088,786,945

MINISTRY OF DEFENCE

Annual Report and Financial Statements for the year ended June 30, 2025.

The Financial Statements set out on pages 1 to 2 were signed by:



.....
Name : Dr. Patrick Mariru, PhD, CBS
Accounting Officer



.....
Name : Electina W. Wanyonyi
Head of Accounting Unit
ICPAK M/No: 3674

MINISTRY OF DEFENCE

Annual Report and Financial Statements for the year ended June 30, 2025.

15 Statement of Financial Position as at 30 June 2025

	Notes	Period as at Jun 30 2025	Opening Statement
		Kshs	1 st July 2024 Kshs
Assets			
Current Assets			
Cash and Cash equivalents	29	4,469,912,085	3,254,698,607
Receivables from Exchange Transactions	30	5,745,945,685	-
Receivables from Non-Exchange Transactions	31	-	-
Inventories	32	-	-
Investments	33	-	-
Total Current Assets		10,215,857,770	3,254,698,607
Non-Current Assets			
Receivables from Exchange Transactions-Advance payments	30	-	-
Investments	33	-	-
Property, Plant, and Equipment	34	933,054	-
Right of Use Assets	35	-	-
Intangible Assets	36	-	-
Investment Property	37	-	-
Biological Assets	38	-	-
Tangible Natural Resources	39	-	-
Total Non-Current Assets		933,054	-
Total Assets (A)		10,216,790,824	3,254,698,607
Liabilities			
Current Liabilities			
Trade and Other Payables	40	-	22,341,773,637
Refundable Deposits	41	4,469,777,516	3,254,191,792
National treasury refund	42	-	-
Current Lease Liabilities	43	-	-
Deferred Income	44	-	-
Employee Benefit Obligation	45	-	-
Current Portion of Borrowings	46	-	-
Social Benefit Liability	47	-	-
Total Current Liabilities		4,469,777,516	25,595,965,429
Non-Current Liabilities			

MINISTRY OF DEFENCE

Annual Report and Financial Statements for the year ended June 30, 2025.

Non-Current Provisions	42	-	-
Non-current lease liability	43	-	-
Deferred Income	44	-	-
Employee Benefit Obligation	45	-	-
Borrowings – Non-Current Portion	46	-	-
Social Benefit Liability	47	-	-
Service Concession Liability	48	-	-
Total Non-Current Liabilities		-	-
Total Liabilities (B)		4,469,777,516	25,595,965,429
Net Assets (A-B)		5,747,013,308	(22,341,266,822)
Represented By:			
Reserves		-	
Accumulated Surplus		5,747,013,308	(22,341,266,822)
Capital Fund		-	-
Net Assets		5,747,013,308	(22,341,266,822)

The financial statements set out on pages 3 to 4 were signed by:



.....
Name : Dr. Patrick Mariru, PhD, CBS
Accounting Officer



.....
Name : Electina W. Wanyonyi
Head of Accounting Unit
ICPAK M/No: 3674

MINISTRY OF DEFENCE

Annual Report and Financial Statements for the year ended June 30, 2025.

16. Statement of Changes in Net Assets for the year ended 30 June 2025

Description	Accumulated Surplus	Reserves	Capital Fund	Total
	kshs	kshs	kshs	kshs
As at 30 th June 2024 (cash basis)	506,815	-	-	506,815
Adjustments: (to recognize liabilities)	(22,341,773,637)			(22,341,773,637)
As at July 1, 2024	(22,341,266,822)	-	-	(22,341,266,822)
Surplus/ deficit for the period	28,088,786,945			28,088,786,945
Returns to exchequer	(506,815)	-	-	(506,815)
Additions to reserves	-	-	-	-
Other changes (specify)	-	-	-	-
As at 30th June 2025	5,747,013,308	-	-	5,747,013,308

SIGN
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MINISTRY OF DEFENCE**Annual Report and Financial Statements for the year ended June 30, 2025.****17. Statement of Cash Flows for the year ended 30 June 2025**

		<i>Period Ended June 2025</i>
	Notes	Kshs
Cash flows from operating activities		
Receipts		
Transfers from exchequer	6	172,163,412,337
Transfers from other government entities	7	92,388,062
Transfers from Domestic and Foreign Partners	8	2,978,324,360
Penalties and levies	9	-
Rendering of services	12	-
Rental revenue from facilities and equipment	13	604,652,003
Finance income	14	-
miscellaneous Incomes	15	-
Total receipts		175,838,776,762
Payments		
Employee costs	16	2,254,711,336
Use of goods and services	17	400,766,018
KDF Expenses	-	167,043,867,112
Transfers to other Government Entities	18	1,851,600,000
Other Expenses	19	3,070,712,422
Other Grants and Subsidies	21	-
Social Benefits	23	-
Total payments		174,621,656,888
Net cash flows from/(used in) operating activities	49	1,217,119,874
Cash flows from investing activities		
Purchase of PPE	34	(1,399,581)
Purchase of Intangible Assets		-
Proceeds from sale of PPE		-
Proceeds from sale of biological assets		-
Purchase of investments		-
Sale of investments		-
Net cash flows from/(used in) investing activities		(1,399,581)
Cash flows from financing activities		
Return to Exchequer		(506,815)
Proceeds from borrowings		-
Repayment of borrowings		-
Net cash flows from financing Activities		(506,815)

MINISTRY OF DEFENCE

Annual Report and Financial Statements for the year ended June 30, 2025.

Net increase/(decrease) in cash & Cash equivalents		1,215,213,478
Cash and cash equivalents at the start of the period	29	3,254,698,607
Cash and cash equivalents at the end of the period	29	4,469,912,085

(PSASB has prescribed the use of direct method for cashflow preparation)

MINISTRY OF DEFENCE

Annual Report and Financial Statements for the year ended June 30, 2025.

18. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2025**Recurrent and Development Combined**

Description	Original budget	Adjustments	Final budget	Actual on a comparable basis	Budget utilization difference	% of utilization
	A	B	C=a+b	D	E=c-d	F=d/c %
Revenue						
Transfers from exchequer	165,985,661,938	6,230,000,000	172,215,661,938	172,163,412,337	52,249,601	100%
Transfers from other government entities	-	-	-	92,388,062	(92,388,062)	
Levies, fines, penalties and forfeitures	534,000,000	-	534,000,000	604,652,003	(70,652,003)	113%
Licenses, fees, and permits	-	-	-	-	-	-
Rendering of services	-	-	-	-	-	-
Rental revenue from facilities and equipment	-	-	-	-	-	-
Finance income	-	-	-	-	-	-
Other income	3,000,000,000	-	3,000,000,000	2,978,324,360	21,675,640	99%

MINISTRY OF DEFENCE

Annual Report and Financial Statements for the year ended June 30, 2025.

Total revenue	169,519,661,938	6,230,000,000	175,749,661,938	175,838,776,762	- 89,114,824	100%
Expenses						
Employees Costs	2,268,800,000	30,000,000	2,298,800,000	2,254,711,336	44,088,664	98%
Use of goods and services	204,961,938	200,000,000	404,961,938	400,766,018	4,195,920	99%
KDF Expenses	162,157,856,610	6,000,000,000	168,157,856,610	140,171,733,514	27,986,123,096	83%
Transfers to other government units	1,352,500,000	-	1,352,500,000	1,851,600,000	(499,100,000)	137%
Other Expenses	3,000,000,000	-	3,000,000,000	3,070,712,422	(70,712,422)	102%
Depreciation	-	-	-	466,527	(466,527)	
Social benefits	-	-	-	-	-	
Other payments	-	-	-	-	-	
Total recurrent expenses	168,984,118,548	6,230,000,000	175,214,118,548	147,749,989,817	27,464,128,731	84%
Capital items						
Acquisition of PPE	1,543,390	-	1,543,390	1,399,581	143,809	91%
Acquisition of Intangible assets	-	-	-	-	-	
Purchase of investments	-	-	-	-	-	

MINISTRY OF DEFENCE


Annual Report and Financial Statements for the year ended June 30, 2025.


Repayment of borrowings	-	-	-	-	-	-
Total expenses Development	1,543,390	-	1,543,390	1,399,581	143,809	-
Total expenses	168,985,661,938	6,230,000,000	175,215,661,938	147,751,389,398	27,464,272,540	84%
Surplus/deficit	534,000,000	-	534,000,000	28,087,387,364	(27,553,387,364)	-

(a) *Variance analysis: The Ministry had no significant underutilization.*

(b) *Reallocations within the year: The variance in budget was as a result of increase in budget by Parliament.*

The entity financial statements were approved on _____ 2025 and signed by:


.....
Name Dr. Patrick Mariru, PhD, CBS
Accounting Officer


.....
Name Electina W. Wanyonyi
Head of Accounting Unit
ICPAK M/No...3674

MINISTRY OF DEFENCE

Annual Report and Financial Statements for the year ended June 30, 2025.

Budget Reconciliation to the Statement of Cash Flows

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	28,087,387,364
1	Add Depreciation	466,527
2	Less prior year pending bills	(22,341,773,637)
3	Less Prepayments	(5,745,945,685)
4	Add refundable deposits increase	1,215,585,724
5	Less returns to exchequer	(506,815)
6	Add opening cash balance	3,254,698,607
	Closing Cash and Cash Equivalent as per the statement of Cash flows	4,469,912,085

MINISTRY OF DEFENCE**Annual Report and Financial Statements for the year ended June 30, 2025.****Budget Execution by Programmes and Sub-Programmes for FY2024/2025**

Programme/Sub-programme	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Budget utilization difference
		Kshs	Kshs		
	Kshs	Kshs	Kshs	Kshs	Kshs
Programme					
Defence	162,849,400,000	6,000,000,000	168,849,400,000	167,653,900,863	1,195,499,137
Civil Aid	350,000,000		350,000,000	350,000,000	-
General Administration, Planning and Support Services	2,473,761,938	230,000,000	2,703,761,938	2,656,876,935	46,885,003
National Space Management	312,500,000		312,500,000	312,500,000	-
Total	165,985,661,938	6,230,000,000	172,215,661,938	170,973,277,798	1,242,384,140

19. Notes to the Financial Statements

1. Establishment

The Ministry is established by and derives its authority and accountability from Executive Order No 1 of January 2023. The Ministry is wholly owned by the Government of Kenya and is domiciled in Kenya. The Ministry's principal activity is;

- a. National Defence Policy and Management;
- b. Protection of the Sovereignty and Territorial Integrity of the Republic;
- c. Support to Civil Authorities in Situations of Emergency and Disaster;
- d. Defence Intelligence Co-ordinate and Regulate Space Related Activities in the Country; and
- e. Implement the Kenya Space Policy and any Related Programmes

2. Statement of Compliance and Basis of Reporting

Statement of compliance

These financial statements have been prepared in accordance with the Public Finance Management Act, 2012 and with the International Public Sector Accounting Standards (IPSAS) (Accrual basis). The Ministry of Defence has taken advantage of the transitional provision under IPSAS 33 and therefore these 1st Year financial statements are transitional financial statement and the following elements (based on the national treasury circular road map) of the financial statements have not been recognised.

The elements are

1. Inventories
2. All non-financial Assets and Liabilities
3. No accrual based comparative figures except the opening statement of financial position as at 1st July 2024

For the purpose of these financial statements, the Ministry of Defence has been categorized as a Schedule 1 national government MDA in line with Section 4 of the Public Finance Management Act, 2012 read together with Regulation 211(2) of the Public Finance Management (National Government) Regulations, 2015. Schedule 1 national government entities include Ministries, Departments, Agencies, constitutional institutions and independent offices. MDAs are reporting entities whose primary objective is to provide policy and coordination of government services.

Ministry of Defence

Annual Reports and Financial Statements for the year ended June 30, 2025.

The use of public resources by MDAs is primarily governed by Chapter 12 of the Constitution, the relevant Appropriation Act, the Public Finance Management Act, of 2012, and the Public Procurement and Disposal Act, of 2015.

These financial statements were authorized for issue by the Accounting Officer on

3/12 2025.

Notes to the financial statements

Reporting period

The reporting period for these financial statements is for the period ended 30th June 2025.

Basis of preparation

These financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period on an accrual basis unless otherwise specified (for example, the Statement of Cash Flows). Under an accrual basis, revenues are recognised when rights to assets are earned or levied rather than when cash is received, and expenses are recognised when obligations are incurred rather than when they are settled. The financial statements have been prepared and presented in Kenya Shillings to the nearest shilling. The accounting policies adopted have been consistently applied to all the years presented.

Critical accounting judgements

IPSAS requires accounting judgements to be made in determining accounting policies that impact the presentation of these financial statements. The most critical of these judgements, and their impact, are:

Recognition of revenue

A revenue is an increase in the net financial position, other than increases arising from ownership contributions. Revenue is required to be measured when the event occurs and when recognition criteria (probable inflow of resources and ability to reliably measure their value) are met. Judgment is required to determine if these criteria are met, particularly where limited evidence is available at the time the revenue is earned.

Recognition of non-exchange expenses and liabilities

A liability is a present obligation of Ministry for an outflow of resources that results from a past event. Expenses (and other liabilities) are recognized when there is a present obligation (legal or constructive) as a result of a past event. An outflow of resources embodying economic benefits will probably be required to settle the obligation and a reliable estimate of the obligation can be made. Judgment is required in assessing each of these conditions, and therefore reporting if an expense and a present obligation should be reported.

The Ministry pursues a number of policy targets and outcomes. However, the commitment to these targets and outcomes, generally, do not of themselves constitute a present obligation unless the

Ministry of Defence

Annual Reports and Financial Statements for the year ended June 30, 2025.

Ministry is clear on the cost it intends to incur, when payment will be made, and to whom and as a consequence has raised a valid expectation. As a consequence, liabilities are not reported for costs associated with the Ministry policy objectives and targets. Where a policy choice gives rise to an obligation that exists independently of the *MDAs* future actions, expenses (and other related liabilities) are recognized for that policy.

Purpose and nature of financial instruments

Judgment is required in determining whether financial assets (including investment in securities and advances) and financial liabilities are held for trading or to provide a return through interest and principal transactions. Depending on that judgment, financial instruments will be reported at fair value or on an amortized cost basis.

Climate change obligations

Kenya's current National Determined Contribution (NDC) to deliver on the goals of the Paris Agreement sets a headline target of a 32 per cent emission reduction by 2030 relative to the business-as-usual scenario of 143 MtCO₂eq. *MDAs* commitment to climate change action does not constitute a present obligation on the balance sheet but are disclosed separately.

Physical assets

An asset is a resource presently controlled by the Ministry because of a past event. The primary reason for holding property, plant and equipment and other assets is for their service potential rather than their ability to generate cash flows. Because of the types of services provided, a significant proportion of assets used by public sector entities including roads, national parks, heritage buildings etc are specialized in nature. There may be a limited market for such assets and so judgement is required on measurement. Judgment is also required whether assets are held for commercial purposes or public benefit purposes.

Notes to the Financial Statements (Continued)

3. Adoption of New and Revised Standards

i) *New and amended standards and interpretations in issue effective in the year ended 30 June 2025.*

There were no new and amended standards issued in the financial year.

ii) *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025.*

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an MDA.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>
IPSAS 45- Property Plant and Equipment	<p><i>Applicable 1st January 2025</i></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets,</p>

Standard	Effective date and impact:
	<p>implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p>
<p>IPSAS 46 Measurement</p>	<p><i>Applicable 1st January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
<p>IPSAS 47- Revenue</p>	<p><i>Applicable 1st January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an MDA shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
<p>IPSAS 48- Transfer Expenses</p>	<p><i>Applicable 1st January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for</p>

Standard	Effective date and impact:
	public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.
IPSAS 49- Retirement Benefit Plans	<p><i>Applicable 1st January 2026</i></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p>
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<p><i>Applicable 1st January 2027</i></p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ol style="list-style-type: none"> i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.

iii) Early adoption of standards

The MDA did not early – adopt any new or amended standards in the financial year.

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

The Ministry recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the Ministry and the fair value of the asset can be measured reliably.

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Ministry and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development grants are recognized in the statement of financial performance after meeting the revenue recognition criteria. Conditional grants are recognized as revenue upon fulfilment of the set conditions.

ii) Revenue from exchange transactions

Rendering of services

The Ministry recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

Rental income

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

b) Budget information

The original budget for FY 2024/25 was approved by the National Assembly on *June 2024*. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Ministry upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Ministry recorded additional appropriations of **6.23B** on the 2024/25 budget following the governing body's approval. The Ministry's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of cash flows has been presented under page 10 of these financial statements.

c) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 3-year period. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the

carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

d) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Ministry recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

e) Right of use asset

The right-of-use assets comprises the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the Ministry incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IPSAS 21 or IPSAS 26. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Ministry expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the statement of financial position.

Notes to the Financial Statements (Continued)

f) Tangible Natural Resources

The Ministry recognises a tangible natural resource recognized if, and only if: It is probable that service potential associated with the natural resource will flow to the Ministry; the Ministry controls the tangible natural resource because of past events; and the tangible natural resource can be measured reliably. Where this criterion is not met, the Ministry discloses the tangible natural resource in the notes to the financial statements. Where a tangible natural resource is recognized as an asset as the result of an event that is not a transaction in an orderly market, including non-exchange transactions, the asset shall be measured initially at its deemed cost. An MDA shall apply IPSAS 46, Measurement, when measuring the deemed cost of such a recognized tangible natural resource. A recognized tangible natural resource acquired through an exchange transaction shall be measured at its cost. Historical cost model is applied after initial recognition less any depreciation and impairment losses.

g) Leases

Finance leases are leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Ministry. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Ministry also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Ministry will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Notes to the Financial Statements (Continued)

h) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite.

i) Research and development costs

The Ministry expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Ministry can demonstrate:

- i) The technical feasibility of completing the asset so that the asset will be available for use or sale
- ii) Its intention to complete and its ability to use or sell the asset
- iii) How the asset will generate future economic benefits or service potential
- iv) The availability of resources to complete the asset
- v) The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

j) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Ministry does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Ministry's financial statements. A financial instrument is any contract that gives rise to a financial asset of one Ministry and a financial liability or equity instrument of another Ministry. At initial recognition, the Ministry measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

a) Financial assets

Classification of financial assets

The Ministry classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the Ministry's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless the Ministry has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

Based on the business model and the cash flow characteristics, the Ministry classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Notes to the Financial Statements (Continued)

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the Ministry manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Impairment

The Ministry assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The Ministry recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in *Note 27*.

b) Financial liabilities

Classification

The Ministry classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

Notes to the Financial Statements (Continued)

k) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- i) Raw materials: purchase cost using the weighted average cost method.
- ii) Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the *Ministry*.

l) Provisions

Provisions are recognized when the Ministry has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Ministry expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Notes to the Financial Statements (Continued)

m) Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The Ministry recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the Ministry will incur in fulfilling the present obligations represented by the liability.

n) Contingent liabilities

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

o) Contingent assets

The Ministry does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Ministry in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

p) Nature and purpose of reserves

The Ministry creates and maintains reserves in terms of specific requirements. However, the Ministry has no reserves

q) Changes in accounting policies and estimates

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

r) Employee benefits

Retirement benefit plans

The Ministry provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which the Ministry pays fixed contributions into NSSF and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

s) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. At each reporting date, foreign currency monetary items are translated using the closing rate. Non-monetary items measured in historical cost are translated using the exchange rate at the date of the transaction, and those measured at fair value are translated using the exchange rates at the date when the fair value was determined. Exchange differences arising from the settlement of monetary items or translation of monetary/non-monetary items at rates different from those at which they were initially reported are recognized in surplus or deficit in the period.

t) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

u) Related parties

The Ministry regards a related party as a person or a Ministry with the ability to exert control individually or jointly, or to exercise significant influence over the *Ministry*, or vice versa. Members of key management are regarded as related parties and comprise Cabinet Secretary, Principal Secretary and Chief of Defence Forces, KDF Service Commanders.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

v) Service concession arrangements

The Ministry analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Ministry recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price.

In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Ministry also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

w) 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.

x) Comparative figures

In preparing these financial statements, the Ministry has elected to apply paragraph 79 of IPSAS 33, which allows for the election by a Ministry to present one statement of financial performance, one statement of cash flow, one statement of net assets and the statement of financial position and an opening statement of financial position as at the time of first-time adoption of the accrual basis of accounting.

y) 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, 2025.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

5. Significant Judgments and Sources of Estimation Uncertainty

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

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 Ministry 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 Ministry. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual value

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 by the Ministry.
- 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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 42.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Notes to the Financial Statements (Continued)

6. Transfers from Exchequer

Nature of transfer	Amount recognized to Statement of Financial performance	Amount deferred under deferred income	Total transfers Period ended June 30 2025
	Kshs	Kshs	Kshs
Recurrent	172,163,412,337	-	172,163,412,337
Development	-	-	-
Total	172,163,412,337	-	172,163,412,337

7. Transfers from Other Government entities

Name Of The Entity Sending The Grant/Transfer	Amount recognized to Statement of Financial performance	Amount deferred under deferred income	Total Transfers FY 2024/2025
	Kshs	Kshs	Kshs
Ministry/State Department			
Pensions	88,501,621		88,501,621
RDCTC	3,886,441		3,886,441
Total Transfers from Other Government entities	92,388,062	-	92,388,062

8. Transfers from Domestic and Foreign Partners

Description	Total transfers Period ended June 2025
	Kshs
Grants in Cash from Bilateral donors	-
Grants in Cash from Multilateral donors	-

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Grants in Kind from Bilateral donors	-
Grants in Kind from Multilateral donors	-
Direct Payments 8(a)	2,978,324,360
Other Public Donations (Specify)	-
Total Transfers from Domestic and Foreign Partners	2,978,324,360

8(a) Details on Transfers from domestic and foreign partners

Name Of The MDA Sending The Grant/Transfer	Amount recognized to Statement of Financial performance Kshs	Amount deferred under deferred income Kshs	Total transfers 2024-2025
			Kshs
ECA Modernization Programme	2,978,324,360	-	2,978,324,360
Total	2,978,324,360	-	2,978,324,360

9. Penalties and levies

Description	FY 2024/2025 Kshs
Fuel Levy	-
Petroleum Development levy	-
Fines	-
Penalties	-
forfeitures	-
Other Levies – Rent from MOD housing	-
Total	-

(Provide brief explanation for this revenue)

10. Reimbursement and Refunds

Description	FY 2024/2025 KShs
African Union	-
European Union	-
Others (specify)	-
Total	-

11. Licenses, Fees and Permits

Description	FY 2024/2025
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	Kshs
Licenses	-
Fees	-
Permits	-
Total	-

12. Rendering of Services

Description	FY 2024/2025
	KShs
Audit	-
Security	-
Service Fees	-
Other fees	-
Total	-

13. Rental Revenue from Facilities and Equipment

Description	FY 2024/2025
	Kshs
Rent	604,652,003
Property income	-
Contingent Rentals*	-
Others specify	-
Total	604,652,003

This represent rental income the Ministry withholds for A-in-A

14. Finance Income

Description	FY 2024/2025
	Kshs
Interest from Cash investments and fixed deposits	-
Interest income from Treasury Bills	-
Interest income from Treasury Bonds	-
Interest from outstanding debtors	-
Others (specify)	-
Total	-

15. Other Incomes

Description	FY 2024/2025
	Kshs
Insurance recoveries	-

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Sale of incidental goods	-
Sale of market establishments	-
Sale of non-market establishment	-
Administrative fees and charges	-
Bulk infrastructure levies	-
Income from profits and dividends	-
Infrastructure improvement fee	-
Income from sale of tender	-
Services concession income	-
Skills development levy	-
Agency fee	-
Other incomes not specified elsewhere	-
Total other income	-

16. Employee Costs

Description	FY 2024/2025
	Kshs
Basic salaries of permanent employees	1,212,247,436
Basic wages of temporary employees	-
Personal allowances – part of salary	993,407,555
Other social benefit schemes	49,056,345
Other personnel costs	-
Total Employee costs	2,254,711,336

17. Use of Goods and Services

Description	FY 2024/2025
	Kshs
Communication, supplies and services	5,548,137
Domestic travel and subsistence	19,134,271
Foreign travel and subsistence	14,459,653
Printing, advertising, and information supplies & services	9,737,415
Rentals of produced assets	
Training expenses	24,280,413
Hospitality supplies and services	13,100,149
Insurance costs	-
Specialized materials and services	31,706,739
Bank Charges	-

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Office and general supplies and services	17,356,465
Fuel Oil and Lubricants	15,497,644
Routine maintenance – vehicles and other transport equipment	9,659,002
Routine maintenance – other assets	4,949,030
Other operating expenses	235,237,100
Gratuity Expenses Civil Servants	100,000
Total Use of Goods and Services	400,766,018

17(a) Use of Goods and Services KDF Expenses

Description	FY 2024/2025
	Kshs
KDF Expenses	139,943,389,291
National Air Support Department	228,344,223
Transfers to Projects	-
Total KDF Expenses	140,171,733,514

18. Transfers to Other Government Entities

Description	Period ended June 2025
	Kshs
Transfers to national govt entities- SAGAs & SC	-
Kenya Space Agency	312,500,000
National Defence University	354,100,000
National Security Telecommunication Services	300,000,000
Ulinzi Prime Health Services	150,000,000
Kenya Ordnance Factories Corporation	235,000,000
National Peace Support Operations Fund	500,000,000
Total Transfers to Other Government Entities	1,851,600,000

19. Other Expenses

Description	Period ended June 2025
	Kshs
Pensions	88,501,621
RCTDC	3,886,441
ECA Mordernization Programme	2,978,324,360
Total Commissioner's Expenses	3,070,712,422

20. Depreciation and Amortization Expense

Description	FY 2024/2025
	Kshs
Property, plant and equipment	466,527
Intangible assets	-
Investment property carried at cost	-
Total	466,527

21. Other Grants and Subsidies

Description	FY 2024/2025
	Kshs
Membership dues and subscriptions to international organizations	-
Scholarships and other educational benefits	-
Emergency relief and refugee assistance	-
Grants to small businesses, cooperatives, and self employed	-
Grants to foreign government	-
Relief to the disabled, the sick, unemployed	-
Subsidies to Public entities	-
Subsidies to Private entities	-
Total Grants and Subsidies	-

22. Finance Costs

Description	FY 2024/2025
	Kshs
Interest Payments on Foreign Borrowings	-
Interest Payments on Guaranteed Debt Taken over by Govt	-
Interest on Domestic Borrowings (Non-Govt)	-
Interest on Borrowings from Other Government Units	-
Interest on bank overdrafts	-
Interest on loans from commercial banks	-
Total finance costs	-

Borrowing costs that relate to interest expense on acquisition of non-current assets and do not qualify for Capitalisation as per IPSAS 5: on borrowing costs should be included under this note.)

23. Social Benefits

Description	FY 2024/2025
	Kshs
Transfers to the elderly	-
Transfers to orphans	-

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Transfers to the physically challenged	-
Total social benefit expenses	-

24. Gain/Loss on Sale of Assets

Description	FY 2024/2025
	Kshs
	-
Property, plant and equipment	-
Intangible assets	-
Other assets not capitalised	-
Total gain on sale of assets	-

25. Gain/Loss on Foreign Exchange

Description	FY 2024/2025
	Kshs
Gain or loss on foreign exchange transactions	-
Gain or loss on balances in foreign exchanges	-
Total	-

26. Gain/Loss on Fair Value Investments

Description	FY 2024/2025
	Kshs
Investments at Fair Value	-
Total Gain	-

27. Impairment Loss

Description	FY 2024/2025
	Kshs
Property, Plant and Equipment	-
Intangible Assets	-
Inventory	-
Total Impairment Loss	-

28. Taxation

Description	FY 2024/2025
	Kshs
Current income tax charge	-
Tax charged on rental income	-
Tax charged on interest income	-
Deferred tax	-
Original and reversal of temporary differences	-
Income tax expense reported in the statement of financial performance	-

Notes to the Financial Statements (Continued)

29. Cash and Cash Equivalents

Description	FY 2024/2025	Opening statement 1 st July 2024
	Kshs	Kshs
Recurrent Account	134,569	407,170
Development Account	-	99,645
Deposits Account	4,001,080,638	2,722,874,298
KDF Escrow	467,926,381	530,546,997
Ulinzi Sports Complex	770,497	770,497
Cash on Hand	-	-
Mobile Money Accounts	-	-
	-	
Total	4,469,912,085	3,254,698,607

29 (a) Detailed Analysis of the Cash and Cash Equivalents

		FY 2024/2025	Opening statement 1 st July 2024
Financial Institution	Account number	Kshs	Kshs
Recurrent Account	1000181435	134,569	407,170
Development Accounts	1000415517	-	99,645
Deposit Account-	1000182032	4,001,080,638	2,722,874,298
Escrow-	1000500964	467,926,381	530,546,997
Ulinzi Sports Complex	1000477873	770,497	770,497
Cash on Hand		-	-
Mobile Money Accounts		-	-
Sub- Total		4,469,912,085	3,254,191,792
Grand Total		4,469,912,085	3,254,598,962

Notes to the Financial Statements (Continued)

30. Receivables from Exchange Transactions

Description	FY 2024/2025	Opening statement
	Kshs	1 st July 2024
Advance Payments	5,745,945,685	-
Less: impairment allowance	(-)	-
Total Receivables	5,745,945,685	-
a) Current receivables	5,745,945,685	-
b) Non-current receivables	-	-
Total receivables (a+b)	5,745,945,685	-

30 (a) Ageing analysis for Receivables

Description	FY 2024/2025		Opening statement	
	Kshs		Kshs	
	FY 2024/2025	% of the total	1 st July 2024	% of the total
Less than 1 year	5,745,945,685	100%	-	-
Between 1- 2 years	-	-	-	-
Between 2-3 years	-	-	-	-
Over 3 years	-	-	-	-
Total (a+b)	5,745,945,685	100%	-	-

30 (b) Reconciliation for Impairment Allowance on Receivables from Exchange Transactions

Impairment allowance	FY 2024/2025
	Kshs
At the beginning of the year	-
Additional allowance during the year	-
Recovered during the year	-
Written off during the year	-
At the end of the year	-

Notes to the Financial Statements (Continued)

31 Receivables from Non-Exchange Transactions

Description	FY 2024/2025		Opening Statement 1 st July 2024	
	Kshs		Kshs	
Property tax debtors	-		-	
Levies, fines, and penalties	-		-	
Licences, fees and permits	-		-	
Other debtors (non-exchange transactions)	-		-	
Less: impairment allowance	-		-	
Total receivables from non- exchange transactions	-		-	
Ageing Analysis- Receivables from non-exchange transactions	FY 2024/2025	% of the total	Opening Statement 1 st July 2024	% of the total
Less than 1 year	-	%	-	%
Between 1-2 years	-	%	-	%
Over 3 years	-	%	-	%
Total	-	%	-	%

31 (b) Reconciliation for Impairment Allowance on Receivables from Non-Exchange Transactions

Description	FY 2024/2025
	Kshs
At the beginning of the year	-
Additional allowances during the year	-
Recovered during the year	-
Written off during the year	-
At the end of the year	-

32 Inventories

Description	FY 2024/2025		Opening Statement 1 st July 2024	
	Kshs		Kshs	
Consumable stores	-		-	
Goods held for distribution	-		-	
Spare parts and meters	-		-	

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Less: allowance for impairment	-	-
Total	-	-

Detailed disclosure on inventories

	<i>FY 2024/2025</i>
Opening balance	-
Additional Inventory in the year	-
Inventory expensed in the year	-
Write-downs in the year	-
Closing balance	-

33 Investments

Description	<i>FY</i>	<i>Opening</i>
	<i>2024/2025</i>	<i>Statement</i>
		<i>1st July</i>
		<i>2024</i>
	Kshs	Kshs
a) Investment in Treasury bills and bonds		
Financial institution		
CBK	-	-
Sub- total	-	-
b) Investment with Financial Institutions/ Banks	-	-
Bank	-	-
Bank	-	-
Sub- total	-	-
c) Equity investments (specify)	-	-
Equity/ shares in MDA	-	-
Sub- total	-	-
Grand total	-	-
Analysed as:	-	-
Current Portion of Investments	-	-
Non-current portion of investments.	-	-

d) Movement of Equity Investments

Description	<i>FY 2024/2025</i>
	Kshs
At the beginning of the year	-
Purchase of investments in the year	-

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Sale of investments during the year	-
Increase /(decrease) in fair value of investments	-
At the end of the year	-

e) Shareholding in other entities

For investments in equity share listed under note 33 above, list down the equity investments under the following categories:

Name of MDA where investment is held	No of shares			Nominal value of shares	Fair value of shares	Fair value of shares		
	Direct shareholding	Indirect shareholding	Current year				FY 2024/2025	Opening Statement 1 st July 2024
	%	%	Kshs				Kshs	Kshs
MDA A	-	-	-	-	-	-		
MDA B	-	-	-	-	-	-		
MDA C	-	-	-	-	-	-		
	-	-	-	-	-	-		

Notes to the Financial Statements (Continued)

34 Property, Plant, and Equipment

Description	Land	Buildings	Motor vehicles	Furniture and fittings	Computers & ICT Equipment	Other Assets (specify)*	Capital Work in progress	Total
Depreciation Rate		2%	12.50%	12.50%	33.3%	12.50%		
Cost	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Opening Bal as 1 st July 2024	-	-	-	-	-	-	-	-
Additions	-	-	-	-	1,399,581	-	-	1,399,581
Disposals	-	-	-	-	-	-	-	-
Transfer/Adjustments	-	-	-	-	-	-	-	-
As At 30 June 2025	-	-	-	-	1,399,581	-	-	1,399,581
Depreciation And Impairment								-
Depreciation	-	-	-	-	466,527	-	-	466,527
Disposals	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-
Transfer/Adjustment	-	-	-	-	-	-	-	-
As At 30 June 2025	-	-	-	-	466,527	-	-	466,527
Net Book Values								
Opening Bal as at 1 st July 2024	-	-	-	-	-	-	-	-
As At 30 June 2025	-	-	-	-	933,054	-	-	933,054

Notes to the Financial Statements (Continued)

Valuation

Items of PPE are valued at Historical cost at the point of recognition in the financial statements. Where historical cost is not available or the item has been acquired at, PPE has been valued at the current operational value which is the amount the Ministry would pay for the remaining service potential of an asset at the measurement date.

35 Right- of-use assets

	Buildings	Motor vehicles	Plant and equipment	Total
	Kshs	Kshs	Kshs	Kshs
Cost				
As at 1 July 2024	-	-	-	-
Additions	-	-	-	-
As at 30 June 2025	-	-	-	-
Accumulated Depreciation				
As at 1 July 2024	-	-	-	-
Charge for the year	-	-	-	-
As at 30 June 2025	-	-	-	-
Carrying Amount				
As at 30 June 2025	-	-	-	-

Notes to the Financial Statements (Continued)

36 Intangible Assets

Description	FY 2024/2025
	Kshs
Cost	
At beginning of the year	-
Additions	-
Disposal	-
At end of the year	-
Opening Bal 1st July	-
Additions-internal development	-
Disposal	-
At end of the year	-
Amortization and impairment	-
At beginning of the year	-
Amortization	-
At end of the year	-
Impairment loss	-
At end of the year	-
NBV	-

37 Investment Property

Description	FY 2024/2025
	Kshs
At beginning of the year	-
Additions	-
Disposal during the year	-
Depreciation	-
Impairment	-
At end of the year	-

(This note applies to investment property held at cost. For investment property held at fair value, changes in fair value should go through the statement of financial performance).

Notes to the Financial Statements (Continued)

38 Biological Assets

Description	FY 2024/2025	Opening Statement
	Kshs	1 st July 2024
Trees in a plantation forest	-	-
Animals: Dairy Cattle, Pigs, Sheep	-	-
Fruit Trees	-	-
Total	-	-

39 Tangible Natural Resources

	Sub- soil assets	Water	Wildlife	Total
	Kshs	Kshs	Kshs	Kshs
Cost				
As at 1 July 2024	-	-	-	-
Additions	-	-	-	-
As at 30 June 2025	-	-	-	-
Accumulated Depreciation				
As at 1 July 2024	-	-	-	-
Charge for the year	-	-	-	-
As at 30 June 2025	-	-	-	-
Carrying Amount				
As at 30 June 2025	-	-	-	-

Notes to the Financial Statements (Continued)

40 Trade and Other Payables

Description	FY 2024/2025		Opening Statement 1st July 2024	
	Kshs		Kshs	
Trade payables	-		-	
Payments received in advance	-		-	
Employee payables	-		-	
Third-party payments	-		-	
Other payables	-		-	
Total trade and other payables	-		-	
Ageing analysis: (Trade and other payables)	Current FY	% of the Total	1st July	% of the Total
Under one year	-	%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total (tie to above total)	-		-	

Notes to the Financial Statements (Continued)

41 Refundable Deposits and Prepayments

Description	FY 2024/2025		Opening Statement 1st July 2024	
	Kshs		Kshs	
Ulinzi Sports Complex deposit	770,497		770,497	
KDF Escrow	467,926,381		530,546,997	
Other deposits	4,001,080,638		2,722,874,298	
Total deposits	4,469,777,516		3,254,191,762	
Ageing analysis: (Refundable deposits)	Current FY	% of the Total	1st July	% of the Total
Under one year	3,353,285,769	75%	2,549,302,029	78%
1-2 years	298,440,415	7%	255,027,741	8%
2-3 years	373,205,659	8%	252,538,780	8%
Over 3 years	444,845,673	10%	197,323,211	6%
Total	4,469,777,516		3,254,191,762	

42 Provisions

Description	Leave provision	Bonus provision	Gratuity Provision	Other provision	Total
	Kshs	Kshs	Kshs	Kshs	Kshs
Opening bal 1 st July	-	-	-	-	-
Additional provisions	-	-	-	-	-
Provision utilised	-	-	-	-	-
Change due to discount and time value for money	-	-	-	-	-
Total provisions year end	-	-	-	-	-
Current Provisions	-	-	-	-	-
Non-current Provisions	-	-	-	-	-

Notes to the Financial Statements (Continued)

43 Lease Liability

Description	FY 2024/2025
	Kshs
At the start of the year	-
Discount interest on lease liability	-
Paid during the year	-
At end of the year	-

Maturity Analysis

Period	Amount
Year 1	-
Year 2	-
Year 3	-
Year 4	-
Year 5 And Onwards	-
Less: Unearned Interest	-
	-

Analysed as:

Description	Amount
Current	-
Non- Current	-
Total	-

44 Deferred Income

Description	FY 2024/2025	Opening Statement 1st July 2024
	Kshs	Kshs
National Government	-	-
International Funders	-	-
Public Contributions and Donations	-	-
Total Deferred Income	-	-

Analysed as:

Description	Amount
Current	-
Non- Current	-

Total	-
-------	---

Notes to the Financial Statements (Continued)

The deferred income movement is as follows:

	National government	International funders	Public contributions and donations	Total
	Kshs	Kshs	Kshs	Kshs
Balance Brought Forward	-	-	-	-
Additions	-	-	-	-
Transfers To Capital Fund	-	-	-	-
Transfers To Income Statement	-	-	-	-
Other Transfers	-	-	-	-
Balance Carried Forward	-	-	-	-

45 Employee Benefit Obligations

Description	Defined benefit plan	Post-employment medical benefits	Other Benefits	Opening Bal As At 1 st July 2024	FY 2024/2025
	Kshs	Kshs	Kshs	Kshs	Kshs
Current Benefit Obligation	-	-	-	-	-
Non-Current Benefit Obligation	-	-	-	-	-
Total Employee Benefits Obligation	-	-	-	-	-

Notes to the Financial Statements (Continued)

	<i>FY 2024/2025</i>
Discount Rates	-
Future Salary Increases	-
Future Pension Increases	-
Mortality (Pre- Retirement)	-
Mortality (Post- Retirement)	-
Withdrawals	-
Ill Health	-
Retirement	-

Recognition of Retirement Benefit Asset/ Liability

a) Amounts recognised under other gains/ Losses in the statement of Financial Performance:

	<i>FY 2024/2025</i>	<i>Opening Statement 1st July 2024</i>
Description	Kshs	Kshs
The return on defined plan assets	-	-
Actuarial gains/ losses arising from changes in demographic assumptions	-	-
Actuarial gains/ losses arising from changes in financial assumptions	-	-
Actuarial gains and losses arising from experience adjustments	-	-
Others (specify)	-	-
Adjustments for restrictions on the defined benefit asset	-	-
Remeasurement of the net defined benefit liability (asset)	-	-

Notes to the Financial Statements (Continued)

b) Amounts recognised in the Statement of Financial Position

	<i>FY 2024/2025</i>	<i>Opening Statement 1st July 2024</i>
Description	Kshs	Kshs
Present value of defined benefit obligations(a)	-	-
Fair value of plan assets(b)	-	-
Funded status(=a-b)	-	-
Restrictions on asset recognised	-	-
Others	-	-
Net asset or liability arising from defined benefit obligation	-	-

The MDA also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The MDA's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at a maximum limit of Kshs.2,160. per employee per month.

46 Borrowings

	<i>FY 2024/2025</i>	<i>Opening Statement 1st July 2024</i>
Description	Kshs	Kshs
a) External borrowings		
Balance at beginning of the year	-	-
External borrowings during the year	-	-
Repayments of during the year	-	-
Balance at end of the year	-	-
b) Domestic borrowings		
Balance at beginning of the year	-	-
Domestic borrowings during the year	-	-
Repayments during the year	-	-
Balance at end of the year	-	-
Balance at end of the period- domestic and External borrowings c = a+b	-	-

The analyses of both external and domestic borrowings are as follows:

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	<i>FY 2024/2025</i>	<i>Opening Statement 1st July 2024</i>
	Kshs	Kshs
External Borrowings		
Dollar Denominated Loan	-	-
Sterling Pound Denominated Loan	-	-
Euro Denominated Loan	-	-
Domestic Borrowings	-	-
Kenya Shilling Loan From KCB	-	-
Kenya Shilling Loan From Barclays Bank	-	-
Kenya Shilling Loan From Consolidated Bank	-	-
Total Balance At End Of The Year	-	-

	<i>FY 2024/2025</i>	<i>Opening Statement 1st July 2024</i>
Description	Kshs	Kshs
Short Term Borrowings (Current Portion)	-	-
Long Term Borrowings	-	-
Total	-	-

(NB: the total of this statement should tie to note 43 totals. Current portion of borrowings are those borrowings that are payable within one year or the next financial year. Additional disclosures on terms of borrowings, nature of borrowings, security and interest rates should be disclosed).

Notes to the Financial Statements (Continued)

47 Social Benefit Liability

Description	FY 2024/2025	Opening Statement 1st July 2024
	Kshs	Kshs
Health social benefit scheme	-	-
Unemployment social benefit scheme	-	-
Orphaned and vulnerable benefit scheme	-	-
Elderly social benefit scheme	-	-
Disability social benefits	-	-
Total	-	-
	-	-
Current social benefits	-	-
Non- current social benefits	-	-
Total (tie to totals above)	-	-

Social benefit schemes include benefits such as cash transfers for unemployment or elderly in line with IPSAS 42. They are incurred to mitigate against a certain social risk e.g poverty, age, unemployment among others.

48 Service Concession Arrangements Liability

Description	FY 2024/2025	Opening Statement 1st July 2024
		Kshs
Fair value of service concession assets recognized under PPE	-	-
Accumulated depreciation to date	-	-
Net carrying amount	-	-
Service concession liability at beginning of the year	-	-
Service concession revenue recognized	-	-
Service concession liability at end of the year	-	-

Notes to the Financial Statements (Continued)

49 Cash Generated from Operations

	Period ended Period ended Jun 2025
	Kshs
Surplus for the period before tax	28,088,786,945
Adjusted for:	
Depreciation	466,527
Less: Non-cash grants received	-
Contributed assets	(-)
Impairment	-
Gains and losses on disposal of assets	-
Contribution to provisions	-
Contribution to impairment allowance	-
Working capital adjustments	
Increase in inventory	-
Increase in receivables	- 5,745,945,685
Increase in deferred income	-
Increase in refundable deposits	1,215,585,724
Decrease in payables	- 22,341,773,637
Increase in payments received in advance	
Net cash flow from operating activities	1,217,119,874

(The total of this statement should tie to the cash flow section on net cash flows from/ used in operations)

50 Financial Risk Management

The MDA's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The MDA'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 MDA 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 MDA's financial risk management objectives and policies are detailed below:

i) Credit risk

The MDA has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the MDA'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 MDA's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
As at 30 June 2025				
Receivables from exchange transactions	5,745,945,685	5,745,945,685	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	4,469,912,085	4,469,912,085	-	-
Total	10,215,857,770	10,215,857,770	-	-

(NB: The totals column should tie to the individual elements of credit risk disclosed in the MDA's statement of financial position)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the MDA has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The MDA has significant concentration of credit risk on amounts due from OX. The board of directors sets the MDA's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

ii) **Liquidity risk management**

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

The table below represents cash flows payable by the MDA under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
As at 30 June 2025				
Trade payables-deposits	4,469,777,516	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	4,469,777,516	-	-	-

iii) Market risk

The MDA has put in place an internal audit function to assist it in assessing the risk faced by the MDA on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the MDA's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The MDA's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the MDA's exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign currency risk

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The MDA has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate. The MDA manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

The carrying amount of the Ministry's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

FY 2025

	In Kshs	Other currencies	Total
	Kshs	Kshs	Kshs
As At 30 June 2024			
Financial Assets	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors	-	-	-
Total Financial Assets	-	-	-
Financial Liabilities			
Trade And Other Payables	-	-	-
Borrowings	-	-	-
Total Financial Liabilities	-	-	-
Net Foreign Currency Asset/(Liability)	-	-	-

Foreign currency sensitivity analysis

FY 2025

	In Kshs	Other currencies	Total
	Kshs	Kshs	Kshs
As At 30 June 2025			
Financial Assets	-	-	-
Investments	-	-	-
Cash	-	-	-

Debtors	-	-	-
Total Financial Assets	-	-	-
Financial Liabilities			
Trade And Other Payables	-	-	-
Borrowings	-	-	-
Total Financial Liabilities	-	-	-
Net Foreign Currency Asset/(Liability)	-	-	-

The following table demonstrates the effect on the MDA's statement of comprehensive income on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

	Change in currency rate	Effect on Profit before tax	Effect on Equity/Net assets
	Kshs	Kshs	Kshs
2025			
Euro	10%	-	-
USD	10%	-	-

b) Interest rate risk

Interest rate risk is the risk that the MDA's financial condition may be adversely affected as a result of changes in interest rate levels. The MDA's interest rate risk arises from bank deposits. This exposes the MDA to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the MDA's deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

Financial Risk Management

Sensitivity analysis

The Ministry analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

Fair value of financial assets and liabilities

a) Financial instruments measured at fair value.

Determination of fair value and fair values hierarchy

IPSAS 30 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Ministry's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Ministry considers relevant and observable market prices in its valuations where possible.

The following table shows an analysis of financial and non- financial instruments recorded at fair value by level of the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
	Kshs	Kshs	Kshs	Kshs
As At 30 June 20xx				
Financial Assets				
Quoted Equity Investments	-	-	-	-
Non- Financial Assets	-	-	-	-
Investment Property	-	-	-	-
Land And Buildings	-	-	-	-
	-	-	-	-

There were no transfers between levels 1, 2 and 3 during the year. Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

Notes to the Financial Statements (Continued)

iv) Capital Risk Management

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

	<i>FY 2024/2025</i>
	Kshs
Revaluation Reserve	-
Retained Earnings	-
Capital Reserve	-
Total Funds	-
Total Borrowings	-
Less: Cash And Bank Balances	-
Net Debt/(Excess Cash And Cash Equivalents)	-
Gearing	-

51 Related Party Disclosures

Nature of related party relationships

Entities and other parties related to the Ministry 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.

Government of Kenya

The Government of Kenya is the principal shareholder of the Ministry, holding 100% of the MDA's equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the MDA, both domestic and external.

Other related parties include:

- i) County Governments
- ii) Other SCs and SAGAs

Notes to the Financial Statements (Continued)

	<i>FY 2024/2025</i>
	Kshs
Transactions with related parties	
a) Sales to related parties	
Sales of electricity to govt agencies	-
Rent income from govt. Agencies	-
Water sales to govt. Agencies	-
Others (specify) e.g. interest and bank charges	-
Total	-
B) purchases from related parties	
Purchases of electricity from KPLC	-
Purchase of water from govt service providers	-
Rent expenses paid to govt agencies	-
Training and conference fees paid to govt. Agencies	-
Others (specify)	-
Total	-
b) Grants /transfers from the government	
Grants from national govt	172,163,412,337
Pensions Transfers	88,501,621
RDCTC	3,886,441
Transfers for ECA Modernization programme	2,978,324,360
Total	175,234,124,759
c) Expenses incurred on behalf of related party	
Payments of salaries and wages for employees	-
Payments for goods and services	-
Total	-
d) Key management compensation	
Directors' emoluments	-
Compensation to key management	-
Total	175,234,124,759

52 Segment Information

(Where an organisation operates in different geographical regions or in departments, IPSAS 18 on segmental reporting requires an MDA to present segmental information of each geographic region or department to enable users understand the MDA's performance and allocation of resources to different segments)

Notes to the Financial Statements (Continued)

53 Contingent Assets and Contingent Liabilities

Contingent Assets

	<i>FY 2024/2025</i>
	Kshs
Contingent Assets	
Insurance Reimbursements	-
Assets Arising from Determination Of Court Cases	-
Reimbursable Indemnities and Guarantees	12,932,364,446
Receivables From Other Government Entities	-
Others (Specify)	-
Total	12,932,364,446

(Give details)

Contingent Liabilities

	<i>FY 2024/2025</i>
	Kshs
Contingent Liabilities	-
Court Cases against the MDA	2,355,703,541
Bank Guarantees in Favour of Subsidiary	-
Contingent Liabilities arising from Contracts Including PPPs	-
Others (Specify)	-
Total	2,355,703,541

(Give details)

54 Capital Commitments

Capital Commitments	<i>FY 2024/2025</i>
	Kshs
Authorised for	-
Authorised and contracted for	-
Total	-

(NB: Capital commitments are commitments to be carried out in the next financial year and are disclosed in accordance with IPSAS 17. Capital commitments may be those that have been authorised by the board but at the end of the year had not been contracted or those already contracted for and ongoing)

Notes to the Financial Statements (Continued)

55 Program for Results (PforR) Disclosure

This disclosure note is for entities implementing Programs for Results (PforR). Implementing entities are required to make disclosures in accordance with their respective financing agreements. The disclosure should capture the program's goal and expenditures designated in the expenditure framework.

Name of PforR: <i>N/A</i>			Name of Financing Partners: <i>0 and 0</i>			
Expenditure Details*	Opening Cumulative for Previous FYs		Current FY		Total Cumulative	
	Budget	Actual	Budget	Actual	Budget	Actual
Program code						
Sub-program						
Sub-program						
Sub-total						
Program code						
Sub-program						
Sub-program						
Subtotal						
Total	-	-	-	-	-	-

Expenditure Details - Provide the details per your expenditure framework requirements. (Program, sub-program, and or economic Item)*

56 Events after the Reporting Period

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

57 Ultimate And Holding MDA

The MDA ultimate parent is the Government of Kenya.

58 Currency

The financial statements are presented in Kenya Shillings (Kshs) and is rounded off to the nearest shilling.

19. Appendix

Appendix 1: Implementation Status of Auditor-General's Recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

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)
1	<p>Pending Accounts Payable</p> <p>Note 17.2 to the financial statements reflects pending accounts payable balance of Kshs.22,890,340,784 as at 30 June, 2024. The balance relates to pending bills that were not settled during the year under review but were instead carried forward to the financial year 2024/2025.</p> <p>Failure to settle bills during the year to which they relate distorts the financial statements and adversely affects the budgetary provisions for the subsequent year as they form a first charge.</p>	<p>The Management held discussions with the Parliamentary Accounts Committee and is awaiting PAC Report. However the Ministry has settled all pending bills in relation to FY 2023/2024</p>	Resolved	Resolved

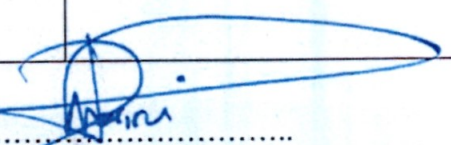
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2	<p align="center">Budgetary Control and Performance</p> <p>The statement of comparison of budget and actual amounts reflected a final receipts budget and actual on comparable basis of Kshs.156,282,889,256 and Kshs.133,731,784,732 respectively, resulting in an overall budget underfunding of Kshs.22,551,104,524 or 14% of budget amount.</p> <p>The under-funding affected the planned activities and programmes of the Ministry, which may have impacted negatively on effective service delivery to the public.</p>	<p>During the current FY2024/2025 under-funding was significant reduced to less than 1%</p>	Resolved	Resolved
3	<p>Stalled Infrastructure Modernization and Development Projects</p> <p>Review of Ministry's project progress reports and project implementation status reports indicated that three (3) projects, initiated between November 2021 to June 2022 with cumulative contract amounts of Kshs.21,946,793,240 and cumulative certified works and payments of Kshs.3,167,246,096 as at 30 June, 2024, had stalled. The projects were all past their expected completion dates. Physical verification carried out in the months of October and December, 2024 revealed that the respective contractors are not on site and no work was ongoing. Further, Management did not disclose measures and strategies put in place to revive and complete the stalled projects whose details are summarized below;</p>	<p>The Ministry planned for and initiated several projects in the Financial Year 2021/22. These projects were to be funded through the MTEF, with</p>	Not Resolved	31 st Dec 2025

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)																																										
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Programme / Project</th> <th style="text-align: center;">Contract Date</th> <th style="text-align: center;">Expected Completion Date</th> <th style="text-align: center;">Estimated Cost</th> <th style="text-align: center;">Payments as at 30 June 24</th> <th style="text-align: center;">Outstanding Obligations as at 30 June 24</th> <th style="text-align: center;">% of Completion</th> </tr> <tr> <td></td> <td></td> <td></td> <th style="text-align: center;">Kshs.</th> <th style="text-align: center;">Kshs.</th> <th style="text-align: center;">Kshs.</th> <td></td> </tr> </thead> <tbody> <tr> <td>Proposed Permanent Camp for 8 Bde HQs & 23 MIB</td> <td style="text-align: center;">14.12.2021</td> <td style="text-align: center;">14.08.2023</td> <td style="text-align: right;">2,809,531,009</td> <td style="text-align: right;">175,000,000</td> <td style="text-align: right;">2,634,531,009</td> <td style="text-align: center;">20%</td> </tr> <tr> <td>Proposed Improvement of 4.2 km road</td> <td style="text-align: center;">21.06.2022</td> <td style="text-align: center;">21.12.2022</td> <td style="text-align: right;">238,178,798</td> <td style="text-align: right;">90,192,000</td> <td style="text-align: right;">147,986,798</td> <td style="text-align: center;">60%</td> </tr> <tr> <td>Proposed FRRH</td> <td style="text-align: center;">18.01.2022</td> <td style="text-align: center;">18.01.2025</td> <td style="text-align: right;">18,899,083,433</td> <td style="text-align: right;">2,902,054,096</td> <td style="text-align: right;">15,997,029,337</td> <td style="text-align: center;">20%</td> </tr> <tr> <td style="text-align: center;">Total</td> <td></td> <td></td> <td style="text-align: right;">21,946,793,240</td> <td style="text-align: right;">3,167,246,096</td> <td style="text-align: right;">18,779,547,143</td> <td></td> </tr> </tbody> </table> <p>In addition, evidence that the contractors renewed their performance bonds was not provided for audit review. This was contrary to Section 72(I) of the Public Finance Management Act, 2012 which states that the Accounting Officer for a national government entity shall— (a) be responsible for the management of the entity's assets and liabilities; and (b) manage those assets in a way which ensures that the national</p>						Programme / Project	Contract Date	Expected Completion Date	Estimated Cost	Payments as at 30 June 24	Outstanding Obligations as at 30 June 24	% of Completion				Kshs.	Kshs.	Kshs.		Proposed Permanent Camp for 8 Bde HQs & 23 MIB	14.12.2021	14.08.2023	2,809,531,009	175,000,000	2,634,531,009	20%	Proposed Improvement of 4.2 km road	21.06.2022	21.12.2022	238,178,798	90,192,000	147,986,798	60%	Proposed FRRH	18.01.2022	18.01.2025	18,899,083,433	2,902,054,096	15,997,029,337	20%	Total			21,946,793,240	3,167,246,096	18,779,547,143		<p>projections that funding for the Ministry would increase over subsequent years. However, the anticipated increase in funding did not materialize, resulting in inadequate budgetary support. In addition, there were delays and shortfalls in exchequer releases from</p>		
Programme / Project	Contract Date	Expected Completion Date	Estimated Cost	Payments as at 30 June 24	Outstanding Obligations as at 30 June 24	% of Completion																																													
			Kshs.	Kshs.	Kshs.																																														
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Total			21,946,793,240	3,167,246,096	18,779,547,143																																														

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)
	<p>government entity achieves value for money in acquiring, using or disposing of those assets. In the circumstances, the value for money for the Kshs.3,167,246,096 incurred on the stalled projects could not be confirmed.</p>	<p>the National Treasury, which constrained the Ministry's ability to make timely payments to contractors. This affected project implementation, leading to stalled works and, in some cases, expiry of construction periods before completion. The Ministry is in the process</p>		

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)
		of extending the contracts to 31 st Jun 2026.		
4	<p>Agency Funding</p> <p>During the year under review, the Ministry of Defence implemented and supervised several projects on behalf of other Ministries, Departments and Agencies amounting to Kshs.2,579,099,711. The Agency funds were received and paid out of Ministry of Defence operational bank accounts. However, as reported in the previous year, management of Agency activities was not done through an Independent Special Purpose Vehicle for purposes of strengthening the internal controls in management and accountability of Agency funds.</p> <p>In the circumstances, there is a risk of inadequate accountability over the funds received from the Ministries, Departments and Agencies due to comingling of funds.</p>	The Ministry sought Authority from National Treasury for opening a Special Bank Account for Management of Agency Funding. This has been achieved.	Resolved	Resolved
5	<p>Enhancement of Governance Systems for Security Related Expenditures</p> <p>During the year under review, the Ministry incurred some expenditure on confidential security operations. A certificate of confidential expenditure was issued, supported by</p>	I wish to state that the Ministry will seek guidance		31 st Mar 2026

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)
	<p>a declaration from the Accounting Officer affirming proper use of funds in compliance with Regulation 101(5) of the Public Finance Management (National Government) Regulations, 2015.</p> <p>There is need, however, to enhance accountability of confidential expenditures through review of the Regulations to clearly define entities eligible for confidential security related expenditures and to specify what constitutes security related operations. Further, entities should establish internal oversight mechanisms and processes that include detailed budget projections and post-operation financial summaries to address risks and ensure responsible use and accountability of the funds, beyond the certificate.</p> <p>The measures will strengthen governance, foster trust, and ensure funds are utilised responsibly without compromising State security.</p>	<p>from the National Treasury in regards to the management of this funds for purposes of strengthening the internal controls as recommended, without compromising State security</p>	<p>Not Resolved</p>	



 Dr. Patrick Mariru, PhD, CBS

Accounting Officer

Date:

Appendix II: Projects implemented by (The MDA)

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
N/A						

Status of Projects completion

Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds

Appendix III: Fixed Asset Register

Asset class	Historical Cost b/f (Kshs) 2023-2024	Additions during the year (Kshs)	Disposals during the year (Kshs)	Transfers in/(out) during the year	Historical Cost c/f (Kshs) 2024-2025
Land					
Buildings and structures	34,834,542	-	-	-	34,834,542
Transport equipment	172,877,089	-	-	-	172,877,089
Office equipment, furniture and fittings	109,665,794	-	-	-	109,665,794
Specialized Plant & Equipment	56,853,909	-	-	-	56,853,909
Computers & ICT Equipment	-	1,399,581	-	-	1,399,581
Biological assets	-	-	-	-	-
Infrastructure Assets- Roads, Rails	-	-	-	-	-
Heritage and cultural assets	-	-	-	-	-
Intangible assets	-	-	-	-	-
Work in Progress	-	-	-	-	-
Total	374,231,334	1,399,581	-	-	375,630,915

Appendix IV: Transfers from Other Government Entities

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Statement of Financial Performance	Where Recorded/recognized				Total Transfers during the Year
					Deferred Income	Receivables	Others - must be specific		
Pensions	Various	Recurrent	88,501,621	88,501,621					88,501,621
RCDTC	Various	Recurrent	3,886,441	3,886,441					3,886,441
Total			92,388,062	92,388,062					92,388,062

Appendix V: Reporting of Climate Relevant Expenditures

Annex 8: Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities					Source of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		
Environmental Rehabilitation	Accelerated tree growing programme	Environmental conservation	Purchase of seedlings and seed balls		20M		10M	MOD	Ministry of Environment Kenya Forest Service (KFS) Kenya Forestry Research Institute (KEFRI) State Dept for Climate Change County Govt Environment Offices
			KDF tree growing exercises		9M		5M		
	Tree nursery support		Purchase of tools and equipment to support DCUs and Unit tree nurseries		6M				

Appendix VI: Disaster Expenditure Reporting Template

Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-Programme	Disaster Type	Category of disaster related Activity that requires expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item (Vote Item)	Amount (Kshs)	Comments
Disaster Management	Mitigation Measures	Disaster Response	Response, Recovery and Mitigation in various parts of the country. a. Kahawa West building collapse. b. South B building collapse. c. Drowning in Athi River.	Refined Fuel and Lubricants	1,997,494	100% achieved
	Mitigation Measures	Insecurity	Mitigation, rehabilitation and renovation works in support of Operation Maliza Uhalifu (OMU) in North Rift. Remedial works and reconstruction of schools affected by banditry activities: a. Turkana County- Kapedo Mixed Secondary School, Lomelo and Lopayat Primary Schools. b. Baringo County- Kositei ,Chemoril, Mukutani, Kapindasum, Arabal and Koloa Primary Schools. c. Samburu County- Pura and Baragoi Primary Schools. d. Elgeyo Marakwet County-Kasokotow Primary School. e. West Pokot County- Cheptulel Boys Secondary School, Cheptulel, Sapulmoi, Cheseгон and Ksaa Primary Schools. f. Laikipia County-Nyakinyua, Milimani, Mwenje, Gatirima,	Minor Alteration to Buildings and Civil Works Refined Fuels and Lubricants Motor Vehicle Operating Expenses	163,633,194 2, 665,000 446,394	100% achieved 100% achieved 100% achieved

			Ngarachi, Thigio, Kirimai, Muteta and Mahua Primary Schools.			
Mitigation Measures	Insecurity	Preparedness-rehabilitation of Elwak, Dadajibula, Diff and Hamey FOBs and 14 Engrs Bn, Kapedo Recruits Training grounds, Thika Garrison and Wajir Airbase Camps.	Minor Alterations to buildings and Civil Works	61,843,935	Boreholes in KDF FOBs and Training Areas which also serve the local communities.	
			Maintenance of Plants and Machinery	1,667,987		
			Maintenance of Engineer Equipment expenses	2,500,789		
			Refined Fuels and Lubricants	1,324,675		
Disaster Preparedness	Drought	Preparedness and Mitigation in North Rift, South Rift, Northern and Eastern regions. a. Borehole drilling in KMTC Chemolingot, Chemolingot Mosque and Chemolingot Multi Agency Command Centre in Baringo County. b. Borehole drilling in Mwai Kibaki Referral Hospital in Nyeri County. c. Borehole drilling in National Police Service College in Embakasi-Nairobi County. d. Borehole drilling in Habalo Ndile and Golole in Marsabit County.	Maintenance of Plant and Machinery	17,852,400	100% achieved	
			Maintenance of Engineer Equipment Expenses	77,500,624		
			Refined Fuels and lubricants	20,565,000		

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Annual Reports and Financial Statements for the year ended June 30, 2025.

			<p>e. Borehole drilling in Kakuyuni in Machakos County.</p> <p>f. Borehole drilling in Mangawani in Kwale County</p> <p>g. Borehole drilling in Makuyu in Murang'a County.</p> <p>h. Borehole drilling in Uthiru and Lari in Kiambu County.</p>			
	Disaster Preparedness		<p>Capacity building.</p> <p>a. Live Agent training (Czech Republic).</p> <p>b. Lectures to KDF Schools.</p> <p>c. Local training on Basic Urban Search and Rescue</p>	<p>Training Expenses</p> <p>Domestic Travel & Accommodation</p> <p>Refined Fuel and Lubricants</p>	<p>4,396,345</p> <p>256,000</p> <p>278,546</p>	<p>100% achieved</p> <p>100% achieved</p> <p>100% achieved</p>

