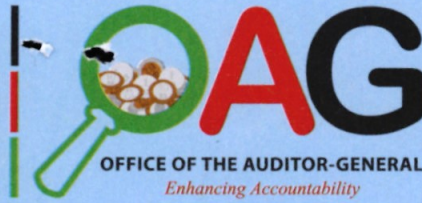


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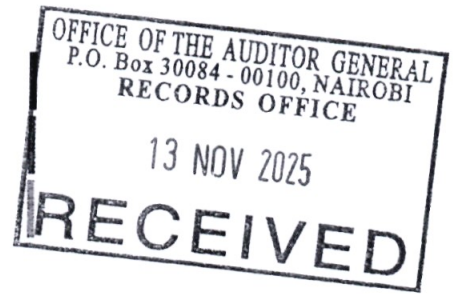
THE AUDITOR-GENERAL

ON

STATE DEPARTMENT FOR TRANSPORT

FOR THE YEAR ENDED 30 JUNE, 2025

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 11 MAR 2026	DAY: WEDNESDAY
TABLED BY:	LEADER OF MAJORITY PARTY HON. OWEN BAYASMP
CLERK-AT-THE-TABLE:	J. LEMERELLE



STATE DEPARTMENT FOR TRANSPORT

**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)**

STATE DEPARTMENT FOR TRANSPORT
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

A.I.A	Appropriation –in-Aid
CBK	Central Bank of Kenya
CS	Cabinet Secretary
HRD	Human Resource Development
ICPAK	Institute of Certified Public Accountants of Kenya
IPPD	Integrated Payroll and Personnel Database
IPSAS	International Public Sector Accounting Standards
KEBS	Kenya Bureau of Standards
KECOSO	Kenya Communications Sports Organization
KISM	Kenya Institute of Supplies Management
LAPSSET	Lamu Port –South Sudan-Ethiopia-Transport
MHRMAC	Ministerial Human Resource Management Advisory Committee
NITA	National Industrial Training Authority
OAG	Office of the Auditor General
OCOB	Office of the Controller of Budget
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PPE	Property Plant & Equipment
PPRA	Public Procurement Regulatory Authority
PS	Principal Secretary
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies
SC	State Corporations
TNT	The National Treasury
WB	World Bank

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 Information and Management

(a) Background information

The State Department for Transport, vide the Executive Order No.1 of 2023 (Issued in January 2023) was placed under the Ministry of Roads and Transport. The Ministry is headed by Cabinet Secretary while the State Department for Transport is under leadership of Principal Secretary, responsible for the general policy and strategic direction of the Department

Mandate

The Executive Order No.1 of 2023 (Issued in January 2023) on Organization of the Government of the Republic of Kenya vests the leadership of the Ministry of Road and Transport under the Cabinet Secretary. In relation to transport, the Cabinet Secretary oversees and coordinates the implementation of the following functions;

1. Transport Policy Management
2. Rail Transport and Infrastructure Management
3. Fast Tracking Identified Northern and LAPPSET Transport Corridor Projects;
4. Oversight and Co-ordination of Northern Corridor Transport and Lamu South Sudan
5. Ethiopia Transit (LAPSSSET) Programs Implementation
6. Civil Aviation Management and Training
7. Registration and Insurance of Motor Vehicles
8. Motor Vehicles Inspection
9. National Transport Safety
10. National Road Safety Management;
11. National Roads Transport Policy
12. Axle Load Control Policy and Standards
13. Development and Maintenance of Air Strips
14. Oversee the establishment of an integrated, efficient, effective and sustainable Urban Public Transport system within the Nairobi Metropolitan Area

Core Values

To ensure unity of purpose towards the vision, the State Department for Transport was guided

by the following Core Values;

1. **Respect and courtesy:** Politeness towards others
2. **Professionalism:** Competencies and skills to deliver quality and efficient services
3. **Integrity:** A manner in which employees' exhibits honesty, moral and ethical standards, including punctuality and commitment to the work
4. **Transparency:** Manner in which the employees disseminate information to ensure seamless workflow.
5. **Accountability:** Manner in which the employees are held accountable for resources, decisions and omission
6. **Impartiality:** Equal treatment of all employees (fairness)
7. **Team work:** Cooperation, consultation, collaboration and respect for divergent views and opinions.

(b) Key Management

The State Department for Transport day-to-day management is under the following key offices;

- (i) Cabinet Secretary
- (ii) Principal Secretary
- (iii) Senior Management:
 - Air Accident Investigation Directorate
 - Air Transport Directorate
 - Road Directorate
 - Rail Directorate
 - Shipping and Maritime
 - Administration Division
 - Accounting Division
 - Internal audit Division
 - Human Resources Management and Development Division
 - Finance Division

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- Central Planning and Project Monitoring Department (CPPMD) Division
- Supply Chain Management Division
- ICT Division

(c) 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	Date of Appointment
1.	Cabinet Secretary	Davis Chirchir, EGH	8 th Aug 2024
2.	Accounting Officer	Mohamed Daghar, CBS	2 nd Nov 2022

Fiduciary Oversight Arrangements

a) Ministerial Audit committee;

The Ministry has an active Audit Committee that comprise of 5 (five) members together with a National Treasury representative as per Section 73(5) of the Public Finance Management Act 2012 that provides that every national government public entity shall establish an audit committee for the entity.

b) Public Finance Management Standing Committee

Members of the Budget Implementation Committee were appointed as guided by the Treasury's Circular at the beginning of the Financial Year ended 2024-25. All the audit queries that were raised during the year were scrutinized by the Committee and the reports were shared with the Executive for implementation in the areas which were. A major oversight role was also provided by the Parliamentary Accounts Committee. They had meetings with the State Department officers led by the accounting officer and sought responses for the issues raised by the Auditor General. The department addressed the issues as required to the satisfaction of the Committee before the issues were discharged. Further, Development Partners assisted in monitoring the projects and issuance of No Objection before the expenditures were incurred.

c) Senior Management Committee

The state department for Transport had the following Senior Management

STATE DEPARTMENT FOR TRANSPORT

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

Committees during the Financial Year 2024/2025.

- i. Budget Implementation Committee
- ii. Ministerial Human Resource Management Committee

(d) Entity Headquarters

P.O. Box 52692 - 00200
Transcom House, Ngong Road
NAIROBI, KENYA

(e) Entity Contacts

Telephone: (254) 22729200
E-mail: ps@transport.go.ke
Website: www.transport.go.ke

(f) Entity Bankers

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

(g) Independent Auditors

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

(h) Principal Legal Adviser

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

3. Profile of Cabinet Secretary.



Davis Chirchir, EGH- Cabinet Secretary Ministry of Roads and Transport.

Mr. Davis Chirchir was appointed Cabinet Secretary in the Ministry of Roads and Transport on 8th August, 2024 by H.E. the President William Samoei Ruto, Phd CGH. Mr. Chirchir holds a Masters of Business Administration in International Management from Royal Holloway School of Management, University of London and a postgraduate diploma in Teletraffic Engineering and a Bachelor of Science Degree in Computer Science and Physics from the University of Nairobi.

He has a wealth of experience in project development, management and execution, strategic leadership and financial management.

Mr. Chirchir served as General Manager at Kenya Posts and Telecommunications Corporation (KPTC) where he coordinated the restructuring of KPTC to create Telkom Kenya, Communications Commission of Kenya, Postal Corporation of Kenya and staff Pension Fund. He also coordinated the privatization of Telkom Kenya and liberalization of the telecommunications industry which ushered in Kenya's mobile revolution, through emergence of industry players such as Safaricom. He was a member of the Technology Committee at Nairobi Stock Exchange and supported the computerization of the Central Depository and Trading System.

Mr. Chirchir was a Commissioner at the Interim Independent Electoral Commission (IIEC) where he spearheaded the introduction and application of information technology and reform initiatives in voter registration and election results management, restoring confidence in the management of the electoral process in the country. Prior to his appointment, Mr. Chirchir served as the Cabinet Secretary in the Ministry of Energy and Petroleum.

4. Profile of Accounting Officer



Mohamed Daghar, CBS- Principal Secretary, State Department for Transport.

Mr. Mohamed Daghar was appointed the Principal Secretary, State Department for Transport in the Ministry of Roads and Transport on 2nd November 2022.

Mr. Daghar is a holder of Masters in Peace, Conflict and Development studies from Universitat Jaume I, Spain and BA International Relations from United States International University, Kenya. He has wealth of experience in safety and security matters. In his tenure, he is expected to steer the State Department to successfully implement mass transit system in Nairobi, develop and improve airports and airstrips, seaport and inland water ports, Nairobi Railway City, the Standard Gauge Railway and multimodal transport corridors in addition to revitalization of road transport services and safety among other projects of strategic national importance.

He is responsible for the Transport Policy formulation and execution, development of regulatory framework for transport sector, oversee implementation of various transport programmes and projects designed to realize efficient, reliable and seamless transport connectivity envisioned in vision 2030 under Road, Rail and Maritime modes of Transport.

Key Management:



Dr. Duncan Hunda - Secretary, Transport Policy, Planning, Finance and Coordination of State Corporations

Dr. Duncan Hunda is currently serving as Secretary, Transport Policy, Planning, Finance and Coordination of State Corporations in the State Department of Transport. He has over 25 years of Public Sector experience. He is a Certified Public Accountant and a Member of ICPAK. Dr. Hunda holds a Doctorate Degree (PhD) in Finance from SMC University, Switzerland, a Master of Arts in International Finance from North London University, UK, and a Bachelor's Degree in Economics and Statistics from University of Nairobi.

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Mr. Paul Kingori- Director Road and Rail Transport.

Mr Paul Kingori serves as the Director, Road and Rail Transport Department at the State Department for Transport in the Ministry of Roads and Transport.

He holds a Bachelor Degree in Statistics and Computer Science from Egerton University of Kenya:

He also holds Master of Engineering Degree in Transportation Planning, IHE, DELFT University, Netherlands, Master Degree in Economic Policy Management, University of Nairobi and an Award Post Graduate Diploma in Public Transport Management, Galilee Institute of Management, Israel.

Mr. Kingori has over 25 years' experience in the Civil Service having risen through the ranks over the years.



Ms. Beatrice Nyamoita- Director, Maritime Transport.

Ms. Nyamoita serves as the Director, Maritime Transport Department at the State Department for Transport in the Ministry of Roads and Transport.

She holds a Bachelor of Arts Degree from the University of Nairobi and Master of Science in Shipping Management from the World Maritime University. She holds professional and management trainings among them; Management of PPP projects, Port State control, Port Management, Inland Waterways transport, Senior Leadership Development programme, and Corporate Governance and has wealth of experience in maritime transport and port spanning over 20 years. She is the immediate former Chairperson of the Committee on Indian Ocean Memorandum of Understanding on port state control, which has membership of over twenty (20) countries that coordinate ship inspections & surveys and capacity building to promote ship, cargo and maritime safety in the Indian Ocean region.

She is a member of the Association of Maritime Practitioners.

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Mr. Ibrahim M. Abdi, H.S.C. - Ag. Secretary Administration.

Mr. Ibrahim M. Abdi is the current Head of Administration in the State Department for Transport.

Mr. Abdi holds a Master of Arts Degree in Human Resource Management from the University of Westminster and a Bachelor of Education (Arts) Degree from Egerton University. He has over 30 years' experience in Public Administration and Management having served in various

Government Ministries, Departments and Agencies.

He has also attended several management and leadership programmes at Kenya School of Government and the East and Southern Africa Management Institute (ESAMI) among others.

He is also a member of the African Association for Public Administration and Management (APAAM). He has previously served as a board member at the National Transport and Safety Authority (NTSA) and is currently a board member at Kenya Trade Network Agency (KENTRADE).

His achievement includes providing Strategic Leadership, efficient administration and management thereby creating conducive work environment for effective service delivery.



Timothy M. Mburu - Head of Accounting Unit-State Department for Transport

Mr. Mburu holds a Master's of Business Administration (MBA) from University of Nairobi and Bachelors of Commerce (Accounting Option) from the Catholic University of Eastern Africa (CUEA).

He is also a Certified Public Accountant (Kenya), Certified Internal Auditor, Certified Information Systems Auditor and Certified Risk

Management Assurance.



John Mwai Macharia- Deputy Head of Accounting Unit

Mr. Macharia holds a bachelor of commerce (Finance Option) and he is Certified Public Accountant.

He is a member of ICPAK with a wealth of experience both in private and public sectors.

He also holds a certificate in strategic leadership development programme and senior management course from Kenya School of Government.

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Ms. Benignas A. Luyera- Director, Supply Chain Management & Head of Procurement.

Ms. Luyera serves as the Director, Supply Chain Management and Head of Procurement Function at the State Department for Transport.

She holds a Bachelor of Commerce in Business Administration from the University of Nairobi, a Master's degree in Business Administration, and a Professional Diploma in Purchasing & Supplies from CIPS. She has undertaken professional training, including Strategic Leadership Development Programme, Public Private Partnerships (World Bank-sponsored), and Contemporary Public Administration Management (Galilee International Management Institute). With over 27 years of experience in public sector procurement, she has a proven track record in leading procurement functions, implementing policies, and mentoring staff. Her achievements include establishing efficient procurement units, enhancing process flows, and promoting youth, women, and persons with disabilities in procurement programs. She is a licensed member of the Kenya Institute of Supplies Management (KISM) and a Certified Professional Mediator.



Mr. Antony Muriu- Director, Planning and Head of the Central Planning and Project Monitoring.

Mr. Muriu serves as the Director of Planning and Head of the Central Planning and Project Monitoring Department at the State Department for Transport in the Ministry of Roads and Transport.

He holds a Bachelor of Arts Degree in Economics from the University of Nairobi and a Masters Degree in International Development Studies from the Graduate Institute of Policy Studies in Tokyo, Japan.

Mr. Muriu has over 25 years' experience in Civil Service having risen through the ranks over the years.



Ms. Mary Kemunto- Director Human Resource Management and Development, State Department for Transport.

Ms. Kemunto serves as the Director, Human Resource Management and Development (DHRM&D) at the State Department for Transport in the Ministry of Roads and Transport.

She holds a Master's Degree in Administration & Planning, a Bachelor's Degree in Education and a Post- Graduate Diploma in

Human Resource Management.

She also holds a Strategic Leadership Development Programme (SLDP) qualification.



Pius Muchai- Head of the ICT Directorate, State Department for Transport.

Mr. Muchai serves as the Director ICT. Pius holds a Master's degree in Computer Based Information Systems from Strathmore University. Prior to this, he completed his Bachelor of Science in Mathematics at the Catholic University of Eastern Africa.

Mr. Muchai took on the role of Head of the ICT Directorate at the State Department for Transport, in May 2023.



Mr. John Mose- Head of Finance Department, State Department for Transport.

Mr. Mose is a distinguished economist and public finance specialist, bringing nearly two decades of expertise in public policy development, analysis, and implementation, with a focus on public finance and budget management. His academic credentials are impressive, holding both a bachelor's and a master's degree in economics from the University of Nairobi. He is currently advancing his studies with a PhD in Economics at Kenyatta University.

Mr. Mose possesses a robust theoretical foundation, integrated with hands-on expertise in managing public finances and overseeing implementation of economic initiatives. His distinguished career within several government departments and independent Institutions, where he has consistently showcased his leadership in navigating complex fiscal landscapes. Particularly noteworthy is his

STATE DEPARTMENT FOR TRANSPORT
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contribution to the critical processes of budget formulation, execution, and reporting, as well as policy development within the Office of the Controller of Budget, the Commission for Revenue Allocation, the National Treasury, and the State Department for Transport, among others.

Beyond his direct fiscal responsibilities, Mr. Mose has also served as an alternate director for esteemed institutions such as the Commission for University Education, Southeastern Kenya University, and the Kenya National Highways Authority. In his capacity, he has offered invaluable strategic guidance and demonstrated a keen ability to enhance governance, strengthen financial oversight, and improve decision-making frameworks.

5. Statement by the Cabinet Secretary



The Executive Order No.1 of 2023 (Issued in January 2023) on Organization of the Government of the Republic of Kenya vests the leadership of the Ministry of Road and Transport under the Cabinet Secretary. In relation to transport, the Cabinet Secretary oversees and coordinates the implementation of the following functions;

1. Transport Policy Management
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3. Fast Tracking Identified Northern and LAPPSET Transport Corridor Projects;
4. Oversight and Co-ordination of Northern Corridor Transport and Lamu South Sudan
5. Ethiopia Transit (LAPSSSET) Programs Implementation
6. Civil Aviation Management and Training
7. Registration and Insurance of Motor Vehicles
8. Motor Vehicles Inspection
9. National Transport Safety
10. National Road Safety Management;
11. National Roads Transport Policy
12. Axle Load Control Policy and Standards
13. Development and Maintenance of Air Strips
14. Oversee the establishment of an integrated, efficient, effective and sustainable Urban Public Transport system within the Nairobi Metropolitan Area

STATE DEPARTMENT FOR TRANSPORT

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In implementing the above functions, the Cabinet Secretary guides the State Department in the following goals;

- Providing enabling environment for efficient service delivery (Policy, Legal, and Institutional Framework)
- Developing, maintain and manage adequate transport infrastructure and provide efficient transport services
- Continually developing and commercialize new ideas, implement new processes for efficient service delivery Research and Development
- Lobbying for adequate Resources from the GOK, Development partners and private players
- develop skills for competence development for adequate human and non-human capital (Capacity Building)
- Providing quality of Service, Safety and Security and to ensure environmental sustainability

The Cabinet Secretary, in his stewardship of the State Department for transport mandate, the following objectives vis-à-vis action points are the driving parameters;

OBJECTIVES

Objectives on Policy, legal, and institutional framework	I. Formulate and review policies, legal and institutional frameworks II. 100% enforcement of regulations and standards III. Improve the transport sector operational environment
Objectives on Transport Infrastructure and Services	I. Expand airports capacity to 40M passengers annually and to grow cargo handling at the rate of 20% per annum. II. Improve domestic air connectivity III. To expand, upgrade and maintain inter modal transport system IV. Improve rail modal share V. To grow total port cargo throughput from 33.623M to 37.73M VI. To improve overall port efficiency by 35% VII. Reduce fatality index by 6% per 10,000 vehicles and Injuries index by 4%
Objectives on Innovation, Research and Development	i. To identify areas for operations cost reduction in major transport corridors by 25% ii. To reduce transit time by 30% in Urban Centers
Objectives on Capacity Building	i. To attract and retain professionals in the transport sector ii. To continuously upgrade skills and technology for the professional in the transport sectors iii. To improve the work environment

In the year under review, the State Department for Transport managed to meet most of the targets and continues to enhance efficiency by instituting cost cutting measures in order to deliver more with limited resources.



Hon. Davis Chirchir, EGH

Cabinet Secretary

Ministry of Roads and Transport

6. Statement by the Accounting Officer



The State Department for Transport, in its contribution to the achievement of Bottom-Up Economic Transformation Agenda (BETA) and Vision 2030, whose focus is in manufacturing pillar, targets the development of modern and efficient transport systems focusing on increasing Kenya's competitiveness in transport services in the Region.

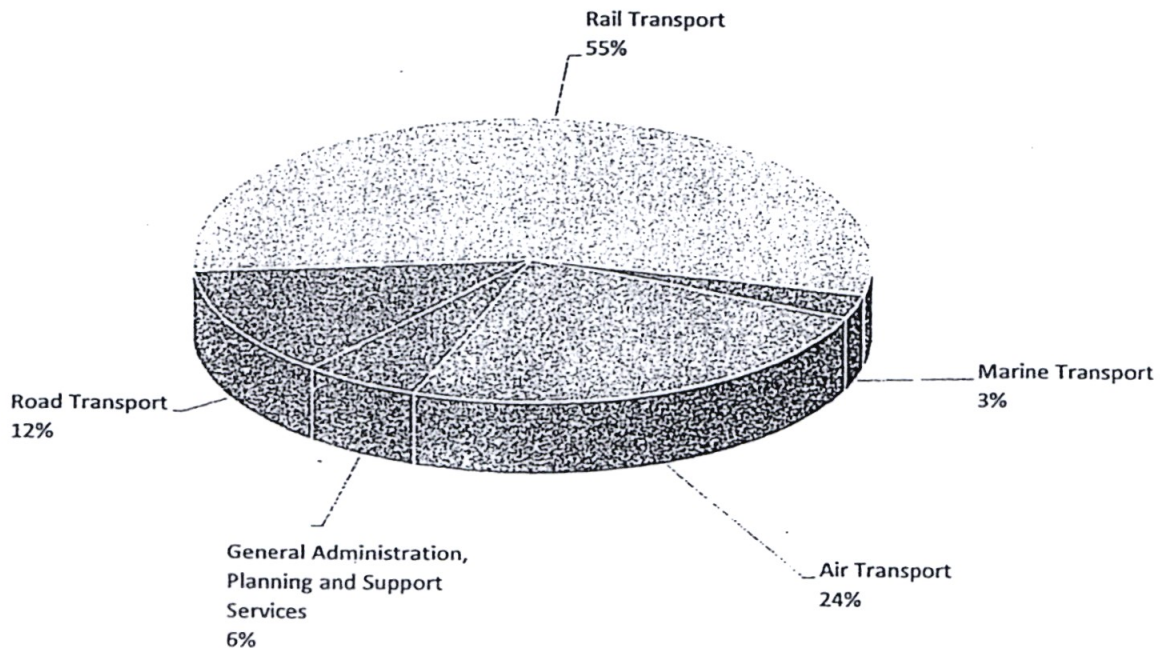
The following are key activities carried out by State Department in the year under review:

1. Summary of the budget performance against actual amounts for year 2024-2025

The total approved budget for the State Department was Ksh 48,036,177,529 Recurrent Kshs. 18,720,090,029 and Development Kshs 29,316,087,500.

The pie chart below depicts the budget allocation by Programmes and proportional percentage of the total budget allocation. Rail Transport 55%, Marine Transport 3%, Air Transport Services 24%, Road Transport 12% and General Administration and Support Services 6%.

BUDGET ALLOCATION BY PROGRAMMES



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The State Department was to expend the gross budget of KShs. 48,036,177,529 under the following economic item as tabulated below against the actual Expenditure incurred based on the Total Receipts Available to the Department of KShs 30,179,465,482 as tabulated below;

Budget Utilisation per Economic Items

	Approved Budget Allocation	Actual Payments	Variance	Utilization %	Variance %
Compensation of Employees	192,741,977	198,699,943	(5,957,966)	103%	-3%
Use of goods and services	566,834,818	336,677,623	26,091,317	59%	41%
Transfers to Other Government Units	47,082,917,500	41,621,652,833	5,753,786,560	89%	11%
Social Security Benefits	3,750,000	-	3,750,000	0%	100%
Acquisition of Assets	189,933,234	127,888,323	6,667,873	68%	32%
Total Payments	48,036,177,529	42,248,664,675	5,787,512,854	88%	

2. Summary of the Key Achievements

- i. Review of Traffic Act: Consultancy advertised and Evaluation conducted to proceed to Request for Proposal (RFP).
- ii. E-Mobility Policy: Policy developed, Executive Approval given in March 2025.
- iii. Roadside Stations (RSS) Regulations: Pre-Publication Scrutiny done, awaiting RIA.
- iv. Review of Kenya Railways Act Cap 397: Public participation done on Railways Bill and report developed awaiting validation.
- v. Public participation and Regulatory Impact Assessment (RIA) completed for four regulations in road transport (NTSA and Traffic Act)
- vi. Letter of intent for Kenya Cool Logistics Corridor Cooperation between Kenya and Netherlands signed. - MoU status to be confirmed.
- vii. National Aviation Policy: Sessional Paper adopted by Parliament;
- viii. Civil Aviation Act Reviewed (Bill Developed): Civil Aviation Bill drafted; Public Participation conducted; awaiting finalization.
- ix. Civil Aviation Regulations Approved: 9 Regulations developed; 30 Regulations reviewed and gazetted.

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- x. Public participation and Regulatory Impact Assessment (RIA) done for the following Regulations, awaiting publication by the Attorney General.
1. The National Transport and Safety Authority (Operation of Commercial Service Vehicles) Regulations, 2025
 2. Traffic (School Transport) rules, 2025
 3. Traffic (Drink-Driving) Rules, 2025
 4. Traffic (Motor Vehicle Inspection) Rules, 2025

3. Emerging issues

The need to increase the uptake of cleaner and sustainable fuels and adoption of newer technologies in transport requiring high investments, embracing Public Private Partnership (PPP) models, policy realignment and review of relevant Acts to align with the Constitution of Kenya.

4. Key Risk Management Strategies

1. Strict internal control measures.
2. Diversification and/or adoption of new technological advancement
3. Application of lessons learnt
4. Disclosure of information
5. Best Practices

5. Challenges and Recommendations

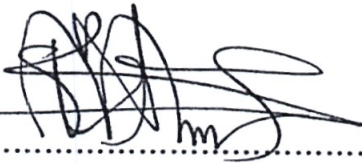
Challenges	Recommendations
Settlement of historical pending bills as first charge affect implementation of current planned activities	Provision of budgetary resources to settle pending bills separate from current budgetary allocation
Inadequate funds to support key programmes and projects	Allocate more resources for implementing the Transport sub-sector project Timey Issuance of Exchequer
Insufficient funds to conduct Monitoring and Evaluation. Monitoring and Evaluation was not conducted due inadequate funds thus affecting the coverage of the project scope, therefore leaving	Provision of adequate resources to conduct Monitoring and Evaluation exercise

STATE DEPARTMENT FOR TRANSPORT
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key projects unattended;	
Land acquisition disputes and encroachment issues	Timely acquisition of land and settlement of affected Persons
Inadequate/ high turnover of technical staffing	Capacity building of the project implementation teams and staff
Ratification processes of Agreements and Legislative processes for approval of policies and regulations are not in the control of the State Department	

Conclusion

Despite the challenges enumerated above, the State Department for Transport achieved most of its targets in the 2024/25 Financial Year. This is due to its dedication and steadfastness in transforming the transport sector as well as provision of services to the citizens. It is also commendable to note that there were no reported cases of mmisappropriation of funds during the Financial Year thus affirming the Department’s commitment to prudent utilization of public resources. Finally, the State Department will continue to enhance efficiency by instituting cost cutting measures in order to deliver more with limited resources.



.....

Mohamed Daghar, CBS
Principal Secretary
State Department for Transport

6. Statement of Performance Against Predetermined Objectives for FY2024/25

6.1 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 Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the National government entity's performance against predetermined objectives.

6.2 Objectives

The key development objectives of the State Department for Transport for 2023-2027 plan are to:

- I. Formulate and review policies and coordinate implementation of requisite policies, legal, regulatory and institution framework and Formulate Development plans.
- II. Expand the capacity of the aviation, maritime, rail and road subsectors.
- III. Improve quality of service, safety and security in service delivery and promote environmental sustainability.

6.3 Progress on the attainment of Strategic Objectives through Performance Contracting

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: Below we provide the progress on attaining the stated objectives:

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Table 6.3.1: Programme performance

Programme	Strategic Objective	Outcome	Output	Output indicator	Achievement for the FY 2024/2025			Cumulative Achievement by the end of FY2024/2025			Remarks
					Target	Actual	Variance	Target	Actual	Variance	
General Administration, Planning and Support Services	To Strengthen institutional capacity and service delivery.	Efficient, accountable, and well-coordinated operations.	Efficient Service Delivery. Level of customer satisfaction.	% level of customer satisfaction.	100	100	0	100	100	0	Customer feedback register in place.
			LAPSEET Corridor plans developed.	No. of LAPSEET Corridor plans.	3	3	0	3	3	0	LAPSSET Marketing and Communication Plan developed. Additionally, LAPSSET Infrastructure sequencies plan developed within the reporting period.
			LAPSSET corridor planning reports submitted.	No. of LAPSSET corridor planning reports submitted.	8	8	0	8	8	0	LAPSSET Planning meetings convened on quarterly basis. Reports available.

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

Programme	Strategic Objective	Outcome	Output	Output indicator	Achievement for the FY 2024/2025			Cumulative Achievement by the end of FY2024/2025			Remarks
					Target	Actual	Variance	Target	Actual	Variance	
			Transcom House refurbished	% completion of Transcom House refurbishment	40	40	0	40	40	0	The Department replaced Local Area Network (LAN) and has since signed the contract for installation of four (4) lifts. Full installation expected by the end of first quarter FY 2025/2026.
			LAPSSET Corridor strategies developed.	No. of LAPSSET Corridor strategies developed.	3	0	3	3	0	3	Strategies are in draft awaiting validation by Stakeholders.
Rail Transport Services	To modernise and expand rail services.	Reduced Cost of Transport and Traffic Congestion	Riruta – Lenana – Ngong Railway Line constructed	% completion of Riruta – Lenana – Ngong Railway Line	20	28.6	+8.6	20	28.6	+8.6	Route alignment design completed and approved. Station construction Ngong station is at 74% Culverts, subgrade and bridge work ongoing.
			Public institutions constructed	No. of Public institutions constructed phase 1.	2	0	-2	25	23	-2	Construction of three public institutions are at different stages of implementation.

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Programme	Strategic Objective	Outcome	Output	Output indicator	Achievement for the FY 2024/2025			Cumulative Achievement by the end of FY2024/2025			Remarks
					Target	Actual	Variance	Target	Actual	Variance	
											22 out of 25 institutions are completed and handed over.
			Cargo Handling Facilities (Taveta, Voi) constructed	% completion of Cargo Handling Facilities (Taveta, Voi).	-	-	-	-	-	-	Construction of three public institutions are at different stages of implementation. 22 out of 25 institutions are completed and handed over.
			Voi-Taveta revitalized.	% completion of revitalization of (Voi-Taveta).	-						The Project Concept Note was submitted to the Ministry of Roads & Transport for review and onward submission to the National Treasury for consideration and approval.
			SGR flat wagons acquired.	No. of SGR passenger coaches acquired.	250	20	- 230	300	300	0	A total 300 SGR wagons delivered as follows: 50 Dec 2023, 230 Feb 2024 and 20 refer wagons July 2024
			SGR passenger coaches acquired.	No. of SGR flat wagons acquired.	5	20	+15	20	20	0	All passenger coaches delivered in July 2024, tested and commissioned.

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Programme	Strategic Objective	Outcome	Output	Output indicator	Achievement for the FY 2024/2025			Cumulative Achievement by the end of FY2024/2025			Remarks
					Target	Actual	Variance	Target	Actual	Variance	
			Integrated security management system in place	% completion of integrated security management system.	100	98	-2	100	98	-2	Remaining components are; construction of gates at Ngong and Rongai, and fencing at Nairobi Terminus to be completed in subsequent period
			SGR passenger ticketing system in place.	% completion of SGR passenger ticketing system.	100	50	-50	100	50	-50	Completed development of a robust ticketing service for the SGR premium Service. The new ticketing system will be fully rolled out for the first and economy classes.
			Logistics Hub constructed in Athi River	% completion of Logistics Hub in Athi River.	-	-	-	-	-	-	The Master Plan development process has progressed to the finalization phase. Project to be implemented in FY2025/26

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Programme	Strategic Objective	Outcome	Output	Output indicator	Achievement for the FY 2024/2025			Cumulative Achievement by the end of FY2024/2025			Remarks
					Target	Actual	Variance	Target	Actual	Variance	
			56 SGR locomotives overhauled	No. of SGR locomotives overhauled.	-	-	-	-	-	-	Medium term repairs have been undertaken awaiting overhaul scheduled in the FY2025/2026
			700 SGR wagons acquired.	No. of SGR wagons acquired.	-			300	300	-	A total 300 SGR wagons delivered as follows: 50 Dec 2023, 230 Feb 2024 and 20 refer wagons July 2024
			1620 SGR wagons overhauled.	No. of SGR wagons overhauled.	-	-	-	-	-	-	Wagons have undergone medium term repairs comprising of wheelsets and bearing replacement pushing overhaul ahead by two years to 2026/27
			Kenya Railways Rolling Stock Supplied & Commissioned	Percentage of completion	60	30	-30	60	30	-30	The Master List of items to be supplied under the contract was approved 1st batch of equipment, delivery expected in August 2025

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Programme	Strategic Objective	Outcome	Output	Output indicator	Achievement for the FY 2024/2025			Cumulative Achievement by the end of FY2024/2025			Remarks
					Target	Actual	Variance	Target	Actual	Variance	
											Civil works commenced in readiness to install equipment depots
			Nairobi Commuter Line 4 Modernized, Extended and Operationized	Percentage of completion	20	-	-	20	-	-	The project is to be implemented in partnership with the French Government. The project is at its initial stages, with the identification of contractors currently being finalized to enable commencement of works.
			Surveillance and security system installed	% installation surveillance and security system	20	66.2	+46.2	20	66.2	+46.2	Installation status is as follows: RTI and HQ – Completed Nakuru and Kisumu-85% complete Changamwe – 40% NCR Luggage scanners – 40%
			MGR locomotives acquired	No. of MGR locomotives acquired	3	3	0	3	3	0	The 3 locomotives 9705, 9706 & 9707 were delivered, tested and

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Programme	Strategic Objective	Outcome	Output	Output indicator	Achievement for the FY 2024/2025			Cumulative Achievement by the end of FY2024/2025			Remarks
					Target	Actual	Variance	Target	Actual	Variance	
											commissioned on 29/04/2025
			Suswa and Maai Mahiu SGR Station Access Roads constructed	% completion of construction of access road	80	86	+6	80	86	+6	Project under implementation by KURA
			Maai -Mahiu SGR Station-Longonot MGR Station Link constructed	% completion of Maai - Mahiu SGR Station-Longonot MGR Station Link	100	100	0	100	100	0	Project Completed
			Longonot Malaba MGR Phase II. rehabilitated	% completion of Longonot Malaba MGR Phase II.	40	66.1	+26.1	40	66.1	+26.1	Project under implementation. 6.315km of new/upgraded rail section completed
			Miritini-Mombasa Terminus & Makupa Rail	% completion of Miritini-Mombasa	100	100	0	100	100	0	Project completed

Programme	Strategic Objective	Outcome	Output	Output indicator	Achievement for the FY 2024/2025			Cumulative Achievement by the end of FY2024/2025			Remarks
					Target	Actual	Variance	Target	Actual	Variance	
			Bridge constructed	Terminus & Makupa Rail Bridge							
			Mombasa MGR Station – Miritini MGR Station Link rehabilitated.	% completion of Mombasa MGR Station – Miritini MGR Station Link.	80	53	-27	80	53	-27	Project under implementation
			Mariakani & Port Reitz Freight Drainage channel reconstructed	% completion of Mariakani & Port Reitz Freight Drainage channel	60	85	+25	60	80	+25	Progress at Port Reitz is at 100%. Progress at Mariakani is at 70%
			RTI Infrastructure upgraded and capacity building conducted	% completion of RTI Infrastructure upgrading and capacity building	100	0	0	100	0	0	The scope of works is in the process of being finalized

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Programme	Strategic Objective	Outcome	Output	Output indicator	Achievement for the FY 2024/2025			Cumulative Achievement by the end of FY2024/2025			Remarks
					Target	Actual	Variance	Target	Actual	Variance	
			MGR Locomotives re-manufactured	No. of MGR Locomotives re-manufactured	3	3	0	3	3	0	Remanufacture of locomotive ID No. 9210, 9207 and 9214 completed and operationalized
			Mombasa Freight Terminus - Magongo Rd access road constructed	% completion of construction of access roads	30	0	-30	30	0	-30	Commenced procurement of contractor for the road. Works to commence in FY2025/26
			Athi River Freight yard and access road reconstructed	% completion of the Athi River Freight yard and access road	35	100	+65	35	100	+65	Project is substantially complete
			SGR workshop overhauled	% overhaul of SGR workshop	10	0	-10	10	0	-10	Preparations underway to commence construction
			SGR passenger locomotives acquired	No. of SGR passenger locomotives acquired	1	0	-1	1	0	-1	At procurement stage. Procurement will conclude in FY2025/26

Programme	Strategic Objective	Outcome	Output	Output indicator	Achievement for the FY 2024/2025			Cumulative Achievement by the end of FY2024/2025			Remarks
					Target	Actual	Variance	Target	Actual	Variance	
			SGR Locomotive Wheelsets acquired	No. of SGR Locomotive Wheelsets	50	0	-50	50	0	-50	Contract signed for manufacture of 336 SGR wheel sets in June 2025. Delivery anticipated in FY2026/27
			Passenger ticketing system installed	% completion of passenger ticketing system	30	25	-5	30	25	-5	Completed development of a robust ticketing service for the SGR premium Service. The new ticketing system will be fully rolled out for the first and economy classes. Development and installation of MGR passenger operations system and ticketing service system will be implemented in partnership with the French Government.
			Flood Mitigation Works done	% completion of Flood Mitigation	25	32.8	+7.8	25	32.8	+7.5	Mitigation works undertaken included slope protection, climate proofing and strengthening of

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Programme	Strategic Objective	Outcome	Output	Output indicator	Achievement for the FY 2024/2025			Cumulative Achievement by the end of FY2024/2025			Remarks
					Target	Actual	Variance	Target	Actual	Variance	
				Works							embankments along the SGR and MGR
			SGR Phase 2B & 2C	% completion of SGR Phase 2B & 2C	10	5	-5	10	5	-5	RAP study involving survey, enumeration and valuation of Project Affected Persons (PAPs) completed. The Environmental and Social Impact Assessment (ESIA) study is ongoing
Marine Transport Services	To enhance maritime infrastructure and safety.	Efficient, Secure and Safe Marine Transport	% completion of Dongo Kundu Berth No. 1 Special Economic Zone.	% completion of Dongo Kundu Berth No. 1 Special Economic Zone.	50	0	50		0		The Project commenced on 17th March 2025 with the site handed over. The contractor commenced setting up the yard/mobilizing and working on preliminary works/studies such as geotechnical investigations and bathymetric Survey
			Kisumu Port dredged	% of completion	100	0	(100)	100	0	(100)	Bathymetric surveys were completed for key routes leading to the ports/pier in FY 2024/25. Part section

Programme	Strategic Objective	Outcome	Output	Output indicator	Achievement for the FY 2024/2025			Cumulative Achievement by the end of FY2024/2025			Remarks
					Target	Actual	Variance	Target	Actual	Variance	
											dredging to be undertaken in FY 2025/26 on availability of budget.
Air Transport Services	To modernize aviation facilities and improve services.	Enhanced Air Transport Safety, Security and Connectivity	Air Accidents Investigation (AAI) Services automated.	% Automation of Air Accidents Investigation (AAI) Services.	30						
Road Safety and Transport Services	To strengthen road safety measures	Efficient and Safe Road Transport Services	Road safety campaigns conducted	No. of road safety campaigns conducted	22	23	1				Twenty-Three (23) road safety campaigns were conducted as at 30th June 2025. The achievement is attributed to increased collaboration with road safety actors and County Governments achieved through road safety mainstreaming.
			Road Safety Audit Reports submitted.	No. of Road Safety Audit Reports submitted.	16	30	+14				Thirty (30) road safety audits were conducted as at 30th June 2025. Seven (7) in Q1 and five (5) in Q2, six (6) in Q3 and twelve (12) in

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Programme	Strategic Objective	Outcome	Output	Output indicator	Achievement for the FY 2024/2025			Cumulative Achievement by the end of FY2024/2025			Remarks
					Target	Actual	Variance	Target	Actual	Variance	
											Q4. The achievement is as a result of increased construction of roads and requests to undertake road safety audits by individuals/institutions to prevent road crashes.
			Regional offices to be upgraded.	No. of regional offices to be upgraded.	4	6	2				Nyahururu, Machakos, Eldoret, Mombasa, Likoni Road Nairobi and Kakamega regional offices were upgraded by refurbishing the offices and construction of ablution blocks.
			County Transport and Safety Committees (CTSC) operationalized.	No. of County Transport and Safety Committees (CTSC) operationalized.	10	38	28				The Authority through the Ministry of Roads and Transport gazetted all the 47 CTSCs. 38 CTSCs have been inducted and are now implementing their County Specific Road Safety Action Plans (CSRSAPS).
			Commercial & public service	No. of commercial	510,000	454,036	(55,964)				454,046 commercial and PSV vehicles were inspected

Programme	Strategic Objective	Outcome	Output	Output indicator	Achievement for the FY 2024/2025			Cumulative Achievement by the end of FY2024/2025			Remarks
					Target	Actual	Variance	Target	Actual	Variance	
			vehicles inspected	& public service vehicles inspected)				during the year.
			Officers trained under Horn of Africa Transport services Gateway Development Project.	No. of officers trained.	40	47	7				
			Feasibility study reports on road side stations along the Horn of Africa Gateway Corridor (Isiolo Mandera) developed.	No. of feasibility study reports on rest side stations along the Horn of Africa Gateway Corridor (Isiolo Mandera) developed.	2						RSS Regulations were prepared, awaiting Regulatory Impact Assessment.

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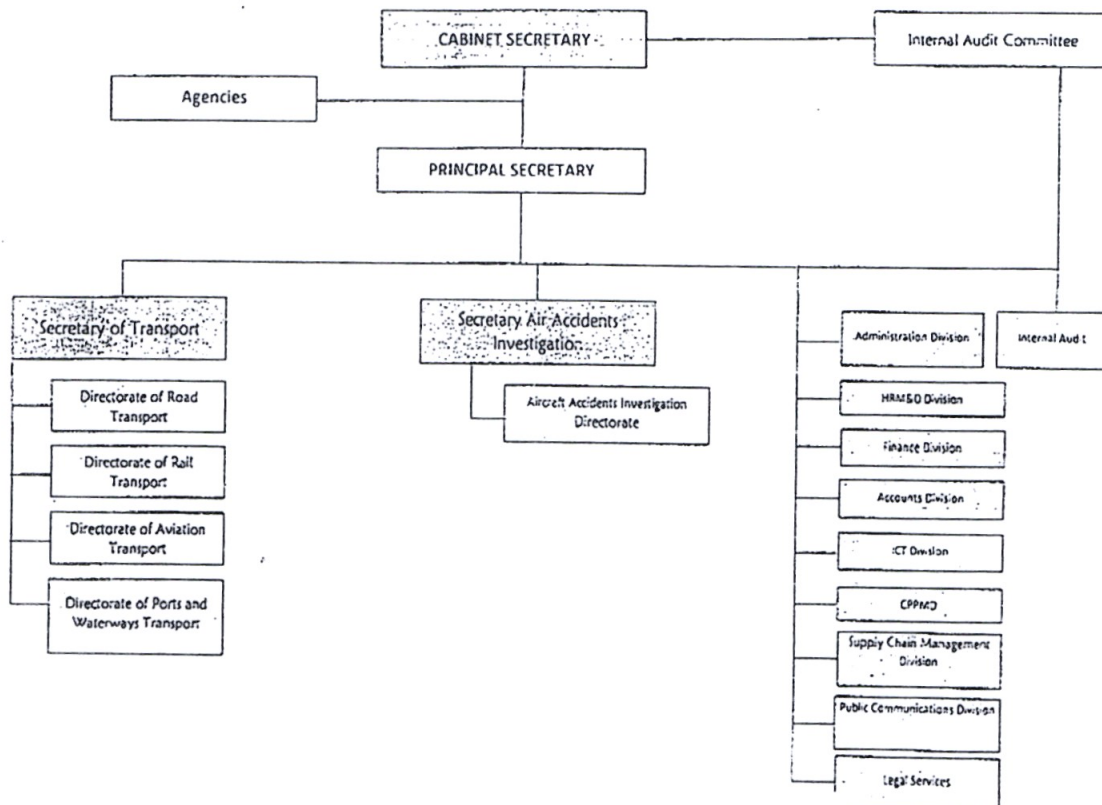
Programme	Strategic Objective	Outcome	Output	Output indicator	Achievement for the FY 2024/2025			Cumulative Achievement by the end of FY2024/2025			Remarks
					Target	Actual	Variance	Target	Actual	Variance	
			50 years Transport Master Plan report developed	No. of 50 years Transport Master Plan reports developed	1						Development has not commenced, but the Request for Proposals (RFP) has been issued closing on 11 th September, 2025.
			Intelligent Road Safety Management System Development.	% Completion of Development of an Intelligent Road Safety Management System.	53	100	47				The project has been completed. Handover of the project to NTSA developers has been completed.
			National E-Mobility policy developed.	% completion of National E- Mobility policy.	100	100	0	100	100	0	Granted Executive Approval in march, 2025.

7. Governance Statement

Statement on the governance structure of the State Department for Transport.

1. A brief on the key leadership structure

APPENDIX I: APPROVED ORGANISATION STRUCTURE FOR THE STATE DEPARTMENT FOR TRANSPORT



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2. Management Committees established and their roles.

a. Ministerial Human Resource Management Committee

The above Committee is set in accordance with the PSC Circular No. PSC/SEC/93/37/ (92) of 5th January, 2015 on delegation of Public Service Commission Human Resource Powers and Functions to the Cabinet Secretary.

The functions of the Committee, chaired by the Principal Secretary, are as follows: -

- 1) Recruitment, selection and appointment;
- 2) Promotions;
- 3) Confirmation in appointment;
- 4) Training and development;
- 5) Training Impact Assessment;
- 6) Management of skills inventory;
- 7) Establishment and Complement control;
- 8) Payroll management;
- 9) Staff Deployment;
- 10) Promotion of Values and Principles of Public Service and ensuring compliance;
- 11) Administration of the declaration of income, assets and liabilities and the public officer code of conduct and ethics for officers in job group CSG 9 and below;
- 12) Report quarterly on the initial and final declaration of income, assets, and liabilities for all public officers;
- 13) Monitor and report quarterly on the compliance with National Values and Principles of Governance and Values and Principles of Public Service;
- 14) Monitor and report quarterly on the discharge of human resource function;
- 15) Recommendation for Waiver of requirements of the Schemes of Service;
- 16) Recommendation for Review of career guidelines;
- 17) Recommendation for Secondments and unpaid leave;
- 18) Recommendation for retirement under 50 years rule and on medical grounds;
- 19) Recommendation for retirements on voluntary grounds;
- 20) Recommendation for engagement of interns;
- 21) Recommendation for re-designation;
- 22) Recommendation for renewal of contract;

- 23) Recommendation for Public Service Excellence Awards;
- 24) Disciplinary control;
- 25) Pensions management; and
- 26) Staff Welfare, Health and Safety.

The Committee is expected to meet at least once in each month and submit recommendations for PS approval. The Committee is expected to discharge its duties fairly and in accordance with the Constitution, and relevant Laws and Regulations.

b. Budget Implementation Committee

This Budget Committee is charged with the responsibility of coordinating the implementation of the State Department's budget and its prudent management. The duties of the committee include:

- i. To review and consider the cash flow plans;
- ii. To review the utilization of the cash limits and consider any changes as may be required;
- iii. To review the utilization of the donor funds voted for the State Department;
- iv. To advise the accounting officer on the challenges related to the budget implementation;
- v. To review and recommend the reallocation of payments;
- vi. To review and approve the submission of the payment returns, payroll IPPDs, pending bills and A-I-A returns for the State Department and recommend actions to be taken;
- vii. To participate in sector working groups; and,
- viii. To review budgets, supplementary estimates and performance of budget against actual for the State Department in consultation with the Heads of Department

c. Human Resource Development (HRD) Committee

In accordance with the Public Service Commission guidelines on training and development, the above Committee as outlined in the Public Service Commission letter Ref. No. MPSG/DPSM/HRD/1/32 Vol. II (100) dated 8th March, 2023 on the re-establishment of the

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Ministerial/Departmental Human Resource Development Committees entails making recommendations on matters regarding:

1. Human Resource Development activities and programmes;
2. Training and Development;
3. Formulation and review of human resource development interventions;
4. Skills gap analysis for capacity development to support government development priorities;
5. Training Needs Analysis;
6. Training Impact Assessment;
7. Training Projections;
8. Management of skills inventory;
9. Co-ordination of Induction Training;
10. Mobilization of resources for training and capacity building by liaising with other MDAs;
11. Collaboration with training institutions on training of public officers;
12. Monitoring, evaluation and audit of the impact of HRD on skills acquisition and performance;
13. Implementation of the Competency Framework; and
14. Recommending review of HRD regulations, procedures and systems in the Public Service.

The Committee is expected to meet and submit recommendation to the Ministerial Human Resource Management Advisory Committee (MHRMAC) for approval. The Committee is expected to discharge its duties fairly and in accordance with the Constitution, and relevant Laws and Regulations.

3. The audit committee (Its formation, composition, and activities/meetings).

(i) Formation

The Ministry of Roads Transport has an active Audit Committee that comprise of 5 (five) members together with a National Treasury representative as per Section 73(5) of the Public Finance Management Act 2012 that provides that every national government public entity shall establish an audit committee for the entity.

(ii) Composition

- a) The Chairperson - independent of the national government entities, knowledgeable of the organization, possesses leadership skills and should not be a political office holder.
- b) All the other four members of the audit committee;
 - i. have a good understanding of State Department's operation, financial reporting and auditing; and
 - ii. have a good understanding of the objects, principles and functions of the State Department.

(iii) Frequency of meeting

The Audit committee meet at least quarterly or as regularly as required to run its operations.

(iv) Duties and Responsibilities of the Audit Committee;

Section 175 of PFM Regulation 2015 stipulate the main function of the audit committee is as follows;

- a) Evaluate whether processes are in place to address key roles and responsibilities in relation to risk management
- b) Review and approve biennially the Internal Audit Charter;
- c) Evaluate the adequacy of the control environment to provide reasonable assurance that the systems of internal control are of a high standard and functioning as intended.
- d) Perform an independent review of the financial statements to ensure the integrity and transparency of the financial reporting process.
- e) Review the activities, resources, organizational structure and the operational effectiveness of internal audit office particularly in areas of planning, monitoring and performance.
- f) Consider the respective scope of work and audit plans of the internal audit office
- g) Review major findings on internal audit and investigations reports; and ensure that appropriate action is taken on issues arising from such reports;
- h) Review and monitor management's responsiveness to the findings and recommendations of the Internal Auditor.

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- i) Review Auditor General's management letter and management's response
- j) Discuss with Auditor General any reservations and problems arising in the course of their audit, and any audit management letters and management responses prior to the issuance of the audit certificate.

4. Risk management, compliance, conflict of interest etc.

The management has strengthened internal control measure and ensure compliance through active internal audit department and Ministerial Audit committee. This has therefore reduced possibilities of conflict of interest among staff

5. Report on recent training and development in governance for those in key leadership.

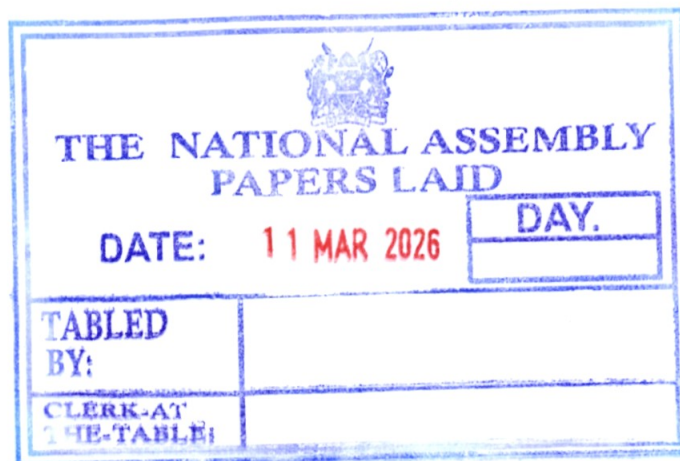
The state Department for Transport has trained various officers on Senior Leadership and Development Management as well as Senior Management Courses.

6. Public participation activities

Public participation was carried out proposed policies, Bills, Statutory Instruments.

7. Compliance with laws and regulations among others.

The state Department is compliant with PFM Act 2012 and Regulations 2015, Public Procurement and Asset Disposal Act 2015 and Regulations 2020.



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8. Management Discussion and Analysis

8.1 Analysis of Expenditure Trends for FY 2022/23 – 2024/25

This section provides the analysis of the Expenditure trends for the period 2022/23 – 2024/25

Table 8.1.1: Analysis of Combined Approved Budget Vs Actual Expenditure (Kshs.Million)

Vote and Vote Details	Economic Classification	Approved Budget Allocation			Actual Expenditure		
		2022/23	2023/24	2024/25	2022/23	2023/24	2024/25
1092- State Departme nt for Transport	GROSS	12,493	59,722	48,036	10,275	55,738	42,248
	AIA	9,179	13,292	16,535	9,125	13,173	12,077
	NET	3,314	46,430	31,501	1,150	42,565	30,171
	Compensation to Employees	199.70	195	193	185	183	195
	Transfers	11,935	58,777	47,083	9,882	55,123	41,622
	Others	358	747	760	208	431	431
	<i>of Which</i>						
	Use of Goods	93	354	567	16	112	309
	Acquisition of Assets	76	130	190	56	79	122
	Gratuity	18	-	3	18	-	-
	Others	81	265	-	118	240	-

Table 8.1.1 Presents the analysis of combined approved budget against the actual expenditure during the period under review. The approved budget was 12,493 million, 59,722 million and 48,036 million against expenditures of 10,275 million, 55,738 million and 42,248 million respectively. This translated to absorption rates of 82%, 93% and 88% respectively.

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8.2 State Department key projects or investments decision implemented or ongoing indicating source of funds, project status, project costs and amount spent this far.

Project Code & Project Title	Financing			Timeline		Actual Cumulative Exp up to 31st March, 2025	% Project Completion (Physical) as at 31st March 2025	Allocation FY 2024/25		Budget Estimates FY 2025/26		
	Est Cost of Project (K)	GOK	Foreign	Start Date	Expected Completion Date			GOK	Foreign	GOK	Foreign	
							Ksh Million					
1 1092105101 Monitoring and Evaluation	500	500	-	7/1/2018	Continuous	100	-	-	-	-	11	-
2 1092105201 Refurbishment of Transcon House	450	450	-	1/7/2019	6/30/2026	106	-	29	45	-	33	-
3 1092107300 East African Trade and Transport Facilitation Project (MAT)	446	300	146	7/4/2012	6/30/2023	127	-	95	-	-	22	-
4 1092115000 Kenya Urban Improvement Project (KUMIP) - Preparatory Activities for Phase 1	972	162	810	4/24/2023	6/30/2027	-	-	-	-	-	33	100
5 1092115500 Support for Development of Automated Fare Collection System	478	100	378	1/11/2024	30/06/2025	-	-	-	-	-	28	-
6 1092102000 Nairobi Bus Rapid Transport BRT Line 2 (Bartia Line)	5,575	5,575	-	8/1/2020	8/16/2025	2,743	-	56	562	-	331	-
7 10921156100 Public Transport Tugvick BRT Assistance Project - Phase 1	226	38	188	3/1/2022	3/1/2026	-	100	70	-	-	11	19
8 1092115700 Resilience Building Program	2,000	2,000	-	1/1/2022	30/12/2027	180	-	19	-	-	28	-
1092109300 LAPISSET Corridor Development Project Resilience Programme	-	-	-	-	-	-	-	-	-	-	300	-
9 10921094100 Transcon Advisory Services and Tech Assistance - LAPISSET	230	30	200	1/6/2017	30/6/2026	20	116	65	-	-	6	73
10 11921128100 LAPISSET Corridor Master Planning	1,500	1,000	-	1/7/2024	30/06/2026	-	-	-	-	-	28	-
1092112500 National Overhaul Corporation Threshold Programme (NMOF)	9,362	1,560	7,802	1/7/2024	30/06/2027	-	-	1	-	-	6	500
13 1092116100 - Construction of walkways and Platforms for non-ventilated rail stations	4,600	4,600	-	7/1/2025	6/30/2028	-	-	0	-	-	810	-
13 1092116400 LAPISSET Corridor Development	-	-	-	-	-	-	-	-	-	-	209	-
13 Total Programme 1 General Administration	31,238	16,315	9,924	439,488	229,782	3,354	218	338	827	-	835	692
14 1092101201 Jomo Kenyatta Expressway Project	2,261	2,261	-	1/1/2016	6/30/2028	1,771	-	40	-	-	-	-
15 1092104701 Nairobi Airport	1,000	450	550	7/1/2018	6/30/2025	325	150	53	-	-	-	-
16 1092104801 Nairobi Airport	550	550	-	7/1/2018	6/30/2024	413	-	75	-	-	-	-
17 1092105001 Moga Airport	1,500	1,500	-	7/3/2018	6/30/2027	-	-	37	-	-	-	-
18 1092104901 Kibiko Airport	600	600	-	7/1/18	6/30/2025	378	-	75	-	-	-	-
20 1092105101 Lindi Airport Nairobi	3,100	3,100	-	1/4/2020	6/30/2028	556	-	65	-	-	-	-
22 1092107201 Awajale Airport - Mombasa MTR	4,260	4,260	60	1/1/2020	9/25/2027	310	-	23	-	-	-	-
23 Purchase of Aircraft Accident Investigation Equipment	2,400	2,400	-	1/7/2022	31/12/2025	-	-	-	-	-	-	-
24 Total Programme 2 Air Transport	18,911	18,761	210	-	-	4,395	218	-	-	-	-	-
26 1092102000 Horn of Africa Gateway Development Project	1,566	208	1,320	9/8/2020	22/01/2028	262	96	10	30	300	28	132
27 1092112400 Provision of E-Mobility Project	1,130	188	942	10/1/2023	10/1/2026	-	-	20	15	33	63	29
28 1021106201 Street Driving License	2,151	2,151	-	8/3/2017	6/30/2023	1,820	-	-	-	-	-	-
30 10921085001 Safe Roads/Automata Brakes Programme (NTSA)	672	118	554	1/3/2020	31/08/2025	162	340	70	60	10	6	100
31 1092107100 Horn of Africa Gateway Development Project - NTSA	3,019	436	2,653	22/01/2020	22/01/2028	150	1,824	31	60	500	35	368
32 Total Programme 3 Road Transport and Safety	8,829	3,189	5,478	-	-	3,429	3,875	183	873	169	876	-
33 1092105500 Construction of Berth 1 at the Dongo Mombasa Special Economic Zone Development	58,227	27,448	30,779	1/7/2020	30/06/2026	1,550	-	5	-	500	-	-
34 1092108700 Acquisition of houses for Lake Victoria	1,000	1,000	-	1/7/2023	30/06/2026	450	-	15	-	-	110	-
35 1092115900 Ferry Ramp - Mombasa	3,100	3,100	-	7/1/2025	30/06/2028	-	-	-	-	-	450	-
36 Total Programme 4 Marine Transport	83,327	31,848	30,779	134,899	-	3,980	-	70	-	899	560	-
37 1092109500 Rejuvenation Units at Kisumu & Mtwara	12,111	7,454	8,111	10/1/2013	7/3/2022	3,100	8,111	85	-	-	-	-
38 1092115300 Rejuvenation of Kisumu - Dulo MGR Branch line	2,940	2,940	-	7/1/2020	8/30/2024	2,687	-	90	-	-	-	-
39 1092108100 Rejuvenation of Kisumu - Dulo MGR Branch line	576	576	-	7/1/2021	6/30/2024	582	-	84	1,000	-	-	-
40 1092108100 Rejuvenation of Lamu - Kisumu MGR Branch line	537	537	-	7/1/2021	6/30/2024	495	-	80	-	-	-	-
41 1092108200 Rejuvenation of Crstal - Nyahururu MGR Branch line	1,133	1,133	-	7/1/2021	6/30/2024	1,100	-	75	-	-	-	-
42 1092108300 Construction of Health and Mining Safety Training Facility at the Railway Training Institute - Kisumu	900	391	509	12/1/2018	12/10/2021	349	434	100	-	-	65	-
43 1092108500 Development of Nairobi Railway City	11,223	1,830	9,393	7/1/2022	6/30/2026	245	-	37	-	-	-	-
44 1092112500 Supply and Commissioning of Kenya Railways Rolling Stock	4,268	308	3,800	1/4/2024	30/06/2026	-	505	Inval	-	150	30	500
45 1092112600 Modernisation, Extension and Operation of Nairobi Corridor Line B	22,528	2,048	20,480	1/7/2024	30/06/2027	-	-	Inval	-	-	21	100
46 1092108100 Construction of Ruvu - Lamu - Ngong Railway Line	8,505	8,505	-	1/7/2023	30/06/2026	-	-	10	-	-	3,268	-
47 1092108700 Standard Gauge Railway: Land acquisition & Construction of Public Institutions and land acquisition under Phase 1 and 2A	68,337	68,337	-	11/28/2013	6/30/2026	54,002	-	80	-	-	2,700	-
48 1092110300 Construction of 2 BRT from MGR link from Mombasa SGR Terminal - Mtwara MGR station and railway bridge across railway embankment	5,613	5,613	-	7/1/2022	6/30/2024	4,801	-	40	-	-	681	-
49 1092110100 Procurement of 500 New SGR Rail wagons and 20 New SGR passenger coaches	12,326	12,326	-	3/1/2022	6/30/2025	8,501	-	100	-	-	-	-
50 1092113200 Acquisition of 19 MGR locomotives	3,883	3,883	-	3/1/2022	6/30/2025	2,720	-	67	-	-	483	-
51 1092111100 Implementation of SAP ERP Phase B	1,225	1,225	-	7/1/2023	6/30/2024	204	-	20	-	-	501	-
52 1092115000 Standard Gauge Railway: Operations and Maintenance	14,629	14,629	-	7/1/2022	6/30/2024	13,743	-	35	945	-	51	-
53 1092110700 Upgrade of RTI Infrastructure	715	715	-	1/1/2024	6/30/2025	-	-	-	-	-	500	-
54 1092114300 Construction of the SGR Overhaul Workshop	7,844	7,844	-	1/7/2024	30/06/2028	-	-	-	-	-	2,315	-
55 1092114600 Upgrade of SGR Ticketing System	600	600	-	1/7/2024	30/06/2026	-	-	-	-	-	300	-
56 Purchase of Six SGR Passenger Locomotives and 33 New SGR Locomotive Wheel Sets	7,705	7,705	-	1/7/2024	30/06/2028	-	-	-	-	-	2,204	-
57 1092114700 Flood Mitigation and Climate Proofing Works	9,164	9,164	-	1/4/2024	30/06/2027	2,149	-	-	-	-	2,000	-
58 1092111900 Construction of Logistics hubs in Athi River	1,500	1,500	-	7/1/2024	6/30/2025	-	-	-	-	-	150	-
62 1092105000 Rejuvenation of 118 Bkm of Voi - Taveta and Construction of Transshipment facility at Voi and Taveta	4,000	4,000	-	7/1/2023	6/30/2025	-	-	-	-	878	2,043	-
63 1092113500 Rejuvenation of the Longoni-Mombasa MGR Line	3,717	3,717	-	7/1/2024	6/30/2027	-	-	-	-	-	16,006	-
64 1092112300 Development of SGR Phase 2B and 2C - 360km	502,960	47,549	455,351	7/1/2025	6/30/2029	-	-	Inval	-	-	500	-
65 1092115800 Rejuvenation of Mtwara Gauge Railway- Stone Rufili	10,000	10,000	-	7/1/2025	6/30/2026	-	-	-	-	-	800	-
66 10921160000 Mombasa-Nairobi-Nyahururu SGR Maintenance Work	800	800	-	7/2/2025	7/1/2026	-	-	-	-	-	2,204	-
67 1092114500 Procurement of Six SGR Passenger Locomotives and 336 New SGR Locomotive Wheelsets	7,705	7,705	-	7/1/2024	6/30/2028	-	-	-	-	-	37,378	800
Total Programme 5 Rail Transport	727,385	233,114	487,723	1,353,386	982,428	93,747	9,851	983	7,873	180	37,378	800
Total VOTE	835,489	299,837	543,706	-	-	105,626	11,562	3,633	1,523	38,666	2,162	-

9. Environmental and Sustainability Reporting

Below is a brief highlight of our achievements in each pillar.

a) Sustainability strategy and profile

The State Department, in its effort to conserve the environment and mitigate the adverse effects of climate change, it has adopted and promoted of Electric Mobility as opposed to gas emitting combustion engines in Road transport sector.

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

The State Department has no policies in place in regards to biodiversity and waste management. However, the institution is guided by Presidential Directives and acts laid out by the government and particularly EMCA 1999.

Currently SDoT is guided by the Presidential Directive issued in 2022 on planting 15 Billion trees by 2032 across all MDAs. The State Department for Transport and its SAGAs has an annual allocation of 10 Million trees to be grown in Mombasa and Homa Bay counties with commendable progress recorded thus far. In an effort to accelerate the achievement.

The State department plans, implements and reports Climate Change mitigation and adaptation actions in compliance with the Climate Change Act, 2016, amended 2023 whereby MDAs are tasked with upholding and mainstreaming climate change responses into development planning, decision-making and implementation of the policies, projects and programmes.

c) Employee welfare

- a. Recruitment is guided and done by the public service commission (as guided by Human resource policy and procedure Manual).
- b. Skills improvement is done by the State Department in a structured manner. This starts from receipt of request, validation and approval by Ministerial Human Resource Management Advisory Committee (MHRMAC) followed by intervention programmes Implementation.

STATE DEPARTMENT FOR TRANSPORT

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

- c. Appraisal is similarly done in a structured manner through the Government Human Resource Information System (GHRIS)
- d. The safety committee as required by Occupational Safety and Health Act. (OSHA) is yet to be established.

d) Operational practices

- **Responsible Competition Practice**

Competitive practices are ensured through competitive bidding, parity in supplier selection, and application of preferences for special groups where applicable, i.e. Youth, Women and Persons with disabilities.

- **Responsible Supply chain and supplier relations**

The organisation maintains good business practices by adhering to the set act and regulations, i.e. The Public Procurement and Asset Disposal Act 2015 And Regulations 2020.

- **Responsible marketing and advertisement-outline efforts to maintain ethical marketing practices**

Efforts under this are maintained through Pre-qualifications and continuous update of suppliers' profiles by the organisation. Market trends are updated annually through market indexes published by procurement bodies e.g. PPRA and KISM.

- **Product stewardship- outline efforts to safeguard consumer rights and interests**

- i. Provision of proper specifications for Goods, Works and Services, and adhering to them.
- ii. Engaging the statutory bodies charged with overseeing quality e.g. KEBS.
- iii. Carrying out due diligence whenever in doubt, especially before award of contracts.

e) Community Engagements-

- I. The State Department participates in Kenya Communications Sports Organization (KECOSO) on yearly basis, in different venues. At the end of the sports event, sporting equipment are donated to the community (schools or such clubs) in the county where the games are held

- II. The tree planting exercises of indigenous trees in Mikindani and Jomvu areas of Mombasa County and Gembe hills in Homabay County involving SDOT and its SAGAs and the local community in planting.

STATE DEPARTMENT FOR TRANSPORT
Annual Report and Financial Statements for the year ended June 30, 2025

10. 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 Entity shall prepare financial statements in respect of that entity. 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 State Department for Transport is responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity 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 entity, (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of the entity; (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 State Department for Transport accepts responsibility for the entity'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 State Department for Transport financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2025, and of the entity's financial position as at that date. The Accounting Officer further confirms the completeness of the accounting records maintained for the State Department for Transport, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the system of internal controls.

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

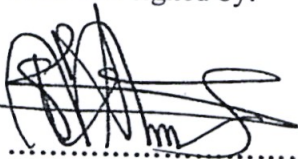
STATE DEPARTMENT FOR TRANSPORT

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

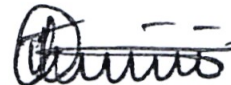
eligible purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the MDA's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the financial statements

The State Department for Transport financial statements were approved on 10/11/2025 2025 and signed by:



.....
Mohamed Daghar, CBS
Accounting Officer



.....
CPA Timothy Mburu
Head of Accounting Unit
ICPAK M/No 5676

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON STATE DEPARTMENT FOR TRANSPORT 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 aim to address the Auditor-General's statutory roles and responsibilities 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 State Department for Transport set out on pages 1 to 41, which comprise of the statement of financial position as at 30 June, 2025, and the statement financial performance, statement of changes in net assets, statement of cash flows and the statement of

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the transitional IPSAS financial statements present fairly, in all material respects, the financial position of the State Department for Transport 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 State Department for Transport 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.

Emphasis of Matter

1. Long Outstanding Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.36,942,544. The balance includes an amount of Kshs.3,863,569 that has been outstanding for over one year. Further, the supporting ledgers revealed that the State Department for Transport payables increased from Kshs.3,863,569 (2023/2024) to Kshs.36,942,544 during the year under review an indication that goods and services supplied or rendered during the year amounting to Kshs.33,078,975 were not paid for. Failure to settle payables within the year they relate distorts budget of the subsequent year as they form first charge. Further delayed, payment of pending bill may attract interest and penalties resulting to loss of public funds.

2. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis amounts of Kshs.48,036,177,529 and Kshs.42,256,582,325 respectively, resulting to an over-funding of Kshs.5,779,595,204 or 12% of the budget. However, the Fund spent an amount of Kshs.42,248,664,675 against actual receipt amount of Kshs.42,256,582,325 resulting to underutilization of

Kshs.7,917,650 or 0.02 % of actual receipt. The under-funding may have affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of these matters

Key Audit Matters

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

Unresolved Prior Year Matters

In the prior year audit report, several issues were raised under the under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. Review of the status during audit of the Project in 2024/2025 revealed that the following six (6) issues remained unresolved:

NO.	Financial Year	Audit Issue
1	2023/2024	Long outstanding account payable
2	2023/2024	Unlawful Forfeiture of leave days.
3	2023/2024	Non-compliance with Persons with Disability Act,2003
4	2023/2024	Unclaimed Assets-Third party deposits and retentions
5	2023/2024	Delayed incomplection the Transport Data Centre

Other Information

The Management is responsible for the Other Information set out on page iii to xlvi which comprise of Key State Department Information and Management, profile of cabinet secretary, Profile of accounting officer, statement by the Accounting Officer, Statement of Performance Against Predetermined Objectives, Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors, 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 State Department's 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. Unclaimed Refundable Deposits

As previously reported, the statement of financial position and as disclosed in Note 16 to the financial statements reflects a balance of Kshs.22,324,487 in respect of refundable deposits and prepayments. The balance includes an amount of Kshs.16,633,670 in respect of long outstanding deposits of Kshs.14,633,699 and Kshs.2,000,000 in respect of Kenya Railways retirees and Ministry of Roads and Transport respectively. Further, the Kenya Railways retirees' deposit balance has been outstanding for long and had not been remitted to the consolidated Fund. This was contrary to Regulation 106 of the Public Finance Management (National Government) Regulations, 2015 which states that unless otherwise exempted by an Act of Parliament, any deposit which has remained unclaimed for five (5) years may, with the approval of the Cabinet Secretary, be paid into Consolidated Fund and thereafter the Accountant-General may refund the deposit to any person entitled thereto, if he or she is satisfied that the claim is authentic. Similarly, the amounts could be surrendered to the Unclaimed Financial Assets Authority as provided under the Unclaimed Financial Assets Act, 2011

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

2. Non-compliance with Disability Staffing Thresh Hold of 5%

Review of the staff establishment revealed that, out of 150 members of staff in post, only one officer or 0.6% was in the disability category. This was contrary to Persons with Disability Act 2003 which stipulates that at least 5% of the work force to be persons with disability.

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

3. Non-Compliance with One-Third Rule on Basic Salary

Review of the State department staff payroll for month of June,2025, revealed five (5) employees whose salary deductions exceeded two-thirds (2/3) of the basic salary. This was contrary to Section 19(3) of the Employment Act, 2007 which states that without prejudice to any right of recovery of any debt due, and notwithstanding the provisions of any other written law, the total amount of all deductions which under the provisions of

subsection (1), may be made by an employer from the wages of his employee at any one time shall not exceed two-thirds of such wages or such additional or other amount as may be prescribed by the Minister either generally or in relation to a specified employer or employee or class employers or employees or any trade or industry. This may expose the staff to pecuniary embarrassment.

In the circumstances, Management was 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 THE 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 Report on the 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

Weak Internal Controls in Management of Assets

Review of the assets register, revealed that the State Department has 24 motor vehicles in working condition, out of which twenty-two (22) were fully depreciated. However, the vehicles were operational and in good condition indicating that they still hold significant economic value. Management did not explain why these assets have not been revalued. Further, various asset items such as desks, chairs, and electronic equipment had not been tagged.

In addition, the entity's asset register lacked key information, including the date of purchase and cost of acquisition for several assets. This weakens the entity's ability to track and account for its assets.

In the circumstances, the effectiveness of internal control on management of assets could not be confirmed.

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 State Department'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 State Department'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

19 December, 2025

REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

STATE DEPARTMENT FOR TRANSPORT

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

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON STATE DEPARTMENT FOR TRANSPORT FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

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- 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.

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REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying transitional IPSAS financial statements of State Department for Transport set out on pages 1 to 41, which comprise of the statement of financial position as at 30 June, 2025, and the statement financial performance, statement of changes in net assets, statement of cash flows and the statement of

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the transitional IPSAS financial statements present fairly, in all material respects, the financial position of the State Department for Transport 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 State Department for Transport 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.

Emphasis of Matter

1. Long Outstanding Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.36,942,544. The balance includes an amount of Kshs.3,863,569 that has been outstanding for over one year. Further, the supporting ledgers revealed that the State Department for Transport payables increased from Kshs.3,863,569 (2023/2024) to Kshs.36,942,544 during the year under review an indication that goods and services supplied or rendered during the year amounting to Kshs.33,078,975 were not paid for. Failure to settle payables within the year they relate distorts budget of the subsequent year as they form first charge. Further delayed, payment of pending bill may attract interest and penalties resulting to loss of public funds.

2. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis amounts of Kshs.48,036,177,529 and Kshs.42,256,582,325 respectively, resulting to an over-funding of Kshs.5,779,595,204 or 12% of the budget. However, the Fund spent an amount of Kshs.42,248,664,675 against actual receipt amount of Kshs.42,256,582,325 resulting to underutilization of

Kshs.7,917,650 or 0.02 % of actual receipt. The under-funding may have affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of these matters

Key Audit Matters

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

Unresolved Prior Year Matters

In the prior year audit report, several issues were raised under the under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. Review of the status during audit of the Project in 2024/2025 revealed that the following six (6) issues remained unresolved:

NO.	Financial Year	Audit Issue
1	2023/2024	Long outstanding account payable
2	2023/2024	Unlawful Forfeiture of leave days.
3	2023/2024	Non-compliance with Persons with Disability Act,2003
4	2023/2024	Unclaimed Assets-Third party deposits and retentions
5	2023/2024	Delayed incomplection the Transport Data Centre

Other Information

The Management is responsible for the Other Information set out on page iii to xlviii which comprise of Key State Department Information and Management, profile of cabinet secretary, Profile of accounting officer, statement by the Accounting Officer, Statement of Performance Against Predetermined Objectives, Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors, 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 State Department's 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. Unclaimed Refundable Deposits

As previously reported, the statement of financial position and as disclosed in Note 16 to the financial statements reflects a balance of Kshs.22,324,487 in respect of refundable deposits and prepayments. The balance includes an amount of Kshs.16,633,670 in respect of long outstanding deposits of Kshs.14,633,699 and Kshs.2,000,000 in respect of Kenya Railways retirees and Ministry of Roads and Transport respectively. Further, the Kenya Railways retirees' deposit balance has been outstanding for long and had not been remitted to the consolidated Fund. This was contrary to Regulation 106 of the Public Finance Management (National Government) Regulations, 2015 which states that unless otherwise exempted by an Act of Parliament, any deposit which has remained unclaimed for five (5) years may, with the approval of the Cabinet Secretary, be paid into Consolidated Fund and thereafter the Accountant-General may refund the deposit to any person entitled thereto, if he or she is satisfied that the claim is authentic. Similarly, the amounts could be surrendered to the Unclaimed Financial Assets Authority as provided under the Unclaimed Financial Assets Act, 2011

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

2. Non-compliance with Disability Staffing Thresh Hold of 5%

Review of the staff establishment revealed that, out of 150 members of staff in post, only one officer or 0.6% was in the disability category. This was contrary to Persons with Disability Act 2003 which stipulates that at least 5% of the work force to be persons with disability.

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

3. Non-Compliance with One-Third Rule on Basic Salary

Review of the State department staff payroll for month of June,2025, revealed five (5) employees whose salary deductions exceeded two-thirds (2/3) of the basic salary. This was contrary to Section 19(3) of the Employment Act, 2007 which states that without prejudice to any right of recovery of any debt due, and notwithstanding the provisions of any other written law, the total amount of all deductions which under the provisions of

subsection (1), may be made by an employer from the wages of his employee at any one time shall not exceed two-thirds of such wages or such additional or other amount as may be prescribed by the Minister either generally or in relation to a specified employer or employee or class employers or employees or any trade or industry. This may expose the staff to pecuniary embarrassment.

In the circumstances, Management was 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 THE 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 Report on the 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

Weak Internal Controls in Management of Assets

Review of the assets register, revealed that the State Department has 24 motor vehicles in working condition, out of which twenty-two (22) were fully depreciated. However, the vehicles were operational and in good condition indicating that they still hold significant economic value. Management did not explain why these assets have not been revalued. Further, various asset items such as desks, chairs, and electronic equipment had not been tagged.

In addition, the entity's asset register lacked key information, including the date of purchase and cost of acquisition for several assets. This weakens the entity's ability to track and account for its assets.

In the circumstances, the effectiveness of internal control on management of assets could not be confirmed.

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 State Department'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 State Department'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

19 December, 2025

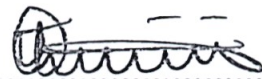
12. Statement of Financial Performance for the year ended 30 June 2025

	Notes	2024/2025
		Kshs
Revenue from non-exchange transactions		
Transfers from Exchequer	5	4,955,322,692
Transfers from Domestic and Foreign Partners	6	7,142,840
Tax Receipts	7	25,216,999,950
Total		30,179,465,482
Revenue from exchange transactions		
Miscellaneous income	8	12,077,116,843
Total revenue		42,256,582,325
Expenses		
Employee costs	9	198,699,943
Use of goods and services	10	336,677,623
Transfers to other Government Entities	11	41,621,652,833
Depreciation and amortization expense	12	30,895,375
Total expenses		42,187,925,773
Surplus for the year		68,656,552
Net Surplus		68,656,552

The Financial Statements set out on pages 1 to 5 were signed by:



Mohamed Daghar, CBS
Accounting Officer



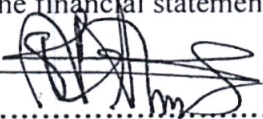
CPA Timothy Mburu
Head of Accounting Unit
ICPAK M/No 5676

State Department for Transport
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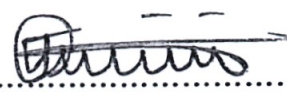
13. Statement of Financial Position as at 30 June 2025

	Notes	2024/2025	Opening Statement 1 st July 2024
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash equivalents	13	30,242,136	37,792,766
Total Current Assets		30,242,136	37,792,766
Non-Current Assets			
Property, Plant and Equipment	14	96,992,949	-
Total Non- Current Assets		96,992,949	-
Total Assets (a)		127,235,085	37,792,766
Liabilities			
Current Liabilities			
Trade and Other Payables	15	36,942,544	5,623,569
Refundable Deposits	16	22,324,487	21,985,917
Current Provision	17	3,175,068	-
Total Current Liabilities		62,442,100	27,609,486
Non-Current Liabilities			
Non-Current Provisions	17	5,139,286	5,139,286
Service Concession Liability		-	-
Total Non- Current Liabilities		5,139,286	5,139,286
Total Liabilities (b)		67,581,386	32,748,772
Net Assets (a-b)		59,653,699	5,043,994
Represented by:			
Accumulated Surplus		59,653,697	5,043,994
Net Assets		59,653,699	5,043,994

The financial statements set out on pages 1 to 5 were signed by:



Mohamed Daghar, CBS
Accounting Officer



CPA Timothy Mburu
Head of Accounting Unit
ICPAK M/No 5676

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

	Accumulated Surplus	Total
Fund balance as at 30th June 2024	15,806,850	15,806,850
Adjustments		
Recognition of Liabilities	(9,002,855)	(9,002,855)
As at July 1, 2024	6,803,995	6,803,995
Return to Exchequer	(15,806,850)	(15,806,850)
Surplus	68,656,552	68,656,552
As at June 30, 2025	59,653,697	59,653,697

Note:

1. Return to Exchequer refers to the closing bank balances vide FT24220K093N of Ksh 8,741,243.10 Recurrent and FT24220XN9GL of 7,065,606.65 Development bank Accounts.

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15. Statement of Cash Flows for the year ended 30 June 2025

		<i>2024/2025</i>
	Notes	Kshs
Cash flows from operating activities		
Receipts		
Transfers from exchequers	5	4,955,322,692
Transfers from other governments entities	6	7,142,840
Tax Receipts	7	25,216,999,950
Other income	8	12,077,116,843
Total receipts		42,256,582,325
Payments		
Employee costs	9	195,524,875
Use of goods and services	10	309,070,475
Transfers to other Government Entities	11	41,621,652,833
Total payments		42,126,248,182
Net cash flows from operating activities	19	130,334,143
Cash flows from investing activities		
Purchase of PPE	14	(122,077,923)
Net cash flows from/(used in) investing activities		(122,077,923)
Cash flows from financing activities		
Return to Exchequer		(15,806,850)
Net cash flows from financing Activities		(15,806,850)
Net increase/(decrease) in cash & Cash equivalents		(7,550,630)
Cash and cash equivalents at 1 July	14	37,792,766
Cash and cash equivalents at 30 June	14	30,242,137

16. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2025

Recurrent and Development Combined

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	A	b	c=a+b	d	e=c-d	f=d/c %
Receipts						
Exchequer releases	7,780,203,728	(2,618,527,276)	5,161,676,452	4,955,322,692	206,353,760	96%
Proceeds from domestic and foreign grants	355,000,000	64,337,500	419,337,500	7,142,840	412,194,660	2%
Tax receipts	25,217,000,000	-	25,217,000,000	25,216,999,950	50	100%
Proceeds from foreign borrowings	4,200,000,000	(3,500,000,000)	700,000,000	-	700,000,000	0%
Proceeds from sale of assets	-	3,483,577	3,483,577	-	3,483,577	0%
Miscellaneous receipts	14,079,000,000	2,455,680,000	16,534,680,000	12,077,116,843	4,457,563,157	73%
Total Receipts	51,631,203,728	(3,595,026,199)	48,036,177,529	42,256,582,325	5,779,595,204	88%
Payments						
Compensation of employees	195,000,000	(2,258,023)	192,741,977	195,524,875	(2,782,898)	101%
Use of goods and services	649,179,230	(82,344,412)	566,834,818	309,409,045	257,425,774	55%
Transfers to other government entities	50,534,600,000	(3,451,682,500)	47,082,917,500	41,621,652,833	5,461,264,668	88%
Social security benefits	3,750,000	-	3,750,000	-	3,750,000	0%
Acquisition of assets	248,674,498	(58,741,264)	189,933,234	122,077,923	67,855,311	64%
Total Payments	51,631,203,728	(3,595,026,199)	48,036,177,529	42,248,664,675	5,787,512,854	88%
Surplus	-	-	-	7,917,650	(7,917,650)	

(a) **Variance analysis:** [significant underutilization (below 90% of utilization) on use of Goods and Services 55% was occasioned by budget cuts during the year.

(b) Overutilization (above 100%) on Compensation of Employees of 1% was as a result of budget cut during the year.

(c) Underutilization on Acquisition of Assets of 36% was occasioned by Work in Progress for Refurbishment of Transcom House.

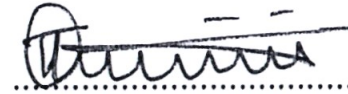
State Department for Transport
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(d) **Reallocations within the year:** Changes between original and final budget was occasioned by supplementary budgets estimates within the budget.

The entity financial statements were approved on 10/11/ 2025 and signed by:



Mohamed Daghar, CBS
Accounting Officer



CPA Timothy Mburu
Head of Accounting Unit
ICPAK M/No. 5676

Budget Reconciliation to the Statement of Cash Flows

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	7,917,650
1	Basis difference	338,571
2	Timing differences	37,792,766
3	Classification differences	(15,806,850)
	Closing Cash and Cash Equivalent as per the statement of Cash flows	30,242,137

State Department for Transport

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

17. Budget Execution by Programmes and Sub-Programmes for FY2025

Programme/Sub-programme	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Budget utilization difference
	Kshs	Kshs	Kshs	Kshs	Kshs
General Administration, Planning and Support Services					
General Administration, Planning and Support Services	2,539,047,691	-	2,539,047,691	2,187,997,227	351,050,464
Human Resources and Support Services	-	-	-	828,456	(828,456)
Financial Management Services	8,561,698		8,561,698	8,684,738	(123,040)
Information Communications Services	103,956,512	-	103,956,512	103,461,220	495,292
Road Transport					
Road Safety Intervention	5,906,940,565	-	5,906,940,565	4,432,361,053	1,474,579,512
Rail Transport					
Rail Transport	26,593,824,334	-	26,593,824,334	26,394,061,819	199,762,515
Marine Transport					
Marine Transport	1,320,544,167	-	1,320,544,167	753,489,215	567,054,953
Air Transport					
Air Transport	11,563,302,562	-	11,563,302,562	8,367,780,948	3,195,521,614
Total	48,036,177,529		48,036,177,529	42,248,664,675	5,787,512,854

18. Notes to the Financial Statements

1. Establishment

The State Department for Transport is established by and derives its authority and accountability from Executive Order No.1 of 2023 (Issued in January 2023). The State Department is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is;

- i) Transport Policy Management; Rail Transport and Infrastructure Management; Oversight and Co-ordination of; Northern Corridor Transport and Lamu South Sudan Ethiopia Transit (LAPSSET) Programmes Implementation; Civil Aviation Management and Training;
- ii) Registration and Insurance of Motor Vehicles; Motor Vehicles Inspection; National Transport Safety; National Road Safety Management; National Roads Transport Policy; Axle Load Control Policy and Standards;
- iii) Development and Maintenance of Air Strips; and
- iv) Oversee the establishment of an integrated, efficient, effective and sustainable Urban Public Transport system within the Nairobi Metropolitan area and to advise the Government on national policy with regard to road transport sector.

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).

For the purpose of these financial statements, the State Department 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.

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 August 2025.

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

The financial statements have been prepared in accordance with the Public Finance Management Act, and International Public Sector Accounting Standards (IPSAS) and the State Department for Transport has taken advantage of the transitional provisions under IPSAS 33 and therefore these 1st year financial statements are transitional financial statements and elements like Land and Building, Historical Assets and Inventory of the financial statements have not been recognised as the MDA has taken advantage of the transition provisions outlined in IPSAS 33. We plan to recognise by the year 2027.

Reporting period

The reporting period for these financial statements is for the period ended 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.

State Department for Transport
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Recognition of non-exchange expenses and liabilities

A liability is a present obligation of *MDA* 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. Judgement is required in assessing each of these conditions, and therefore reporting if an expense and a present obligation should be reported.

The State Department 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 entity 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 State Department's policy objectives and targets. Where a policy choice gives rise to an obligation that exists independently of the entity's 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. The State Departments commitment to climate change action does not constitute a present obligation on the balance sheet.

Physical assets

An asset is a resource presently controlled by the State Department as a result 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.

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

Notes to the Financial Statements (Continued)

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> <p>The standard will guide how we account for recognition, measurement, presentation, and disclosure of leases</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> <p>The standard will guide how we account for Non- Current Assets Held for Sale and Discontinued Operations</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</p>

Standard	Effective date and impact:
	<p>PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p> <p>The standard will guide how we account Property Plant and Equipment</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>The standard will guide how we account for this</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>The standard will guide how we account for this</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</p>

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Standard	Effective date and impact:
	<p>arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p> <p>The standard will guide how we account for this</p>
<p>IPSAS 49- Retirement Benefit Plans</p>	<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> <p>The standard will guide how we account for this</p>
<p>IPSAS 50: Exploration For & Evaluation of Mineral Resources</p>	<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> <ul 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. <p>The standard will guide how we account for this</p>

iii) Early adoption of standards.

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

3. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

The State Department for Transport 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 State Department for Transport 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 State Department for Transport 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 State Department for Transport 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.

b) Budget information

The original budget for FY 2024/25 was approved by the National Assembly in 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 State Department upon receiving the respective approvals in order to conclude the final budget. The State Department for Transport'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

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Summary of Significant Accounting Policies (Continued)

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 section 17 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. 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.

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 MDA 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.

Summary of Significant Accounting Policies (Continued)

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 State Department for Transport 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 State Department 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.

f) Tangible Natural Resources

The State Department for Transport 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 State Department; the State Department for Transport controls the tangible natural resource as a result of past events; and The tangible natural resource can be measured reliably. Where these criteria is not met, the State Department 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 entity 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 of the risks and benefits incidental to ownership of the leased item to the State Department for Transport. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or,

State Department for Transport

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if lower, at the present value of the future minimum lease payments. The State Department for Transport 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 so as 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 State Department for Transport 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.

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 State Department for Transport expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the entity 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 State Department does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the State Department for Transport 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.

a) Financial assets

Classification of financial assets

The State Department for Transport 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 State Department'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 an entity 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 State Department 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.

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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.

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 State Department for Transport 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 State Department for Transport 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 State Department 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).

b) Financial liabilities

Classification

The State Department for Transport 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 State Department.

l) Provisions

Provisions are recognized when the State Department for Transport 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 State Department 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.

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 State Department for Transport 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 State Department will incur in fulfilling the present obligations represented by the liability.

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Notes to the Financial Statements (Continued)

n) Contingent liabilities

The State Department for Transport 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 State Department for Transport 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 State Department 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 State Department for Transport does not maintain reserves in terms of specific requirements. **Changes in accounting policies and estimates**

The State Department for Transport recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

q) Employee benefits

Retirement benefit plans

The State Department for Transport provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which the State Department pays fixed contributions into a separate entity (a fund), 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.

Summary of Significant Accounting Policies (Continued)

r) 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.

s) 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.

t) Related parties

The State Department for Transport regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the State Department, or vice versa. Members of key management are regarded as related parties and comprise Cabinet Secretary, the Accounting officer and Head of Departments.

u) Service concession arrangements

The State Department for Transport 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 State Department for Transport 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 State Department for Transport also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

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v) 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.

w) Comparative figures

In preparing these financial statements, the State Department for Transport has elected to apply paragraph 79 of IPSAS 33, which allows for the election by an entity 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.

x) 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.

4. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the State Department for Transport '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 State Department for Transport 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 State Department for. 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 State Department.

Notes to the Financial Statements (Continued)

- 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.

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.

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Notes to the Financial Statements (Continued)

5. Transfers from Exchequer

Nature of transfer	Amount recognized to Statement of Financial performance	Amount deferred under deferred income	Total transfers Period ended June 2025
	Kshs	Kshs	Kshs
Recurrent	2,181,913,372	-	2,181,913,372
Development	2,773,409,320	-	2,773,409,320
Total	4,955,322,692	-	4,955,322,692

6. Transfers from Domestic and Foreign Partners

Description	2024/2025
	Kshs
Africa Development Bank	7,142,840
Total	7,142,840

This relates to grants received from international organizations for Transactions Advisory Services and Technical Assistance to LAPSSET Corridor.

I. Details on Transfers from domestic and foreign partners

Name Of The MDA Sending The Grant/Transfer	Amount recognized to Statement of Financial performance	Amount deferred under deferred income	Total transfers 2024-2025
	Kshs	Kshs	Kshs
Africa Development Bank	7,142,840	-	7,142,840
Total	7,142,840	-	7,142,840

7. Tax Receipts

Description	2024/2025
	Kshs
RDLF	25,216,999,950
Total	25,216,999,950

This relates to Tax Receipts for Railway Development Levy Fund as budgeted during the Financial Year.

Notes to the Financial Statements (Continued)

8. Other Incomes

Description	Insert Current FY
	Kshs
Sale of non-market establishment	8,126,459,424
Administrative fees and charges	3,890,655,619
Income from sale of tender	-
Other incomes not specified elsewhere	60,001,800
Total other income	12,077,116,843

9. Employee Costs

Description	2024/2025
	Kshs
Basic salaries of permanent employees	117,764,699
Personal allowances – part of salary	66,136,739
Employer contribution to Pension	8,073,500
Employer contributions to compulsory Housing Levy	2,792,247
Employer contributions to compulsory national social security fund	669,240
Employer contributions to compulsory Training Levy - NITA	88,450
Other social benefit schemes	3,175,068
Employee costs	198,699,943

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Notes to the Financial Statements (Continued)

10. Use of Goods and Services

Description	2024/2025
	Kshs
Utilities, supplies and services	13,597,028
Communication, supplies and services	3,513,830
Domestic travel and subsistence	69,940,829
Foreign travel and subsistence	9,950,499
Printing, advertising, and information supplies & services	13,919,104
Rentals of produced assets	10,713,592
Training expenses	31,661,864
Hospitality supplies and services	19,067,275
Specialized materials and services	26,601,295
Office and general supplies and services	23,321,602
Fuel Oil and Lubricants	18,667,179
Routine maintenance – vehicles and other transport equipment	5,585,133
Routine maintenance – other assets	10,778,725
Other operating expenses	79,359,668
Total Use of Goods and Services	336,677,623

11. Transfers to Other Government Entities

Description	2024/2025
	Kshs
Transfers to national govt entities- SAGAs & SC CURRENT GRANTS	13,717,015,043
Transfers to national govt entities- SAGAs & SC CAPITAL GRANTS	2,395,115,948
Transfers to Projects – HOAGDP	292,521,892
Transfer to RDLF	25,216,999,950
Total	41,621,652,833

RDLF budget was kshs. 25,216,999,950 but the actual collection totals kshs. 36,789,076,648 resulting to an over collection of kshs. 11,572,076,698.

12. Depreciation and Amortization Expense

Description	2024/2025
	Kshs
Property, plant and equipment	30,895,375
Intangible assets	-
Investment property carried at cost	-
Total	30,895,375

Notes to the Financial Statements (Continued)

13. Cash and Cash Equivalents

Description	<i>2024/2025</i>	<i>Opening statement 1st July 2024</i>
	Kshs	Kshs
Recurrent Account	160,625	8,741,243
Development Account	7,757,025	7,065,607
Deposits Account	22,324,487	21,985,917
Others (Specify)	-	-
Total	30,242,136	37,792,766

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

Financial Institution	Account number	<i>2024/2025</i>	<i>Opening statement 1st July 2024</i>
		Kshs	Kshs
Recurrent Account	1000209968	160,625	8,741,243
Development Accounts	1000209879	7,757,025	7,065,607
Deposits Accounts	1000212551	22,324,487	21,985,917
Grand Total		30,242,136	37,792,766

State Department for Transport

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Notes to the Financial Statements (Continued)

14. Property, Plant, and Equipment

	Land	Buildings	Motor vehicles	Infrastructure assets	Furniture and fittings	Computers & ICT Equipment	Other assets	Work in progress	Service concession assets	Total
Depreciation Rate		2-10%	12.5%	2-20%	12.5%	30%	12.5%			
Cost	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Opening Bal as 1 st July 2024	-	-	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	101,809,582	2,820,000	23,258,741	-	127,888,323
As At 30 th June 2025	-	-	-	-	-	101,809,582	2,820,000	23,258,741	-	127,888,323
Depreciation And Impairment			-							
Depreciation	-	-	-	-	-	(30,542,875)	(352,500)	-	-	(30,895,375)
As At 30 th June 2025	-	-	-	-	-	30,542,875	352,500	-	-	30,895,375
Net Book Values			-							
Opening Bal as at 1 st July 2024	-	-	-	-	-	-	-	-	-	-
As At 30 th June, 2025	-	-	-	-	-	71,266,707	2,467,500	23,258,741	-	96,992,949

Work in Progress in the State Department relates to Lifts installation. SDoT has included pending bills amounting to Ksh 5,810,400.00 on assets and has used straight line method to compute depreciation as guided by rates indicated by NALM through Assets and Liabilities Management Policy.

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Notes to the Financial Statements (Continued)

14 b

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Plant And Machinery	2,820,000	352,500	2,467,500
Motor Vehicles, Including Motorcycles			
Computers And Related Equipment	101,809,582	30,542,875	71,266,707
Work in progress	23,258,741	-	23,258,741
Total	127,888,323	30,895,375	96,992,949

14 c Property plant and Equipment includes the following assets that are fully depreciated

	Cost or valuation	Normal annual depreciation charge
Plant and Machinery	2,820,000	352,500
Motor Vehicles including Motorcycles		
Computers and Related Equipment	101,809,582	30,542,875
Total	104,629,582	30,895,375

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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 MDA would pay for the remaining service potential of an asset at the measurement date.

15. Trade and Other Payables

Description	2024/2025		Opening Statement 1 st July 2024	
	Kshs		Kshs	
Trade payables	36,942,544		5,623,569	
Payments received in advance	-		-	
	-		-	
Total trade and other payables	36,942,544		5,623,569	
Ageing analysis: (Trade and other payables)	Current FY	% of the Total	1st July	% of the Total
Under one year	33,078,975	93.4%		-
-1-2 years	3,863,569	6.6%	5,623,569	100%
2-3 years	-	-	-	-
Over 3 years	-	-	-	-
Total (tie to above total)	36,942,544	100%	5,623,569	100%

16. Refundable Deposits and Prepayments

Description	Insert Current FY		Opening Statement 1 st July 2024	
	Kshs		Kshs	
Customer deposits	20,124,170		18,585,030	
Retention	2,200,317		3,400,886	
Total deposits	22,324,487		21,985,917	
Ageing analysis: (Refundable deposits)	Current FY	% of the Total	1st July	% of the Total
Under one year	4,677,277	21%	3,400,886	15%
1-2 years	1,013,540	4%		%
2-3 years		%		%
Over 3 years	16,633,670	75%	18,585,030	85%
Total	22,324,487		21,985,917	

17. Provisions

Description	Gratuity Provision	Other provision	Total
	Kshs	Kshs	Kshs
Opening bal 1st July 2024	5,139,286	-	5,139,286
Additional provisions	3,175,068	-	3,175,068
Total provisions year end	8,314,354	-	8,314,354
Current Provisions	3,175,068	-	3,175,068
Non-current Provisions	5,139,286	-	5,139,286
Total provisions period end	8,314,354	-	8,314,354

Current Provisions relates to Serviced Gratuity.

18. Employee Benefit Obligations

The State Department for Transport 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 KShs. 360 per employee per month. Other than NSSF the MDA also has a defined contribution scheme operated by Public Service Superannuation Fund. Employees contribute 7.5% while employers contribute 15% of basic salary. Employer contributions are recognised as expenses in the statement of financial performance within the period they are incurred.

19. Cash Generated from Operations

	2024/2025
	Kshs
Surplus for the year before tax	68,656,552
Adjusted for:	0
Depreciation	30,895,374
Working capital adjustments	0
Increase in payables	30,443,646
Increase in payments received in advance	338,571
Net cash flow from operating activities	130,334,143

20. Financial Risk Management

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

i) Credit risk

The State Department for Transport 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 State Department's management based on prior experience and their assessment of the current economic environment.

ii) Liquidity risk management

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

The table below represents cash flows payable by the State Department 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

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within 12 months equal their carrying balances, as the impact of discounting is not significant.

iii) Market risk

The State Department for has put in place an internal audit function to assist it in assessing the risk faced by the entity 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 State Department'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 State Department'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 State Department's exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign currency risk

The State Department for Transport 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 State Department for Transport manages foreign exchange risk form future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

The State Department for Transport did not have foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period.

b) Interest rate risk

Interest rate risk is the risk that the State Department's financial condition may be adversely affected as a result of changes in interest rate levels. The State Department does not have bank deposit thus does not attract interest rate risk.

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 State Department'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 State Department considers relevant and observable market prices in its valuations where possible.

iv) Capital Risk Management

The objective of the State Department's capital risk management is to safeguard the State Department's ability to continue as a going concern.

21. Related Party Disclosures

Nature of related party relationships

Entities and other parties related to the State Department for Transport 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.

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Government of Kenya

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

Notes to the Financial Statements (Continued)

Other related parties include:

- i) The Parent Ministry.
- ii) County Governments
- iii) Other SCs and SAGAs
- iv) Key management.

	2024/2025
	Kshs
Transactions with related parties	
A) purchases from related parties	
Purchases of electricity from KPLC	11,444,808
Purchase of water from govt service providers	2,152,220
Total	13,597,028
a) Transfers from the government	
Exchequer from National Treasury	4,955,322,692
Total	4,955,322,692

22. Segment Information

The State Department for Transport does not operate in different geographical regions or in departments thus IPSAS 18 on segmental reporting requires an MDA to present segmental information of each geographic region does not apply.

23. Contingent Assets and Contingent Liabilities

The State Department for Transport did not have any contingent Assets and Contingent Liabilities during the year 2024/2025.

24. Capital Commitments

Capital Commitments	2024/2025
	Kshs
Authorised and Contracted for	23,258,741
Total	23,258,741

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NB: Capital commitments relates to refurbishment of Transcom House for installation lifts that had already been contracted for and ongoing.

Notes to the Financial Statements (Continued)

25. Events after the Reporting Period

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

26. Ultimate And Holding MDA

The State Department for Transport ultimate parent is the Government of Kenya.

27. Currency

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

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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)
839	Unsupported Adjustments	Explained	Resolved	
840	Unexplained variances- Cash and Cash Equivalents	Reconciled	Resolved	
840.2	Transfers to other Government Entities	Explained	Resolved	
841	Expenditure Wrongly Classified as Rentals of Produced Assets	Explained	Not Resolved	
842	Unexplained IFMIS Payments	Explained	Resolved	
843	Unsupported Accounts Payable Balance	Explained	Resolved	
845	Pending Bills	Explained	Resolved	
844	Budgetary Control and Performance- Under-expenditure	Explained	Resolved	
846	One Third of Basic Salary Rule- Non-compliance	Explained	Resolved	
847	PAYE- Failure to Deduct	Explained	Resolved	
848	Allowanced paid outside IPPD	Explained	Resolved	

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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)
849	Imprest Paid to Officers	Explained	Resolved	
850	Donor Fund Projects- Non-Submission of Financial Statements	Awaiting PAC Recommendations	Not Resolved	
851	Delay in completion Transport Data Centre	Awaiting PAC Recommendations	Not Resolved	
923	Inaccuracies in the Financial Statements	Awaiting PAC Recommendations	Not Resolved	
924	Outstanding Third-Party Deposits	Awaiting PAC Recommendations	Not Resolved	
925	Budgetary Control and Performance- Under-expenditure	Awaiting PAC Recommendations	Not Resolved	
926	Pending Bills	Awaiting PAC Recommendations	Not Resolved	
927	Unresolved Prior Year Issues	Awaiting PAC Recommendations	Not Resolved	
928	Delay in Completion of the Transport Data Centre	Awaiting PAC Recommendations	Not Resolved	
1005	Long Outstanding Accounts Payables	Awaiting PAC Recommendations	Not Resolved	
1006	Unresolved Prior Year Matters	Awaiting PAC Recommendations	Not Resolved	
1007	Unlawful Forfeiture of Leave Days	Awaiting PAC Recommendations	Not Resolved	

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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)
1008	Non - Compliance with Persons with Disability Acts, 2023.	Awaiting PAC Recommendations	Not Resolved	
1009	Unclaimed Assets – Third - Party Deposits and Retention	Awaiting PAC Recommendations	Not Resolved	
1010	Delay in Completion of the Transport Data Centre	Awaiting PAC Recommendations	Not Resolved	
1011	Failure to Comply with Approved Staff Establishment	Awaiting PAC Recommendations	Not Resolved	



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Mohamed Daghar, CBS
Principal Secretary

State Department for Transport

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Appendix II: Projects implemented by the State Department for Transport

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)
Horn of Africa Gateway Development Program	6768-KE	WB	8 Years		YES	NO

Status of Projects completion

Project	Total project Cost	Total expended to date	Completion % to date	Budget fo the FY 2024/2025	Actual	Sources of funds
Horn of Africa Gateway Development Project	1,342,850,000	367,664,065	27%	300,000,000	235,428,177	World Bank
	134,285,000	61,404,071	46%	30,000,000	28,954,126	GoK Counterpart

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Appendix III: Fixed Asset Register

Asset class	Historical Cost b/f (Kshs) Previous Year	Additions during the year (Kshs)	Disposals during the year (Kshs)	Transfers in/(out) during the year	Historical Cost c/f (Kshs) Current Year
Land					
Buildings and structures	205,438,519,246				205,438,519,246
Transport equipment		3,061,154			3,061,154
Office equipment, furniture and fittings	150,000				150,000
ICT Equipment		2,990,400			2,990,400
Machinery and Equipment					
Purchase of Office Furniture and General Equipment	15,616,250				15,616,250
Infrastructure Assets- Roads, Rails	1,199,118,508				1,199,118,508
Purchase of Specialised Plant, Equipment & Machineries	14,038,950	24,300,000			38,338,950
Research, Studies, Project Preparation, Design & Supervision	518,888,352				518,888,352
Intangible assets					
Work in Progress		56,956,082			56,956,082
Total	207,186,331,306	87,307,636			207,273,638,942

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Appendix IV: Reporting of Climate Relevant Expenditures

Project Name	Project Description		Project Objectives	Project Activities	Quarterly Expenditures				Source Of Funds	Implementing Partners
					Q1	Q2	Q3	Q4		
Climate Change	National Growing and Restoration Campaign	Tree and	Sensitizing on climate change obligation through IEC brochures, team building games among other activities.						Climate Change	National Growing and Restoration Campaign
Climate Change	National Growing and Restoration Campaign	Tree and	Grow a minimum of 30 trees per year per staff							Climate Change

Appendix V: Disaster Expenditure Reporting Template

The State Department had no expenditure under this category during the Financial Year 2024/2025.