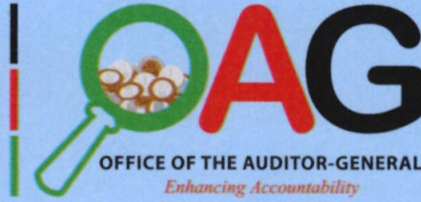


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REPORT THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 24 FEB 2026	DAY. Tuesday
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CLERK AT THE TABLE:	Mr. Benson Inzofu

THE AUDITOR-GENERAL

ON

**ASAL RURAL ROADS PROJECT CREDIT
NO. CKE 117 01 H**

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

KENYA RURAL ROADS AUTHORITY



AFD-ASAL RURAL ROADS PROJECT

KENYA RURAL ROADS AUTHORITY

PROJECT GRANT/CREDIT NUMBER: CKE 117 01 H & CKE 1117 02 J

**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 the International Public Sector Accounting Standards (IPSAS)**

AFD-ASAL Rural Roads Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

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1. Acronyms and Glossary of Terms

CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
NT	National Treasury
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
ASAL	Arid and Semi- Arid Lands
EU	European Union
AFD	Agence Francaise De Developpement
Comparative FY	Financial year preceding the current financial year.

2. PROJECT INFORMATION AND OVERALL PERFORMANCE

2.1 Name and registered office

Name

The project's official name is the AFD ASAL Rural Roads Project.

Objective

The key objective of the project is building climate resistant infrastructure to mitigate the impact of drought and floods and to improve livelihoods and reinforcing food security in the 6 ASAL Regions (Laikipia, Meru, Tharaka Nithi, Isiolo, Samburu and Marsabit)

Address:

The project headquarters offices are Nairobi, Nairobi County, Kenya.

The address of its registered office is:

Kenya Rural Roads Authority
Barabara Plaza, Block B,
Airport South Road
P. O. Box 48151 – 00100 Nairobi.

Contacts: The following are the project contacts

P.O. Box: 48151 – 00100 Nairobi

Telephone: +254 711 851103

E-mail: dg@kerra.go.ke

Website: www.kerra.go.ke

Project information and overall performance (continued)

2.2 Project Information

Project Start Date:	The project start date is 2nd October, 2020
Project End Date:	The project end date is 1st October, 2026
Project Manager:	The project manager is Eng. Julius K. Gakubia
Project Accountant	The project Accountant is CPA Jane Murage
Project Sponsor:	The project sponsors are, the Government of Kenya (GoK), the Delegation of the European Union in Kenya and the Agence Francaise De Developpement (AFD)

2.3 Project Overview

Line Ministry/State Department of the project	The project is under the implementation by the Kenya Rural Roads Authority (KeRRA) which falls under the State Department for Roads, Ministry of Roads and Transport.
Project number	CKE 117 01 H and CKE 1117 02 J
Strategic goals of the project	<p>The strategic goals of the project are as follows:</p> <ul style="list-style-type: none"> (i) Ensure that communities in the ASAL regions secure access to local socio-economic social services and to the main road network to increase their resilience to drought and other effects of climate change including improved food security; (ii) Stimulate investment and growth, lower the cost of doing business, and improve the security and stability of the region; and (iii) Promote the integration of the ASALs with the rest of Kenya and the wider region.
Summary of Project Strategies for achievement of strategic goals	<p>The project management aims to achieve the goals through the following means:</p> <ul style="list-style-type: none"> (i) Construction of about 911 km of road to all weather standards. This comprises of 106km of low volume seal and 805km of gravel roads; ii) Job creation for the local population since the construction will use labour based methods;

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

	<p>(iii) Strengthening the managerial, administrative and technical capacities for road planning, procurement, supervision and monitoring of road maintenance and climate proofing of the relevant Road Agencies and Project Counties through training and capacity building;</p> <p>(iv) Additional knowledge to contractors and staff of the consulting companies on labour based technology in the design, construction and maintenance roads; and Environmental protection and management of natural resources within the focal area.</p>
<p>Other important background information of the project</p>	<p>ASAL areas have the lowest development indicators and the highest incidence of poverty in Kenya. The Vision 2030 Development Strategy for Northern Kenya and other Arid Lands aims to improve infrastructure in ASAL areas in order to reduce vulnerability to drought by increasing access to markets and basic services.</p> <p>To achieve this, the Government of Kenya in January 2016 requested AFD and EU to consider supporting a Climate Proofed Rural Roads Project in some selected ASAL regions in Kenya.</p> <p>Six (6) Counties were selected to benefit from this initial round of financing. They include; Laikipia, Isiolo, Marsabit, Samburu, Meru, Tharaka Nithi.</p>
<p>Areas that the project was formed to intervene</p>	<p>The project was formed to intervene in the following problems/gaps:</p> <ul style="list-style-type: none"> (i) Job creation for the local population through the use of labour based methods in construction; (ii) Strengthening the managerial, administrative and technical capacities for road planning, procurement, supervision and monitoring of road maintenance of the relevant Road Agencies and Project Counties through training and capacity building; (iii) Additional knowledge to contractors and staff of the consulting companies on labour based technology in the design, construction and maintenance of roads; and environmental

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

	protection and management of natural resources within the focal area.
Project duration	Six (6) Years

Project Information and Overall Performance (Continued)

2.4 Bankers

The following are the bankers for the project:

- (i) Kenya Commercial Bank Ltd
- (ii) Co-operative Bank of Kenya Ltd

2.5 Independent Auditor

The project is audited by the Auditor General Office

2.6 Roles and Responsibilities

Names	Title designation	Key qualification	Responsibilities
Eng. J. K, Magondu dg@kerra.go.ke +254 0777851103,0207807600	Ag. Director General	<i>BSc., MIEK, P.Eng, M(IBL), A(CLArb-UK)</i>	Accounting Officer
Eng. J. K, Magondu dg@kerra.go.ke +254 0777851103,0207807600	Director (Planning, Design & Environment)	<i>BSc., MIEK, P.Eng, M(IBL), A(CLArb- UK)</i>	Supervisor
Eng. Julius K. Gakubia dpde@kerra.go.ke julius.gakubia@kerra.go.ke +254 0777851103,0207807602	Project Manager	BSc Hons, MIEK, R. Eng.	Coordinator of the Program Activities
CPA Jane Murage dcs@kerra.go.ke jane.murage@kerra.go.ke +254 0777851103,0207807601	Project Accountant	<i>BBA(Acc), CPA(K), MBA(Acc)</i>	Accountant, support the project team regarding compliance, payments and reports.

2.7 Funding summary

The Project is for duration of 6 years from 2020 to 2026 with an approved financing plan of Euro 8,600,000 directly to G.O.K and EUR 750,000 managed directly by AFD.

Project information and overall performance (continued)

Below is the funding summary:

A. Source of Funds

Source of funds	Development Partner Commitment		Amount received to date – (30 th June 2025)		Undrawn balance to date	
	Development Partner currency	Kshs	Development Partner currency	Kshs	Development Partner currency	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A') - (B')
(i) Grant						
(i) AFD Grant	24,066,667	3,616,979,383	2,139,368	321,525,618	21,927,299	3,295,453,765
(ii) Loans						
(ii) AFD Loan	59,800,000	8,987,342,000	5,725,300	839,582,189	54,074,700	8,126,886,661
Total	83,866,667	12,604,321,383	7,864,668	1,161,107,807	76,001,999	11,422,340,426
(iii) Counterpart funds						
Government of Kenya	21,948,000	3,298,564,920	1,320,720	198,490,998	20,627,280	3,100,073,922
Total	105,814,667	15,902,886,303	9,185,388	1,359,598,805	96,629,279	14,522,414,348

Project information and overall performance (continued)

B. Application of Funds

Application of funds	Amount received to date – (30 th June 2025)		Cumulative amount paid to date – (30 th June 2025)		Unutilised balance to date (30th June 2025)	
	Development Partner currency	Kshs	Development Partner currency	Kshs	Development Partner currency	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant						
AFD Grant	2,139,368	321,525,618	2,139,368	321,525,618		-
(ii) Loan						
AFD Loan	5,725,300	839,582,189	5,725,300	776,983,067	716,723	62,599,122
Total	7,864,668	1,161,107,807	7,864,668	1,098,508,685	716,723	62,599,122
(iii) Counterpart funds						
Government of Kenya	1,320,720	198,490,998	1,178,163	177,066,138	142,557	21,424,860
Total	9,185,388	1,359,598,805	9,042,831	1,275,574,823	859,280	84,023,982

2.8 Project information and overall performance (continued)

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

The key development objectives of the project’s agreement/ plan are to:

- a) Ensure that communities in the ASAL regions secure access to local socio-economic social services and to the main road network to increase their resilience to drought and other effects of climate change including improved food security;
- b) Stimulate investment and growth, lower the cost of doing business, and improve the security and stability of the region; and
- c) Promote the integration of the ASALs with the rest of Kenya and the wider region.

Year	2022/2023	2023/2024	2024/2025
Absorption	11%	39%	94%

2.9 Summary of Project Compliance

The Project has ensured that all the activities comply with the laws of the Republic of Kenya and that all regulations and procedures have been followed. The project has therefore fully complied with both the financing agreement and other statutory requirements.

STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETERMINED OBJECTIVES

The Director General, Kenya Rural Roads Authority and the **Project Coordinator** for **AFD-ASAL project** are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year (period) ended on June 30, 2025.

This responsibility includes:

- (i) Maintaining adequate financial management arrangement 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 project.
- (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud.
- (iv) Safeguarding the assets of the project;
- (v) Selecting and applying appropriate accounting policies.
- (vi) Making accounting estimates that are reasonable in the circumstances.

Introduction

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

The key development objectives of the *project's agreement/ plan* are:

- a) Construction of about 911 km of road to all weather standards. This comprises of 106km of low volume seal and 805km of gravel roads;
- b) Job creation for the local population since the construction will use labour based methods;
- c) Strengthening the managerial, administrative and technical capacities for road planning, procurement, supervision and monitoring of road maintenance and climate proofing of the relevant Road Agencies and Project Counties through training and capacity building
- d) Additional knowledge to contractors and staff of the consulting companies on labour based technology in the design, construction and maintenance roads; and Environmental protection and management of natural resources within the focal area

AFD - ASAL Rural Roads Project

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

Progress on attainment of strategic development objectives

Below we provide the progress on attaining the stated objectives:

Project	Objective	Outcome	Indicator	Performance
<i>ASAL Rural Roads</i>	Improve 911 km to all weather standards, 106 km LVS and 805 km gravel roads	Increase in passable road network	Km completed	35.47Km
	Employment creation	Improved living standards	No. of jobs created along the demo roads	70352 person days
	Institutional strengthening to Road agency, counties and contractors	Efficient systems	No. of persons trained	3317 persons
	Provide secure access to local socio-economic services	Reduction in travelling time and costs	Cost of transport	N/A

ENVIRONMENTAL AND SUSTAINABILITY REPORTING

The ASAL Rural Roads Rehabilitation Project will contribute to access to local economic and social services (markets, schools, health centers and public administration), and to the main road network that increases their resilience to drought and other effects of climate change thus containing the impact of drought and improving food security. Below is a brief highlight of our activities that drive towards sustainability.

Environmental performance

The project recognizes the provisions in the Constitution of Kenya, of the right to a clean and healthy environment to every person, and the right to have the environment protected for the benefit of present and future generations through legislative and other measures. The project acknowledges that its various operations have potential impacts on the environment. It is, therefore, the project's commitment to conserve natural resources, maximize eco-efficiency, reduce waste and climate change impacts, and prevent pollution throughout its operations.

The project adheres to the AFD Policy on Environmental and Social Responsibility and the Environmental and Social Management Framework which was formulated to conform to the Government's strategies as highlighted in the National Environment Policy. By these Policies, the Performance Contracting guidelines and the requirements of the Environmental Management and Coordination Act, the project has implemented various activities to mitigate against loss of vegetation, water, air, noise and other forms of pollution, competition for available water sources, waste generation, landscape changes (material borrow pits), community health and occupational health and safety, disruption of community and road safety. In addition to promote environmental protection and conservation through stakeholder partnerships.

Environmental monitoring is a continuous process anchored on the ESMP in the various contracts. It starts at construction and continues throughout the life of the road project. The project is also premised on Climate proofing the roads right from design up to construction and maintenance. Monitoring will involve the continuous or periodic review of construction activities to determine the effectiveness of recommended mitigation measures.

STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Director General, Kenya Rural Roads Authority and the Project Coordinator for AFD ASAL are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year ended on June 30, 2025.

This responsibility includes:

- (i) Maintaining adequate financial management arrangement 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 project.
- (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud.
- (iv) Safeguarding the assets of the project.
- (v) Selecting and applying appropriate accounting policies and
- (vi) Making accounting estimates that are reasonable in the circumstances.


The Director General, Kenya Rural Roads Authority and the Project Coordinator for Climate Proof AFD ASAL project accept responsibility for the Project'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.

The Director General, Kenya Rural Roads Authority and the Project Coordinator for Climate Proof AFD ASAL project are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year ended 30th June, 2025, and of the Project's financial position as at that date. The Director General, Kenya Rural Roads Authority and the Project Coordinator for Climate Proof AFD ASAL project further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control. The Director General, Kenya Rural Roads Authority and the Project Coordinator for ASAL-AFD project confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

*AFD-ASAL Rural Roads Project
Annual Report and Financial Statements for the financial year ended June 30, 2025*

Approval of the Project Financial Statements

The Project financial statements were approved by the Director General, Kenya Rural Roads Authority and the Project Coordinator for Climate Proof AFD ASAL project on 18th August 2025 and signed by:



Principal Accountant
CPA William Abungu.
ICPAK Member Number: 4479



Project Coordinator
Eng. Julius K. Gakubia



Ag. Director General
Eng. J. K. Magondu

REPUBLIC OF KENYA

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P.O Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON ASAL RURAL ROADS PROJECT CREDIT NO.CKE 117 01 H FOR THE YEAR ENDED 30 JUNE, 2025 – KENYA RURAL ROADS AUTHORITY

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; and,
- C. Report on the 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 financial statements of ASAL Rural Roads Project set out on pages 1 to 16, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of net assets, statement of cash flows and statement of comparison of budget and actual amounts for

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

In my opinion, the financial statements present fairly, in all material respects, the financial position of ASAL Rural Roads Project 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) and comply with the Public Finance Management Act, 2012 and the Financing Agreement No. CKE 1117 01 H dated 02 October, 2020 between the Agence Francaise De Development and the Government of the Republic of Kenya.

In addition, the special account statement presents fairly, the special account transactions and the ending balance has been reconciled with the books of account.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the ASAL Rural Roads Project 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

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects a final receipt budget and actual on comparable basis of Kshs.549,752,721 and Kshs.549,752,721 an indication that the performance was 100% of the budget. However, the Project spent an amount of Kshs.745,966,068 against actual receipts of Kshs.549,752,721 resulting to under-utilization of Kshs.196,213,347 or 36% of the total receipts.

Further, annual work plan or itemized budget was not provided for audit.

The under-utilization affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

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 Information

The Management is responsible for the Other Information set out on page v to xviii which comprise of Project Information and Overall Performance, Statement of Performance Against Predetermined Objectives. Environmental and Sustainability Reporting, and Statement of Project Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Project'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 conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution and based on the audit procedures performed, except for the effects of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in 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

Delayed Road Projects

Physical inspection of road projects carried out between 15 and 19 September, 2025 in Isiolo, Meru and Tharaka Nithi revealed that contractors have abandoned the projects especially in Isiolo and Meru regions. This was due to delayed payment of work certified Interim Payment Certificates (IPCs). Some contractors had issued notices of penalties on delayed payments. Further, contract period for these road works had already elapse and management had not award extension of time. Inspection of individual projects revealed the following anomalies:

Isiolo Region

i) Labour Based Rehabilitation Improvement and Performance Based Routine Maintenance Works- Gotu-Merti (C340-01A) Road

The contract for the above works was awarded to company limited through contract No. AFD/EU/IS/GR/01A/2023/2024 at a cost of Kshs.122,703,120 for a period of eight (8)

months with a provision of maintenance period of thirty-six (36) months. The commencement date was 5 December, 2024 and was expected to be completed on 5 August, 2025. However, the progress report for the month of September, 2025 showed physical progress was at 67.63% and time elapse was 110.7% an indication that the works were behind schedule.

ii) Labour Based Rehabilitation Improvement and Performance Based Routine Maintenance Works Gotu-Merti (C340-01B) Road

The above road works contract was awarded to a company limited through contract No. AFD/EU/IS/GR/01B/2023/2024 at a cost of Kshs.106,787,725 for a period of eight (8) months with a provision of maintenance period of thirty-six (36) months. The commencement date was 5 December, 2024 and was expected to be completed on 5 August, 2025. However, the progress report for September, 2025 showed physical progress was at 60.85% and time elapse was 110.7% an indication that the works were behind schedule.

iii) Labour Based Rehabilitation Improvement and Performance Based Routine Maintenance Works Isiolo-Mlango-Oldonyiro (C342-02A) Road

the above road works contract was awarded a company through contract no. AFD/EU/is/gr/02a/2023/2024 at a cost of kshs.124,674,642 for a period of eight (8) months with a provision of maintenance period of thirty-six (36) months. The commencement date was 16 December, 2024 and was expected to be completed on 16 August, 2025. However, the progress report for September ,2025 showed progress was at 39.48% and time elapse was 106.7% an indication that the works were behind schedule.

The value of work certified was kshs.34,958,381 including an advance (IPC1) of Kshs.12,467,464 which was paid. During the field inspection on 15 September, 2025, there were no ongoing activities.

vi) Labour Based Rehabilitation Improvement and Performance Based Routine Maintenance Works Isiolo-Mlango-Oldonyiro (C342-02B) Road

The above road works was awarded to a company Limited through Contract No. AFD/EU/IS/GR/02B/2023/2024 at a cost of Kshs.108,992,230 for a period of eight (8) months with a provision of maintenance period of thirty-six (36) months. The commencement date was 5 December, 2024 and was expected to be completed on 5 August, 2025. However, the progress report of September 2025 showed physical progress was at 89.04% and time elapse was 110.7% an indication that the works were behind schedule.

The value of works certified was Kshs.51,362,377 including an advance (IPC1) of Kshs.10,899,223 out of which an amount of Kshs.40,463,154 had been paid. During the field verification on 16 September, 2025, there were no ongoing activities.

Tharaka Nithi Region

i. Labour Based Rehabilitation, Improvement and Performance Based Routine Maintenance Works Marima-Makutano Road

The above road works was awarded to a Company Ltd through Contract No. AFD/EU/TN/GR/1/2023/24 at a cost of Kshs.66,767,678 for a period of eight (8) months with a provision of maintenance period of thirty-six (36) months. The commencement date was 9 December, 2024 and was expected to be completed on 9 August, 2025. However, the progress report for August 2025 showed physical progress was at 87% and time elapse was 114% of the contract period an indication that the works were behind schedule.

The value of work certified was Kshs.32,561,422 including an advance (IPC1) of Kshs.6,676,768 out of which an amount of Kshs.13,592,811 had been paid.

ii) Labour Based Rehabilitation, Improvement and Performance Based Routine Maintenance Works Materi-Kamarandi Road

The above road works was awarded to company through Contract No. AFD/EU/TN/GR/2/2023/24 at a cost of Kshs.63,985,207 for a period of eight (8) months with a provision of maintenance period of thirty-six (36) months. The commencement date was 9 December, 2024 and was expected to be completed on 9 August, 2025. However, the progress report of August 2025 showed physical progress was at 96.79% and time elapse was 114% of the contract period an indication that the works were behind schedule.

The value of work certified was Kshs.31,334,792 including an advance (IPC1) of Kshs.6,398,521 out of which amount of Kshs.17,105,834 had been paid.

iv) Low Volume Sealing Based and Performance Based Routine Maintenance Works Itungururu-Kamaende Road

The above road works was awarded to a Constructions company through contract No. AFD/EU/TN/LVS/2023/2024 at a cost of Kshs.233,413,365 for a period of twelve (12) months with a provision of maintenance period of thirty-six (36) months. The commencement date was 5 December, 2024 and was expected to be completed on 5 December, 2025. However, the progress report for August, 2025 showed physical progress was at 23% and time elapse was 76% of the contract period an indication that the works were behind schedule.

The value of work certified was Kshs.79,031,077 including an advance (IPC1) of Kshs.23,341,337 out of which an amount of Kshs.22,342,420 had been paid. Further, the contractor had not been given full access of the site as part of the road was being claimed by Kenya Airport Authority. The road was to be diverted to alternative land stretching about 600metres. However, the alternative land had not been acquired by the employer hampering the work progress.

Meru Region

i) Low Volume Sealing Based and Performance Based Routine Maintenance Works Kachulu-Gotu (C346) Road

The above road works was awarded to a Construction company through Contract No. AFD/EU/ME/GR/1/2023/24 at a cost of Kshs.70,429,226 for a period of eight (8) months with a provision of maintenance period of thirty-six (36) months. The commencement date was 9 December, 2024 and was expected to be completed on 8 August, 2025. However, the progress report for August, 2025 showed physical progress was at 32% and time elapse was 85% of the contract period an indication that the works were behind schedule.

The value of work certified was Kshs.79,031,077 including an advance (IPC1) of Kshs.23,341,337 out of which an amount of Kshs.22,342,420 had been paid.

Delayed implementation of work denied public services that could have accrued from complete projects and value for money incurred on incomplete projects could not be confirmed

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 and based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with the 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

As required by the Financing Agreement No. CKE 1117 01 H dated 02 October, 2020 between the Government of Kenya and the Francaise De Development (AFD), I report based on my audit, that:

- i. 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;
- ii. In my opinion, adequate accounting records have been kept by the Project, so far as appears from the examination of those records; and,
- iii. The Project's financial statements are in agreement with the accounting records and returns.

Basis for Conclusion

The Financing Agreement requires that I report on the legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate opinion as to the Project's compliance with laws and regulations. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Project'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 57 of the Public Audit Act, 2015.

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

Those charged with governance are responsible for overseeing the Project'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(5) 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 58 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

21 November, 2025

AFD - ASAL Rural Roads Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH
JUNE 2025**

	Notes	2024/25 Kshs
Revenue		
Revenue Transfers	6	549,752,721
Total revenue		549,752,721
Expenses		
Employee costs	7	8,279,500
Use of goods and services	8	52,958,966
Certified Works	9	684,727,602
Total expenses		745,966,068
Surplus/ (deficit)		(196,213,347)



Principal Accountant
CPA William Abungu
ICPAK Member Number: 4479



Project Coordinator
Eng. Julius K. Gakubia



Ag. Director General
Eng. J. K. Magondu

AFD - ASAL Rural Roads Project

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

STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2025

	Note	2024/25 Kshs	1 st July 2024 Kshs
Assets			
Current Assets			
Cash and Cash equivalents	10	84,023,982	198,592,772
Total Current Assets		84,023,982	198,592,772
Non-Current Assets			
Work in Progress	13	1,367,707,934	682,980,332
Total Non- Current Assets		1,367,707,934	682,980,332
Total Assets (a)		1,451,731,916	881,573,104
Liabilities			
Trade Payables	12	65,169,010	
Total Liabilities (b)		65,169,010	
Net Assets (a-b)		1,386,562,906	881,573,104
Represented By:			
Accumulated Surplus		1,386,562,906	881,573,104
Total Net Assets		1,386,562,906	881,573,104

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 18th August 2025 and signed by:



Principal Accountant

CPA William Abungu

ICPAK Member Number: 4479



Project Coordinator

Eng. Julius K. Gakubia



Ag. Director General

Eng. J. K. Magundu

STATEMENT OF CHANGES IN NET ASSETS

Description	Accumulated Surplus Kshs
As at 30th June 2024 (Cash Basis)	198,592,772
Adjustments:	
WIP Recognition	682,980,332
Liabilities recognition	
As at 1st July 2024	881,573,104
WIP Recognition	684,727,602
Liabilities Recognition	16,475,547
Surplus/(Deficit) for the year	(196,213,347)
As at 30th June 2025	1,386,562,906

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements.

The financial statements were approved on 18th August 2025 and signed by:



Principal Accountant
CPA William Abungu
ICPAK Member Number: 4479



Project Coordinator
Eng. Julius K. Gakubia




Ag. Director General
Eng. J. K. Magondu

*AFD-ASAL Rural Roads Project
Annual Report and Financial Statements for the financial year ended June 30, 2025*

STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30TH JUNE 2025

Description	Note	2024/25 Kshs
Cashflow from operating activities		
Receipts		
Revenue Transfers	6	549,752,721
Total receipts		549,752,721
Payments		
Employee costs	7	8,279,500
Use of goods and services	8	52,958,966
Certified Works	9	684,727,602
Total payments		745,966,068
Net cash flow from operating activities	-	196,213,347
Cash flow from financing activities		
<i>Proceeds from foreign borrowings</i>	-	81,644,558
Net cash flow from financing activities	-	81,644,558
Net increase/Decrease in cash and cash equivalents		(114,568,789)
Cash and cash equivalent at 1st July 2024	10	198,592,772
Cash and cash equivalent at end June 2025	10	84,023,983

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 18th August 2025 and signed by:



Principal Accountant
CPA William Abungu
ICPAK Member Number: 4479



Project Coordinator
Eng. Julius K. Gakubia



Ag. Director General
Eng. J. K. Magondu

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR YEAR ENDED 30TH JUNE 2025

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on	Budget	% of Utilization
	a	b	c=a+b	Comparable Basis	Utilization Difference	
	Kshs	Kshs	Kshs	Kshs	Kshs	f=d/c %
Budget Carry Overs from previous periods						
Receipts						
Revenue Transfers	2,134,255,249	- 1,584,502,528	549,752,721	549,752,721	-	100%
Total Revenue	2,134,255,249	- 1,584,502,528	549,752,721	549,752,721	-	100%
Payments						
Employee costs			9,000,000	8,279,500	720,500	92%
Use of goods and services			55,000,000	52,958,966	2,041,034	96%
Certified Works			485,752,721	684,727,602	- 198,974,881	141%
Total Payments			549,752,721	745,966,068	- 196,213,347	136%
Surplus			-	- 196,213,347		

BUDGET RECONCILIATION

Description of Particulars		Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	-
1	Proceeds from foreign grants	81,644,558
2	Opening cash and cash equivalent	198,592,772
Closing Cash and Cash Equivalent as per the statement of Cash flows		84,023,983

NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Kenya Rural Roads Authority entity is established by and derives its authority and accountability from Kenya Roads Act 2007. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to manage, develop, rehabilitate and maintain rural road network in the country.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared in accordance with the Public Finance Management Act, 2012 and with the International Public Sector Accounting Standards (IPSAS).

These financial statements were authorized for issue by the accounting officer on 18th August 2025

3. Adoption of New and Revised Standards

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

Standard	Effective date and impact:
IPSAS 43	<i>Applicable 1st January 2025</i> The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<i>Applicable 1st January 2025</i> The Standard requires 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 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.
IPSAS 45- Property Plant and Equipment	<i>Applicable 1st January 2025</i> The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as

Standard	Effective date and impact:
	<p>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>IPSAS 46 Measurement</p>	<p>Applicable 1st January 2025</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>

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:
<p>IPSAS 47- Revenue</p>	<p>Applicable 1st January 2026</p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
<p>IPSAS 48- Transfer Expenses</p>	<p>Applicable 1st January 2026</p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared</p>

Standard	Effective date and impact:
	to provide guidance to entities that provide transfers on accounting for such transfers.
IPSAS 49- Retirement Benefit Plans	<p><i>Applicable 1st January 2026</i></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p>
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<p><i>Applicable 1st January 2027</i></p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <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.

iii) Early adoption of standards

The Entity adopted the new and amended standards in the financial year 2024/2025.

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

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 entity and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that have been acquired using such funds.

ii) Revenue from exchange transactions

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.

b) Budget information

The original budget for FY 2024/2025 was approved by the Council or Board on **xxx**. 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 entity upon receiving the respective approvals to conclude the final budget. Accordingly, the entity recorded additional appropriations of **2025** on the FY 2024/2025 budget following the Council/ Board's approval. The entity'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 cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on page 5 under section **II** of these financial statements.

c) 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 or construction of the item of property appropriately according to the acronyms you use in your financial statements plant and equipment. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity 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.

d) Related parties

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

e) 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.

f) 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 30th June, 2025.

Notes to the financial statements

6. Revenue Transfers

Description	2024/25 KShs
Unconditional Transfers	
GoK Counter Part funding	79,050,699
Transfers from Development partners	470,702,022
Total Unconditional Transfers	549,752,721
Total Transfers for the Year	549,752,721

a) Details to Revenue Transfers

Name of The Entity Transferring	Amount recognized to Statement of Financial performance Kshs	Amount moved to Capital fund Kshs	Total transfers (Current FY) Kshs
GOK Funding	198,490,998	119,440,299.00	79,050,699
AFD	1,161,107,807	690,405,785.00	470,702,022
Subtotal	1,359,598,805	809,846,084.00	549,752,721
Total	1,359,598,805	809,846,084.00	549,752,721

7. Employees Costs

Description	2024/25 Kshs
Basic wages of temporary employees	8,279,500
Total	8,279,500

8. Use of Goods and Services

Description	2024/25 Kshs
Bank charges	231,861
Domestic travel and subsistence	16,978,611
Training payments	35,748,494
Total	52,958,966

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9. Certified Works

Description	2024/25 Kshs
Road Works	638,477,133
WIP	46,250,469
Total	684,727,602

10. Cash and Cash Equivalents

Description	2024/25 Kshs	1st July Kshs
Cash in Bank	84,023,982	198,592,772
Total Cash and Cash Equivalents	84,023,982	198,592,772

11. Project Bank Accounts

Details	2024/25 Kshs	2024/25 Kshs
Local Currency Accounts		
Kenya Commercial Bank [A/c No 1285504070]	21,424,860	31,875,556
Co-operative Bank of Kenya	62,599,122	166,717,216
Total local currency balances	84,023,982	198,592,772
Total bank account balances	84,023,982	198,592,772

12. Trade Payables

Description	2024/25	1 st July 2024	
	Kshs	Kshs	
Trade payables	65,159,010.00		
<i>Other payables (specify)</i>	10,000.00		
Total trade and other payables	65,169,010.00		
Ageing analysis: (Trade and other payables)	Current FY	Comparative FY	% of the Total
Under one year	65,169,010.00		%
1-2 years			%

13. Work in Progress

Cost	Other Assets (Roads) Kshs	Total Kshs
As At 1 July 2024 (opening balances)	682,980,332	682,980,332
Additions	684,727,602	684,727,602
As at 30th June 2025	1,367,707,934	1,367,707,934
Net Book Values		
As at 1 st July 2024	682,980,332	682,980,332
As at 30th June 2025	1,367,707,934	1,367,707,934

14. Special Deposit Accounts

The balances in the Project’s Special Deposit Account(s) as of 30th June 2025 are not included in the Statement of Financial Assets since the line items are yet to be drawn into the Exchequer Account as a voted provision.

Below is the Special Deposit Account (SDA) movement schedule, which shows the flow of funds voted in the year. These funds have been reported as loans/grants received in the year under the Statement of Receipts and Payments.

Special Deposit Accounts Movement Schedule

Description	2024/25 EUR	1st July 2024 EUR
(i) A/C Name [A/c No.....]		
Opening balance	-	-
Total amount deposited in the account	14,102,300	14,102,300
Total amount withdrawn	(2,811,900)	(2,811,900)
Closing balance (as per SDA bank account reconc)	11,290,400	11,290,400

15. Related Party Disclosures

Nature of related party relationships

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

Notes to the Financial Statements (Continued)

Government of Kenya

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

Other related parties include:

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

16. Events after the Reporting Period

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

17. Ultimate And Holding Entity

The *Entity* is a State Corporation/ or a Semi-Autonomous Government Agency under the Ministry of Roads and Transport. Its ultimate parent is the Government of Kenya.

18. Currency

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

PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS

Reference No on the External Audit Report	Issues/Observations from the Auditor	Management Comments	Status (Resolved Not resolved)	Time Frame
Emphasis of Matter Budgetary control and performance	The statement of comparison of budget and actual amount reflects a final receipt budget and actual on comparable basis of Kshs 846,000,000 and Kshs 694,882,742 respectively resulting to under-funding of Kshs 151,117,258 or 18% of the budget. However the project spent an amount of Kshs 544,060,744 against actual receipts of Kshs 694,882,742 resulting to under-utilization of Kshs 150,821,998 or 22% of the total receipts. The under-funding and under-utilization affected the planned activities and may have impacted negatively on service delivery to the public	The underfunding and underperformance did not affect planned activities of the project nor have negative impact on service delivery to the public, as the project was in the initial stages. Adequate budgets have been allocated in the subsequent years	Resolved	N/A



Project Coordinator
Eng Julius Gakubia



Ag. Director General
Eng. J.K. Magundu

Annex 2: Reconciliation of inter-entity transfers

		Project Name:	
		Break down of transfers from the State Department	
a. Government Counterpart funding			
		Amount (Kshs)	FY 24/25
	15/05/2025	79,050,699	
	Total	79,050,699	
B. Direct payments			
		Amount (Kshs)	FY 24/25
	Various Dates	81,644,558	
	Total	81,644,558	
C. Others			
		Amount (Kshs)	FY 24/25
	25/03/2025	98,800,097	
	02/05/2025	290,257,367	
	Total	389,057,464	
	Total (A+B+C)	549,752,721	

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Annex 3: Fixed Assets Register

Asset class	Historical Cost b/f (Kshs) Previous Year	Additions during the year	Disposals during the year (Kshs)	Transfers in/(out) during the year	Historical Cost c/f (Kshs) Current Year
Work in Progress	682,980,332	684,727,602			1,367,707,934
Total	682,980,332	684,727,602			1,367,707,934