

REPUBLIC OF KENYA



*Enhancing Accountability*

**REPORT**

PARLIAMENT  
OF KENYA  
LIBRARY

**OF**

**THE AUDITOR-GENERAL**

**ON**

**STATE DEPARTMENT FOR ROADS**

**FOR THE YEAR ENDED  
30 JUNE, 2024**

THE NATIONAL ASSEMBLY  
MEMBERS LAID

DATE: 08 MAR 2025 DAY

TABLED BY: Hon. Naomi Waga MP  
Deputy Majority Party Whip  
A. Shituko

CLERK AT THE TABLE:

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

10 DEC 2024

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## **STATE DEPARTMENT FOR ROADS**

### **ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2024**

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

# STATE DEPARTMENT FOR ROADS

## Annual Report and Financial Statements for the year ended 30th June 2024

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**1. Acronyms and Glossary of Terms**

ICPAK	Institute of Certified Public Accountants of Kenya
KeRRA	Kenya Rural Roads Authority
KRB	Kenya Roads Board
KURA	Kenya Urban Roads Authority
KeNHA	Kenya National Highways Authority
CBK	Central Bank of Kenya
IPSAS	International Public Sector Accounting Standards
FY	Financial Year
ICPAK	Institute of Certified Public Accountants of Kenya (ICPAK)
IEK	Institution of Engineers of Kenya
KBA	Kenya Bankers Association
RMLF	Road Maintenance Levy Fund
PPDA	Public Procurement and Disposal Act
EPC	Engineer, Procure and Construct
OAG	Office of the Attorney General
KM	Kilometres
CPA	Certified Public Accountant
FCPA	Fellow of the Institute of Certified Public Accountant
CBS	Chief of the Order of the Burning Spear
HSC	Head of State's Commendation
GoK	Government of Kenya
EBK	Engineers Board of Kenya
KETRIB	Kenya Engineering Technicians Registration Board
NTSA	National Transport Safety Authority
KIHBT	Kenya Institute of Highways and Building Technology
MTRD	Materials Testing and Research Division

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**Annual Report and Financial Statements for the year ended 30th June 2024**

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**2. Key Entity Information and Management**

**(a) Background information**

The State Department for Roads was formed on May 2013 through executive order No.2 at cabinet level; the Cabinet Secretary for Ministry of Roads and Transport, who is responsible for the general policy and strategic direction of the State Department for Roads, represents the State Department for Roads.

**Our mission**

To provide efficient affordable and reliable transport infrastructure facilities for sustainable social economic development.

**Our Vision**

A global leader in provision of cost-effective road transport infrastructure facilities.

**(b) Key Management**

The State Department for Roads day-to-day management is under the following key organs:

- Central Administrative Services;
- Technical Services;
- Materials Testing and Research;
- Mechanical and Transport Services
- Training Services; and
- Fiduciary Management

The State Department implements its programs through its implementing agencies of Kenya National Highways Authority (KeNHA), Kenya Rural Roads Authority (KeRRA), Kenya Urban Roads Authority (KURA), Kenya Roads Board (KRB), Engineers Board of Kenya (EBK) and Kenya Engineering Technologists Registration Board. The public finances all these Road agencies.

**(c) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 20XX and who had direct fiduciary responsibility were:

No.	Designation	Name
1	Cabinet Secretary	Hon. Onesimus Kipchumba Murkomen
2	Accounting Officer	Eng. Joseph M. Mbugua, CBS
3	Roads Secretary	Eng. Luka Kimeli
4	Secretary Administration	Mwongo Chimwaga
5	Director Administration	Abednego Etyang'

**(d) Fiduciary Oversight Arrangements**

**- Audit and finance committee activities**

The State Department of Roads Budget for 2023/2024 was scrutinized and adopted for approval by the Departmental Committee of Transport and Infrastructure. The Budget Appropriation Committee of the National Assembly further interrogated the allocations to Road Projects covered under the Development Budget.

**- Parliamentary committee activities**

Within the Financial Year 2023/2024, the State Department appeared before the Public Accounts Committee and finished discussions of the Auditor General's report for 2021/2022.

**- Development partner oversight activities**

The World Bank is the major Development Partner those finances Development Budget Road works. The World Bank is a member of the Project Oversight Committee (POC) that is hosted by the State Department that periodically met to review the implementation of road projects over the financial year. Other Development Partners such as Africa Development Bank (ADB) held meetings with the State Department of the required budgetary provisions over the 2023/2024 budget cycle.

**- Other oversight activities**

Over the Financial Year, the National Development Implementation Technical Committee (NDITC) received regular updates on implementation progress for road works in relation to development and maintenance of roads.

**(e) Entity Headquarters**

P.O. Box 30260  
Works Building  
Ngong Road  
**NAIROBI, KENYA**

**Entity Contacts**

Telephone: (254) (020)2723232  
E-mail: ps@roads.go.ke  
Website: www.transport.go.ke

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**(f) Entity Bankers (all banks)**

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**

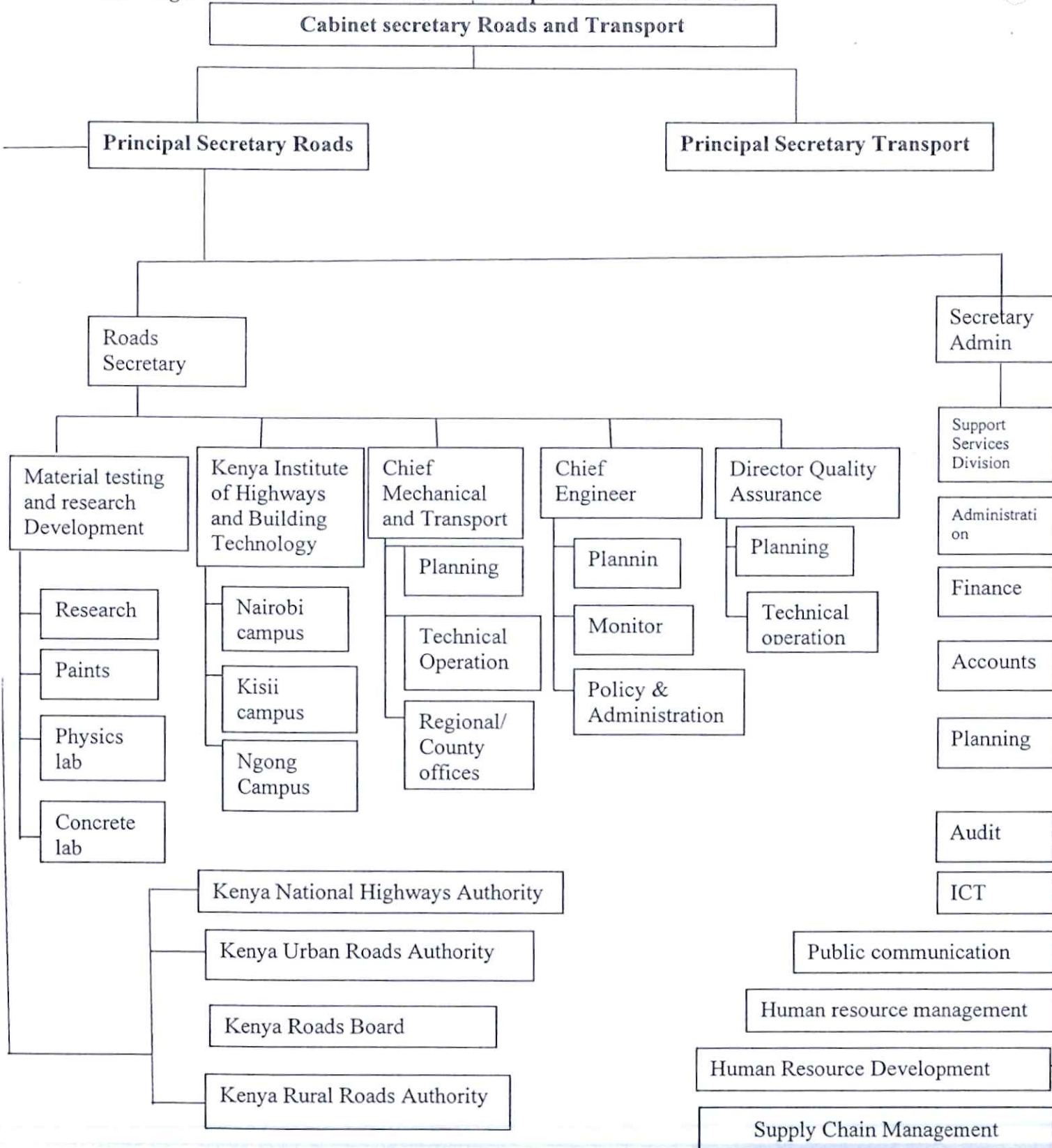
The Attorney General  
State Law Office & Department for Justice.  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya

**STATE DEPARTMENT FOR ROADS**

**Annual Report and Financial Statements for the year ended 30th June 2024**

**3. Statement of Governance**

The Organizational Structure of the State Department is as follows: -



**Management Committees established and their roles.**

The operational committees listed below are hereby constituted and operationalized as specified in the Membership and their respective Terms of Reference.

- Road Safety Committee
- Service Delivery Committee
- Disability and Gender Mainstreaming Committee
- HIV/AIDS Prevention and Alcohol Drug Abuse Committee
- Safety and Security Measures Committee
- National Cohesion and Values Committee
- ISO Re-Certification Committee
- Budget Implementation Committee
- Public Finance Management Committee

**1. Road Safety Committee**

**Terms of Reference**

The Committee shall actively engage in developing projects and executing activities that contribute to the prevention and management of Road Traffic injuries and fatalities in Kenya.

Implementation of **Level I** shall involve the following activities:

- a. Develop a Workplace Road Safety Policy anchored on the NTSA policy guidelines;
- b. Develop an Annual Road Safety Implementation Plan based on the approved Road Safety policy with the following key components included;
  - i. Four (4) road safety activities stipulated in the Workplace Road Safety Policy,
  - ii. Undertaking Annual Motor vehicle inspections for all vehicles,
  - iii. Training of drivers on defensive driving,
  - iv. Reporting on quarterly basis using the prescribed Reporting Template the non-compliance on road safety at the workplace.
- c. Implement the Annual Road Safety Implementation Plan.
- d. Submit quarterly reports to NTSA in the prescribed format within 15 days after the end of a quarter.

**2. Service Delivery Committee**

**Terms of Reference**

- i. Review and display the Citizen Service Delivery charter prominently at the point of entry/service delivery points in both English and Kiswahili by 31st December, 2022;

## STATE DEPARTMENT FOR ROADS

### Annual Report and Financial Statements for the year ended 30th June 2024

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- ii. Customize the charter to unique needs and convenient access of the customers providing mechanisms for sign language and uploading the charter on the ministry's online platforms by 30th April, 2023.
- iii. Sensitize 50 employees on the Citizen Service Delivery Charter and train on essentials of excellent customer service culture by 31st December, 2022;
- iv. Ensure conformity with commitments and standards in the Charter by establishing compliance mechanisms by maintaining records on service delivery.
- v. Re-engineer at least two (2) service delivery processes;
- vi. Implement and monitor the re-engineered processes;
- vii. Resolve all complaints received;
- viii. Provide access to information – reactive disclosure;
- ix. Create awareness on the complaints handling mechanisms.
- x. Indicating the level of achievement in percentage for this indicator to CAJ for issuance of a certificate.
- xi. Confirm guidelines on implementation of performance indicator are adhered to as per CAJ website.
- xii. Seek certification detailing the extent of resolution of public complaints from CAJ.
- xiii. Submit BPR Reports to PSTD using the prescribed format provided.

### 3. Disability and Gender Mainstreaming Committee

#### Terms of Reference

- i. Formulate and implement strategies to achieve employment of persons with disabilities to at least 5% of the total staff establishment
- ii. Provide products and services that promote access and participation of Persons with Disabilities
- iii. Develop and submit Disability and Gender Mainstreaming annual work plans and submit to NCPWD and the National Gender and Equality Commission by 31st July.
- iv. Train disability and gender mainstreaming committee and Senior Management; and sensitize all staff on disability.
- v. Ensure the staff establishment adhere to the right composition of persons with disabilities.
- vi. Implement Government Policy on gender and disability Mainstreaming.
- vii. Carry out accessibility and usability audit and submit the report to NCPWD.
- viii. Increase equal and easy access of products and services/programmes to PWDS.
- ix. Comply with one the rule on appointments, promotions and employment in the public services regarding gender and people with disability.
- x. Develop/review and implement work place gender policy
- xi. Develop/review and implement work place Gender Based Violence Policy
- xii. Implement relevant laws on prevention and response to Gender Based Violence

## STATE DEPARTMENT FOR ROADS

### Annual Report and Financial Statements for the year ended 30th June 2024

- ii. Regularly reviewing, monitoring budget implementation and advice on the State Department's accounts, major capital expenditures and reviewing performance and strategies at least on a quarterly basis.
- iii. Identifying risks and implementation of appropriate measures to manage such risks or anticipated changes impacting on the State Department.
- iv. Reviewing on a regular basis the adequacy and integrity of the State Department's internal control, acquisition and divestitures and management information systems including compliance with applicable laws, regulations, rules and guidelines.
- v. Establishing and implementing a system that provides necessary information to the stakeholders including stakeholder communication policy for the State Department in line with Article 35 of the Constitution.
- vi. Monitoring the effectiveness of the corporate governance practices under which the State Department operates and propose revisions as may be required, from time to time.
- vii. Monitoring timely resolution of audit issues.
- viii. Any other matter referred to it from time to time by the Cabinet Secretary or the Principal Secretary.
- ix. Compliance and achievement of Zero fault audit.

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

Over the Financial Year 2023/24, the following staff in key leadership positions attended training

No	Name	Designation	Course Attended	Financier
1.	Eng. Joseph M. Mbugua	Roads Secretary	Environmental Social and Governance (ESG)	World Bank
2.	Eng. James Kungu	Chief Engineer, Roads	Environmental Social and Governance	World Bank
3.	Eng. Maurice Nabende	Director - Kenya Institute of Highways and Building Technology	Activity Based Budgeting in Public Sector	World Bank
4.	James Gatere	Director Human Resource Management and Development	Proactive Management	World Bank
5.	CPA Sophie W. Mwangashi	Senior Deputy Accountant General	Forensic Accounting in Public Sector	World Bank

## STATE DEPARTMENT FOR ROADS

### Annual Report and Financial Statements for the year ended 30th June 2024

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- viii. Assisting the HOD during QMS audits, analyzing the root causes for the non-conformities identified during internal and certification audits and taking appropriate correction and corrective actions without undue delay.
- ix. Acting as the secretary during Quarterly meetings held in the division/unit to review the performance of QMS.
- x. Member of QMS technical committee.
- xi. Any other responsibility as may be assigned on QMS implementation.

#### **9. Budget Implementation Committee**

##### **Terms of Reference**

- i. Oversee budget preparation.
- ii. Monitor budget implementation.
- iii. Recommend budget provision reallocations.
- iv. Recommend capital projects for the Headquarters.

#### **10. The audit committee (Its formation, composition, and activities/meetings).**

The State Department had a functional audit committee made up of the following members

- i. Andrew Mugesani- Chairman
- ii. David Kibiwott - Member
- iii. Anne Mwihia - Member
- iv. Samuel Makori - Member
- v. Timothy Munyole - Treasury Representative

The Audit Committee met four times within the Financial Year. It also undertook field audit visits

#### **11. Risk management, compliance, conflict of interest etc.**

The State Department adhered to all the set standards on risk management. It had a risk register. The State Department complied with all the set deadlines in submission of statutory requirements and other Government Circulars

#### **12. Public Finance Management Committee**

The Public Finance Management regulations 18 and 19 of 2015 outlines the roles of the the Public Finance Management Standing Committee as follows;

- i. Ensuring that there is prioritization on resources allocated to the State Department for the smooth implementation of the State Department's mission, strategy, goals, risk policy plans and objectives.

- xiii. Submit Quarterly Reports in their prescribed format to NCPWD, the State Department for Gender and the National Gender and Equality Commission.

**4. Prevention of HIV Infections and prevention of Alcohol and Drug Abuse**

**Terms of Reference**

- i. Undertake a baseline survey on alcohol and drug abuse
- ii. Develop/review and implement workplace ADA prevention and management policy
- iii. Establish and operationalize support mechanisms for staff and students (in the case of educational and training institutions) with substance use disorders
- iv. Submit quarterly performance reports and supporting evidence to NACADA within the stipulated timelines using the prescribed format through the online reporting system accessible via NACADA website
- v. Allocate resources for implementation of HIV, NCDs and mental health interventions.
- vi. Promote attainment of UHC at the workplace through offering services for HIV and NCDs prevention and promotion of mental health for at least 50% of staff and family members by:
  - Facilitating staff to access the prescribed health screening package for HIV, NCDs and mental health
  - Implementing the prescribed sensitization package for NCDs
  - Implementing the prescribed sensitization package on HIV Prevention
  - Promoting mental wellness and prevention of mental health conditions
  - Implement the proposed activities and submit quarterly progress reports and annual reports to NACC and NACADA using the prescribed format.

**5. Safety and Security Measures**

**Terms of Reference**

- i. The Committee is required to put in place safety and disaster preparedness mechanisms to address the current insecurity issues affecting the institution.
- ii. Put in place mechanisms to mitigate against technological hazards, terrorism, fire and natural disasters.
- iii. Implement the Information Security Management System (ISMS).
- iv. Create ISMS Risk Management (Risk Registers and Risk Management Action Plan.
- v. Finalize documentation of ISMS i.e. policy procedures and launch the ISMS based on the standard (ISO/IEC).
- vi. Establish information assets and secure them.
- vii. Determination of the information assets to be secured should be informed by the following information attributes: Value, Integrity, Importance, Confidentiality, Accuracy, and Authenticity.

**6. National Cohesion and Values Committee**

**Terms of Reference**

- i. The Committee shall promote national cohesion, national values and principles of governance to create a transformed, cohesive, peaceful, united and values-driven nation.
- ii. Align and implement commitments and way forward captured in the 2020 Annual President's Report on National Values and Principles of Governance.
- iii. Submit quarterly reports to the Directorate of National Cohesion and Values in the prescribed format the Annual Report on measures taken and progress achieved in the realization of National Values and Principles of Governance by 15th January 2023.

**7. Integrity Assurance Committee**

**Terms of Reference**

- i. Carryout a Bribery and Corruption Risk Assessment in all Directorates/Departments /Sections and Units and develop a plan to mitigate the risks
- ii. Implement measures/strategies outlined in the Risk Mitigation Plan
- iii. Monitor, evaluate and review effectiveness of measures put in place
- iv. Submit quarterly performance reports to EACC using the prescribed reporting format.

**8. ISO 9001:2015 Re-Certification Committee**

**Terms of Reference**

- i. Coordinate transition to ISO 9001:2015 and implement the ISO processes and procedures in the Department.
- ii. Determining, documenting and updating context document for the division/unit.
- iii. Ensure establishment, implementation, maintenance and continual improvement of processes in the division/ unit.
- iv. Ensuring identifications of risks associated with the operations of the division/unit, taking actions to address them and assessing the effectiveness of these actions.
- v. Ensuring establishment, monitoring and updating of quality objectives for the division/unit.
- vi. Ensuring monitoring, measurement, analysis and evaluation of QMS performance in the division or unit on a quarterly basis and reporting to the Management Representative.
- vii. Ensuring that persons doing work in the division/unit are aware of:
  - a. The quality policy;
  - b. Relevant quality objectives;
  - c. Their contribution to the effectiveness of the quality management system, including the benefits of improved performance;
  - d. The implications of not conforming to the quality management system requirements.

## **STATE DEPARTMENT FOR ROADS**

### **Annual Report and Financial Statements for the year ended 30th June 2024**

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#### **Public participation activities**

The State Department was over sighted by the Departmental Committee of Transport and Public Works of Parliament. Through this oversight by representatives of the citizens from constituency level, the State Department complied with the Public Participation principle in terms of budget/project formulation and implementation. In addition, the State Department regularly consulted with Development Partners co financing key roads in terms of project implementation and budgetary requirements. The World Bank is a member of the Project Oversight Committee for road projects funded by the bank. The Oversight Committee is domiciled in the State Department of Roads. Other Development partners such as JICA/AfDB had regular and periodical meetings with the Ministry staff.

#### **Compliance with laws and regulations among others.**

The State Department complied with all laws and regulations pertaining to Public Service as set out in the Constitution and other laws governing public finance including the Public Finance Management Act (PFM), Public Procurement and Disposal Act (PPDA) among others.

## STATE DEPARTMENT FOR ROADS

Annual Report and Financial Statements for the year ended 30th June 2024

### 4. Statement by the Cabinet Secretary



#### BUDGET ALLOCATION

The State Department for Roads had a total Budget Allocation of **Kshs. 178,059,797,219** in Financial Year 2023/24 comprising of Development Budget and Recurrent Budget. The Total Expenditure in the financial year amounted to **Kshs. 144,959,442,217** leaving a variance of **Kshs. 33,100,355,002**.

The State Department Implemented One Programme Road Transport, through which it implemented its budget. The

Programme Budget **Kshs.178,059,797,219** Expenditure is as detailed below;

Programmes	Approved Budget Allocation	Actual Expenditure	Percentage of Expenditure
	Kshs Million	Ksh Million	Kshs
Road Transport	178,059,797,219	144,959,442,217	81%

#### Key Achievements for the State Department of Roads

During the 2023/2024 Financial Year, the State Department had an overall average achievement of **114% against** its set physical targets as detailed below: -

Sub Programme	Key Performance Indicators	Target 2023/24	Achievement 2023/24	
Construction of Roads and Bridges	Number of Kilometers constructed	942	674	72%
Rehabilitation of Roads and Bridges	No of Km of roads rehabilitated	158	79	50%
Maintenance of Roads and Bridges	No of Km Maintained under Periodic	746	805	108%
	No of Km Maintained under Routine	32,396	39,215	121%
	No of Km Maintained under PBC	10,371	10,245	99%
		44613	51018	114%

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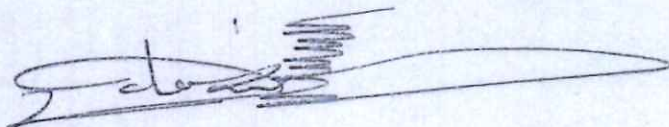
### Annual Report and Financial Statements for the year ended 30th June 2024

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#### Way Forward

The State Department of Roads will continue implementing the ongoing construction of roads over the medium term with a target of completing the upgrading of 10,000 kilometres of roads through various strategies which include the Low Volume Seal Roads (LVSR) through full GOK financing, in addition to the contemporary construction strategy financed through Development Partner Support, Annuity and Public Private Partnership (PPP)

The State Department in collaboration with the National Treasury and other government agencies continues to seek for alternative financing mechanisms which include local borrowing using Fuel Levy funds as collateral, bilateral and multilateral negotiations with development partners towards completion of the outstanding road projects whose portfolio is Approximately **Kshs.700 billion**. The State Department will focus on completing the already awarded road contracts rather than awarding new contracts in order to forestall contract frustration due to delayed payments and pending bills. Out of the Kshs. 700 billion portfolio, an amount of Kshs.166 billion relate to pending bills as at 30<sup>th</sup> June, 2024. In the short term the state department intends to leverage on Fuel Levy funds to borrow funds to the tune of Kshs.150 billion and consequently settle a huge portion of the pending.



Davis Chirchir, EGH

**CABINET SECRETARY**

**MINISTRY OF ROADS AND TRANSPORT**

**STATE DEPARTMENT FOR ROADS****Annual Report and Financial Statements for the year ended 30th June 2024****5. Statement by the Principal Secretary / Accounting Officer**

The State Department for Roads had a total Budget approved budget of Kshs. 178,059,797,219 in Financial Year 2023/2024 comprising of Development Budget and Recurrent Budget as shown below

<b>Vote</b>	<b>Approved Budget 2023/24</b>	<b>Expenditure</b>	<b>Percentage of Expenditure</b>
Recurrent	70,307,130,161	62,658,158,579	89%
Development	107,752,667,058	82,301,283,638	76%
<b>Total</b>	<b>178,059,797,219</b>	<b>144,966,472,678</b>	<b>81%</b>

The Development Budget recorded low performance of 81 % on account of underfunding on Net Gok Exchequer component occasioned by revenue under performance. The State Department has one Programme namely Road Transport where the Budget is aligned.

**Budget Performance Based on economic Classification**

<b>Economic Classification</b>	<b>Approved Budget Allocation</b>	<b>Actual Expenditure</b>	<b>Variance</b>
	<b>Ksh Million</b>	<b>Ksh Million</b>	<b>Ksh Million</b>
Compensation of Employees	1,242,500,000	1,209,260,185	33,239,816
Use of goods and services	2,328,120,524	2,357,411,493	(29,290,969)
Transfers to Other Government Units	161,214,529,231	128,175,448,042	33,039,081,189
Social Security Benefits	5,002,373	0	5,002,373
Acquisition of Assets	13,269,645,091	13,217,322,498	52,322,593
<b>TOTAL</b>	<b>178,059,797,219</b>	<b>144,959,442,218</b>	<b>33,100,355,002</b>

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Approved Budget Allocation Per Economic Classification



**Development Budget disaggregated expenditure for the FY 2023/24**

The State Department Development Approved Budget for Financial Year 2023/24 Vs Expenditure was as detailed below;

Description	2 <sup>nd</sup> Revised Budget 2023/24 (Kshs. M)	Funding/ Expenditure 2023/24 (Ksh M)	Unfunded (Kshs. M) D=B-C	% Funding
A	B	C	D	E
Net GoK Exchequer	59,625	37,236	22,389	62%
Development Partner	33,827	29,974	3,853	89%
Local AIA	14,300	14,300	-	100%
<b>Total</b>	<b>107,752</b>	<b>81,510</b>	<b>26,242</b>	<b>76%</b>

The State Department in the FY 2023/24 received a total exchequer funding of **Kshs.37.2 billion** against a 2nd revised budget of **Kshs.59.6 billion** resulting to a 62% funding. A total of **Kshs.22.4 billion** exchequer was not received.

On pending bills, the Road Agencies had a pending bills portfolio of **Kshs.166.76 billion** as at 30th June, 2024 chargeable to the Development Budget. The pending bills were as a result of inadequate budget provisions and unreleased net GoK exchequer.

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A summary analysis of the pending bills per Agency in Kshs. Millions is as detailed below:

No	Principal	Interest	Claims	Forex Losses	Court Awards	Land Acquisition	Total
Total	92,212	16,350	5,248	4,066	10,163	38,721	166,760

**Implementation challenges and recommended way forward.**

No	Challenge	Recommendation and Way forward	Action by the department to overcome the challenge
1	Inadequate funding for counterpart funds for Development Partner co financed projects	Full contract financing by the Development Partner	Engaged the National Treasury and Implementing Agencies to ensure Financing Agreements capture full Development Partner Financing for Road Contracts
2	Inadequate budgetary provisions from the Exchequer	Reduced uptake of new projects and enhanced injection of additional financing	Requested National Treasury to explore financing mechanisms outside the Sector Budgeting specifically for all the outstanding works on road contracts.
3	Expensive Land Compensation values for land required for right of way particularly in urban centers	Change Construction methods by changing future road designs from on grid surface construction designs to elevated via ducts	Road Project Implementing Agencies have continued to change road designs from lateral surface-based construction to elevated via ducts



Eng. Joseph M. Mbugua, CBS  
Principal Secretary  
State Department for Roads

**6. Statement of Performance Against Predetermined Objectives for the FY2023/24**

**Progress on the attainment of Strategic Objectives through Performance Contracting**

The Vision 2030 identifies Road Development as one of the Key enablers (Foundations) under the Economic pillar. The Vision aspires to have a country firmly interconnected through a network of roads, railways, ports, airports, water and sanitation facilities and telecommunications.

The Ministry of Roads and Transport had five Key Result Areas (KRAs) within the 2018-2022 Strategic Plan themed seamless connectivity and Quality Built up Environment namely;

- Policy, Legal, Regulatory and Institutional Framework;
- Development of physical infrastructure and Facilities;
- Quality of Service, Safety and Security and Environmental Sustainability;
- Research and Innovation;
- Capacity Building in Institutional, Human, Technological and Financial

The strategic objective of Development of Physical Infrastructure and Facilities pillar is to expand, modernize and maintain integrated, efficient and sustainable transport systems with the key targets for the Road sector been expansion of the road network by construction/Rehabilitation of 10,000 Km of Roads.

The State Department through its technical divisions and road agencies facilitate economic growth by increasing access and enhanced safe mobility. It is also responsible for the formulation, review and implementation of road policies and management, development and maintenance of the Road network. It does this by implementing the road transport programme alongside policies and regulations in the sector.

The State Department of Roads implemented one Programme namely Road Transport and the following sub-programmes;

- i. General Administration, Planning and Support Services
- ii. Construction of Roads and Bridges
- iii. Rehabilitation of Roads and Bridges
- iv. Maintenance of Roads and Bridges
- v. Design of Roads and Bridges

## STATE DEPARTMENT FOR ROADS

### Annual Report and Financial Statements for the year ended 30th June 2024

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The State Department for Roads entered into a performance contract for delivery of physical outputs at the beginning of the Financial Year. The Performance Contract detailed the Key Performance Indicators for measuring and tracking performance. The Performance Contract was signed by the Principal Secretary on behalf of the State Department and by the Cabinet Secretary on behalf of the Government. Through the set targets, the State Department was able to meet its strategic objective of improving motorability.

During the Financial Year 2023/24 the State Department constructed 674 Km of roads against a planned target of 942 Km equivalent to 72% achievement while 79 Km of roads were rehabilitated against a target of 158 km resulting to 50% achievement. On periodic maintenance, a total of 805 km was maintained against a target of 746 km, representing an achievement level of 107%. On routine maintenance, the sub-sector maintained 39,215 Km of roads achieving 121% against the target of 32,396 Km. The State Department maintained 10,245 Km under Performance Based Road maintenance Contracts against a target of 10,371 Km resulting to a 98% achievement.

The performance contract for the State Department detailed the physical outputs to be achieved against the voted programme budget. During the 2023/2024 Financial Year, the State Department had an overall average achievement of **114%** against its set physical targets as detailed below: -

Sub Programme	Key Performance Indicators	Target 2023/24	Achievement 2023/24
Construction of Roads and Bridges	Number of Kilometers constructed	942	674
Rehabilitation of Roads and Bridges	No of Km of roads rehabilitated	158	79
Maintenance of Roads and Bridges	No of Km Maintained under Periodic	746	805
	No of Km Maintained under Routine	32,396	39,215
	No of Km Maintained under PBC	10,371	10,245

## **7. Management Discussion and Analysis**

### **OVERVIEW OF PROGRAMME PERFORMANCE REVIEW FY 2021/22-2023/24 Road Expansion Programme**

During the review period FY 2021/22-2023/24, a total of 2,897 Km of roads were constructed against a planned target of 3,429 Km equivalent to 84.5% achievement while 339 Km of roads were rehabilitated against a target of 365 km resulting in 93% achievement.

The implementation of road projects has largely enhanced domestic and regional connectivity, boosted rural productivity, and reduced urban congestion. The following are some of the completed Major roads constructed and Rehabilitated during the review period; Dualling of Nairobi Eastern Bypass (From Baraka Roundabout to Ruiru/Kamiti Junction) (27Km), Rehabilitation and Upgrading of Eastlands Roads (Phase II) (10.2 Kms), Construction of Githurai - Kimbo Road (Phase III) (6 Kms), Upgrading to Bitumen Standards of Marsabit County Headquarter Roads (10.8 Kms), Improvement of Access Roads to Starehe Affordable Housing Project (2.4 Kms), Access to Stoni Athi Housing Project (2 Kms), Improvement of Nairobi Roads Lot 1 (Part of Missing Link 12) (1.3 Kms) ,Upgrading to Bitumen Standards Kapenguria Town Roads (5.5km) and the Nairobi Western Bypass Road Project among others.

On routine maintenance, the sub-sector maintained 117,534 Km of roads achieving 104.45% against the target of 112,529 Km, while 2,404 Km were maintained under periodic maintenance equivalent to 115.98% overachievement against a target of 2,073 Km

The following programmes /projects facilitated the achievements of the above targets;

- i. Kenya Transport Sector Support Project (KTSSP)
- ii. Horn of Africa Gateway Development Project (HOAGDP)
- iii. Eastern Africa Regional Transport, Trade and Development Facilitation Project (EARTTDFP)
- iv. National Urban Transport Improvement Programme (NUTRIP)
- v. Roads 10000 Programme (Low Volume Sealed Roads)
- vi. Roads 2000 Programme
- vii. Annuity Programme
- viii. Construction of Bypasses

- ix. Construction of Missing Links
- x. Improvement of Roads in Cities, Urban Areas and Municipalities
- xi. Lamu Port Southern Sudan and Ethiopia Transport Corridor (LAPSSET Project)

### **Policy, Legal and Institutional Reforms**

The ministry has finalized its Strategic Plan (2023-27), aligned with MTPIV and the Kenya Vision 2030. The State Department has also completed developing the Road Sector Investment Programme (RSIP) III (2023-2027). This program covers prioritized development and maintenance interventions for the entire road network over 5-year and 10-year plan periods. The RSIP III is implemented through the Annual Public Roads Programme (APRP)

### **Development of Standards and Guidelines**

This aims to provide a framework for undertaking road construction and maintenance works. During the period under review, the subsector undertook the draft review of the Kenya Road Design Manual and Standards Specifications as follows;

Reviewed and updated the existing pavement design manuals and standard specification for road and bridge construction

Reviewed and finalized the maintenance cost estimation manual

Reviewed and finalized the highway and structural design manuals drafted in 2009

Reviewed the Standards Specifications for Road and Bridge Construction

### **Public-Private Partnership (PPP) / Annuity Model**

The programme aims for long-term partnerships with the private sector for the financing, construction, and management of roads. Annuity Concessions is a type of PPP model in which the private operator (contractor) is paid a fixed, periodic payment (annuity) by the Government. In this arrangement, the contractor is responsible for both building the road and maintaining it for a set period (usually 10 years). This type of PPP shifts the responsibility for bridge financing and performance risks to the contractor. Payment for the services is made in agreed fixed instalments, ensuring predictability in the budget system. Through this programme, the following was achieved:

- i. Construction of 91.5 kms of Ngong – Kiserian – Isinya and Kajiado – Imaroro roads. The project is under Performance Based Routine Maintenance.

**STATE DEPARTMENT FOR ROADS****Annual Report and Financial Statements for the year ended 30th June 2024**

- ii. Nairobi Expressway- 27Km completed
- iii. Construction of Lot 15 Identified Town Roads in Nyeri, Kirinyaga, Muranga, Embu, Tharaka Nithi and Laikipia-45km
- iv. Construction of Lot 18 Identified Town Roads in Kakamega, Vihiga, Bungoma and Busia - 35km.

**Programme Budget Performance over the 2021/22 – 2023/24 Financial Years**

The State Department of Roads achieved budget performance over the three-year review period as shown below;

Programme/Sub – Programmes	Approved Budget			Actual Expenditure		
	(KShs. Millions)			(KShs. Millions)		
	2021/22	2022/23	2023/24	2020/21	2021/22	2023/24
<b>Programme 1: Road Transport</b>						
Construction of Roads and Bridges	110,811	62,807	65,411	75,160	50,515	52,803
Rehabilitation of Roads and Bridges	43,894	26,119	37,997	34,297	25,376	25,113
Maintenance of Roads and Bridges	71,479	77,657	69,104	87,450	77,568	61,571
Design of Roads and Bridges	750	500		637	285	
General Administration, Planning and Support services	3,654	3,712	5,548	3,026	2,940	5,479
<b>TOTAL</b>	<b>230,588</b>	<b>170,795</b>	<b>178,060</b>	<b>200,570</b>	<b>156,684</b>	<b>144,966</b>

The State Department under the medium-Term Plan IV will gear towards realizations of the main considerations of Inclusive Growth/People Centred, Expansion of Revenue Base, Digitization and Alternative Financing. The Roads Department under the Governance pillar in line with the strategic plan will consider Institutional Reforms through transformation of Materials Testing & Research and Mechanical and Transport Divisions and Kenya Institute of Highways and Building Technology into SAGA. The Sub sector targets to Construct 6,000Km roads comprising 3,500Km of roads under conventional method and 2,500km of low volume seal roads and under Rural Roads Maintenance to upgrade 101,755Kms of rural roads to gravel standards using 22% and 10% of the Fuel Levy Allocation and rehabilitate 695 kms of Roads for the period 2024-2027.

## **8. Environmental and Sustainability Reporting**

The State Department for Roads mandate is stipulated in the Fourth Schedule of the Constitution of Kenya, 2010 and Executive Order No. 2 of November 2023, to formulate and implement road policies, develop the regulatory framework and standards, and to develop, maintain, and manage road transport infrastructure facilities for sustainable socio-economic development.

The State Department for Roads was placed under the Ministry of Roads and Transport by Executive Order No. 2 of November 2023 on the Organization of the Government of the Republic of Kenya. Its functions are as follows:

- i. National Roads Development Policy;
- ii. Development, Standardization, and Maintenance of Roads;
- iii. Materials Testing and Advice on Usage;
- iv. Protection of Road Reserves;
- v. Maintenance of Security Roads;
- vi. Administer Mechanical and Transport Fund;
- vii. Registration of Engineers;
- viii. Mechanical and Transport Services;
- ix. Enforcement of Axle Load Control.

The Mandate is carried out through five (5) technical Directorates within the State Department, namely: Roads, Quality Assurance, Materials Testing and Research, Mechanical and Transport, and the Kenya Institute of Highways & Building Technology. It is also implemented through six (6) road agencies: Kenya National Highways Authority (KeNHA), Kenya Urban Roads Authority (KURA), Kenya Rural Roads Authority (KeRRA), Engineers Board of Kenya (EBK), Kenya Roads Board (KRB), and Kenya Engineering Technology Registration Board (KETRB).

The State Department, through its technical directorates and road agencies, facilitates economic growth by improving access and ensuring safe mobility. It is responsible for formulating, reviewing, and implementing road policies and management, as well as for developing and maintaining the road network. This is achieved through the implementation of the Road Transport Programme in conjunction with sector policies and regulations.

**a) Sustainability strategy and profile**

The Roads subsector has a outstanding road projects portfolio on contracted works amounting to approximately Kshs.700 million as at 30th June 2024. The Kshs.700 outstanding projects portfolio chargeable to the GOK budget stood at Kshs.900 billion and continued growing. The Kshs.900 billion portfolio was found not to be sustainable leading to efforts to rationalise the portfolio downwards to the Kshs.700 billion amount. The rationalisation entailed dropping all pipeline projects which had not been awarded. Owing to increased request for resources from other sectors and County Governments, the funding to the Roads sector was remaining static while the portfolio continued growing. The Government therefore decided to focus on the ongoing projects without taking on board new ones until such a time when the portfolio has reduced to manageable and sustainable levels. The war in Ukraine has resulted into a surge in prices and devaluation of the Kenya Shilling. The devaluation in currency has led to a hike in variation of prices on contracted road works. This will have a big negative impact in delivery and cost of the already ongoing contracts.

Moving to the future, the Government is putting more emphasis on projects financed through the PPP Model. The Government will also focus more on completing the ongoing projects road rather than starting others

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

Road projects are financed through the Government, apart from a few being implemented under the PPP model. The development Budgets for the Road Agencies from the main component of the State Department Development Budget that is accounted for by the principal Secretary. The State Department continued with implementation of the Roads 10,000 programme in which it targets to upgrade 10,000km to bitumen standards using various strategies including the Low Volume Seal Roads Strategy (LVSR). The LVSR has achieved commendable success. Out of the contracted 8,000 km, the State Department through its implementing agencies had completed approximately 4,500 km by 30th June 2024. This meant that the bituminised road surface had increased by 4,500km since the launch of the strategy. Road Development has however faced challenges of budget insufficiency in respect to the portfolio of projects. The insufficiency has led to delayed project implementation, pending bills and associated negative consequences. The Implementing Agencies have incorporated climate resistant infrastructure in the project planning and implementation.

**c) Employee welfare**

The State Department Headquarters Human Resource Policies are governed by the Public Service Commission of Kenya including the gender ratio. Owing to historical issues, technical staff above 50 years is mostly male dominated. Over time, the Public Service Commission has been recruiting staff for the State Department in adherence to the one third rule policy in which no one gender accounts for more than two thirds of the staff being hired. The Road Agencies also follow the public service of Kenya Guidelines as they develop their Human Resource Management Manuals

In an effort to improve capacity building for its staff, the State Department has financing from the World Bank against which it has, and continues to train most of its staff to enable them enhance their careers through promotions after they acquire the skills. In addition to the promotions, the skills so acquired helps the staff to work better and smatter

**d) Operational practices/ Market place practices**

The State Department budgets is processed through the Parliamentary Departmental Committee of Transport, Roads and Public Works. This oversight committee ensures that the budget is allocated in a fair manner across all regions. In execution of the budget, the State Department and its agencies implement the line budgets as approved by Parliament. The payment process is based on the approved budget and payments per project is on a first presented invoice, first to be paid. The suppliers to the State Department are given supply orders up to the limit of budget. To avoid carry over bills at the end of the financial year, the State Department ensures that it follows the National Treasury guideline of closing new supply orders, one month before the closure of the financial year in June. This ensures that there is adequate time to request for exchequer from the National treasury to finance the orders. The State Department Headquarters has not had pending bills as at the close of the financial year over the last three financial years

Despite the positive good practices, the State Department Road Agencies whose work is financed through GOK budget face huge budget insufficiencies leading to pending bills and delayed project execution. This has a consequent of frustrating contracts since they are unable to be implemented over the contracted time periods.

**e) Community Engagements-**

The State Department engaged in tree planting activities at the Ngong Forest where it has been allocated a portion of the forest for continuous afforestation. The State department planted 1,000 trees in Dongo Kundu Mombasa County. This CSR activity is an effort in increasing the forest cover and thereby mitigate against the negative effects of climate change.

**9. 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 Roads 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, 2024. 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 Roads accepts responsibility for the entity's financial statements, which have been prepared on the Cash 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 Roads financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2024, and of the entity's financial position as at that date. The Accounting Officer in charge of the State Department for Roads further confirms the completeness of the accounting records maintained for the State Department for Roads, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

**STATE DEPARTMENT FOR ROADS**

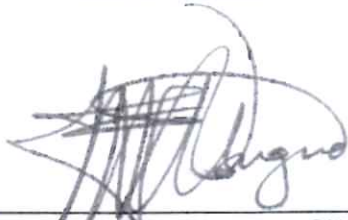
**Annual Report and Financial Statements for the year ended 30th June 2024**

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The Accounting Officer in charge of the State Department for Roads 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 eligible purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the entity'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.

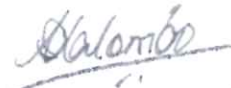
**Approval of the financial statements**

The State Department for Roads financial statements were approved and signed by the Accounting Officer on 10<sup>th</sup>/12 2024.



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**Eng. Joseph M. Mbugua, CBS**  
**Accounting Officer**

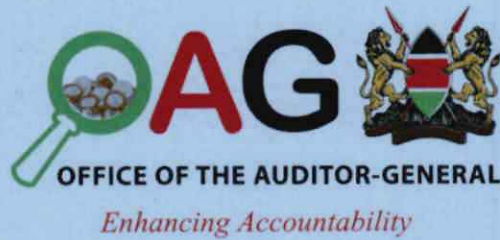


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**Sophie Wakio Mwangashi**  
**Head of Accounting Unit**  
**ICPAK M/No 11341**

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Anniversary Towers  
Monrovia Street  
P.O Box 30084-00100  
NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON STATE DEPARTMENT FOR ROADS FOR THE YEAR ENDED 30 JUNE, 2024**

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### **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 financial statements of State Department for Roads set out on pages 1 to 41, which comprise of the statement of financial assets and financial liabilities as at 30 June, 2024, and the statement of receipts and payments, statement of

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*Report of the Auditor-General on State Department for Roads for the year ended 30 June, 2024*

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, the financial statements present fairly, in all material respects, the financial position of the State Department for Roads as at 30 June, 2024, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012.

### **Basis for Opinion**

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the State Department for Roads 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 final receipt budget and actual on comparable basis of Kshs.178,059,797,219 and Kshs.145,017,934,102, respectively resulting in an under-funding of Kshs.33,041,863,117 or 19% of the budget. Similarly, the State Department spent an amount of Kshs.144,959,442,217 against actual receipts of Kshs.145,017,934,102 resulting in under-utilization of Kshs.58,491,885 or 0.04% 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.

My opinion is not modified in respect of this matter.

### **Key Audit Matters**

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

### **Other Matter**

#### **Unresolved Prior Year Matters**

In the audit report of the previous year, several issues were raised 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. Although the issues were subsequently presented before the Public Accounts Committee, they remained unresolved as at 30 June 2024.

### **Other Information**

The Management is responsible for the other information set out on page iii to xxix which comprise of Key Entity Information and Management, Statement of Governance, Statement by the Cabinet Secretary, Statement by the Principal Secretary, Statement of Performance Against Predetermined Objectives, Management Discussion and Analysis, Environmental and Sustainability Reporting and Statement of Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the 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 effects of the matter 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**

##### **Non-Compliance with One-Third Rule on Basic Salary**

Review of the Commission's staff payroll revealed that for the twelve (12) month period there were one hundred and eleven (111) employees whose salary deductions exceeded two-thirds (2/3) of the basic salaries. 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 are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015 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 governance were not effective.

### **Basis for Conclusion**

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 (Cash 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 for 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**

**20 December, 2024**

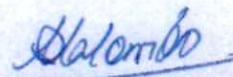
**STATE DEPARTMENT FOR ROADS****Annual Report and Financial Statements for the year ended 30th June 2024****11. Statement of Receipts and Payments for the Year ended 30<sup>th</sup> June 2024**

	Note	2023-2024	2022-2023
		Kshs	Kshs
<b>RECEIPTS</b>			
Tax Receipts	1	557,291,745	39,039,432
Proceeds from Domestic and Foreign Grants	2	1,731,077,114	546,758,209
Exchequer Releases	3	42,057,669,222	53,875,610,928
Transfers from Other Government Entities	4	74,297,520,234	79,987,726,803
Proceeds from Foreign Borrowings	5	25,696,195,045	21,633,235,739
Other Revenues	6	678,180,742	648,429,798
<b>TOTAL REVENUES</b>		<b>145,017,934,102</b>	<b>156,730,800,909</b>
<b>PAYMENTS</b>			
Compensation of Employees	7	1,209,260,185	1,188,653,922
Use of goods and services	8	2,357,411,492	1,056,987,521
Transfers to Other Government Entities	9	128,175,448,041	152,059,589,028
Social Security Benefits	10	-	24,622,265
Acquisition of Assets	11	13,217,322,498	2,352,714,866
<b>TOTAL PAYMENTS</b>		<b>144,959,442,216</b>	<b>156,682,567,602</b>
<b>SURPLUS</b>		<b>58,491,887</b>	<b>48,233,307</b>

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 10<sup>th</sup>/12 2024 and signed by:



Eng. Joseph M. Mbugua, CBS  
Accounting Officer



Sophie Wakio Mwangashi  
Head of Accounting Unit  
ICPAK M/No 11341

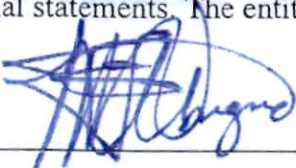
**STATE DEPARTMENT FOR ROADS**

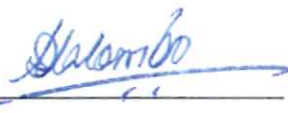
**Annual Report and Financial Statements for the year ended 30th June 2024**

**12. Statement Of Financial Assets And Financial Liabilities As At 30<sup>th</sup> June 2024**

	Note	2023-2024	2022-2023
		Kshs	Kshs
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances	12A	143,837,448	275,913,756
Cash Balances		-	-
<b>Total Cash And Cash Equivalents</b>		<b>143,837,448</b>	<b>275,913,756</b>
Accounts Receivables - Outstanding Imprest and Advances	13	72,232	76,069
<b>TOTAL FINANCIAL ASSETS</b>		<b>143,909,680</b>	<b>275,989,825</b>
<b>LESS: FINANCIAL LIABILITIES</b>			
Accounts Payables - Third Party Deposits and Retentions	14	85,341,725	227,599,396
<b>NET FINANCIAL ASSETS</b>		<b>58,567,955</b>	<b>48,390,429</b>
<b>REPRESENTED BY</b>			
Fund balance b/fwd	15	48,390,429	10,457,618
Prior year adjustments	16	(48,314,360)	(10,300,496)
Surplus/Deficit for the year		58,491,887	48,233,307
<b>NET FINANCIAL POSSITION</b>		<b>58,567,955</b>	<b>48,390,429</b>

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 10<sup>th</sup>/12 2024 and signed by:

  
 Eng. Joseph M. Mbugua, CBS  
 Accounting Officer

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

**STATE DEPARTMENT FOR ROADS**

**Annual Report and Financial Statements for the year ended 30th June 2024**

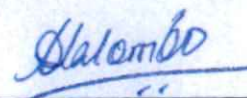
**13. Statement of Cash Flows For The Year Ended 30<sup>th</sup> June 2024**

	Note	2023-2024	2022-2023
		Kshs	Kshs
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts for operating income</b>			
Tax Receipts	1	557,291,745	39,039,432
Proceeds from Domestic and Foreign Grants	2	1,731,077,114	546,758,209
Exchequer releases	3	42,057,669,222	53,875,610,928
Transfers from Other Government Entities	4	74,297,520,234	79,987,726,803
Other Revenues	6	678,180,742	648,429,798
		<b>119,321,739,057</b>	<b>135,097,565,170</b>
<b>Payments for operating expenses</b>			
Compensation of Employees	7	1,209,260,185	1,188,653,922
Use of goods and services	8	2,357,411,492	1,056,987,521
Transfers to Other Government Units	9	128,175,448,041	152,059,589,028
Social Security Benefits	10	-	24,622,265
		<b>131,742,119,718</b>	<b>154,329,852,736</b>
<b>Adjusted for:</b>			
Prior Year Adjustments	16	(48,314,360)	(10,300,496)
Decrease/(Increase) in Accounts receivable: (outstanding imprest)	17	3,837	3,779,902
Increase/(Decrease) in Accounts Payable: (deposits and retention)	18	(142,257,671)	(6,017,602)
		<b>(12,610,948,856)</b>	<b>(19,244,825,762)</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of Assets	11	(13,217,322,498)	(2,352,714,866)
<b>Net cash flows from Investing Activities</b>		<b>(13,217,322,498)</b>	<b>(2,352,714,866)</b>
<b>CASHFLOW FROM BORROWING ACTIVITIES</b>			
Proceeds from Foreign Borrowings	5	25,696,195,045	21,633,235,739
<b>Net cash flow from financing activities</b>		<b>25,696,195,045</b>	<b>21,633,235,739</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>		<b>(132,076,308)</b>	<b>35,695,111</b>
<b>Cash and cash equivalent at BEGINNING of the year</b>		<b>275,913,756</b>	<b>240,218,645</b>
<b>Cash and cash equivalent at END of the year</b>		<b>143,837,448</b>	<b>275,913,756</b>

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 10<sup>th</sup>/12 2024 and signed by:



**Eng. Joseph M. Mbugua, CBS**  
Accounting Officer



**Sophie Wakio Mwangashi**  
Head of Accounting Unit  
ICPAK M/No.11341

**STATE DEPARTMENT FOR ROADS**  
**Annual Report and Financial Statements for the year ended 30th June 2024**

**14. Statement of Comparison of Budget and Actual Amounts for FY2023/24**

Statement of Budget Execution								
Entity: 1091-State Department for Roads								
	Note	Printed Estimate	Reallocation / Transfer	Supplementary Estimates	Final Approved Estimate (Net)	Actual	Budget Utilization Differences	% of Utilization
		a	b	c	d=a+b+c	e	f=d-e	g=e/d%
<b>RECEIPTS</b>								
Tax Receipts	1	1,600,000,000	-	-	1,600,000,000	557,291,745	1,042,708,255	35%
Proceeds from Domestic and Foreign	2	4,045,000,000	-	(1,875,000,000)	2,170,000,000	1,731,077,114	438,922,886	80%
Exchequer releases	3	89,919,500,000	-	(25,100,638,219)	64,818,861,781	42,057,669,222	22,761,192,559	65%
Transfers from Other Government Entities	4	95,071,211,993	-	(14,267,000,000)	80,804,211,993	74,297,520,234	6,506,691,759	92%
Proceeds from Foreign Borrowings	5	59,050,000,000	-	(31,042,276,555)	28,007,723,445	25,696,195,045	2,311,528,400	92%
Other Receipts	6	1,159,000,000	-	(500,000,000)	659,000,000	678,180,742	(19,180,742)	103%
<b>Total</b>		<b>250,844,711,993</b>	<b>-</b>	<b>(72,784,914,774)</b>	<b>178,059,797,219</b>	<b>145,017,934,102</b>	<b>33,041,863,117</b>	<b>81%</b>
<b>PAYMENTS</b>								
Compensation of Employees	7	1,312,500,000	-	(70,000,000)	1,242,500,000	1,209,260,185	33,239,816	97%
Use of goods and Services	8	2,225,710,403	-	102,410,121	2,328,120,524	2,357,411,493	(29,290,969)	101%
Transfers to Other Government Units	9	231,733,862,173	-	(70,519,332,942)	161,214,529,231	128,175,448,042	33,039,081,189	80%
Social Security Benefits	10	5,002,373	-	-	5,002,373	-	5,002,373	0%
Acquisition of Assets	11	15,567,637,044	-	(2,297,991,953)	13,269,645,091	13,217,322,498	52,322,593	100%
<b>Total</b>		<b>250,844,711,993</b>	<b>-</b>	<b>(72,784,914,774)</b>	<b>178,059,797,219</b>	<b>144,959,442,217</b>	<b>33,100,355,002</b>	<b>81%</b>

**Notes: Variance analysis**

- (a) **Tax Receipts (35%)** - Tax Proceeds. The item refers to transit toll collections - the underutilization was as a result of reduced receipts of transit toll collections from Kenya Roads Board.
- (b) **Proceeds from Domestic and foreign grants (80%)** - Proceeds from Domestic and Foreign Grants. The item refers to budget allocation with Grant Financing from, Rural Roads in Arid and Semi-Arid Lands (AFD), KfW and European Investment Bank (EIB). The underutilization was as a result of delayed commencement and hence reduced consumption of allocated grant provision for,

**STATE DEPARTMENT FOR ROADS**

**Annual Report and Financial Statements for the year ended 30th June 2024**

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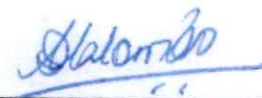
Rural Roads in Arid Semi-Arid Lands, upgrading of Kitale-Morpus and Kwa Jomvu Mariakani Road Projects with financing from KfW and EIB.

- (c) **Exchequer receipts (65%)** – The shortfall of Kshs.22 billion shortfall represent Development Exchequer funds that the State department requested to fund road projects but the funds were not released to the State Department. The state department requested for Kshs.26 billion but only got a funding of Kshs.4 billion to fund the road projects.
- (d) **Other receipts (103%)** – This represents an overcollection of Kshs.23 million by Materials Research and Testing Department.
- (e) **Social security benefits (0%)** – the budget of Kshs.5 million was for gratuity. The officer's contracts ended on 30<sup>th</sup> June, 2024 so it was not possible to process the payments in the FY 2023/24.

The entity financial statements were approved on 10<sup>th</sup>/12 2024 and signed by:



Eng. Joseph M. Mbugua, CBS  
Accounting Officer



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

STATE DEPARTMENT FOR ROADS

Annual Report and Financial Statements for the year ended 30th June 2024

13 (a) Statement of Comparison of Budget and Actual Amounts: Recurrent for FY2023/24

Statement of Budget Execution - Recurrent Expenditure								
1091-State Department for Roads								
	Note	Printed Estimate	Reallocation / Transfer	Supplementary Estimates	Final Approved Estimate (Net)	Actual	Budget Utilization Differences	% of Utilization
		a	b	c	d=a+b+c	e	f=d-e	g=e/d%
<b>RECEIPTS</b>								
Tax Receipts	1	1,600,000,000	-	-	1,600,000,000	557,291,745	1,042,708,255	35%
Exchequer releases	3	1,662,500,000	-	(118,581,832)	1,543,918,168	1,476,627,283	67,290,885	96%
Transfers from Other Government Entities	4	78,472,211,993	-	(11,968,000,000)	66,504,211,993	59,997,520,233	6,506,691,760	90%
Other Receipts	6	1,159,000,000	-	(500,000,000)	659,000,000	678,180,742	(19,180,742)	103%
<b>Total</b>		<b>82,893,711,993</b>	<b>-</b>	<b>(12,586,581,832)</b>	<b>70,307,130,161</b>	<b>62,709,620,003</b>	<b>7,597,510,158</b>	<b>89%</b>
<b>PAYMENTS</b>								
Compensation of Employees	7	1,312,500,000	-	(70,000,000)	1,242,500,000	1,209,260,185	33,239,816	97%
Use of goods and Services	8	205,210,403	-	(47,589,879)	157,620,524	104,059,436	53,561,088	66%
Transfers to Other Government Units	9	81,358,211,993	-	(12,468,000,000)	68,890,211,993	61,334,811,979	7,555,400,014	89%
Social Security Benefits	10	5,002,373	-	-	5,002,373	-	5,002,373	0%
Acquisition of Assets	11	12,787,224	-	(991,953)	11,795,271	10,026,980	1,768,291	85%
<b>Total</b>		<b>82,893,711,993</b>	<b>-</b>	<b>(12,586,581,832)</b>	<b>70,307,130,161</b>	<b>62,658,158,579</b>	<b>7,648,971,582</b>	<b>89%</b>

Notes: Variance analysis

- (a) **Tax Receipts (35%0)** – Tax Proceeds. The item refers to transit toll collections - the underutilization was as a result of reduced receipts of transit toll collections from Kenya Roads Board.
- (b) **Exchequer releases (89%)** – the underfunding in the recurrent budget is due to non-disbursement of funds from Exchequer.
- (c) **Other receipts (103%)** - This represents an overcollection of Kshs.23 million by Materials Research and Testing Department.

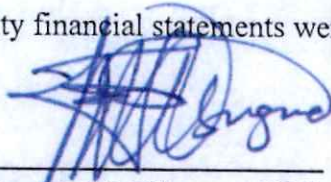
**STATE DEPARTMENT FOR ROADS**

**Annual Report and Financial Statements for the year ended 30th June 2024**

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- (d) **Use of good and services (66%)** – The underutilization was as a result of non-receipt of recurrent exchequer to finance purchase of office use items.
- (e) **Transfers to other Government Units (89%)** – The underutilization of funds in transfers to other Government units was occasioned by low collection of Road Maintenance Levy Funds from the Kenya Roads Board.
- (f) **Social security benefits (0%)** – the budget of Kshs.5 million was for gratuity. The officer's contracts ended on 30<sup>th</sup> June, 2024 so it was not possible to process the payments in the FY 2023/24.
- (g) **Acquisition of assets (85%)** – The underutilization was as a result of non-receipt of recurrent exchequer to finance purchase of office furniture and equipment
- (h) **Reallocations within the year:** The changes between the original and final recurrent budget was mainly due to reduction of budget for various based on trend of expenditure and review of budget ceilings by the National Treasury.

The entity financial statements were approved on 10<sup>th</sup> / 12 2024 and signed by:



**Eng. Joseph M. Mbugua, CBS**  
**Accounting Officer**



**Sophie Wakio Mwangashi**  
**Head of Accounting Unit**  
**ICPAK M/No.11341**

**STATE DEPARTMENT FOR ROADS**  
**Annual Report and Financial Statements for the year ended 30th June 2024**

**13 (b) Statement of Comparison of Budget and Actual Amounts: Development for FY2023/24**

Statement of Budget Execution - Development Expenditure								
Entity: 1091-State Department for Roads								
	Note	Printed Estimate	Reallocation / Transfer	Supplementary Estimates	Final Approved Estimate (Net)	Actual	Budget Utilization Differences	% of Utilization
		a	b	c	d=a+b+c	e	f=d-e	g=e/d%
<b>RECEIPTS</b>								
Proceeds from Domestic and Foreign Grants	2	4,045,000,000	-	(1,875,000,000)	2,170,000,000	1,731,077,114	438,922,886	80%
Exchequer releases	3	88,257,000,000	-	(24,982,056,387)	63,274,943,613	40,581,041,939	22,693,901,674	64%
Transfers from Other Government Entities	4	16,599,000,000	-	(2,299,000,000)	14,300,000,000	14,300,000,001	(1)	100%
Proceeds from Foreign Borrowings	5	59,050,000,000	-	(31,042,276,555)	28,007,723,445	25,696,195,045	2,311,528,400	92%
<b>Total</b>		<b>167,951,000,000</b>	<b>-</b>	<b>(60,198,332,942)</b>	<b>107,752,667,058</b>	<b>82,308,314,099</b>	<b>25,444,352,959</b>	<b>76%</b>
<b>PAYMENTS</b>								
Use of goods and Services	8	2,020,500,000	-	150,000,000	2,170,500,000	2,253,352,057	(82,852,057)	104%
Transfers to Other Government Units	9	150,375,650,180	-	(58,051,332,942)	92,324,317,238	66,840,636,063	25,483,681,175	72%
Acquisition of Assets	11	15,554,849,820	-	(2,297,000,000)	13,257,849,820	13,207,295,518	50,554,302	100%
<b>Total</b>		<b>167,951,000,000</b>	<b>-</b>	<b>(60,198,332,942)</b>	<b>107,752,667,058</b>	<b>82,301,283,638</b>	<b>25,451,383,420</b>	<b>76%</b>

- (a) **Proceeds from Domestic and foreign grants (80%)** – Proceeds from Domestic and Foreign Grants. The item refers to budget allocation with Grant Financing from, Rural Roads in Arid and Semi-Arid Lands (AFD), KfW and European Investment Bank (EIB). The underutilization was as a result of delayed commencement and hence reduced consumption of allocated grant provision for, Rural Roads in Arid Semi-Arid Lands, upgrading of Kitale-Morpus and Kwa Jomvu Mariakani Road Projects with financing from KfW and EIB.
- (b) **Exchequer releases (64%)** – The shortfall of Kshs.22 billion shortfall represent Development Exchequer funds that the State department requested to fund road projects but the funds were not released to the State Department. The state department requested for Kshs.26 billion but only got a funding of Kshs.4 billion to fund the road projects.

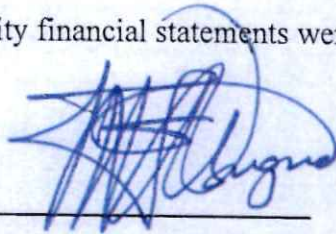
**STATE DEPARTMENT FOR ROADS**

**Annual Report and Financial Statements for the year ended 30th June 2024**

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- (c) **Use of goods and services (104%)** – This was occasioned by budget cut under the Horn of Africa Gateway Development Project. Under the Capacity Building component, the original budget was Kshs.1 billion. However, during the supplementary II budget review, the budget was slashed by Kshs. 800 million. This left a budget balance of Kshs. 200 million with an actual expenditure of Kshs.778 million. The actual balance is Kshs. (578 million).
- (d) **Transfer to other Government Units (72%)** – The shortfall of Kshs.22 billion shortfall represent Development Exchequer funds that the State department equested to fund road projects but the funds were not released to the State Department. The state department requested for Kshs.26 billion but only got a funding of Kshs.4 billion to fund the road projects.

The entity financial statements were approved on 10<sup>TH</sup>/12 2024 and signed by:



**Eng. Joseph M. Mbugua, CBS**  
Accounting Officer



**Sophie Wakio Mwangashi**  
Head of Accounting Unit  
ICPAK M/No.11341

**STATE DEPARTMENT FOR ROADS**

**Annual Report and Financial Statements for the year ended 30th June 2024**

**13 (c) Budget Execution by Programmes and Sub-Programmes for FY2023/2024**

<b>Budget Execution By Programmes and Sub-Programmes</b>					
<b>1091-State Department for Infrastructure</b>					
<b>Program</b>	<b>Sub Program</b>	<b>Description</b>	<b>Approved Budget</b>	<b>Actual Payments</b>	<b>Variance</b>
0		Default - Non Programmatic	-	-	-
	0	Default - Non Programmatic	-	-	-
201000000		General Administration, Planning and Support Services	-	793,123	(793,123)
	201020000	Human Resources and Support Services	-	50,000	(50,000)
	201030000	Financial Management Services	-	743,123	(743,123)
	201040000	Information Communications Services	-	-	-
202000000		Road Transport	178,059,797,219	144,949,220,830	33,110,576,389
	202010000	Construction of Roads and Bridges	65,411,417,174	52,802,772,564	12,608,644,610
	202020000	Rehabilitation of Roads	37,997,050,064	25,112,585,235	12,884,464,829
	202030000	Maintenance of Roads	69,104,211,993	61,554,811,979	7,549,400,014
	202040000	Design of Roads and Bridges	-	-	-
	202050000	Road Safety Intervention	-	-	-
	202060000		5,547,117,988	5,479,051,052	68,066,936
		<b>Grand Total</b>	<b>178,059,797,219</b>	<b>144,950,013,953</b>	<b>33,109,783,266</b>

## **STATE DEPARTMENT FOR ROADS**

### **Annual Report and Financial Statements for the year ended 30th June 2024**

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#### **15. Notes to the Financial Statements**

##### **1. Statement of Compliance and Basis of Preparation**

The financial statements have been prepared in accordance with Cash-basis International Public Sector Accounting Standards (IPSAS) as prescribed by the Public Sector Accounting Standards Board (PSASB) and set out in the accounting policy note below. This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions. The financial statements comply with and conform to the form of presentation prescribed by the PSASB. The accounting policies adopted have been consistently applied to all the years presented.

##### **2. Reporting Entity**

The financial statements are for the State Department for Roads. The financial statements encompass the reporting entity as specified under Section 81 of the PFM Act 2012 and also comprise of the following development projects implemented by the entity:

- i. Eastern Africa Regional Transport, Trade and Development Facilitation Project
- ii. Horn of Africa Gateway Development Project
- iii. East Africa Skills for Transformation and Integration Project

##### **3. Reporting Currency**

The financial statements are presented in Kenya Shillings (Kshs), which is the functional and reporting currency of the Government and all values are rounded to the nearest Kenya Shilling.

## **STATE DEPARTMENT FOR ROADS**

### **Annual Report and Financial Statements for the year ended 30th June 2024**

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#### **Significant Accounting Policies**

The accounting policies set out in this section have been consistently applied by the State Department for Roads for all the years presented.

#### **a) Recognition of Receipts**

The State Department for Roads recognises all receipts from the various sources when the event occurs, and the related cash has been received.

#### **(i) Transfers from the Exchequer**

Transfers from the exchequer are recognized in the books of accounts when cash is received. Cash is considered as received when payment instruction is issued to the bank and notified to the receiving entity.

#### **(ii) External Assistance**

External assistance is received through grants and loans from multilateral and bilateral development partners. Grants and loans shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary. In case of grant/loan in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice. A similar recognition criteria is applied for loans received in the form of a direct payment. During the year ended 30<sup>th</sup> June 2024, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

#### **(iii) miscellaneous receipts**

These include Appropriation-in-Aid and relates to receipts such as proceeds from disposal of assets and sale of tender documents. These are recognized in the financial statements the time associated cash is received.

**Significant Accounting Policies (Continued)**

**b) Recognition of payments**

The Entity recognises all payments when the event occurs, and the related cash has been paid out by the State Department for Roads.

**i) Compensation of Employees**

Salaries and wages, allowances, statutory contribution for employees are recognized in the period when the compensation is paid.

**ii) Use of Goods and Services**

Goods and services are recognized as payments in the period when the goods/services are paid for. Such expenses, if not paid during the period where goods/services are consumed, shall be disclosed as pending bills.

**iii) Interest on Borrowing**

Borrowing costs that include interest are recognized as payment in the period in which they are paid for.

**iv) Principal on borrowing**

The repayment of principal amount of borrowing is recognized as payment in the period in which the repayment is made.

**v) Acquisition of Fixed Assets**

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment. A fixed asset register is maintained and a summary provided for purposes of consolidation.

**Significant Accounting Policies (Continued)**

**vi) In-kind contributions**

In-kind contributions are donations that are made to the Entity in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the State Department for Roads includes such value in the statement of receipts and payments both as receipts and as payments in equal and opposite amounts; otherwise, the contribution is not recorded.

**vii) Third Party Payments**

Included in the receipts and payments, are payments made on the entity's behalf to third parties in form of loans and grants. These payments do not constitute cash receipts and payments and are disclosed in the payment to third parties in the statement of receipts and payments as proceeds from foreign borrowings or grants.

**c) 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. A bank account register is maintained, and a summary provided for purposes of consolidation.

**Restriction on Cash**

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation. Amounts maintained in deposit bank accounts are restricted for use in refunding third party deposits and retentions. As of 30th June 2024, this amounted to **Kshs.85,341,725** compared to **Kshs.227,599,396** in prior period as indicated on note 14. There were no other restrictions on cash during the year.

**Significant Accounting Policies (Continued)**

**d) Imprests and advances**

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year are treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or Authority to Incur Expenditure (AIE) holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

**e) Third party deposits and retention**

For the purposes of these financial statements, deposits and retentions held on behalf of third parties have been recognized on an accrual basis (as accounts payables). This is in recognition of the government practice of retaining a portion of contracted services and works pending fulfilment of obligations by the contractor and to hold deposits on behalf of third parties. This is an enhancement to the cash accounting policy adopted for National Government Ministries and Agencies. Other liabilities including pending bills are disclosed in the financial statements.

**f) Pending Bills**

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as 'memorandum' or 'off-balance' items. When the pending bills are finally settled, such payments are included in the Statement of Receipts and Payments in the year in which the payments are made.

**g) Budget**

The budget is developed on a comparable accounting basis (cash basis except for imprest and deposits and retentions, which are accounted for on an accrual basis), the same accounts classification basis, and for the same period as the financial statements. The original budget

**STATE DEPARTMENT FOR ROADS**  
**Annual Report and Financial Statements for the year ended 30th June 2024**

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was approved by Parliament in June 2023 for the period 1<sup>st</sup> July 2023 to 30<sup>th</sup> June 2024 as required by Law and there were 2 number of supplementary adjustments to the original budget during the year.

A comparison of the actual performance against the comparable budget for the financial year under review has been included in the financial statements. Government Development Projects are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognised as inter-entity transfers.

**h) Comparative Figures**

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

**i) Subsequent Events**

There have been no events after the financial year end with a significant impact on the financial statements for the year ended 30<sup>th</sup> June 2024.

**j) Prior Period Adjustment**

During the year, errors that have been corrected are disclosed under note 16 explaining the nature and amounts.

**k) Related Party Transactions**

Related party means parties are related if one party has the ability to:

- a) Control the other party or
- b) Exercise significant influence over the other party in making financial and operational decisions, or if the related party entity and another entity are subject to common control.

Related party transaction is a transfer of resources or obligations between related parties regardless of whether a price is charged.

**Significant Accounting Policies (Continued)**

**l) Contingent Liabilities**

A contingent liability is:

- a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b) A present obligation that arises from past events but is not recognised because:
  - i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
  - ii) The amount of the obligation cannot be measured with sufficient reliability.

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities. Letters of comfort/ support, insurance, Public Private Partnerships, The State Department for Roads 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. **20.4** and Annex 7 of this financial statement is a register of the contingent liabilities in the year.

STATE DEPARTMENT FOR ROADS  
Annual Report and Financial Statements for the year ended 30th June 2024

Notes to the Financial Statements

1 Tax Receipts

Description	2023-2024	2022-2023
	Kshs	Kshs
Taxes on Goods and Services	557,291,745	39,039,432
<b>Total</b>	<b>557,291,745</b>	<b>39,039,432</b>

2 Proceeds from Domestic and Foreign Grants

Description	2023-2024	2022-2023
	Kshs	Kshs
Grants from International Organisations	1,731,077,114	546,758,209
<b>Total</b>	<b>1,731,077,114</b>	<b>546,758,209</b>

3 Exchequer Releases

Description	2023-2024	2022-2023
	Kshs	Kshs
Exchequer Releases for Quarter One	6,589,387,593	17,961,168,155
Exchequer Releases for Quarter Two	1,855,569,123	1,052,152,206
Exchequer Releases for Quarter Three	19,086,622,436	8,586,387,023
Exchequer Releases for Quarter Four	14,526,090,070	26,275,903,545
<b>Total</b>	<b>42,057,669,222</b>	<b>53,875,610,929</b>

4 Transfers from other Government Entities

Description	2023-2024	2022-2023
	Kshs	Kshs
Grants from other General Govt units from General Govt units	74,297,520,234	79,987,726,803
<b>Total</b>	<b>74,297,520,234</b>	<b>79,987,726,803</b>

The above transfers were received from the following self-reporting entities in the year

**STATE DEPARTMENT FOR ROADS**

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**4b) Transfers from other Government entities**

Description	Recurrent	Development	2023-2024	2022-2023
	Kshs	Kshs	Kshs	Kshs
Transfers from National government entities				
Kenya Roads Board	60,554,811,978	14,300,000,000	74,854,811,978	79,987,726,803
<b>TOTAL</b>	<b>60,554,811,978</b>	<b>14,300,000,000</b>	<b>74,854,811,978</b>	<b>79,987,726,803</b>

**Note:** We have confirmed the above amounts with the disbursing entities and attached these confirmations as an Appendix to these financial statements.

**5 Proceeds from Foreign Borrowings**

Description	2023-2024	2022-2023
	Kshs	Kshs
Foreign Borrowing - Direct payments	25,696,195,045	21,633,235,739
<b>Total</b>	<b>25,696,195,045</b>	<b>21,633,235,739</b>

**Note:** The direct payments are made by Development Partners who fund various road projects and programmes within the State Department or the implementing agencies. The Development partners include the World Bank, African Development Bank, EXIM Bank of Korea, *Kreditanstalt für Wiederaufbau* (KfW) Development Bank, Agence Française de Développement (AFD), among others.

**6 Other Revenues**

Description	2023-2024	2022-2023
	Kshs	Kshs
Receipts from Administrative Fees and Charges - Collected as AIA	328,180,742	363,866,337
Paid to Exchequer	350,000,000	284,563,461
<b>Total</b>	<b>678,180,742</b>	<b>648,429,798</b>

**Note:** These are AIA collected by the Mechanical and Transport Fund (Hire of machinery - Sundry Revenue), Materials Testing and Research Department (Agency Fees) and Kenya Institute of Highways and Building Technology (Examination and Tuition Fees).

**STATE DEPARTMENT FOR ROADS**  
**Annual Report and Financial Statements for the year ended 30th June 2024**

**Notes to the Financial Statements (continued)**

**7 Compensation of Employees**

<b>Description</b>	<b>2023-2024</b>	<b>2022-2023</b>
	<b>Kshs</b>	<b>Kshs</b>
Basic salaries of permanent employees	849,977,326	832,724,945
Basic wages of temporary employees	19,711,056	19,764,483
Personal allowances paid as part of salary	339,571,803	336,164,494
<b>Total</b>	<b>1,209,260,185</b>	<b>1,188,653,922</b>

**8 Use of Goods and Services**

<b>Description</b>	<b>2023-2024</b>	<b>2022-2023</b>
	<b>Kshs</b>	<b>Kshs</b>
Utilities, supplies and services	10,368,041	16,257,416
Communication, supplies and services	1,305,356	2,064,718
Domestic travel and subsistence	11,246,915	7,718,350
Foreign travel and subsistence	1,454,600	0
Printing, advertising and information supplies & services	302,848	818,350
Training expenses	1,831,639,484	733,842,132
Hospitality supplies and services	5,799,775	5,993,720
Insurance costs	3,439,975	2,140,000
Specialized materials and services	49,766,520	34,449,881
Office and general supplies and services	5,789,750	5,586,150
Fuel Oil and Lubricants	1,555,700	1,244,974
Other operating expenses	339,651,415	115,587,288
Routine maintenance – vehicles and other transport equipment	2,074,534	190,937
Routine maintenance – other assets	93,016,581	131,093,606
<b>Total</b>	<b>2,357,411,494</b>	<b>1,056,987,522</b>

Note: Significant changes are noted in the Training Expenses. This was occasioned by World Bank training programmes under the Eastern Africa Regional Trade and Transport Facilitation Project and the Horn of Africa Gateway Development projects. The projects facilitate capacity Building programmes under the state department and other entities such as the Engineers Board of Kenya, Kenya Urban Roads Authority, National Construction Authority and Kenya Engineering Technology Registration Board.

**STATE DEPARTMENT FOR ROADS**

**Annual Report and Financial Statements for the year ended 30th June 2024**

**Notes to the Financial Statements (Continued)**

**9 Transfers to other Government Entities**

Description	2023-2024	2022-2023
	Kshs	Kshs
<b>Transfers to National Government entities</b>		
Current grants to government agencies and other level of govt	61,334,811,979	65,024,247,316
Capital grants to government agencies and other level of govt	66,840,636,063	87,035,341,712
<b>Total</b>	<b>128,175,448,042</b>	<b>152,059,589,028</b>

Note:

**9 b: Transfers to self – reporting entities in the year**

The above transfers were made to the following self-reporting entities in the year:

Description	Recurrent	Development	Total for the year	2022-2023
	Kshs	Kshs	Kshs	Kshs
<b>Transfers to SAGAs and SCs</b>				
Kenya Institute Highways Building Technology	250,000,000	-	250,000,000	289,517,589
Mechanical and Transport Fund	350,000,000	-	350,000,000	284,563,461
Kenya Engineering Technology Registration Board	54,000,000	-	54,000,000	-
Engineers Board of Kenya	126,000,000	115,850,000	241,850,000	155,400,000
Kenya Urban Roads Authority	10,432,656,388	4,467,763,231	14,900,419,619	23,732,198,783
Kenya Rural Roads Authority	24,544,062,631	24,331,140,148	48,875,202,779	60,896,166,762
Kenya National Highway Authority	25,578,092,960	11,878,335,328	37,456,428,288	44,761,730,290
AIA Direct Payments	-	26,047,547,356	26,047,547,356	21,940,012,143
<b>Total</b>	<b>61,334,811,979</b>	<b>66,840,636,063</b>	<b>128,175,448,042</b>	<b>152,059,589,028</b>

We have confirmed these amounts with the recipient entities and attached these confirmations as an Appendix to this financial statement. Include this list as an annex if it goes beyond one page.

**STATE DEPARTMENT FOR ROADS**  
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**Notes to the Financial Statements (Continued)**

**10 Social Security Benefits**

	<b>2023-2024</b>	<b>2022-2023</b>
	<b>Kshs</b>	<b>Kshs</b>
Government pension and retirement benefits	-	24,622,265
<b>Total</b>	<b>-</b>	<b>24,622,265</b>

**11 Acquisition of Assets**

<b>Non -Financial Assets</b>	<b>2023-2024</b>	<b>2022-2023</b>
	<b>Kshs</b>	<b>Kshs</b>
Construction of Buildings	69,049,020	82,396,142
Refurbishment of Buildings	49,189,657	52,821,509
Construction of Roads	12,200,000,000	1,590,000,000
Construction and Civil Works	57,247,483	90,682,308
Purchase of Office Furniture and General Equipment	266,000	-
Purchase of Specialized Plant, Equipment and Machinery	231,820,800	28,232,029
Rehabilitation and Renovation of Plant, Machinery and Equip.	82,349,000	38,537,346
Research, Studies, Project Preparation, Design & Supervision	521,223,086	460,826,015
Rehabilitation of Civil Works	6,177,452	9,219,516
<b>Sub-total</b>	<b>13,217,322,498</b>	<b>2,352,714,865</b>
<b>Financial Assets</b>		
<b>Sub-total</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>13,217,322,498</b>	<b>2,352,714,865</b>

**Note:** The significant change is occasioned by receipt and payment of the Road Annuity Fund from Kenya Roads Board. In the Financial Year 2022/2023, the State Department received **Kshs.1,590,000,000** compared to **Kshs12,200,000,000** in the Financial Year 2023/2024.

**STATE DEPARTMENT FOR ROADS**

**Annual Report and Financial Statements for the year ended 30th June 2024**

**Notes to the Financial Statements (Continued)**

**12 Cash and Bank Accounts**

Description	2023-2024	2022-2023
	Kshs	Kshs
Bank Accounts (Note 12 A)	143,837,448	275,913,756
<b>Total</b>	<b>143,837,448</b>	<b>275,913,756</b>

**12A: Bank Accounts**

Name of Bank, Account No. & currency	Amount in bank account currency	Indicate whether recurrent, Development, deposit etc.	Exc rate (if in foreign currency)	2023-2024	2022-2023
				Kshs	Kshs
Central Bank of Kenya, 1000209844, KShs	Kshs	Development	-	7,111,727	2,274,615
Central Bank of Kenya, 1000209925, KShs	Kshs	Recurrent	-	51,383,996	46,039,745
Central Bank of Kenya, 1000212535, KShs	Kshs	Deposit	-	85,341,725	227,599,396
<b>Total</b>				<b>143,837,448</b>	<b>275,913,756</b>

**STATE DEPARTMENT FOR ROADS**  
**Annual Report and Financial Statements for the year ended 30th June 2024**

**Notes to the Financial Statements (Continued)**

**13 : Imprests and Advances**

<b>Description</b>	<b>2023-2024</b>	<b>2022-2023</b>
	<b>Kshs</b>	<b>Kshs</b>
Salary advances	8,967	12,804
Suspense & Clearance Account	63,265	63,265
<b>Total</b>	<b>72,232</b>	<b>76,069</b>

**14 Third party deposits and retention**

<b>Description</b>	<b>2023-2024</b>	<b>2022-2023</b>
	<b>Kshs</b>	<b>Kshs</b>
Deposits	85,341,725	227,599,396
<b>Total</b>	<b>85,341,725</b>	<b>227,599,396</b>

The State Department remitted Kshs.160 million to the National Treasury which represented overdue deposits that were being held for more than 5 years.

**STATE DEPARTMENT FOR ROADS**

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**Notes to the Financial Statements (Continued)**

**15 Fund Balance Brought Forward**

Description	2023-2024	2022-2023
	Kshs	Kshs
Bank Accounts	275,913,756	240,178,204
Cash in hand	-	40,441
Imprests and advances	76,069	3,855,971
Third party deposits and retention	(227,599,396)	(233,616,998)
<b>Total</b>	<b>48,390,429</b>	<b>10,457,618</b>

**16 Prior Year Adjustments**

	Balance b/f from previous year as per audited financial statements	Adjustments during the year relating to prior periods	Adjusted ** Balance b/f Current Year
Description of the error	Kshs	Kshs	Kshs
Bank Account Balances	275,913,756	(48,314,360)	227,599,396
Imprests and advances	76,068.80	-	76,068.80
Third party deposits and retention	(227,599,396)		(227,599,396)
	<b>48,390,429</b>	<b>(48,314,360)</b>	<b>76,069</b>

**17 (Increase)/ Decrease in Advances and Imprests**

Description	2023-2024	2022-2023
	Kshs	Kshs
Receivables As At 1 <sup>st</sup> July (A)	76,069	6,120,094
Receivables As At 30 <sup>th</sup> June (B)	72,232	3,855,969
<b>(Increase)/ Decrease in Receivables (C=(B-A))</b>	<b>3,837</b>	<b>2,264,125</b>

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**18 Increase/ (Decrease) in Retention and Third-Party Deposits**

Description	2023-2024	2022-2023
	Kshs	Kshs
Payables As At 1 <sup>st</sup> July	227,599,396	208,979,604
Payables As At 30 <sup>th</sup> June	85,341,725	233,616,999
<b>Increase/ (Decrease) In Payables</b>	<b>(142,257,671)</b>	<b>24,637,395</b>

**19 Related Party Disclosures**

The following comprise of related parties to the State Department of Roads

- i) Key management personnel that include the Cabinet Secretaries and Accounting Officers
- ii) Other Ministries Departments and Agencies and Development Projects;
- iii) County Governments; and
- iv) State Corporations and Semi-Autonomous Government Agencies.

**STATE DEPARTMENT FOR ROADS**

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**20 Other Important Disclosures**

**20.1 Related party transactions:**

Description	2023-2024	2022-2023
	Kshs	Kshs
Key Management Compensation	21,094,228	20,270,496
<b>Transfers to Related Parties</b>	<b>21,094,228</b>	<b>20,270,496</b>
Transfers to SCs and SAGAs	128,175,448,042	152,059,589,028
<b>Total Transfers to Related Parties</b>	<b>128,175,448,042</b>	<b>152,059,589,028</b>
<b>Transfers from Related Parties</b>		
Transfers from the Exchequer	42,057,669,222	53,875,610,928
Transfers from other Govt Agencies (KRB)	74,297,520,234	79,987,726,803
<b>Total Transfers from Related Parties</b>	<b>116,355,189,456</b>	<b>133,863,337,731</b>

**20.2 External Assistance**

Description	2023-2024	2022-2023
	Kshs	Kshs
External Assistance received as Loans and Grants	1,050,898,916	628,327,086
External Assistance received In Kind- as payment by Third Parties	1,073,356,860	47,389,447
<b>Total</b>	<b>2,124,255,776</b>	<b>675,716,533</b>

These are receipts from the two donor funded projects, capacity building components implemented and executed by the State department for Roads.

**a) External assistance relating loans and grants**

Description	2023-2024	2022-2023
	Kshs	Kshs
External Assistance received as Loans	1,050,898,916	628,327,086
<b>Total</b>	<b>1,050,898,916</b>	<b>628,327,086</b>

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**Other important disclosures (continued)**

**b) Undrawn external assistance**

	<b>Purpose for which the undrawn external assistance may be used</b>	<b>2023-2024</b>	<b>2022-2023</b>
<b>Description</b>		<b>Kshs</b>	<b>Kshs</b>
Undrawn External Assistance - Loans		3,789,668,371	4,779,623,812
<b>Total</b>		<b>3,789,668,371</b>	<b>4,779,623,812</b>

**c) Classes of providers of external assistance**

	<b>2023-2024</b>	<b>2022-2023</b>
<b>Description</b>	<b>Kshs</b>	<b>Kshs</b>
Multilateral Donors	2,124,255,776	675,716,533
<b>Total</b>	<b>2,124,255,776</b>	<b>675,716,533</b>

The assistance is to provide and support Capacity Building activities in the State Department for Roads.

**d) Purpose and use of external assistance**

<b>Description</b>	<b>2023-2024</b>	<b>2022-2023</b>
	<b>Kshs</b>	<b>Kshs</b>
Compensation to Employees	76,053,445	75,688,273
Use of Goods and Services	1,549,115,752	435,896,767
Acquisition of Assets	616,578,252	30,676,705
<b>Total</b>	<b>2,241,747,450</b>	<b>542,261,745</b>

**STATE DEPARTMENT FOR ROADS****Annual Report and Financial Statements for the year ended 30th June 2024**

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**Notes to the Financial Statements (Continued)****e) External Assistance paid on behalf of the State Department for Roads by Source**

This relates to external assistance paid directly by third parties to settle obligations on behalf of the entity

	2023-2024	2022-2023
Description	Kshs	Kshs
Multilateral Donors	1,073,356,860	47,389,447
<b>Total</b>	<b>1,073,356,860</b>	<b>47,389,447</b>

**20.4 Contingent Liabilities**

There were no Contingent Liabilities during the Period under Review

**STATE DEPARTMENT FOR ROADS**

**Annual Report and Financial Statements for the year ended 30th June 2024**

**Notes to the Financial Statements (Continued)**

**20.5 Progress on follow-up of Prior Years Auditor-General’s recommendations.**

The following is the summary of issues raised by the Auditor-General during the prior year and management comments that were provided.

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)
601	<p><b>Unresolved Prior Year Matters</b></p> <p>In the audit report of the previous year, several issues were raised 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. Although the issues were subsequently presented before the Public Accounts Committee, they remained unresolved as at 30 June, 2023.</p>	<p>The State Department is yet to appear before the Public Accounts Committee to respond to the issues raised in the Auditor General’s Report for the Financial Year 2022/2023. However, it is important to note that the Audit opinion for the year 2022/2023 was an Unmodified opinion.</p>	<p>Not Resolved. The State Department is yet to appear before the Parliamentary Accounts Committee</p>	

STATE DEPARTMENT FOR ROADS  
Annual Report and Financial Statements for the year ended 30th June 2024

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)
602	<p><b>Long Outstanding Deposits and Retentions Balances</b></p> <p>The statement of financial assets and financial liabilities and Note 14 to the financial statements reflect accounts payable-deposits balance of Kshs.227,599,396 which was a decrease of Kshs.6,017,602 from the previous year's closing balance of Kshs.233,616,998.</p> <p>As previously reported, the opening balance of Kshs.233,616,998 includes balances totalling to Kshs.180,000,000 that remained unclaimed after the transition period from direct implementation of contracts by the State Department to implementation of road contracts by</p>	<p>The opening balance of Kshs.227,59,396 includes retention funds of approximately Kshs.160 million that remained as residuals during the transition from direct implementation of contracts by the State Department to implementation of road contracts by Road Agencies. During the transition phase from the year 2010 to 2015, retention fund held for the portions retained at the State Department Headquarters were claimed by contractors after clearance by the Road Agencies. Overtime, retention claims continued diminishing as the Road Agencies continued with full contract procurement and implementation.</p> <p>The state department wishes to state that the unclaimed deposit of Ksh 160,000,000 was transferred to The National Treasury on 27th June 2024 in compliance with the law and evidence of</p>	<p>Not Resolved. The State Department is yet to appear before the Parliamentary Accounts Committee</p>	

**STATE DEPARTMENT FOR ROADS**

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
	<p>road agencies between 2010 and 2015. Management has not explained why these deposits have not been paid into the Consolidated Fund. This is contrary to Regulation 106 of the Public Finance Management 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. In the circumstances, Management was in breach of the law.</p>	<p>the same provided to the auditor for verification. (Annex 1 payment vouchers bank statement)</p>		

**STATE DEPARTMENT FOR ROADS**  
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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)
603	<p><b>Non-Compliance with the One-Third of Basic Salary Rule</b></p> <p>Review of the Integrated Payroll and Personnel Database (IPPD) records for the Department, revealed that during the month of April, 2023, one hundred and thirty-one (131) employees had their net pay below a third of their basic pay. This is contrary to Section C.1 (3) of the Human Resource Policies and Procedures Manual for the Public Service, of May, 2016 which states that public officers shall not over-commit their salaries beyond two thirds (2/3) of their basic salaries. In the circumstances, Management was in breach of the law.</p>	<p>It is true there was violation of a Third Rule of Basic Pay as observed by the Auditor. This resulted from tax relief granted by the Government to all public and private sector employees to cushion them from covid-19 pandemic. The tax relief was effected between April 2020 to Jan 2021. In the circumstance employees were left with more funds in the payslip and hence took advantage of the same and took long term obligation. Upon lifting of the tax relief some of the employees fell victim to non-compliance of the a-third rule</p> <p>Other instances are officers who retired in the middle of the month hence the net pay reduced and affected the a-third rule of basic pay.</p>	Not Resolved. The State Department is yet to appear before the Parliamentary Accounts Committee	31 <sup>st</sup> December, 2024

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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)
604	<p><b>Non-Compliance with the Approved Staff Establishment</b></p> <p>As previously reported, review of the human resource records indicated that the Department had an approved establishment of two hundred and thirty-six (236) staff members across all cadres. However, the actual number in position was six hundred and fifty-eight (658) staff leading to an over establishment of four hundred and twenty-four (424) staff. This is contrary to Section A.15 of the Human Resource Policies and Procedures Manual for Public Service, May 2016, which states that the functions of Ministerial Human Resource Management Advisory Committees</p>	<p>The Auditor's observation is noted and true. This was occasioned by mass promotions purposed to address the issue of the succession management across the entire civil service. The authorised establishment in the state Department was exceeded in some cadres therefore contravening the law. Inter-ministerial/departamental transfers from time to time also contributed to this scenario. However, the scheme administrators are in the process of doing the balancing of the excesses and shortfalls of staff in various cadres and this will be normalised with time.</p>	<p>Not Resolved. The State Department is yet to appear before the Parliamentary Accounts Committee</p>	<p>31<sup>st</sup> December, 2024</p>

STATE DEPARTMENT FOR ROADS

Annual Report and Financial Statements for the year ended 30th June 2024

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>(MHRMAC) entail making recommendations to the Authorized Officer regarding: - inter alia (viii) establishment and complement control.</p> <p>In the circumstances, Management was in breach of the law.</p>			
605	<p><b>Maintenance of Duplicate Salary Bank Account Numbers for Staff</b></p> <p>Review of human resource records including the bank salary compliment, for the year under review, revealed that five (5) employees had duplicate bank account numbers. Although Management has explained the State Department is in the process of cleaning up the payroll to correct the anomalies observed, this is contrary to</p>	<p>It is true that there were some duplicate account numbers as stated by the Auditor. The records in our files for both shows that they are the legitimate owners of the joint account and they had instructed by form that their salaries are channelled through the account. The two who are husband and wife are Kinyuri James Ngugi and Ngugi Veronica Akinyi who work at the Materials Division of the State department of Roads. The couple have used the joint account for over (30) thirty years now.</p>	<p>Not Resolved. The State Department is yet to appear before the Parliamentary Accounts Committee</p>	<p>31<sup>st</sup> December, 2024</p>

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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)
	<p>Regulation 121(3) of the Public Finance Management (National Government) Regulations, 2015 states that at least once every month, the Accounting Officer shall certify the correctness of the payroll.</p> <p>In the circumstances, Management was in breach of the law.</p>			
606	<p><b>Delayed Payment of Decretal Amount</b></p> <p>Review of payment vouchers revealed that the State Department incurred an expenditure of Kshs.550,000 being payment to the Solicitor General's Office during the year under review. The payment was in respect to an arbitration and compensation payments for contract awarded on 30</p>	<p>The management has noted the above issue raised by the auditor. The dispute was between the claimant, Transnational Construction and Materials Supplies Ltd and the then Ministry of Roads. The initial award amounted to Kshs.55,235,909.97 out of which the State department paid a total of Kshs.53,526,000 in instalments from the year 2013-2017. The decretal amount was paid in instalments based on available budget provisions. After paying the</p>	<p>Not Resolved.</p> <p>The State Department is yet to appear before the Parliamentary Accounts Committee</p>	<p>31<sup>st</sup> December, 2024</p>

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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)
	<p>October, 2002 with the expected completion date of 24 April, 2003. However, the contract was terminated by the then Ministry of Roads (now State Department for Roads) in July, 2005. The claimant then referred the dispute for an arbitration seeking compensation of Kshs.73,601,346. The Arbitrator released the final award on 22 February, 2013 whereby the Claimant was awarded an amount of Kshs.55,235,909 and the respondent (Ministry) ordered to pay the cost of arbitration. Review of records revealed that the State Department paid the decretal amount from the year 2013 up to 2017 and then stopped further payments. However, there has</p>	<p>Kshs.3,526,000, the claimant lodged a claim for interest on account of delayed payments amounting to Kshs.58,323,217.44 on 19th January 2022. The Office of the Attorney General vide letter ref AG/CAR/MOW/16/13 dated 26th January 2023 (Copy attached) advised the State Department of Roads to pay Kshs.52,132,571.58. Based on the budget balances available under the relevant item, the State Department transferred Kshs.550,000 to the Solicitor General for the benefit of Transnational Construction and Materials Supplies Ltd. In the financial year 2023/2024, the State department paid the balance of Ksh.51,582,571.60 in two instalments of Ksh.26,500,000.00 and Ksh.25,082,571.60 on 1st February 2024 and 7th May 2024 respectively ,and the same has been provided to the auditors for verification.</p>		

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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)
	<p>been continued interest accumulation on a reducing balance which had accumulated to an amount of Kshs.11,754,028. As at 30 June, 2023, the outstanding balance on the arbitration award was Kshs.51,582,572.</p> <p>Further, the outstanding amount was not disclosed as a pending bill in the previous years' financial statements and may therefore not have been budgeted for.</p> <p>In view of the above, the State department continues to accrue the principal sum awarded and interest accruing at 17% per annum as the decretal amount has been outstanding since the year 2017. Management did</p>			

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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)
	<p>not provide any explanation for this unsatisfactory situation.</p> <p>In the circumstances, the State Department may cause the Government to incur avoidable costs of penalties and interest on the delayed payment of the arbitration award due to its failure to settle the award as required.</p>			
607	<p><b>Lack of Detailed Petty Cash Expenditure Schedules</b></p> <p>Review of the recurrent cash book revealed that the State Department made cash withdrawals amounting to Kshs.3,500,000. However, review of records revealed that the payment vouchers for the cash transactions did not have a detailed expenditure</p>	<p>The auditor observation is noted. However the management wish to state that the state department is allowed to withdraw from the recurrent bank account Kshs.700,000 per week on a need basis for office use . The withdrawal process is IFMIS generated with an approved request from the cashier. The withdrawal is then expensed in the main cash book. Since the expenditure is expensed in the main cash book on an expenditure-by-</p>	<p>Not Resolved. The State Department is yet to appear before the Parliamentary Accounts Committee</p>	<p>31<sup>st</sup> December, 2024</p>

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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)
	<p>analysis indicating what was paid for but contained just an official form detailing the withdrawals.</p> <p>In the circumstances, the effectiveness of the controls related to cash management could not be confirmed.</p>	<p>expenditure basis, the requirement of a memorandum cash book does not suffice. The State Department does not maintain a petty (memorandum) cash book rather the state department maintains one main cashbook in line with the PFM regulations of maintaining one cashbook for one bank account against which all transactions are recorded.</p>		
608	<p><b>Lack of the Internal Audit Reports</b></p> <p>During the year under review, it was observed that the internal audit function for the State Department for Roads did not have approved internal audit reports. It was therefore not possible to confirm whether the internal audit function was operational during the year or whether they were providing the assurance that the State</p>	<p>The auditor observation is noted. The management wishes to state that the state department for Roads has a well-established internal audit function with approved work plans. The internal audit conducts weekly and monthly assignments and write reports on the same. The management has shared the reports with the auditors for review.</p>	<p>Not Resolved. The State Department is yet to appear before the Parliamentary Accounts Committee</p>	<p>31<sup>st</sup> December, 2024</p>

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	<p>Department's risk management, governance and internal control processes were operating effectively.</p> <p>In the circumstances, the effectiveness of risk management, internal control environment and governance could not be confirmed.</p>			



Accounting Officer



Head of Accounting Unit

**STATE DEPARTMENT FOR ROADS**  
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**21. Annexes**

**Annex 1 - Analysis of Pending Accounts Payable**

There were no Pending Accounts Payable during the Period under Review

**Annex 2 - Analysis of Pending Staff Payables**

There were no Pending Staff Payables during the Period under Review

**Annex 3 - Analysis of Other Pending Payables**

There were no Other Pending Payables during the Period under Review

**Annex 4 – Summary of Fixed Asset Register**

<b>Asset class</b>	<b>Historical Cost b/f (Kshs) Previous Year</b>	<b>Additions during the year (Kshs)</b>	<b>Disposals during the year (Kshs)</b>	<b>Transfers in/(out) during the year</b>	<b>Historical Cost c/f (Kshs) Current Year</b>
Buildings and structures	38,302,357,978	12,902,886,698	-	-	51,205,244,676
Office equipment, furniture and fittings	3,625,695	266,000	-	-	3,891,695
Machinery and Equipment	573,979,572	314,169,800	-	-	888,149,372
<b>Total</b>	<b>38,879,963,245</b>	<b>13,217,322,498</b>	<b>-</b>	<b>-</b>	<b>52,097,285,743</b>

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**Annex 5 – List of Projects implemented by State Department for Roads**

Ref	Project Name	Principal activity of the project	Accounting Officer	Project consolidated in these financial statements(yes/no)
1	Eastern Africa Regional Transport, Trade and Development Facilitation Project (EARTTDFP)	The key objective of the project is to strengthen institutional capacities in all implementing entities and complementary institutions involved within the project.	Principal Secretary, State Department for Roads	No
2	East Africa Skills For Transformation and Regional Integration Project (EASTRIP)	The key objective of the project is to increase the access and improve the quality of TVET programs in selected regional flagship TVET institutes to support regional integration in East Africa.	Principal Secretary, State Department for Roads	No
3	Horn of Africa Gateway Development Project (HoAGDP)	The key objective of the project is to strengthen institutional capacities in all implementing entities and complementary institutions involved within the project.	Principal Secretary, State Department for Roads	No

**STATE DEPARTMENT FOR ROADS****Annual Report and Financial Statements for the year ended 30th June 2024****Annex 6 – List of SCs, Sagas and Public Funds Under State Department for Roads**

<b>Ref</b>	<b>SC, SAGA or Public Fund's name</b>	<b>Amount transferred during the year</b>	<b>Inter- entity reconciliations done? (yes/no)</b>
1	Kenya Urban Roads Authority	14,900,419,619	Yes
2	Kenya Rural Roads Authority	48,875,202,779	Yes
3	Kenya National Highways Authority	37,456,428,288	Yes
4	Engineers Board of Kenya	241,850,000	Yes
5	Kenya Roads Board	66,840,636,062	Yes

**Annex 7 – Contingent Liabilities Register**

There were no Contingent liabilities during the Period under Review

**Annex 8: Reporting of Climate Relevant Expenditures**

The State Department did not have any relevant Expenditure relating to Climate in the Period under Review

**Annex 9: Disaster Expenditure Reporting Template**

The State Department did not have any Expenditure relating to Disaster Expenditure in the period under Review

**Annex 10- Reports Generated from IFMIS**

IFMIS financial reports to be presented on request.