

REPUBLIC OF KENYA



*Enhancing Accountability*

THE NATIONAL ASSEMBLY  
PAPERS LAID

DATE: 27 FEB 2024

DAY

TUESDAY

TABLED

BY:

CLERK-AT

THE-TABLE:

Hon Naomi Wago, MP  
Deputy Majority Whip  
Iuzefu Mwale

**REPORT**

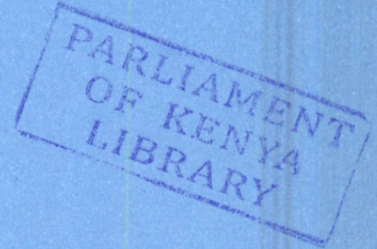
**OF**

**THE AUDITOR-GENERAL**

**ON**

**STATE DEPARTMENT FOR ROADS**

**FOR THE YEAR ENDED  
30 JUNE, 2023**







OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30034 - 00100, NAIROBI  
KENYA  
29 DEC 2023  
RECEIVED

---

## STATE DEPARTMENT FOR ROADS

### ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2023

---

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 2023

---

Table of Contents	Page
1. Acronyms and Glossary of Terms .....	iv
2. Key Entity Information and Management.....	v
3. Statement of Governance.....	viii
4. Statement by the Cabinet Secretary .....	xv
5. Statement by the Principal Secretary / Accounting Officer .....	xvii
6. Statement of Performance Against Predetermined Objectives for the FY2022/23 ...	xx
7. Management Discussion and Analysis.....	xxiii
8. Environmental and Sustainability Reporting .....	xxviii
9. Statement of Management Responsibilities .....	xxxii
10. Report of the Independent Auditors of the Financial Statements for the State Department for Roads.....	xxxiv
11. Statement of Receipts and Payments for the Year ended 30 <sup>th</sup> June 2023.....	1
12. Statement Of Financial Assets And Financial Liabilities As At 30 <sup>th</sup> June 2023 .....	2
13. Statement of Cash Flows For The Year Ended 30 <sup>th</sup> June 2023.....	3
14. Statement of Comparison of Budget and Actual Amounts for FY2022/23 .....	4
15. Notes to the Financial Statements .....	11
16. Annexes.....	31

**STATE DEPARTMENT FOR ROADS**  
**Annual Report and Financial Statements for the year ended 30th June 2023**

---

**1. Acronyms and Glossary of Terms**

AIE	Authority to Incur Expenditure
CFO	Chief Finance Officer
HAU	Head of Accounting Unit
IPSAS	International Public Sector Accounting Standards
OCOB	Office of the Controller of Budget
OAG	Office of the Auditor General
PFM	Public Finance Management
KeRRA	Kenya Rural Roads Authority
KURA	Kenya Urban Roads Authority
KeNHA	Kenya National Highways Authority
KRB	Kenya Roads Board
EBK	Engineers Board of Kenya
KETRB	Kenya Engineering Technicians Registration Board
NTSA	National Transport Safety Authority
KIHBT	Kenya Institute of Highways and Building Technology
MTRD	Materials Testing and Research Division

# STATE DEPARTMENT FOR ROADS

## Annual Report and Financial Statements for the year ended 30th June 2023

---

### 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), and Engineers Board of Kenya (EBK). 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 2023 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. Francis Gitau
4	Secretary Administration	Bernard J. Leparmarai
5	Direction Administration	Abednego Etyang'

**(d) Fiduciary Oversight Arrangements**

**- Audit and finance committee activities**

The State Department of Roads Budget for 2022/2023 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 2022/2023, the State Department appeared before the Public Accounts Committee and finished discussions of the Auditor General's report for 2019/2020 and 2020/2021.

**- 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 held meetings with the State Department of the required budgetary provisions over the 2022/2023 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

**STATE DEPARTMENT FOR ROADS**

**Annual Report and Financial Statements for the year ended 30th June 2023**

---

**(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**

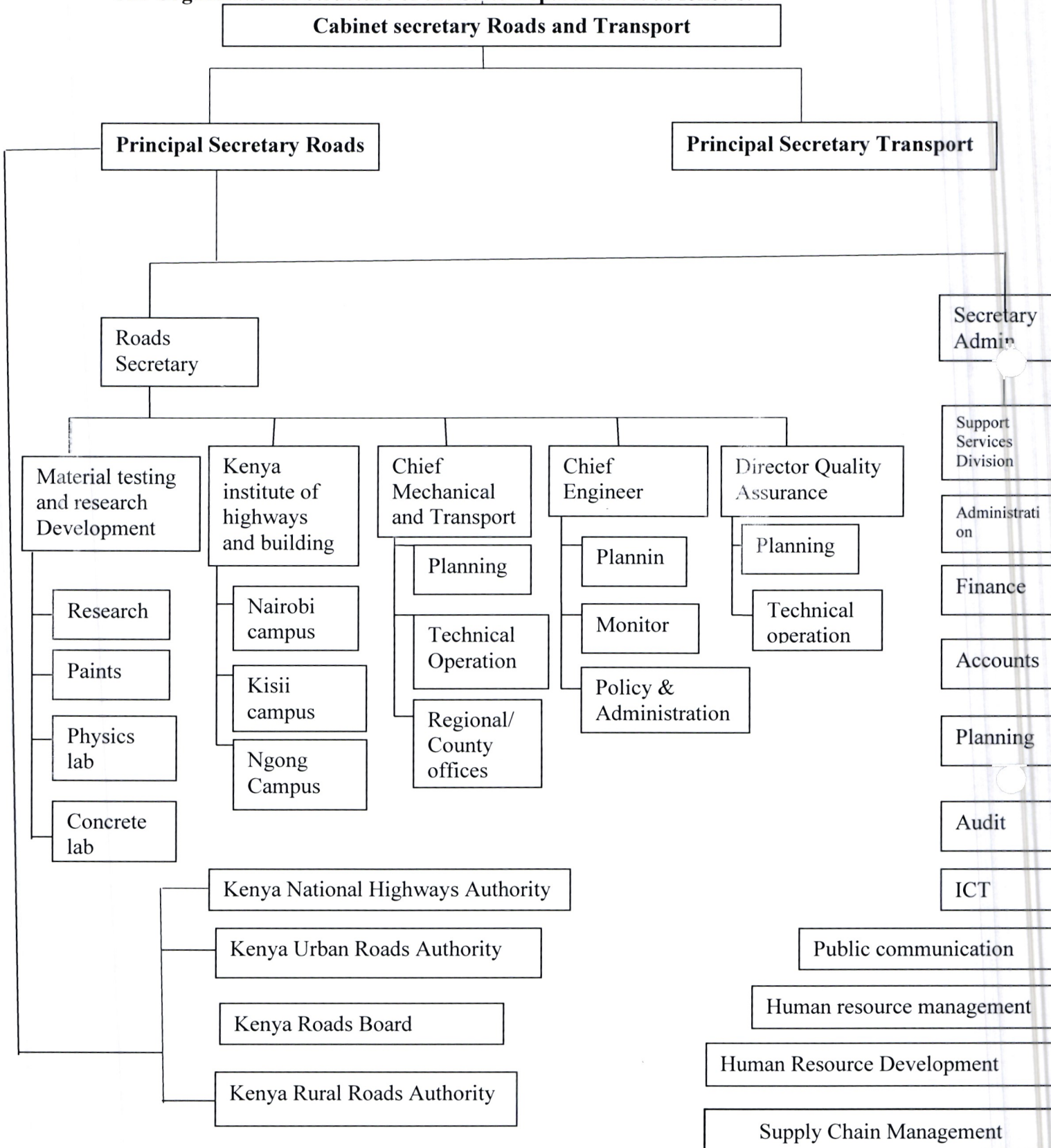
The Attorney General  
State Law Office & Department for Justice.  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya

**STATE DEPARTMENT FOR ROADS**

**Annual Report and Financial Statements for the year ended 30th June 2023**

**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

**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;
- 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.

## STATE DEPARTMENT FOR ROADS

### Annual Report and Financial Statements for the year ended 30th June 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.
1. The audit committee (Its formation, composition, and activities/meetings).
  2. Risk management, compliance, conflict of interest etc.
  3. Report on recent training and development in governance for those in key leadership.
  4. Public participation activities
  5. Compliance with laws and regulations among others.

### **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
- 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;

## STATE DEPARTMENT FOR ROADS

### Annual Report and Financial Statements for the year ended 30th June 2023

---

- 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.
- 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 Rep

The Audit Committee met twice 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

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

Over the Financial Year 2022/23, the following staff in key leadership positions attended training

No	Name	Designation	Course Attended	Financier
1.	Eng. Francis Gitau	Roads Secretary	Leadership for the 21 <sup>st</sup> Century	World Bank-HoAGDP
2.	Eng. James Kungu	Chief Engineer, Roads	Leadership for the 21 <sup>st</sup> Century	World Bank-HoAGDP

## STATE DEPARTMENT FOR ROADS

### Annual Report and Financial Statements for the year ended 30th June 2023

3.	Eng. Maurice Nabende	Director - Kenya Institute of Highways and Building Technology	Managing Public Sector Development in Developing countries	World Bank-EASTRIP
4.	Joyce Gichomo	Director Human Resource Management and Development	Advanced E-Records	World Bank-EARTTDFP
5.	David Ngugi	Assistant Director - Procurement	Advanced Monitoring and Evaluation	World Bank-EARTTDFP
6.	Richard Thitai	Chief Mechanical Engineer	Proactive Management	World Bank-EARTTDFP

#### **Public participation activities**

The State Department was over sighted by the Department 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.

## 4. Statement by the Cabinet Secretary

**BUDGET ALLOCATION**

The State Department for Roads had a total Budget Allocation of **Kshs.170,794,984,649** in Financial Year 2022/23 comprising of Development Budget and Recurrent Budget. The Total Expenditure in the financial year amounted to **Kshs. 156,682,567,602** leaving a variance of **Kshs.14,112,417,047**

The State Department Implemented One Programme Road Transport, through which it implemented its budget. The Programme Budget VS Expenditure is as detailed below;

Programmes	Approved Budget Allocation	Actual Expenditure	Percentage of Expenditure
	Kshs Million	Ksh Million	Kshs
<b>Road Transport</b>	<b>170,794,984,649</b>	<b>156,682,567,602</b>	<b>92%</b>

The State Department for Roads had an expenditure level of 92% which is considered optimal.

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

During the 2022/2023 Financial Year, the State Department had an overall average achievement of 105% against its set physical targets as detailed below: -

Output	Target (Km) 2022/23	Achievement (Km) 2022/23	% Achievement 2022/23
Construction of Roads and Bridges	448	495	110%
Rehabilitation of Roads and Bridges	122	115	94%
Periodic Maintenance of Roads	682	915	134%
Routine Maintenance of Roads	41,088	42,889	104%
<b>Total</b>	<b>42,340</b>	<b>44,414</b>	<b>105%</b>

## STATE DEPARTMENT FOR ROADS

### Annual Report and Financial Statements for the year ended 30th June 2023


---

#### Way Forward

The State Department for 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 Nairobi Expressway was opened for traffic within the 2021/2022 financial year. It will be under concession for 27 years, during which time motorists using the express way will pay tolls for payback to the Project Company for construction costs and profit. The Express Way will be handed back to the Government after the 27-year concession period. Borrowing from the success of the Nairobi Express way, the Government will continue encouraging private investors to invest in PPP road projects.

The new Government inherited an outstanding road projects portfolio to the tune of Kshs.900 billion. Over time, we have since reduced the portfolio to approximately Kshs.700 billion in an effort to ensure affordability. Moving forward, the State Department will focus more 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.

  
ENG JOSEPH MBUGUA

*for* Hon. Onesimus Kipchumba Murkomen, EGH

**CABINET SECRETARY**

**MINISTRY OF ROADS AND TRANSPORT**

## STATE DEPARTMENT FOR ROADS

### Annual Report and Financial Statements for the year ended 30th June 2023

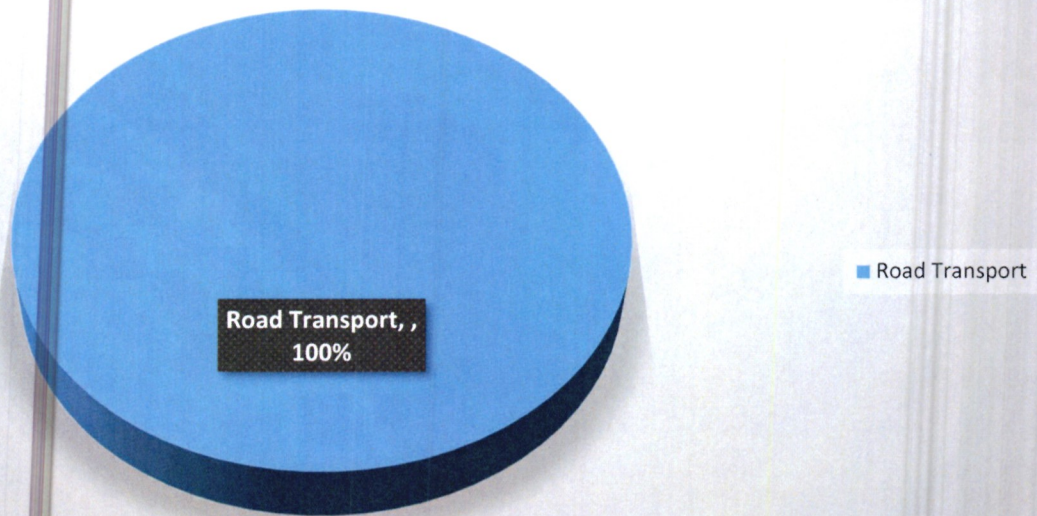
#### 5. Statement by the Principal Secretary / Accounting Officer

The State Department for Roads had a total Budget approved budget of **Kshs. 170,794,984,649** in Financial Year 2022/2023 comprising of Development Budget and Recurrent Budget as shown below

Vote	Approved Budget 2022/23	Expenditure	Percentage of Expenditure
Recurrent	69,017,116,247	66,337,762,177	96%
Development	101,777,868,402	90,344,805,425	89%
<b>Total</b>	<b>170,794,984,649</b>	<b>156,682,567,602</b>	<b>92%</b>

The Development Budget recorded low performance of 89% on account of reduced expenditure on Development Partner components occasioned by delayed project finalization agreements with Development Partners than originally planned.

#### BUDGET ALLOCATION BY PROGRAMMES



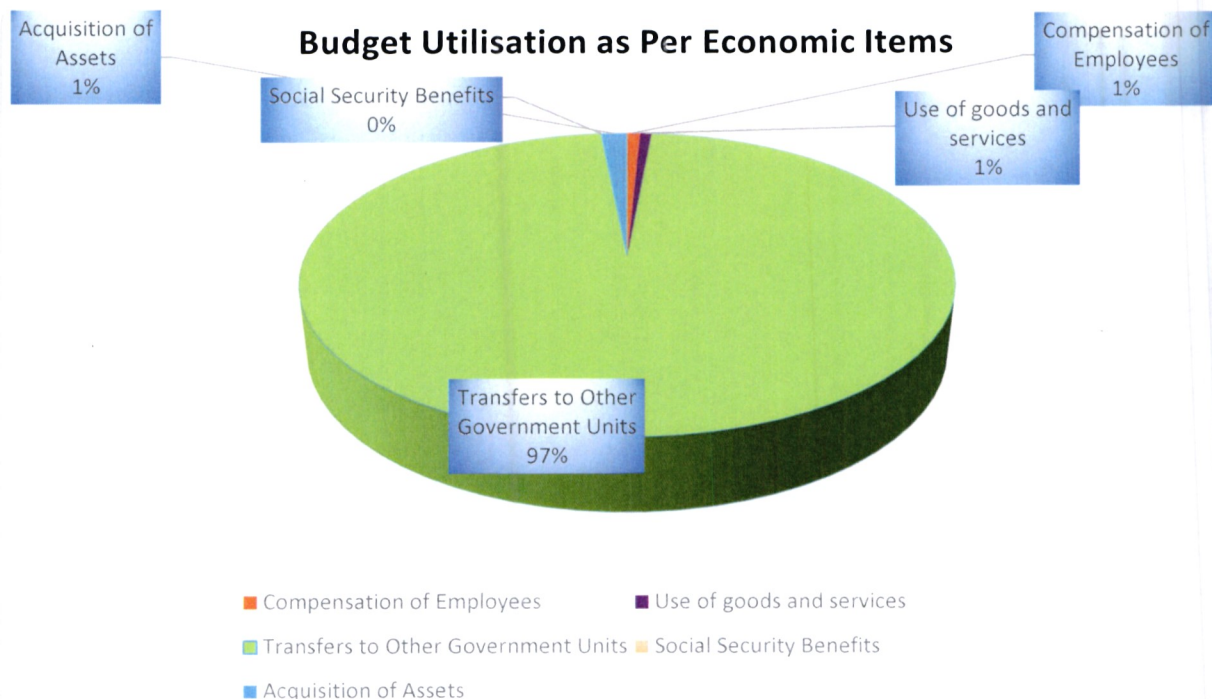
**STATE DEPARTMENT FOR ROADS**

**Annual Report and Financial Statements for the year ended 30th June 2023**

**Budget Performance Based on economic Classification**

Economic Classification	Approved Budget Allocation	Actual Expenditure	Variance
	Ksh Million	Ksh Million	Ksh Million
Compensation of Employees	1,185,900,000	1,188,653,922	-2,753,922
Use of goods and services	1,174,519,538	1,056,987,521	117,532,017
Transfers to Other Government Units	165,948,698,464	152,059,589,028	13,889,109,436
Social Security Benefits	30,002,373	24,622,265	5,380,108
Acquisition of Assets	2,455,864,274	2,352,714,866	103,149,408
<b>TOTAL</b>	<b>170,794,984,649</b>	<b>156,682,567,602</b>	<b>14,112,417,047</b>

	Approved Budget Allocation	Actual Payments	Percentage
Compensation of Employees	1,185,900,000	1,188,653,922	100%
Use of goods and services	1,174,519,538	1,056,987,521	90%
Transfers to Other Government Units	165,948,698,464	152,059,589,028	92%
Social Security Benefits	30,002,373	24,622,265	82%
Acquisition of Assets	2,455,864,274	2,352,714,866	96%
<b>Total Payments</b>	<b>170,794,984,649</b>	<b>156,682,567,602</b>	<b>92%</b>

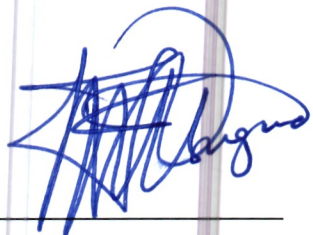


**STATE DEPARTMENT FOR ROADS****Annual Report and Financial Statements for the year ended 30th June 2023**

---

**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 / Accounting Officer**  
**State Department for Roads**

**6. Statement of Performance Against Predetermined Objectives for the FY2022/23**

**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.

During the period under review (FY 2020/21-2022/23) 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 2023

---

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.

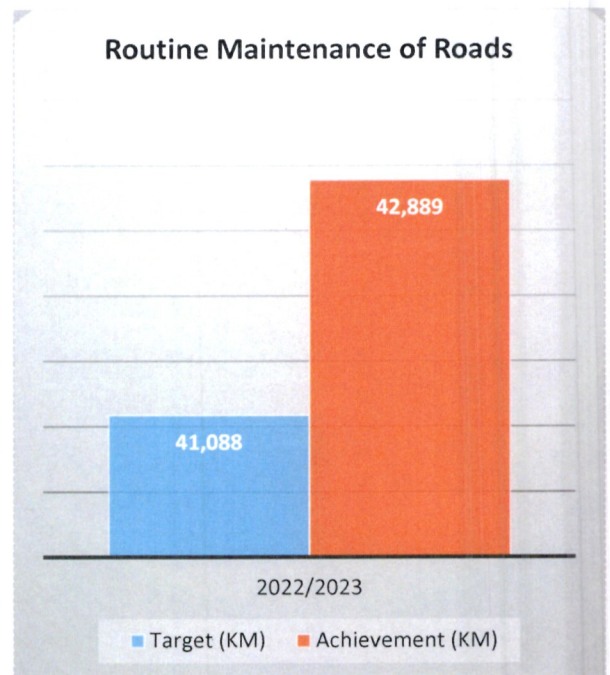
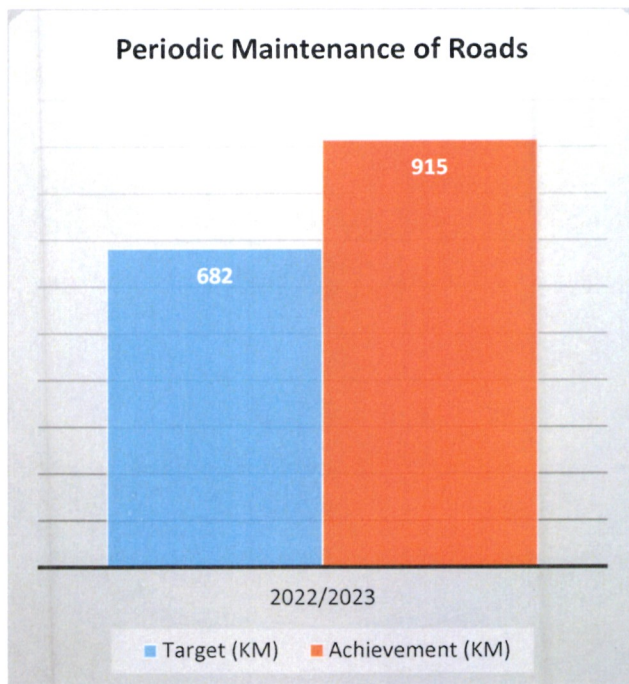
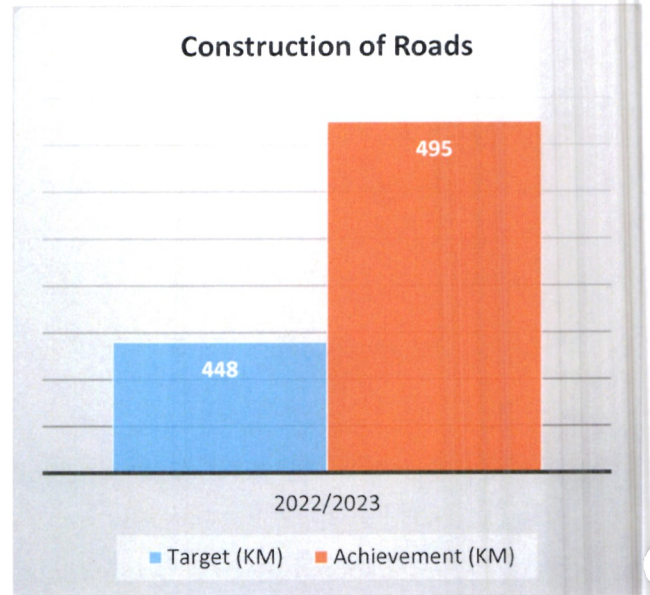
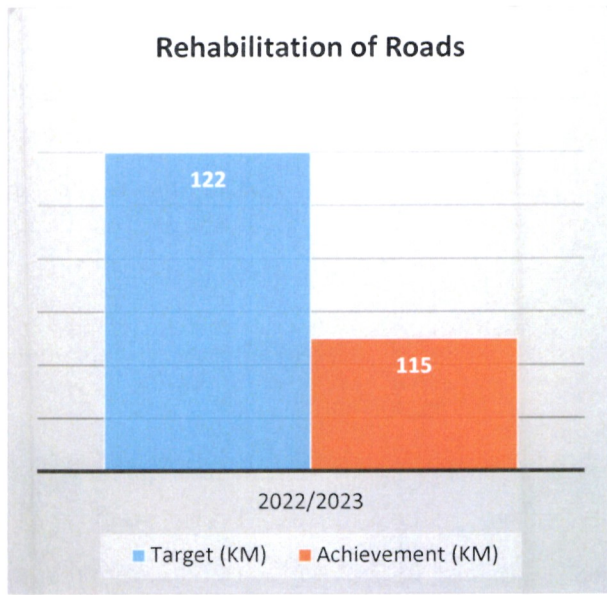
During the review period FY 2022/23, a total of 495 Km of roads were constructed against a planned target of 448 Km equivalent to 110% achievement while 115 Km of roads were rehabilitated against a target of 122 km resulting to 94% achievement. The implementation of road projects has largely enhanced domestic and regional connectivity, boosted rural productivity and reduced urban congestion. On periodic maintenance, a total of 915 km were maintained against a target of 682km, representing an achievement level of 134%. On routine maintenance, the sub-sector maintained 42,889 Km of roads achieving 104% against the target of 41,088 Km.

The performance contract for the State Department detailed the physical outputs to be achieved against the voted programme budget. During the 2022/2023 Financial Year, the State Department had an overall average achievement of 89% against its set physical targets as detailed below: -

Sub Programme	Key Performance Indicators	Target 2022/23	Achievement 2022/23
Construction of Roads and Bridges	Number of Kilometers constructed	448	495
Rehabilitation of Roads and Bridges	No of Km of roads rehabilitated	122	115
Maintenance of Roads and Bridges	No of Km Maintained under Periodic	682	915
	No of Km Maintained under Routine	41,088	42,889

**STATE DEPARTMENT FOR ROADS**  
**Annual Report and Financial Statements for the year ended 30th June 2023**

**Column Charts on Targets against Achievements**



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

### **OVERVIEW OF PROGRAMME PERFORMANCE REVIEW FY 2020/21-2022/23**

This Chapter highlights the achievements against targets for the period under review FY 2020/21-2022/23.

#### **Report on the operational and financial performance of the State Department of Roads for the last three years**

During the review period Financial Year 2020/21-2022/23, a total of 3,805 Km of roads were constructed against a planned target of 4,619 Km equivalent to 82% achievement while 240 Km of roads were rehabilitated against a target of 282 km resulting to 85% achievement.

The implementation of road projects has largely enhanced domestic and regional connectivity, boosted rural productivity and reduced urban congestion.

On routine maintenance, the sub-sector maintained 120,626 Km of roads achieving 98% against the target of 123,246 Km, while 2,101 Km were maintained under periodic maintenance equivalent to 115% overachievement against a target of 1,830 Km.

Further, a total of 140 km of roads were maintained under the Roads 2000 Programme achieving 73% against a target of 191 Km and 71,754 jobs created under the same strategy. A total of 4,923 Km of roads were designed, an equivalent achievement of 88% against the target of 5,210 Km.

The following programmes /key 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**

Following the implementation of the Kenya Vision 2030, the Big Four Agenda/Bottom Up Transformation Agenda (BETA), the Ministry of Roads and Transport, carried out a mid-year review of its 2018-2022 Strategic Plan. The Department also finalized the review of the Road Sector Investment Programme (RSIP) 2010-2024 which informs the development and maintenance of priority road networks. During FY 2022/2023, the Department commenced the development of RSIP III (2023-2027) which will cover prioritized development and maintenance interventions for the entire road network over the 5-year and 10-year plan periods.

### **Capacity Building**

The objective of the programme is to build Human Capacity for the implementation of road projects and for efficient Government service delivery. The following was achieved during the 2020/21 to 2022/23 period under review;

- Trained 4,737 No. Plant Operators
- Trained 2,979 No. Contractors
- Trained 6,887 No. Technicians and Artisans
- Trained over 500 technical staff with financing from the World Bank

The over achievement was due to increased demand for operators in road construction and the requirement for contractors to be certified.

### **Technical Guidance, Monitoring and Evaluation**

The aim of the programme is to review project progress against the set targets, applicable regulations, standards and specifications with a view of taking corrective actions in cases of non-conformities. During the review period, 85 No. Technical Audits were conducted, technical assistance on improvement of institutional framework and urban mobility undertaken while monitoring and evaluation is a continuous assessment of project implementation in relation to set targets and objectives to be realized on completion. It assures that projects and programmes are on course, the mitigation measures to be applied, time, cost projections and evaluate.

**Materials Research and Testing**

The objective of the programme is to; facilitate research and updates on the specifications for road and bridge works, for effective implementation and quality control of projects, to promote emerging construction materials and recommend new techniques for roads, bridges, and pavement and transport engineering planning, design, construction and maintenance. Review of Super Pave design method for hot mix asphalt (HMA) for Kenya and adoption of full Super Pave design in relation to grading of bitumen binders for different temperature zone, investigation of the correlation between stiffness modulus of bituminous materials, air temperature and characterization of materials for pavement design.

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

The programme aims at long term engagements with the private sector in financing, construction and management of roads. Annuity Concessions is a form of PPP model in which the private operator (contractor) is remunerated via a fixed, periodical payment (Annuity) by the Government. Under this arrangement, the contractor is responsible for both the construction of the road as well as for operating and maintaining it for a fixed period of time (typically 10 years). This form of PPP transfers the responsibility for bridge financing and performance risks to the contractor. Payment for the services is made against agreed fixed instalments which guarantee predictability in the budget system. The following was achieved through this programme:

- i. Construction of 91.5 KMS of Ngong – Kiserian – Isinya and Kajiado – Imaroro roads. The project is under Performance Based Routine Maintenance.
- ii. Commercial agreement for Nairobi – Nakuru – Mau Summit was signed in September 2020 and Procurement of an independent project expert was completed, Evaluation report has been submitted to the Project Company for signature.
- iii. Nairobi Expressway- 27 KMS completed
- iv. Financial agreement for construction of 67 KMS Illasit – Njukini – Taveta (Lot 32) under the Annuity Programme was signed. The project is awaiting a letter of support from the Attorney General.
- v. Financial agreement for construction of Modogashe – Habaswein – Wajir and Rhamu – Mandera (Lot 3) under Annuity Programme was signed. The project is awaiting letter of support from the Attorney General.

## STATE DEPARTMENT FOR ROADS

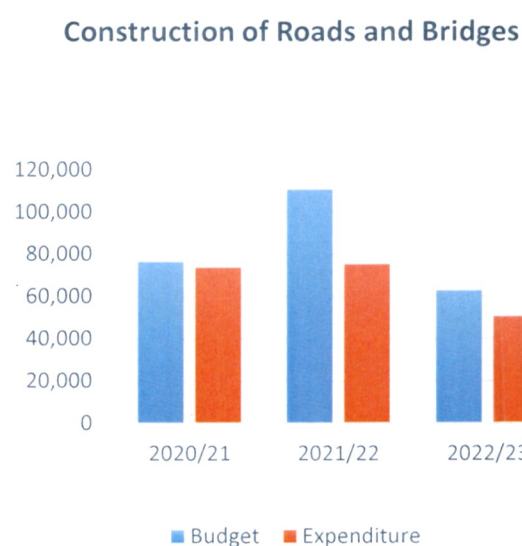
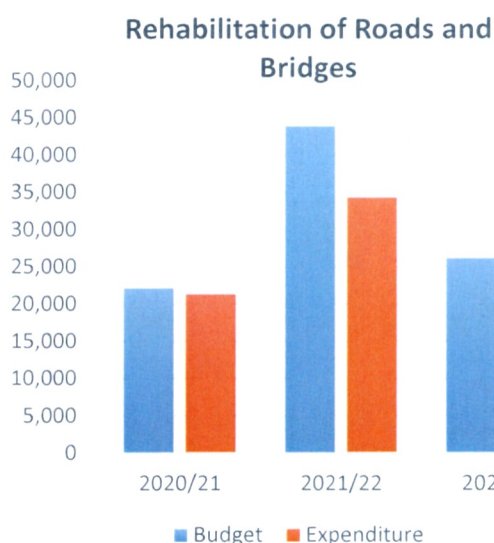
### Annual Report and Financial Statements for the year ended 30th June 2023

- vi. Construction of Lot 15 Identified Town Roads in Nyeri, Kirinyaga, Muranga ,Embu and Tharaka Nithi and Lot 18 Identified Town Roads in Kakamega ,Vihiga and Bungoma of Annuity project are ongoing.

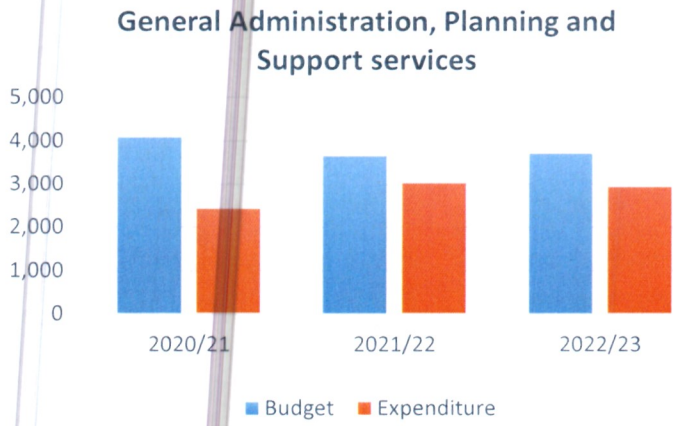
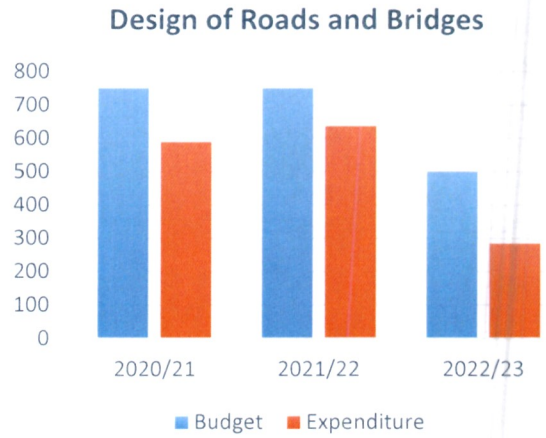
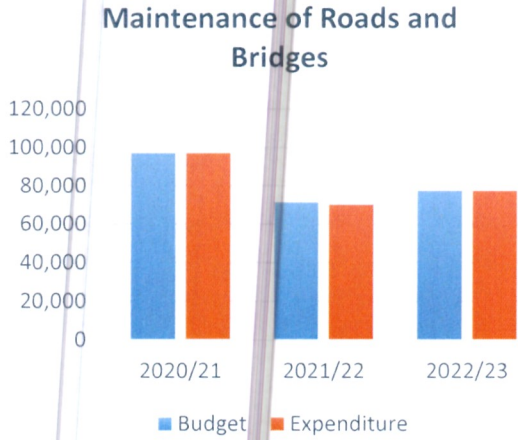
#### Programme Budget Performance over the 2020/21 – 2022/23 Financial Years

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)		
	2020/21	2021/22	2022/23	2020/21	2021/22	2022/23
<b>Programme 1: Road Transport</b>						
Construction of Roads and Bridges	76,410	110,811	62,807	73,786	94,980	52,874
Rehabilitation of Roads and Bridges	22,118	43,894	26,119	21,306	34,297	76
Maintenance of Roads and Bridges	97,171	71,479	77,657	97,146	70,317	77,568
Design of Roads and Bridges	750	750	500	589	637	285
General Administration, Planning and Support services	4,082	3,654	3,712	2,423	3,026	2,940
<b>TOTAL</b>	<b>200,531</b>	<b>230,588</b>	<b>170,795</b>	<b>195,250</b>	<b>203,257</b>	<b>159,043</b>



**STATE DEPARTMENT FOR ROADS**  
**Annual Report and Financial Statements for the year ended 30th June 2023**



**8. Environmental and Sustainability Reporting**

The Mandate of the State Department of Roads as stipulated in the Fourth Schedule of the Constitution of Kenya, 2010 and the Executive Order No. 1 of 6th January 2023 is to formulate and implement road policies, develop the regulatory framework, standards, develop, maintain and manage road transport infrastructure facilities for sustainable socio-economic development.

The Mandate is implemented under the five (5) technical divisions in the State Department namely; The Roads Division, Quality Assurance Division, Materials Testing and Research Division, Mechanical and Transport Division and Kenya Institute of Highways & Building Technology. It is also implemented under the 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 of Roads mainly implements its physical programme outputs through the Road Agencies of KeNHA, KeRRA, KURA, and KRB in addition to the regulatory bodies under its mandate namely EBK and KETRB. All the Road Agencies are fully financed by the Government. Given the central role of road development in economic development, the State Department and its agencies will continue attracting considerable budget outlays in an effort to improve the economic well-being of Kenyan citizens. The State Department has an outstanding portfolio of commitments on contracted works payable from the GOK budget amounting to approximately Kshs.700 million as at 30th June 2023. This outstanding portfolio will continue being financed by the Government over the years until it is cleared. The Government has reduced uptake of new projects until the current outstanding back log is reduced to manageable levels, after which new projects will be rolled over. Consequently, the Institution over seeing development and maintenance of roads will continue to perpetuity

**a) Sustainability strategy and profile**

The Roads subsector has a huge outstanding road projects portfolio on contracted works amounting to approximately Kshs.700 million as at 30th June 2023. 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 4,000 km by 30th June 2023. This meant that the bituminised road surface had increased by 4,000km 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. Prior to commencement of road projects for upgrading, the Implementing Agency

**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. 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 of 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, 2023. 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 of 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 *entity's* financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2023, and of the entity's financial position as at that date. The Accounting Officer in charge of the State Department of Roads further confirms the completeness of the accounting records maintained for the *entity*, 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.

The Accounting Officer in charge of the State Department of Roads confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing

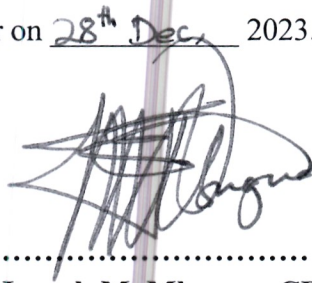
**STATE DEPARTMENT FOR ROADS**  
**Annual Report and Financial Statements for the year ended 30th June 2023**

---

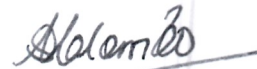
covenants (where applicable), and that the entity's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the entity's financial statements have been prepared in a form 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 28<sup>th</sup> Dec 2023.



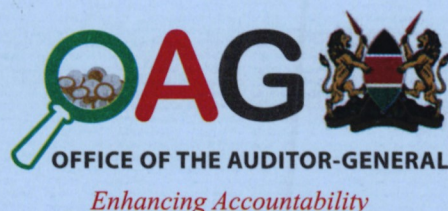
.....  
**Eng. Joseph M. Mbugua, CBS**  
**Accounting Officer**



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

# REPUBLIC OF KENYA

Telephone: +254-(20) 3214000  
E-mail: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke



**HEADQUARTERS**  
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, 2023**

---

### **PREAMBLE**

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure that the Government achieves value for money and that such funds are applied for the intended purpose.
- 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, the risk management environment and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, 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 30, which comprise of the statement of financial assets and financial

---

*Report of the Auditor-General on State Department for Roads for the year ended 30 June, 2023*

liabilities as at 30 June, 2023 and the statement of receipts and payments, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the State Department for Roads as at 30 June, 2023, 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 Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Key Audit 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 the time of the audit in November, 2023.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of the report, I confirm that, nothing

else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

## **Basis for Conclusion**

### **1. Long Outstanding Deposits and Retentions Balances**

The statement of assets and liabilities and Note 14 to the financial statements reflect third party deposits and retentions 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.

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 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 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.

### **2. Earnings Below the Statutory Minimum Pay**

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.

### **3. Failure to Comply with the Approved Staff Establishment**

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 (MHRMAC) entail making recommendations to the Authorized Officer regarding: - inter alia (viii) establishment and complement control.

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

#### **4. Maintenance of Duplicate Salary Bank Account Numbers for Staff**

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 Regulation of the 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.

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

#### **5. Delayed Payment of Decretal Amount**

Review of payment vouchers revealed that the State Department for Roads incurred an expenditure of Kshs.550,000 paid 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 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 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.

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.

In view of the above, the State department for Roads 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 not provide any explanation for this unsatisfactory situation.

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.

The audit was conducted in accordance with ISSAI 4000. The standard requires 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, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of the report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

## **Basis for Conclusion**

### **1. Non-Maintenance of Detailed Petty Cash Expenditure Schedules**

Review of the recurrent cashbook 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 analysis indicating what was paid for but contained just an official form detailing the withdrawals.

In the circumstances, the effectiveness of the controls related to cash management could not be confirmed.

### **2. Lack of the Internal Audit Reports**

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 Department's risk management, governance and internal control processes were operating effectively.

In the circumstances, the effectiveness of risk management, internal control environment and governance could not be confirmed.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, 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 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 to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the State Department or 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 are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the 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**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. 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 and weakness 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 addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, 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 accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal controls that might be material weaknesses under the ISSAIs. A material weakness is a condition in

which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.


Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the State Department's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the State Department to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the State Department to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.

  
FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

19 January, 2024

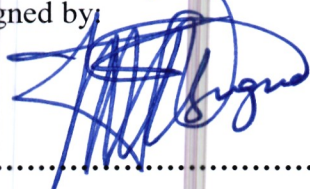
**STATE DEPARTMENT FOR ROADS**

**Annual Report and Financial Statements for the year ended 30th June 2023**

**11. Statement of Receipts and Payments for the Year ended 30<sup>th</sup> June 2023**

	Note	2022- 2023 Kshs	2021- 2022 Kshs
<b>RECEIPTS</b>			
Tax Receipts	1	39,039,432	450,016,607
Proceeds from Domestic and Foreign Grants	2	546,758,209	368,147,700
Exchequer Releases	3	53,875,610,928	76,484,346,252
Transfers from Other Government Entities	4	79,987,726,803	83,789,512,195
Proceeds from Foreign Borrowings	5	21,633,235,739	38,442,712,852
Other Revenues	6	648,429,798	1,036,246,467
<b>TOTAL REVENUES</b>		<b>156,730,800,909</b>	<b>200,570,982,073</b>
<b>PAYMENTS</b>			
Compensation of Employees	7	1,188,653,922	1,154,471,942
Use of goods and services	8	1,056,987,521	672,594,264
Transfers to Other Government Units	9	152,059,589,028	186,299,977,564
Social Security Benefits	10	24,622,265	1,756,389
Acquisition of Assets	11	2,352,714,866	12,433,018,607
<b>TOTAL PAYMENTS</b>		<b>156,682,567,602</b>	<b>200,561,818,766</b>
<b>SURPLUS</b>		<b>48,233,307</b>	<b>9,163,307</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 28<sup>th</sup> Dec, 2023 and signed by:



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



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

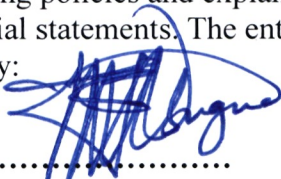
**STATE DEPARTMENT FOR ROADS**

**Annual Report and Financial Statements for the year ended 30th June 2023**

**12. Statement Of Financial Assets And Financial Liabilities As At 30<sup>th</sup> June 2023**

	Note	2022- 2023	2021- 2022
		Kshs	Kshs
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances	12A	275,913,755	240,178,204
Cash Balances		-	40,441
<b>Total Cash And Cash Equivalents</b>		<b>275,913,755</b>	<b>240,218,645</b>
Accounts Receivables - Outstanding Imprest and Clearance Accounts	13	76,068	3,855,969
<b>TOTAL FINANCIAL ASSETS</b>		<b>275,989,823</b>	<b>244,074,614</b>
<b>LESS: FINANCIAL LIABILITIES</b>			
Accounts Payables - Deposits	14	227,599,396	233,616,998
<b>NET FINANCIAL ASSETS</b>		<b>48,390,427</b>	<b>10,457,616</b>
<b>REPRESENTED BY</b>			
Fund balance b/fwd	15	10,457,616	92,061,031
Prior year adjustments	16	(10,300,496)	(90,766,722)
Surplus/Deficit for the year		48,233,307	9,163,307
<b>NET FINANCIAL POSSITION</b>		<b>48,390,427</b>	<b>10,457,616</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 28<sup>th</sup> Dec, 2023 and signed by:



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



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

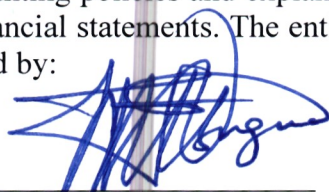
**STATE DEPARTMENT FOR ROADS**

**Annual Report and Financial Statements for the year ended 30th June 2023**

**13. Statement of Cash Flows For The Year Ended 30<sup>th</sup> June 2023**

	Note	2022- 2023	2021-2022
		Kshs	Kshs
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts for operating income</b>			
Tax Receipts	1	39,039,432	450,016,607
Proceeds from Domestic and Foreign Grants	2	546,758,209	368,147,700
Transfers from National Treasury	3	53,875,610,928	76,484,346,252
Transfers from Other Government Entities	4	79,987,726,803	83,789,512,195
Other Revenues	6	648,429,798	1,036,246,467
		<b>135,097,565,170</b>	<b>162,128,269,220</b>
<b>Payments for operating expenses</b>			
Compensation of Employees	7	1,188,653,922	1,154,471,942
Use of goods and services	8	1,056,987,521	672,594,264
Transfers to Other Government Units	9	152,059,589,028	186,299,977,564
Social Security Benefits	10	24,622,265	1,756,389
		<b>154,329,852,736</b>	<b>188,128,800,159</b>
<b>Adjusted for:</b>			
Prior Year Adjustments	16	(10,300,496)	(90,766,722)
Decrease/(Increase) in Accounts receivable: (outstanding imprest)	17	3,779,901	2,264,124
Increase/(Decrease) in Accounts Payable: (deposits and retention)	18	(6,017,602)	24,637,394
		<b>(19,244,825,764)</b>	<b>(26,064,396,142)</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of Assets	11	(2,352,714,866)	(12,433,018,607)
<b>Net cash flows from Investing Activities</b>		<b>(2,352,714,866)</b>	<b>(12,433,018,607)</b>
<b>CASHFLOW FROM BORROWING ACTIVITIES</b>			
Proceeds from Foreign Borrowings	5	21,633,235,739	38,442,712,852
<b>Net cash flow from financing activities</b>		<b>21,633,235,739</b>	<b>38,442,712,852</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>		<b>35,695,110</b>	<b>(54,701,897)</b>
<b>Cash and cash equivalent at BEGINNING of the year</b>		<b>240,218,645</b>	<b>294,920,542</b>
<b>Cash and cash equivalent at END of the year</b>		<b>275,913,755</b>	<b>240,218,645</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 28<sup>th</sup> Dec, 2023 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 2023**

**14. Statement of Comparison of Budget and Actual Amounts for FY2022/23**

Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation Difference to Final Budget
	a	b	c=a+b	d	e=c-d	f=d/c %
<b>RECEIPTS</b>						
Tax Receipts	8,539,000,000	(8,000,000,000)	539,000,000	39,039,432	499,960,568	7%
Proceeds from Domestic and Foreign Grants	2,410,000,000	(980,000,000)	1,430,000,000	546,758,209	883,241,792	38%
Exchequer releases	64,533,000,000	(8,342,883,753)	56,190,116,247	53,875,610,928	2,314,505,319	96%
Transfers from Other Government Entities	81,882,000,000	0	81,882,000,000	79,987,726,803	1,894,273,197	98%
Proceeds from Foreign Borrowings	62,839,567,854	(32,952,699,452)	29,886,868,402	21,633,235,739	8,253,632,663	72%
Other Receipts	1,090,000,000	(223,000,000)	867,000,000	648,429,798	218,570,202	75%
<b>Total Receipts</b>	<b>221,293,567,854</b>	<b>(50,498,583,205)</b>	<b>170,794,984,649</b>	<b>156,730,800,909</b>	<b>14,064,183,740</b>	<b>92%</b>
<b>Payments</b>						
Compensation of Employees	1,337,000,000	(151,100,000)	1,185,900,000	1,188,653,922	2,753,922	100%
Use of goods and services	2,862,639,387	(1,688,119,849)	1,174,519,538	1,056,987,521	117,532,017	90%
Transfers to Other Government Units	204,991,696,916	(39,042,998,452)	165,948,698,464	152,059,589,028	13,889,109,436	92%
Social Security Benefits	30,002,373	0	30,002,373	24,622,265	5,380,108	82%
Acquisition of Assets	12,072,229,178	(9,616,364,904)	2,455,864,274	2,352,714,866	103,149,408	96%
<b>Grand Total</b>	<b>221,293,567,854</b>	<b>(50,498,583,205)</b>	<b>170,794,984,649</b>	<b>156,682,567,602</b>	<b>14,112,417,047</b>	<b>92%</b>
<b>Surplus/Deficit</b>	-	-	-	<b>48,233,307</b>	<b>(48,233,307)</b>	

**(a) Variance analysis:**

- i. 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
- ii. Proceeds From Domestic and Foreign Grants. The item refers to budget allocation with Grant Financing from KfW and European Investment Bank (EIB). The underutilization was as a result of delayed commencement and hence reduced

**STATE DEPARTMENT FOR ROADS  
Annual Report and Financial Statements for the year ended 30th June 2023**

consumption of allocated grant provision for upgrading of Kitale-Morpus and Kwa Jomvu Mariakani Road Projects with financing from KfW and EIB

- iii. Proceeds From Foreign Borrowing: The underutilization was on Development Partner co financed projects whose implementation was delayed than originally planned during the budgeting phase. Delayed implementation was mainly experienced for projects under the Horn of Africa Gateway Development Project (HoAGDP, Capacity enhancement for Mombasa-Mtwapa-Kilifi under AfDB improvement of kwa Jomvu-Mariakani under KfW and EIB
- iv. Other Receipts. The underutilization for other receipts was mainly due to under collections of the Mechanical Fund caused by diminished hire of Equipment for road construction occasioned by inadequate budget for contracts and hence reduced demand for equipment for hire.
- v. Social Security Payments. The amount had been budgeted for payment of gratuity for the Cabinet Secretary/Principal Secretary/and Chief Administrative Secretary. The amount was not however optimally expended since some of the beneficiary officers had not completed periods that would qualify them for payment of gratuity.

(b) **Reallocations within the year:** The changes between the original and final budget were as a result of budget reduction in tandem with the expenditure levels as at the time of the supplementary budget and also as a result of rationalization to conform with expected Government revenues.

The State Department for Roads financial statements were approved on 28<sup>th</sup> Dec, 2023 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 2023**

**14 (a) Statement of Comparison of Budget and Actual Amounts: Recurrent for FY2022/23**

Revenue/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilisation Difference e=d-c	% of Utilisation Difference to Final Budget f=d/c %
<b>RECEIPTS</b>						
Tax Receipts	539,000,000	-	539,000,000	39,039,432	499,960,568	7%
Exchequer releases	1,657,000,000	(237,883,753)	1,419,116,247	1,398,984,197	20,132,051	99%
Transfers from Other Government Entities	66,192,000,000	-	66,192,000,000	64,297,726,803	1,894,273,197	97%
Other Receipts	1,090,000,000	(223,000,000)	867,000,000	648,429,798	218,570,202	75%
<b>Total Receipts</b>	<b>69,478,000,000</b>	<b>(460,883,753)</b>	<b>69,017,116,247</b>	<b>66,384,180,230</b>	<b>2,632,936,017</b>	<b>96%</b>
<b>PAYMENTS</b>						
Compensation of Employees	1,337,000,000	(151,100,000)	1,185,900,000	1,188,653,922	(2,753,922)	100%
Use of goods and services	194,639,387	(50,119,849)	144,519,538	94,639,724	49,879,814	65%
Transfers to Other Government Units	67,907,000,000	(262,600,000)	67,644,400,000	65,024,247,316	2,620,152,684	96%
Social Security Benefits	30,002,373	-	30,002,373	24,622,265	5,380,108	82%
Acquisition of Assets	9,358,240	2,936,096	12,294,336	5,598,950	6,695,386	46%
<b>Grand Total</b>	<b>69,478,000,000</b>	<b>(460,883,753)</b>	<b>69,017,116,247</b>	<b>66,337,762,177</b>	<b>2,679,354,070</b>	<b>96%</b>
<b>Surplus/Deficit</b>	-	-	-	<b>46,418,053</b>	<b>(46,418,053)</b>	

*Notes*

**(a) Variance analysis:**

- i. Tax Receipts- The item refers to transit toll collections- The underutilization was as a result of reduced receipts of transit toll collections from Kenya Roads Board
- ii. other Receipts - . The underutilization for other receipts was mainly due to under collections of the Mechanical Fund caused by diminished hire of Equipment for road construction occasioned by inadequate budget for contracts and hence reduced demand for equipment for hire.

**STATE DEPARTMENT FOR ROADS  
Annual Report and Financial Statements for the year ended 30th June 2023**

- iii. Use of Goods and Services- The underutilization was as a result of non-receipt of recurrent exchequer to finance purchase of office use items
- iv. Social Security Benefits- The amount had been budgeted for payment of gratuity for the Cabinet Secretary/Principal Secretary/and Chief Administrative Secretary. The amount was not however optimally expended since some of the beneficiary officers had not completed periods that would qualify them for payment of gratuity.
- v. Acquisition of Assets- The underutilization was as a result of non-receipt of recurrent exchequer to finance purchase of office furniture and equipment

(b) **Reallocations within the year:** The changes between the original and final recurrent budget was mainly due to reduction of budget for compensation of employees based on trend of expenditure and reduced transfers net GOK budget to Engineers Board of Kenya.

The State Department for Roads financial statements were approved on 28<sup>th</sup> Dec, 2023 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 2023**

**14 (b) Statement of Comparison of Budget and Actual Amounts: Development for FY2022/23**

Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Actuals	Comparable	Budget Utilisation	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %	
<b>RECEIPTS</b>							
Tax Receipts	8,000,000,000	- 8,000,000,000	-	-	-	-	0%
Proceeds from Domestic and Foreign Grants	2,410,000,000	- 980,000,000	1,430,000,000	546,758,209	883,241,792		38%
Exchequer releases	62,876,000,000	- 8,105,000,000	54,771,000,000	52,476,626,732	2,294,373,268		96%
Transfers from Other Government Entities	15,690,000,000	-	15,690,000,000	15,690,000,000	0		100%
Proceeds from Foreign Borrowings	62,839,567,854	- 32,952,699,452	29,886,868,402	21,633,235,739	8,253,632,663		72%
<b>Total Receipts</b>	<b>151,815,567,854</b>	<b>(50,037,699,452)</b>	<b>101,777,868,402</b>	<b>90,346,620,679</b>	<b>11,431,247,723</b>		<b>89%</b>
<b>Payments</b>							
Use of goods and services	2,668,000,000	(1,638,000,000)	1,030,000,000	962,347,797	67,652,203		93%
Transfers to Other Government Units	137,084,696,916	(38,780,398,452)	98,304,298,464	87,035,341,712	11,268,956,752		89%
Acquisition of Assets	12,062,870,938	(9,619,301,000)	2,443,569,938	2,347,115,916	96,454,022		96%
<b>Grand Total</b>	<b>151,815,567,854</b>	<b>(50,037,699,452)</b>	<b>101,777,868,402</b>	<b>90,344,805,425</b>	<b>11,433,062,977</b>		<b>89%</b>
<b>Surplus/Deficit</b>	-	-	-	1,815,254	(1,815,254)		

**(a) Variance analysis:**

- i. Proceeds From Domestic and Foreign Grants. The item refers to budget allocation with Grant Financing from KfW and European Investment Bank (EIB). The underutilization was as a result of delayed commencement and hence reduced consumption of allocated grant provision for upgrading of Kitale-Morpus and Kwa Jomvu Mariakani Road Projects with financing from KfW and EIB
- ii. Proceeds From Foreign Borrowing: The underutilization was on Development Partner co financed projects whose implementation was delayed than originally planned during the budgeting phase. Delayed implementation was mainly

**STATE DEPARTMENT FOR ROADS**  
**Annual Report and Financial Statements for the year ended 30th June 2023**

experienced for projects under the Horn of Africa Gateway Development Project (HoAGDP, Capacity enhancement for Mombasa-Mtwapa-Kilifi under AfDB improvement of kwa Jomvu-Mariakani under KfW and EIB

iii. Transfers to Other Government Units- The underutilization was on Development Partner co financed projects whose implementation was delayed than originally planned during the budgeting phase.

(b) **Reallocations within the year:** The change between original and final budget for tax receipts from kshs.8,000,000,000 to nil was as a result of removal as a financing AIA of Petroleum Development Levy (PDL) proceeds of Kshs.8 billion which were to accrue to the State Department as Local AIA. The removal was occasioned by the realization that the PDL Fund did not have surplus to Finance the portion of budget amounting to Kshs.8 billion. The other material budget changes were reductions on Development Partner co financed projects effected on account of trend of expenditure as at the time of supplementary budget.

The State Department for Roads financial statements were approved on 28<sup>th</sup> Dec, 2023 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 2023**

**14 (c) Budget Execution by Programmes and Sub-Programmes for FY2022/23**

<b>Program</b>	<b>Sub Program</b>	<b>Description</b>	<b>Approved Budget</b>	<b>Actual Payments</b>	<b>Variance</b>
<b>202000000</b>		<b>Road Transport</b>	<b>170,794,984,649</b>	<b>156,682,567,602</b>	<b>14,112,417,047</b>
	202010000	Construction of Roads and Bridges	62,807,472,652	52,985,779,093	9,821,693,559
	202020000	Rehabilitation of Roads	26,119,325,812	24,760,062,619	1,359,263,193
	202030000	Maintenance of Roads	77,656,500,000	75,174,266,266	2,482,233,734
	202060000	General Administration, Planning and Support Services	4,211,686,185	3,762,459,624	449,226,561
		<b>Grand Total</b>	<b>170,794,984,649</b>	<b>156,682,567,602</b>	<b>14,112,417,047</b>

**STATE DEPARTMENT FOR ROADS**  
**Annual Report and Financial Statements for the year ended 30th June 2023**

**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 2023**

**Significant Accounting Policies**

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

**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 2023, 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.

**STATE DEPARTMENT FOR ROADS**  
**Annual Report and Financial Statements for the year ended 30th June 2023**

**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. This summary is disclosed as an annexure 4 to the financial statements.

**STATE DEPARTMENT FOR ROADS**  
**Annual Report and Financial Statements for the year ended 30th June 2023**

**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 *Entity* 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 2023, this amounted to **Kshs.227,599,396** compared to **Kshs.233,616,998** in prior period as indicated on note 12A. There were no other restrictions on cash during the year.

**STATE DEPARTMENT FOR ROADS**  
**Annual Report and Financial Statements for the year ended 30th June 2023**

**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 2023**

was approved by Parliament in June 2022 for the period 1<sup>st</sup> July 2022 to 30<sup>th</sup> June 2023 as required by Law and there were II 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 2023.

#### **j) Prior Period Adjustment**

During the year, errors that have been corrected are disclosed *under note 26* 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.

**STATE DEPARTMENT FOR ROADS**  
**Annual Report and Financial Statements for the year ended 30th June 2023**

**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.

**STATE DEPARTMENT FOR ROADS****Annual Report and Financial Statements for the year ended 30th June 2023****Notes to the Financial Statements****1 Tax Receipts**

Description	2022-2023	2021-2022
	Kshs	Kshs
Taxes on Goods and Services	39,039,432	450,016,607
<b>Total</b>	<b>39,039,432</b>	<b>450,016,607</b>

**2 Proceeds from Domestic and Foreign Grants**

Description	Date Received	2022-2023	2021-2022
		Kshs	Kshs
Grants Received from Multilateral Donors (International Organisations)	Financial Year 2022-2023	546,758,209	368,147,700
<b>Total</b>		<b>546,758,209</b>	<b>368,147,700</b>

The Proceeds from Foreign Grants are broken down as follows:-

	PROJECT	DONOR – Direct Payments	AMOUNT
1	Project Feasibility study for climate proofed Rural Roads in ASAL-Kenya	Agence Francaise Developpement (AFD)	46,528,493.80
2	Institutional Support to Kenya transport sector in Kenya	European Union (EU)	192,592,356.85
3	Various	European Union (EU)	95,945,495.70
4	Various	Kreditanstalt für Wiederaufbau (KfW)	59,053,744.00
5	SCARSIP: Isebania-Kisii-Ahero	Trade Mark East Africa (TMEA)	152,638,118.15
			<b>546,758,208.50</b>

**3 Exchequer releases**

Description	2022-2023	2021-2022
	Kshs	Kshs
Total Exchequer Releases for quarter 1	17,961,168,155	21,800,203,982
Total Exchequer Releases for quarter 2	1,052,152,206	10,060,300,006
Total Exchequer Releases for quarter 3	8,586,387,023	18,516,050,354
Total Exchequer Releases for quarter 4	26,275,903,545	26,107,791,911
<b>Total</b>	<b>53,875,610,928</b>	<b>76,484,346,252</b>

## STATE DEPARTMENT FOR ROADS

### Annual Report and Financial Statements for the year ended 30th June 2023

The budgeted Exchequer was Kshs. 56,190,116,247. The Exchequer received was Kshs.53,875,610,928 representing 96% absorption rate.

#### 4 Transfers from other Government Entities

Description	2022-2023	2021-2022
	Kshs	Kshs
Transfers from National government entities	79,987,726,803	83,789,512,195
<b>Total</b>	<b>79,987,726,803</b>	<b>83,789,512,195</b>

The above transfers were received from the Kenya Roads Board, which is Self-Reporting Entity

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

Description	Recurrent	Development	2022-2023	2021-2022
	Kshs	Kshs	Kshs	Kshs
<b>Transfers from National government entities</b>				
Kenya Roads Board	64,297,726,803	15,690,000,000	79,987,726,803	83,789,512,195
<b>TOTAL</b>	<b>64,297,726,803</b>	<b>15,690,000,000</b>	<b>79,987,726,803</b>	<b>83,789,512,195</b>

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	2022-2023	2021-2022
	Kshs	Kshs
Foreign Borrowing - Direct payments	21,633,235,739	38,442,712,852
<b>Total</b>	<b>21,633,235,739</b>	<b>38,442,712,852</b>

These are receipts from Development Partner Organizations (World Bank, African Development Bank, AFD, KfW, EIB, China EXIM Bank, JICA etc) that are funding various Road projects.

#### 6 Miscellaneous Receipts

Description	2022-2023	2021-2022
	Kshs	Kshs
Receipts from Administrative Fees and Charges - AIA	363,866,337	398,813,613
Paid to Exchequer	284,563,461	637,432,854
<b>Total</b>	<b>648,429,798</b>	<b>1,036,246,467</b>

**STATE DEPARTMENT FOR ROADS**  
**Annual Report and Financial Statements for the year ended 30th June 2023**

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

**7 Compensation to Employees**

<b>Description</b>	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Basic salaries of permanent employees	832,724,945	812,922,428
Basic wages of temporary employees	19,764,483	16,800,000
Personal allowances paid as part of salary	336,164,494	324,749,515
<b>Total</b>	<b>1,188,653,922</b>	<b>1,154,471,943</b>

**8 Use of Goods and Services**

<b>Description</b>	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Utilities, supplies and services	16,257,416	23,719,520
Communication, supplies and services	2,064,718	3,102,724
Domestic travel and subsistence	7,718,350	8,993,809
Foreign travel and subsistence	-	1,171,220
Printing, advertising and information supplies & services	818,350	1,320,048
Training expenses	733,842,132	367,637,984
Hospitality supplies and services	5,993,720	7,686,150
Insurance costs	2,140,000	3,389,760
Specialized materials and services	34,449,881	31,014,184
Office and general supplies and services	5,586,150	10,612,527
Fuel Oil and Lubricants	1,244,974	2,638,296
Other operating expenses	115,587,288	107,664,940
Routine maintenance – vehicles and other transport equipment	190,937	5,651,802
Routine maintenance – other assets	131,093,606	97,991,301
<b>Total</b>	<b>1,056,987,521</b>	<b>672,594,264</b>

**STATE DEPARTMENT FOR ROADS**

**Annual Report and Financial Statements for the year ended 30th June 2023**

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

**9 Grants and Transfers to other Government Entities**

Description	2022-2023	2021-2022
	Kshs	Kshs
<b>Transfers to National Government entities</b>		
Current grants to government agencies and other level of govt	65,024,247,316	71,375,775,316
Capital grants to government agencies and other level of govt	87,035,341,712	114,924,202,248
<b>Total</b>	<b>152,059,589,028</b>	<b>186,299,977,564</b>

Current grants represent Fuel Levy funds from Kenya Roads Board, local AIA and Exchequer Funds for Engineers Board of Kenya.

Capital grants comprise of Exchequer funds, Development Road Maintenance Levy Funds and direct payments for Development Partner funded projects.

**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	2021-2022
	Kshs	Kshs	Kshs	Kshs
<b>Transfers to SAGAs and SCs</b>				
Kenya Institute of Highways and Building Technology	289,517,589	-	289,517,589	300,000,000
Mechanical and Transport Fund	284,563,461	-	284,563,461	637,432,854
Kenya Wildlife Service				651,338,776
Engineers Board of Kenya	113,400,000	42,000,000	155,400,000	241,000,000
Kenya Urban Roads Authority	12,507,061,064	11,225,137,719	23,732,198,783	25,674,354,906
Kenya Rural Roads Authority	26,279,243,979	34,616,922,783	60,896,166,762	61,427,378,775
Kenya National Highway Authority	25,550,461,223	19,211,269,067	44,761,730,290	58,719,787,683
Direct Payments	-	21,940,012,143	21,940,012,143	38,648,684,570
<b>Total</b>	<b>65,024,247,316</b>	<b>87,035,341,712</b>	<b>152,059,589,028</b>	<b>186,299,977,564</b>

We have confirmed these amounts with the recipient entities and attached these confirmations as an Appendix to this financial statement

**STATE DEPARTMENT FOR ROADS****Annual Report and Financial Statements for the year ended 30th June 2023****10 Social Security Benefits**

	2022-2023	2021-2022
	Kshs	Kshs
Government pension and retirement benefits	24,622,265	1,756,389
<b>Total</b>	<b>24,622,265</b>	<b>1,756,389</b>

This relates to service gratuity for officers including the former Principal Secretary, Cabinet Administrative Secretary upon the end of their contracts.

**11 Acquisition of Assets**

<b>Non -Financial Assets</b>	2022-2023	2021-2022
	Kshs	Kshs
Construction of Buildings	82,396,142	186,311,102
Refurbishment of Buildings	52,821,509	91,021,548
Construction of Roads	1,590,000,000	11,822,186,340
Construction and Civil Works	90,682,308	57,962,288
Purchase of Vehicles and other Transport Equipment	-	33,750,000
Purchase of Office Furniture and General Equipment	-	1,595,500
Purchase of Specialized Plant, Equipment and Machinery	28,232,029	49,263,118
Rehabilitation and Renovation of Plant, Machinery and Equip.	38,537,346	12,273,700
Research, Studies, Project Preparation, Design & Supervision	460,826,015	178,655,012
Rehabilitation of Civil Works	9,219,516	-
<b>Sub-total</b>	<b>2,352,714,865</b>	<b>12,433,018,607</b>
<b>Financial Assets</b>	-	-
<b>Sub-total</b>	-	-
<b>Total</b>	<b>2,352,714,866</b>	<b>12,433,018,607</b>

**STATE DEPARTMENT FOR ROADS**

**Annual Report and Financial Statements for the year ended 30th June 2023**

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

**12 Cash and Bank Accounts**

Description	2022-2023	2021-2022
	Kshs	Kshs
Bank Accounts (Note 12 A)	275,913,755	240,178,204
Cash on hand (Note 12 B)	-	40,441
<b>Total</b>	<b>275,913,755</b>	<b>240,218,645</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)	2022-2023	2021-2022
				Kshs	Kshs
Central Bank of Kenya, 1000209844,KShs	2,274,615	Development	1	2,274,615	4,302,310
Central Bank of Kenya, 1000209925,KShs	46,039,744	Recurrent	1	46,039,744	2,258,896
Central Bank of Kenya, 1000212535,KShs	227,599,396	Deposit	1	227,599,396	233,616,998
<b>Total</b>				<b>275,913,755</b>	<b>240,178,204</b>

**12B: Cash on hand**

Description	2022-2023	2021-2022
	Kshs	Kshs
Cash in hand – Held in domestic currency		40,441
<b>Total</b>	<b>-</b>	<b>40,441</b>

**STATE DEPARTMENT FOR ROADS**

**Annual Report and Financial Statements for the year ended 30th June 2023**

*Notes to the Financial Statements (Continued)*

Detailed Cash is as follows:

Description	2022-2023	2021-2022
	Kshs	Kshs
Headquarters Cash Office	-	40,441
<b>Total</b>	<b>-</b>	<b>40,441</b>

Board of Survey certificates have been provided as appendices

**13 : Imprests and Advances**

Description	2022-2023	2021-2022
	Kshs	Kshs
Government Imprests	-	3,441,924
Salary advances	12,803	81,991
District suspense	63,265	332,054
<b>Total</b>	<b>76,068</b>	<b>3,855,969</b>

All Government imprests were surrendered during the Financial Year.

**Imprests and advances aging analysis.**

	2022-2023	% of the total	2021-2022	% of the total
Under one year	0	0%	0	%
1-2 years	0	0%	3,441,924	100%
<b>Total</b>	<b>0</b>		<b>3,441,924</b>	

**14 Third party deposits and retention**

Description	2022-2023	2021-2022
	Kshs	Kshs
Retention	-	-
Deposits	227,599,396	233,616,998
<b>Total</b>	<b>227,599,396</b>	<b>233,616,998</b>

**STATE DEPARTMENT FOR ROADS****Annual Report and Financial Statements for the year ended 30th June 2023****15 Fund Balance Brought Forward**

<b>Description</b>	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Bank Accounts	240,178,204	294,920,542
Cash in hand	40,441	-
Imprests and advances	3,855,969	6,120,093
Third party deposits and retention	(233,616,998)	(208,979,604)
<b>Total</b>	<b>10,457,616</b>	<b>92,061,031</b>

**16 Prior Year Adjustments**

	<b>Balance b/f from previous year as per audited financial statements</b>	<b>Adjustments during the year relating to prior periods</b>	<b>Adjusted Balance b/f Current Year</b>
<b>Description of the error</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
Bank Account Balances	240,178,204	(6,561,206)	233,616,998
Imprests and advances	3,855,969	(3,739,290)	116,679
Third party deposits and retention	(233,616,998)		(233,616,998)
	<b>10,417,175</b>	<b>(10,300,496)</b>	<b>116,679</b>

**STATE DEPARTMENT FOR ROADS****Annual Report and Financial Statements for the year ended 30th June 2023***Notes to the Financial Statements (Continued)***17 (Increase)/ Decrease in Advances and Imprests**

<b>Description</b>	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Receivables As At 1 <sup>st</sup> July (A)	3,855,969	6,120,094
Receivables As At 30 <sup>th</sup> June (B)	76,068	3,855,969
<b>(Increase)/ Decrease in Receivables (C=(B-A))</b>	<b>3,779,901</b>	<b>2,264,125</b>

(Receivable as at 1<sup>st</sup> July for Current FY should be the same as receivable as at 30<sup>th</sup> June for previous FY)

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

<b>Description</b>	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Payables As At 1 <sup>st</sup> July	233,616,998	208,979,604
Payables As At 30 <sup>th</sup> June	227,599,396	233,616,998
<b>Increase/ (Decrease) In Payables</b>	<b>(6,017,602)</b>	<b>24,637,395</b>

*Notes to the Financial Statements (Continued)***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**  
**Annual Report and Financial Statements for the year ended 30th June 2023**

**20 Other Important Disclosures**

**20.1 Related party transactions:**

<b>Description</b>	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Key Management Compensation	20,270,496	34,930,896
<b>Transfers to Related Parties</b>		
Transfers to SCs and SAGAs	152,059,589,028	186,299,977,564
<b>Total Transfers to Related Parties</b>	<b>152,079,859,524</b>	<b>186,299,977,564</b>
<b>Transfers from Related Parties</b>		
Transfers from the Exchequer	53,875,610,928	76,484,346,252
Transfers from other MDAs	79,987,726,803	83,789,512,195
<b>Total Transfers from Related Parties</b>	<b>133,863,337,731</b>	<b>160,273,858,447</b>

**20.2 Pending Accounts Payable**

There were no Pending Accounts Payable in the Financial Year 2022-2023

**20.3: Pending Staff Payables**

There were no staff payables in the Financial Year 2022-2023.

**20.4: Other Pending Payables**

There were no other pending payables in the Financial Year 2022-2023.

**20.5 External Assistance**

	<b>2022-2023</b>	<b>2021-2022</b>
<b>Description</b>	<b>Kshs</b>	<b>Kshs</b>
External Assistance received as Loans	628,327,086	128,530,882
External Assistance received as Loans (Direct Payments)	47,389,447	33,750,000
<b>Total</b>	<b>675,716,533</b>	<b>162,280,882</b>

**STATE DEPARTMENT FOR ROADS****Annual Report and Financial Statements for the year ended 30th June 2023****Other important disclosures (continued)****a) External assistance relating loans and grants**

	2022-2023	2021-2022
Description	Kshs	Kshs
External Assistance received as Loans	675,716,533	162,280,882
<b>Total</b>	<b>675,716,533</b>	<b>162,280,882</b>

**b) Undrawn external assistance**

	Purpose for which the undrawn external assistance may be used	2022-2023	2021-2022
Description		Kshs	Kshs
Undrawn External Assistance - Loans		4,779,623,812	6,521,984,595
<b>Total</b>		<b>4,779,623,812</b>	<b>6,251,984,595</b>

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

	2022-2023	2021-2022
Description	Kshs	Kshs
Multilateral Donors	675,716,533	162,280,882
<b>Total</b>	<b>675,716,533</b>	<b>162,280,882</b>

**STATE DEPARTMENT FOR ROADS**  
**Annual Report and Financial Statements for the year ended 30th June 2023**

*Other important disclosures (continued)*  
**Notes to the Financial Statements (Continued)**

**d) External Assistance paid on behalf of (the MDA) by Source**

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

	<b>2022-2023</b>	<b>2021-2022</b>
<b>Description</b>	<b>Kshs</b>	<b>Kshs</b>
Multilateral Donors – Foreign Borrowings	675,716,533	162,280,882
<b>Total</b>	<b>675,716,533</b>	<b>162,280,882</b>

**20.6. Payments by third party on behalf of (the MDA)**

**a) Classification by Source**

	<b>2022-2023</b>	<b>2021-2022</b>
<b>Description</b>	<b>Kshs</b>	<b>Kshs</b>
Multilateral donors	47,389,447	33,750,000
<b>Total</b>	<b>47,389,447</b>	<b>33,750,000</b>

**20.7 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 2023**

*Notes to the Financial Statements (Continued)*

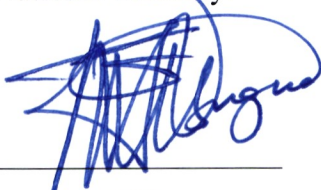
**20.8 Progress on follow up of Prior Years Auditor-General’s recommendations.**

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

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
		The State Department is scheduled to appear before the Public Accounts Committee to respond to the issues raised in the Auditor General’s Report for the Financial Year 2021/2022		

**Guidance Notes:**

- (i) Use the same reference numbers as contained in the external audit report.
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management.
- (iii) Before approving the report, discuss the timeframe with the appointed focal persons within your entity responsible for implementation of each issue.
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.



Accounting Officer



Head of Accounting Unit

**STATE DEPARTMENT FOR ROADS**  
**Annual Report and Financial Statements for the year ended 30th June 2023**

**16. Annexes**

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

There were no Pending Accounts Payable in the Financial Year 2022-2023

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

There were no staff payables in the Financial Year 2022-2023.

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

There were no other payables in the Financial Year 2022-2023.

**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	36,014,089,368	2,285,945,491			38,300,034,859
Office equipment, furniture and fittings	3,625,695.00				3,625,695
Other Machinery and Equipment	507,288,197	66,769,375			574,057,572
<b>Total</b>	<b>36,525,003,260</b>	<b>2,352,714,866</b>			<b>38,877,718,126</b>

**STATE DEPARTMENT FOR ROADS  
Annual Report and Financial Statements for the year ended 30th June 2023**

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

<b>Ref</b>	<b>Project Name</b>	<b>Principal activity of the project</b>	<b>Accounting Officer</b>	<b>Project consolidated in these financial statements(yes/no)</b>
<b>1</b>	Eastern Africa Regional Transport, Trade and Development Facilitation Project ( <b>EARTTDFP</b> )	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
<b>2</b>	East Africa Skills For Transformation and Regional Integration Project ( <b>EASTRIP</b> )	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
<b>3</b>	Horn of Africa Gateway Development Project ( <b>HoAGDP</b> )	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 2023**

**Annex 6 – List of SCs, Sagas and Public Funds Under State Department for Roads**

Ref	SAGA or Public Fund's name	Amount transferred during the year	Inter- entity reconciliations done?(yes/no)
1	Kenya Urban Roads Authority	24,713,730,223.00	Yes
2	Kenya Rural Roads Authority	63,961,158,247.05	Yes
3	Kenya National Highways Authority	44,761,730,289.85	Yes
4	Engineers Board of Kenya	155,400,000.00	Yes
5	Kenya Roads Board	80,026,766,235.00	Yes

**Annex 7 – Contingent Liabilities Register**

	Nature of contingent liability	Remarks
1	Arbitration and Compensation payment for contract No.490/04 (Roads 2000-Improvement and Gravelling of Road D482) – Transnational Construction and Materials Supplies Ltd	Outstanding balance as at 30 <sup>th</sup> June, Kshs.51,582,572

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

There State Department does not have any relevant Expenditure relating to Climate in the Period under Review

**Annex 9: Disaster Expenditure Reporting Template**

There State Department does not have any relevant Expenditure relating to Disaster in the Period under Review

**STATE DEPARTMENT FOR ROADS**

**Annual Report and Financial Statements for the year ended 30th June 2023**

**Annex 10- Reports Generated from IFMIS**

IFMIS financial reports to be presented on request.