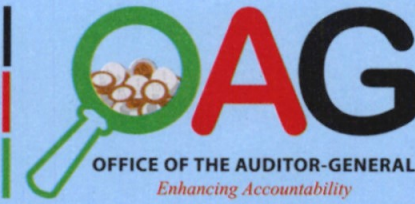


REPUBLIC OF KENYA



REPORT


OF

THE AUDITOR-GENERAL

ON

**STATE DEPARTMENT FOR
PUBLIC WORKS**

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

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 01 APR 2026	
DAY: WEDNESDAY	
TABLED BY:	HON. DR. ROBERT PUKOSE MP
CLERK-AT-THE-TABLE:	CHRISTINE NDIRITU



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P.O. Box 30084 - 00100, NAIROBI
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State Department for Public Works

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE, 2025

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

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1. Acronyms and Definitions of key Terms

A: Acronyms

CS	<i>Cabinet Secretary</i>
PS	<i>Principal Secretary</i>
CBK	<i>Central Bank of Kenya</i>
ICPAK	<i>Institute of Certified Public Accountants of Kenya</i>
IPSAS	<i>International Public Sector Accounting Standards</i>
OCOB	<i>Office of the Controller of Budget</i>
OAG	<i>Office of the Auditor General</i>
OSHA	<i>Occupational Safety and Health Act of 2007</i>
PFM	<i>Public Finance Management</i>
PPE	<i>Property Plant & Equipment</i>
PSASB	<i>Public Sector Accounting Standards Board</i>
SAGAs	<i>Semi-Autonomous Government Agencies</i>
SC	<i>State Corporations</i>
TNT	<i>The National Treasury</i>
WB	<i>World Bank</i>

B: Definition of Key Terms

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

2. Key State Department for Public Works Information and Management

(a) Background information

The Ministry of Lands, Public Works and Housing, Urban Development was formed through Presidential Executive Order No. 1 of October 2022 (revised November, 2023). The Ministry is headed by the Cabinet Secretary for Lands, Public Works and Housing, Urban Development Hon. Alice Wahome, CBS who is responsible for the general policy and strategic direction of the entity.

The Ministry further consists of three State Departments each administered by a Principal Secretary. The State Departments under the Lands, Public Works and Housing, Urban Development are as follows;

- i. The State Department for Lands administered by Hon. Generali Korir Nixon.
- ii. The State Department for Public Works administered by Mr. Joel Psimatwa Loremoi Arumonyang.
- iii. The State Department for Housing and Urban Development administered by Mr. Charles Hinga Mwaura, CBS.

The accompanying financial statements constitute the financial statements for the State Department for Public Works.

The State Department for Public Works is domiciled in Public Works Building, along Ngong Road Nairobi and has regional branches namely: Nairobi, Kisumu, Mombasa, Garissa, Nakuru, Eldoret, Nyeri, Kakamega:

(b) Mandate

The State Department for Public Works is mandated to provide policy direction and coordinate all matters related to Buildings and Other Public Works. In discharging its functions, the State Department is guided by detailed mandate through Executive Order No. 2 of 2023 notably:

- i. Public Works Policy and Planning;
- ii. National Building Inspection Services;

- iii. Registration and Regulation of Contractors, Consultants for Buildings, Civil Works and Material Suppliers;
- iv. Standardization and Maintenance of Plant and Equipment and Vehicles;
- v. Maintenance of Inventory of Government Property;
- vi. Registration of Engineers, Architects and Quantity Surveyors;
- vii. Setting and Management of Building and Construction Standards and Codes;
- viii. Provision of Mechanical and Electrical Building Services;
- ix. Supplies Branch; Coordination of Procurement of common User Items by Government Ministries;
- x. Registration and Regulation of Civil, Building and Electro-Mechanical Contractors;
- xi. Development and Management of Public Buildings;
- xii. Building Research Services and Other Public Works.

Vision, Mission, Core Values and Core Functions

The vision, mission, core values and core functions of the State Department for Public Works under Ministry of Lands, Public Works and Housing, Urban Development include:

Vision

“Excellence in regulation of the construction industry, construction and maintenance of public buildings and other public works”

Mission

“To facilitate regulation of the construction industry, construction and maintenance of quality government buildings and other public works for sustainable socio-economic development”

Core Values

The core values that underpin the operations of the State Department for Public Works are;

- i. Professionalism
- ii. Accountability and transparency
- iii. Team spirit
- iv. Impartiality
- v. Innovation and Continuous improvement

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(c) Key Management

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

- Cabinet Secretary's office
- Principal Secretary's office
- Works Secretary's office
- Secretary Administration's office

(d) Fiduciary Management

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

No.	Designation	Name	Date of Appointment
1.	Cabinet Secretary Ministry of Lands, Public Works, Housing & Urban Development	Hon Alice Wahome	1 st July, 2024
2.	Principal Secretary State Department for Public Works	Joel P. L. Arumonyang	1 st July, 2024
3.	Secretary Administration	Maurice Nalyanya	1 st July, 2024
4.	Works Secretary	Nicholas M. Mutua	1 st July, 2024
5.	Head of Accounts	Samson B. M. Ongalo	1 st July, 2024

(e) Fiduciary Oversight Arrangements

The State Department had in place a Budget Implementation Committee composed of Heads of Department and all AIE Holders which was chaired by the Principal Secretary with Chief Finance Officer as the Secretary. The role of this committee was to ensure that the budget is implemented according the Public Financial Management Act and other financial regulations. The Audit Committee's role is to provide an independent expert assessment on the quality of the activities of the management and the internal audit function.

(f) State Department for Public Works Headquarters

P.O. Box 30007- 00100
Works Building
Ngong Road, Nairobi
NAIROBI, KENYA

(g) State Department for Public Works Contacts

P. O. Box 30743- 00100
Tel+254(0)202723101
Fax+254(0)202724504
Email: info@publicworks.go.ke
Website: www.go.ke

(h) State Department for Public Works Bankers

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

(i) Independent Auditors

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

(j) Principal Legal Adviser

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

3. Profile of the Cabinet Secretary



*Hon Alice Wahome, CBS,
Cabinet Secretary, Ministry of Lands,
Public Works and Housing, Urban
Development & Urban Development*

As the Cabinet Secretary for the Ministry of Lands, Public Works, Housing & Urban Development, I am entrusted with driving the strategic agenda for sustainable land management, affordable housing, infrastructure development, and urban planning in Kenya. With a strong commitment to national development, I oversee the formulation and implementation of policies that promote equitable access to land, efficient public works, and inclusive urban growth.

My leadership focuses on fostering intergovernmental collaboration, engaging stakeholders, and leveraging innovation to address Kenya's housing deficit, improve infrastructure, and enhance urban resilience.

I am passionate about creating sustainable communities, empowering citizens, and ensuring transparency and accountability in the management of public resources.

Key achievements include spearheading the Affordable Housing Program under the Bottom Up Economic Transformation Agenda, streamlining land administration processes to reduce corruption, and championing partnerships and collaborations to deliver critical infrastructure projects. I am dedicated to transforming Kenya's built environment and ensuring that every citizen has access to dignified housing, secure land tenure, and modern urban amenities

.....
Cabinet Secretary
Ministry of Lands, Public Works, Housing & Urban Development

4. Profile of Accounting Officer and Key Management




*Joel P. L. Arumonyang, CBS
Principal Secretary
State Department for Public Works*

As the Principal Secretary for the State Department of Public Works, I am tasked with providing strategic policy direction and oversight for the development, rehabilitation, and maintenance of government buildings and public infrastructure. My role encompasses the coordination of construction projects, standardization of building codes, and the regulation of contractors, engineers, architects, and quantity surveyors to ensure compliance with national standards.

I am skilled in resource mobilization, stakeholder engagement, and fostering partnerships to deliver high-quality public works projects.

Under my leadership, the department has successfully implemented initiatives to improve the maintenance of government property, streamline procurement processes, and enhance the efficiency of mechanical and electrical building services. I am passionate about leveraging innovation and best practices to elevate Kenya's public infrastructure, ensuring it meets the needs of citizens and supports national development goals.

Key achievements include the implementation of Building Code 2024 which aims at modernization of building and construction standards, the establishment of robust contractor registration systems, and the effective management of large-scale public works projects funded by the exchequer. I am committed to promoting transparency, accountability, and sustainability in public works, with a focus on improving the quality of life for all Kenyans through resilient and well-maintained built environment.


.....
**Joel P. L. Arumonyang, CBS
Principal Secretary
State Department for Public Works**



Maurice Nalyanya
Secretary Administration
State Department for Public Works

As the Secretary Administration for the State Department of Public Works, I am responsible for coordinating administrative functions, human resource management, and logistical support to ensure the smooth operation of the department. My role involves overseeing policy implementation, office management, and facilitating seamless communication between departments to achieve organizational goals.

I bring expertise in streamlining administrative processes, enhancing productivity, and maintaining strict compliance with government regulations. My proven ability to optimize workflows and implement efficient systems has contributed to the successful execution of public works projects across Kenya. With strong interpersonal and leadership skills, I foster a collaborative and efficient work environment, empowering teams to deliver high-quality results.

Committed to excellence, I prioritize transparency, accountability, and effective resource management in all administrative operations. My dedication to supporting the State Department's mission has been instrumental in advancing Kenya's infrastructure development agenda and improving service delivery to the public.

.....
Maurice Nalyanya
Secretary Administration
State Department for Public Works



Nicholas M. Mutua
Works Secretary
State Department for Public Works

I am an accomplished Quantity Surveyor and public works expert with over 25 years of experience in infrastructure development and project management. As the Works Secretary, I am responsible for overseeing the technical aspects of public works projects, including the design, construction, and maintenance of government facilities. My role ensures the delivery of high-quality infrastructure that meets the needs of the public while adhering to safety, environmental, and regulatory standards.

With a proven track record in contract management, quality assurance, and stakeholder collaboration, I have successfully led multidisciplinary teams to deliver critical infrastructure projects on time and within budget. I am adept at working with contractors, consultants, and government agencies to align project objectives with national development goals.

Committed to promoting sustainable and resilient infrastructure, I prioritize innovation, efficiency, and environmental stewardship in all projects. My leadership has contributed to the modernization of Kenya's public infrastructure, enhancing accessibility, safety, and economic growth. I am passionate about leveraging engineering expertise and strategic planning to build a better future for all Kenyans

.....
Nicholas M. Mutua
Works Secretary
State Department for Public Works



Samson B. M. Ongalo
Head of Accounts
State Department for Public Works

Certified Public Accountant (CPA) with over 20 years of extensive experience in financial management within the public sector. As the Head of Accounts, I am responsible for overseeing the financial operations of the State Department, including budgeting, expenditure tracking, financial reporting, and compliance with government accounting standards. My role involves ensuring the efficient allocation of resources, enhancing financial transparency, and providing accurate and timely financial insights to support strategic decision-making.

I possess in-depth expertise in public financial management systems, procurement processes, and the implementation of robust internal controls to safeguard public funds. My proven track record includes optimizing resource allocation, streamlining financial processes, and driving accountability in financial reporting. I am passionate about promoting fiscal responsibility and ensuring compliance with regulatory frameworks to uphold the integrity of public financial management.

With strong analytical, leadership, and problem-solving skills, I have successfully led teams to achieve operational excellence and deliver on the ministry's financial objectives. I am committed to fostering a culture of accountability, transparency, and efficiency in the management of public resources, contributing to the overall development goals of the Republic of Kenya

.....
Samson B. M. Ongalo
Head of Accounts
State Department for Public Works

5. Statement by the Cabinet Secretary

The State Department for Public Works is responsible for development and maintenance of Government Buildings and Public Works. It is mandated to provide policy direction and coordinate all matters related to construction, rehabilitation and maintenance of Public Buildings and Other Public Works. In discharging its functions, the State Department is guided by detailed mandate through Revised Executive Order No. 1 of 2023 notably: Public Works Policy and Planning; National Building

Inspection Services; Registration and Regulation of Contractors, Civil Works and Material Suppliers; Registration of Civil, Building and Electro-mechanical Contractors; Standardization and Maintenance of Plants, Equipment and Vehicles; Maintenance of Inventory of Government Property; Registration of Engineers, Architects and Quantity Surveyors; Setting and Management of Building and Construction Standards and Codes; Provision of Mechanical and Electrical Building Services; Supplies Branch; Coordination of Procurement of Common User Items by Government Ministries; Building Research and Services and Other Public Works funded by the exchequer.

.....

Cabinet Secretary
Ministry of Lands, Public Works, Housing & Urban Development

6. Statement by the Accounting Officer

Budget Performance

In the financial year 2024/25, the State Department for Public Works had a recurrent budget of **KShs3,995,059,429** and **KShs324,000,000** for development vote. The State Department was to expend the gross budget of **KShs.4,319,059,429** under the following four programmes:

Programme 1: Government Buildings

The objective of this programme is to improve the living and working conditions in Government Buildings through development of cost-effective public buildings. This programme was allocated Kshs. 553,924,064 representing 12.8% of the total budget. The allocated amount was spent under the following sub programmes:

- i. Completion of Stalled and New Government Buildings

Out of the total approved budget of Kshs.553,930,000 Kshs 572,225,485 was utilized in the course of the financial year on the programmed activities representing an absorption level of 100%.

Programme 2: Coastline Infrastructure Development and Pedestrian Access

The objective of this programme is to protect land and property from sea wave action, flooding and erosion and enhance accessibility between human settlements and in areas of difficult terrain. This programme was allocated KShs.312,193,640 representing 7.2 % of the total budget. This amount was spent under the following sub programmes:

- i. Coastline Infrastructure Development that involved construction of New Mokowe Jetty
- ii. Pedestrian access that involves construction of footbridges across the country.

In regard to budget expenditure under this programme, a total of Kshs. 309,071,552 was utilized on the programmed projects and activities. This represents budget absorption level of 99.8%.

Programme 3: General Administration Planning and Support Services

The objective of this programme is to develop capacity, enhance efficiency and transparency in service delivery and to ensure efficiency in procurement of common user items for government institutions. This programme was allocated KShs.455,301,552 representing 10.5% of the total budget, which was spent under the following sub programmes:

- i. Administration, Planning and Support Services

ii. Procurement, Warehousing and Supply

Out of the total approved budget of Kshs.455,301,552, Kshs 421,274,876 was utilized in the course of the financial year on the programmed projects and activities representing an absorption level of 93%.

Programme 4: Regulation and Development of Construction Industry

The objective of this program is to achieve enhanced research on building materials, improved technology, building standards and regulated construction industry for economic growth. This program was allocated Ksh.2,997,640,173 representing 69.4% of the total budget. This amount was spent under the following sub programmes.

- i. Regulation of Construction Industry
- ii. Research Services
- iii. Building Standards

This programme was able to utilize Kshs.2, 902,659,711 of the budgeted amount represents an absorption level of 96.5%.

Budget utilization per economic classification

The table below shows the budget performance in terms of economic classification

Economic Classification	Approved Budget 2024/25	FY	Actual Expenditure FY 2024/25	Variance
Current Expenditure				-
Compensation of Employees	881,817,159		870,734,718	11,082,441
Use of Goods and Services	302,242,270		323,176,885	(20,934,615)
Grants and other Transfers	2,811,000,000		2,833,002,469	(22,002,469)
Social Security Benefits		0	0	0
Other Recurrent		0	0	0
Total Payments	3,995,059,429		4,003,111,603	(31,855,000)
CAPITAL EXPENDITURE				
Acquisition of Non-Financial Assets	224,000,000.00		202,120,023	21,879,977
Capital Grants to Government Agencies	100000000		0	100,000,000.00
Other Development		0.00	0.00	0.00

State Department for Public Works
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Total Payments	324,000,000.00	202,120,023	121,879,977
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Key achievements of the State Department for Public Works in FY 2024/2025

In the implementation of the budget for FY 2024/25, the following key achievements were realized;

- i. **Improvement of Living and working Conditions in Government Buildings:** In regard to this programme, the State Department received and processed 136 requests from client MDACs for building project design and documentation, comprising 51 rehabilitation and maintenance projects and 85 new projects. Twenty (20) Liquefied Petroleum Gas (LPG) installations were completed in secondary schools across the country, promoting clean and safe energy use in learning institutions. Two (2) lifts were installed and supervised at Harambee House and the Kenya Revenue Authority (KRA) Customs Office in Mombasa.

Supervision of BETA projects: The State Department targeted to implement BETA Projects through design, documentation and supervision of the projects. The following was achieved under the 'BETA Projects':

- a) **Under Healthcare:** Supervision of construction of Medical Complex at JM Kariuki Memorial Hospital, Olkalau, Nyandarua County; Microwave Medical Waste Management Equipment in Vihiga County; Microwave Medical Waste Management Equipment in Bomet County; and Laboratories, Graduate School & Office Block at KEMRI Centre for Microbiology Research (CMR), Kenyatta National Hospital, Nairobi County
- b) **Under Manufacturing-** design, document and supervise implementation of the following projects: 4 lots of Industrial Park; Sheds in Athi River (ii) Effluent plant and 4No. Warehouses at Kenanie in Athi River; Special Economic Zone (SEZ) in Naivasha; Cotton ginnery at Kinondo in Kwale County; and Administration block and civil works at Dongo Kundu Special Economic Zone in Mombasa

- ii. **Development and Maintenance of Coastline Infrastructure and Pedestrian Access:** In order to ensure safe crossing of rivers, streams and movement in areas with difficult terrain for easy accessibility to schools, markets, health centres and other social amenities, Feasibility studies, design documentation, and tendering processes were completed for eight (8) footbridges, whose construction is ongoing at various completion stages ranging between

5 percent and 35 percent. The construction works are ongoing at various levels of completion as follows: Handaraku -5%; Adole - 12%; Gatono Nazareth - 8%; Athena-Maraba - 25%; Kokwa-Island - 7%; Indoli- Mwichina -35%; Ololulunga - Olepolos - 20%; and Erimet - 8%

- iii. **General Administration, Planning and Support Services:** To provide policy, administrative, and strategic support services for efficient delivery of the Department's mandate; Two (2) out of four (4) targeted policies were developed. The National Public Works Policy was forwarded to the Attorney General for review, while a Risk Management Policy Framework was developed. Two (2) legislative instruments — Amendments to the National Construction Authority (NCA) Act and the Designers Registration Bill — were drafted. One (1) strategy out of two (2) targeted was completed — the Productivity Improvement Strategy for FY 2024/25. The midterm review of the Department's Strategic Plan is ongoing. One (1) draft treaty on the Health and Safety of Buildings was formulated.
- iv. **Regulation and Development of Construction Industry:** To promote safety, innovation, and sustainability in the construction sector through research, standards enforcement, and collaboration; the following achievements were recorded;
- a) A research proposal on the use of rice husk as a building material was developed. Four (4) technology exhibitions were held in Nairobi, Kwale, Kisumu, and Murang'a to showcase innovative building materials and methods. Three (3) partnerships were established with Adhi na Mbao, University of Nairobi, and Start Somewhere Kenya Ltd to support innovation in the construction sector.
 - b) A total of 530 buildings and structures were inspected and audited and 70 tested to ascertain structural integrity and safety for use and habitation. The Department has also enhanced collaboration with County Governments in implementing building safety and compliance standards.

v. **Emerging issues related to the department**

The emerging issue that relate to the Department is flooding in various parts of the country especially around the Coast region, Lake Victoria, Lake Baringo, Lake Turkana and Lake Naivasha calls for expansion and spread of water protection works hence the need for more funding.

vi. Key risk management strategies

- i. Monthly meetings of the budget implementation committee
- ii. Regular and independence internal audits

vii. Challenges encountered in implementation of the budget

In the course of implementation of the budget, the State Department encountered a number of challenges and some of them include;

- i. Inadequate funding coupled with lack of exchequer and budget cuts adversely impacting the implementation of projects;
- ii. High construction costs leading to non-adherence to the industry standards especially by private developers.
- iii. Shortage of skilled technical personnel to manage the projects and high rate of staff turnover.
- iv. Poor performance by some contractors.
- v. Legal and contract challenges arising from arbitration and contractual issues impacting on project implementation.

viii. Recommended way forward in overcoming the challenges

The State Department has put in place the following efforts in order to overcome the above challenges;

- i. Lobbying for increased funding and timely exchequer release by the National Treasury.
- ii. Strict adherence to the contractual obligations during project implementation.
- iii. Reprimand of non- performing contractors.
- iv. Strict supervision of the project implementation by project managers.

.....
Principal Secretary
State Department for Public Works

7. Statement of Performance Against Predetermined Objectives for FY2024/2025

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

The key strategic objectives as per the strategic plan Strategic Plan 2023-2027 for the State Department for Public Works are:

1. To improve the efficiency and accessibility of State Department's processes and services
2. To enhance institutional capacity
3. To develop, rehabilitate and maintain cost effective public buildings and related infrastructure
4. To protect coastline infrastructure, riverbanks and improve access to social amenities
5. To improve coordination on procurement of common user items for government institutions
6. To ascertain structural integrity of buildings and structures for safety and use
7. To ensure quality assurance in the construction industry
8. To carry out research on innovations and technologies in the built environment
9. To foster and enhance capacity of local designs to support creative economy
10. To mitigate the effects of climate change on the built environment

Progress on the attainment of Strategic Objectives through Performance Contracting

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

Table xx1: Programme performance

Program	Strategic Objective	Outcome	Output	Output indicator	Achievement for the FY			Cumulative Achievement by end of FY			Remarks
					Target	Actual	Variance	Target	Actual	Variance	
Public Buildings	To develop, rehabilitate and maintain cost effective public buildings and related infrastructure	Conducive living and working conditions in Government buildings and other public works	Completed Government buildings	Proportion of Government buildings maintained /rehabilitated	100%	100%	0	100%	100%	0	All requests from MDAs for design, documentation and supervision of buildings were processed
				Proportion of New Government buildings designed, documented and Supervised	100%	100%	0	100%	100%	0	
				Proportion of BETA projects Supervised	100%	100%	0	100%	100%	0	All BETA projects under by the State Department were designed, documented and supervised

Program	Strategic Objective	Outcome	Output	Output indicator	Achievement for the FY			Cumulative Achievement by end of FY			Remarks
					Target	Actual	Variance	Target	Actual	Variance	
				Proportion of MoW Sports Club refurbished	100%	100%	0	100%	100%	0	Refurbishment of the Club Gym was done
				Construction of County Government Headquarters	100%	100%	0	100%	100%	0	Isiolo, Lamu, Nyandarua, Tana River and Tharaka Nithi County Headquarters were supervised.
Development and Maintenance of Coastline Infrastructure and Pedestrian Access	To ensure safe crossing of rivers, streams and movement in areas with difficult terrain for easy accessibility to schools,	Improved access to social amenities	Footbridges constructed	Proportion of footbridges constructed	50	8	42	50	8	42	Only 8No. footbridges were financed the FY2024/25

Program	Strategic Objective	Outcome	Output	Output indicator	Achievement for the FY			Cumulative Achievement by end of FY			Remarks
					Target	Actual	Variance	Target	Actual	Variance	
	markets, health centres and other social amen										
General Administration, Planning and Support Services	To provide policy, administrative, and strategic support services for efficient service delivery				4	2	2	4	2	2	Two (2) out of four (4) targeted policies were developed
Regulation and Development of Construction Industry	To promote safety, innovation, and sustainability			No. of research on alternative building materials	2	1	1	2	1	1	One research was done on alternative building materials

Program	Strategic Objective	Outcome	Output	Output indicator	Achievement for the FY			Cumulative Achievement by end of FY			Remarks
					Target	Actual	Variance	Target	Actual	Variance	
	in the construction sector through research, standards enforcement, and collaboration;			No. of buildings inspected and audited	500	530	-30	500	530	-30	A total of 530 buildings and structures were inspected and audited

8. Governance Statement

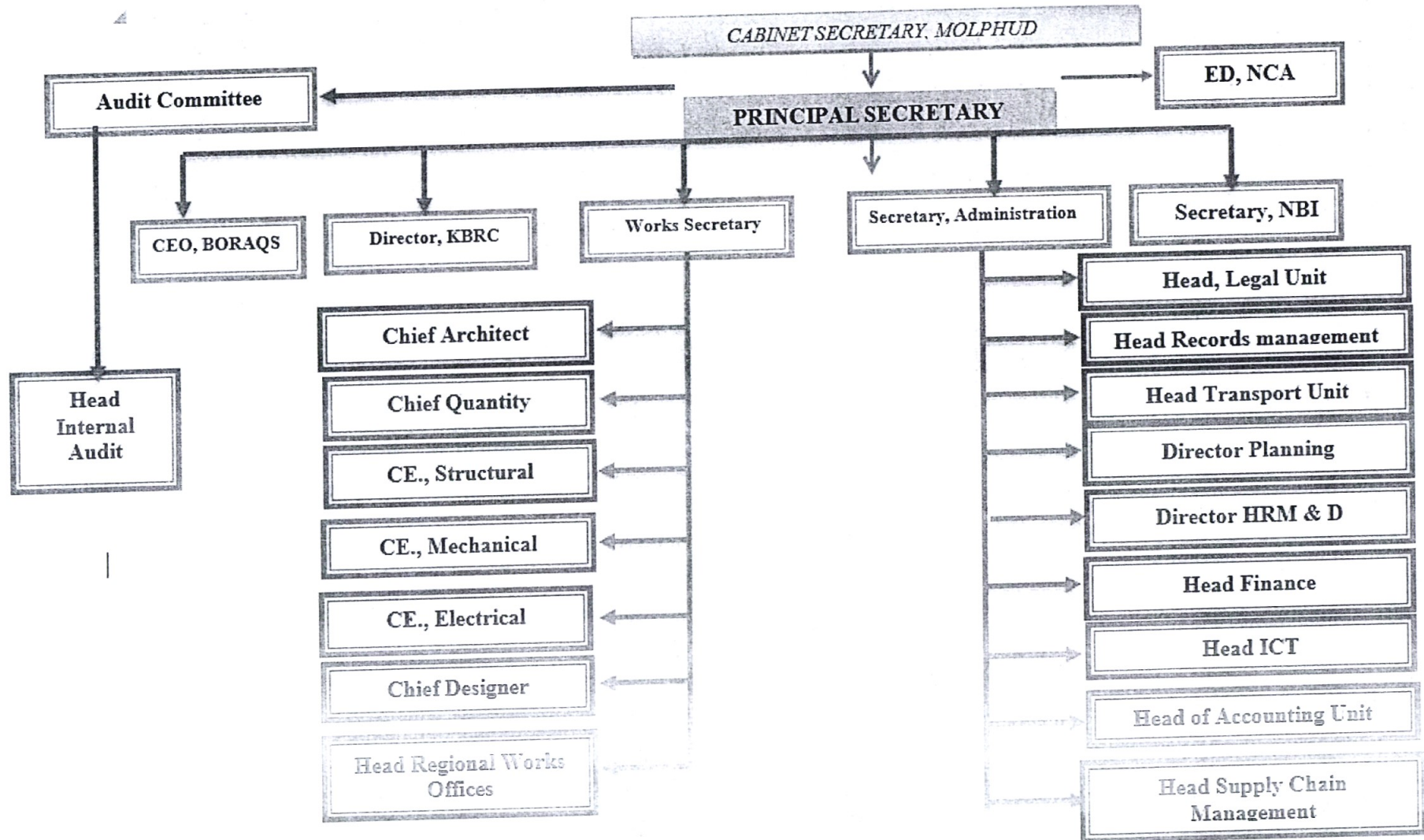
The State Department has established the Budget Implementation Committee. This is the committee charged with the responsibility of implementation of the ministerial budget and its prudent management. The duties of the committee include the following:

- i. Review and consider the cash flow plans;
- ii. Review the utilization of the cash limits and consider any changes as may be
- iii. Required
- iv. Review the utilization of any donor funds voted for the ministry;
- v. Advise the Accounting Officer on the challenges related to the budget implementation
- vi. Review and recommend the reallocation of expenditures
- vii. Review and approve the submission of the expenditure returns, IPPDs, pending bills and A-I-A returns for the State Department and recommend actions to be taken
- viii. Participate in Sector Working Groups
- ix. Prepare budget in consultation with the Heads of Departments

The State Department has also put in place a Ministerial Human Resource Advisory Committee, to advise on personnel matters; an Assets and Disposal Committee; a Corruption Prevention Committee; and a Reform committee. These committees comprise of all Heads of Departments and meet regularly under the leadership of the Principal Secretary. At the Ministerial level, the Principal Secretary presents programme, projects and budget implementation reports to the Cabinet secretary after every two (2) weeks. The state department conducts payroll audits on a monthly basis before and after running the payroll.

The State Department has strengthened its performance management framework. The Department is able to ensure that every staff member understands their assignment, schedule of duties and work plans are prepared guided by the schemes of service / career guidelines. In addition, the State Department has embarked on ensuring compliance with filling of the Staff Performance Appraisal System (SPAS) on-line through the Government Human Resource Information System (GHRIS) and the existence of the Ministerial Performance Management Committee (MPMC).

ORGANISATIONAL STRUCTURE



9. Management Discussion and Analysis

MDA's key Programs/projects or investment decisions implemented or ongoing

Over the past three financial years, the State Department for Public Works has undertaken key programs to enhance infrastructure and service delivery. Under the Government Buildings Program, it achieved 72% completion of Voi Pool Housing Phase II, designed and supervised 281 new government building projects, rehabilitated 302 structures, and advanced the construction of five County Government Headquarters. Additionally, it supported the Bottom-up Economic Transformation Agenda (BETA) by designing and supervising projects in affordable housing, healthcare, and manufacturing. Through the Coastline Infrastructure and Pedestrian Access Program, the department mitigated coastal erosion and improved accessibility by completing Mtangawanda and New Mokowe Jetties, constructing 340 meters of seawall, and building 28 footbridges. In regulating and developing the construction industry, it inspected 5,040 buildings, tested 57 for structural integrity, trained officers across 25 counties, conducted nine research studies, and promoted local construction materials. Furthermore, it registered 32,336 contractors, accredited 69,207 workers, inspected 84,745 sites (suspending 57,134 for non-compliance), registered 12,209 projects, and trained over 101,000 industry professionals. The department also published the Construction Industry Outlook Magazine and hosted the International Construction Research and Exhibition Conference (ICoRCE), reinforcing its commitment to industry growth and compliance.

Statutory Compliance and Financial Obligations

The State Department has maintained adherence to statutory requirements, including the Public Finance Management Act, procurement laws, and other regulations governing public service infrastructure. Compliance is regularly monitored through internal audits, which are conducted by an independent body. Despite these efforts, there are ongoing financial challenges due to delayed releases of funds from the National Treasury and budget cuts, which have adversely impacted the implementation of some projects.

Major Risks Facing the Organization

The department faces several risks that threaten the timely and effective delivery of its projects:

1. **Funding and Budget Constraints:** Insufficient funding and delays in the release of exchequer funds continue to hinder the implementation of key projects. The department

has sought to mitigate this risk through lobbying for increased funding and more timely disbursement of funds.

2. **Rising Construction Costs:** Escalating material costs and inflation have led to budget overruns in some projects. This situation has been worsened by non-compliance with industry standards by some private developers.
3. **Shortage of Skilled Personnel:** A lack of skilled technical personnel and high staff turnover remains a significant challenge. The department has addressed this issue by investing in training and retaining talent.
4. **Contractor Performance Issues:** Poor performance by some contractors has led to project delays and legal disputes. To mitigate this, the department has adopted strict contractor performance monitoring and enforces penalties for non-compliance.
5. **Legal and Contractual Disputes:** Arbitration and contract-related issues have delayed certain projects. The department continues to address these disputes through legal and contractual reviews.

Challenges Encountered in Budget Implementation

Over the last three years, several challenges were encountered in the implementation of the department's budget:

- **Inadequate Funding:** Budget cuts and delayed exchequer releases have led to challenges in meeting project deadlines and costs.
- **Escalating Construction Costs:** The rise in costs of construction materials has led to budget shortfalls, impacting project completion timelines.
- **Shortage of Skilled Labor:** The scarcity of qualified personnel, especially engineers and project managers, slowed down some project deliveries.
- **Contractor Issues:** Poor contractor performance led to delays in some key projects, especially those related to BETA projects and coastline infrastructure.

Recommended Way Forward

To overcome the challenges outlined above, the department has initiated several strategies:

- **Enhanced Funding:** The department is advocating for higher budget allocations, timely release of exchequer funds by the National Treasury and alternative financing i.e. donor funding to avoid delays.
- **Enhanced Supervision:** Tight supervision of contractors and projects by project managers is being implemented to ensure that deadlines and quality standards are met.

- **Adherence to Contracts:** The department will enforce strict adherence to contractual obligations, with penalties for non-performance.
- **Improvement in Training:** Efforts are underway to invest in training and retaining skilled personnel to address the shortage of qualified staff.

Future Developments

Looking ahead, the State Department for Public Works intends to:

- Expand its efforts in developing and maintaining critical infrastructure across Kenya, particularly in underserved and flood-prone areas.
- Continue to support the development of industrial parks and manufacturing facilities to spur economic development in various regions.
- Strengthen its regulatory role in the construction industry, ensuring greater compliance with building standards to improve safety and quality.
- Collaborate more closely with other government agencies to address emerging challenges, such as the increasing impacts of climate change on infrastructure.

10. Environmental and Sustainability Reporting

The State Department of Public Works exists to transform lives. This is our purpose; the driving force behind everything we do by putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of the sustainability activities conducted in the year:

a) Sustainability strategy and profile

The top management especially the accounting officer has continuously showed support to ensure the State Department for Public Works achieves its intended goals. This has been made easier by strict compliance to the Department's Strategic plan, 2023-2027 and its accompanying Annual Workplan for the financial year 2023/2024. The annual performance contract between the Cabinet Secretary and the Government has also contributed to the realization of the Department's goals since the set performance targets are normally evaluated against the actual achievements at the end of the financial year. It is worth noting that inflation which has been experienced since the beginning of the year led to rise in cost of building materials. This greatly affected total project costs through cost variations and thus derailing the smooth implementation of the budget and attainment of the intended targets.

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

The State Department for Public Works established Environmental Sustainability Committee whose responsibility was to coordinate and spearhead all activities geared towards environmental sustainability. During the period under review, the State Department continued to coordinate mainstreaming of green building agenda in all building projects through designs that embrace energy efficiency, water saving and longer life span of buildings.

The State Department for Public Works operate within diverse environments which are variously exposed to calamity. Whereas natural disasters are beyond the control of man, efforts have been made to anticipate their occurrence. Man-made disasters are often a consequence of poor risk planning and management. The State Department has continued to audit and inspect all buildings to ascertain whether they meet the structural integrity and safety for habitation or not. Those that do not meet the

habitation standards have always been recommended for retrofitting in order to make them safe.

c) Employee welfare

The State Department for Public Works has an established Ministerial Human Resource Management Advisory Committee that coordinates and advises skills improvements, equitable trainings, managing careers, Performance Appraisals and rewards and sanctions.

Further, the State Department has continued to ensure that the welfare of the staff is well taken care of. The State Department has established committees to ensure work place issues are addressed whenever possible in Committees such as Public Complaints Resolution Committee. Further there are well established Gender and Disability Committee, HIV/AIDS Prevention Committee, Alcohol and Drug Abuse, among others. All these committees ensured that welfare of staff was well taken care of during the year under review.

In compliance with Occupational Safety and Health Act of 2007, (OSHA), the State Department has a Safety Committee in place which is charged with ensuring the safety of all staff at the workplaces.

d) Operational practices

In regard to Responsible Supply chain and supplier relations, the State Department established Adhoc Evaluation Tender Committees in evaluation of tendered projects. Furthermore, the Department procured 36No. term contracts where frameworks contracts for supply of common user items were prepared. The framework contracts are now being used by other government institutions for procurement of common user items.

The State Department continued to ensure that AGPO is implemented as required in award of contracts of supply of goods and services in order to promote the Buy Kenya Build Kenya initiative and ensure that Women and Persons with Disability are given preference as required by the law. The State Department has maintained good

business practices, treats its own suppliers responsibly by honouring contracts and effecting payments as soon as they fall due.

e) Community Engagements-

The state Department for Public Works has promoted physical wellbeing, sporting activities by equipping the Public Works Club in South C that is also open to the government officers and the public. The Citizen Service Delivery Charter that documents all our services, staff and clients' responsibility was reviewed and displayed at various points of service entry to the State Department's premises.

11. Statement of Management Responsibilities


Section 83 of the Public Finance Management Act, 2012 requires the Accounting Officer to prepare quarterly financial statements in respect of that *MDA*, which give a true and fair view of the state of affairs of the *MDA* at the end of the financial period and the operating results of the *MDA* for that period. The Accounting Officer is also required to ensure that the *MDA* keeps proper accounting records that disclose with reasonable accuracy the financial position of the *MDA*. The Accounting Officer is also responsible for safeguarding the assets of the *MDA*.

The Accounting Officer is responsible for preparing and presenting the *MDA*'s financial statements, which give a true and fair view of the state of affairs of the *MDA* for and at the end of the financial period ended on 30th June, 2025. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the *MDA*; (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 *MDA*; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting Officer is responsible for the *MDA*'s financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and by the PFM Act, 2012 and Revised Executive Order No. 1 of 2023. The Accounting Officer believes that the *MDA*'s financial statements give a true and fair view of the state of the *MDA*'s transactions during the financial period, and of the *MDA*'s financial position as of that date. The Accounting Officer further confirms the completeness of the accounting records maintained for the *MDA*, which have been relied upon in the preparation of the *MDA*'s financial statements as well as the adequacy of the systems of internal financial control. Nothing has come to the attention of the Accounting Officer to indicate that the *MDA* will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the Financial Statements

The *MDA*'s financial statements were approved by the Management on 30th June, 2025 and signed on its behalf by:


Joel P. L. Arumonyang, CBS
Principal Secretary
State Department for Public Works

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 PUBLIC WORKS FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

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

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

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

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying transitional IPSAS financial statements of State Department for Public Works set out on pages 1 to 40, which comprise of the statement of financial position as at 30 June, 2025, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison

Report of the Auditor-General on State Department for Public Works for the year ended 30 June, 2025

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

In my opinion, the transitional IPSAS financial statements present fairly, in all material respects, the financial position of State Department for Public Works as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards Accrual Basis (including the transitional provisions permitted under IPSAS 33) and comply with the and the Public Finance Management Act, 2012 and The National Treasury and Economic Planning Circular No.3 of 14 April, 2025.

Basis for Opinion

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

Emphasis of Matter

Long Outstanding Pending Bills

The statement of changes in net assets reflects pending bills balance of Kshs.967,158,251. Included in the amount is an opening balance of Kshs.696,695,679 which relates to previous years and has been outstanding for a long period.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the prior years' audit reports, several issues were raised under Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. Review of the status during audit of the State Department in 2024/2025 revealed that the following eight (8) issues remained unresolved.

No.	Financial Year	Audit Issue
1	2023/2024	Pending Bills
2	2023/2024	Failure to Remit Long Outstanding Retention Deposits
3	2023/2024	Delayed Completion of Projects
3.1	2023/2024	Proposed Tharaka-Nithi County Headquarters at Kathwana
3.2	2023/2024	Proposed Headquarters for Nyandarua County at OI Kalou
4	2023/2024	Proposed Headquarters for Tana River County
5	2023/2024	Proposed Construction of Isiolo County Headquarters
6	2023/2024	Lack of Lease Document for Likoni Road Warehouses
7	2023/2024	Lack of Audit Committee
8	2023/2024	Lack of a Risk Management Policy

Other Information

Management is responsible for the other information set out on page iv to xxxiii which comprise of Key State Department for Public Works Information and Management, Profile of the Cabinet Secretary, Profile of Accounting Officer and Key Management, Statement by the Cabinet Secretary, Statement by the Accounting Officer, Statement of Performance Against Predetermined Objectives, Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting and Statement of Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

Review of the State Department's payroll revealed that several employees earning salaries below the recommended one-third of their basic salary as detailed in the table below.

	2024						2025					
Month	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan	Feb	March	April	May	June
No of Officers	23	20	6	45	39	0	4	5	5	11	14	11

This was contrary to Section 19(3) of the Employment Act, 2007 which provides that without prejudice to any right of recovery of any debt due, and notwithstanding the provisions of any other written law, the total amount of all deductions which under the provisions of subsection (1), may be made by an employer from the wages of his employee at any one time shall not exceed two-thirds of such wages or such additional or other amount as may be prescribed by the Minister either generally or in relation to a specified employer or employee or class employers or employees or any trade or industry. This may expose staff to pecuniary embarrassment.

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

2. Delay in Payment of Certified Works

The statement of financial position and Note 15 to the financial statements reflects property, plant and equipment balance of Kshs.747,930,791 which includes an amount of Kshs.545,810,768 arising from delay in payment of certified works payable to various contractors which have been outstanding for more than one (1) year. Management did not provide any mitigation measures that had been put in place to ensure contractors are paid on time.

Further, included in the property, plant and equipment balance of Kshs.747,930,791 are additions to construction and civil works balance of Kshs.202,120,023. The amount includes a balance of Kshs.63,963,716 being payments to clear some of the pending certificates for certified works for some of the stalled and completed projects.

In addition, review of Projects records revealed that the nine (9) projects with a total contract sum of Kshs.517,882,312 had totally stalled namely; completion of Ndau seawall, construction of Kiwayu Jetty and seawall, footbridge at Riagathuri Thangathi, Esukuta footbridge, Kimase-Kisabei footbridge, Kaiti footbridge, Mumoni footbridge, Muanda-Nasara footbridge and Binyenya-Kikai footbridge. However, the expenditure was not approved by the National Assembly since the projects were not included in the Approved Revised Development Expenditure Estimates for financial year 2024/2025 amount of Kshs.224,000,000.

In the circumstances, the value for money expended on the Project could not be confirmed.

3. Delay in Completion of Project

The State Department entered into contract agreement with a local contractor for completion of Ndaу seawall at a contract sum of Kshs.215,426,521 on 11 March, 2024. The contract was set to be completed in twenty-four (24) months with a commencement date of 21 March, 2024. Review of Project records revealed the following unsatisfactory matters:

- (i) As previously reported, the contract for the construction of Ndaу Seawall in Lamu District was awarded to a contractor at a contract sum of Kshs.365,103,794 in June, 2011. Review of records revealed that the contract was terminated when the project was at approximately 87% completion with Kshs.284,504,648 paid to the contractor. The contract was later terminated. Upon termination of the contract, the State Department re-advertised the tender for completion of the remaining works. However, the contract sum of Kshs.215,426,521 exceeded the estimated cost of completing the remaining works of Kshs.117,380,773
- (ii) A dispute arose upon the termination of the contract. During the arbitration, the Contractor was awarded a principal sum of Kshs.148,806,576. However, due to accrual of interest, the principal sum increased to Kshs.322,888,747. The expenditure would have been avoided had Management managed the contract in accordance with the applicable laws and regulations.
- (iii) The status and progress reports revealed that by 30 June, 2025, a total of Kshs.14,064,907 or 6.53% of the contract sum had been certified and paid to the contractor. However, the average percentage of work done was 32%.
- (iv) Further, the status report indicates that that the project is behind schedule and the main contractor had stopped all activities on site due to delayed payments of Interim Payment Certificates (IPC) No. 2, 3 and 4 for a total cost of Kshs.37,606,479.
- (v) In addition, the State Department released 10% retention to the contractor (Full Moiety) of Kshs.30,334,314 on 3 April,2025.
- (vi) Records available indicated that the total amount paid and pending bills for this project of Kshs.328,903,869 and Kshs.360,495,226, respectively, bringing the total expenditure to Kshs.689,399,095.
- (vii). The following structural element had been casted; setting out sea wall, seawall wave screen beam and sea wall bollards were at 100%, 85% and 80% respectively at the time of audit.

In the circumstances, the value for money expended on the Project could not be confirmed.

4. Failure to Budget for Prior Year Projects

Review of the projects' implementation status report as at 30 June, 2025 revealed that nine (9) prior year projects with a total contract sum of Kshs.517,882,312 and actual

Report of the Auditor-General on State Department for Public Works for the year ended 30 June, 2025

expenditure of Kshs.29,659,655 had not been completed and were on-going at various stages of completion. However, during the year under review, the Project had no budget provision.

Further, records revealed that another nine (9) projects with a total contract sum of Kshs.128,055,823 and actual expenditure of Kshs.35,870,529 had been completed by the time of the audit in June, 2025. However, the completed prior year project(s) had accumulated pending claims amounting to Kshs.92,185,294 as at 30 June, 2025 but these projects had no budget provision.

In the circumstances, the value for money on those projects could not be confirmed.

5. Delayed Completion of the Proposed Construction of a Bridge

The State Department entered into contract agreement with a local contractor for construction of the Proposed Construction of Adole Foot Bridge in Garsen Constituency, Tana River County at a contract sum of Kshs.126,204,450 on 03 December, 2024. The contract was set to be completed in twenty-four (24) months with a commencement date of 19 February, 2025. At the time of the audit in June, 2025, the project was at 20% completion and a certificate No.1 of Kshs.19,348,360 had been paid.

Review of project records revealed that the Project sign board was not erected, material sample approval including testing, manufactures warranties were not carried out despite having paid concrete and steel works worth Kshs.11,835,000. The Project Manager was not facilitated to prepare drawings and there was lack of Environmental Impact Assessment of the Project Site.

Further, review of an interim payment certificate (IPC) No.1 revealed that there was an upward variation of Kshs.1,916,000 on concrete and steel works (Bill no.2) contrary to what is indicated in the Bill of Quantities (BQ) for the item.

In the circumstances, value for money on the Project may not be achieved.

6. Irregular Award of Cleaning Services Contract through Direct Procurement

Review of records revealed that the State Department awarded a two (2) year cleaning services contract to a local company through direct procurement method at a contract sum of Kshs.41,557,563 or Kshs.1,731,563 per month citing Section 103(2)(d) of the Public Procurement and Asset Disposal Act, 2015. This section allows direct procurement where the performance of a previous contract was effective in meeting the procuring entity's needs. However, the Accounting Officer failed to provide a performance appraisal report or any documented evaluation to demonstrate that the previous engagement with the service provider met the Department's cleaning requirements.

Further, in contravention of Regulation 90(b) of the Public Procurement and Asset Disposal Regulations, 2020, the State Department did not provide any evidence that the direct procurement valued above Kshs 500,000 was reported to the Public Procurement Regulatory Authority (PPRA) within 14 days of contract award, as required.

In addition, no market survey or benchmarking report was provided to demonstrate the prevailing market rates for similar cleaning services. As such, it remains unclear whether the State Department obtained value for money, further undermining the credibility of the procurement process.

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

7. Long Outstanding Refundable Deposits

The statement of financial position and as disclosed in Note 17 to the financial statements reflects refundable deposits balance of Kshs.251,632,162. The balance includes deposits of Kshs.197,099,344 that had been outstanding for over three (3) years. The retentions have remained unpaid despite the lapse of defects liability period contrary to Regulation 106 of the Public Finance Management (National Government) Regulations, 2015 which provides that unless otherwise exempted by an Act of Parliament, any deposit which has remained unclaimed for five (5) years may, with the approval of the Cabinet Secretary, be paid into Consolidated Fund and thereafter the Accountant-General may refund the deposit to any person entitled thereto, if he or she is satisfied that the claim is authentic. Further, the balance included other deposits totaling Kshs.3,975,531 that was not withheld from contractors dating back from 2012.

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

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effects of the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

Failure to Develop a Risk Management Policy

Review of records revealed that the State Department did not have in place an institutionalized Risk Management Policy hence no formal approved processes and guidelines on how to mitigate operational, legal and financial risks. Confirmations from the Internal Audit function indicated that the State Department was still in the process of

developing one. This may have raised the level of financial and operational risks faced by the State Department.

In the circumstances, the effectiveness and efficiency of the State Department's risk management could not be confirmed.

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

Responsibilities of the Management and those Charged with Governance

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

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

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

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

Those charged with governance are responsible for overseeing the State Department's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error


Report of the Auditor-General on State Department for Public Works for the year ended 30 June, 2025

and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

19 December, 2025

State Department For Public Works
Annual Reports and Financial Statements for the year ended 30th June, 2025

13. Statement of Financial Performance for the year ended 30th June, 2025

	Notes	Year Ended 30th June, 2025
		Kshs
Revenue from non-exchange transactions		
Transfers from Exchequer	5	3,251,284,488
Proceeds from sale of Assets	6	960,196,265
Total		4,211,480,753
Revenue from exchange transactions		
Miscellaneous income	7	953,492
Total		953,492
Total revenue		4,212,434,245
Expenses		
Employee costs	8	870,734,718
Use of goods and services	9	323,176,885
Transfers to other Government Entities	12	2,833,002,469
Total expenses		4,026,914,071
Other gains/(losses)		
Surplus/Deficit for the year		185,520,174
Net Surplus/Deficit		185,520,174

The Financial Statements were signed by:


Mr. Joel P. L. Arumonyang CBS
Accounting Officer

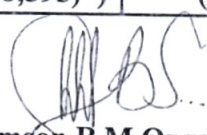
Samson B.M Ongalo
Head of Accounting Unit
ICPAK M/No.3128

14.Statement of Financial Position as at 30th June, 2025

	Notes	Year ended 30th June 2025	Interim Statement 31 July 2025
		KSh	KSh
Assets			
Current Assets			
Cash and Cash equivalents	14	252,865,156	303,295,561
Receivables from exchange transactions	11	429,576	-
Total Current Assets		253,294,733	303,295,561
Non-Current Assets			
Property, Plant, and Equipment	15	747,930,791	-
Total Non-Current Assets		747,930,791	-
Total Assets (A)		1,001,225,524	303,295,561
Liabilities			
Current Liabilities			
Trade and Other Payables	16	1,529,727,880	696,695,679
Refundable Deposits	17	251,632,162	298,805,492
Current provision	10	1,768,901	-
Total Current Liabilities		1,783,128,943	995,501,171
Non-Current Liabilities			
Non-current provision	10	2,765,176	2,765,176
Total Liabilities (B)		1,785,894,119	998,266,347
Net Assets (A-B)		(784,668,595)	(694,970,786)
Represented By:			
Accumulated Surplus		(784,668,595)	(694,970,786)
Net Assets		(784,668,595)	(694,970,786)

The financial statements were signed by:

Mr. Joel P L. Arumonyang CBS
Accounting Officer


Samson B.M Ongalo
Head of Accounting Unit
ICPAK M/No.3128

State Department For Public Works
Annual Reports and Financial Statements for the year ended 30th June, 2025

15. Statement of Changes in Net Assets for the year ended 30th June, 2025

Description	Accumulated Surplus	Reserves	Capital Fund	Total
	kshs	kshs	kshs	kshs
As at 30th June 2024 (cash basis)	4,490,069	-	-	4,490,069
Adjustments:				-
Pending bills	(696,695,679)			(696,695,679)
Changes in Payables	(272,187,465)			(272,187,465)
Changes in non-current Provision	(2,765,176)			(2,765,176)
As at July 1, 2024	(967,158,251)	-	-	(967,158,251)
Surplus/ deficit for the period	185,520,174			185,520,174
Returns to exchequer	(3,030,518)			(3,030,518)
As at 30th June,2025	(784,668,595)		-	(784,668,595)

16. Statement of Cash Flows for the year ended 30th June, 2025

		<i>Year Ended 30th June, 2025</i>
	Notes	Kshs
Cash flows from operating activities		
Receipts		
Transfers from exchequer	5	3,251,284,488
Proceeds from sale of Assets	6	960,196,265
Miscellaneous income	7	953,492
Total receipts		4,212,434,245
Payments		
Employee costs	8	870,734,718
Use of goods and services	9A	355,745,822
Transfers to other Government Entities	12	2,833,002,469
Total payments		4,059,483,009
Net cash flows from/(used in) operating activities		152,951,236
Cash flows from investing activities		
Purchase of PPE	15	202,120,023
Net cash flows from/(used in) investing activities		(202,120,023)
Increase in Provision		1,768,861
Cash flows from financing activities		
Return to Exchequer	14	(3,030,479)
Net cash flows from financing Activities		(3,030,479)
Net increase/(decrease) in cash & Cash equivalents		(50,430,405)
Cash and cash equivalents at the start of the period		303,295,561
Cash and cash equivalents at the end of the period		252,865,156

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17. Statement of Comparison of Budget & Actual amounts for the year ended 30th June, 2025
Recurrent and Development Combined

Description	Original budget	Adjustments	Final budget	Actual on-a comparable basis	Budget utilization difference	% of utilization
	A	B	C=a+b	D	E=c-d	F=d/c %
Revenue						
Transfers from exchequer	3,959,078,552	(692,119,123)	3,266,959,429	3,251,284,488	15,674,941	99%
Proceeds from sale of Assets	1,050,000,000		1,050,000,000	960,196,265	89,803,735	91%
Other income		2,100,000	2,100,000	953,492	1,146,508	45%
Total revenue	5,009,078,552	(690,019,123)	4,319,059,429	4,212,434,245	106,625,184	98%
Expenses						
Employees Costs	920,000,000	(38,182,841)	881,817,159	870,734,718	11,082,441	99%
Use of goods and services	313,930,852	(11,688,582)	302,242,270	323,176,885	20,934,615	106%
Transfers to other government units	2,671,000,000	240,000,000	2,911,000,000	2,833,002,469	77,997,531	97%
Total recurrent expenses	3,904,930,852	190,128,577	4,095,059,429	4,026,914,072	68,145,357	98%
Capital items						
Acquisition of PPE	1,104,147,700	(880,147,700)	224,000,000	202,120,023	21,879,977	90%
Total expenses Development	1,104,147,700	(880,147,700)	224,000,000	202,120,023	21,879,977	90%
Total expenses	5,009,078,552	(690,019,123)	4,319,059,429	4,229,034,094	90,025,334	98%
Surplus/ deficit	-	-	-	(16,599,850)	16,599,850	

Reconciliation table

	Operating	Financing	Investing	total
Actual amounts on comparable basis presented in the budget and actual comparative statement	(16,599,850)	-	-	(16,599,850)
Basis difference				
Timing differences	272,495,485			272,495,485
MDA differences				
Classification differences	(3,030,479.15)			(3,030,479.15)
Actual in the statement of cashflows	252,865,156			252,865,156

18. Notes to the financial statements

1. Establishment

The State Department for Public Works is established by and derives its authority and accountability from PFM Act/Executive Order. The State Department for Public Works is wholly owned by the Government of Kenya and is domiciled in Kenya.

2. Statement of Compliance and Basis of Reporting

Statement of compliance

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

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

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

We have recognized all the pending bills in the financial statements ending 30th June 2025 as payables and we also identified some assets as work in progress under Property Plant and equipment

The financial statements have been prepared in accordance with the Public Finance Management Act, and International Public Sector Accounting Standards (IPSAS) the State Department for Public Works has taken advantage of the transitional provisions under IPSAS 33 and recognised financial liabilities and financial assets bought in year 2023/2024 and FY 2024/2025 , the unrecognised asset are awaiting valuation which will be recognised in the FY 2026/2027 and Inventories will be recognised in the FY 2025/2026

These financial statements were authorized for issue by the Accounting Officer on 30th June, 2025.

These financial statements were authorized for issue by the Accounting Officer on 30th June, 2025.

Notes to the financial statements

Reporting period

Basis of preparation

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

Critical accounting judgements

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

Recognition of revenue

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

Recognition of non-exchange expenses and liabilities

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

The *MDA* pursues a number of policy targets and outcomes. However, the commitment to these targets and outcomes, generally, do not of themselves constitute a present obligation unless the *MDA* is clear on the cost it intends to incur, when payment will be made, and to whom and as a consequence has raised a valid expectation. As a consequence, liabilities are not reported for costs associated with the *MDA* policy objectives and targets. Where a policy choice gives rise to an obligation that exists

independently of the MDAs future actions, expenses (and other related liabilities) are recognized for that policy.

Purpose and nature of financial instruments

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

Climate change obligations

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

Physical assets

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

3. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes, and fines

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

Transfers from other government entities

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

ii) Revenue from exchange transactions

Rendering of services

The MDA recognizes revenue from the rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Interest income

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

Rental income

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

b) Budget information

The original budget for FY 2024/25 was approved by the National Assembly on *1st July, 2025*. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the MDA upon receiving the respective approvals to conclude the final budget. Accordingly, the MDA recorded additional appropriations on the 2024/2025 budget following the governing body's approval. The MDA's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on an accrual basis using a classification based on the nature of expenses in the statement of financial

performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of cashflows has been presented under these financial statements.

c) Investment property

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

d) Property, plant, and equipment

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

e) Right of use asset

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

f) Tangible Natural Resources

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

g) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are

not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite.

h) Research and development costs

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

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

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

i) Financial instruments

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

i) Financial assets

Classification of financial assets

The MDA classifies its financial assets as subsequently measured at amortized cost, fair value through net assets/ equity, or fair value through surplus and deficit based on both the MDA's management model for financial assets and the contractual cash flow characteristics of the financial asset. A

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

Subsequent measurement

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Amortized cost

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

Fair value through net assets/ equity

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

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts.

Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year-end.

Fair value through surplus or deficit

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

Impairment

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

i) Financial liabilities

Classification

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

j) Inventories

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

i) Raw materials: purchase cost using the weighted average cost method.

ii) Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

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

are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the *MDA*.

k) Provisions

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

l) Social Benefits

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

m) Contingent liabilities

The *MDA* 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.

n) Contingent assets

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

o) Nature and purpose of reserves

The *MDA* creates and maintains reserves in terms of specific requirements.

p) Changes in accounting policies and estimates

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

q) Employee benefits

Retirement benefit plans

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

r) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported on the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

s) Borrowing costs

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

t) Related parties

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

u) Service concession arrangements

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

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

v) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at the bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

w) Biological Assets

All biological assets (including those acquired biological assets through a non-exchange transaction) are measured at fair value less costs to sell unless fair value cannot be measured reliably. Agricultural produce is measured at fair value at the point of harvest less costs to sell. Any change in the fair value of biological assets during a period is reported in surplus or deficit.

x) Comparatives

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

4. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The MDA based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the MDA. Such changes are reflected in the assumptions when they occur.

Useful lives and residual value

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- a) The condition of the asset based on the assessment of experts employed by the MDA.
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- c) The nature of the processes in which the asset is deployed.
- d) Availability of funding to replace the asset.
- e) Changes in the market in relation to the asset

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 40.

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

(include provisions applicable to your organization e.g. provisions for bad debts, provisions of obsolete stocks and how management estimates these provisions).

Notes to the Financial Statements (Continued)

5. Transfers from the Exchequer

State Department for Public Works

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Nature of transfer	Amount recognized to State after deducting financial performance	Amount cleared under contract	Amount transferred
	K\$'s	K\$'s	K\$'s
Recurrent	3,036,046,017		3,036,046,017
Development	215,238,471		215,238,471
Total	3,251,284,488		3,251,284,488

Description	Year ended 30th June 2025	
	K\$'s	
Recurrent		3,036,046,017
Development		215,238,471
Total		3,251,284,488

6. Proceeds from sale of assets

Description	Year ended 30th June 2025	
	K\$'s	
Receipts from the Sale of Inventories, Stocks and Commodities		949,802,469
Receipts from the Sale of Non-Produced Assets Collected as AIA		10,393,796
Total Proceeds from sale of assets		960,196,265

7. Miscellaneous Income

Description	Year ended 30th June 2025	
	K\$'s	
Other receipts		953,492.00
		-
Total Miscellaneous Incomes		953,492.00

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Notes to the Financial Statements (Continued)

8. Employee Costs

	Kshs
Basic salaries of permanent employees	568,441,600
Personal allowances – part of salary	300,524,217
Gratuities due	1,768,901
Total Employee costs	870,734,718

9. Use of Goods and Services

Description	Year ended 30th June, 2025
	Kshs
Utilities, supplies and services	18,045,041.00
Communication, supplies and services	3,038,874.00
Domestic travel and subsistence	82,024,431
Foreign travel and subsistence	132,900.00
Printing, advertising, and information supplies & services	1,013,950
Rentals of produced assets	85,999,862.00
Training expenses	6,452,010
Hospitality supplies and services	5,690,330.00
Specialized materials and services	3,805,523.20
Office and general supplies and services	13,068,635.00
Fuel Oil and Lubricants	16,240,727.00
Routine maintenance – vehicles and other transport equipment	13,003,462.80
Routine maintenance – other assets	13,079,867
Other operating expenses	61,581,272
Current year payable adjustment	-
Total Use of Goods and Services	323,176,885

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9 (A). Use of Goods and Services - Adjusted for CashFlow

Description	
Use Of Goods and Services	323,176,885
Less: Current year payable adjustment	(19,656,349)
Add: Receivables	429,576
Pending bills paid during the year	4,622,380
Retention paid during the year	47,173,330
Total Adjusted Use Of Goods and Services	355,745,822

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10. Provisions

Description	Gratuity Provision Kshs	Total Kshs
Opening bal 1st July 2024	2,765,176	2,765,176
Additional provisions	1,768,901	1,768,901
Provision utilised	-	-
Total provisions period end	4,534,077	4,534,077
Current Provisions	1,768,901	1,768,901
Non-current Provisions	2,765,176	2,765,176
Total	4,534,077	4,534,077

11. Receivables from Exchange Transactions

Description	Period ended June 2025		Opening statement
	Kshs		1st July 2024 Kshs
Projects Advance payments	429,576	-	-
Total Receivables	429,576	-	-
a) Current receivables	429,576	-	-
b) Non-current receivables	-	-	-
Total receivables	429,576	-	-

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Notes to the Financial Statements (Continued)

12. Transfers to Other Government Entities

Description	Period ended 30th June, 2025
	Kshs
Transfers to national Govt. entities- SAGAs & SC	2,809,200,000
Over-expenditure and excess to be surrendered to exchequer by NCA	23,802,469
Total Transfers to Other Government Entities	2,833,002,469

12 (A). Transfers to Other Government Entities - Adjusted for CashFlow

Description	Year ended 30th June, 2025
	Kshs
Transfers to national Govt. entities- SAGAs & SC	2,833,002,469.00
Others (specify) - CashFlow adjustment	-
Total Adjusted Transfers to Other Government Entities	2,833,002,469

13. Cash and Cash Equivalents

Description	Year ended 30th June, 2025	Opening statement
	Kshs	1st July 2024 Kshs
Central Bank of Kenya, 1000395532,KShs - Recurrent	1,202,995	781,626
Central Bank of Kenya, 1000395613,KShs - Development	30,000	2,248,853
Central Bank of Kenya, 1000395688,KShs - Deposit	251,632,162	298,805,492
Cash in Hand	-	1,459,590
Total	252,865,156	303,295,561

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Notes to the Financial Statements (Continued)

14 Detailed Analysis of the Cash and Cash Equivalents

Financial Institution	Account number	Period ended 30th June, 2025	Opening statement
		Kshs	1 st July 2024
Recurrent Account	1000395532	1,202,995	781,626
Development Accounts	1000395613	30,000	2,248,853
Deposits Accounts	1000395688	251,632,162	298,805,492
Cash on Hand		-	1,459,590
Sub- Total		252,865,156	303,295,561
Grand Total		252,865,156	303,295,561

15. Property, Plant, and Equipment

Description	Buildings	Work in progress-Construction and Civil Works	Total
Depreciation Rate	0	0	
Cost	Kshs	Kshs	Kshs
Opening Bal as 1st July 2024		545,810,768	545,810,768
Additions		202,120,023	202,120,023
TOTAL PPE		747,930,791	747,930,791
Depreciation And Impairment			
Depreciation		0	0
			-
NBV As At 30th June, 2025		747,930,791	747,930,791

16. Trade and Other Payables

Description	Year ended 30th June, 2025	Opening Statement 1 st July 2024
	Kshs	Kshs
Trade payables	1,530,157,456	696,695,679
Payments received in advance	(429,576)	-
Total trade and other payables	1,529,727,880	696,695,679

17. Refundable Deposits and Prepayments

Description	Year ended 30th June, 2025	Opening Statement 1 st July 2024
	Kshs	Kshs
Customer deposits	251,632,162	298,805,492
Total deposits	251,632,162	298,805,492

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18. Cash Generated from Operations

	Year ended 30th June, 2025
	Kshs
Surplus for the period before tax	185,520,174
Adjusted for:	
Increase in payables	19,656,349
Increase in payments received in advance	(47,173,331)
Increase in receivables	(429,576)
Decrease in payables	(4,622,380)
Net cash flow from operating activities	152,951,236

19. Ultimate And Holding MDA

The MDA ultimate parent is the Government of Kenya.

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20.Currency

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

19. Appendix

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

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
2021/2022	962 Irregular Payments under Use of Goods and Services	The Committee reprimands the Accounting Officer's for failure to keep proper accounting records contrary to section 68 (2) (k) of the PFM Act 2012.	The accounting officer identified and warned the officers involved. Officers were further trained on proper record keeping and documentation procedures to enhance Internal controls	
	963. Irregular Payments under acquisition of Assets	i) The Committee noted the submission by the Accounting Officer. The Committee found that the matter was resolved.	The matter was resolved	
	964. Compensation of Employees -	The Committee recommends that the State Department for Public Service	The State department will liaise with Public	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
	Payments Outside Integrated Payroll and Personnel Database (I P PI) System	configures the IPPD system to capture all allowances payable to all cadres of staff within three (3) months of adoption of this report	Service To configure the IPPD system to capture all allowances payable to all cadres of staff	
	965. Unconfirmed Transfers to Other Government Units	i) The Committee observed that the Auditor General had since verified the payments. ii) The Committee found that the matter was resolved.	The matter was resolved	
	966.1. Payments to Staff not Captured as Outstanding Imprest	The Committee reprimands the Accounting Officer for breach of section 93 (5) of the PFM (National Govt. Regulations	The accounting officer identified and warned the officers involved. Officers were further trained on proper record keeping and documentation procedures to enhance Internal controls	
	966.2. Imprest to Staff	i) The Committee noted the submission by the Accounting Officer. ii) The Committee found that the	The matter was resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		matter was resolved.		
	967.1. Inaccuracies in Pending Bills	The Committee recommends (that the Accounting Officer settles all pending bills as first charge subject to section 42 (1) (a) of the PFM (National Govt.) Regulations.	The accounting officer settled all Pending bills as first charge in the subsequent years where there was budgetary allocation.	
	968. Understatement of Pending Bills for Security Services	The Committee recommends that the Auditor General confirms the payment including withholding tax in the subsequent audit.	Referred to Office of The Auditor General	
	969. Uncollected Rent Income	The Committee recommends that KNEC recognizes the debt and settles as provided for in the lease, or the Accounting Officer to terminate the lease, within three (3) months of adoption of this report.	KNEC settled the outstanding debt	
	970. Budgetary Control and Performance	The Committee recommends that the Accounting Officer and Director General NCA settle the matter within three (3) months of adoption of this report.	The matter was resolved subsequently. NCA provides A in A collection and captured in State Department financials	

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Reference No. on the external audit Report	Issue/ Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
	971. Pending Bills	.The Committee recommends that the Accounting Officer in liaison with National Treasury prioritizes settlement of pending bills as first charge, subject to section 42 (1) (a) or the 1) FM (National Govt. Regulations).	The Accounting Officer surrendered all the bills to the Pending Bills Verification Committee under The National Treasury because the State Department did not have any budget allocation that could settle them	
	972. Staffing Levels Above Approved Staff Establishment	The Committee recommends that the Accounting Officer in liaison with the Public Service Commission completes the review and compliance of the staff establishment within three (3) months of adoption of this report.	The State Department's Organization Structure and Staff Establishment was reviewed from 818 posts to 2574 posts by Public Service Commission vide letter Ref. No. PSC/EMCS/8/3/ (9) dated 5 th June, 2024 (copy attached). Meaning the State Department complied	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	973. Delay in Completion of Projects	<ul style="list-style-type: none"> i) The works hybrid funding model, i.e. 70% from national government and 30% from county government had seen supervision challenges; ii) The contractors identified by the county government were slow in executing works, pointing to possible lack of capacity. 	The projects have been handed over to the respective County Governments for the completion of the outstanding works	
	973.1. Proposed Headquarters for Nyandarua County at Olkalou	<p>The Committee recommends that;</p> <ul style="list-style-type: none"> i) National Treasury issues the balance of contract sums to the county government as conditional grants in the next financial year; ii) The Accounting officer ensures recovery of liquidated damages for delays occasioned by the contractors; iii) The Accounting Officer avails a status report within three (3) months of adoption of this report. 	<ul style="list-style-type: none"> i) The National Treasury has been allocating funds in the Conditional Allocation to the Counties ii) The damages could not be recovered as the contractor went to arbitration. iii) A status report was submitted 	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
	<p>973.2.</p> <p>Proposed Completion of Voi Pool Housing Project</p>	<p>The Committee recommends that the State Department for Housing takes up the project under the affordable housing programme within three (3) months of adoption of this report.</p>	<p>The State Department for Housing took over site I and is progressing with development there. They are yet to take over site II; the State Department for Public Works has sent reminders on the same.</p>	
	<p>973.3.</p> <p>Proposed Completion of Migori District I headquarters</p>	<p>The Committee recommends that the State Department for Interior and Coordination of National Government takes up the project within three (3) months of adoption of this report and completes it in the next financial year.</p>	<p>The project was handed over to the State Department for Interior; the staff houses are now occupied.</p>	
	<p>973.4.</p> <p>Interest on Delayed Payment - Completion of Longisa Sub-District Hospital</p> <p>Review of records revealed that the State Department paid Kshs. 888,562 to a local company for mechanical</p>	<p>The Committee reprimands the Accounting Officer for not protecting public interest.</p>		

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Reference No. on the external audit report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>engineering services rendered on the contract for Longisa sub-district hospital. The amount is a claim of interest due to delay in honoring the fee note for services offered for the period January, 2017 to February, 2020.</p> <p>In the circumstances, the x value for money of Kshs. 888, 562 paid as interest on delayed payments will not be realized.</p>			
	<p>973.5. Proposed Completion of Mathare Nyayo Hospital</p>	<p>i) The Committee observed that the project had been completed. ii) The Committee found that the matter was resolved.</p>		
	<p>973.6. Proposed Construction of Isiolo County Headquarters</p>	<p>National Treasury issues the balance of contract sums (of the County Government as conditional grants in the next financial year; i) The Accounting officer ensures recovery of liquidated</p>	<p>i The liquidated damages could not be levied as the project was still within the contract period. The project was handed over to</p>	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>damages for delays occasioned by the contractors;</p> <p>ii) The Accounting Officer avails a status report within three (3) months of adoption of this report.</p>	<p>the County Government for the execution of the outstanding works.</p> <p>ii The status report was availed.</p>	
	974. Termination of Contracts and Related Costs	<p>i) The Committee observed that the works were complete.</p> <p>ii) The Committee found that the matter was resolved</p>	The matter was resolved	
	974.1. Rehabilitation of Mtangawanda Jetty			
	974.2. Construction of Ndau Sea Wall	The Committee recommends that the Accounting Officer submits a status report within three (3) months of adoption of this report.	The completion works have been awarded to another Contractor and currently at 33% completion.	
	975. Projects Behind Schedule	<p>The Committee recommends that:</p> <p>i) National Treasury issues the balance of contract sums to the county government as conditional</p>	i The National Treasury has continued to allocate funds through the	

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Reference No. on the financial audit Report	Issue/Observations from Auditor	Management comments	Status: <i>(Resolved/Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
		<p>grants in the next financial year;</p> <p>ii) The Accounting Officer ensures recovery of liquidated damages for delays occasioned by the contractors:</p> <p>iii) The Accounting Officer avails a status report within three (3) months of adoption of this report.</p>	<p>conditional allocation.</p> <p>ii The projects have been handed over to the County governments for completion.</p> <p>iii The status reports have been submitted.</p>	
	<p>976. Incomplete Motor Vehicle Register</p>	<p>The committee recommends that the Accounting Officer ensures; that there is a complete motor vehicle register within three (3) months of adoption of (his report.</p>	<p>The Register for motor vehicles is available. However, logbooks for some vehicles are not available having been occasioned by contractors not releasing the logbooks to the State Department. The Accounting Officer has put up a team to follow up on the same.</p>	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
			It should be noted that vehicles without logbooks were bought as project vehicles by Contractors.	
	977. Incomplete Fixed Asset Register	The Committee recommends that the Accounting Officer ensures that there is a complete fixed assets register within three (3) months of adoption of this report.	The incomplete Asset Register was occasioned by lack of ownership documents for land and buildings. It is imperative to note that these fixed assets were owned by the then Ministry of Public Works, which comprised of the current State Departments of Roads and Public Works. The two State Departments are in the process of crafting a sharing formula and	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
			consequently embark on the process of acquiring ownership documents (read certificates of title).	
	<p>978.</p> <p>Audit Committee and Internal Audit</p>	<p>The Committee reprimands the Accounting Officer for failure to facilitate the internal audit function contrary to Section 179(1) of the Public Finance Management (National Government) Regulations</p>	<p>The Ministerial Audit Committee was constituted and is facilitated as and when a request is made to the Accounting Officer. The Accounting Officer has always facilitated the Internal Audit function and Internal Auditors have been accorded the cooperation and support required whenever the same is sought.</p>	

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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 Point persons within your MDA 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

Date:

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Appendix II: Projects implemented by

Name of Programme	Sub programme	Delivery Unit	Key Output	Key Performance Indicator	Annual Target(s)	Achieved Actual as 30th June, 2025	Variance	Remarks
Coastline Infrastructure and Pedestrian Access	Pedestrian Access	Structural Department	Footbridges constructed	% of Footbridges supervised	20	8	0	Award letters for construction of 7 New footbridges done.
General Administration Planning & Support Services	Procurement, warehousing and supply	Supplies Branch	Term supply contracts procured	No. of term contracts processed	20	0	0	No tenders were advertised in the first quarter
Regulation and Development of the Construction Industry	Research Services	Kenya Building Research Centre	Innovative building materials and technology researches /Survey	No of research reports / Products	2	1	0	Research was done
	Building Standards	National Building Inspectorate	Buildings / Structures inspected and audited	No. of buildings /structures inspected and audited	500	0	530	Target achieved

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Status of Projects completion

Project Name (a)	Project commencement Date (b)	Expected date of completion of the project (c)	Source of Funds (GoK/Donor/Foreign Borrowings/Commercial Borrowings) (d)	Estimated value of the project (Kshs. Million) (e)	Total funding in the FY 2024/25 (Kshs. Million) (f)	Expenditure in the FY 2024/25 (Kshs. Million) (g)	Cumulative expenditure as of 30 th September 2024 (Kshs. Million) (h)	Percentage (%) of Completion (i=h/e)	Remarks/challenges faced in implementing projects
1095105100 Construction Gatono- Nazareth Bridge	11/11/2024	11/09/2025	GoK	75	30	0	0	0	Project implementation at 42%
1095105102 Construction of Athena- Maraba Bridge	11/11/2024	11/09/2025	GoK	20	15	0	0	0	Project implementation at 82%
1095105103 Construction of Kokwa- Highland floating bridge	11/11/2024	11/11/2027	GoK	180	9	0	0	0	Project implementation at 9%
1095105106 Construction of Erimet Bridge	11/11/2024	11/11/2025	GoK	22	8	0	0	0	Project implementation at 30%
1095105105 Construction	11/11/2024	11/11/2026	GoK	100	32	0	0	0	Project implementation at

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of Ololunga - Olepolos Bridge									41%
1095105104 Indoli- Mwichina Bridge	11/11/2024	12/11/2026	GoK	30	10	0	0	0	Project implementation at 94%
Handaraku Footbridge	11/11/2024	11/11/2026	GoK	130	60	0	0	0	Project implementation at 28%
Adole Footbridge	11/11/2024	11/11/2026	GoK	135	60	0	0	0	Project implementation at 17%
GRAND TOTAL				692	224	0	0		

Appendix IV: Transfers from other Government Entities

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount KES	Statement of Financial Performance	Where Recorded/recognized				Total Transfers during the Year
					Deferred Income	Receivables	Others must be specific		

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Appendix III : Fixed Asset Register

Asset class	Historical Cost b/f (Kshs) Previous Year	Additions during the year (Kshs)	Disposals during the year (Kshs)	Transfers in/(out) during the year	Historical Cost c/f (Kshs) Current Year
Land					
Buildings and structures					
Transport equipment					
Office equipment, furniture and fittings					
ICT Equipment					
Machinery and Equipment					
Biological assets					
Infrastructure Assets- Roads, Rails					
Heritage and cultural assets					
Intangible assets					
Work in Progress	545,810,768	202,120,023	-	-	
Total	545,810,768	202,120,023	-	-	747,930,791

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Appendix VI: Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities					Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		

Appendix VII: Disaster Expenditure Reporting Template

Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments

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