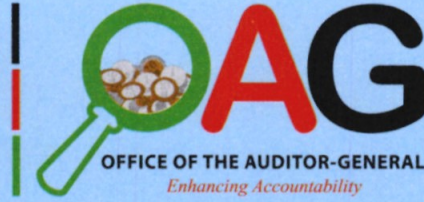


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Enhancing Accountability

REPORT

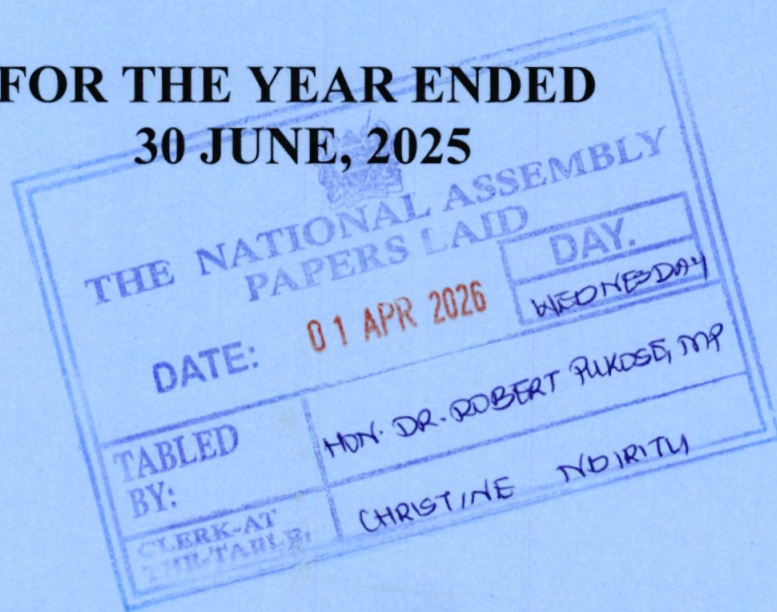
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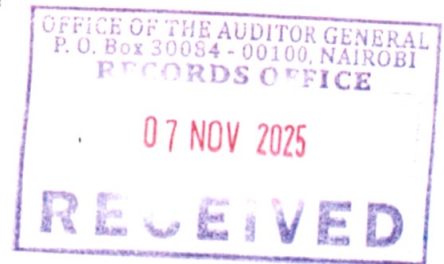
THE AUDITOR-GENERAL

ON

STATE DEPARTMENT FOR ROADS

FOR THE YEAR ENDED
30 JUNE, 2025





STATE DEPARTMENT FOR ROADS

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED JUNE 30, 2025

Transitional IPSAS Financial Statements Prepared in accordance with the Accrual Basis of Accounting Method Under
International Public Sector Accounting Standards (IPSAS)

STATE DEPARTMENT FOR ROADS

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

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1. Acronyms and Definition of Key Terms

A: Acronyms and abbreviations

CS	Cabinet Secretary
PS	Principal Secretary
CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
OCOB	Office of the Controller of Budget
OAG	Office of the Auditor General
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies
SC	State Corporations
TNT	The National Treasury
WB	World Bank
ICPAK	Institute of Certified Public Accountants of Kenya
KeRRA	Kenya Rural Roads Authority
KRB	Kenya Roads Board
KURA	Kenya Urban Roads Authority
KeNHA	Kenya National Highways Authority
CBK	Central Bank of Kenya
FY	Financial Year
IEK	Institution of Engineers of Kenya
KBA	Kenya Bankers Association
RMLF	Road Maintenance Levy Fund
PPDA	Public Procurement and Disposal Act
EPC	Engineer, Procure and Construct
OAG	Office of the Attorney General
KM	Kilometers

STATE DEPARTMENT FOR ROADS
Annual Report and Financial Statements for the year ended 30th June 2025

CPA	Certified Public Accountant
FCPA	Fellow of the Institute of Certified Public Accountant
CBS	Chief of the Order of the Burning Spear
HSC	Head of State's Commendation
GoK	Government of Kenya
EBK	Engineers Board of Kenya
KETRB	Kenya Engineering Technicians Registration Board
NTSA	National Transport Safety Authority
KIHBT	Kenya Institute of Highways and Building Technology
MTRD	Materials Testing and Research Division

B: Definition of Key Terms

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

STATE DEPARTMENT FOR ROADS

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

2. Key State Department for Roads Information and Management

(a) Background information

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

(b) Mandate

The mandate of the State Department is to oversee development, rehabilitation, maintenance and overall, of the public road in the country

1. National roads development policy,
2. Development, standardization and maintenance of roads.
3. Materials testing and advise on usage.
4. Protection Of road reserves.
5. Maintenance of security roads.
6. Administer Mechanical and Transport Fund.
7. Registration of engineers.
8. Mechanical and transport services; and
9. Enforcement of axle load control.

Our mission

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

Our Vision

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

Core Values

Genuine passion in service delivery, Respect and Courtesy, Efficiency and Effectiveness, Professionalism, Promptness, Transparency and Accountability, Creativeness and Innovativeness, Integrity, Impartiality, Competence and Equity.

(c) Key Management

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

- Cabinet Secretary
- Principal Secretary
- Central Administrative Services.
- Technical Services.

STATE DEPARTMENT FOR ROADS

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

- Materials Testing and Research.
- Mechanical and Transport Services
- Training Services; and
- Fiduciary Management

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

(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
1	Cabinet Secretary	Davis Chirchir, EGH
2	Accounting Officer	Eng. Joseph M. Mbugua, CBS
3	Roads Secretary	Eng. Luka Kimeli
4	Secretary Administration	Mwongo Chimwanga
5	Director Administration	Paul Anyumba Nyamwaya

(e) Fiduciary Oversight Arrangements

- Audit and finance committee activities

The State Department of Roads Budget for 2024/2025 was scrutinized and adopted for approval by the Departmental Committee of Transport and Infrastructure. The Budget Appropriation Committee of the National Assembly further interrogated the allocations to Road Projects covered under the Development Budget.

- Parliamentary committee activities

Within the Financial Year 2024/2025, the State Department appeared before the parliamentary committees as follows: -

- Public Accounts Committee and finished discussions of the Auditor General's report for 2022/2023
- Presented the Supplementary budgets 2024/2025 to the Transport and Infrastructure Committee and Draft Budget for 2025/2026.

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- Special Funds Committee on the Roads Annuity Fund Auditor General's Report for 2022/2023

- Development partner oversight activities

The World Bank is the major Development Partner that finances Development Budget Road works. The World Bank is a member of the Project Oversight Committee (POC) that is hosted by the State Department that periodically met to review the implementation of road projects over the financial year. Other Development Partners such as Africa Development Bank (ADB) held meetings with the State Department of the required budgetary provisions over the 2024/2025 budget cycle.

- Other oversight activities

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

(f) Entity Headquarters

P.O. Box 30260
City Square 00200
Works Building
Ngong Road
NAIROBI, KENYA

Entity Contacts

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

(g) Entity Bankers (all banks)

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

STATE DEPARTMENT FOR ROADS**Annual Report and Financial Statements for the year ended 30th June 2025**

(h) Independent Auditors

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

(i) Principal Legal Adviser

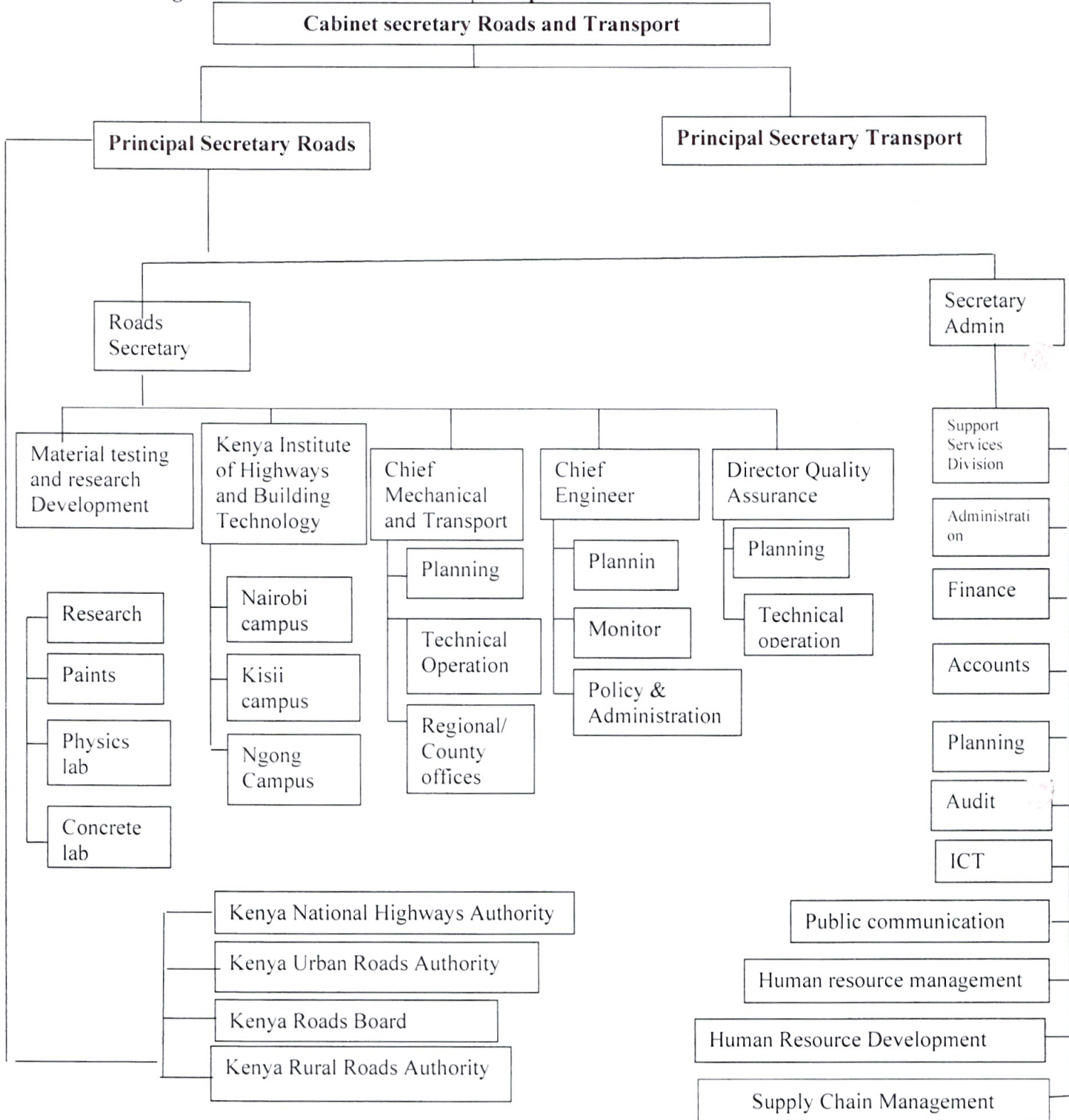
The Attorney General
State Law Office & Department for Justice.
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

STATE DEPARTMENT FOR ROADS

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

3. Statement of Governance

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



Management Committees established and their roles.

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

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

1. Road Safety Committee

Terms of Reference

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

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

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

2. Service Delivery Committee

Terms of Reference

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

3. Disability and Gender Mainstreaming Committee

Terms of Reference

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

STATE DEPARTMENT FOR ROADS

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

- xi. Develop/review and implement workplace Gender Based Violence Policy
- xii. Implement relevant laws on prevention and response to Gender Based Violence
- xiii. Submit Quarterly Reports in their prescribed format to NCPWD, the State Department for Gender and the National Gender and Equality Commission.

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

Terms of Reference

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

5. Safety and Security Measures

Terms of Reference

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

6. National Cohesion and Values Committee

Terms of Reference

- i. The Committee shall promote national cohesion, national values and principles of governance to create a transformed, cohesive, peaceful, united and values-driven nation.
- ii. Align and implement commitments and way forward captured in the 2024 Annual President's Report on National Values and Principles of Governance.
- iii. Submit quarterly reports to the Directorate of National Cohesion and Values in the prescribed format the Annual Report on measures taken and progress achieved in the realization of National Values and Principles of Governance.

7. Integrity Assurance Committee

Terms of Reference

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

8. ISO 9001:2015 Re-Certification Committee

Terms of Reference

- i. Coordinate transition to ISO 9001:2015 and implement the ISO processes and procedures in the Department.
- ii. Determining, documenting and updating context document for the division/unit.
- iii. Ensure establishment, implementation, maintenance and continual improvement of processes in the division/ unit.
- iv. Ensuring identifications of risks associated with the operations of the division/unit, taking actions to address them and assessing the effectiveness of these actions.
- v. Ensuring establishment, monitoring and updating of quality objectives for the division/unit.
- vi. Ensuring monitoring, measurement, analysis and evaluation of QMS performance in the division or unit on a quarterly basis and reporting to the Management Representative.
- vii. Ensuring that persons doing work in the division/unit are aware of:
 - a. The quality policy.
 - b. Relevant quality objectives.
 - c. Their contribution to the effectiveness of the quality management system, including the benefits of improved performance.
 - d. The implications of not conforming to the quality management system requirements.
- viii. Assisting the HOD during QMS audits, analyzing the root causes for the non-conformities identified during internal and certification audits and taking appropriate correction and corrective actions without undue delay.

STATE DEPARTMENT FOR ROADS

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

- ix. Acting as the secretary during Quarterly meetings held in the division/unit to review the performance of QMS.
- x. Member of QMS technical committee.
- xi. Any other responsibility may be assigned on QMS implementation.

9. Budget Implementation Committee

Terms of Reference

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

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

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

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

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

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

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

12. Public Finance Management Committee

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

- i. Ensuring that there is prioritization on resources allocated to the State Department for the smooth implementation of the State Department's mission, strategy, goals, risk policy plans and objectives.
- ii. Regularly reviewing, monitoring budget implementation and advice on the State Department's accounts, major capital expenditures and reviewing performance and strategies at least on a quarterly basis.

STATE DEPARTMENT FOR ROADS

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

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

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

Over the Financial Year 2024/25, the following staff in key leadership positions attended training

No	Name	Designation	Course Attended	Financier
1.	Eng. Joseph M. Mbugua	Principal Secretary	Environmental Social and Governance (ESG)	World Bank
2.	Eng. James Kungu	Chief Engineer, Roads	Environmental Social and Governance	World Bank
3.	Eng. Henry Nyakwaka	Director - Kenya Institute of Highways and Building Technology	Monitoring and Evaluation of Projects	World Bank
4.	Eng. Luka Kimeli	Roads Secretary	Leadership in 21 st Century	World Bank
5.	James Gatere	Director Human Resource Management and Development	Monitoring and Evaluation of Projects	World Bank
6.	CPA Sophie W. Mwangashi	Senior Deputy Accountant General	Monitoring and Evaluation of Projects	World Bank

STATE DEPARTMENT FOR ROADS

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Public participation activities

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

Compliance with laws and regulations among others.

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

STATE DEPARTMENT FOR ROADS

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

4. Statement by the Cabinet Secretary



BUDGET ALLOCATION

The State Department for Roads had a total Budget Allocation of **Kshs. 196,597,383,961** in Financial Year 2024/25 comprising of Development Budget and Recurrent Budget. The Total Expenditure in the financial year amounted to **Kshs. 178,829,136,666** leaving a variance of **Kshs. 17,829,136,666** representing **91%** expenditure level, an improvement from the 81% expenditure level in the Financial Year 2023/2024.

The State Department has one Budget Programme namely Road Transport, through which it implemented its budget. The Programme Budget and Expenditure is as detailed below.

Programmes	Approved Budget Allocation	Actual Expenditure	Percentage of Expenditure
	Kshs Million	KShs Million	Kshs
Road Transport	196,597,383,961	178,829,136,666	91%

Key Achievements for the State Department of Roads

During the 2024/2025 Financial Year, the State Department had an overall average achievement of **96% against** its set physical targets as detailed below: -

Sub Programme	Key Performance Indicators	Target 2024/25	Achievement 2024/25	% Achievement
Construction of Roads and Bridges	Number of Kilometers constructed	717	788	109%
Rehabilitation of Roads and Bridges	No of Km of roads rehabilitated	34	50	147%
Maintenance of Roads and Bridges	No of Km Maintained under Periodic	425	375	88%
	No of Km Maintained under Routine	30,318	28,236	93%
	No of Km Maintained under PBC	10,398	10,796	103%
		41,892	40,245	96%

STATE DEPARTMENT FOR ROADS

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The impressive physical output achievement was as a result of the bridge facility financing on account of the programmed securitization of the Ksh 7/= per litre of fuel charge. Through the bridge facility, contractors received funding to the tune of 40% of their owed bills declared as at 31st December 2024 and consequently resumed work that translated into increased physical outputs.

Way Forward

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

The State Department in collaboration with the National Treasury and other government agencies continues to seek for alternative financing mechanisms which include local borrowing using Fuel Levy funds as collateral, bilateral and multilateral negotiations with development partners towards completion of the outstanding road projects whose portfolio is Approximately **Kshs.700 billion**. The State Department has secured a securitization Infrastructure Loan Facility of up to **Kshs 175 billion** towards payment of pending bills declared as at 31st December 2024. The First Bridge facility of **Kshs 61 billion** was disbursed in the Financial Year 2024/25 being an advance against the Roads Infrastructure Bond. The disbursement resulted to resumption of roads construction across the country.



Davis Chirchir, EGH

CABINET SECRETARY
MINISTRY OF ROADS AND TRANSPORT

STATE DEPARTMENT FOR ROADS**Annual Report and Financial Statements for the year ended 30th June 2025****5. Statement by the Principal Secretary / Accounting Officer**

The State Department for Roads had a total Budget approved budget of **Kshs. 196,597,383,961** in Financial Year 2024/2025 comprising of Development Budget and Recurrent Budget as shown below

Vote	Approved Budget 2024/25	Expenditure	Percentage of Expenditure
Recurrent	71,926,140,931	58,627,831,917	82%
Development	124,671,243,030	120,201,304,749	96%
Total	196,597,383,961	178,829,136,666	91%

The Recurrent Budget recorded low performance of 82 % as a result of underperformance of Road Maintenance Levy Funds (RMLF) . The RMLF which had a budget of **Kshs.69,536,000,000** but only received Kshs. **56,330,631,188** giving a variance of **Kshs. 13,205,368,812**. The underperformance was mainly as a result of the Court ruling that placed a caveat against disbursement of approximately Ksh 10 billion which resulted into an under expenditure of like amount.

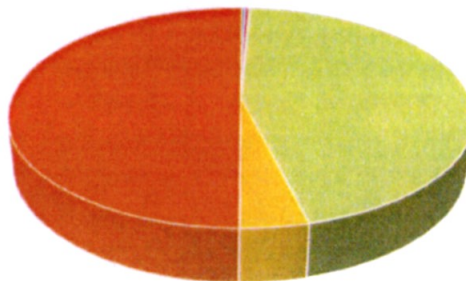
Budget Performance Based on Economic Classification

Economic Classification	Approved Budget Allocation	Actual Expenditure	Variance
	Kshs Million	KShs Million	Kshs Million
Compensation of Employees	1,179,000,000	1,181,665,319	(2,665.319)
Use of goods and services	1,538,692,492	1,987,580,011	(448,887.519)
Transfers to Other Government Units	178,138,752,511	175,474,101,107	2,664,651,404
Social Security Benefits	8,970,141	4,999,999	3,970.142
Acquisition of Assets	15,731,968,817	70,335,597	15,551,178,586
TOTAL	196,597,383,961	178,829,136,666	17,768,247,295

STATE DEPARTMENT FOR ROADS

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

Approved Budget Allocation Per Economic Classification



- Compensation of Employees
- Use of goods and services
- Transfers to Other Government Units
- Social Security Benefits
- Acquisition of Assets
- Routine Maintenance
- TOTAL

Development Budget disaggregated expenditure for the FY 2024/25

The State Department Development Approved Budget for Financial Year 2024/25 Vs Expenditure was as detailed below;

Description	3 rd Revised Budget 2024/25 (Kshs. M)	Funding/ Expenditure 2024/25 (Ksh M)	Unfunded (Kshs. M) D=B-C	% Funding
A	B	C	D	E
Net GoK Exchequer	61,249	61,249	-	100%
Development Partner	31,235	27,484.00	3,751	88%
Local AIA	32,187	31,467	720	98%
Total	124,671	120,200	4,471	96%

The State Department in FY 2024/25 received a total Exchequer funding of **Kshs.64 billion** made up of Net GoK **Kshs.61.2 billion** and Development Partner Revenues of **Kshs.2.8 billion** against a 3rd revised budget of **Kshs.64.2 billion** resulting to a 99.7% funding.

On pending bills, the Road Agencies had a pending bills portfolio of **Kshs.128.4 billion** as at 30th June, 2025 chargeable to the Development Budget. The State Department for Roads Headquarters did not incur any pending bills during the Financial Year 2024/2025.

STATE DEPARTMENT FOR ROADS
Annual Report and Financial Statements for the year ended 30th June 2025

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

No	Principal	Interest	Claims	Forex Losses	Court Awards	Land Acquisition	Total
Total	64,825	20,978	5,320	5,142	7,596	24,501	128,362

Implementation challenges and recommended way forward.

No	Challenge	Recommendation and Way forward	Action by the department to overcome the challenge
1	Inadequate funding for counterpart funds for Development Partner co financed projects	Full contract financing by the Development Partner	Engaged the National Treasury and Implementing Agencies to ensure Financing Agreements capture full Development Partner Financing for Road Contracts
2	Inadequate budgetary provisions from the Exchequer	Reduced uptake of new projects and enhanced injection of additional financing	Securitized the Ksh 7/= per litre of fuel to raise ksh 175 billion to clear pending bills declared as at 31 st December 2024
3	Expensive Land Compensation values for land required for right of way particularly in urban centers	Change Construction methods by changing future road designs from on grid surface construction designs to elevated via ducts	Road Project Implementing Agencies have continued to change road designs from lateral surface-based construction to elevated pavements via ducts

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

6. Statement of Performance Against Predetermined Objectives for the FY 2024/25

Progress on the attainment of Strategic Objectives through Performance Contracting

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

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

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

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

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

The State Department for Roads implemented one Programme, namely Road Transport and the following sub-programs.

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

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

During the Financial Year 2024/25 the State Department constructed 788 Km of roads against a planned target of 717 Km equivalent to 109% achievement while 50 Km of roads were rehabilitated against a target of 35 km resulting to 48% achievement. On periodic maintenance, a total of 375 km was maintained against a target of 425 km, representing an achievement level of 88%. On routine maintenance, the sub-sector maintained 28,236 Km of roads, achieving 93% against the target of 30,318Km. The State Department maintained 10,796 Km under Performance Based Road Maintenance Contracts against a target of 10,398 Km resulting to a 103% achievement.

The performance contract for the State Department detailed the physical outputs to be achieved against the voted programme budget. During the 2024/2025 Financial Year, the State Department had an overall average achievement of **96%** against its set physical targets as detailed below: -

Sub Programme	Key Performance Indicators	Target 2024/25	Achievement 2024/25	% Achievement
Construction of Roads and Bridges	Number of Kilometers constructed	717	788	109%
Rehabilitation of Roads and Bridges	No of Km of roads rehabilitated	34	50	147%
Maintenance of Roads and Bridges	No of Km Maintained under Periodic	425	375	88%
	No of Km Maintained under Routine	30,318	28,236	93%
	No of Km Maintained under PBC	10,398	10,796	103%
		41,892	40,245	96%

7. Management Discussion and Analysis

PROGRAMME PERFORMANCE REVIEW FY 2022/23-2024/25

ROAD EXPANSION PROGRAMME.

During the review period FY 2022/23-2024/25, a total of 1,825 Km of roads were constructed against a planned target of 1,861 Km equivalent to 98% achievement while 244 Km of roads were rehabilitated against a target of 314 km resulting in 78% achievement.

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

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

- i. Kenya Transport Sector Support Project (KTSSP)
- ii. Horn of Africa Gateway Development Project (HOAGDP)
- iii. Eastern Africa Regional Transport, Trade and Development Facilitation Project (EARTTDFP)
- iv. National Urban Transport Improvement Programme (NUTRIP)
- v. Roads 10000 Programme (Low Volume Sealed Roads)
- vi. Roads 2000 Programme
- vii. Annuity Programme
- viii. Mombasa Port Area Roads Development (MPARD)
- ix. Regional Mombasa Port Road Access-Mombasa- Mariakani
- x. Multinational Bagamoyo -Tanga -Horohoro/Lunga Lunga- Malindi Road Project

Policy, Legal and Institutional Reforms

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

Public-Private Partnership (PPP) / Annuity Model

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

- i. Nairobi Expressway- 27Km completed
- ii. Construction of 91.5 kms of Ngong – Kiserian – Isinya and Kajiado – Imaroro roads. The project is under Performance Based Routine Maintenance.
- iii. Construction of Lot 15 Identified Town Roads in Nyeri, Kirinyaga, Muranga, Embu, Tharaka Nithi and Laikipia
- iv. Construction of Lot 18 Identified Town Roads in Kakamega, Vihiga, Bungoma and Busia

STATE DEPARTMENT FOR ROADS

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

Programme Budget Performance over the 2022/23 – 2024/25 Financial Years

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

Programme/Sub – Programmes	Approved Budget			Actual Expenditure		
	(KShs. Millions)			(KShs. Millions)		
	2022/23	2023/24	2024/25	2022/23	2023/24	2024/25
Programme 1: Road Transport						
Construction of Roads and Bridges	62,807	65,411	69,735	50,515	52,803	66,451
Rehabilitation of Roads and Bridges	26,119	37,997	35,732	25,376	25,113	34,823
Maintenance of Roads and Bridges	77,657	69,104	85,536	77,568	61,571	72,331
Design of Roads and Bridges	500	0	0	285	0	0
General Administration, Planning and Support services	3,712	5,548	5,594	2,940	5,479	5,225
TOTAL	170,795	178,060	196,597	156,684	144,966	178,829

The State Department under the medium-Term Plan IV will gear towards realizations of the main considerations of Inclusive Growth/People Centered, Expansion of Revenue Base, Digitization and Alternative Financing. The Roads Department under the Governance pillar in line with the strategic plan will consider Institutional Reforms through transformation of Materials Testing & Research and Mechanical and Transport Divisions and Kenya Institute of Highways and Building Technology into SAGA. The Sub sector targets to Construct 6,000Km roads comprising 3,500Km of roads under conventional method and 2,500km of low volume seal roads.

8. Environmental and Sustainability Reporting

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

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

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

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

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

STATE DEPARTMENT FOR ROADS

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a) Sustainability strategy and profile

The Roads subsector has an outstanding road projects portfolio on contracted works chargeable to the GOK portion amounting to approximately Kshs.850 billion as at 30th June 2025. The pending bills chargeable to the GOK portion under the Development Budget totaled Ksh 167 billion as at 30th June 2024. The pending bills portfolio dropped to Ksh 128 billion as at 30th June 2025. The drop in pending bills was as a result of receipt of the bridge facility financing under the Securitization programme. Owing to increased request for resources from other sectors and County Governments, the funding to the Roads sector was remaining static while the portfolio continued growing. The Government therefore decided to focus on the ongoing projects without taking on board many new ones in order to ensure efficient and sustainable project implementation.

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

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

Road projects are financed through the Government, apart from a few being implemented under the PPP model. The development Budgets for the Road Agencies from the main component of the State Department Development Budget that is accounted for by the principal Secretary. The State Department continued with implementation of the Roads 10,000 programme in which it targets to upgrade 10,000km to bitumen standards using various strategies including the Low Volume Seal Roads Strategy (LVSR). The LVSR has achieved commendable success. Out of the contracted 8,000 km, the State Department, through its implementing agencies completed approximately 6,000 km by 30th June 2025. This meant that the bituminized road surface had increased by 6,000km since the launch of the strategy. Road Development has, however, faced challenges of budget insufficiency in respect to the portfolio of projects. The insufficiency has led to delayed project implementation, pending bills and associated negative consequences. The Implementing Agencies have incorporated climate resistant infrastructure in the project planning and implementation.

c) Employee welfare

The State Department Headquarters Human Resource Policies are governed by the Public Service Commission of Kenya including the gender ratio. Owing to historical issues, technical staff above 50 years is mostly male dominated. Over time, the Public Service Commission has been recruiting

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staff for the State Department in adherence to the one third rule policy in which no one gender accounts for more than two thirds of the staff being hired. The Road Agencies also follow the public service of Kenya Guidelines as they develop their Human Resource Management Manuals

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

d) Operational practices/ Market place practices

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

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

e) Community Engagements-

The State Department engaged in tree planting activities at the Ngong Forest where it has been allocated a portion of the forest for continuous afforestation. The State department planted 1,500 trees in Dongo Kundu Mombasa County and 1,200 trees in Gembe Hills in Homabay County. This CSR activity is an effort in increasing the forest cover and thereby mitigate against the negative effects of climate change.

9. Statement of Management Responsibilities

Section 81 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer for a National Government MDA shall prepare financial statements in respect of that MDA. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed the Public Sector Accounting Standards Board of Kenya from time to time.

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

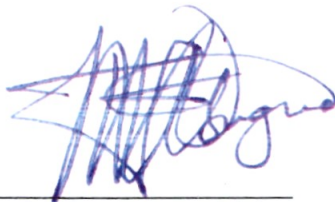
The Accounting Officer in charge of the State Department for Roads accepts responsibility for the State Department for Roads's financial statements, which have been prepared on the Accrual Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the State Department for Roads's financial statements give a true and fair view of the state of MDA's transactions during the financial year ended June 30, 2025, and of the State Department for Roads's financial position as at that date. The Accounting Officer further confirms the completeness of the accounting records maintained for the State Department for Roads, which have been relied upon in the preparation of the State Department for Roads' financial statements as well as the adequacy of the system of internal controls.

STATE DEPARTMENT FOR ROADS
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The Accounting Officer in charge of the State Department for Roads confirms that the MDA has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the State Department for Roads' funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the State Department for Roads' financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the financial statements

The State Department for Roads financial statements were approved and signed by the Accounting Officer on _____ 2025.



Eng. Joseph M. Mbugua, CBS
Accounting Officer



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

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

PREAMBLE

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

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

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

The three parts of the report aim to address the Auditor-General's statutory roles and responsibilities as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying transitional IPSAS financial statements of State Department for Roads set out on pages 1 to 37, 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 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 Roads as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards Accrual Basis (including the transitional provisions permitted under IPSAS 33) and comply with the Public Finance Management Act, 2012; and The National Treasury and Economic Planning Circular No. 3 of 14 April, 2025.

Basis for Opinion

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

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the prior year audit report, two issues were raised under the Emphasis of Matter and on Report on Lawfulness and Effectiveness in the Use of Public Resources. These include budgetary control and performance and non-compliance with one-third rule on basic salary. Review of the status during the audit of the State Department in 2024/2025 revealed that issues remained unresolved.

Other Information

The Management is responsible for the Other Information set out on page iv to xxx which comprise of key State Department's Information and Management, Statement of Governance, Statement Cabinet Secretary, State by the Principal Secretary, Statement of Performance Against Predetermined Objectives, Management Discussion and Analysis, Environmental and Sustainability Reporting, 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 staff payroll revealed that for the twelve (12) month period there were one hundred and eleven (111) employees whose salary deductions exceeded two-thirds (2/3) of the basic salary. This was contrary to Section 19(3) of the Employment Act, 2007 which states that without prejudice to any right of recovery of any debt due, and notwithstanding the provisions of any other written law, the total amount of all deductions which under the provisions of subsection (1), may be made by an employer from the wages of his employee at any one time shall not exceed two-thirds of such wages or such additional or other amount as may be prescribed by the Minister either generally or in relation to a specified employer or employee or class employers or employees or any trade or industry. This may expose the staff to pecuniary embarrassment.

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

2. Failure to Comply with Public Procurement and Asset Disposal Act, 2020

Review of the Consolidated Annual Approved Procurement Plan for the year 2024/ 2025 revealed that the State department planned to acquire both goods and services at a total cost Kshs.1,074,205,591. However, the Accounting Officer did not submit biannual or quarterly reports of Contracts awarded during the period to the Public Procurement Regulatory Authority contrary to the Regulation 131(1) of the Public Procurement and Asset Disposal Regulation, 2020 that provides that the Accounting Officer of a procuring entity shall, in accordance with section 138(b) of the Act report all signed contracts to the Authority within fourteen days.

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

3. Failure to Comply with 5% Persons Living with Disability Guidelines

Review of the human resources records revealed that the State Department has a total of one thousand six hundred and forty-seven (1647) employees out which thirty-

four (34) or 2% were persons living with disabilities. This was contrary to the provisions of the Public Service Commission Human Resource Manual 2016 under Section B.23(2) of Rights and Privileges of Persons with Disabilities which states that, Persons with disability shall be accorded equal opportunities for employment that Government shall implement the principle that at least five (5) percent of all appointments shall be for persons with disabilities.

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, I confirm that nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

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

Responsibilities of the Management and those Charged with Governance

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

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

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

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

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


Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

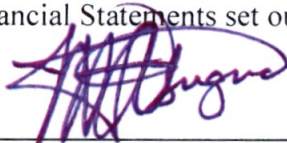
17 December, 2025

STATE DEPARTMENT FOR ROADS
Annual Report and Financial Statements for the year ended 30th June 2025

10. Statement of Financial Performance for the period ended June, 2025

	Notes	Period Ended June 2025
		Kshs
Revenue from non-exchange transactions		
Transfers from exchequer	6	65,367,178,983
Transfers from other government entities	7	87,126,500,126
Transfers from domestic and foreign partners	8	24,710,023,556
Tax Receipts	9	670,797,728
Total		177,874,500,393
Revenue from exchange transactions		
Miscellaneous income	10	1,023,774,851
Total revenue		178,898,275,245
Expenses		
Employee costs	11	1,191,504,444
Use of goods and services	12	1,987,580,011
Transfers to other government entities	13	175,474,101,107
Depreciation and amortization expense	14	4,237,184
Total expenses		178,657,422,745
Surplus for the year		240,852,500
Taxation		-
Net Surplus		240,852,500

The Financial Statements set out on pages 1 to 6 were signed by:



Eng. Joseph M. Mbugua, CBS
Accounting Officer



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

Notes:

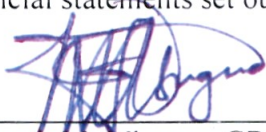
(Paragraph 79 of IPSAS 33 allows for the election by the State Department for Roads to present one statement of financial performance, one statement of cash flow, one statement of net assets and the statement of financial position and an opening statement of financial position as at the time of adoption of the accrual basis of accounting. In preparing these financial reporting template, this election has been made and therefore there are no comparatives in the first year of transition.)

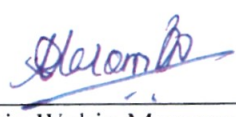
STATE DEPARTMENT FOR ROADS
Annual Report and Financial Statements for the year ended 30th June 2025

11. Statement of Financial Position as at 30th June 2025

	Notes	Period as at 30 th June 2025	Opening Statement 1 st July 2024
		Kshs	Kshs
Assets			
Current Assets			
Cash and cash equivalents	15	177,088,547	143,837,448
Receivables from exchange transactions	16	-	72,232
Total Current Assets		177,088,547	143,909,680
Non-Current Assets			
Property, plant, and equipment	17	176,553,046	-
Total Non-Current Assets		176,553,046	-
Total Assets (A)		353,641,604	143,909,680
Liabilities			
Current Liabilities			
Trade and other payables	18	107,877,747	85,341,725
Current portion of provision	19	4,839,125	-
Total Current Liabilities		112,716,873	85,341,725
Non-Current Liabilities			
Long term portion of provisions	19	2,791,085	2,791,085
Total Non-Current Liabilities		2,791,085	2,791,085
Total Liabilities (B)		115,507,958	88,132,810
Net Assets (A-B)		238,133,647	55,776,870
Represented By:			
Accumulated surplus		238,133,647	55,776,870
Net Assets		238,133,647	55,776,870

The financial statements set out on pages 1 to 6 were signed by:


Eng. Joseph M. Mbugua, CBS
Accounting Officer


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

STATE DEPARTMENT FOR ROADS**Annual Report and Financial Statements for the year ended 30th June 2025**

12. Statement of Changes in Net Assets for the period ended 30th June, 2025

Description	Accumulated Surplus	Total
	Kshs	Kshs
As at 30th June 2024 (cash basis)	58,567,955	58,567,955
Adjustments: (to recognize assets and liabilities)	(2,791,085)	(2,791,085)
As at July 1, 2024	55,776,870	55,776,870
Surplus/ deficit for the period	240,852,500	240,852,500
Returns to exchequer	(58,495,723)	(58,495,723)
As at 30th June, 2025	238,133,647	238,133,647

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13. Statement of Cash Flows for the period ended 30th June, 2025

		Period Ended 30 th June 2025
	Notes	Kshs
Cash flows from operating activities		
Receipts		
Transfers from exchequer		65,367,178,983
Transfers from other government entities		87,126,500,126
Transfers from Other Government entities		24,710,023,556
Tax Receipts		670,797,728
Miscellaneous income		1,023,774,851
Total receipts		178,898,275,245
Payments		
Employee costs		1,181,665,319
Use of goods and services		1,964,971,757
Transfers to other government entities		175,474,101,107
Social benefits		4,999,999
Total payments		178,625,738,183
Net cash flows from/(used in) operating activities	20	272,537,062
Cash flows from investing activities		
Purchase of PPE		(180,790,229)
Net cash flows from/(used in) investing activities		(180,790,229)
Cash flows from financing activities		
Return to Exchequer		(58,495,723)
Net cash flows from financing activities		(58,495,723)
Net increase/(decrease) in cash & Cash equivalents		33,251,110
Cash and cash equivalents at the start of the period	15	143,837,448
Cash and cash equivalents at the end of the period	15	177,088,547

(PSASB has prescribed the use of the direct method for cashflow preparation)

14. Statement of Comparison of Budget & Actual amounts for period 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						
Tax Receipts	1,200,000,000	-	1,200,000,000	670,797,728	529,202,272	56%
Proceeds from Domestic and Foreign Grants	3,620,993,633	(2,410,120,323)	1,210,873,310	657,350,274	553,523,036	54%
Transfers from exchequer	74,735,923,118	(9,117,499,066)	65,618,424,052	65,367,178,983	251,245,069	100%
Transfers from other government entities	84,523,000,000	16,000,000,000	100,523,000,000	87,126,500,126	13,396,499,874	87%
Proceeds from Foreign Borrowings	33,871,071,324	(6,836,984,725)	27,034,086,599	24,052,673,282	2,981,413,317	89%
Other income	1,011,000,000	-	1,011,000,000	1,023,774,851	(12,774,851)	101%
Total revenue	198,961,988,075	(2,364,604,114)	196,597,383,961	178,898,275,245	17,699,108,716	91%
Expenses						
Employees costs	1,329,000,000	(150,000,000)	1,179,000,000	1,181,665,319	(2,665,319)	100%
Use of goods and services	1,263,678,750	275,013,742	1,538,692,492	1,987,580,011	(448,887,519)	129%
Transfers to other government units	180,180,347,005	(2,041,594,494)	178,138,752,511	175,474,101,107	2,664,651,404	99%
Social benefits	5,000,000	3,970,141	8,970,141	4,999,999	3,970,142	56%
Total recurrent expenses	182,778,025,755	(1,912,610,611)	180,865,415,144	178,648,346,436	2,217,068,708	99%
Capital items						
Acquisition of PPE	16,183,962,320	(451,993,503)	15,731,968,817	180,790,231	15,551,178,586	1%

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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 %
Total expenses - Development	16,183,962,320	(451,993,503)	15,731,968,817	180,790,231	15,551,178,586	1%
Total expenses	198,961,988,075	(2,364,604,114)	196,597,383,961	178,829,136,666	17,768,247,295	91%
Surplus/ deficit	-	-	-	69,138,578	(69,138,578)	

Reconciliation table

Description of Particulars	Amount in Kshs
Actual Surplus Amounts as per the statement of Budget	69,138,578
Basis difference	22,608,254
Timing differences	143,837,448
Classification differences	(58,495,723)
Closing Cash and Cash Equivalent as per the statement of Cash flows	177,088,547

Budget Notes

- Tax Receipts** – the under-utilizations were due to non-receipt of toll fees from Kenya Roads Board
- Proceeds from Domestic and Foreign Grants** – this is due to a slow uptake of the Grant AIA components of various road projects such as Mombasa – Kilifi Lot 1: Mombasa – Mtwapa where most of the sections faced Land Compensation challenges of which some has since been resolved through the Securitization programme
- Other income** – The over-utilization is due to the overcollection of revenues from the Materials Testing and Research Division.
- Acquisition of PPE** -
- The changes between the Original Budget and the Final Budget are due to Supplementary budgets. In Financial Year 2024/2025, there were three supplementary budgets approved by the National Assembly

15. Notes to the financial statements

1. Establishment

The State Department for Roads is established by and derives its authority and accountability from Executive Order No. 2 in May 2013. State Department for Roads is wholly owned by the Government of Kenya and is domiciled in Kenya. The State Department for Roads principal activity is overseeing development, rehabilitation, maintenance and overall, of the public road in the country.

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 Roads has been categorized as a Schedule 1 national government State Department for Roads 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 Department for Roads are reporting entities whose primary objective is to provide policy and coordination of government services.

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

These financial statements were authorized for issue by the Accounting Officer on 28th august, 2025

Guiding note during the transition period:

The financial statements have been prepared in accordance with the Public Finance Management Act, and International Public Sector Accounting Standards (IPSAS) or the State Department for Roads has taken advantage of the transitional provisions under IPSAS 33 and therefore these 1st year financial statements are transitional financial statements and the following elements Non-Current Assets, Inventories of the financial statements have not been recognized as the State Department for Roads has taken advantage of the transition provisions outlined in IPSAS 33.

Notes to the financial statements

Reporting period

The reporting period for these financial statements is for the period ended 30th June, 2025.

Basis of preparation

These financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period on an accrual basis unless otherwise specified (for example the Statement of Cash Flows). Under an accrual basis, revenues are recognized when rights to assets are earned or levied rather than when cash is received, and expenses are recognized 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 Roads 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 to assess each of these conditions and therefore report if an expense and a present obligation should be reported.

The State Department for Roads 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 State Department for Roads is clear on the cost it intends to incur, when payment will be made, and to whom and as a consequence has raised a valid expectation. As a consequence, liabilities are not reported for costs associated with the State Department for Roads policy objectives and targets. Where a policy choice gives rise to an obligation that exists independently of the State Department for Roads, future actions, expenses (and other related liabilities) are recognized for that policy.

STATE DEPARTMENT FOR ROADS

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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. State Department for Roads 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 State Department for Roads 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. Adoption of New and Revised Standards

i) New and amended standards and interpretations in issue effective in the year ended 30 June 2024.

There were no new and amended standards issued in the financial year.

ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024.

Standard	Effective date and impact:
IPSAS 43	Applicable 1 st January 2025

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Standard	Effective date and impact:
	<p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of the State Department for Roads.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p>No impact of the standard to the State Department for Roads.</p>
<p>IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations</p>	<p>Applicable 1st January 2025</p> <p>The Standard requires:</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p>These changes have been assessed and at the moment they have no effect on the operations of the State Department for Roads. Where the State Department for Roads identifies assets for sale, they shall be classified separately from PPE in the year such decision is made.</p>
<p>IPSAS 45-Property Plant and Equipment</p>	<p>Applicable 1st January 2025</p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g. valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p> <p>These changes have been assessed, and the State Department's assets will be impacted upon application of this standard.</p>
<p>IPSAS 46 Measurement</p>	<p>Applicable 1st January 2025</p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p>

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Standard	Effective date and impact:
	<p>i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.</p> <p>ii. Clarifying transaction costs guidance to enhance consistency across IPSAS;</p> <p>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</p> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> <p>Has an impact on the State Department for Roads, which follows guidance from the steering committee for use of historical cost or current Operational Value to be used for assets, and cost to fulfilment to be used for liabilities.</p>
<p>IPSAS 47- Revenue</p>	<p>Applicable 1st January 2026</p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that the State Department for Roads shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p> <p>No impact of the standard to the State Department for Roads.</p>
<p>IPSAS 48- Transfer Expenses</p>	<p>Applicable 1st January 2026</p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p> <p>No impact of the standard to the State Department for Roads.</p>
<p>IPSAS 49- Retirement Benefit Plans</p>	<p>Applicable 1st January 2026</p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p> <p>No impact of the standard to the State Department for Roads.</p>

iii) Early adoption of standards

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The State Department for Roads did not early – adopt any new or amended standards in the financial year or the State Department for Roads adopted the following standards early (state the standards, reason for early adoption and impact on State Department for Roads financial statements.)

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes, and fines

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

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services, and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the State Department for Roads 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 State Department for Roads 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 28th June, 2025. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional or reduction of appropriations are added to the original budget by the State Department for Roads upon receiving the respective approvals to conclude the final budget. Accordingly, the State Department for Roads recorded a reduction appropriation of **Kshs.2,364,604,114** on the 2024/25 budget following the governing body's approval. The State Department for Roads 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 pages 1 to 6 of these financial statements.

c) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a year 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

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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 State Department for Roads 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. The depreciation policy is charged on reducing balance basis on the year of acquisition of an asset; depreciation is fully charged.

The assets are depreciated using the following rates:

Furniture and fittings	-	12.5%
Other Assets	-	12.5%
Computers and ICT Equipment	-	30%

e) **Right of use asset**

The right-of-use assets comprises the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the State Department for Roads incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IPSAS 21 or IPSAS 26. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the State Department for Roads 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 State Department for Roads recognizes a tangible natural resource if, and only if: It is probable that service potential associated with the natural resource will flow to the State Department for Roads; 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 State Department for Roads discloses the tangible natural resources 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. The State Department for Roads 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 State Department for Roads expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the State Department for Roads 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.

Summary of Significant Accounting Policies (Continued)

ii) Financial instruments

PSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The State Department for Roads 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 State Department for Roads and a financial liability or equity instrument of another State Department for Roads. At initial recognition, the State Department for Roads 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 State Department for Roads 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 State Department for Roads 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 the State Department for Roads 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 State Department for Roads 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 State State Department for Roads 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 State Department for Roads assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The State Department for Roads 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).

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

i) Financial liabilities

Classification

The State Department for Roads 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 State Department for Roads.

k) Provisions

Provisions are recognized when the State Department for Roads has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the State Department for Roads 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.

Summary of Significant Accounting Policies (Continued)

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. The State Department for Roads recognizes a social benefit as an expense for the social benefits scheme while 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 State Department for Roads will incur in fulfilling the present obligations represented by the liability.

m) Contingent liabilities

The State Department for Roads does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

n) Contingent assets

The State Department for Roads does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the State Department for Roads 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 State Department for Roads creates and maintains reserves in terms of specific requirements. The State Department for Roads state the reserves maintained, and appropriate policies adopted.

p) Changes in accounting policies and estimates

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

Summary of Significant Accounting Policies (Continued)

q) Employee benefits

Retirement benefit plans

The State Department for Roads provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which the State Department for Roads pays fixed contributions into a separate State Department for Roads (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 State Department for Roads regards a related party as a person or a State Department for Roads with the ability to exert control individually or jointly or to exercise significant influence over the State Department for Roads, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

u) Service concession arrangements

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

In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the State Department for Roads 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 asset during a period is reported in surplus or deficit.

x) Comparatives

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

Summary of Significant Accounting Policies (Continued)

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the State Department for Roads'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 material adjustment to the carrying amount of the asset or liability affected in future periods. State all judgements, estimates and assumptions made:

Estimates and assumptions

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

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.

STATE DEPARTMENT FOR ROADS

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

Notes to the Financial Statements (Continued)

6. Transfers from the Exchequer

Nature of transfer	Amount recognized to Statement of Financial performance	Amount deferred under deferred income	Total transfers Period ended June 2025
	Kshs	Kshs	Kshs
Recurrent	1,343,883,065	-	1,343,883,065
Development	64,023,295,918	-	64,023,295,918
Total	65,367,178,983	-	65,367,178,983

Description	Period ended June 2025
	Kshs
Recurrent	1,343,883,065
Development	64,023,295,918
Total	65,367,178,983

7. Transfers from Other Government entities

Name Of the State Department for Roads Sending the Grant/Transfer	Amount recognized to Statement of Financial performance	Amount deferred under deferred income	Total transfers Period ended June 2025
	Kshs	Kshs	Kshs
Kenya Roads Board	87,126,500,126	-	87,126,500,126
Total	87,126,500,126	-	87,126,500,126

8. Transfers from Domestic and Foreign Partners

Description	Period ended June 2025
	Kshs
Proceeds from Domestic and Foreign Grants	657,350,274
Proceeds from Foreign Borrowings	24,052,673,282
Total	24,710,023,556

STATE DEPARTMENT FOR ROADS**Annual Report and Financial Statements for the year ended 30th June 2025****Notes to the Financial Statements (Continued)****9. Tax Receipts**

Description	Period ended June 2025
	Kshs
Tax on goods and services	670,797,728
Total	670,797,728

10. Miscellaneous income

Description	Period ended June 2025
	Kshs
Administrative Fees and Charges collected as AIA	1,023,774,851
Total	1,023,774,851

Note: This is revenue collected by Materials, Testing and Research Division (MTRD) through its various regional offices, Kenya Institute of Highways and Building Technology (KIHBT), Mechanical and Transport Division, Engineers Board of Kenya (EBK) and Kenya Engineering Technology Registration Board (KeTRB).

11. Employee Costs

Description	Period ended June 2025
	Kshs
Basic salaries of permanent employees	837,788,516
Basic wages of temporary employees	21,811,568
Personal allowances – part of salary	322,065,235
Pension and other social security contributions	4,999,999
Gratuities due for the year	4,839,125
Employee costs	1,191,504,444

STATE DEPARTMENT FOR ROADS

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

Notes to the Financial Statements (Continued)

12. Use of Goods and Services

Description	Period ended June 2025
	Kshs
Utilities, supplies and services	17,610,773
Communication, supplies and services	1,405,240
Domestic travel and subsistence	288,715,284
Printing, advertising, and information supplies & services	2,140,633
Training expenses	918,478,266
Hospitality supplies and services	6,904,175
Insurance costs	4,505,279
Specialized materials and services	51,316,860
Office and general supplies and services	65,296,736
Fuel oil and lubricants	12,270,304
Routine maintenance – vehicles and other transport equipment	5,944,861
Routine maintenance – other assets	20,968,472
Other operating expenses	592,023,128
Total	1,987,580,011

13. Transfers to Other Government Entities

Description	Period ended June 2025
	Kshs
Transfers to national govt entities- SAGAs & SC	175,474,101.107
Total	175,474,101,107

See Appendix V

14. Depreciation and Amortization Expense

Description	Period ended June 2025
	Kshs
Property, plant and equipment	4,237,184
Total	4,237,184

Notes to the Financial Statements (Continued)

15. Cash and Cash Equivalents

Description	Period ended June 2025	Opening statement 1 st July 2024
	Kshs	Kshs
Recurrent account	69,503,370	51,383,996
Development account	28,663	7,111,727
Deposits account	107,556,515	85,341,725
Total	177,088,547	143,837,448

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

Financial Institution	Account number	Period ended June 2025	Opening statement 1 st July 2024
		Kshs	Kshs
Recurrent Account	1000209925	69,503,370	51,383,996
Development Accounts	1000209844	28,663	7,111,727
Deposits Accounts	1000212535	107,556,515	85,341,725
Total		177,088,547	143,837,448

16. Receivables from Exchange Transactions

Description	Period ended June 2025	Opening Statement 1 st July 2024
	Kshs	Kshs
Imprests and Advances	-	8,967
District Suspense	-	63,265
Total Receivables	-	72,232

STATE DEPARTMENT FOR ROADS
Annual Report and Financial Statements for the year ended 30th June 2025

Notes to the Financial Statements (Continued)

17 Property, Plant, and Equipment

	Furniture and Fittings	Computers & ICT Equipment	Capital Work in progress	Total
Depreciation Rate	12.5%	30%		
Cost	Kshs	Kshs	Kshs	Kshs
Opening Bal as 1st July 2024	-	-	-	-
Additions	28,672,668	2,177,000	149,940,561	180,790,229
As At 30 June 2025	28,672,668	2,177,000	149,940,561	180,790,229
Depreciation And Impairment				
Depreciation	(3,584,084)	(653,100)	-	(4,237,184)
As At 30 June 2025	(3,584,084)	(653,100)	-	(4,237,184)
Net Book Values				
Opening Bal as at 1st July 2024	-	-	-	-
As At 30th June, 2025	25,088,585	1,523,900	149,940,561	176,553,046

The statement does not contain comparatives, as the State Department for Roads has taken advantage of IPSAS 33 provisions on presentation for the first year of transition.

STATE DEPARTMENT FOR ROADS**Annual Report and Financial Statements for the year ended 30th June 2025****Notes to the Financial Statements (Continued)****17 (a) Summary of details of Property, Plant, and Equipment**

Description	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Computers And Related Equipment	2,177,000	653,100	1,523,900
Office Equipment, Furniture, And Fittings	28,672,668	3,584,084	25,088,585
Work in progress	149,940,561	-	149,940,561
Total	180,790,229	4,237,184	176,553,046

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

Description	Cost or valuation	Normal annual depreciation charge
	Kshs	Kshs
Computers And Related Equipment	2,177,000	653,100
Office Equipment, Furniture, And Fittings	28,672,668	3,584,084
Total	30,849,668	4,237,184

Valuation

Items of PPE are valued at Historical cost at the point of recognition in the financial statements. Where historical cost is not available or the item has been acquired at, PPE has been valued at the current operational value which is the amount the State Department for Roads would pay for the remaining service potential of an asset at the measurement date.

18 Trade and Other Payables

Description	Period ended June 2025	Opening Statement 1 st July 2024
	Kshs	Kshs
Third-party payments	107,556,515	85,341,725
Other payables	321,232	-
Total trade and other payables	107,877,747	85,341,725

STATE DEPARTMENT FOR ROADS
Annual Report and Financial Statements for the year ended 30th June 2025

Notes to the Financial Statements (Continued)

19 Provisions

Description	Gratuity Provisions	Total
	Kshs	Kshs
Opening balance 1st July 2024	2,791,085	2,791,085
Additional provisions	4,839,125	4,839,125
Provision utilized	-	-
Total provisions period end	7,630,210	7,630,210
Current Provisions	4,839,125	4,839,125
Non-current Provisions	2,791,085	2,791,085

20 Cash Generated from Operations

	Period ended June 2025
	Kshs
Surplus for the period before tax	273,913,401
Adjusted for:	
Depreciation	8,960,169
Working capital adjustments	
Change in receivables	72,232
Change in payables	27,375,148
Net cash flow from operating activities	310,320,950

(The total of this statement should tie to the cash flow section on net cash flows from/ used in operations)

21 Related Party Disclosures

Nature of related party relationships

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

Government of Kenya

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

STATE DEPARTMENT FOR ROADS

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

Other related parties include:

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

STATE DEPARTMENT FOR ROADS**Annual Report and Financial Statements for the year ended 30th June 2025****Notes to the Financial Statements (Continued)**

	FY 2024-2025
	Kshs
Transactions with related parties	
B) purchases from related parties	
Electricity purchases from KPLC	12,056,010
Purchase of water from govt service providers	5,554,762
Total	17,610,772
a) Grants /transfers from the government	
Grants from national govt	65,367,178,983
Grants from Kenya Roads Board	71,797,297,854
Total	137,164,476,837
b) Key management compensation	
Compensation to key management	40,306,008
Total	40,306,008

STATE DEPARTMENT FOR ROADS

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

Notes to the Financial Statements (Continued)

22 Contingent Assets and Contingent Liabilities

Contingent Liabilities

There are no contingent liabilities during the year

23 Capital Commitments

Capital Commitments	FY 2024-2025
	Kshs
Construction of hostels at Kenya Institute of Highways and Building Technology	145,437,505
Construction of classrooms at Kenya Institute of Highways and Building Technology	184,010,010
Total	329,447,515

(NB: Capital commitments are commitments to be carried out in the next financial year and are disclosed in accordance with IPSAS 17. Capital commitments may be those that have been authorised by the board but at the end of the year had not been contracted or those already contracted for and ongoing)

24 Events after the Reporting Period

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

25 Ultimate And Holding State Department for Roads

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

26 Currency

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

27 Ultimate And Holding State Department for Roads

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

28 Currency

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

STATE DEPARTMENT FOR ROADS

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

29. Appendices

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

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe
<p>681. Budgetary Control and Performance</p>	<p>The statement of comparison of budget and actual amounts reflects final receipt budget and actual on comparable basis of Kshs. 178,059,797,219 and Kshs. 145,017,934,102, respectively resulting in an under-funding of Kshs.33,041,863,117 or 19% of the budget. Similarly, the State Department spent an amount of Kshs. 144,959,442,217 against actual receipts of Kshs. 145,017,934,102 resulting in under-utilization of Kshs. 58,491,885.</p>	<p>The under expenditure under the recurrent budget mainly related to non-receipt of fuel levy funds to the tune of Kshs 7 billion with the difference being the unfunded net GOK exchequer requests. Under the Development budget, the under-expenditure mainly related to non-receipt of development budget net GOK exchequer amounting to Kshs.22,389,000,000 with the difference of Kshs.3,055,352,959 being unspent Development Partner</p>	<p>Not Resolved</p>	<p>Waiting for the invitation to appear before Public Account Committee</p>

STATE DEPARTMENT FOR ROADS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe
	<p>The under-funding and under-utilization affected the planned activities and may have impacted negatively on service delivery to the public.</p>	<p>component of the budget. The non release of the net GOK development budget exchequer was caused by liquidity challenges at the National Treasury while the under expenditure on the development partner component was caused by inability to commence some Development Partner co financed projects as planned during budgeting phase.</p> <p>As regards the underutilization of Kshs.58,491,885 that had been received, we would like to state these were residual balances mainly pertaining to local AIA</p>		

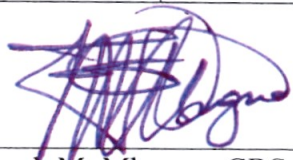
STATE DEPARTMENT FOR ROADS

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe
		<p>raised from the Materials Division of the State Department under the recurrent budget. Most of the receipts contributing to the Kshs.58,491,885 were received late in the financial year when the procurement process had been closed and expenditure against the approved budget could not be done.</p>		
<p>683. Non-Compliance with One-Third Rule on Basic Salary</p>	<p>Review of the Commission's staff payroll revealed that for the twelve (12) month period there were one hundred and eleven (111) employees whose salary deductions exceeded two-thirds (2/3) of the basic salaries. This was contrary to Section 19(3) of the</p>	<p>The auditor's observation is true. The management wishes to state that the affected employees was due to the following reasons</p> <p>1.Tax relief during Covid-19 pandemic issued by Government for both private and public</p>	<p>Not Resolved</p>	<p>Waiting for the invitation to appear before Public Account Committee</p>

STATE DEPARTMENT FOR ROADS
Annual Report and Financial Statements for the year ended 30th June 2025

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe
	<p>Employment Act, 2007 which states inter alia 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.</p> <p>In the circumstances, Management was in breach of the law.</p>	<p>sectors hence the affected employees took long term obligations thus affecting a third rule.</p> <p>2. The implementation of the finance bills 2023 which introduced housing levy, NSSF, thus affecting a third rule.</p> <p>3. Other instances are officers who retired in the middle of the month hence the net pay reduced and affected the one third rule of basic pay.</p>		



Eng. Joseph M. Mbugua, CBS

STATE DEPARTMENT FOR ROADS**Annual Report and Financial Statements for the year ended 30th June 2025**

Accounting Officer

Appendix II: Projects implemented by the State Department for Roads

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
Horn of Africa Gateway Development Project	6768-KE	World Bank	7.5 years (18 th December 2018 to 30 th June, 2025)	4,844,463,000	Yes	No
East Africa Skills for Transformation and Regional Integration Project	6334-KE	World Bank	7.5 years (18 th December 2018 to 30 th June, 2025)	1,086,168,320	Yes	No
Eastern Africa Regional Transport, Trade and Development Project	5638-KE	World Bank	9.5 years (12 th June 2015 to 31 st December, 2024)	2,315,911,602	Yes	No

STATE DEPARTMENT FOR ROADS
Annual Report and Financial Statements for the year ended 30th June 2025

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
Office equipment, furniture and fittings	-	28,672,668	-	-	28,672,668
ICT Equipment		2,177,000			2,177,000
Work in Progress		149,940,561			149,940,561
Total		180,790,229			180,790,229

STATE DEPARTMENT FOR ROADS
Annual Report and Financial Statements for the year ended 30th June 2025

Appendix IV: Transfers from Other Government Entities

a) Receipts from Kenya Roads Board

Date received as per bank statement	Nature: Recurrent/Development/ Others	Reference	Amount - KES	Total Amount - KES	Total Receipts during the Year
2-Aug-24	Recurrent	FT24215HC3QC	207,429,142.00		207,429,142.00
22-Aug-24	Recurrent	FT242352938W	640,313,036.00		640,313,036.00
24-Sep-24	Recurrent	FT24268S9YT0	464,760,227.00		464,760,227.00
15-Jan-25	Recurrent	FT25015S412V	193,809,972.00		193,809,972.00
7-Mar-25	Recurrent	FT25066JHLQY	1,912,604,000.00		1,912,604,000.00
26-Mar-25	Recurrent	FT25085W2MQD	148,662,127.00		148,662,127.00
8-May-25	Recurrent	FT25128C9XR4	3,533,566,172.00		3,533,566,172.00
18-Jun-25	Recurrent	FT25169FF8B3	3,682,774,150.00		3,682,774,150.00
24-Jun-25	Recurrent	FT251752WW8M	2,329,185,267.00		2,329,185,267.00
15-Jul-25	Recurrent	FT25196FTKK1	415,000,000.00		415,000,000.00
1-Aug-24	Recurrent	FT24214XKZ09	292,570,858.00		292,570,858.00
17-Sep-24	Recurrent	FT24261GL1DG	8,615,103,156.00		8,615,103,156.00
18-Oct-24	Recurrent	FT24292SYPY7	3,030,842,434.00		3,030,842,434.00
14-Nov-24	Recurrent	FT2431961CCL	1,609,855,450.00		1,609,855,450.00
20-Nov-24	Recurrent	FT243255QW1K	4,535,783,062.00		4,535,783,062.00
5-Dec-24	Recurrent	FT24340SMC8Q	4,252,368,610.00		4,252,368,610.00
11-Feb-25	Recurrent	FT250423N16V	7,859,239,615.00		7,859,239,615.00
25-Mar-25	Recurrent	FT25084J9T9R	3,007,770,796.00		3,007,770,796.00
10-Apr-25	Recurrent	FT251006KGVB	1,384,191,253.00		1,384,191,253.00
20-May-25	Recurrent	FT25140Z5JY5	1,410,297,546.00		1,410,297,546.00
20-May-25	Recurrent	FT25140D4V2M	1,947,876,914.00		1,947,876,914.00
30-Jun-25	Recurrent	FT25181DNHWC	4,856,627,401.00		4,856,627,401.00

STATE DEPARTMENT FOR ROADS

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Sub-Total – RMLF Recurrent				56,330,631,188.00	56,330,631,188.00
17-Oct-23	Development	FT24292BMVBI	525,000,000.00		525,000,000.00
24-Jan-24		FT25042ZH50	525,000,000.00		525,000,000.00
5-Apr-24	Development	FT2510000FY7	525,000,000.00		525,000,000.00
4-Jun-24	Development	FT25189FHMHX	525,000,000.00		525,000,000.00
Sub-Total – RMLF Development				2,100,000,000.00	2,100,000,000.00
13-May-25	Development (Annuity)	FT251338FXLC	3,247,068,607.00		3,247,068,607.00
30-Jun-25	Development (Annuity)	FT25181HHFGK	4,599,778,216.00		4,599,778,216.00
3-Jul-25	Development (Annuity)	FT25184WN1MX	2,480,228,756.00		2,480,228,756.00
3-Jul-25	Development (Annuity)	FT25184MZNY9	3,039,591,087.00		3,039,591,087.00
Sub-Total – RMLF Annuity				13,366,666,666.00	13,366,666,666.00
Total				71,797,297,854.00	71,797,297,854.00

b) Receipts from the Exchequer

S/No.	Category	Budget	Disbursement	Balance
1.	Development – Net Gok	61,249,283,121	61,249,196,150	86,971
2.	Development – Donor Revenue	2,990,000,000	2,774,099,768	215,900,232
3.	Recurrent	1,379,140,931	1,343,883,065	35,257,866
	Total	65,618,424,052	65,367,178,983	251,245,069

STATE DEPARTMENT FOR ROADS
Annual Report and Financial Statements for the year ended 30th June 2025

Appendix V: Transfers to Other Government Entities

S/No.	Agency/Division	Category		
		Development	Recurrent	Total
1.	Kenya Rural Roads Authority	35,009,424,783	20,347,305,041	55,356,729,824
2.	Kenya National Highways Authority	22,313,946,406	26,713,217,688	49,027,164,094
3.	Kenya Urban Roads Authority	6,207,042,017	9,270,108,457	15,477,150,474
4.	Engineers Board of Kenya	140,000,000	46,800,000	186,800,000
5.	Kenya Engineering Technology Registration Board	40,000,000	37,800,000	77,800,000
	Total	63,710,413,206	56,415,231,186	120,125,644,392