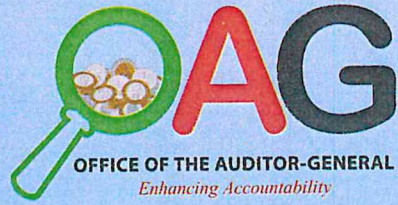


REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

STATE DEPARTMENT FOR ROADS

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

REPUBLIC OF KENYA

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P.O. Box 30084-00100
NAIROBI

OAG/HL&T/AUD/SDFR/6/2/2024/2025/ (24)

23 December, 2025

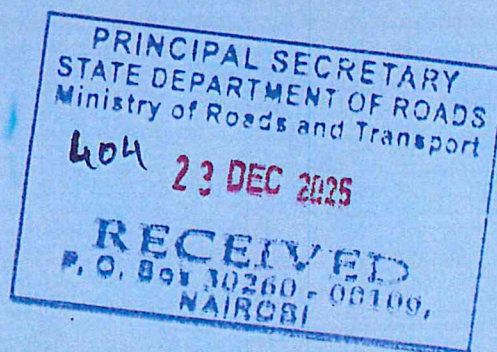
Eng. Joseph Mbugua, CBS
Principal Secretary
State Department for Roads
P.O. Box 30260-00100
NAIROBI

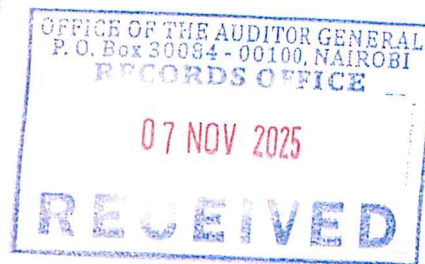
Dear Sir,

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

Enclosed, please find two sets of the report of the Auditor-General on State Department for Roads for the year ended 30 June 2025 duly certified and with the seal of the Auditor-General thereon for your retention and necessary action


CPA John M Karingithi
For: Auditor-General





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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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

- 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.

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

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.

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.

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

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

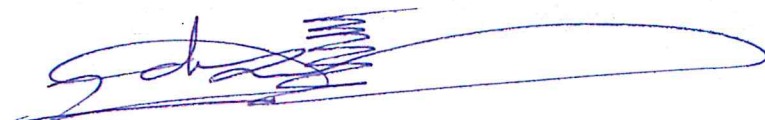
Annual Report and Financial Statements for the year ended 30th June 2025

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

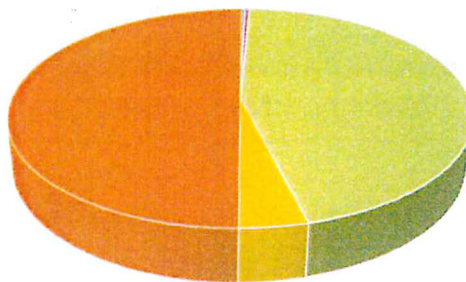
CABINET SECRETARY

MINISTRY OF ROADS AND TRANSPORT

STATE DEPARTMENT FOR ROADS

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

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.

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

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

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.

	Approved Budget			Actual Expenditure		
Programme/Sub – Programmes	(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.

STATE DEPARTMENT FOR ROADS

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

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

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.

REPUBLIC OF KENYA

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NAIROBI

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

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 ($\frac{2}{3}$) 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-

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

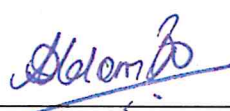
STATE DEPARTMENT FOR ROADS
Annual Report and Financial Statements for the year ended 30th June 2025

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

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

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

14. Statement of Comparison of Budget & Actual amounts for period ended 30th June, 2025

Recurrent and Development Combined

Description	Original budget A	Adjustments B	Final budget C=a+b	Actual on a comparable basis D	Budget utilization difference E=c-d	% of utilization 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%

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.

STATE DEPARTMENT FOR ROADS

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

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

STATE DEPARTMENT FOR ROADS

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

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>
IPSAS 47- Revenue	<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>
IPSAS 48- Transfer Expenses	<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>
IPSAS 49- Retirement Benefit Plans	<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

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.

STATE DEPARTMENT FOR ROADS

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

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.

Summary of Significant Accounting Policies (Continued)

i) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The 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)

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.

Notes to the Financial Statements (Continued)

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)

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)****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

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

		Period ended June 2025	Opening statement 1 st July 2024
Financial Institution	Account number	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 (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

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)****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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe
	The under-funding and under-utilization affected the planned activities and may have impacted negatively on service delivery to the public.	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.		
		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		

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

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

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Sub-Total – RMLF Recurrent					
17-Oct-23	Development	FT24292BMVB1	525,000,000.00	56,330,631,188.00	56,330,631,188.00
24-Jan-24		FT25042ZHZ50	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