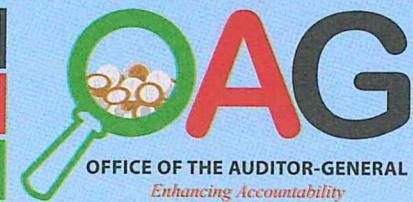


REPUBLIC OF KENYA



REPORT
OF
THE AUDITOR-GENERAL
ON
ROADS ANNUITY FUND
FOR THE YEAR ENDED
30 JUNE, 2025



OFFICE OF THE AUDITOR GENERAL
P.O. Box 30084 - 00100, NAIROBI
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ROADS ANNUITY FUND

Annual Report and Financial
Statement for the Financial
Year Ended 30th June 2025

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Acronyms and Definitions of Key Terms

Acronyms

ICPAK	Institute of Certified Public Accountants of Kenya
KeRRA	Kenya Rural Roads Authority
KRB	Kenya Roads Board
KURA	Kenya Urban Roads Authority
KeNHA	Kenya National Highways Authority
CBK	Central Bank of Kenya
IPSAS	International Public Sector Accounting Standards
FY	Financial Year
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

Definition of Key Terms

Annuity - the Roads Annuity Fund was established under the Public Finance Management (Roads Annuity Fund) Regulations, 2015 to provide capital to meet the national government's annuity payment obligations for the development and maintenance of roads under the programme. The Road Maintenance Levy Fund (RMLF) 1993 was amended via Finance Act 2015 that introduced a collection of Ksh 3/= per litre of fuel to form the Annuity Fund.

2. Key Entity Information and Management

Background information

The Roads Annuity Fund was incorporated/ established under the Public Finance Management Act 2012: (Roads Annuity Fund) Regulations, 2015 on 2nd April 2015.

Principal Activities

The primary objective and purpose of the Fund is to provide funds to meet the National Government's Annuity payment obligations for the development and maintenance of roads under the Annuity programme.

Key Management

The Fund's day-to-day management is under the following key organs:

- Officer Administering the Fund
- Oversight Committee

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.	Chairman	Dr. Chris Kiptoo, CBS – PS Treasury
2.	Fund Administrator	Eng Joseph M. Mbugua - PS Roads
3.	Member	Dr Boniface Makokha - PS Economic Planning
4.	Member	FCPA. Evans Moturi - ICPAK Representative
5.	Member	Sharon Irungu Asiyo - OAG Representative
6.	Member	Eng. Viviane Nyamwalo - IEK Representative
..	Member	CPA Kennedy Mutisya - KBA Representative

Fiduciary Oversight Arrangements

The Annuity Fund is managed by the Road Annuity Oversight Committee that approves outflows from the fund in the form of annual Annuity Budgets for projects financed from the Annuity Fund. Inflows into the Annuity Fund are financed from annual appropriations in the printed budget as approved by Parliament.

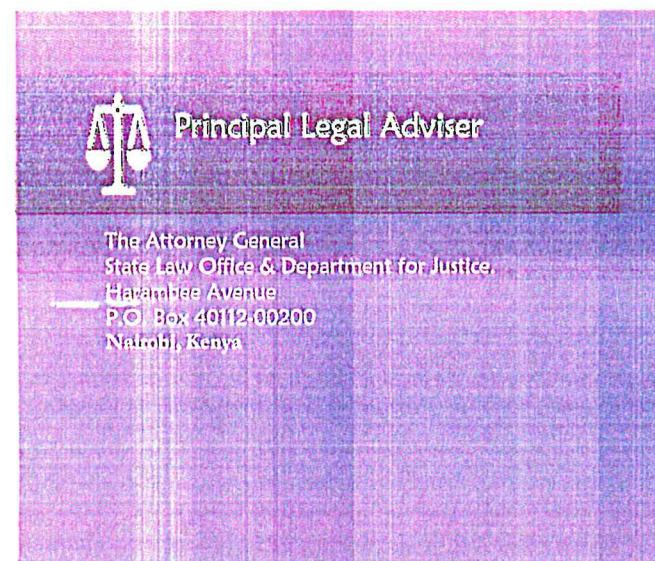
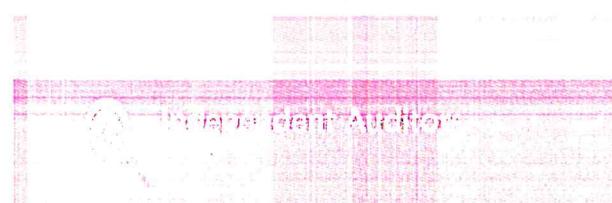


P.O. Box 30260
Works Building
Ngong Road
NAIROBI, KENYA



Entity Contacts

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



3. Oversight Committee Members Profiles

**Dr. Chris Kiptoo CBS,
PS Treasury
Chairman**



Dr. Chris Kiptoo is the Principal Secretary National Treasury. Dr. Kiptoo is the immediate former Principal Secretary, Ministry of Environment and Forestry. Prior he served as the Principal Secretary at the State Department of Trade, Ministry of Industry, Trade & Cooperative Accounting.

Dr. Chris Kiptoo holds a Doctor of Philosophy Degree (PhD) in Finance (International Macroeconomics Finance specialization) from the University of Nairobi, as well as a Master of Science

(Ag. Economics) and Bachelor of Science (Ag. Economics) degree from Egerton University. He is also an Accredited Fellow in Macroeconomic Management Macroeconomic & Financial Management Institute of Eastern & Southern Africa (MEFMI)

Dr. Kiptoo has acquired a rich wealth of experience in economic policy analysis, mainly gained at the Central Bank of Kenya, Capital Market Authority and the International Monetary Fund, where he has served in various capacities. His expertise especially relates to the design and implementation of monetary policy; balance of payments and exchange rates; fiscal operations and policy; financial sector matters including capital markets; national accounts/real sector and macroeconomic accounting, and modelling and forecasting.

Eng Joseph Mungai Mbugua

Fund Administrator

Eng. Joseph Mbugua is the Principal Secretary State Department of Roads. Prior to his appointment He was the Kenya Rural Roads Authority (KeRRA) Regional Director in Kiambu. He served in the same capacity in various regions in Kenya and also worked in the Ministry of Roads in various stations. As the Principal Secretary in charge of Roads, he is responsible for facilitating

the development of National Roads Development Policies, Development

Standardization and Maintenance of roads in the country, Materials Testing and Advice on Usage and quality of road construction, protection of road reserves, maintenance of security of roads and registration of Road Contractors. Under his purview, he also superintends over the Kenya Roads Board (KRB), Kenya National Highways Authority (KeNHA), Kenya Urban Roads Authority (KURA), Kenya Rural Roads Authority (KeRRA), Kenya Institute of Technology, Kenya Institute of Highways and Building Technology (KIHT) and Engineers Board of Kenya (EBK) and the Motor Vehicle Department. Eng. Mbugua is a registered professional Engineer with Engineers Board of Kenya (EBK) and a Corporate Member of the Institution of Engineers of Kenya (MIEK). He holds a BSC in Civil Engineering from University of Nairobi. He is a Strategic Manager who has successfully risen in ranks to be a highly capable change-agent consistently

refining and revitalizing strategies, initiating changes and facilitating solutions driven by team collaboration within the Public Sector. He is extensively trained in Strategic Leadership Development, Senior Management, Highway Development Management, Contract Management, Labour Based Road Construction and Maintenance, Quality Management Systems and Master Certificate in Project Management. He has valuable

experience in project management

Member

Dr Boniface Makokha is a member of the Road Annuity Oversight Committee w.e.f April 2025 and is the Principal Secretary, the State Department for Economic Planning in the National Treasury and

Economic Planning.

Dr. Makokha has served in various high-level technical and advisory capacities within regional and

international institutions, including

the United Nations Office of the Special Envoy for the Great Lakes Region, the International Conference on the Great Lakes Region, and the Levy Mwanawasa Regional Centre for Democracy and Good Governance.

His work has focused on strengthening governance systems, public-private partnerships, results-based planning,

Sharon Irungu Asiyo



Member

Ms. Sharon Irungu Asiyo, HSC is a representative of the Attorney General in the Oversight committee and currently serves as a

experience in policy formulation, planning, design, construction and management of projects and programs gained from his working experience in Public Service for over 30 years. He is an Executive Member of the Board of Management for Thogoto Teachers College, Moi Girls Kamangu Secondary School and Kikuyu Township Primary School.

institutional reforms, and inclusive development policy across Eastern and Central Africa. Dr. Makokha has a wealth of experience in intergovernmental coordination, strategic policy alignment and results-based implementation frameworks with key principles of accountability, inclusivity, and the realization of Kenya's development blueprints—Vision 2030, the Fourth Medium-Term Plan, and the Bottom-Up Economic Transformation Agenda..

He holds a bachelor of education (science), a master of arts in monitoring and evaluation, a master of science in physics, and a diploma in project management. He is currently pursuing a doctorate in mediation and conflict resolution and holds an honorary doctorate in theology in recognition of his contribution to ethical leadership and inclusive governance

State Counsel in the Office of the Attorney General and in the Department of Justice, Government Transactions Division. She is an Advocate of the High Court of Kenya with a Bachelor of Laws (LLB) Degree from Kampala International University and a Post-Graduate Diploma in Legal Studies from the Kenya School of Law.

Ms. Sharon Irungu has both private and public sector experience majoring in commercial and corporate law, International business and international financial transactions.

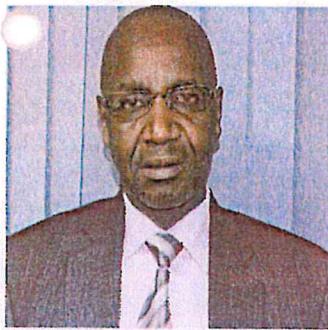
As a public sector legal practitioner, she is currently based at the Government Transactions Division at the Office of the Attorney General where her primary duties entail drafting, vetting and reviewing Government Contracts, negotiating

commercial and financial agreements on behalf of the Government and issuing advisory opinions on emerging issues and areas of law that have an impact on Government Contracts.

Ms. Sharon Irungu as a member of the committee provides strategic and insightful advice on emerging issues of law that affect the implementation Road Annuity Fund Programme.

FCPA Evans Moturi

Member



FCPA. Evans Moturi is a member of the committee representing the Institute of Certified Public Accountants

Kenya (ICPAK) with effect from February, 2023. He is a fellow certified Public Accountant, a certified Public Secretary, a certified Investment and financial analysts, an accredited Governance Auditor, and a professional mediator accredited with the high court of Kenya. He holds Masters of Business Administration (strategic Management) and BSc. degree in international Business Administration (Accounting and Finance). He is a member of the institute of certified Public Accountant of Kenya, Institute of Certified Secretaries (ICS) and the institute of investment and financial analysts (ICIFA)

He is a highly experienced expert in corporate governance and public finance management with over 38 years in the Public Sector both at operational and strategic level having served as a Finance Manager at the National Social Security Fund. He has immense experience as a member of various Board, a facilitator and as a company Secretary in various companies. He has been a member of Finance and strategy committee both for ICPAK and for ICIFA. Currently he is a member of ICPAK Public policy and Governance committee. He has been an assessor of champions of Governance Award (COGA) institutions on behalf of ICS. He is a former Member of Finance, Insurance, Real Estate, legal Services and Allied Agencies (FIR) committee for the National industrial training institute (NITA).

He has an in-depth understanding in strengthening corporate governance structures, formulating and implementing policies to enhance efficient management of institution

CPA Kennedy Mutisya

Member



CPA. Kennedy Mutisya is a member of the committee representing the Kenya Bankers Association. (KBA)

Mr. Mutisya was appointed to the position of Chief Finance Officer in December 2012. He is a seasoned professional with 20 years of experience rotating through multiple roles within the finance function in

East Africa company controlling, project finance,

treasury, financial planning and analysis. In his career he has worked in various industries, including banking, telecommunication, fast-moving consumer goods (FMCG) and insurance. He has held various positions, most recently Finance Manager at the Monarch Group of companies. He earned a Bachelor of Arts degree in Economics and Business Studies from Kenyatta University, and is a member of the Institute of Certified Public Accountants of Kenya (ICPAK)

Eng. Viviane Nyamwalo

Member



Eng. Viviane Nyamwalo is a member of The committee representing the Institution of Engineers of Kenya (IEK). She is a

Professional Civil Engineer registered with the Engineers Board of Kenya (EBK) and has previously served as a member of the Welfare, Diversity and Inclusivity Committee at IEK for the year 2020/2022.

Eng. Viviane holds a Bachelor of Science Degree in Civil Engineering from the University of Nairobi and is currently pursuing a Master of Science Degree in Civil Engineering.

Eng. Viviane has over 15 years' experience in the management and development of urban roads, highways and structures. She has significant expertise in Project Lifecycle Management for civil engineering works; the Management of Public Private Partnerships (PPP's) for infrastructure development; Road Safety Auditing and mainstreaming; Risk Management as well as Monitoring and Evaluation of road project

4. Chairman's Statement

The Roads Annuity Fund is managed under the Annuity Fund Regulations 2015. The Fund is governed through an Oversight Committee chaired by the Principal Secretary, National Treasury. The Officer Administering the Fund is the Principal Secretary responsible for Roads.

The Roads Annuity Programme was rolled out in the Financial Year 2016/2017 after the enactment of the Annuity Fund Regulations in the year 2015. Collections into the Annuity Fund started in the Financial Year 2015/2016 under the Finance Act 2015. Funding to the Annuity Fund is from the Fuel Levy funds at three shillings (Kshs.3) per litre. The initial target Km under the first phase of the Annuity Programme amounted to 465Km for various roads.

The Roads Annuity Fund was created as an alternative financing mechanism to help relieve pressure on the net GOK exchequer. Since the Financial Year 2007/2008, the Roads Sector experienced a phenomenon growth in terms of upgrading of roads to bitumen standards. During the same period, there was an exponential increase in terms of contractor capacity due to an influx of foreign contractors. Overtime, the output exceeded the available budgets leading to an accumulation of pending bills and the resultant costs. The Government adopted a policy of increasing the paved road network by an additional 10,000 kilometres from 2016/2017 over a five-year period. It was observed that the budgetary allocations would not be able to meet the demands for the roads sector.

The State Department through Kenya Rural Roads Authority (KeRRA) completed the construction of Lot 33 (Ngong – Kiserian - Isinya and Kajiado – Iمارورو) with a length of 91 kilometres in the year 2020/2021. Additionally, Kenya Urban Roads Authority (KURA) also finished construction of Lot 15 (Identified Town Roads in Nyeri, Kirinyaga, Muranga, Embu, Tharaka Nithi, Laikipia) with a length of 45kms and Lot 18 (Identified Town Roads in Kakamega, Vihiga, Bungoma, Busia) with a length of 35Kms in the year 2023/2024.

The Roads Annuity Oversight Committee is responsible for the Consideration and approval of Budgets for Annuity financed projects. Inflows into the Roads Annuity Fund are determined through the Annual National Budget approved by parliament while outflows from the Roads Annuity Fund are approved by the Roads Annuity Fund Committee.

In the Financial Year 2024/2025 Parliament approved an Inflow of **Kshs.14,087,000,000** under the 3rd Supplementary Budget. The Roads Annuity Fund received an inflow of **Kshs.13,366,666,666** being collections for the 2024/2025 financial year. The Roads Annuity Oversight Committee on its 18th Meeting approved a revised budget outflow of **Kshs.8,958,000,000** from the Annuity Fund. The Actual Outflow from the Annuity Fund during the Financial Year amounted to **Kshs.8,894,660,248.90**.


Dr Chris Kiptoo, CBS

Chairman Road Annuity Oversight Committee
Principal Secretary/National Treasury

Strength of the Functional Relationship

The Roads Annuity Programme was rolled out in the Financial Year 2016/2017 after the enactment of the Annuity Fund Regulations in the year 2015. Collections into the Annuity Fund started in the Financial Year 2015/2016 under the Finance Act 2015. Funding to the Annuity Fund is from the Fuel Levy funds at three shillings (Kshs. 3) per litre. The initial target Km under the first phase of the Annuity Programme amounted to 465Km for various roads. The total kilometres based on the five road projects that ultimately managed to go to tender amounted to 381km.

The State Department had earmarked the following roads for implementation under the Road Annuity Programme:

1	Ngong- Kiserian- Isinya- Kajiado- Imaroro	91
2	Identified Town Roads in Nyeri, Kirinyaga, Muranga, Embu, Tharaka Nithi, Laikipia	45
3	Identified Town Roads in Kakamega, Vihiga, Bungoma, Busia	35
4	Ilasisit – Njukini – Taveta Road	67
5	Modogashe-Habaswein-Samatara and Rhamu-Mandera Roads	143
	Total	381

The State Department through Kenya Rural Roads Authority (KeRRA) completed the construction of Lot 33 (Ngong – Kiserian - Isinya and Kajiado – Imaroro) with a length of 91 kilometres in 2020/2021. Kenya Urban Roads Authority (KURA) also completed the construction of Lot 15 (Identified Town Roads in Nyeri, Kirinyaga, Muranga, Embu, Tharaka Nithi, Laikipia) with a length of 45kms and Lot 18(Identified Town Roads in Kakamega, Vihiga, Bungoma, Busia) with a length of 35Kms in 2023/2024. All the completed three lots are in the maintenance phase. The Construction of Lot 32 (Illasit – Njukini – Taveta Road- 67Km) has been terminated under the Annuity model and is now under implementation in an EPC Model. The EPC contract, procured under the Public Procurement and Disposal act 2015 is financed from surpluses from the annuity Fund upon declaration of the surpluses to the National Treasury Exchequer through Parliament. The Negotiations for termination of Lot 3 (Modogashe - Habaswein-Samatar and Rhamu-Mandera Roads) is ongoing with an aim of procuring it under the EPC Model.

In the Financial Year 2024/2025 the Approved Roads Annual Annuity Budget provision was Kshs.14,087,000,000. The state Department transferred to the Roads Annuity Fund Bank Account at the Central Bank of Kenya Kshs.13,366,666,666 being the financial Year 2024/2025 pump collections. The Annuity Fund bank account had an opening balance of Kshs.12,313,816,537.60 as at 1st July 2024. Expenditure from the Fund over the financial year 2024/2025 amounted to Kshs.12,894,660,248.90 The Annuity Fund closed the year as at 30th June 2025 with a carried forward balance of Kshs. 12,785,822,954.70

Roads Annuity Fund Annual Reports & Financial Statements for the year ended June 30, 2025

The Roads Annuity Fund Inflows and Outflows during the Financial Year 2023/24 is as summarized below:

Description	Amount (Kshs.)
Inflows	
Opening Annuity Fund Bank Balance as at 1 st July 2024	12,313,816,537.60
Additions during the Year 2023/24	13,366,666,666.00
Total Fund Inflows	25,680,483,203.60
Less Outflows	
Actual Payments over the Financial Year	8,894,660,248.90
Remission to the National Treasury	4,000,000,000.00
Total Fund Outflows	12,894,660,248.90
Closing Annuity Fund Bank Balance as at 30th June 2025	12,785,822,954.70



Eng. Joseph M Mbugua, CBS
Fund Administrator Roads Annuity Fund
Principal Secretary
State Department of Roads

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

The Ministry 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 the 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 Road Annuity Programme was aimed at developing 10,000 km of new roads in order to increase the paved road network from the existing 14,000 km as at 1st July 2014 to 24,000km over a ten-year period. The roads identified for implementation through the Annuity Programme in various regions/ counties were packaged into lots for ease of tendering and contract administration.

The Cabinet at its Third Meeting held on March 2016 approved the implementation of five (5) Lots under the Road Annuity Programme with the approach intended to accelerate the development of the paved road network, lower project the life cycle costs and provide the Government with the opportunity to pay for the services over a period of time as well as spur socio-economic development through improved road transportation infrastructure, and enhance Kenya's economic growth and competitiveness in the region.

Roads Annuity Fund Annual Reports & Financial Statements for the year ended June 30, 2025

The following are the status of the five (5) Lots under the Road Annuity Programme as at 30th June 2025:

Programme	Lot	Description	Implementing Agency	Length (Km)	Status as at 30 th June 2025
Road Annuity Programme	33	Ngong-Kiserian-Isinya-Kajiado-Imaroro	KeRRA	91	Project 100% Complete and In Operations and Maintenance Phase
	15	Identified Town Roads in Nyeri, Kirinyaga, Muranga, Embu, Tharaka Nithi, Laikipia	KURA	45	Project 100% Complete and In Operations and Maintenance Phase
	18	Identified Town Roads in Kakamega, Vihiga, Bungoma, Busia	KURA	35	Project 100% Complete and In Operations and Maintenance Phase
	32	Illasit – Njukini – Taveta Road	KeNHA	67	Project Terminated under Annuity Model. Project ongoing as a PPDA 2015 /EPC model
	3	Modogashe-Habaswein-Samatar and Rhamu-Mandera Roads	KeNHA	143	Project Termination negotiations ongoing.
				381	

7 Corporate Governance Statement

The Road Annuity Oversight Committee held four meetings (20th, 22nd, 23rd and 24th) during the financial year 2024/25 as detailed below;

S/N	Name	Position	Role	2024		2025		2026		2027	
				Meeting 1	Meeting 2	Meeting 3	Meeting 4	Meeting 5	Meeting 6	Meeting 7	Meeting 8
1	Dr. Chris Kiptoo, CBS	PS/NT	Chairman	✓		✓		✓		✓	
2	Eng Joseph M. Mbugua	PS/Roads	Secretary	✓		✓		✓		✓	
3	Dr Boniface Makokha	PS/ Economic Planning	Member					-			
4	FCPA. Evans Moturi	ICPAK Representative	Member		✓		✓		✓		✓
5	Sharon Irungu	OAG Representative	Member	-		-		✓		✓	
6	CPA Kennedy Mutisya	KBA Representative	Member	✓		✓		✓		✓	
7	Eng Viviane Nyamwalo	IEK Representative	Member	✓		-		✓		✓	

Functions of the Roads Annuity Fund Oversight Committee

The functions of the Roads Annuity Oversight Committee are captured under the Annuity Fund Regulations Section 13 as follows:

- inform the Cabinet Secretary on the funding requirements of the Fund
- adopt the estimates of annual revenue and expenditure of the Fund and recommend them to the Cabinet Secretary for Approval.
- Ensure that the annual estimates of revenue and expenditure for the Fund include cumulative Annuity Programme commitments for the financial year under review.
- Ensure that only the projects included in the Annuity Programme are promoted for funding under these Regulations.
- Inform the Cabinet Secretary on the amounts and timing for the fund transfers into the Fund.
- Approve and review the investment of surplus funds into the Fund.
- Advise the Cabinet Secretary on the sources of funds for the Fund.
- Adopt the financial statements prepared by the Officer Administering the Fund before submission to the Auditor- General; and
- Adopt the non-financial reports of the Fund and submit them to the Cabinet Secretary

8. Management Discussion and Analysis

In the Financial Year 2024/2025, the Road Annuity fund had an opening bank balance of **Kshs.12,313,816,537.60** as at 1st July 2024. The Approved Budget for the Roads Annuity Fund for the Financial Year 2024/2025 amounted to **Kshs.14,087,000,000** being estimated collections for the Entire FY. The State Department transferred **Kshs.13,366,666,666.00** to the Roads Annuity Fund representing a 95% performance against the Approved Budget Estimates. The total payments from the Annuity Fund Bank Account over the financial year to the Service Providers and the Independent experts for invoices raised on the three active annuity projects amounted to **Kshs.8,894,660,249** against an approved Budget of **Kshs.8,958,000,000**. The percentage of the total expenditure against the budget approved by the Oversight Committee amounted to 99%. The Road Annuity Fund closed the year with a bank account balance of **Kshs.12,785,822,955**.

In implementing the Road Annuity Programme, the collections to the fund are appropriated by parliament through the Annual Printed Estimates with financing from the Fuel Levy Fund. The expenditure from the Annuity Fund is approved by the Annuity Oversight Committee in form of yearly budgets. The Road projects financed by the Annuity Fund are implemented by the Road Agencies. Under KeRRA, construction of one road project- Lot 33 - Ngong – Kiserian – Isinya - Kajiado/Imaroro was completed in the financial year 2020/2021 and is in the Operations and Maintenance Phase and two road projects lot 15(Identified Town Roads in Nyeri, Kirinyaga, Muranga, Embu, Tharaka Nithi, Laikipia) and lot 18(Identified Town Roads in Kakamega, Vihiga, Bungoma, Busia) were completed in the year 2023/2024 and are also under Operations and Maintenance Phase.

Once an invoice is raised by the promoter of the project, the Independent Expert certifies the invoice as due for payment and forwards to the Implementing Agency. The Implementing Agency requests for a cash transfer from the Annuity Fund for the benefit of the Service Provider and the Independent Expert.

The Officer Administering the Fund (The Principal Secretary/Roads) authorises transfer of the requested cash from the Annuity Fund to the Implementing Agency's bank Account up to the Limit of the Approved Budgets by the Oversight Committee. The Implementing Agency subsequently pays the promoter of the project.

Environmental and Sustainability Reporting

The Road Annuity Programme is geared towards development of roads supporting primary, growth sectors through Contractor facilitated mechanism.

The project Lot 33 -Ngong – Kiserian – Isinya- Kajiado/Imaroro Operation and Maintenance(O&M) Phase commenced after issuance of the Provisional Completion Certificate effective from 1st November, 2020. The Construction Phase, thereby, was deemed to be substantially completed. The Service Provider is now fully engaged on the O&M Activities along the entire Project Highway. On the safety Management the Service provider has Emergency Response Units arrangements with Emergency Service Providers at various strategic locations to provide emergency services to the road users along the Project Network. This includes the following;

- Agreement with the Kajiado County Fire and Disaster Department for responding to any fire incidents within 45 minutes of its intimation to them.
- Agreement for ambulance services with Namunyak Medical Centre for providing ambulance services within 45 minutes of notification of an incident/accident.
- Agreement with Isinya Health Centre and Ngong Sub County Hospital for admission to these hospitals in cases of medical emergencies caused by an incident/accident

The Annuity Financed Projects Lot 15 and Lot 18 were completed in 2023/2024 and the Operations and Maintenance Phase has commenced where the service providers are directly interacting with the community.

10. Report of the Oversight Committee

The Management submits their report together with the audited financial statements for the year ended June 30, 2025, which show the state of the affairs of the fund.

Principal activities

The objective and purpose of the Fund shall be to provide funds to meet the National Government's Annuity payment obligations for the development and maintenance of roads under the Annuity programme.

Results

The results of the entity for the year ended June 30, 2025, are set out on page xiv.

Oversight Committee

The Oversight Committee members who served during the year are shown on page v, vi, vii, viii, ix and x.

Surplus remission

The Road Annuity Fund remitted declared surplus of **Kshs.4,000,000,000** to consolidated Fund in Financial Year 2024/25 towards financing Ilasit-Njukini -Taveta Road Project.

Auditors

The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the oversight Committee



.....
Fund Administrator

Statement of Oversight Committee's responsibilities

Section 81 of the Public Finance Management Act, 2012 require the Accounting Officer of the Fund to prepare financial statements in respect of the Roads Annuity Fund, which give a true and fair view of the state of affairs of the Fund at the end of the financial year and the operating results. The Accounting Officer is also required to ensure that the Fund keeps proper accounting records which disclose with reasonable accuracy the financial position of the Fund. The Accounting Officer is also responsible for safeguarding the assets of the Fund.

The Accounting Officer is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Roads Annuity Fund for and as at the end of the financial year 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 Roads Annuity Fund; (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 Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting Officer accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Accounting Officer is of the opinion that the financial statements give a true and fair view of the state of the Fund's transactions during the financial year ended June 30, 2025, and of the Roads Annuity Fund's financial position as at that date. The Accounting Officer further confirms the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Roads Annuity Fund's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Accounting Officer to indicate that the Roads Annuity Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Roads Annuity Fund Annual Reports & Financial Statements for the year ended June 30, 2025

Approval of the financial statements

The Roads Annuity Fund's financial statements were approved by the Oversight Committee on 27th August, 2025 and signed on its behalf by:



.....
Dr. Chris Kiptoo, CBS
Chairman, Oversight Committee



.....
Eng. Joseph M. Mbugua
Fund Administrator

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON ROADS ANNUITY FUND 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 financial statements of Roads Annuity Fund set out on pages 1 to 18, which comprise of the statement of financial position as at 30 June, 2025, and the statement of 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 financial statements present fairly, in all material respects, the financial position of Roads Annuity Fund 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) and comply with the Roads Annuity Fund Regulations, 2015 and the Public Finance Management Act, 2012.

Basis for Opinion

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

Emphasis of matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual amounts on comparable basis of Kshs.14,087,000,000 and Kshs.25,680,483,203 respectively, resulting to over-funding of Kshs.11,593,483,203 or 82% of the budget. However, the Fund spent an amount of Kshs.12,894,660,249 against actual receipts of Kshs.25,680,483,203 resulting to an under-utilization of Kshs.12,785,822,954 or 50% of the actual receipts.

The underperformance affected the planned activities and impacted negatively on service delivery to the public.

My opinion is not modified on the effect of this matter.

Key Audit Matters

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

Other Information

The Management is responsible for the Other Information set out on page v to xx which comprise of Key Entity Information and Management, Oversight Committee Members, Chairman's Statement, Report of the Fund Administrator, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management

Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Oversight Committee and Statement of Oversight Committee Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Project'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 Conclusion 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. Failure to Disclose Subsequent Year Budget Estimates in the Website

Review of the Website as at 30 June, 2025 revealed that the State Department for Roads did not publish the annual estimates prepared of the Annuity Programme Funding and Payment Obligations for the year 2025/2026 and quarterly Fund balances were not published in State Depart for Roads website. This was contrary to regulation 15(22) (a and b) of the Public Finance Management (Roads Annuity Fund) Regulations, 2015 that states that on annual basis, the Fund shall publish on the website of the ministry responsible for matters relating to roads the estimates prepared of Annuity programme Funding and Payment Obligations for the forthcoming financial year; and (b) On a quarterly basis, publish on the website of the ministry responsible for matters relating to roads.

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

2. Non-Achievement of 10,000 Kilometers Target

The enabling Regulation 15 (2) of Public Finance Management (Roads Annuity Fund) Regulations, 2015, provides that the National Government shall; (a) identify a maximum of ten thousand kilometers priority roads distributed across the country;(b) procure long term contracts for design, finance, construction and maintenance of identified roads under a public private partnership arrangement within the meaning of the Public Private

Partnership Act, 2013, with payments linked to the completion of roads and performance-based maintenance. However, records reviewed revealed that the Fund only identified four (4) roads with total length of 290 kilometers. The identified roads are Lot 3- Modogashe-Mandera Roads (143KM), Lot 32-Illasita-Taveta roads (67KM), Lot 15-Identified roads in Nyeri, Kirinyaga, Muranga, Embu, Tharaka Nithi; Laikipia totalling 45KM; and Lot 1- Identified town roads in Kakamega, Vihiga, Bungoma, Busia totalling 35KM. This was contrary to regulations.

Further, records showed that out of the 290 KM, only 91 KM had been constructed and operational or 0.9% the target.

In the circumstances, delayed implementation road projects affect service delivery to the public.

2. Avoidable Expenditure in Termination

Review of records revealed that;

3.1 Lot 32 (Illasit-Njukini-Taveta) Road Contract

The Kenya National Highways Authority entered into Contract No. KeNHA/RD/PPP/1001/2019 with a company dated 22 May 2019 for construction of Illasit-Njukini- road at an annual annuity cost of Kshs.1,549,760,000 under the Public Private Partnership (PPP) annuity programme. However, Financial Close was not reached by year 2020 as expected due to non-fulfilment of conditions set by the contracting Authority (KeNHA). Value for money analysis post commercial close done in 2024 on the Project revealed a negative value for money of Kshs.5.098 billion indicating it was not desirable for the contracting Authority to undertake the Project as a Public Private Partnership. Thereafter, the contracting Authority initiated termination of the Annuity Project Agreement resulting to a termination claim of Kshs.436,992,985 as the total cost of termination and a consideration. Had management conducted value for money in good time, termination cost of Kshs.436,992,985 would not have been incurred.

In the circumstances, value for money of the expenditure of Kshs.436,992,985 incurred on the termination of the Project could not be confirmed.

3.2 Lot 3 (Wajir-Habaswein-Samatar and Rhamu-Mandera) Road Contract

Review documents revealed that Road Annuity Lot 3 project agreement signed on the 21 November, 2016 was amended on 21 December, 2018 at an annual annuity cost of Kshs.3.15 billion. However, it did not achieve Financial Close as expected due to non-fulfilment of conditions precedent by the contracting Authority (KeNHA). Value for money analysis and affordability review post commercial close done in 2024 to the Project revealed a negative value for money of Kshs.9.463 billion compared to the positive value for money Kshs.0.844 billion in 2018 post commercial close and Kshs.6.004 billion in 2015 indicating that was not desirable for the contracting Authority to undertake the project as a Public Private Partnership. The Contracting Authority, initiated termination of the annuity project agreement which resulted in a termination claim of Kshs.4.098 billion by the service provider as indicated vide letter Ref. KeNHA /10/MHS&RM/LOT

3/VOL.5/1148 dated 23 June, 2025. Had management conducted value for money in good time, termination cost of Kshs.4,098,000,000 would not have been incurred.

In the circumstances, value for money of the expenditure of Kshs.4,098,000,000 incurred on the termination of Project could not be confirmed.

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 THE 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.

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 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 Fund'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 57 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 Fund'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(5) 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 58 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, SBS
AUDITOR-GENERAL

Nairobi

20 November, 2025

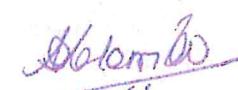
13. Statement of Financial Performance for the year ended June 30, 2025

Revenue	Note	FY 2024-25	FY 2023-24
Revenue- Form Non-Exchange Transactions		Kshs	Kshs
Transfers from Other Government entities	6	13,366,666,666.00	12,200,000,000
Total revenue		13,366,666,666.00	12,200,000,000
Expenditure			
Transfers to Government Agencies	7	8,894,660,248.90	7,214,060,723.95
Total Expenditure		8,894,660,248.90	7,214,060,723.95
Surplus for the year		4,472,006,417.10	4,985,939,276.05
Remission to Treasury	8	4,000,000,000.00	-
Net Surplus for the year		472,006,417.10	4,985,939,276.05

The Financial Statements were signed on 27th August, 2025 by:



Eng. Joseph M. Mbugua
Fund Administrator



Mwangash Sophie Wakio
Head of Accounting Unit
ICPAK No. 11341

	Note	FY 2024-25	FY 2023-24
Assets		Kshs	Kshs
Current Assets			
Cash and Cash Equivalents	9	12,785,822,954.70	12,313,816,537.60
Total Assets		12,785,822,954.70	12,313,816,537.60
Net Assets			
Capital Fund	10	500,000,000.00	500,000,000.00
Accumulated Surplus		12,285,822,954.70	11,813,816,537.60
Total Net Assets		12,785,822,954.70	12,313,816,537.60

The Financial Statements were signed on 27th August, 2025 by:



Eng. Joseph M. Mbugua
Fund Administrator



Mwangashi Sophie Wakio
Head of Accounting Unit
ICPAK No. 11341

15. Statement of Changes in Net Assets for Year Ended June 30, 2025

Details	Capital Fund	Accumulated Surplus
	Kshs	Kshs
July 1, 2023	500,000,000.00	6,827,877,261.00
Surplus for the Year		4,985,939,276.05
June 30, 2024	500,000,000.00	11,813,816,537.05
July 1, 2024	500,000,000.00	11,813,816,537.05
Surplus for the Year		472,006,417.10
June 30, 2025	500,000,000.00	12,285,822,954.70

	Note	FY 2024-25	FY 2023-24
		Kshs	Kshs
Cash flows from Operating Activities			
Receipts			
Transfers from Other Govt entities	6	13,366,666,666.00	12,200,000,000.00
Total Receipts		13,366,666,666.00	12,200,000,000.00
Payments			
Transfers to Other Government Agencies	7	8,894,660,248.90	7,214,060,723.95
Remission to Treasury	8	4,000,000,000.00	
Total Payments		12,894,660,248.90	7,214,060,723.95
Net cash flows from Operating Activities	11	472,006,417.10	4,985,939,276.05
Net Decrease in Cash & Equivalents		472,006,417.10	4,985,939,276.05
Cash & Equivalents at the year Start	9	12,313,816,537.60	7,327,877,261.55
Cash & Equivalents at Year End	9	12,785,822,954.70	12,313,816,537.60

17. Statement of Comparison of Budget & Actual Amounts for the Year Ended June 30, 2025

Particulars	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance		%
						Difference	
	Kshs	Kshs	Kshs	Kshs	Kshs		
Budget Carryover				12,313,816,537			
Revenue							
Transfers from Other Government entities	14,087,000,000		14,087,000,000	13,366,666,666	720,333,334	95%	
Total Revenue	14,087,000,000		14,087,000,000	25,680,483,203			
Expenses							
Transfers to other Government Entities	8,958,000,000		8,958,000,000	8,894,660,249	63,339,751	99%	
Remission to Exchequer	4,000,000,000		4,000,000,000	4,000,000,000	0	100%	
Total expenditure				12,894,660,249			
Surplus				12,785,822,954			

Budget Reconciliation

Particulars	Amount in Kshs
Net Surplus as Presented in the Statement of Financial	472,006,417.10
Opening Balance as at 1 st July 2024	12,313,816,537.60
Amount as Presented in the Statement of Cash Flows	12,785,822,954.70

General Information

The Roads Annuity Fund is established by and derives its authority for Public Finance Management Act 2012. The Fund is wholly owned by the Government of Kenya and is domiciled in Kenya. The Fund's principal activity is to provide funds to meet the national government's annuity payment obligations for the development and maintenance of roads under the Annuity Programme.

Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Roads Annuity Fund's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of The Roads Annuity Fund

The financial statements have been prepared in accordance with the PFM Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

Adoption of New and Revised Standards

New and amended standards and interpretations in issue effective in the year ended 30 June 2025.

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2025.

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 2025

Effect/s/State of Impact:

IPSAS 43

Applicable 1st January 2025

The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that

Roads Annuity Fund Annual Reports & Financial Statements for the year ended June 30, 2025.

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 an Entity.

The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.

The Fund has no contractual arrangement relating to leases, therefore, no impact.

IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations

Applicable 1st January 2025

The Standard requires,

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:

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.

The Fund currently no physical property held or in control of, therefore the standard has no impact.

IPSAS 45- Property Plant and Equipment

Applicable 1st January 2025

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.

The Fund currently no physical property held or in control of, therefore the standard has no impact.

IPSAS 46 Measurement

Applicable 1st January 2025

The objective of this standard was to improve measurement guidance across IPSAS by:

- i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.
- ii. Clarifying transaction costs guidance to enhance consistency across IPSAS;
- iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.

The standard also introduces a public sector specific measurement bases called the current operational value.

	<p>The management is in the process of assessing the impact of this standard.</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 an entity 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>The management is in the process of assessing the impact of this standard.</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>The Fund expenses to other entities are on a reimbursement basis thus the standard has no impact.</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>The Fund does not operate a retirement benefit plan thus the standard has no impact.</p>
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<p>Applicable 1st January 2027</p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ul style="list-style-type: none">i. Limited improvements to existing accounting practices for exploration and evaluation expenditures.ii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized. <p>The Standard will have no impact on the Fund's operations.</p>

iii. Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year

4. Summary of Significant Accounting Policies

Revenue recognition- 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 entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

Budget information

The original budget for FY 2024-2025 was approved by the National Assembly in June 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. The budget is prepared on a different basis as the financial statements and a reconciliation statement has been provided.

Provisions

Provisions are recognized when the Roads Annuity Fund 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 Fund 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.

Contingent liabilities

The Roads Annuity Fund 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.

Contingent assets

The Roads Annuity Fund 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 Fund 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.

Nature and purpose of reserves

The Roads Annuity Fund has an accumulated surplus reserve fund that facilitates the core mandate of the entity.

Changes in accounting policies and estimates

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

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 at 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.

Related parties

The Roads Annuity Fund regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are also regarded as related parties.

Cash and cash equivalents

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

Comparative figures

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

Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2025.

5. Significant Judgments and Sources of Estimation Uncertainty

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

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 Entity 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 Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual values

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

The condition of the asset based on the assessment of experts employed.

The nature of the asset, its susceptibility and adaptability to changes in technology and processes.

The nature of the processes in which the asset is deployed.

Availability of funding to replace the asset.

Changes in the market in relation to the asset

Roads Annuity Fund Annual Reports & Financial Statements for the year ended June 30, 2025.

	FY 2024-25	FY 2023-24
	Kshs	Kshs
Transfers from Other Government Entities		
Kenya Roads Board (Levies)	13,366,666,666	12,200,000,000
Total	13,366,666,666	12,200,000,000

	FY 2024-25	FY 2023-24
	Kshs	Kshs
Transfers to Other Government Agencies		
Kenya Rural Roads Authority (KeRRA)	3,362,320,167.70	3,892,369,408.00
Kenya Urban Roads Authority (KURA)	5,532,340,081.20	3,321,691,315.95
Total	8,894,660,248.90	7,214,060,723.95

	FY 2024-25	FY 2023-24
	Kshs	Kshs
Remission to National Treasury		
Surplus Remitted	4,000,000,000.00	0.00
Total	4,000,000,000.00	0.00

	FY 2024-25	FY 2023-24
	Kshs	Kshs
Cash and Cash Equivalents		
Cash In Bank (CBK - A/c1000236663)	12,785,822,954.70	12,313,816,537.60
Total	12,785,822,954.70	12,313,816,537.60

Note 10	FY 2024-25	FY 2023-24
Capital Fund	Kshs	Kshs
Capital Fund	500,000,000	500,000,000
Total	500,000,000	500,000,000

Note 11	FY 2024-25	FY 2023-24
Cash From Operating Activities	Kshs	Kshs
Net Surplus for Year	472,006,417	4,985,939,276.05
Adjustments		
Net Cash from Operating Activities	472,006,417	4,985,939,276.05

Financial Risk Management

The Fund activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The entity's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The entity does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The Fund's financial risk management objectives and policies are detailed below:

Credit risk

The Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount	Performing		Impaired
		Kshs	Kshs	Kshs
At 30 June 2024				
Bank balances	12,313,816,537	12,313,816,537		0
At 30 June 2025				
Bank balances	12,785,822,954	12,785,822,954		0

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the entity's directors, who have built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

iii) Capital Risk Management

The objective of the entity's capital risk management is to safeguard the entity's ability to continue as a going concern. The entity capital structure comprises of the following funds:

	FY 2024-25	FY 2023-24
	Kshs	Kshs
Capital	500,000,000	500,000,000
Retained earnings	12,285,822,954	11,813,816,537.05
 Total borrowings		
Less: cash and bank balances	12,785,822,954	12,313,816,537.60
 Net debt/ (cash and cash equivalents)		
Gearing	0%	0%

Roads Annuity Fund Annual Reports & Financial Statements for the year ended June 30, 2025.

Related Party Disclosures

Nature of related party relationships

Entities and other parties related to the entity 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 Roads Annuity Fund, holding 100% equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the entity, both domestic and external.

Other related parties include:

The Parent Ministry.

Other SCs and SAGAs.

Key management.

Transactions with related parties	FY 2024-25		FY 2023-24	
	Kshs		Kshs	
Transfers from the Government				
Transfers from Kenya Roads Board		13,366,666,666		12,200,000,000
Total		13,366,666,666		12,200,000,000
 Key management compensation				
Directors' emoluments				-
Compensation to key management				-
Total				-

Surplus Remission

The Fund did not make any remittances to the National Treasury in this Financial Year.

Events after the Reporting Period

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

Roads Annuity Fund Annual Reports & Financial Statements for the year ended June 30, 2025.

Ultimate and Holding Entity

The entity is a Semi- Autonomous Government Agency under the Ministry of Infrastructure. Its ultimate parent is the Government of Kenya.

Currency

The financial statements are presented in Kenya Shillings (Kshs).

19. Appendices

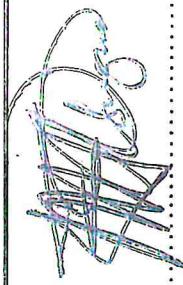
Appendix 1: Progress on Follow Up of Auditor Recommendations

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
125. Budgetary Control and Performance	The statement of comparison of budget and actual amounts reflects total budgeted receipts amount of Kshs.12,200,000,000 against actual receipts amount of Kshs.12,200,000,000 or 100% of the budget. However, the statement reflects actual expenditure of Kshs.7,214,060,724 against actual receipts of Kshs.12,200,000,000, resulting to an underutilization of Kshs.4,985,939,276 or 41% of the total receipts. The underutilization affected the planned activities of the Fund and may have impacted negatively on service delivery to the public.	The Road Annuity printed Budget of Kshs12,200,000,000.00 as contained in the State Development Budget relate to the collections from Kenya Roads Board (KRB) into the Road Annuity Fund at Central Bank. The Collections for the Year Ending 30th June, 2024 amounted to Kshs12,200,000,000 resulting to a 100% Budget Absorption. The Expenditures/withdrawals from the Road Annuity Fund for the benefit of Implementation of Annuity projects as Approved by the Road Annuity Oversight Kshs. 8,624,000,000.00. Out of this approved amount,	Resolved	N/A

Roads Annuity Fund Annual Reports & Financial Statements for the year ended June 30, 2025.

	<p>Kshs.7,214,060,724 was expended from the Fund resulting to a Budget Absorption of 84%. The actual expenditure is Kshs. 7,214,060,724 being the amount drawn from the Roads Annuity Fund bank account resulting to 99% expenditure level.</p> <p>In the audit report of the previous year, some issues were raised under Budgetary Control and Performance and Report on Lawfulness and Effectiveness in Use of Public Resources. However, the issues remain unresolved.</p>	<p>The matters have since been resolved</p>	<p>Resolved</p>	<p>N/A</p>
126. Unresolved Prior Year Matters				

There were no other outstanding issues raised the external auditor.



The Fund Administrator

Appendix II: Projects Implemented by The Fund

1. Ngong -Kiserian-Isinya and Kajiado-Imaroro road Project

1	Lot No.	33
2	Road Name	Ngong-Kiserian-Isinya and Kajiado-Imaroro
3	Service Provider	INTEX RAF 1 Ltd
4	Financier	Kenya Commercial Bank
5	Total Project Length	91 Km
6	Section Lengths	Ngong-Kiserian-Isinya : 48 Km Kajiado-Imaroro : 43 Km
7	Project Term	10 years
8	Construction Period (As per Project Agreement)	2 years
9	Maintenance Period (As per Project Agreement)	8 years
10	Major Maintenance	in year 6-8 (From Appointed Date)
11	Major Maintenance Cost (Ksh)	1,510,000,000.00
12	Routine Maintenance Cost (Ksh)	3,472,000,000.00
13	Annual Charge (Ksh)	2,418,000,000.00
14	Commercial Close Date	16 th November, 2016
15	Financial Close Date	28 th February, 2018
16	Appointed Date	21 st May, 2018
17	Accordance of Provisional Certificate	1 st November, 2020
18	Accordance of Completion Certificate	30 th December, 2021

2. Identified Town Roads in Kakamega, Vihiga, Bungoma, Busia

Project Location	Kakamega, Vihiga, Bungoma & Busia
Contracting Authority	Kenya Urban Roads Authority
Project Company (Employer)	Infraconnect Eighteen Kenya Ltd
Independent Expert	Norken International Ltd
O&M Contractor:	Mota-Engil Engenharia E Construcao Africa, S A Kenya Branch
Date of Financial Close	Tuesday, February 15, 2022
Appointed Date	Wednesday, February 16, 2022
Transfer Date	15 th February 2032
Contract Period (Years)	10
Date of this Report	30 th June 2025

3. Identified Town Roads in Nyeri, Kirinyaga, Muranga, Embu, Tharaka Nithi, Laikipia

Project Location	Nyeri, Laikipia, Kirinyaga, Embu, Murang'a, Tharaka Nithi
Contracting Authority	Kenya Urban Roads Authority
Project Company (Employer)	Infraconnect Fifteen Kenya Ltd
Independent Expert	Runji Consulting Limited
O&M Contractor:	Mota-Engil Engenharia E Construcao Africa, S A Kenya Branch
Date of Financial Close	Tuesday, February 15, 2022
Appointed Date	Wednesday, February 16, 2022
Transfer Date	15 th February 2032
Contract Period (Years)	10
Date of this Report	30 th June 2025

Appendix III: Inter-Entity Transfers

Transfers from Kenya Roads Board

Development Transfers	Bank Statement Date	Amount (Kshs)	Indicate The FY To Which the Amounts Relate
Development Grants	13-May-25	3,247,068,607	2024/25
	03-Jul-25	4,599,778,216	2024/25
	09-Jul-25	5,519,819,843	2024/25
Total		13,366,666,666	

The above amounts have been communicated to and reconciled with the Parent Ministry.

Administrator
The Roads Annuity Fund

Date: 27th August, 2025

Head of Finance
The Kenya Roads Board

Date: 27th August, 2025

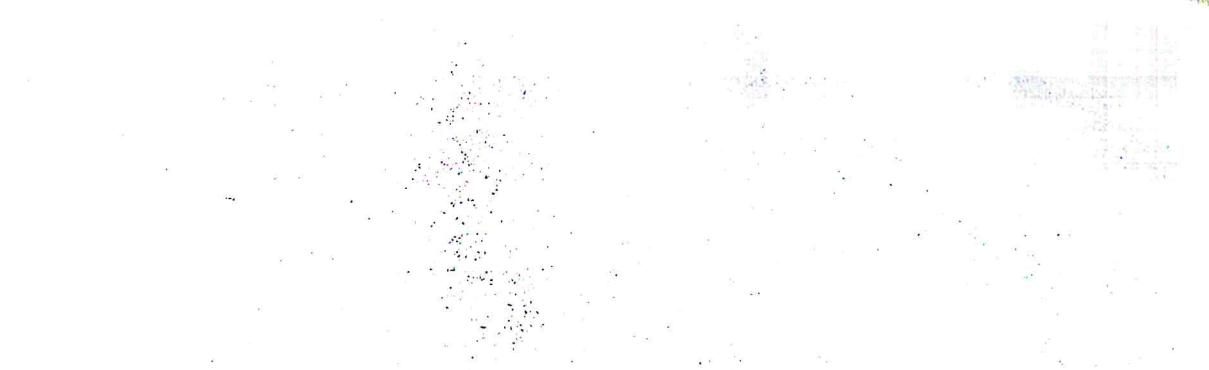
Appendix IV: Recording of Transfers from Other Government Entities

Entity Transferring the Fund	Date received as per bank statement	Nature:	Statement of Financial Performance Kshs	Total Transfers during the year Kshs
Kenya Roads Board	13-May-25	Dev	3,247,068,607	3,247,068,607
Kenya Roads Board	03-Jul-25	Dev	4,599,778,216	4,599,778,216
Kenya Roads Board	09-Jul-25	Dev	5,519,819,843	5,519,819,843
Total			13,366,666,666	13,366,666,666

Appendix V: Project by Pictures

1. Ngong -Kiserian-Isinya and Kajiado-Imaroro road Project

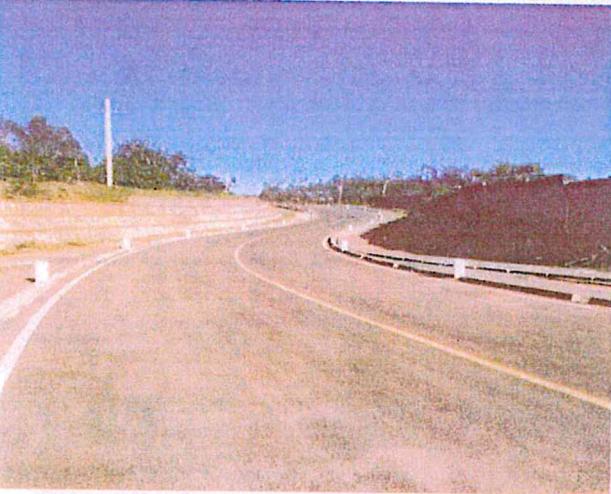
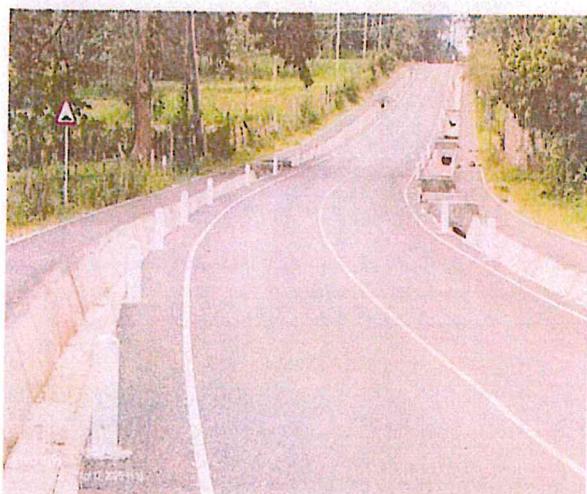
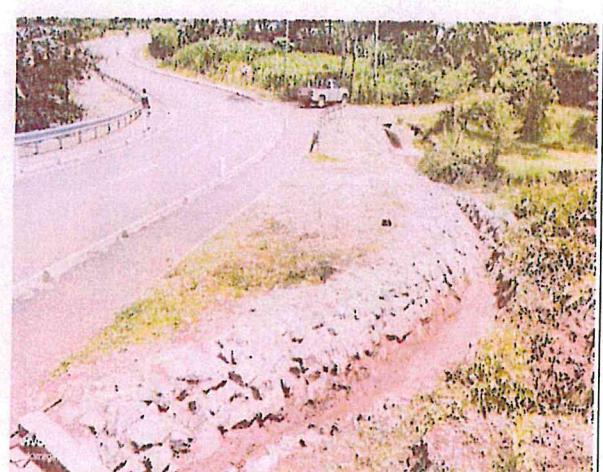
Surface Dressing done at km 3+450 along Ngong - Kiserian (R1) section



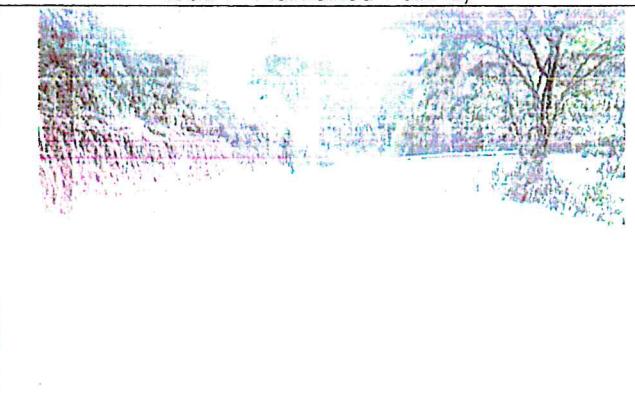
Joint inspection and site meeting by KenHA, S.P, and I.E teams Inspecting ongoing works at the proposed Weighbridge installation location at km 13+950 RHS along Kiserian-Isinya (R1) section



2. Identified Town Roads in Kakamega, Vihiga, Bungoma, Busia

	
Rd 1 – Kakamega - Ilesi Cleaned and maintained	Road 1: Kakamega - Ilesi Cleaned and maintained
	
Road 2: Kakamega-Lutonyi Cleaned and maintained	Road 2: Kakamega-Lutonyi Cleaned and Maintained

3. Identified Town Roads in Nyeri, Kirinyaga, Muranga, Embu, Tharaka Nithi, Laikipia

	
Road 1 – Marked Road	Road 1 – Maintained Walkway
	
Road 2-Drainage Cleaning works	Road 2 – Maintained Walkway

Appendix VI: Reporting of Climate Relevant Expenditures

There was no expenditure related to climate management.

Appendix VII: Reporting on Disaster Management Expenditure

There was no expenditure on disaster management.