MINISTRY OF ROADS AND TRANSPORT

STATE DEPARTMENT FOR ROADS

ANNUAL REPORT & FINANCIAL STATEMENTS · FY2024/25

REPUBLIC OF KENYA

Seamless Connectivity



ANNUAL REPORT

AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2025

FINANCIAL YEAR

2025

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STATE DEPARTMENT FOR ROADS

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2025

REPORTING ENTITY	REPORTING PERIOD	REPORTING FRAMEWORK
STATE DEPARTMENT FOR ROADS	1 JULY 2024 TO 30 JUNE 2025	TRANSITIONAL IPSAS · ACCRUAL BASIS

FINANCIAL REPORTING BASIS

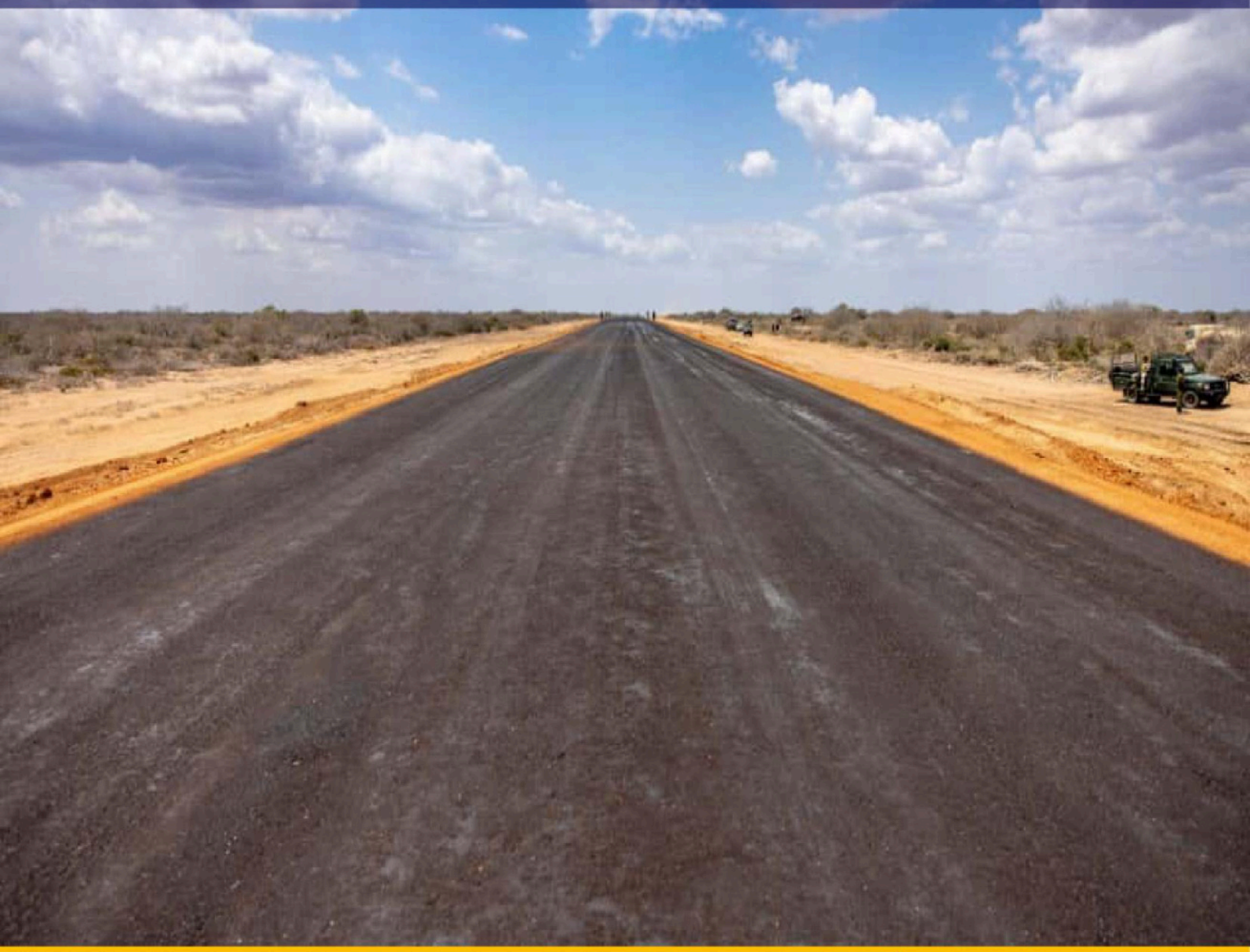
Transitional IPSAS Financial Statements prepared in accordance with the Accrual Basis of Accounting Method under International Public Sector Accounting Standards (IPSAS)

FORMAL REPORT NAVIGATION

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SECTION 01

Acronyms and Definition of Key Terms

01

SECTION 01 OFFICIAL REPORT SECTION

ACRONYMS AND DEFINITION OF KEY TERMS

1.1 Acronyms

Acronyms and abbreviations for the institutions, standards and financing terms used throughout the report.

AfDB
African Development Bank

AIA
Appropriations-in-Aid

AO
Accounting Officer

CBK
Central Bank of Kenya

CBS
Chief of the Order of the Burning Spear

CPA
Certified Public Accountant

CS
Cabinet Secretary

EBK
Engineers Board of Kenya

EGH
Elder of the Order of the Golden Heart

EPC
Engineer, Procure and Construct

FCPA
Fellow of the Institute of Certified Public Accountants

FY
Financial Year

GoK
Government of Kenya

HSC
Head of State's Commendation

ICPAK
Institute of Certified Public Accountants of Kenya

IEK
Institution of Engineers of Kenya

IPSAS
International Public Sector Accounting Standards

ISO
International Organization for Standardization

JICA
Japan International Cooperation Agency

KBA
Kenya Bankers Association

KeNHA
Kenya National Highways Authority

KeRRA
Kenya Rural Roads Authority

KETRB
Kenya Engineering Technology Registration Board

KIHBT
Kenya Institute of Highways and Building Technology

KM
Kilometres

KRB
Kenya Roads Board

KURA
Kenya Urban Roads Authority

LVSR
Low Volume Seal Roads

MDA
Ministries, Departments and Agencies

MTRD
Materials Testing and Research Division

SECTION 01

ACRONYMS AND DEFINITION OF KEY TERMS

1.2 Definition of Key Terms

NACADA	National Authority for the Campaign Against Alcohol and Drug Abuse
NCPWD	National Council for Persons with Disabilities
NTSA	National Transport Safety Authority
OAG	Office of the Auditor General
OCOB	Office of the Controller of Budget
OSHA	Occupational Safety and Health Act, 2007
PAC	Public Accounts Committee
PFM	Public Finance Management
POC	Project Oversight Committee
PPDA	Public Procurement and Disposal Act
PPE	Property, Plant and Equipment
PPP	Public Private Partnership
PS	Principal Secretary
PSASB	Public Sector Accounting Standards Board
QMS	Quality Management System
RMLF	Road Maintenance Levy Fund
SAGAs	Semi-Autonomous Government Agencies
SC	State Corporations
TNT	The National Treasury
WB	World Bank

KEY FINANCIAL REPORTING TERMS

Fiduciary Management

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

Accrual Basis of Accounting

Transactions are recognised when they occur and reported in the period to which they relate. FY2024/25 is the State Department's first transitional IPSAS accrual year.

Appropriations-in-Aid (AIA)

Revenue that Parliament authorises the State Department and its agencies to retain and apply towards approved expenditure.

Exchequer Releases

Funds released by the National Treasury from the Consolidated Fund for approved recurrent and development expenditure.

Development Partners

Multilateral and bilateral institutions that co-finance road projects through loans and grants.

Pending Bills

Obligations for goods, works or services delivered during the year that remained unpaid at 30 June 2025.



SECTION 02

Key Entity Information and Management

02

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

SECTION 02 OFFICIAL REPORT SECTION

KEY STATE DEPARTMENT FOR ROADS INFORMATION AND MANAGEMENT

2.1 Background

Seamless Connectivity, the theme of the Ministry of Roads and Transport Strategic Plan under which the State Department delivers its programmes.

2.1(a) ESTABLISHMENT AND PRINCIPAL ACTIVITY

The State Department for Roads was established under Executive Order No. 2 of May 2013 and is domiciled in Kenya, with its headquarters at Works Building, Ngong Road, Nairobi. It leads national road-transport policy and oversees the development, rehabilitation and maintenance of the public road network. In carrying out this mandate, the Department sets policy and standards, provides technical and fiduciary direction, and coordinates the institutions responsible for national, rural and urban roads, road financing and regulation of the engineering professions.

2.1(b) ACCOUNTABILITY AND DELIVERY

Policy responsibility rests with the Cabinet Secretary for Roads and Transport, who provides strategic direction and is answerable to the National Assembly for the Department's policies, decisions and use of public funds. The Principal Secretary serves as Accounting Officer and is responsible for day-to-day administration, internal control and stewardship of appropriated resources. The Roads Secretary and Secretary, Administration coordinate technical delivery and corporate support, while directorates, fiduciary units and road agencies implement the approved programme.

ACCOUNTABILITY AND DELIVERY ROUTE



OUR MISSION

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

SECTION 02

KEY STATE DEPARTMENT FOR ROADS INFORMATION AND MANAGEMENT

2.2 Mandate and Delivery Institutions



ROAD-TRANSPORT POLICY TRANSLATED INTO ROAD SERVICE

The Department's mandate combines three responsibilities. It formulates road-transport and national-roads development policy; provides standards, engineering support, materials research, mechanical services and technical training; and safeguards public resources through axle-load and road-reserve controls, institutional oversight and fiduciary management. KeNHA, KeRRA, KURA, KRB, EBK and KETRB carry out the implementation, financing and professional-regulation roles assigned to them.

2.2(a) NINE ASSIGNED FUNCTIONS

01	Road Transport Policy Management
02	National Roads Development Policy Management
03	Development, Standardisation and Maintenance of Roads
04	Materials Testing and Research
05	Mechanical and Transport Services
06	Training Services (Kenya Institute of Highways and Building Technology)
07	Enforcement of Axle Load Control and Protection of Road Reserves
08	Oversight of the road agencies and professional bodies (KeNHA, KeRRA, KURA, KRB, EBK, KETRB)
09	Fiduciary Management of the funds appropriated to the State Department

2.2(b) DELIVERY INSTITUTIONS

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.

KeNHA National highways	**KeRRA** Rural roads	**KURA** Urban roads	**KRB** Road financing	**EBK** Engineers	**KETRB** Technologists & Technicians

SECTION 02

KEY STATE DEPARTMENT FOR ROADS INFORMATION AND MANAGEMENT

2.3 Management Structure and Accountability

FUNCTIONAL ACCOUNTABILITY & DELIVERY RELATIONSHIPS



2.4 Fiduciary Management

#	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

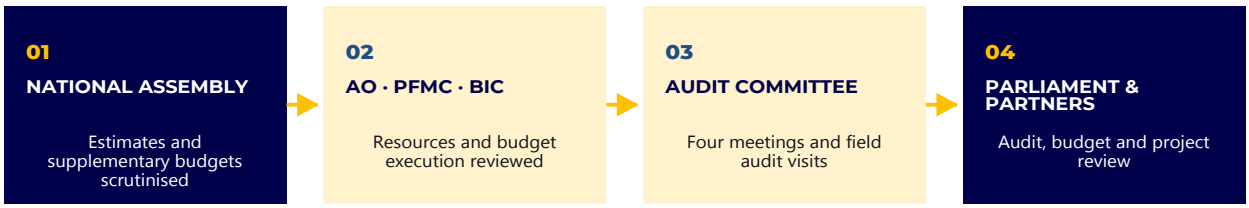
SECTION 02

KEY STATE DEPARTMENT FOR ROADS INFORMATION AND MANAGEMENT

2.5 Fiduciary Oversight Arrangements

During FY2024/25, the Department exercised fiduciary oversight through the Audit Committee, Public Finance Management Committee, Budget Implementation Committee, Parliamentary scrutiny and development-partner project reviews. The five-member Audit Committee held four meetings and undertook field audit visits. The Public Finance Management Committee reviewed resource priorities, budget implementation, accounts, capital expenditure, performance and risk at least quarterly, while the Budget Implementation Committee monitored budget preparation, execution, proposed reallocations and Headquarters capital projects. The Department also appeared before Parliamentary committees on the FY2024/25 estimates and supplementary budgets, the FY2025/26 draft budget and the Auditor-General's FY2022/23 report. Project-level review of partner-financed roads continued through the Project Oversight Committee and periodic meetings with the World Bank, JICA and AfDB.

FY2024/25 BUDGET AND OVERSIGHT ROUTE



FY2024/25 OVERSIGHT ARRANGEMENTS AND ACTIVITIES

REF.	ARRANGEMENT	CURRENT-YEAR ROLE / ACTIVITY
2.5(a)	**Audit Committee**	Five members; four meetings during FY2024/25; field audit visits and follow-up of internal-audit matters.
2.5(b)	**Public Finance Management Committee**	Reviews resource priorities, budget implementation, accounts, capital expenditure, performance and risk at least quarterly.
2.5(c)	**Senior Management Committees**	Nine operational committees cover service delivery, safety, inclusion, integrity, quality and institutional performance.
2.5(d)	**Budget Implementation Committee**	Monitors budget preparation and execution, recommends reallocations and reviews Headquarters capital proposals.
2.5(e)	**Parliamentary Committees**	The FY2024/25 estimates and supplementary budgets were presented for scrutiny; the Department concluded Public Accounts Committee discussions on the Auditor-General's FY2022/23 report and presented the FY2025/26 draft budget.
2.5(f)	**Development partners and other oversight**	The Project Oversight Committee reviewed financed road projects, while the World Bank, JICA and AfDB participated in regular or periodic implementation and budget reviews.

SECTION 02

KEY STATE DEPARTMENT FOR ROADS INFORMATION AND MANAGEMENT

Institutional Contacts and Professional Advisers







2.6 Headquarters

Works Building
Ngong Road
P.O. Box 30260-00100
Nairobi, Kenya

2.7 Contacts

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

2.8 Bankers

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

2.9 Independent Auditors

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

2.10 Principal Legal Adviser

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



SECTION 03

Profile of the Cabinet Secretary

03

SECTION 03 OFFICIAL REPORT SECTION

PROFILE OF THE CABINET SECRETARY

3.1 Profile, Experience and Portfolio Responsibilities



HON. DAVIS CHIRCHIR, EGH

CABINET SECRETARY, MINISTRY OF ROADS AND TRANSPORT

APPOINTED
8 August 2024

PORTFOLIO
Ministry of Roads and Transport (State Departments for Roads and Transport)

PREVIOUS
Cabinet Secretary, Energy (2013-15); Energy & Petroleum (2022-24)

EDUCATION
BSc Computer Science & Physics (UoN); MBA International Management (Royal Holloway)

HONOURS
Elder of the Order of the Golden Heart (EGH)

Hon. Davis Chirchir, EGH, serves as the Cabinet Secretary for Roads and Transport in the Republic of Kenya, following his appointment by His Excellency President William Ruto on 8 August 2024. In this capacity he provides policy and strategic direction to the State Department for Roads and the State Department for Transport and their agencies, overseeing the planning, development and maintenance of the national road network and the country's transport policy, and anchoring infrastructure growth in sustainable practice.

A seasoned technocrat and strategist, he previously served as Cabinet Secretary for Energy (2013-2015) and for Energy and Petroleum (2022-2024) under the Kenyatta and Ruto administrations. He has also held senior leadership roles in telecommunications engineering and in election management, demonstrating versatility across technical and governance spheres.

He holds a Bachelor of Science in Computer Science and Physics from the University of Nairobi and an MBA in International Management from Royal Holloway, University of London. His blend of technical expertise and executive acumen informs a forward-looking approach to modernising Kenya's transport sector.

During FY2024/25 the Cabinet Secretary steered the securitisation of the Ksh 7 per litre fuel-levy component of the Road Maintenance Levy Fund, whose bridge facility financed payment of 40% of contractors' bills declared as at 31 December 2024, unlocking the resumption of stalled works and the year's improved physical outputs. Over the medium term the Ministry targets the upgrading of 10,000 kilometres of roads through Low Volume Seal Roads under full GoK financing, development-partner-supported construction and Public Private Partnerships.

CAREER MILESTONES

2013-2015	Cabinet Secretary, Energy & Petroleum
2015-2022	Telecoms engineering & election management
2022-2024	Cabinet Secretary, Energy & Petroleum
Aug 2024	Cabinet Secretary, Roads & Transport

PORTFOLIO PRIORITIES

01
Complete ongoing works

02
10,000 km upgrade

03
Partner & PPP finance



Hon. Davis Chirchir, EGH

CABINET SECRETARY, MINISTRY OF ROADS AND TRANSPORT

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EDUCATION
BSc Computer Science & Physics (UoN); MBA International Management (Royal Holloway)

HONOURS
Elder of the Order of the Golden Heart (EGH)

CAREER MILESTONES

2013–2015
Cabinet Secretary, Energy & Petroleum

2015–2022
Telecoms engineering & election management

2022–2024
Cabinet Secretary, Energy & Petroleum

Aug 2024
Cabinet Secretary, Roads & Transport

Areas of responsibility

(i) Provides overall policy and strategic direction to the State Department for Roads and its agencies.

(ii) Answerable to the National Assembly for the policies, decisions and use of public funds of the Ministry.

(iii) Approves the sector's strategic plans, budgets and major road programmes for Cabinet and Parliament.

(iv) Represents the roads and transport sector in Cabinet, with development partners and in the East African Community.

(v) Champions the Seamless Connectivity agenda: completion of ongoing works, LVSR upgrading and PPP financing.







SECTION 04 OFFICIAL REPORT SECTION

PROFILES OF THE ACCOUNTING OFFICER AND KEY MANAGEMENT

4.1 Profile of the Accounting Officer





ENG. JOSEPH MUNGAI MBUGUA, CBS

PRINCIPAL SECRETARY AND ACCOUNTING OFFICER, STATE DEPARTMENT FOR ROADS

DESIGNATION
Principal Secretary / Accounting Officer

PROFESSION
Registered Engineer

PREVIOUS
Regional Director, Kenya Rural Roads Authority (KeRRA)

HONOURS
Chief of the Order of the Burning Spear (CBS)

Eng. Joseph Mungai Mbugua, CBS, is the Principal Secretary for the State Department for Roads and its Accounting Officer under the Public Finance Management Act, 2012. A registered professional engineer with an extensive background in road engineering, he brings a profound depth of expertise and a strong commitment to advancing the nation's infrastructure.

Before his appointment he served as Regional Director at the Kenya Rural Roads Authority (KeRRA), a role that placed him at the centre of road management and development and underscored his contribution to enhancing connectivity and facilitating economic growth across the country.

As Accounting Officer he is responsible for the State Department's budget execution, the stewardship of its assets and the preparation of these financial statements, FY2024/25 being the first year reported on the transitional IPSAS accrual basis, and for accounting to Parliament, through the Public Accounts Committee, for the use of the resources appropriated to the State Department.

His dedication to improving the road network is pivotal to realising Kenya's development goals: well-crafted infrastructure is foundational to both urban and rural development, impacting everything from daily commutes to national trade routes.

AREAS OF RESPONSIBILITY

() FINANCE, ASSETS & REPORTING
Directs budget execution, accounts, asset stewardship and preparation of the annual financial statements.

(I) PARLIAMENTARY ACCOUNTABILITY
Accounts to the National Assembly and Public Accounts Committee for appropriated resources and reported results.

(II) INTERNAL CONTROL & ASSURANCE
Oversees PFM and Audit Committee review, risk management, audit follow-up and the transition to accrual reporting.

(III) PROGRAMME & AGENCY OVERSIGHT
Coordinates directorates, KeNHA, KeRRA, KURA and KRB, including development-partner project oversight.

SECTION 04

PROFILES OF THE ACCOUNTING OFFICER AND KEY MANAGEMENT

4.2 Key Management

The officers below held direct fiduciary responsibility for the Department's technical delivery, administration and support services during FY2024/25.

LK

ENG. LUKA KIMELI

ROADS SECRETARY

ENG. LUKA KIMELI

ROADS SECRETARY

AREA OF RESPONSIBILITY

Technical head of the roads function: road development, standards, maintenance oversight and the road agencies

PROFESSIONAL STANDING

Registered Engineer

MC

MWONGO CHIMWANGA

SECRETARY, ADMINISTRATION

MWONGO CHIMWANGA

SECRETARY, ADMINISTRATION

AREA OF RESPONSIBILITY

Administration, human resource management and support services

PA

PAUL ANYUMBA NYAMWAYA

DIRECTOR, ADMINISTRATION

PAUL ANYUMBA NYAMWAYA

DIRECTOR, ADMINISTRATION

AREA OF RESPONSIBILITY

Day-to-day administration, records, transport and general services

TOGETHER, THESE OFFICES CARRIED TECHNICAL, ADMINISTRATIVE AND FIDUCIARY RESPONSIBILITY FOR THE ROAD PROGRAMME.



SECTION 05

Statement by the Cabinet Secretary

05

Policy direction · Financing delivery · Protecting public value



SECTION 05 OFFICIAL REPORT SECTION

STATEMENT BY THE CABINET SECRETARY

5.1 FY2024/25 Financial and Delivery Review

FY2024/25 was a year of renewed execution for Kenya's road programme. Development expenditure reached KSh 120.2 billion, 96% of the KSh 124.7 billion third revised budget, while Road Transport programme expenditure rose to KSh 178.8 billion. The priority was to restore activity on ongoing works, protect public value and place financing on a more predictable footing.

POLICY DIRECTION AND ROAD PROGRAMME DELIVERY

The year opened with a large contracted portfolio, constrained cash flow and significant obligations to contractors. The policy response focused on works already under implementation. Bridge financing, linked to the programmed securitisation of the KSh 7-per-litre fuel charge, funded 40% of contractor bills declared at 31 December 2024 and helped remobilise stalled sites. That intervention supported stronger execution while preserving the Department's obligation to verify claims, control new commitments and align funding with realistic completion schedules.

96%
KSh 120.2B expenditure against a KSh 124.7B revised development budget

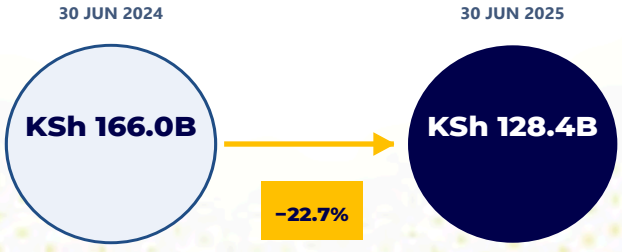
KSh 61B
first bridge facility disbursed during FY2024/25

40%
of contractors' declared bills funded through the bridge facility

KSh 37.6B ↓
change in the reported pending-bills portfolio from FY2023/24

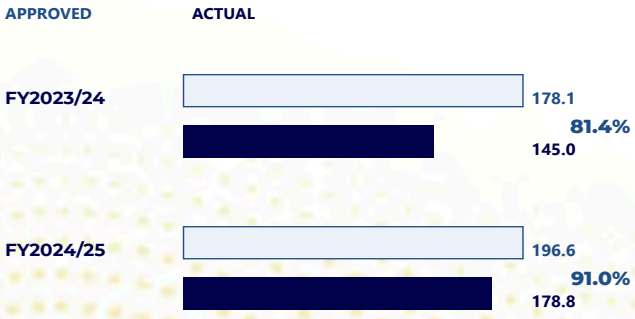
YEAR-ON-YEAR FINANCIAL REVIEW

PENDING-BILLS PORTFOLIO



The FY2024/25 figure covers the road agencies only, so the movement shows the direction of the portfolio rather than a like-for-like comparison.

ROAD TRANSPORT PROGRAMME KSh BILLIONS



Actual expenditure rose 23.4%; utilisation recovered by 9.5 percentage points.

BASIS OF COMPARISON
Pending bills cover the road agencies; programme expenditure is compared on a consistent Road Transport basis.

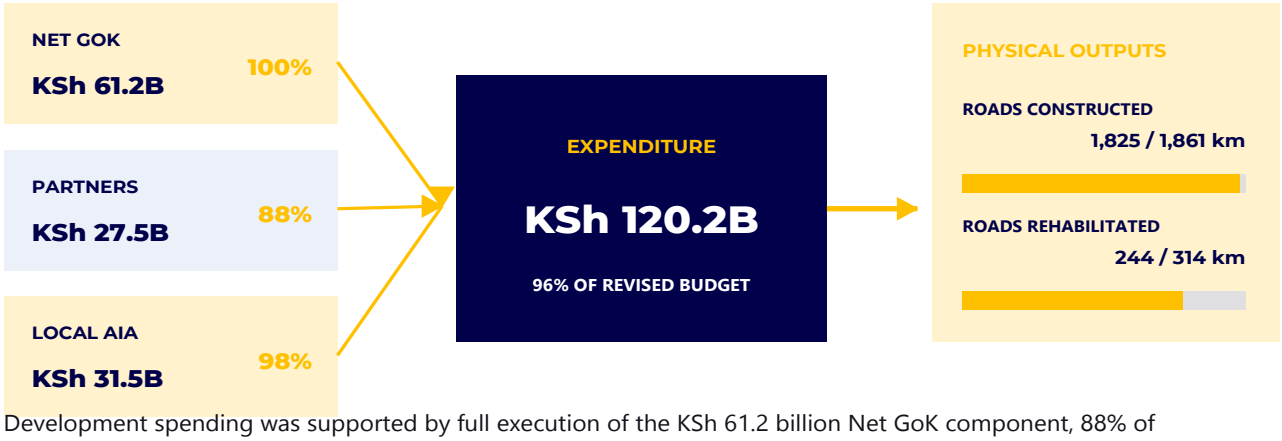
SECTION 05

STATEMENT BY THE CABINET SECRETARY

5.2 Financing, Delivery and Outlook

The next phase is focused on converting stronger expenditure into durable service. Priority will be given to completing active contracts, addressing the rehabilitation gap, preserving newly delivered assets and expanding access through fully funded Low Volume Seal Roads, development-partner programmes, annuity arrangements and carefully structured Public Private Partnerships. New commitments will be tied to affordability, readiness and a clear completion path.

DEVELOPMENT BUDGET FUNDING AND EXECUTION



Development spending was supported by full execution of the KSh 61.2 billion Net GoK component, 88% of development-partner funding and 98% of local AIA. The KSh 4.5 billion shortfall was concentrated mainly in the partner component, reinforcing the need for predictable counterpart funding and timely disbursement.

FORWARD DELIVERY PRIORITIES

01 COMPLETE ONGOING WORKS
Prioritise completion and sustain activity across resumed construction sites.

02 LOW VOLUME SEAL ROADS
Deliver the upgrading programme through full Government of Kenya financing.

03 PARTNER & ANNUITY FINANCE
Use development-partner support and annuity structures for contemporary construction.

04 PUBLIC PRIVATE PARTNERSHIPS
Mobilise complementary private capital for the outstanding road-project portfolio.

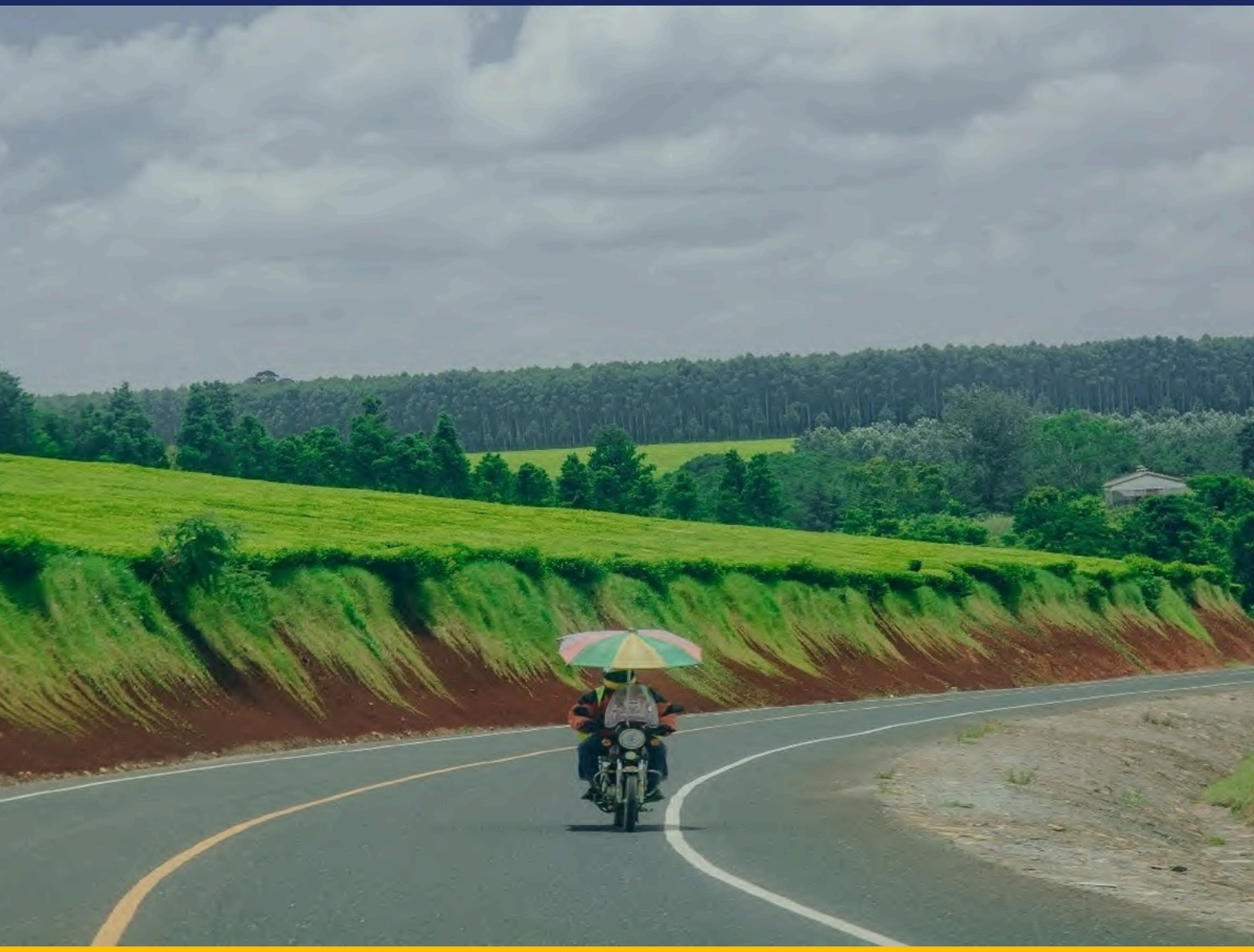
FINANCING STRATEGY AND FORWARD COMMITMENTS

Working with the National Treasury and other agencies, the Department is mobilising alternative financing for an outstanding portfolio of approximately KSh 700 billion. An Infrastructure Loan Facility of up to KSh 175 billion was secured toward bills declared at 31 December 2024, with the first KSh 61 billion bridge disbursed during the year. The policy objective is to restore confidence without weakening verification, affordability or commitment controls.

Delivery performance was mixed but encouraging: construction achieved 98% of the three-year target, while rehabilitation achieved 78%. The result supports continued completion discipline and targeted action on contractor liquidity, supervision and asset maintenance.

OFFICIAL SIGN-OFF

Davis Chirchir, EGH
CABINET SECRETARY
MINISTRY OF ROADS AND TRANSPORT



SECTION 06

Statement by the Principal Secretary / Accounting Officer

06

Stewardship · Delivery · Value for money

SECTION 06 OFFICIAL REPORT SECTION

STATEMENT BY THE PRINCIPAL SECRETARY / ACCOUNTING OFFICER

6.1 ACCOUNTING OFFICER'S REVIEW



ENG. JOSEPH MUNGAI MBUGUA, CBS

PRINCIPAL SECRETARY / ACCOUNTING OFFICER

FY2024/25 recorded stronger programme execution under continuing fiscal pressure. Road Transport expenditure rose to KSh 178.8 billion against an approved KSh 196.6 billion, restoring utilisation to 91.0% from 81.4% in FY2023/24.

Key activities centred on construction, rehabilitation and maintenance of priority roads, including ongoing urban, regional and access-road projects. Consolidated results show improved spending and near-target construction: development expenditure reached 96% of the revised budget and 1,825 km were constructed against 1,861 km over the three-year delivery period. The principal challenges were the KSh 128.4 billion agency pending-bills portfolio, uneven contractor liquidity, the rehabilitation shortfall of 70 km, and cost and weather pressures. The Department responded by prioritising ongoing works, directing available financing to verified claims and tightening supervision, commitments and payment controls.

91.0%
Road Transport programme utilisation in FY2024/25

KSh 178.8B
actual programme expenditure in FY2024/25

+23.4%
year-on-year increase in actual programme expenditure

KSh 128.4B
road-agency pending-bills portfolio at 30 June 2025

HIGH-LEVEL FINANCIAL PERFORMANCE

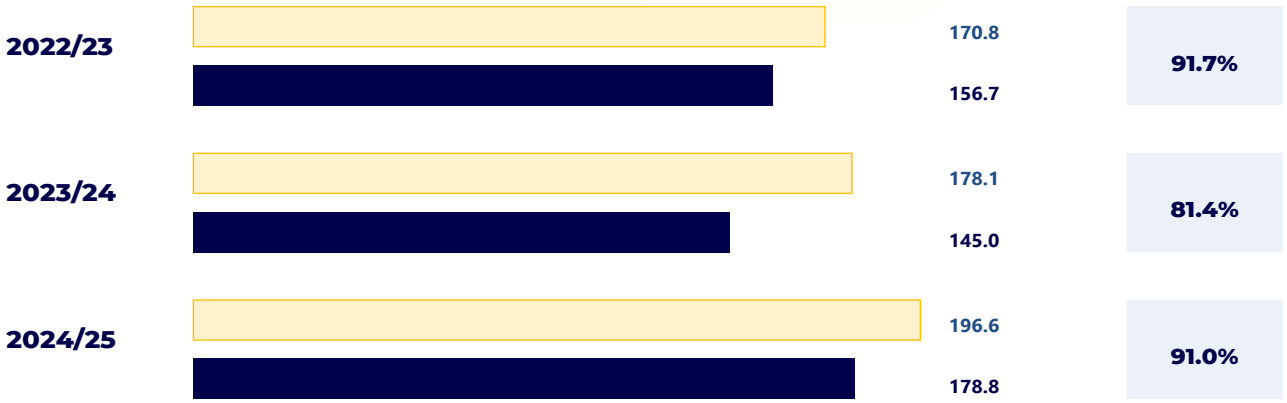
MEASURE	ACTUAL / APPROVED OR PROVISION	RATE
PROGRAMME UTILISATION	KSh 178.8B / KSh 196.6B	91.0%
DEVELOPMENT BUDGET	KSh 120.2B / KSh 124.7B	96%
EXCHEQUER FUNDING	KSh 64.0B / KSh 64.2B	99.7%

SECTION 06

STATEMENT BY THE PRINCIPAL SECRETARY / ACCOUNTING OFFICER

6.2 Consolidated Results and Financial Performance

The three-year programme series shows FY2024/25 expenditure recovering faster than the approved budget, restoring utilisation close to its FY2022/23 level.



YEAR-ON-YEAR FINANCIAL PERFORMANCE

Compared with FY2023/24, the approved Road Transport programme budget increased by KSh 18.5 billion , or 10.4%, while actual expenditure grew by KSh 33.9 billion, or 23.4%. The faster growth in expenditure lifted utilisation from 81.4% to 91.0%. Separately, development-budget execution was 96%, with the KSh 4.5 billion gap concentrated in partner and local-AIA components. Programme utilisation and development-budget execution measure related but differently scoped portfolios.

SUBPROGRAMME BUDGET EXECUTION

Construction of Roads and Bridges — 95.3%

KSh 66.5B actual / 69.7B approved

Rehabilitation of Roads and Bridges — 97.5%

KSh 34.8B actual / 35.7B approved

Maintenance of Roads and Bridges — 84.6%

KSh 72.3B actual / 85.5B approved

General Administration, Planning and Support — 93.4%

KSh 5.2B actual / 5.6B approved

FINANCIAL PERFORMANCE ANALYSIS

Construction and rehabilitation recorded the strongest absorption; maintenance carries the largest absolute delivery gap and remains the principal execution focus.

SECTION 06

STATEMENT BY THE PRINCIPAL SECRETARY / ACCOUNTING OFFICER

6.3 Key Activities, Challenges and Outlook

During the year, the Department prioritised ongoing works, directed available financing to verified obligations, strengthened project supervision and carried these control measures into forward planning.

KEY ACTIVITIES DURING THE YEAR

LENGTH	SELECTED ROAD PROJECT
27 km	Nairobi Eastern Bypass dualling, Baraka Roundabout to Ruiru/Kamiti Junction
10.2 km	Rehabilitation and upgrading of Eastlands Roads, Phase II
10.8 km	Upgrading of Marsabit County Headquarters roads to bitumen standard
6 km	Construction of Githurai-Kimbo Road, Phase III
5.5 km	Upgrading of Kapenguria Town roads to bitumen standard
5.7 km	Access roads serving Starehe and Stoni Athi housing plus Missing Link 12

CHALLENGES AND MANAGEMENT RESPONSE

CHALLENGE	IMPLICATION	RESPONSE
FUNDING PRESSURE	A growing contracted portfolio and delayed releases constrained the pace of works.	Prioritise ongoing contracts, diversify finance and link disbursement decisions to delivery readiness.
PENDING BILLS	Road agencies reported KSh 128.4 billion at 30 June 2025; Headquarters reported none.	Apply bridge-facility resources to verified claims and strengthen commitment and payment controls.
OUTPUT GAP	Rehabilitation reached 244 km against a 314 km cumulative target (78%).	Focus supervision, contractor liquidity and maintenance sequencing on the remaining 70 km gap.
RESILIENCE & COST	Weather exposure and input-cost pressure continued to affect road-project delivery.	Embed climate-resilient design, contractual risk allocation and data-led asset management.

CONSOLIDATED SUCCESS AND FORWARD PRIORITY

Consolidated success was reflected in stronger utilisation, resumed works and near-target construction. The next priority is to complete active contracts, protect delivered assets, strengthen controls and approve new commitments only where a credible funding and completion path exists.

MEDIUM-TERM OUTLOOK

6,000 km	medium-term construction target
3,500 km	conventional delivery
2,500 km	Low Volume Seal Roads
MTP IV	inclusive growth · digitisation · alternative finance

Eng. Joseph M. Mbugua, CBS
Accounting Officer



SECTION 07

Statement Of Performance Against Predetermined Objectives

07

From annual targets to accountable road-sector delivery

SECTION 07 OFFICIAL REPORT SECTION

STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

7.1 Strategic Context and Performance Framework



ONE ROAD TRANSPORT PROGRAMME · FIVE SUBPROGRAMMES · FIVE PHYSICAL OUTPUT INDICATORS

Section 81(2)(f) of the Public Finance Management Act, 2012 requires the Accounting Officer, at the end of each financial year, to present the Department's performance against predetermined objectives. This disclosure connects the Road Transport Programme's strategic objective, annual targets, measured outputs, variances and management response.

At the beginning of FY2024/25, the Department entered into a Performance Contract signed by the Principal Secretary on behalf of the State Department and by the Cabinet Secretary on behalf of Government. Its indicators linked the Road Transport Programme and voted budget to construction, rehabilitation and three forms of network maintenance, distinguishing expansion from preservation.

7.1(a) FIVE KEY RESULT AREAS IN THE 2018-2022 STRATEGIC PLAN

01	02	03	04	05
Policy, legal, regulatory and institutional framework	Development of physical infrastructure and facilities	Quality of service, safety, security and environmental sustainability	Research and innovation	Institutional, human, technological and financial capacity

7.1(b) STRATEGIC OBJECTIVE

Expand, modernise and maintain integrated, efficient and sustainable transport systems, with the key road-sector target of expanding the network through construction and rehabilitation of 10,000 km of roads.

SECTION 07

STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

7.2 Programme Architecture and Annual Performance

7.2(a) THE ROAD TRANSPORT PROGRAMME

01	02	03	04	05
General Administration, Planning and Support Services	Construction of Roads and Bridges	Rehabilitation of Roads and Bridges	Maintenance of Roads and Bridges	Design of Roads and Bridges

Road development is a Vision 2030 foundation: the Department's performance contract translates the seamless-connectivity agenda into measurable construction, rehabilitation and maintenance outputs. FY2024/25 closed at 96% aggregate achievement across the five reported physical-output indicators.

7.2(b) FY2024/25 PROGRAMME PERFORMANCE

OUTPUT / INDICATOR	TARGET	ACTUAL	VAR.	ACHIEVEMENT / RESULT
Construction of roads and bridges Kilometres constructed	717	788	+71	109% · Target exceeded
Rehabilitation of roads and bridges Kilometres rehabilitated	34	50	+16	147% · Target exceeded
Periodic maintenance Kilometres maintained	425	375	−50	88% · Below annual target
Routine maintenance Kilometres maintained	30,318	28,236	−2,082	93% · Below annual target
Performance-based contracts Kilometres maintained	10,398	10,796	+398	103% · Target exceeded

OVERALL

96%

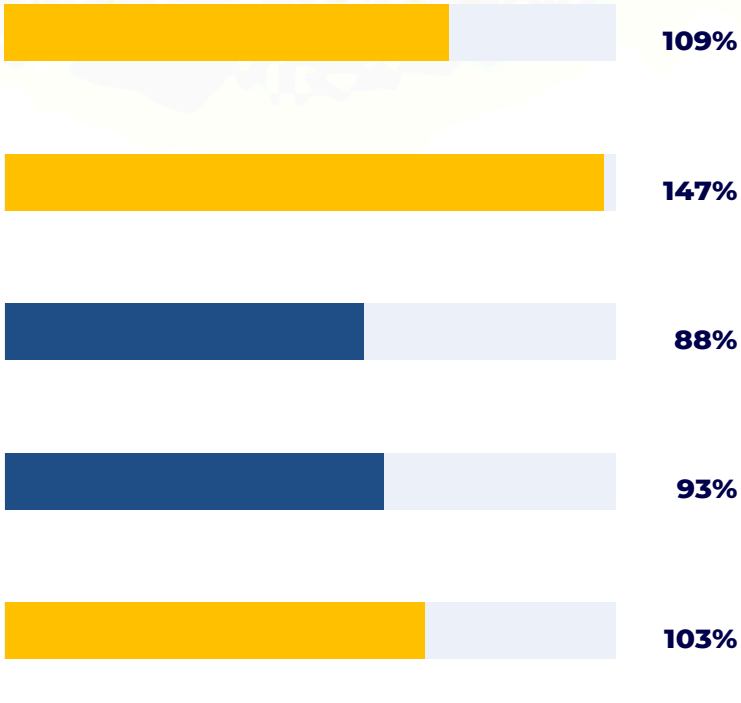
40,245 km reported across five indicators against an aggregate target of 41,892 km.

SECTION 07

STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

7.3 Performance Analysis and Management Response

OUTPUT ACHIEVEMENT AGAINST TARGET



PERFORMANCE ANALYSIS

Construction exceeded target by 71 km, rehabilitation by 16 km and performance-based maintenance by 398 km. Periodic maintenance was 50 km below plan and routine maintenance 2,082 km below plan; the maintenance gaps therefore account for the principal pressure within the aggregate result.

INSTITUTIONAL PERFORMANCE

3.2560 **GOOD**

PSPMU rated FY2024/25 'Good'; the composite score improved from 3.3395 to 3.2560. This assessment is broader than the audited kilometre outputs.

Source: PSPMU FY2024/25 evaluation, 23 October 2025.

7.4 Conclusion and Management Response

The 96% aggregate achievement reflects strong execution but an uneven portfolio balance. In the next performance cycle, management will link work-plan sequencing, cash releases, contractor mobilisation and supervision more closely to the periodic and routine maintenance gaps while sustaining the outputs that exceeded target. This protects network condition so that expansion does not outpace preservation.



SECTION 08

Governance Statement

Governance that connects direction, control and public value

08

SECTION 08 OFFICIAL REPORT SECTION

GOVERNANCE STATEMENT

8.1 Leadership and Governance Structure

The State Department for Roads was formed in May 2013 through Executive Order No. 2 at Cabinet level. The Cabinet Secretary for Roads and Transport is responsible for general policy and strategic direction and is answerable to the National Assembly for the Ministry's policies, decisions and use of public resources. The Principal Secretary is the Accounting Officer and leads administration, financial stewardship and internal control.

Day-to-day management brings together central administration, technical services, Materials Testing and Research, Mechanical and Transport Services, KIHBT and fiduciary management. KeNHA, KeRRA, KURA, KRB, EBK and KETRB implement or regulate the functions assigned to them, while the Accounting Officer remains responsible for the Department's administration, resources and financial reporting.

MTP IV, the Department's strategic plan, the annual Performance Contract and the voted budget converted ministerial policy into programme and physical-output targets. Directorates and road agencies implemented those targets, while programme reports, budget reviews, Parliamentary scrutiny and committee oversight informed management decisions.

8.1(a) FROM POLICY DIRECTION TO PROGRAMME REVIEW

01 DIRECTION
MTP IV and ministerial policy set the road-sector outcomes.

02 TARGETS
The strategic plan and Performance Contract define annual results.

03 RESOURCES
The voted budget and financing arrangements fund approved priorities.

04 DELIVERY
Directorates and sector institutions implement works and services.

05 REVIEW
Management reviews budget, performance, risk and audit results.

8.1(b) LEADERSHIP, MANAGEMENT AND DELIVERY RESPONSIBILITIES

01 NATIONAL ASSEMBLY
Public oversight

02 CABINET SECRETARY
Policy direction

03 PRINCIPAL SECRETARY / AO
Administration & control

DEPARTMENTAL MANAGEMENT
Roads Secretary · Secretary Administration · directorates and fiduciary units

DELIVERY INSTITUTIONS
KeNHA · KeRRA · KURA · KRB · EBK · KETRB

ASSURANCE
Audit · PFM · budget · Parliamentary oversight

FY2024/25 FINANCIAL AND SERVICE RESULTS

91.0%	96%	98%	78%
PROGRAMME UTILISATION	DEVELOPMENT EXECUTION	ROADS CONSTRUCTED	ROADS REHABILITATED

Programme utilisation reached 91.0%, development execution 96%, construction 98% and rehabilitation 78%. The results show strong budget execution and near-plan construction, with rehabilitation the clearest management variance.

SECTION 08

GOVERNANCE STATEMENT

8.2 Audit Committee and Management Committees



FOUR MEETINGS AND FIELD VISITS JOINED FORMAL REVIEW WITH DIRECT OBSERVATION OF THE CONTROL ENVIRONMENT.

8.2(a) AUDIT COMMITTEE MEMBERSHIP AND ACTIVITY

The Department's functional five-member Audit Committee was chaired by Andrew Mugesani and included a National Treasury representative. It met four times during FY2024/25 and undertook field audit visits. These activities connected review of records with observation of project and control conditions on the ground.

MEMBER	ROLE
8.2(a)(a) Andrew Mugesani	Chairman
8.2(a)(b) David Kibiwott	Member
8.2(a)(c) Anne Mwihia	Member
8.2(a)(d) Samuel Makori	Member
8.2(a)(e) Timothy Munyole	National Treasury representative

5 MEMBERS

4 MEETINGS

FIELD VISITS

SECTION 08

GOVERNANCE STATEMENT

8.2(b) Management Committees

During FY2024/25, the Department operated its nine operational committees, the Public Finance Management Committee and the Budget Implementation Committee under defined terms of reference, in addition to the Audit Committee. Their assigned mandates cover road safety, service delivery, inclusion, staff welfare, institutional security, national values, integrity, quality management, budget execution and public-finance management.

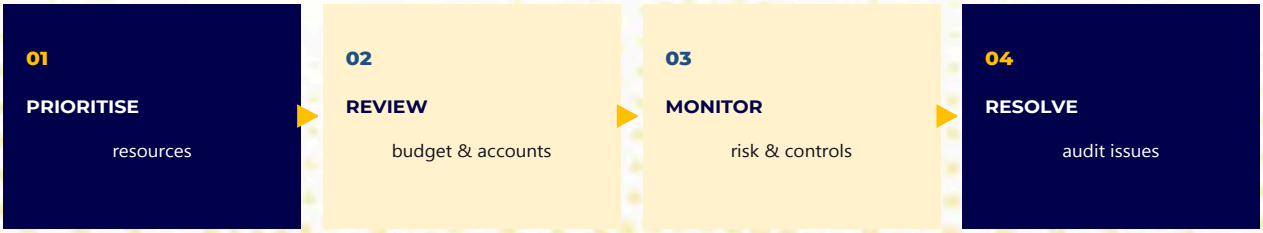
TEN COMMITTEES GROUPED BY FUNCTION

LANE	CONTROL PURPOSE	COMMITTEES	REPORTED OUTCOME
01	DELIVERY	Road Safety Committee Service Delivery Committee	ROAD SERVICE
02	PEOPLE & INCLUSION	Disability and Gender Mainstreaming HIV/AIDS and substance-abuse prevention	INCLUSIVE ACCESS
03	SAFETY & VALUES	Safety and Security Measures National Cohesion and Values	SAFE DELIVERY
04	ASSURANCE & QUALITY	Integrity Assurance ISO 9001:2015 Re-Certification	QUALITY ASSURANCE
05	BUDGET & CONTROL	Budget Implementation Public Finance Management	FINANCIAL CONTROL

8.2(c) PUBLIC FINANCE MANAGEMENT COMMITTEE

The Department constituted and operationalised its Public Finance Management Standing Committee under Regulations 18 and 19 of the Public Finance Management (National Government) Regulations, 2015. Its approved remit applied the law by linking resource priorities to the Department's mission, reviewing budget implementation, accounts and major capital expenditure, monitoring risk and internal control, supporting stakeholder information and following the resolution of audit issues.

PUBLIC FINANCE MANAGEMENT CONTROL CYCLE



SECTION 08

GOVERNANCE STATEMENT

8.3 Risk Management and Internal Control

During FY2024/25, the Department's governance arrangements linked ministerial direction, Accounting Officer stewardship, technical delivery and independent assurance. A maintained risk register, a functional Audit Committee and the operational and fiduciary committees described below provided the structure through which resources, compliance and road delivery were reviewed.

8.3(a) SIX LINKED CONTROL ARRANGEMENTS

8.3(A)(I)
Objectives and resources

Mission, strategy, goals and risk-policy plans guide resource prioritisation.

8.3(A)(II)
Risk and change

The PFM Committee is assigned to identify risks and anticipated changes affecting delivery.

8.3(A)(III)
Treatment

The Committee is assigned to consider appropriate measures for identified risks.

8.3(A)(IV)
Internal control

Regular review covers control adequacy, management information and legal compliance.

8.3(A)(V)
Integrity risk

The Integrity Assurance Committee assesses bribery and corruption risk and follows mitigation.

8.3(A)(VI)
Assurance and follow-up

Audit Committee review, field visits and PFM oversight connect findings to resolution.

8.3(b) RISK MANAGEMENT AND INTERNAL CONTROL

The Department maintained a risk register during FY2024/25. The PFM Standing Committee's terms of reference connected that register to resource prioritisation, anticipated change, internal-control review, management information and audit-issue resolution. The Audit Committee added independent challenge through four meetings and field visits.

8.3(c) ETHICS AND PUBLIC-INTEREST CONTROLS

Integrity assurance

Bribery and corruption-risk assessment, mitigation planning, monitoring and quarterly EACC reporting.

National values

Promotion of national cohesion, ethical leadership and quarterly reporting on values and governance.

Service accountability

Citizen Service Charter, complaints resolution, access to information and process improvement.

Control assurance

Internal-control review, governance monitoring and timely resolution of audit issues through PFM oversight.

INDEPENDENT ASSURANCE

The Auditor-General reported that nothing had come to attention to indicate that internal controls, risk management and governance were not effective.

SECTION 08

GOVERNANCE STATEMENT

8.4 Governance Training and Development



LEADERSHIP CAPACITY LINKS POLICY, TECHNICAL JUDGEMENT, CONTROL AND FOLLOW-THROUGH.

OFFICER / ROLE	COURSE
8.4(a) Eng. Joseph M. Mbugua Principal Secretary	**Environmental, Social and Governance (ESG)**
8.4(b) Eng. James Kungu Chief Engineer, Roads	**Environmental, Social and Governance**
8.4(c) Eng. Henry Nyakwaka Director, KIHBT	**Monitoring and Evaluation of Projects**
8.4(d) Eng. Luka Kimeli Roads Secretary	**Leadership in the 21st Century**
8.4(e) James Gatere Director, HRM&D	**Monitoring and Evaluation of Projects**
8.4(f) CPA Sophie W. Mwangasi Senior Deputy Accountant General	**Monitoring and Evaluation of Projects**

CAPABILITY STRENGTHENED

6 OFFICERS

World Bank-supported governance, leadership and monitoring-and-evaluation training strengthened judgement across policy decisions, budget control, project delivery and public accountability.

SECTION 08

GOVERNANCE STATEMENT

8.5 Public Participation and Stakeholder Engagement



PARLIAMENTARY SCRUTINY AND PARTNER ENGAGEMENT REVIEWED BUDGETS, PROGRAMME DELIVERY AND IMPLEMENTATION PROGRESS.

FY2024/25 STAKEHOLDER ENGAGEMENTS

8.5(a) Transport and Infrastructure Committee	Scrutinised the FY2024/25 supplementary budget and the draft FY2025/26 budget for the roads vote.
8.5(b) Public Accounts Committee	Completed discussion of the Auditor-General's report for FY2022/23 with the Department.
8.5(c) Special Funds Accounts Committee	Considered the Auditor-General's report on the Roads Annuity Fund for FY2022/23.
8.5(d) World Bank Project Oversight Committee	Met periodically through the Department to review implementation of World Bank-financed road projects.
8.5(e) AfDB and NDITC	AfDB engaged on required budget provisions; NDITC received regular updates on development and maintenance works.

8.5(f) PARTICIPATION OUTCOME

FY2024/25 public accountability combined Parliamentary budget and audit scrutiny, World Bank project oversight, AfDB budget engagement and NDITC implementation updates. Together, these channels connected resource decisions and project progress to the Department's formal response process.

SECTION 08

GOVERNANCE STATEMENT

8.6 Compliance With Laws and Regulations

8.6(a) LEGAL AND REGULATORY INVENTORY

INSTRUMENT	FY2024/25 DEPARTMENT APPLICATION
Constitution of Kenya, 2010	The CS and Accounting Officer operated within the Parliamentary accountability chain; annual reporting and committee appearances made policy, resources and results visible.
Public Finance Management Act, 2012 and Regulations	The PS served as Accounting Officer; PFM and Budget committees, the risk register, budget reviews and financial reporting supported stewardship of the vote.
Public Procurement and Asset Disposal Act, 2015 and Regulations, 2020	The Department maintained an approved procurement plan of KSh 1.1 billion; the OAG identified missing contract-award reporting to PPRA.
Public Audit Act, 2015	A functional Audit Committee met four times and undertook field visits; the complete independent audit report appears in Section 12.
Employment Act, 2007 and public-service HR requirements	Payroll and staffing controls operated during the year; the OAG identified 111 excessive-deduction cases and PWD representation of 2% against 5%.
Public Officer Ethics Act and Leadership and Integrity Act	Integrity Assurance and National Cohesion and Values committees carried the bribery-risk, ethical-leadership and national-values mandates.
Roads, safety, service and technical requirements	Road Safety, Service Delivery, Quality Management and technical units linked sector standards to workplace and road-service controls.
IPSAS and Treasury Circular No. 3 of 14 April 2025	The Department prepared and approved its first transitional IPSAS accrual financial statements for FY2024/25.

DEPARTMENT APPLICATION AND AUDITOR-GENERAL FINDINGS

The Department applied its legal framework through the Accounting Officer, approved governance committees, the voted budget, procurement and performance processes, a maintained risk register and annual financial reporting. It reported timely submission of statutory requirements and Government circulars. The independent lawfulness review nevertheless identified the three specific exceptions below.

PAYROLL DEDUCTIONS

111 employees had deductions above two-thirds of basic salary.

CONTRACT REPORTING

Required quarterly or biannual contract-award reports were not submitted to PPRA.

DISABILITY INCLUSION

34 of 1,647 employees (2%) were persons with disabilities against the 5% requirement.

INDEPENDENT ASSURANCE AND COMPLIANCE EXCEPTIONS

The Auditor-General concluded that nothing had come to attention to indicate that internal controls, risk management and governance were not effective. The separate lawfulness conclusion recorded the three compliance exceptions shown above; the complete independent report appears in Section 12.

SECTION 08

GOVERNANCE STATEMENT

8.6(b) Performance Monitoring

PERFORMANCE MONITORING ARRANGEMENTS

The annual Performance Contract and programme budget provided the Department's documented measurement structure for FY2024/25. Section 7 reports each physical indicator with its target, actual output, variance and achievement rate; Section 9 reconciles programme expenditure to the same delivery period. Supervisory and PSPMU review culminated in an institutional score of 88.51%.

FY2024/25 FINANCIAL AND SERVICE PERFORMANCE

PROGRAMME UTILISATION — **91.0%**

KSh 178.8B / 196.6B

DEVELOPMENT EXECUTION — **96%**

KSh 120.2B / 124.7B

AGGREGATE PHYSICAL RESULT — **96%**

40,245 / 41,892 km

ROADS REHABILITATED — **78%**

244 / 314 km

8.6(c) USE OF RESOURCES AND SERVICE RESULTS

Road Transport expenditure reached KSh 178.8 billion, or 91.0% of the approved programme budget; development expenditure reached KSh 120.2 billion, or 96% of the revised development budget. Across five physical indicators the Department reported 96% aggregate achievement. Construction reached 98%, while rehabilitation reached 78%, identifying asset restoration as the clearest delivery variance.

8.6(d) LONG-TERM DIRECTION UNDER MTP IV

01 GROWTH MODEL
Inclusive growth · revenue · digital · alternative finance

02 6,000 KM
Medium-term road target

03 DELIVERY MIX
3,500 km conventional · 2,500 km LVSR

04 INSTITUTIONS
MTRD · Mechanical Services · KIHBT reform

SECTION CONCLUSION

The FY2024/25 record shows an established governance structure with active audit oversight, defined committee mandates, a maintained risk register and traceable Parliamentary and partner engagement. The independent audit conclusion supports the effectiveness of the overall control environment, while the three compliance exceptions identify where management follow-up is required.

SECTION 08

GOVERNANCE STATEMENT

8.7 Audit Committee Charter, Independence and Integrity Safeguards

8.7(a) CHARTER AND MANDATE

The Audit Committee is established under Regulation 174 of the Public Finance Management (National Government) Regulations, 2015 and operates under terms of reference that follow the National Treasury's Audit Committee Guidelines for National Government Entities. Its charter assigns it the review of the internal audit plan and reports, the risk management framework and internal controls, the annual financial statements before submission, and the follow-up of Auditor-General recommendations. The Committee reports to the Accounting Officer and, through the National Treasury representative, to the Internal Auditor-General.

Member	Role	Basis of appointment
Andrew Mugesani	Chairman	Independent member appointed by the Accounting Officer
David Kibiwott	Member	Independent member appointed by the Accounting Officer
Anne Mwihia	Member	Independent member appointed by the Accounting Officer
Samuel Makori	Member	Independent member appointed by the Accounting Officer
Timothy Munyole	Member	Representative of the National Treasury

8.7(b) QUALIFICATION STANDARD AND ACTIVITY DURING THE YEAR

The Guidelines require members to hold expertise in audit, accounting, financial management, law or the entity's core business, at least one member to be a professional accountant in good standing with a recognised body, and the chairperson to be independent of the entity's management. Appointments are made by the Accounting Officer against that standard and are reviewed at each renewal. During FY2024/25 the Committee met four times and undertook field audit visits to road projects, reviewing internal audit reports, the status of Auditor-General recommendations and the transitional accrual financial statements.

8.7(c) CONFLICT-OF-INTEREST DECLARATIONS

Officers declare their income, assets and liabilities every two years under section 26 of the Public Officer Ethics Act, 2003, and declare any conflict of interest under section 16 of the Leadership and Integrity Act, 2012 before taking part in a decision in which they hold an interest. Members of tender evaluation and inspection committees sign declarations under section 66 of the Public Procurement and Asset Disposal Act, 2015 for every procurement they handle. Senior officers and committee members declare real or perceived conflicts at the start of each financial year and again during committee proceedings; the Audit Committee, with the Internal Audit Unit, reviews the declarations and records how each conflict was mitigated. Audit Committee members disclose interests at the start of each meeting and withdraw from the matter concerned.

8.7(d) REPORTING CHANNELS AND PROTECTION

Suspected corruption, unethical conduct, fraud or financial irregularity may be reported in confidence to the Internal Audit Unit or the Audit Committee Secretariat, which handle reports independently of line management, through the Integrity Assurance Committee, the corruption-reporting channels of the Ethics and Anti-Corruption Commission, the Commission on Administrative Justice (Office of the Ombudsman) and the complaints desk operated under the Citizen Service Charter. Reports are handled by the Integrity Assurance Committee, which returns quarterly reports to the Ethics and Anti-Corruption Commission, and by the Service Delivery Committee for service complaints. The Public Officer Ethics Act and the Witness Protection Act, 2006 protect persons who report in good faith, and the Audit Committee reviews the framework periodically for effectiveness.

SECTION 08

GOVERNANCE STATEMENT

8.7(e) Governance Indicators

The indicators below summarise the Department's governance position for FY2024/25. Each is drawn from a section of this report or from the audited financial statements.

Indicator	FY2024/25 position	Reference
Audit Committee meetings	Four ordinary meetings and field audit visits	Section 2.5(a); Section 8.2
Auditor-General opinion on the financial statements	Unmodified opinion with an Other Matter paragraph	Section 12
Auditor-General recommendations outstanding	Two matters awaiting the Public Accounts Committee	Appendix I
Fiduciary and operational committees	Audit, PFM and Budget Implementation Committees; nine operational committees	Sections 2.5 and 8.2
Statutory reporting	Financial statements authorised for issue on 28 August 2025 and audited by the Auditor-General	Note 2; Section 12
Parliamentary accountability	FY2024/25 estimates and three supplementary budgets presented to the National Assembly	Section 2.5(e); Budget Note 5
Integrity reporting	Quarterly reports to the Ethics and Anti-Corruption Commission	Section 8.3(c)
Citizen interface	Citizen Service Delivery Charter: complaints resolved within 14 working days, information requests within 21 days, correspondence within 5 working days	Section 8.3(c); www.roads.go.ke/service-charter
Quality and anti-bribery certification	ISO 9001:2015 quality management system maintained (FY2023/24 recertification audit); ISO 37001 anti-bribery certification for the Materials Testing and Research laboratories	FY2023/24 annual report
Performance Contract evaluation	FY2024/25 Performance Contract evaluated by the Public Service Performance Management Unit on 24 October 2025	www.roads.go.ke
Publication	FY2024/25 audit report published on the Department's website (Audit Reports); annual report tabled in the National Assembly	Appendix XVI(e)

8.7(f) CONCLUSION

The Audit Committee, the fiduciary committees and the statutory declaration and reporting regimes give the Accounting Officer an independent line of assurance over controls, ethics and the use of public money. The Department will report members' professional standing and the committee's attendance record in the same table from FY2025/26.

SECTION 08

GOVERNANCE STATEMENT

8.8 Communication, Participation and Performance Systems

8.8(a) COMMUNICATION AND REPORTING POLICY

The Department's communication and reporting policy follows the Access to Information Act, 2016, the Public Service Commission's Public Communication guidelines and the Citizen Service Charter. Information is published through the Ministry website (www.roads.go.ke), gazette notices, press briefings by the Cabinet Secretary and Principal Secretary, project launch and inspection events, the Department's Facebook and X accounts, and responses to requests under the Act within 21 days. The Citizen Service Delivery Charter sets the standards: written correspondence answered within 5 working days, e-mail and social-media enquiries within 1 working day, complaints acknowledged within 1 working day and resolved within 14 working days. Internal reporting runs monthly from the directorates and agencies to the Principal Secretary and quarterly to the National Treasury and Parliament.

8.8(b) PUBLIC PARTICIPATION IN POLICY AND PROJECTS

Public participation is a constitutional requirement (Article 10 and Article 201(a)). The Department applies it through the budget cycle, where the National Treasury's sector hearings and the National Assembly's public hearings on the estimates precede appropriation; through the environmental and social impact assessments that the Environmental Management and Co-ordination Act, 1999 requires for every road project, with public consultation and grievance mechanisms run by the implementing agencies; and through stakeholder consultation on policy and legislation, including the Roads Bill and the road-sector investment programme, before submission to the Cabinet and Parliament.

8.8(c) ETHICS AND INTEGRITY POLICY, INDUCTION AND TRAINING

The Department applies the Public Officer Ethics Act, 2003 and its Code of Conduct and Ethics for public officers, the Leadership and Integrity Act, 2012 and the Leadership and Integrity Code adopted under section 37 of that Act, and the Bribery Act, 2016. New officers are inducted on the Code and the Values and Principles of Public Service in Article 232 of the Constitution; the Integrity Assurance Committee runs corruption-prevention sensitisation and reports quarterly to the Ethics and Anti-Corruption Commission; governance training for the year is set out in Section 8.4; and reports may be made through the channels in Section 8.7(d), with the protections of the Witness Protection Act, 2006.

8.8(d) DOCUMENTED PERFORMANCE MEASUREMENT SYSTEM: INSTRUMENTS, PERIODS, DUE DATES AND SAFEGUARDS

Instrument	What it records	Period	Due date and recipient	Safeguard
Performance Contract	Targets for outputs, finance, service delivery and governance	Annual, quarterly progress	Quarterly reports within 15 days of quarter end; annual evaluation by the Public Service Performance Management Unit	Evidence-based scoring; vetting by the evaluation panel
Quarterly financial and non-financial reports (PFM Act Section 83)	Budget execution, revenue, pending bills, programme outputs	Quarterly	Within 15 days after each quarter to the National Treasury and Controller of Budget	IFMIS-generated; reviewed by the Head of Accounting Unit and Accounting Officer
Programme-based budget monitoring	Sub-programme expenditure and outputs against the approved budget	Monthly and quarterly	Budget Implementation Committee reviews; supplementary estimates through Parliament	Reconciled to IFMIS and the Exchequer releases
Project monitoring (e-CIMES)	Physical and financial progress of road projects	Quarterly	Reported to the State Department for Economic Planning	Verified by site inspection and the Project Oversight Committee
Annual report and financial statements	Audited results, performance against objectives, governance and sustainability	Annual	Within three months of the year end to the Auditor-General (PFM Act Section 81)	Audit Committee review; Auditor-General's audit



SECTION 09

Management Discussion And Analysis

09

Financial performance, physical delivery and the road ahead

SECTION 09 OFFICIAL REPORT SECTION

MANAGEMENT DISCUSSION AND ANALYSIS

9.1 Financial Performance

This review explains how the resources reported in the financial statements translated into road-programme activity and physical delivery. It keeps the Road Transport Programme, the development budget and the three-year output portfolio separate because they have different scopes, then reads them together to show the effect of financing, implementation capacity and outstanding obligations.

9.1(a) CURRENT-YEAR FINANCIAL REVIEW

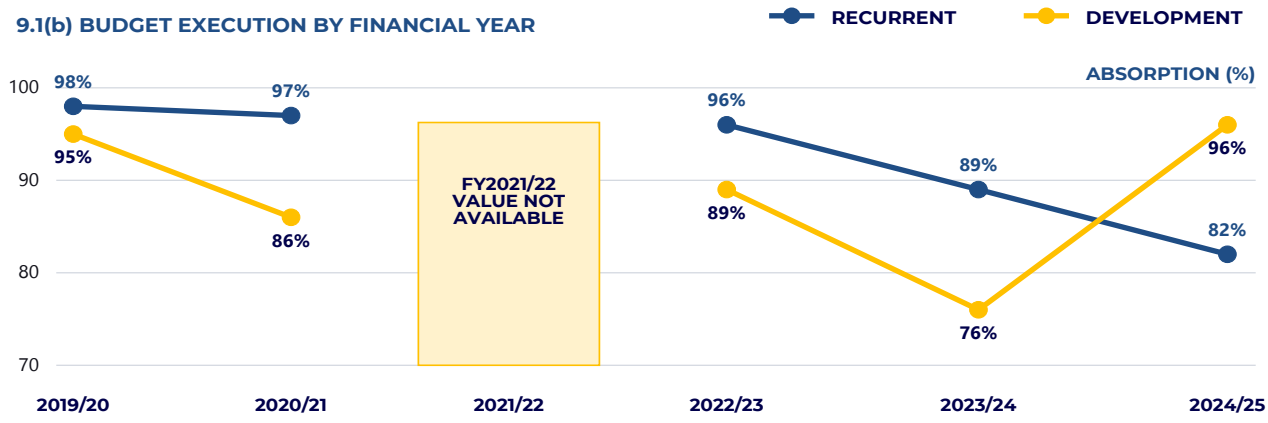
Road Transport programme expenditure increased from KSh 145.0 billion in FY2023/24 to KSh 178.8 billion in FY2024/25, a rise of KSh 33.9 billion or 23.4%. The approved programme budget rose by 10.4% to KSh 196.6 billion, so utilisation improved from 81.4% to 91.0%. Within the development budget, expenditure of KSh 120.2 billion against a KSh 124.7 billion third revised budget produced a 96% outturn. The stronger outturn restored activity across the portfolio, although it did not remove the pressure created by delayed rehabilitation and road-agency pending bills.

91.0%
PROGRAMME UTILISATION
KSh 178.8B actual / KSh 196.6B approved

96%
DEVELOPMENT-BUDGET EXECUTION
KSh 120.2B / KSh 124.7B third revised budget

82%
RECURRENT EXECUTION
KSh 58.6B / KSh 71.9B

9.1(b) BUDGET EXECUTION BY FINANCIAL YEAR



BASIS OF COMPARISON

Budget execution is shown for FY2019/20 to FY2024/25; no figure was published for FY2021/22. The first four years were reported on the cash basis and FY2024/25 on the transitional IPSAS accrual basis, so the comparison is of budget against actual expenditure rather than of accrual statement totals.

PERFORMANCE ANALYSIS

Recurrent execution eased from 98% to 82% over the period, while development execution recovered sharply to 96% in FY2024/25 after 76% in FY2023/24. Stronger development execution did not remove pressure on recurrent delivery capacity, so the two results are reported separately.

SECTION 09

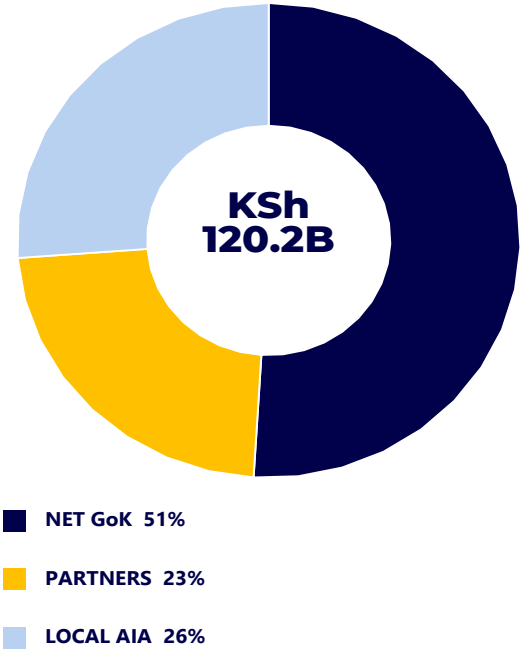
MANAGEMENT DISCUSSION AND ANALYSIS

9.2 Development Funding and Budget Execution

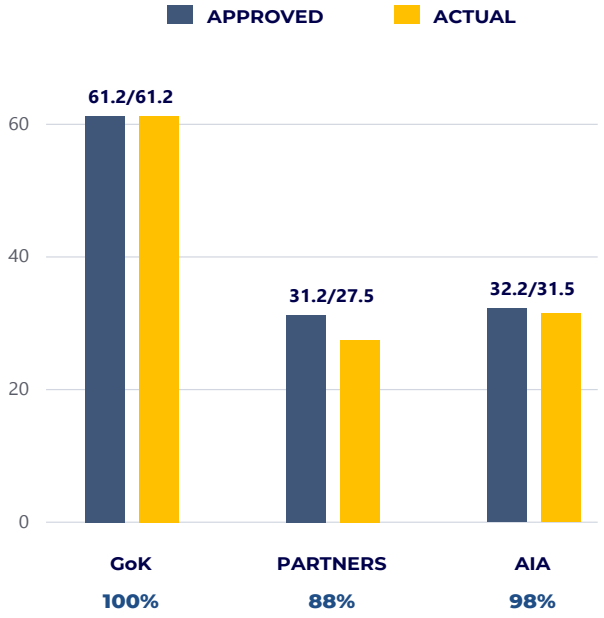
9.2(a) DEVELOPMENT FUNDING OVERVIEW

Actual development funding totalled KSh 120.2 billion. Net GoK Exchequer contributed KSh 61.2 billion (51%), development partners KSh 27.5 billion (23%) and local AIA KSh 31.5 billion (26%). Execution was 100%, 88% and 98% respectively. Full use of the Net GoK component and near-full use of local AIA supported the 96% aggregate outturn; the partner shortfall accounted for most of the remaining gap and continued to affect the sequencing of partner-financed works.

9.2(b) ACTUAL DEVELOPMENT FUNDING MIX, FY2024/25



9.2(c) APPROVED AND ACTUAL FUNDING BY SOURCE (KSh BILLION)



FUNDING SOURCE	APPROVED (KSh B)	ACTUAL (KSh B)	EXECUTION
Net GoK Exchequer	61.249	61.249	100%
Development partners	31.235	27.484	88%
Local AIA	32.187	31.467	98%

FINANCIAL PERFORMANCE ANALYSIS

The KSh 4.5 billion difference between the third revised development budget and actual expenditure was concentrated in partner and local-AIA components. The funding profile therefore supports continued attention to disbursement timing and project readiness.

SECTION 09

MANAGEMENT DISCUSSION AND ANALYSIS

9.3 Economy, Roads Sector and Operations



Road-agency implementation is coordinated through project review, site supervision and financial control.

9.3(a) Economic Context

Kenya's real GDP grew by 4.7% in 2024, compared with 5.7% in 2023. Transport and storage expanded by 4.4%, while construction contracted by 0.7%. Reliable national, urban and regional corridors therefore remained important to commerce and productivity, while the weaker construction result and constrained fiscal environment increased the importance of disciplined project sequencing and predictable cash flow.

9.3(b) Roads-Sector Review

Road demand continued to be shaped by urban growth, regional trade, rural market access, affordable-housing links and the condition of existing assets. During FY2024/25 the Department implemented the programme through KeNHA, KeRRA, KURA and the other sector institutions, combining construction and rehabilitation with maintenance, development-partner projects, annuity arrangements and PPP delivery.

Source: Kenya National Bureau of Statistics, 2025 Economic Survey (2024 results).

9.3(c) From Appropriation to Road Service

01	02	03	04	05
RESOURCES	**DELIVERY**	**ROAD OUTPUTS**	**SERVICE EFFECT**	**ACCOUNTABILITY**
Exchequer, AIA, partners, staff and prepared projects	Design, procurement, works, maintenance and supervision	Constructed and rehabilitated roads; maintained corridors	Reliable access for trade, cities and rural communities	Budget, risk, quality, resilience and audit follow-up

9.3(d) Operational Review

The Department concentrated financing on ongoing contracts and used the bridge facility to improve contractor liquidity. Implementation through the road agencies combined conventional budgets, partner programmes, performance-based maintenance, annuity concessions and PPP preparation. Project sequencing considered procurement, site and land readiness, supervision, available cash flow and the work remaining to completion.

SECTION 09

MANAGEMENT DISCUSSION AND ANALYSIS

9.4 Physical Delivery and Selected Projects



The Department assessed completed and rehabilitated roads against its three-year programme targets.

Across FY2022/23 to FY2024/25, the road-expansion programme delivered 1,825 km of construction against 1,861 km planned and 244 km of rehabilitation against 314 km planned. The portfolio strengthened domestic and regional connectivity, rural productivity and urban mobility.

9.4(a) THREE-YEAR PHYSICAL DELIVERY

FY2022/23 to FY2024/25

1,825 km
CONSTRUCTED
1,861 km plan — 98%

244 km
REHABILITATED
314 km plan — 78%

9.4(b) SELECTED PROJECT OUTPUTS

		LENGTH DELIVERED
27 km	Nairobi Eastern Bypass dualling, Baraka Roundabout to Ruiru/Kamiti Junction	
10.2 km	Rehabilitation and upgrading of Eastlands Roads, Phase II	
6 km	Githurai-Kimbo Road, Phase III	
10.8 km	Marsabit County Headquarters roads upgraded to bitumen standard	
2.4 km	Access roads to Starehe Affordable Housing Project	
2 km	Access to Stoni Athi Housing Project	
1.3 km	Nairobi Roads Lot 1 (part of Missing Link 12)	
5.5 km	Kapenguria Town roads upgraded to bitumen standard	

SECTION 09

MANAGEMENT DISCUSSION AND ANALYSIS

9.4(c) Programme Portfolio



The programme portfolio combines national corridors, urban mobility, rural access, maintenance and regional trade links.

Ten programmes and projects supported the Department's construction and rehabilitation results. They combined conventional works, low-volume sealed roads, development-partner financing, annuity delivery and port or border-corridor improvements to address different network and service needs within one annual programme.

TEN DELIVERY PLATFORMS

01	Kenya Transport Sector Support Project (KTSSP)	02	Horn of Africa Gateway Development Project (HOAGDP)
03	Eastern Africa Regional Transport, Trade and Development Facilitation Project	04	National Urban Transport Improvement Programme (NUTRIP)
05	Roads 10,000 Programme: Low Volume Sealed Roads	06	Roads 2000 Programme
07	Annuity Programme	08	Mombasa Port Area Roads Development
09	Regional Mombasa Port Road Access (Mombasa to Mariakani)	10	Bagamoyo-Tanga-Horohoro / Lunga Lunga-Malindi Road Project

The portfolio supports the physical-output results on the preceding page; financing and risk follow.

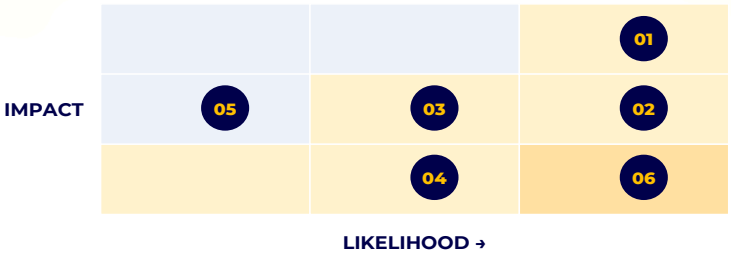
SECTION 09

MANAGEMENT DISCUSSION AND ANALYSIS

9.5 Principal Risks and Management Response

The scale and duration of the road portfolio expose delivery to financing, payment, contractor, land, cost and climate risks. The Department's response during FY2024/25 centred on completing ongoing works, verifying obligations, restoring liquidity and improving the readiness and supervision of active projects.

9.5(a) Portfolio Risk Map



RESPONSE FOCUS

Ongoing commitments, verified claims, delivery readiness, disciplined changes and clear responsibility for follow-up.

9.5(b) Material Risks and Responses

01	**FINANCING & EXCHEQUER** **Mismatch between commitments and predictable releases can slow works and create payment pressure.**	**RESPONSE** Prioritise ongoing contracts, phase commitments and align cash-flow plans to delivery readiness.
02	**PENDING OBLIGATIONS** **Road agencies reported KSh 128.4 billion in pending bills at 30 June 2025.**	**RESPONSE** Verify claims, apply available bridge financing and strengthen commitment and payment controls.
03	**CONTRACTOR LIQUIDITY** **Delayed payment weakens mobilisation and can extend completion periods.**	**RESPONSE** Sequence payments to verified work and monitor contractor recovery plans and critical-path activities.
04	**COST & FOREIGN EXCHANGE** **Imported inputs and construction-cost movements can increase project requirements.**	**RESPONSE** Use lawful price-adjustment mechanisms, realistic estimates and disciplined change control.
05	**LAND & DELIVERY** **Right-of-way processes, procurement and coordination can delay site access and implementation.**	**RESPONSE** Advance stakeholder engagement, approvals and land planning before major mobilisation.
06	**CLIMATE & ASSET CONDITION** **Flooding, drainage failure and severe weather can damage works and accelerate deterioration.**	**RESPONSE** Embed climate-resilient design and direct maintenance using condition and risk information.

SECTION 09

MANAGEMENT DISCUSSION AND ANALYSIS

9.5(c) Financial Obligations

ROAD-AGENCY PENDING BILLS

KSh 128.4B

AT 30 JUNE 2025

At 30 June 2025, the road agencies carried a KSh 128.4 billion pending-bills portfolio and Headquarters had no pending bills. The amount is material, and the Department linked settlement to verification, available financing and controls designed to prevent new unfunded commitments.

9.5(d) Control Response

01

CLAIM VALIDATION

confirm eligible claims and supporting records

02

FINANCING

apply available financing to approved obligations

03

COMMITMENT CONTROL

prevent new commitments without a credible payment path

9.5(e) Independent Audit Position

The Auditor-General issued an unmodified opinion on the transitional IPSAS financial statements and reported that nothing came to attention on internal controls, risk management and governance. The lawfulness conclusion was qualified by three matters: 111 employees whose deductions exceeded two-thirds of basic salary; failure to submit contract-award reports to PPRA; and 34 of 1,647 employees with disabilities, or 2%, against the 5% requirement. The complete independent report is reproduced in Section 12.

01	PAYROLL DEDUCTIONS	111 employees exceeded the two-thirds deduction limit.
02	CONTRACT REPORTING	Contract-award reports were not submitted to PPRA as required.
03	PERSONS WITH DISABILITIES	34 of 1,647 employees (2%) against the 5% requirement.

The Auditor-General also reported that the prior-year matters on budgetary control and performance and the one-third salary rule remained unresolved.

SECTION 09

MANAGEMENT DISCUSSION AND ANALYSIS

9.6 Future Developments and Outlook

9.6(a) From Strategy to Annual Delivery

01 **VISION 2030 / MTP IV** — national direction

02 **STRATEGIC PLAN** — 2023-2027 outcomes

03 **RSIP III** — network priorities

04 **ANNUAL PROGRAMME** — funded annual works

The Strategic Plan 2023-2027 and RSIP III align the Department's road priorities with MTP IV and Kenya Vision 2030. The Annual Public Roads Programme translates those priorities into the annual package of funded development and maintenance interventions.



PPP and annuity structures combine construction obligations with defined payment and maintenance arrangements.

9.6(b) Partnership and Annuity Milestones

27 km
Nairobi Expressway completed

91.5 km
Ngong-Kiserian-Isinya and Kajiado-Imaroro roads under performance-based routine maintenance

LOT 15
identified town roads in Nyeri, Kirinyaga, Murang'a, Embu, Tharaka Nithi and Laikipia

LOT 18
identified town roads in Kakamega, Vihiga, Bungoma and Busia

PARTNERSHIP PERFORMANCE ANALYSIS

These results show alternative delivery combining construction, service and maintenance obligations. The two town-road lots extend that approach to smaller urban corridors. Future concessions remain tied to affordable payments, defined maintenance duties and clear allocation of construction and performance risk.

SECTION 09

MANAGEMENT DISCUSSION AND ANALYSIS

9.6(c) Medium-Term Outlook

MEDIUM-TERM ROAD TARGET

6,000 km

MTP IV ROAD TARGET

CONVENTIONAL	LOW VOLUME SEAL ROADS
3,500 km	2,500 km

Inclusive growth · digitisation · alternative finance

9.6(d) Delivery Priorities

01	COMPLETE	Prioritise ongoing works and verified obligations before adding new commitments.
02	PROTECT	Use condition-led rehabilitation and maintenance to preserve completed assets.
03	FINANCE	Apply PPP, annuity and partner finance where affordability and risk allocation are demonstrated.
04	INFORM	Strengthen asset, project and performance information for budget and delivery decisions.

9.6(e) Portfolio Discipline

The principal challenge remains matching the pace of commitments to predictable financing. FY2024/25 delivery therefore prioritised ongoing contracts and verified obligations, while policy and financing work continued on arrangements capable of sustaining construction and maintenance without creating an unaffordable payment path.

CONCLUSION

The three-year record shows that the Department can deliver close to its construction plan, but the rehabilitation result and the size of the outstanding portfolio call for sharper portfolio choices. The Department's next phase centres on consolidating completed corridors, recovering delayed works, protecting existing road assets and connecting each financing decision to a realistic completion path.

SECTION 09

MANAGEMENT DISCUSSION AND ANALYSIS

9.7 Financial Ratios and Multi-Year Indicators

9.7(a) FINANCIAL RATIOS COMPUTED FROM THE AUDITED STATEMENTS

Ratio	FY2024/25	Computation (KSh)	Reading
Current ratio	157%	Current assets 177,088,547 / current liabilities 112,716,873	Cash at the year end covers every current obligation, including the third-party deposits held.
Cash cover of payables	164%	Cash 177,088,547 / trade and other payables 107,877,747	Payables are fully cash-backed; 107,556,515 of them are third-party deposits repayable on demand.
Net assets to total assets	67%	Net assets 238,133,647 / total assets 353,641,604	Two-thirds of the balance sheet is accumulated surplus; there is no debt.
Growth in net assets	327%	238,133,647 against the opening 55,776,870	The first accrual year added recognised equipment and the surplus retained after returns to the Exchequer.
Surplus margin	0.13%	Surplus 240,852,500 / total revenue 178,898,275,245	Revenue is passed through to road agencies almost in full; the surplus is administrative.
Transfers share of expenses	98.2%	Transfers 175,474,101,107 / total expenses 178,657,422,745	The Department is a financing conduit; delivery cost sits with KeNHA, KURA and KeRRA.
Employee-cost share	0.67%	Employee costs 1,191,504,444 / total expenses 178,657,422,745	A lean headquarters relative to the programme it steers.
Goods and services share	1.11%	Use of goods and services 1,987,580,011 / total expenses	Training expenses of 918,478,266 are the largest operating line (Note 12).
Revenue realisation	91%	Actual revenue 178,898,275,245 / final budget 196,597,383,961	The shortfall is concentrated in partner grants (54%) and toll receipts (56%).
Appropriations-in-Aid collection	101%	Other income 1,023,774,851 / estimate 1,011,000,000	Materials testing and training fees exceeded the estimate by 12,774,851.
Recurrent execution	99%	178,648,346,436 / 180,865,415,144	Recurrent votes, including agency transfers, were absorbed almost fully.
Headquarters capital execution	1%	Acquisition of PPE 180,790,231 / 15,731,968,817	Road works are funded through agency transfers, not headquarters capital; the budget line is being re-based.

9.7(b) THREE-YEAR ROAD TRANSPORT PROGRAMME SERIES (KSh BILLION)

Financial year	Approved	Actual	Utilisation
2022/23	170.795	156.684	91.7%
2023/24	178.060	144.966	81.4%
2024/25	196.597	178.829	91.0%

9.7(c) COMMENTARY ON THE RATIOS

Taken together, the ratios show a liquid, debt-free Department whose own costs are marginal to the programme it channels: administrative expenditure is below two per cent of the total, every liability is cash-covered, and the year's surplus of 240,852,500 is the residue of an appropriation that was 91 per cent realised. The weak headquarters capital execution reflects the classification of road works under agency transfers rather than an unspent capital programme.

SECTION 09

MANAGEMENT DISCUSSION AND ANALYSIS

9.7(d) Five-Year Summary and Value Added

The five-year summary covers the Department's published budget execution; no figure was published for FY2021/22. Amounts are in KSh billion to three decimals.

Financial year	Recurrent budget	Recurrent actual	Rec. %	Development budget	Development actual	Dev. %
2019/20	61.161	60.211	98%	179.014	171.024	95%
2020/21	67.159	65.420	97%	133.372	114.683	86%
2022/23	69.017	66.338	96%	101.778	90.347	89%
2023/24	70.307	62.658	89%	107.753	82.301	76%
2024/25	71.926	58.628	82%	124.671	120.201	96%

9.7(e) DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED, FY2024/25 (KSh)

The value-added statement presents the Statement of Financial Performance as a distribution: almost the whole of the revenue the Department receives is passed to the road agencies that build and maintain the network, with the Department's own staff and suppliers taking under two per cent.

Distribution	KSh	Share
Revenue received (Exchequer, Kenya Roads Board, partners, tax receipts, fees)	**178,898,275,245**	**100.0%**
Distributed to road agencies and other government entities (Note 13)	175,474,101,107	98.1%
Distributed to employees (Note 11)	1,191,504,444	0.7%
Distributed to suppliers of goods and services (Note 12)	1,987,580,011	1.1%
Retained in the asset base as depreciation (Note 14)	4,237,184	0.0%
Surplus retained for the year	240,852,500	0.1%

9.7(f) COMMENTARY

Value is created for road users through the agencies that receive 98 per cent of what the Department receives; the Department's own cost of steering the programme is below two per cent, and the surplus retained is one-tenth of one per cent of revenue.



SECTION 10

Environmental And Sustainability Reporting

10

Sustainable infrastructure beyond the construction site

SECTION 10 OFFICIAL REPORT SECTION

ENVIRONMENTAL AND SUSTAINABILITY REPORTING

10.1 Sustainability Strategy and Priorities



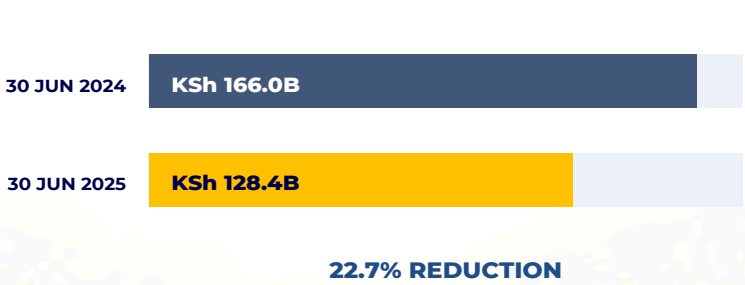
A SUSTAINABLE ROAD PROGRAMME FUNDS COMPLETION, PROTECTS THE ASSET AND PRESERVES SERVICE.

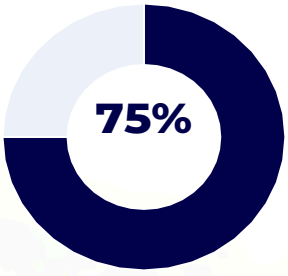
10.1(a) Funding a Deliverable Portfolio

At 30 June 2025, contracted works chargeable to the Government portion were approximately KSh 850 billion. That scale made completion discipline a sustainability issue: every delayed contract extends financing pressure, postpones road-user benefits and increases the risk that partially completed assets deteriorate before service.

The Department therefore focused on projects already under implementation and limited the addition of new works. Bridge-facility financing helped reduce road-agency pending bills from KSh 166.0 billion at 30 June 2024 to KSh 128.4 billion at 30 June 2025. The financing strategy also places greater emphasis on PPP delivery where the project, risk allocation and long-term payment structure support an affordable completion path.

10.1(b) Pending-Bill Reduction and Roads 10,000 Delivery





≈6,000 KM COMPLETED
FROM ≈8,000 KM CONTRACTED

10.1(c) Five Sustainability Priorities

01	02	03	04	05
PORTFOLIO	RESILIENCE	PEOPLE	SUPPLIERS	COMMUNITIES

SECTION 10

ENVIRONMENTAL AND SUSTAINABILITY REPORTING

10.2 Environmental Performance and Climate Resilience



RESILIENCE IS DESIGNED, SUPERVISED AND MAINTAINED ACROSS THE FULL ASSET LIFE.

10.2(a) Climate-Resistant Planning and Safeguards

The road agencies incorporated climate-resistant infrastructure in project planning and implementation during FY2024/25. This connected engineering design to the environmental and social safeguards applied through the project cycle. It also placed greater weight on drainage, slope and pavement performance when works were supervised and when maintenance interventions were programmed.

Road-Project Control Sequence

01
PLAN
Assess route, cost and environmental or social risk

02
DESIGN
Specify climate-resistant engineering responses

03
DELIVER
Supervise works, safeguards and community interfaces

04
PRESERVE
Use asset condition to programme maintenance

10.2(b) Restoration at two reported sites

2,700 TREES REPORTED

The Department reported 1,500 trees at Dongo Kundu and 1,200 trees at Gembe Hills during the year.

The two sites produced the Department's quantified restoration result of 2,700 trees for FY2024/25.

SECTION 10

ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Environmental Results and Measurement Boundaries

During FY2024/25, the Department embedded climate resilience in project planning and reported restoration activity at two locations. Management is aligning project-level energy, emissions, waste and biodiversity records so that future sector totals retain a consistent scope.

10.2(c) Energy and emissions

Project safeguards provide the operating route for monitoring resource use and emissions-related impacts during works.

The Department reports these impacts through project records while it develops a consolidated sector measure.

10.2(d) Materials, spoil and waste

Contract supervision governs the handling, reuse and disposal of construction materials, spoil and waste at project level.

The Department is aligning agency records to support comparable sector totals.

10.2(e) Rehabilitation and asset preservation

Section 7 reports 244 km rehabilitated against a 314 km target, an achievement rate of 78%.

The Department therefore placed asset preservation alongside new construction in its medium-term programme.

CURRENT-YEAR RESULTS ARE REPORTED FOR ROADS, BUDGET AND RESTORATION; PROJECT-LEVEL ENVIRONMENTAL RECORDS ARE BEING CONSOLIDATED.

SECTION 10

ENVIRONMENTAL AND SUSTAINABILITY REPORTING

10.3 Employee Welfare, Safety and Development



PEOPLE, SKILLS AND SAFE SYSTEMS OF WORK

Human-resource administration at Headquarters remained under Public Service Commission policy. Recruitment applied the one-third gender rule, under which no gender may exceed two-thirds of new appointments. The technical workforce continued to reflect a historic male concentration among staff aged above 50, while the Department continued recruiting women into technical roles.

Road agencies align their human-resource manuals with public-service guidance, while the Department's workplace safety framework operates under the Occupational Safety and Health Act, 2007. In the road-delivery environment, training, supervision, protective equipment and contractor controls are applied alongside technical quality so that construction progress does not displace worker and road-user safety.

10.3(a) Recruitment and gender balance	PSC recruitment rules and the one-third gender principle governed appointments; the Department continued to address the historic male concentration in older technical grades.
10.3(b) Skills and career progression	World Bank financing continued to support staff training, with acquired skills strengthening performance and progression through promotion.
10.3(c) Safe systems of work	The OSHA 2007 framework linked work planning, induction, protective equipment, supervision and contractor accountability.
10.3(d) Employee welfare and administration	Headquarters and agencies administered deployment, training and staff support through public-service terms and agency human-resource manuals.

SECTION 10

ENVIRONMENTAL AND SUSTAINABILITY REPORTING

10.4 Responsible Procurement and Supplier Relations



BUDGET AUTHORITY, VERIFIED WORK AND PAYMENT ORDER GOVERN THE SUPPLIER RELATIONSHIP.

10.4(a) Fair Procurement and Budget Discipline

The Parliamentary Departmental Committee for Transport, Roads and Public Works scrutinised the sector budget, after which the Department and its agencies implemented the line budgets approved by Parliament. Contract and payment control then followed the approved allocation, verified work and the order in which invoices were presented. New supply orders closed one month before year-end to allow time for exchequer requests and payment.

From Approved Budget to Payment

01 BUDGET	02 CONTRACT	03 VERIFICATION	04 PAYMENT
approved line	scope and control	work and invoice	invoice sequence

FY2024/25 Payment Position

HEADQUARTERS

NO PENDING BILLS

ROAD AGENCIES

KSh 128B

Headquarters maintained a nil pending-bill position, while road agencies carried KSh 128B because the contracted portfolio exceeded available development financing. Supplier controls therefore operated within a wider financing constraint.

SECTION 10

ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Road-User Information and Engagement

Responsible procurement continues beyond award. Contract records, project information and community interfaces connect supplier treatment to road-user safety, access and remedy throughout delivery.

10.4(b) Supplier contracts and payment order

Approved line budgets set the spending limit; verified invoices were paid in order of presentation and new supply orders closed one month before year-end.

RESULT

Predictable sequencing at Headquarters; financing pressure remained in the road agencies.

10.4(c) Project information and commitments

Contract scope, approved allocation, work verification and payment records provided the common record for the Department, suppliers and oversight bodies.

RESULT

A traceable commitment from award through payment.

10.4(d) Road-user safety, grievance and redress

Project supervision and community interfaces carried information on access, works, safety and matters raised by affected persons.

RESULT

Road delivery remains accountable to users and host communities, not only to the contract.

APPROVED FUNDS, VERIFIED WORK AND PROJECT INFORMATION SUPPORT SAFE, ACCESSIBLE AND ACCOUNTABLE ROAD SERVICE.

SECTION 10

ENVIRONMENTAL AND SUSTAINABILITY REPORTING

10.5 Community Engagement and Economic Contribution



ROAD INVESTMENT CONNECTS FINANCE TO ACCESS, LIVELIHOODS AND LANDSCAPE RESTORATION.

10.5(a) Road Investment and Direct Economic Value

Road Transport programme expenditure of KSh 178.8 billion financed construction, rehabilitation, maintenance and administrative delivery in FY2024/25. That expenditure creates economic value through the road service it funds (access to markets, employment centres and public services) and through contracts and work opportunities in the supply chain. The Department will use procurement and payroll records as the basis for quantified local-supplier and employment measures in subsequent reporting periods.

10.5(b) Community Restoration

The Department continued tree-growing activity at Ngong Forest and reported two quantified site results: 1,500 trees at Dongo Kundu in Mombasa County and 1,200 trees at Gembe Hills in Homa Bay County. The activity contributed to forest-cover restoration and climate mitigation in locations connected to the road programme.

Tree-Growing Activity Reported in FY2024/25



10.5(c) Restoration Monitoring Context

The two planting results total 2,700 trees. They are the Department's planting contribution for FY2024/25 and do not represent its entire environmental impact.

SECTION 10

ENVIRONMENTAL AND SUSTAINABILITY REPORTING

10.6 Basis of Sustainability Reporting

10.6(a) Reporting Boundary and Basis

The Department's FY2024/25 reporting boundary covers Headquarters and the road agencies. It reports quantified results for the portfolio and pending bills, Roads 10,000 delivery, programme expenditure, rehabilitation and the two tree-growing sites from verified current-year records. Project-level activities remain at their recorded scope and are not presented as entity-wide totals.

From Departmental Records to Reported Results



10.6(b) Comparable Measures Across Periods

Financial and physical measures retain their stated unit, period and scope. The Department therefore reports the contracted portfolio from annual expenditure, Headquarters from road agencies, and completed kilometres from the rehabilitation indicator, so that future years can be compared on the same basis.

10.6(c) Measurement Priorities



10.6(d) Conclusion

FY2024/25 linked sustainability to the decisions that determine whether a road is completed, resilient, safely delivered and maintained. The reduction in road-agency pending bills, completion of approximately 6,000 km under the Roads 10,000 / LVSR strategy, climate-resistant project planning, staff development and 2,700 reported trees show progress across that chain. The Department's reporting priority is stronger, comparable measurement of environmental, workforce, supplier and community outcomes across Headquarters and the road agencies.

SECTION 10

ENVIRONMENTAL AND SUSTAINABILITY REPORTING

10.7 Sustainability Indicators, Targets and Data Boundary

10.7(a) INDICATOR TABLE

Indicator	FY2024/25	FY2023/24 (prior annual report)	Target or governing policy	Status
Trees grown at restoration sites	2,700 trees at Dongo Kundu and Gembe Hills	3,500 (1,000 at Ngong Forest, 2,500 mangroves at Dongo Kundu); 87% survival	Survival monitored with the projects	Reported
Roads rehabilitated	244 km against a 314 km plan (78%)	Over 330 km over FY2021/22 to FY2023/24	Asset preservation prioritised	Reported
Roads constructed	1,825 km against a 1,861 km plan (98%)	2,897 km over FY2021/22 to FY2023/24	Programme plan	Reported
Road-agency pending bills	KSh 166.0 billion to KSh 128.4 billion (22.7% reduction)	Portfolio rationalised from KSh 900 billion to KSh 700 billion	Securitisation of the fuel levy	Reported
Lost-time injury frequency	Incident records consolidated in FY2025/26	0.21 per 200,000 hours (benchmark 0.75); quarterly OSHA audits	Zero-harm target on every site	Prior-year value
Gender balance of staff	One-third gender principle applied in recruitment	38% female, 62% male	Constitution, Article 27(8)	Prior-year value
Staff with disabilities	Target of at least 5% under the Disability and Gender Mainstreaming Committee	4.2%	At least 5%	Prior-year value
Local content	30% of procurement reserved under PPADA section 157	60% of labour procured locally; 1,200 local jobs	Statutory reservation	Prior-year value
Greenhouse-gas emissions (tCO2e)	Sector total not yet consolidated	30,100 (down 3.5% from 31,200)	Baseline re-set in FY2025/26	Prior-year value
Water use (m3)	Sector total not yet consolidated	235,000 (down 2.1% from 240,000)	Baseline re-set in FY2025/26	Prior-year value
Waste recycled (share of total)	Sector total not yet consolidated	40% (up from 35%)	Baseline re-set in FY2025/26	Prior-year value
Environmental impact assessment permits	All major works licensed by NEMA before commencement	60 permits; no non-compliance or stop order	Full compliance	Prior-year value
Supplier satisfaction	Payment within 60 days of invoice under the Service Delivery Charter	82% rated payment timeliness good or excellent	Charter standard	Prior-year value

REPORTED | PRIOR-YEAR VALUE | BASELINE RE-SET FY2025/26

10.7(b) NOTES TO THE TABLE

Four measures carry current-year quantities. For the others the latest consolidated values are those the Department published in its FY2023/24 annual report; they are shown as prior-year comparatives to indicate the scale and direction of each measure while the FY2024/25 sector totals are consolidated. The Department will publish the FY2025/26 figures on the same basis so that the results compare from year to year.

SECTION 10

ENVIRONMENTAL AND SUSTAINABILITY REPORTING

10.8 Policies and Practices Behind the Indicators

Area	Governing instrument	How it is applied	Evaluation and FY2024/25 evidence
Environmental policy	Environmental Management and Co-ordination Act, 1999; Climate Change Act, 2016; Ministry Environmental and Social Safeguards for road projects	Environmental and social impact assessment and NEMA licence before works; environmental and social management plans in every contract, benchmarked to ISO 14001 and the World Bank and AfDB safeguards; restoration at Dongo Kundu and Gembe Hills	2,700 trees in FY2024/25; FY2023/24: 60 EIA permits, no non-compliance, GHG down 3.5%, water down 2.1%, 40% of waste recycled
Broad trends and impact	Kenya's Nationally Determined Contribution (32 per cent emission reduction by 2030); MTP IV; road-sector investment programme	Climate-resilient design standards, drainage and slope protection in project planning; low-volume seal roads to cut haulage	Impact recorded at project level; sector totals from FY2025/26
Hiring and gender	Constitution Articles 27(8) and 232; Public Service Commission Act and Human Resource Policies and Procedures Manual, 2016	Merit-based recruitment through the Public Service Commission; one-third gender principle; Disability and Gender Mainstreaming Committee target of at least 5% staff with disabilities	FY2023/24: 38% female, 62% male; 4.2% staff with disabilities; Public Service Commission annual compliance evaluation
Skills, appraisal and reward	Performance Appraisal System of the Public Service; Performance Contract; Public Service training policy	Annual staff appraisal linked to the Performance Contract and promotions; training through KIHBT and World Bank-financed programmes; 40-hour working week	Training expenses 918,478,266 (Note 12); FY2023/24: 75% of headquarters technical staff completed Kenya Roads Board-accredited courses
Safety at work	Occupational Safety and Health Act, 2007 and DOSHS registration of workplaces	Safety and health committees at workplaces with twenty or more workers; quarterly safety audits, induction on protective equipment, emergency drills and zero-fatality targets on every site	FY2023/24 lost-time injury frequency 0.21 per 200,000 hours against a benchmark of 0.75; FY2024/25 incident records consolidated in FY2025/26
Unionisable staff and terms	Labour Relations Act, 2007; Union of Kenya Civil Servants recognition; Public Service terms of service	Unionisable officers covered by the Union's recognition agreement; permanent and pensionable, contract and temporary staff on the same statutory benefits	Employee costs by class in Note 11; ratios reported from FY2025/26
Responsible competition	Public Procurement and Asset Disposal Act, 2015; Competition Act, 2010; Bribery Act, 2016	Open competitive tendering as the default method; tender notices on the Public Procurement Information Portal; an annual Supplier Charter on fair tendering and anti-corruption; payment within 60 days of invoice on a first-invoice, first-paid basis; no political contributions	ISO 37001 anti-bribery certification of the Materials Testing and Research laboratories; FY2023/24 supplier survey: 82% rated payment timeliness good or excellent
Public communication and advertising	Government Advertising Agency guidelines; Kenya Information and Communications Act	Public notices and campaigns through the Government Advertising Agency; factual road-safety and project information only; no commercial marketing	Communication reviewed by the Ministry's communication unit
Road-user rights and data	Traffic Act; Citizen Service Charter; Data Protection Act, 2019; Commission on Administrative Justice Act, 2011	Service standards and fees published in the Citizen Service Delivery Charter (reviewed annually); complaints resolved within 14 working days; escalation to the Commission on Administrative Justice; personal data handled under the Data Protection Act	Charter displayed in all offices; complaints handled by the Service Delivery Committee; requests for information answered within 21 days

10.8(a) COMMENTARY

Each policy area is governed by an instrument that binds the Department and is applied through a named process; the last column states the Department's FY2024/25 position and, where records are still held at project level, the year from which a consolidated figure will be reported. The Department has not set numeric environmental targets beyond the km of road and the restoration sites already reported, and will set them against the FY2025/26 baseline.



SECTION 11

Statement Of Management Responsibilities

11

Responsibility for fair presentation and stewardship

SECTION 11 OFFICIAL REPORT SECTION

STATEMENT OF MANAGEMENT RESPONSIBILITIES

11.1 Legal Duty, Preparation and Fair Presentation

11.1(a) STATUTORY RESPONSIBILITY UNDER THE PUBLIC FINANCE MANAGEMENT ACT, 2012

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.

11.1(b) PREPARATION AND FAIR PRESENTATION

The Accounting Officer in charge of the State Department for Roads is responsible for the preparation and presentation of the State Department for Roads' financial statements, which give a true and fair view of the state of affairs of the State Department for Roads for and at the end of the financial year (period) ended on June 30, 2025. This responsibility includes:

SIX PRESCRIBED RESPONSIBILITIES

11.1(B)(I) FINANCIAL MANAGEMENT

Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period.

11.1(B)(II) ACCOUNTING RECORDS

Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the State Department for Roads.

11.1(B)(III) INTERNAL CONTROL

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.

11.1(B)(IV) SAFEGUARDING ASSETS

Safeguarding the assets of the State Department for Roads.

11.1(B)(V) ACCOUNTING POLICIES

Selecting and applying appropriate accounting policies.

11.1(B)(VI) ACCOUNTING ESTIMATES

Making accounting estimates that are reasonable in the circumstances.

SECTION 11

STATEMENT OF MANAGEMENT RESPONSIBILITIES

11.2 Responsibility Accepted, Compliance Confirmed and Approval

11.2(a) RESPONSIBILITY ACCEPTED AND BASIS OF PREPARATION

Eng. Joseph M. Mbugua, CBS, the Principal Secretary and Accounting Officer for the State Department for Roads during FY2024/25, accepts responsibility for the State Department for Roads' 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' financial statements give a true and fair view of the state of the MDA's transactions during the financial year ended June 30, 2025, and of the State Department for Roads' 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.

BASIS OF PREPARATION AND ASSURANCE

01	02	03	04
ACCRUAL BASIS	**STANDARDS**	**PRESENTATION**	**RECORDS AND CONTROLS**
Accrual-basis financial reporting	Accounting policies in accordance with IPSAS	True and fair view at 30 June 2025	Complete records and adequate internal controls

11.2(b) COMPLIANCE AND USE OF FUNDS CONFIRMED

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

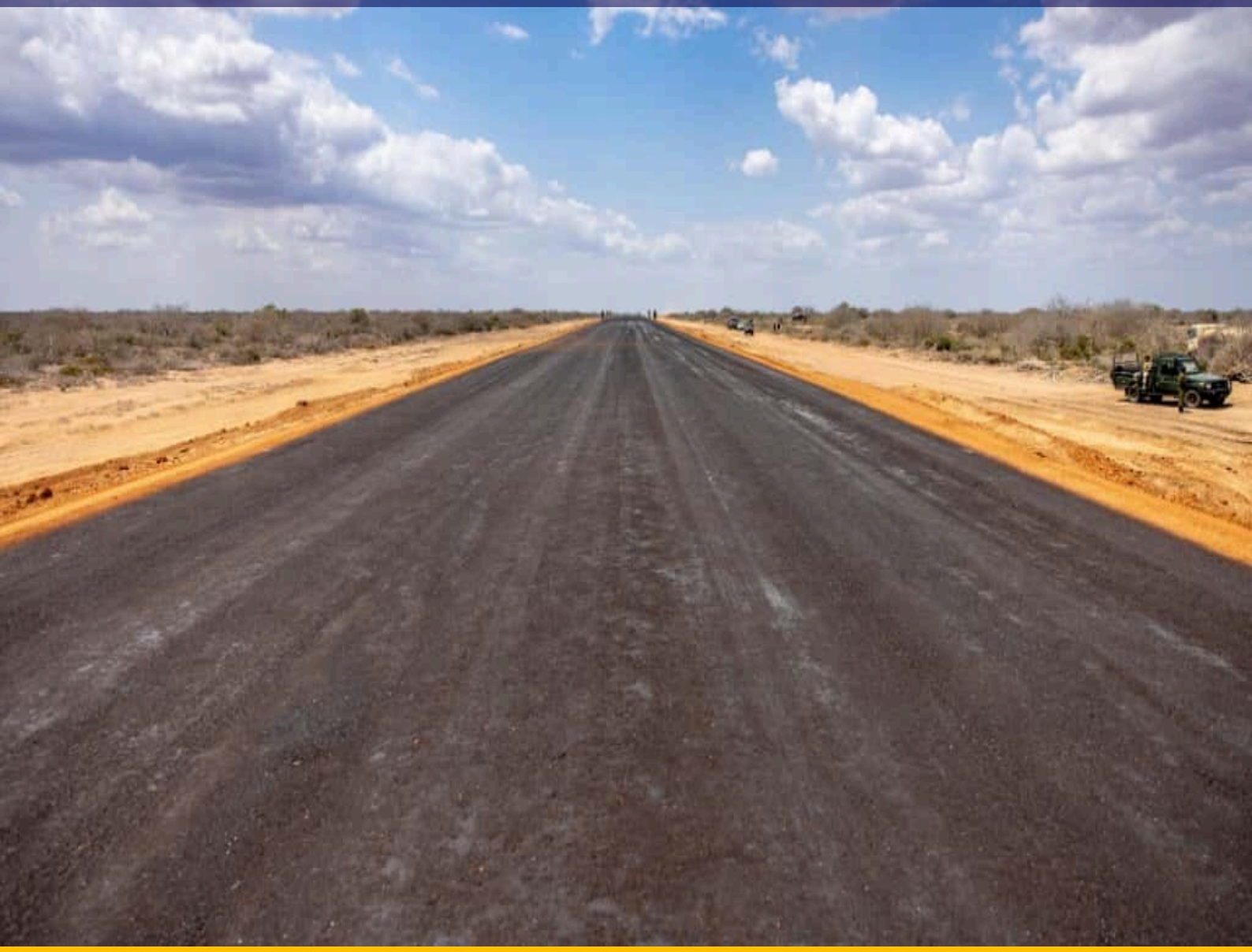
11.2(c) APPROVAL OF THE FINANCIAL STATEMENTS

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

Approval date: 24 September 2025

Eng. Joseph M. Mbugua, CBS
Accounting Officer

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



SECTION 12

Report Of The Auditor-General

Independent audit for the year ended 30 June 2025

12

REPUBLIC OF KENYA

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HEADQUARTERS
Anniversary Towers
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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

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

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

Basis for Opinion

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

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

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

Other Information

The Management is responsible for the Other Information set out on page iv to xxx which comprise of key State Department's Information and Management, Statement of Governance, Statement Cabinet Secretary, State by the Principal Secretary, Statement of Performance Against Predetermined Objectives, Management Discussion and Analysis, Environmental and Sustainability Reporting, Statement of Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the State Department's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If

based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

Review of the State Department's staff payroll revealed that for the twelve (12) month period there were one hundred and eleven (111) employees whose salary deductions exceeded two-thirds (2/3) of the basic salary. This was contrary to Section 19(3) of the Employment Act, 2007 which states that without prejudice to any right of recovery of any debt due, and notwithstanding the provisions of any other written law, the total amount of all deductions which under the provisions of subsection (1), may be made by an employer from the wages of his employee at any one time shall not exceed two-thirds of such wages or such additional or other amount as may be prescribed by the Minister either generally or in relation to a specified employer or employee or class employers or employees or any trade or industry. This may expose the staff to pecuniary embarrassment.

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

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

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

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

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

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

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

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

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

Responsibilities of the Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

17 December, 2025

SECTION 13

13. Statement of Financial Performance

FOR THE PERIOD ENDED 30 JUNE 2025

Description	Notes	Period ended 30 June 2025 KSh
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 Mwangasi
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 statements, this election has been made and therefore there are no comparatives in the first year of transition.)

SECTION 14

14. Statement of Financial Position

AS AT 30 JUNE 2025

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

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

Eng. Joseph M. Mbugua, CBS
Accounting Officer

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

SECTION 15

15. Statement of Changes in Net Assets

FOR THE PERIOD ENDED 30 JUNE 2025

Description	Accumulated Surplus KSh	Total KSh
As at 30 June 2024 (cash basis)	**58,567,955**	**58,567,955**
Adjustments: (to recognize assets and liabilities)	(2,791,085)	(2,791,085)
As at 1 July 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 30 June 2025	**238,133,647**	**238,133,647**

SECTION 16

16. Statement of Cash Flows

FOR THE PERIOD ENDED 30 JUNE 2025

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

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

SECTION 17

17. Statement of Comparison of Budget and Actual Amounts

FOR THE PERIOD ENDED 30 JUNE 2025 · RECURRENT AND DEVELOPMENT COMBINED

Description	Original budget A	Adjustments B	Final budget C=A+B	Actual comparable basis D	Utilisation difference E=C-D	% utilised 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						
Employee 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%

SECTION 17

17. Statement of Comparison of Budget and Actual Amounts

CONTINUED · RECONCILIATION AND EXPLANATORY BUDGET NOTES

Description	Original budget A	Adjustments B	Final budget C=A+B	Actual comparable basis D	Utilisation difference E=C-D	% utilised F=D/C
Total expenses: Development	**16,183,962,320**	**(451,993,503)**	**15,731,968,817**	**180,790,231**	**15,551,178,586**	**1%**
Total expenses	**198,961,988,075**	**(2,364,604,114)**	**196,597,383,961**	**178,829,136,666**	**17,768,247,295**	**91%**
Surplus / deficit	-	-	-	**69,138,578**	**(69,138,578)**	

Reconciliation table

Description of particulars	Amount in KSh
Actual surplus amount as per the statement of Budget	69,138,578
Basis difference	22,608,254
Timing differences	143,837,448
Classification differences	(58,495,723)
Closing Cash and Cash Equivalent as per the Statement of Cash Flows	**177,088,547**

Budget Notes

No.	Explanation
1	Tax Receipts: the under-utilizations were due to non-receipt of toll fees from Kenya Roads Board
2	Proceeds from Domestic and Foreign Grants: this is due to a slow uptake of the Grant AIA components of various road projects such as Mombasa-Kilifi Lot I: Mombasa-Mtwapa where most of the sections faced Land Compensation challenges of which some has since been resolved through the Securitization programme
3	Other income: The over-utilization is due to the overcollection of revenues from the Materials Testing and Research Division.
4	Acquisition of PPE -
5	The changes between the Original Budget and the Final Budget are due to Supplementary budgets. In Financial Year 2024/2025, there were three supplementary budgets approved by the National Assembly

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 28 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 30 June 2025.

Basis of preparation

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

Critical accounting judgements

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

Recognition of revenue

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

Recognition of non-exchange expenses and liabilities

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

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

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 January 2025

	The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevan information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of the State Department for Roads. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities. No impact of the standard to the State Department for Roads.
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	Applicable 1 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. These changes have been assessed and at the moment they have no effect on the operations of the State Department for Roads. Where the State Department for Roads identifies assets for sale, they shall be classified separately from PPE in the year such decision is made.
IPSAS 45- Property Plant and Equipment	Applicable 1 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. These changes have been assessed, and the State Department's assets will be impacted upon application of this standard.

IPSAS 46 Measurement	Applicable 1 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. 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.
IPSAS 47-Revenue	Applicable 1 January 2026 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. No impact of the standard to the State Department for Roads.
IPSAS 48-Transfer Expenses	Applicable 1 January 2026 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. No impact of the standard to the State Department for Roads.
IPSAS 49-Retirement Benefit Plans	Applicable 1 January 2026 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. No impact of the standard to the State Department for Roads.

ii) Early adoption of standards

The State Department for Roads did not early-adopt any new or amended standards in the financial year.

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 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.

Summary of Significant Accounting Policies (Continued)

b) **Budget information**

The original budget for FY 2024/25 was approved by the National Assembly on 28 June 2025. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional or reduction of appropriations are added to the original budget by the State Department for Roads upon receiving the respective approvals to conclude the final budget. Accordingly, the State Department for Roads recorded a reduction appropriation of Kshs 2,364,604,114 on the 2024/25 budget following the governing body's approval. The State Department for Roads budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on an accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of cashflows has been presented under pages 1 to 6 of these financial statements.

c) Investment property

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

d) **Property, plant and equipment**

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)

f) **Tangible Natural Resources**

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

g) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite.

h) **Research and development costs**

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

i) The technical feasibility of completing the asset so that the asset will be available for use or sale

ii) Its intention to complete and its ability to use or sell the asset

iii) How the asset will generate future economic benefits or service potential

iv) The availability of resources to complete the asset

v) The ability to reliably measure expenditure during development.

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

Summary of Significant Accounting Policies (Continued)

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

rules have no impact on the State Department for Roads' financial statements. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. 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 forparticular 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.

Summary of Significant Accounting Policies (Continued)

Amortized cost

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

Fair value through net assets/ equity

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

Trade and other receivables

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

Fair value through surplus or deficit

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

Impairment

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

Summary of Significant Accounting Policies (Continued)

ii) Financial liabilities

Classification

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

j) Inventories

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

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

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

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

k) Provisions

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

Summary of Significant Accounting Policies (Continued)

l) Social Benefits

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

m) Contingent liabilities

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

n) Contingent assets

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

o) Nature and purpose of reserves

The State Department for Roads creates and maintains reserves in terms of specific requirements.

p) Changes in accounting policies and estimates

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

Summary of Significant Accounting Policies (Continued)

q) Employee benefits

Retirement benefit plans

The State Department for Roads provides retirement benefits for its employees. 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 an entity 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 Principal Secretary and senior managers.

Summary of Significant Accounting Policies (Continued)

u) Service concession arrangements

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

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

v) Cash and cash equivalents

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

w) Biological Assets

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

x) Comparatives

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

Summary of Significant Accounting Policies (Continued)

Significant Judgments and Sources of Estimation Uncertainty

The preparation of the State Department for Roads' 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.

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 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.

Notes 6 to 8 · Revenue from Non-Exchange Transactions

6. Transfers from the Exchequer

Nature of transfer	Recognised in financial performance KSh	Deferred income KSh	Total transfers KSh
Recurrent	1,343,883,065	-	1,343,883,065
Development	64,023,295,918	-	64,023,295,918
Total	**65,367,178,983**	**-**	**65,367,178,983**

Transfer summary

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

7. Transfers from Other Government Entities

State Department for Roads sending the grant/transfer	Recognised in financial performance KSh	Deferred income KSh	Total transfers KSh
Kenya Roads Board	87,126,500,126	-	87,126,500,126
Total	**87,126,500,126**	**-**	**87,126,500,126**

8. Transfers from Domestic and Foreign Partners

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

Notes 9 to 11 · Revenue and Employee Costs

9. Tax Receipts

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

10. Miscellaneous Income

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

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

11. Employee Costs

Description	Period ended June 2025 KSh
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 12 to 14 · Operating and Transfer Expenses

12. Use of Goods and Services

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

13. Transfers to Other Government Entities

Description	Period ended June 2025 KSh
Transfers to national government entities (SAGAs and SC)	175,474,101,107
Total	**175,474,101,107**

See Appendix V.

14. Depreciation and Amortisation Expense

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

15. Cash and Cash Equivalents

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

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

Financial Institution	Account number	Period ended June 2025 Kshs	Opening statement 1 July 2024 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 Kshs	Opening Statement 1 July 2024 Kshs
Imprests and Advances		8,967
District Suspense		63,265
Total Receivables		72,232

17. Property, Plant and Equipment

Description	Furniture and fittings	Computers and ICT equipment	Capital work in progress	Total
Depreciation rate	12.5%	30%		
Cost	KSh	KSh	KSh	KSh
Opening balance at 1 July 2024	-	-	-	-
Additions	28,672,668	2,177,000	149,940,561	180,790,229
As at 30 June 2025	**28,672,668**	**2,177,000**	**149,940,561**	**180,790,229**
Depreciation and impairment				
Depreciation	(3,584,084)	(653,100)	-	(4,237,184)
As at 30 June 2025	**(3,584,084)**	**(653,100)**	**-**	**(4,237,184)**
Net book values				
Opening balance at 1 July 2024	-	-	-	-
As at 30 June 2025	**25,088,585**	**1,523,900**	**149,940,561**	**176,553,046**

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

Notes to the Financial Statements (Continued)

17 (a) Summary of details of Property, Plant, and Equipment

Description	Cost Kshs	Accumulated Depreciation	NBV 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 Kshs	Normal annual depreciation charge 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 Kshs	Opening Statement 1 July 2024 Ksh
Third-party payments	107,556,515	85,341,725
Other payables	321,232	
Total trade and other payables	107,877,747	85,341,725

Notes to the Financial Statements (Continued)

Provisions

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

Cash Generated from Operations

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

Related Party Disclosures

Nature of related party relationships

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

Government of Kenya

The State Department for Roads is a department of the National Government of Kenya, which controls it and finances its operations through Exchequer releases.

Other related parties include:

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

Notes to the Financial Statements (Continued)

	FY2024-2025 Kshs
Transactions with related parties	
B) Purchases from related parties	
Electricity purchases from KPLC	12,056,010
Purchase of water from govt service providers	5,554,762
Total	17,610,772
a) Grants / transfers from the government	
Grants from national govt	65,367,178,983
Grants from Kenya Roads Board	71,797,297,854
Total	137,164,476,837
b) Key management compensation	
Compensation to key management	40,306,008
Total	40,306,008

Notes to the Financial Statements (Continued)

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.

SECTION 19

19.1 Appendix I: Implementation Status of Auditor-General's Recommendations

FY2024/25 STATUTORY APPENDIX

Summary of issues raised by the external auditor and the management comments provided to the auditor.

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

SECTION 19

19.1 Appendix I: Implementation Status of Auditor-General's Recommendations (continued)

FY2024/25 STATUTORY APPENDIX

Item	Detail
Reference No. in the external audit report	-
Issue / observation from the auditor	The under-funding and under-utilization affected the planned activities and may have impacted negatively on service delivery to the public.
Management comments	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 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
Status	-
Timeframe	-

SECTION 19

19.1 Appendix I: Implementation Status of Auditor-General's Recommendations (continued)

FY2024/25 STATUTORY APPENDIX

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

SECTION 19

19.1 Appendix I: Implementation Status of Auditor-General's Recommendations (continued)

FY2024/25 STATUTORY APPENDIX

Item	Detail
Reference No. in the external audit report	-
Issue / observation from the auditor	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. In the circumstances, Management was in breach of the law.
Management comments	sectors hence the affected employees took long term obligations thus affecting a third rule. 2. The implementation of the finance bills 2023 which introduced housing levy, NSSF, thus affecting a third rule. 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.
Status	-
Timeframe	-

Eng. Joseph M. Mbugua, CBS

Accounting Officer

SECTION 19

19.2 Appendix II: Projects Implemented by the State Department for Roads

FY2024/25 STATUTORY APPENDIX

Field	Project 1	Project 2	Project 3
Project title	Horn of Africa Gateway Development Project	East Africa Skills for Transformation and Regional Integration Project	Eastern Africa Regional Transport, Trade and Development Project
Project number	6768-KE	6334-KE	5638-KE
Donor	World Bank	World Bank	World Bank
Period / duration	7.5 years (18 December 2018 to 30 June 2025)	7.5 years (18 December 2018 to 30 June 2025)	9.5 years (12 June 2015 to 31 December 2024)
Donor commitment (KSh)	4,844,463,000	1,086,168,320	2,315,911,602
Separate donor reporting required	Yes	Yes	Yes
Consolidated in these financial statements	**No**	**No**	**No**

SECTION 19

19.3 Appendix III: Fixed Asset Register

FY2024/25 STATUTORY APPENDIX

Asset class	Historical cost b/f	Additions	Disposals	Transfers	Historical cost c/f
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**

SECTION 19

19.4 Appendix IV: Transfers from Other Government Entities

FY2024/25 STATUTORY APPENDIX

(a) Receipts from the Kenya Roads Board: recurrent transfers

Date received	Nature	Reference	Amount (KSh)	Total receipts (KSh)
2 Aug 2024	Recurrent	FT24215HC3QC	207,429,142.00	207,429,142.00
22 Aug 2024	Recurrent	FT242352938W	640,313,036.00	640,313,036.00
24 Sep 2024	Recurrent	FT24268S9YT0	464,760,227.00	464,760,227.00
15 Jan 2025	Recurrent	FT25015S412V	193,809,972.00	193,809,972.00
7 Mar 2025	Recurrent	FT25066JHLQY	1,912,604,000.00	1,912,604,000.00
26 Mar 2025	Recurrent	FT25085W2MQD	148,662,127.00	148,662,127.00
8 May 2025	Recurrent	FT25128C9XR4	3,533,566,172.00	3,533,566,172.00
18 Jun 2025	Recurrent	FT25169FF8B3	3,682,774,150.00	3,682,774,150.00
24 Jun 2025	Recurrent	FT251752WW8M	2,329,185,267.00	2,329,185,267.00
15 Jul 2025	Recurrent	FT25196FTKK1	415,000,000.00	415,000,000.00
1 Aug 2024	Recurrent	FT24214XKZ09	292,570,858.00	292,570,858.00

SECTION 19

19.4 Appendix IV: Transfers from Other Government Entities (continued)

FY2024/25 STATUTORY APPENDIX

(a) Receipts from the Kenya Roads Board: recurrent transfers

Date received	Nature	Reference	Amount (KSh)	Total receipts (KSh)
17 Sep 2024	Recurrent	FT24261GL1DG	8,615,103,156.00	8,615,103,156.00
18 Oct 2024	Recurrent	FT24292SYPY7	3,030,842,434.00	3,030,842,434.00
14 Nov 2024	Recurrent	FT2431961CCL	1,609,855,450.00	1,609,855,450.00
20 Nov 2024	Recurrent	FT243255QW1K	4,535,783,062.00	4,535,783,062.00
5 Dec 2024	Recurrent	FT24340SMC8Q	4,252,368,610.00	4,252,368,610.00
11 Feb 2025	Recurrent	FT250423N16V	7,859,239,615.00	7,859,239,615.00
25 Mar 2025	Recurrent	FT25084J9T9R	3,007,770,796.00	3,007,770,796.00
10 Apr 2025	Recurrent	FT251006KGVB	1,384,191,253.00	1,384,191,253.00
20 May 2025	Recurrent	FT25140Z5JY5	1,410,297,546.00	1,410,297,546.00
20 May 2025	Recurrent	FT25140D4V2M	1,947,876,914.00	1,947,876,914.00
30 Jun 2025	Recurrent	FT25181DNHWC	4,856,627,401.00	4,856,627,401.00
	Subtotal: RMLF recurrent		**56,330,631,188.00**	**56,330,631,188.00**

SECTION 19

19.4 Appendix IV: Transfers from Other Government Entities (continued)

FY2024/25 STATUTORY APPENDIX

(a) Kenya Roads Board: development and annuity transfers

Date received	Nature	Reference	Amount (KSh)	Total receipts (KSh)
17 Oct 2023	Development	FT24292BMVB1	525,000,000.00	525,000,000.00
24 Jan 2024	Development	FT25042ZHZ50	525,000,000.00	525,000,000.00
5 Apr 2024	Development	FT2510000FY7	525,000,000.00	525,000,000.00
4 Jun 2024	Development	FT25189FHMHX	525,000,000.00	525,000,000.00
	Subtotal: RMLF development		**2,100,000,000.00**	**2,100,000,000.00**
13 May 2025	Development (Annuity)	FT251338FXLC	3,247,068,607.00	3,247,068,607.00
30 Jun 2025	Development (Annuity)	FT25181HHFGK	4,599,778,216.00	4,599,778,216.00
3 Jul 2025	Development (Annuity)	FT25184WN1MX	2,480,228,756.00	2,480,228,756.00
3 Jul 2025	Development (Annuity)	FT25184MZNY9	3,039,591,087.00	3,039,591,087.00
	Subtotal: 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

No.	Category	Budget (KSh)	Disbursement (KSh)	Balance (KSh)
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**

SECTION 19

19.5 Appendix V: Transfers to Other Government Entities

FY2024/25 STATUTORY APPENDIX

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

SECTION 19

19.6 Appendix VI: Reporting of Climate-Relevant Expenditures

FY2024/25 STATUTORY APPENDIX

Climate-relevant expenditure was not budgeted as a stand-alone line in FY2024/25; it was incurred within use of goods and services (Note 12).

Item	FY2024/25
Project name	-
Project description	-
Project objectives	-
Project activities	-
Quarter 1 expenditure	-
Quarter 2 expenditure	-
Quarter 3 expenditure	-
Quarter 4 expenditure	-
Source of funds	-
Implementing partners	-

SECTION 19

19.7 Appendix VII: Disaster Expenditure Reporting

FY2024/25 STATUTORY APPENDIX

Disaster-related expenditure was not budgeted as a stand-alone line in FY2024/25; it was incurred within use of goods and services (Note 12).

Item	FY2024/25
Programme	-
Sub-programme	-
Disaster type	-
Category of disaster-related activity	-
Expenditure item	-
Amount (KSh)	-
Comments	-

SECTION 19

19.8 Appendix VIII: Financial Instruments, Financial Risk and Capital Management

MANAGEMENT DISCLOSURE SUPPLEMENTARY TO THE AUDITED FINANCIAL STATEMENTS

VIII(a) CARRYING AMOUNTS BY CATEGORY (KSh)

Category	30 June 2025	1 July 2024	Note
Financial assets at amortised cost: cash and bank balances	177,088,547	143,837,448	Note 15
Financial assets at amortised cost: receivables from exchange transactions	-	72,232	Note 16
Total financial assets	**177,088,547**	**143,909,680**	
Financial liabilities at amortised cost: trade and other payables	107,877,747	85,341,725	Note 18
Total financial liabilities	**107,877,747**	**85,341,725**	

VIII(b) CREDIT RISK

Credit risk is the risk that a counterparty fails to meet its obligation. The Department's only financial assets at the year end are bank balances of 177,088,547 held in the recurrent, development and deposits accounts at the Central Bank of Kenya (Section 2.8; Note 15(a)); the receivables of 72,232 outstanding at 1 July 2024 were recovered during the year. The maximum exposure equals the carrying amounts. No expected credit loss allowance has been recognised because the balances are held with the central bank and no amount is past due or impaired.

VIII(c) LIQUIDITY RISK: MATURITY OF FINANCIAL LIABILITIES AT 30 JUNE 2025 (KSh)

Financial liability	Within 1 year	1 to 5 years	Over 5 years	Total
Third-party payments (deposits repayable on demand)	107,556,515	-	-	107,556,515
Other payables	321,232	-	-	321,232
Total	**107,877,747**	**-**	**-**	**107,877,747**

Liquidity risk is managed through the Exchequer release cycle and the Department's cash plan: expenditure is incurred against approved budgets and paid from releases received through the Integrated Financial Management Information System, and third-party deposits are held in a dedicated deposits account so that they can be repaid on demand. All financial liabilities fall due within one year and are covered 164 per cent by cash at the year end.

VIII(d) MARKET RISK

Market risk is not significant. The Department holds no interest-bearing assets or liabilities, no borrowings, no investments and no balances denominated in foreign currency; externally financed road projects are contracted and serviced by the National Government through the National Treasury.

SECTION 19

19.8 Appendix VIII (continued): Capital Management

MANAGEMENT DISCLOSURE SUPPLEMENTARY TO THE AUDITED FINANCIAL STATEMENTS

VIII(e) CAPITAL MANAGEMENT

The Department is funded by annual appropriation and does not hold capital in the sense of borrowed or invested funds. What it manages as capital is its net assets of 238,133,647 (1 July 2024: 55,776,870), being the accumulated surplus after returns to the Exchequer of 58,495,723. The objective is to hold sufficient cash to settle liabilities and third-party deposits as they fall due while returning unspent Exchequer balances at the year end; it is met through budget execution (91 per cent of the final budget realised, 99 per cent of the recurrent budget absorbed) and monthly cash forecasting. There are no externally imposed capital requirements.

VIII(f) CAPITAL POSITION (KSh)

Item	KSh
Net assets at 1 July 2024 (opening accrual position)	55,776,870
Surplus for the period	240,852,500
Returns to the Exchequer	(58,495,723)
Net assets at 30 June 2025	**238,133,647**
Borrowings	-
Cash and cash equivalents held	177,088,547

SECTION 19

19.9 Appendix IX: Transition to the Accrual Basis of IPSAS (IPSAS 33)

MANAGEMENT DISCLOSURE SUPPLEMENTARY TO THE AUDITED FINANCIAL STATEMENTS

The Department adopted the accrual basis of IPSAS on 1 July 2024 under the transitional provisions of IPSAS 33, First-time Adoption of Accrual Basis IPSASs, and has elected under paragraph 79 to present a single period without comparatives (Note 2). The table reconciles the position reported on the cash basis at 30 June 2024 to the opening accrual position carried in the Statement of Changes in Net Assets.

IX(a) RECONCILIATION FROM THE CASH BASIS TO THE OPENING ACCRUAL POSITION (KSh)

Step	KSh
Net assets at 30 June 2024 on the previous (cash) basis	**58,567,955**
Cash and cash equivalents	143,837,448
Receivables from exchange transactions (imprests and district suspense)	72,232
Trade and other payables (third-party deposits)	(85,341,725)
Adjustment on transition: gratuity provision recognised under IPSAS 19	(2,791,085)
Net assets at 1 July 2024 on the accrual basis	**55,776,870**

IX(b) ITEMS FIRST RECOGNISED DURING FY2024/25 (KSh)

Item	KSh	Note
Property, plant and equipment acquired in the year, at cost	180,790,229	Note 17
Depreciation charged on those assets	(4,237,184)	Note 14
Gratuity provisions at the year end (current and non-current)	7,630,210	Note 19

IX(c) CLASSES NOT YET RECOGNISED UNDER THE TRANSITIONAL RELIEF

Class	Position at 30 June 2025	Relief applied
Property, plant and equipment acquired before 1 July 2024 (buildings, plant, vehicles, ICT, furniture at headquarters, the Materials Testing and Research Division, the Mechanical and Transport Division and KIHBT)	Not recognised; being identified and valued on the basis in Note 17 (historical cost or current operational value)	IPSAS 33 paragraph 36
Inventories (materials, stores and consumables)	Not recognised; stock records being reconciled	IPSAS 33 paragraph 36
Legacy employee-benefit obligations other than the gratuity provision	Under review	IPSAS 33 paragraph 36

The relief for the recognition of assets and liabilities runs for three years from the date of adoption and ends on 30 June 2027. The Department's timetable is asset identification and reconciliation of the registers in FY2025/26, valuation on the basis stated in Note 17, and recognition with the corresponding adjustment to net assets by the end of the relief period. Until then the statements do not present the full asset base and, as stated in Note 2, are transitional financial statements.

SECTION 19

19.10 Appendix X: Analysis of Pending Accounts Payable as at 30 June 2025

MANAGEMENT DISCLOSURE SUPPLEMENTARY TO THE AUDITED FINANCIAL STATEMENTS

X(a) PENDING ACCOUNTS PAYABLE BY CLASS (KSh)

Class	1 July 2024	30 June 2025	Ageing
Third-party payments: deposits held on behalf of contractors and other parties, repayable on demand	85,341,725	107,556,515	Within one year
Other payables	-	321,232	Within one year
Suppliers of goods and services: invoices received and unpaid	-	-	None recognised
Contractors: certified works unpaid	-	-	None recognised (works are contracted by the road agencies)
Total trade and other payables	**85,341,725**	**107,877,747**	

X(b) AGEING OF THE 30 JUNE 2025 BALANCE (KSh)

Age band	KSh
0 to 30 days	107,877,747
31 to 60 days	-
61 to 90 days	-
Over 90 days	-
Total	**107,877,747**

No supplier or contractor bills were outstanding against the State Department's own votes at 30 June 2025; the balance carried in Note 18 consists of deposits held for third parties and a small amount of other payables, all current. Pending bills of the road agencies (Kenya National Highways Authority, Kenya Urban Roads Authority and Kenya Rural Roads Authority) are liabilities of those agencies and are reported in their own financial statements; their reduction from KSh 166.0 billion to KSh 128.4 billion during the year is discussed in Sections 5, 6 and 9.

SECTION 19

19.11 Appendix XI: Pending Staff Payables and 19.12 Appendix XII: Other Pending Payables

MANAGEMENT DISCLOSURE SUPPLEMENTARY TO THE AUDITED FINANCIAL STATEMENTS

XI. ANALYSIS OF PENDING STAFF PAYABLES AS AT 30 JUNE 2025 (KSh)

Nature of staff payable	1 July 2024	30 June 2025	Remarks
Salaries and wages in arrears	-	-	Payroll settled monthly through IPPD
Allowances in arrears	-	-	Settled within the year
Gratuities due within one year (current provision)	-	4,839,125	Note 19; charged to employee costs in Note 11
Gratuities due after one year (non-current provision)	2,791,085	2,791,085	Note 19; recognised on transition
Statutory deductions and pension contributions unremitted	-	-	Remitted within statutory timelines
Total staff payables and provisions	**2,791,085**	**7,630,210**	

No salaries, wages or allowances were in arrears at the year end. The gratuity provisions are the only staff obligations carried; the current portion of 4,839,125 falls due within FY2025/26 (Note 19).

XII. ANALYSIS OF OTHER PENDING PAYABLES AS AT 30 JUNE 2025 (KSh)

Nature of payable	30 June 2025	Remarks
Amounts due to other Government entities	-	None recognised
Court awards and legal settlements due	-	None recognised; the notes disclose no contingent liabilities (Section 18)
Utilities, rent and other accruals	321,232	Other payables, Note 18
Total other pending payables	**321,232**	

SECTION 19

19.13 Appendix XIII: Imprests and Advances and 19.14 Appendix XIV: Losses, Nugatory Payments and A-in-A

MANAGEMENT DISCLOSURE SUPPLEMENTARY TO THE AUDITED FINANCIAL STATEMENTS

XIII. ANALYSIS OF IMPRESTS AND ADVANCES AS AT 30 JUNE 2025 (KSh)

Category	1 July 2024	30 June 2025	Purpose and recovery
Temporary (safari) imprests and advances to staff	8,967	-	Surrendered within the statutory period
District suspense account	63,265	-	Cleared during the year
Standing imprests	-	-	None issued
Salary and other staff advances	-	-	None outstanding
Total imprests and advances	**72,232**	**-**	**Note 16**

XIV. LOSSES, WRITE-OFFS, NUGATORY AND EX-GRATIA PAYMENTS AND APPROPRIATIONS-IN-AID (PFM REGULATIONS 137 AND 153)

Item	FY2024/25 (KSh)	Basis or reference
Losses of public money or stores recognised during the year (Regulation 153)	None recognised	No loss, impairment or write-off was recognised in the financial statements
Write-offs of receivables, advances or assets	None recognised	Note 16 receivables recovered in full; Note 17 no disposals
Nugatory, compensation and ex-gratia payments	None recognised	Notes 11 to 14
Appropriations-in-Aid collected in excess of the estimate	12,774,851	Other income 1,023,774,851 against the estimate of 1,011,000,000 (Budget Note 3)
Appropriations-in-Aid collected below the estimate	(529,202,272)	Tax receipts 670,797,728 against 1,200,000,000: toll fees not received from the Kenya Roads Board (Budget Note 1)
Appropriations-in-Aid in arrears or abandoned	None	Note 10
Material differences between approved estimates and actual expenditure or collection	See Section 17	Budget Notes 1 to 5 and the reconciliation to the Statement of Cash Flows
Advances and imprests outstanding	-	Appendix XIII; Note 16

SECTION 19

19.14 Appendix XIV (continued): Explanation of Material Budget Variances (PFM Regulation 137(c))

MANAGEMENT DISCLOSURE SUPPLEMENTARY TO THE AUDITED FINANCIAL STATEMENTS

Budget line	Final budget (KSh)	Actual (KSh)	Variance / utilisation	Explanation
Use of goods and services	1,538,692,492	1,987,580,011	(448,887,519) / 129%	The largest components were training expenses 918,478,266, other operating expenses 592,023,128 and domestic travel 288,715,284 (Note 12); the excess was met within the recurrent vote, which closed at 99 per cent overall.
Acquisition of property, plant and equipment	15,731,968,817	180,790,231	15,551,178,586 / 1%	Road works are executed by the road agencies and reported as transfers (Note 13, Appendix V); headquarters acquisitions were office equipment, ICT and work in progress (Note 17).
Tax receipts	1,200,000,000	670,797,728	529,202,272 / 56%	Toll fees were not received from the Kenya Roads Board (Budget Note 1).
Proceeds from domestic and foreign grants	1,210,873,310	657,350,274	553,523,036 / 54%	Slow uptake of grant components where land compensation delayed sections, since addressed through securitisation (Budget Note 2).

SECTION 19

19.15 Appendix XV: Tariff and Fee Structure for Revenue-Generating Services (PFM Regulation 66(3))

MANAGEMENT DISCLOSURE SUPPLEMENTARY TO THE AUDITED FINANCIAL STATEMENTS

Revenue stream	Instrument setting the tariff	Exemptions, discounts, free services	FY2024/25 revenue (KSh)
Materials testing and research services (Materials Testing and Research Division, headquarters and regional laboratories)	Fee schedule approved by the Ministry for laboratory and field testing	None	Within 1,023,774,851
Training and hostel services (Kenya Institute of Highways and Building Technology)	Course and accommodation fees approved by the Ministry	Government-sponsored trainees	Within 1,023,774,851
Vehicle, plant and equipment inspection, operational lease, driver and operator testing, and workshop services (Mechanical and Transport Directorate)	Legal Notice No. 53 of 2011 (fees schedule); manufacture of safes at KSh 170,000 per the Service Delivery Charter	Practical attachment of students at the Legal Notice rate; transfer of boarded vehicles free	Within 1,023,774,851
Registration, licensing and practice fees (Engineers Board of Kenya; Kenya Engineering Technology Registration Board)	Fees gazetted under the Engineers Act, 2011 and the Engineering Technologists and Technicians Act, 2016	None	Within 1,023,774,851
Road toll and fuel-levy receipts	Kenya Roads Board Act, 1999 and the Roads Maintenance Levy Fund	Not applicable	670,797,728 (Note 9)

Administrative fees and charges of 1,023,774,851 were collected as Appropriations-in-Aid through the Materials Testing and Research Division, the Kenya Institute of Highways and Building Technology, the Mechanical and Transport Division, the Engineers Board of Kenya and the Kenya Engineering Technology Registration Board (Note 10). The financial statements report the total; the split by stream is held in the collecting units' revenue records. The Citizen Service Delivery Charter (www.roads.go.ke/service-charter) sets the instrument and timeline for each chargeable service; supplier registration, tender processing, complaints, public participation and requests for information are free of charge. No exemption or discount had a material effect on the revenue yield.

SECTION 19

19.16 Appendix XVI: Debt, Guarantees, Committee Remuneration, Controlled Entities and Publication

MANAGEMENT DISCLOSURE SUPPLEMENTARY TO THE AUDITED FINANCIAL STATEMENTS

XVI(a) STATEMENT OF DEBT OUTSTANDING AT 30 JUNE 2025

The Statement of Financial Position carries no borrowings, and no loan, overdraft or other debt was outstanding in the name of the State Department at 30 June 2025. Under section 49 of the Public Finance Management Act, 2012 only the Cabinet Secretary for the National Treasury may borrow on behalf of the National Government; the proceeds from foreign borrowings of 24,052,673,282 shown in the Statement of Comparison of Budget and Actual Amounts were received through the National Treasury as development financing for donor-supported road projects and the related loans are liabilities of the National Government, not of the State Department.

XVI(b) DEBT GUARANTEED BY THE NATIONAL TREASURY

No debt of the State Department is guaranteed by the National Treasury; guarantees under section 58 of the Act are issued to state corporations and other persons, not to national government entities, and none relates to the State Department's operations.

XVI(c) REMUNERATION OF COMMITTEES AND KEY MANAGEMENT

Members of the Audit Committee are paid sitting allowances at the rates set in the National Treasury Audit Committee Guidelines and the Salaries and Remuneration Commission circulars in force; the allowances are charged to use of goods and services (Note 12). Key management compensation of 40,306,008 is disclosed in the related-party note. No other committee is remunerated separately from salary.

XVI(d) STATE CORPORATIONS AND BOARDS UNDER THE STATE DEPARTMENT

Entity	Establishing statute	Relationship	FY2024/25 transfers (KSh)
Kenya National Highways Authority (KeNHA)	Kenya Roads Act, 2007	State corporation; national trunk roads	49,027,164,094
Kenya Urban Roads Authority (KURA)	Kenya Roads Act, 2007	State corporation; urban roads	15,477,150,474
Kenya Rural Roads Authority (KeRRA)	Kenya Roads Act, 2007	State corporation; rural roads	55,356,729,824
Kenya Roads Board (KRB)	Kenya Roads Board Act, 1999	Manages the Roads Maintenance Levy Fund; source of transfers in Note 7	Transferor
Engineers Board of Kenya (EBK)	Engineers Act, 2011	Regulatory board	186,800,000
Kenya Engineering Technology Registration Board (KeTRB)	Engineering Technologists and Technicians Act, 2016	Regulatory board	77,800,000

SECTION 19

19.16 Appendix XVI (continued): Controlled Entities and Publication

MANAGEMENT DISCLOSURE SUPPLEMENTARY TO THE AUDITED FINANCIAL STATEMENTS

XVI(d) CONTROLLED ENTITIES: BASIS OF NON-CONSOLIDATION

Each entity prepares and presents its own financial statements, which are audited separately by the Auditor-General; they are not consolidated in these transitional financial statements (Note 2). Transfers to them are recognised as expenses in Note 13 and analysed in Appendix V. No special fund is administered by the State Department.

XVI(e) SUBMISSION AND PUBLICATION

These financial statements were authorised for issue on 28 August 2025 (Note 2) and submitted to the Auditor-General, whose report appears in Section 12. Under section 81(4) of the Public Finance Management Act, 2012 the annual report and financial statements are tabled in the National Assembly and published on the State Department's website; the FY2024/25 audit report is available on the Audit Reports page of www.roads.go.ke, alongside the Citizen Service Delivery Charter and policy documents.

SECTION 19

19.17 Appendix XVII: Supplementary Accounting Disclosures

MANAGEMENT DISCLOSURE SUPPLEMENTARY TO THE AUDITED FINANCIAL STATEMENTS

These management disclosures supplement the audited notes on matters required by the Public Sector Accounting Standards Board. They do not alter any audited amount.

XVII(a) ACCOUNTING POLICIES APPLIED TO THE PRINCIPAL LINE ITEMS

Line item	Policy applied
Transfers to other government entities (Note 13; 98 per cent of expenses)	Recognised as an expense when the transfer is paid to the receiving agency (Kenya Roads Board allocations and Exchequer development releases to KeNHA, KURA, KeRRA, EBK and KeTRB); no transfer was accrued or prepaid at the year end, so the expense equals the cash paid in the Statement of Cash Flows.
Transfers from the Exchequer and from the Kenya Roads Board (Notes 6 and 7)	Recognised as non-exchange revenue when the release or transfer is received and no return condition attaches; conditional donor grants would be deferred until the condition is met.
Tax receipts (Note 9)	Road toll and levy amounts remitted to the Department are recognised on receipt; toll fees not received from the Kenya Roads Board are not accrued (Budget Note 1).
Appropriations-in-Aid (Note 10)	Fees for materials testing, training, mechanical services and professional registration are recognised when the service is rendered and the fee received.
Third-party deposits (Note 18)	Held in the deposits account as a liability repayable on demand; the matching cash is treated as restricted (Appendix VIII).

XVII(b) PROVISIONS: MEASUREMENT BASIS AND UNCERTAINTY

The gratuity provision of 7,630,210 (current 4,839,125; non-current 2,791,085) is the amount payable to officers on contract terms of service at the contractual rate for service rendered to 30 June 2025. It is not discounted because the amounts fall due within the following two financial years; the uncertainty is limited to the timing of contract expiry. The provision is disclosed in Note 19.

XVII(c) CONTINGENT LIABILITIES AND CONTINGENT ASSETS

No contingent liabilities and no contingent assets existed at 30 June 2025. The State Department was not party to any litigation requiring provision or disclosure; claims relating to road contracts are matters for the contracting road agencies and appear in their own statements.

XVII(d) BASIS OF PREPARATION AND AUTHORISATION

The financial statements are prepared in accordance with the International Public Sector Accounting Standards on the accrual basis, applying the transitional exemptions of IPSAS 33 that Note 2 identifies for the recognition of non-current assets and inventories and the paragraph 79 election on comparatives. The statements were authorised for issue by the Accounting Officer on 28 August 2025 (Note 2); the Statement of Management Responsibilities was signed on 24 September 2025 on the same statements.

SECTION 19

19.17 Appendix XVII (continued): Restricted Cash, Programme Information and Standards

MANAGEMENT DISCLOSURE SUPPLEMENTARY TO THE AUDITED FINANCIAL STATEMENTS

XVII(e) CASH AND CASH EQUIVALENTS: RESTRICTED AND UNRESTRICTED BALANCES AT 30 JUNE 2025 (KSh)

Account	KSh	Status
Recurrent account	69,503,370	Unrestricted; Exchequer releases for recurrent votes
Development account	28,663	Unrestricted; Exchequer releases for development votes
Deposits account	107,556,515	Restricted; held for third parties and repayable on demand (Note 18)
Total cash and cash equivalents (Note 15)	**177,088,547**	

XVII(f) PROGRAMME INFORMATION: ROAD TRANSPORT PROGRAMME BY SUB-PROGRAMME, FY2024/25 (KSh BILLION)

Sub-programme	Approved	Actual	Execution
Construction of roads and bridges	69.735	66.451	95.3%
Rehabilitation of roads and bridges	35.732	34.823	97.5%
Maintenance of roads and bridges	85.536	72.331	84.6%
General administration, planning and support	5.594	5.225	93.4%
Road Transport programme	**196.597**	**178.829**	**91.0%**

The Department reports one programme, Road Transport, delivered through four sub-programmes. Expenditure is presented by sub-programme in the Management Discussion and Analysis and by economic classification in the Statement of Financial Performance; the notes split transfers between recurrent and development (Appendix V).

XVII(g) STANDARDS ISSUED BUT NOT YET EFFECTIVE: MANAGEMENT'S ASSESSMENT

Standard	Effective	Expected effect on the State Department
IPSAS 43 Leases	1 January 2025	No leases recognised; office accommodation is Government-owned. No effect expected.
IPSAS 44 Non-current Assets Held for Sale	1 January 2025	No assets held for sale. No effect expected.
IPSAS 45 Property, Plant and Equipment	1 January 2025	Will govern the recognition of the legacy asset base within the IPSAS 33 relief period (Appendix IX).
IPSAS 46 Measurement	1 January 2025	Current operational value will be used where historical cost is unavailable (Note 17 valuation policy).
IPSAS 47 Revenue	1 January 2026	Applies to Exchequer, Kenya Roads Board and fee revenue; management is assessing whether any transfer carries enforceable performance obligations.
IPSAS 48 Transfer Expenses	1 January 2026	Applies to transfers to road agencies, 98 per cent of expenses; management is assessing the timing of recognition for transfers with conditions.
IPSAS 49 Retirement Benefit Plans	1 January 2026	Not applicable; the Department does not operate a plan.
IPSAS 50 Exploration and Evaluation of Mineral Resources	1 January 2026	Not applicable.



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