



REPUBLIC OF KENYA



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**STATE DEPARTMENT FOR ROADS
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR
THE YEAR ENDED 30TH JUNE 2023**

**PREPARED IN ACCORDANCE WITH THE CASH BASIS OF ACCOUNTING
METHOD UNDER THE INTERNATIONAL PUBLIC SECTOR ACCOUNTING
STANDARDS (IPSAS)**



**STATE DEPARTMENT FOR ROADS
ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2023**

**Prepared in accordance with the Cash Basis of Accounting Method under the International
Public Sector Accounting Standards (IPSAS)**

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1. Acronyms and Glossary of Terms

AIE	Authority to Incur Expenditure
CFO	Chief Finance Officer
HAU	Head of Accounting Unit
IPSAS	International Public Sector Accounting Standards
OCOB	Office of the Controller of Budget
OAG	Office of the Auditor General
PFM	Public Finance Management
KeRRA	Kenya Rural Roads Authority
KURA	Kenya Urban Roads Authority
KeNHA	Kenya National Highways Authority
KRB	Kenya Roads Board
EBK	Engineers Board of Kenya
KETRIB	Kenya Engineering Technicians Registration Board
NTSA	National Transport Safety Authority
KIHBT	Kenya Institute of Highways and Building Technology
MTRD	Materials Testing and Research Division





“

The road to prosperity is paved with well built infrastructure. The foundation of a thriving economy begins at the ground beneath your wheels.

Anonymous.

”



2. Key Entity Information and Management

(a) Background information

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

The Ministry of Roads and Transport is one of the State Ministries under the National Government following the government reorganisation on 6th January 2023 under Executive Order No. 1 of 2023. It is one of the two departments in this Ministry, with its headquarters located off Ngong Road at the Works Building and Transcom House. The State Department is **domiciled** in Kenya.

Our mission

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

Our Vision

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

Core Values

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



Mandate

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

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

(b) Key Management

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

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

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



Central
Administrative
Services



Technical
Services



Materials Testing
and Research



Mechanical and
Transport Services



Training
Services



Fiduciary
Management

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2023 and who had direct fiduciary responsibility were:

Fig 2-1 key management personnel

No.	Designation	Name
1	Cabinet Secretary	Hon. Onesimus Kipchumba Murkomen
2	Accounting Officer	Eng. Joseph M. Mbugua, CBS
3	Roads Secretary	Eng. Francis Gitau
4	Secretary Administration	Bernard J. Leparmarai
5	Direction Administration	Abednego Etyang'

(d) Fiduciary Oversight Arrangements

- Audit and finance committee activities

The State Department of Roads Budget for 2022/2023 was scrutinised and adopted for the Departmental Committee of Transport and Infrastructure approval. The Budget Appropriation Committee of the National Assembly further interrogated the allocations to

- Development partner oversight activities

The World Bank is the major Development Partner that finances Development Budget Road works. It is a member of the Project Oversight Committee (POC), which is hosted by the State Department and periodically meets to review the implementation of road projects over the financial year. Other Development Partners met with the State Department regarding the

Road Projects covered under the Development Budget.

- Parliamentary committee activities

During the Financial Year 2022/2023, the State Department appeared before the Public Accounts Committee and finished discussing the Auditor General's report for 2019/2020 and 2020/2021.

required budgetary provisions over the 2022/2023 budget cycle.

- Other oversight activities

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

Audit and finance
committee
activities

Development
partner oversight
activities

Parliamentary
committee
activities

Other oversight
activities



Entity Headquarters

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



Entity Contacts

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



Entity Bankers

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



Independent Auditors

Auditor - General
Anniversary Towers, University Way
P.O. Box 30084-00100
Nairobi, Kenya



Principal Legal Adviser

The Attorney General
State Law Office & Department for Justice.
P.O. Box 40112-00200
Nairobi, Kenya



“

Good governance is the blueprint from which great roads are designed. Without clear direction and strong oversight, the path to completion is fraught with obstacles

”

Anonymous



3. Statement of Governance

Key Leadership Structure



Hon. Onesimus Kipchumba Murkomen, Esq., serves as the Cabinet Secretary for the Ministry of Roads and Transport in the Republic of Kenya, following his appointment by His Excellency President William Ruto on 27th September 2022. His portfolio includes overseeing key state agencies critical to the nation's transport infrastructure and regulatory frameworks, marking a pivotal role in the country's development trajectory.

Hon. Murkomen's journey from the legal field to a significant political figure with a distinguished career that spans various sectors underscores his multifaceted contributions to Kenyan society. His tenure as a Senator for Elgeyo Marakwet County before his current position is noted for legislative achievements that have had lasting impacts on governance, devolution, and policy reforms in Kenya.

Hon. Murkomen is educated in law, holding degrees from the University of Nairobi, the American University Washington College of Law, and the University of Pretoria. His commitment to public service has paralleled his academic pursuits, reflected in his engagements as a lecturer and his participation in international forums to foster leadership and global cooperation.

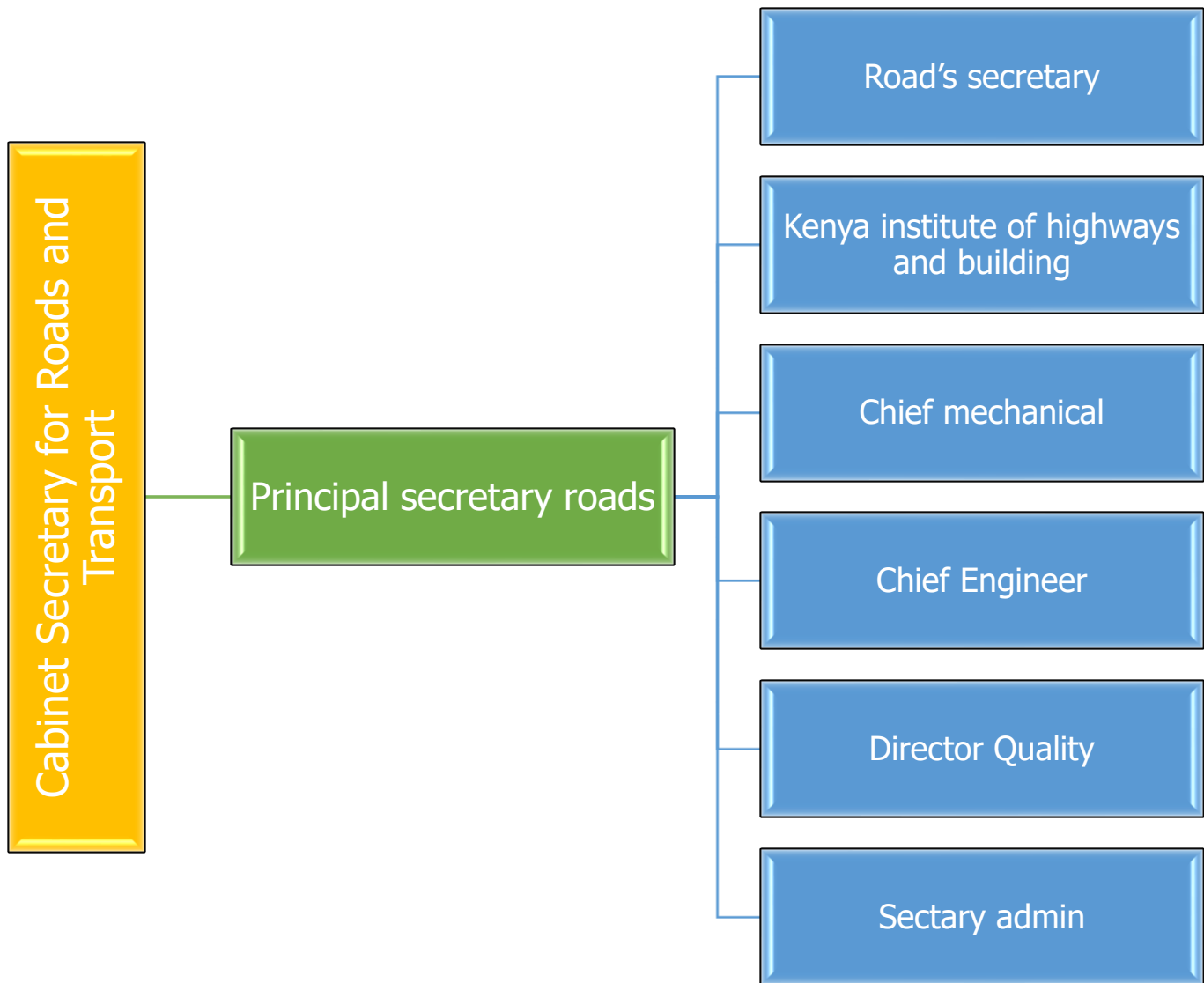


Eng. Joseph Mungai Mbugua, with his extensive background in engineering, notably steps into his role as the Principal Secretary for the State Department for Roads in Kenya, bringing him a profound depth of expertise and a robust commitment to advancing the nation's infrastructure. His prior tenure as the Kenya Rural Roads Authority Regional Director has positioned him as a crucial figure in road management and development, underscoring his significant contributions towards enhancing connectivity and facilitating

economic growth across the country. Mbugua's dedication to improving the road network is pivotal in realising Kenya's development goals, as well-crafted infrastructure is foundational to urban and rural development, impacting everything from daily commutes to national trade routes.

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

Fig. 3-1 Organizational Structure



The operational committees listed below are at this moment constituted and operationalised as specified in the Membership and their respective Terms of Reference.

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

1. Road Safety Committee

Terms of Reference

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

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

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

2. Service Delivery Committee

Terms of Reference

- I. Review and display the Citizen Service Delivery charter prominently at the point of entry/service delivery points in both English and Kiswahili by 31st December 2022;



- II. Customize the charter to unique needs and provide convenient access to the customers by providing mechanisms for sign language and uploading the charter to the ministry's online platforms by 30th April, 2023.
- III. Sensitize 50 employees on the Citizen Service Delivery Charter and train on the essentials of excellent customer service culture by 31st December 2022;
- IV. Establish compliance mechanisms and maintain records on service delivery to ensure conformity with the commitments and standards in the Charter.
- V. Re-engineer at least two (2) service delivery processes;
- VI. Implement and monitor the re-engineered processes;
- VII. Resolve all complaints received;
- VIII. Provide access to information – reactive disclosure;
- IX. Create awareness of the complaints handling mechanisms.
- X. Indicating the level of achievement in percentage for this indicator to CAJ for issuance of a certificate.
- XI. Confirm guidelines on the implementation of performance indicators are adhered to as per the CAJ website.
- XII. Seek certification detailing the extent of resolution of public complaints from CAJ.
- XIII. Submit BPR Reports to PSTD using the provided format prescribed.



3. Disability and Gender Mainstreaming Committee

Terms of Reference

- i. Formulate and implement strategies to achieve employment of persons with disabilities to at least 5% of the total staff establishment

- ii. Provide products and services that promote access and participation of Persons with Disabilities
- iii. Develop and submit Disability and Gender Mainstreaming annual work plans and submit them to NCPWD and the National Gender and Equality Commission by 31st July.
- iv. Train disability and gender mainstreaming committee and Senior Management, and sensitize all staff on disability.
- v. Ensure the staff adhere to the correct composition of persons with disabilities.
- vi. Implement Government Policy on gender and disability Mainstreaming.
- vii. Conduct accessibility and usability audits and submit the report to NCPWD.
- viii. Increase equal and easy access to products and services/programmes for PWDS.
- ix. Comply with the rule on appointments, promotions and employment in the public services regarding gender and people with disability.
- x. Develop/review and implement workplace gender policy
- xi. Develop/review and implement workplace Gender-Based Violence Policy
- xii. Implement relevant laws on prevention and response to Gender-Based Violence
- xiii. Submit Quarterly Reports in their prescribed format to NCPWD, the State Department for Gender and the National Gender and Equality Commission.

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

Terms of Reference

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

5. Safety and Security Measures

Terms of Reference

- i. The Committee must put safety and disaster preparedness mechanisms in place to address the current insecurity issues affecting the institution.
- ii. Mechanisms should be put in place to mitigate against technological hazards, terrorism, fire, and natural disasters.
- iii. Implement the Information Security Management System (ISMS).
- iv. Create ISMS Risk Management (Risk Registers and Risk Management Action Plan).
- v. Finalize documentation of ISMS, i.e. policy procedures, and launch the ISMS based on the standard (ISO/IEC).
- vi. Establish information assets and secure them.
- vii. The determination of the information assets to be secured should be made by the following information attributes: Value, integrity, importance, confidentiality, accuracy, and authenticity.

6. National Cohesion and Values Committee

Terms of Reference

- i. The Committee shall promote national cohesion, national values and principles of governance to create a transformed, cohesive, peaceful, united and values-driven nation.
- ii. Align and implement commitments and ways forward, as captured in the 2020 Annual President's Report on National Values and Principles of Governance.
- iii. Submit quarterly reports to the Directorate of National Cohesion and Values in the prescribed format. The Annual Report will be on measures taken and progress achieved in realising National Values and Principles of Governance by 15th January 2023.

7. Integrity Assurance Committee

Terms of Reference

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

8. ISO 9001:2015 Re-Certification Committee

Terms of Reference

- i. Coordinate the transition to ISO 9001:2015 and implement the ISO processes and procedures in the Department.
- ii. Determining, documenting and updating the division/unit context document.
- iii. Ensure establishment, implementation, maintenance and continual improvement of the division/unit processes.

- iv. Identifying risks associated with the division/unit's operations, taking action to address them, and assessing the effectiveness of these actions.
- v. Ensuring establishment, monitoring and updating of quality objectives for the division/unit.
- vi. Ensuring quarterly monitoring, measurement, analysis, and evaluation of QMS performance in the division or unit and reporting to the Management Representative.
- vii. Ensuring that persons doing work in the division/unit are aware of the following:
 - a. The quality policy;
 - b. Relevant quality objectives;
 - c. Their contribution to the effectiveness of the quality management system, including the benefits of improved performance;
 - d. The implications of not conforming to the quality management system requirements.
- viii. Assisting the HOD during QMS audits, analysing the root causes for the non-conformities identified during internal and certification audits and taking appropriate corrections and corrective actions without undue delay.
- ix. Acting as the secretary during Quarterly meetings held in the division/unit to review the performance of QMS.
- x. Member of QMS technical committee.
- xi. Any other responsibilities may be assigned during QMS implementation.

9. Budget Implementation Committee

Terms of Reference

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

10. The audit committee

The State Department had a functional audit committee comprising the following members

- The Audit Committee of the State Department for Roads plays a crucial role in ensuring good governance, financial integrity, and risk management within the department. Below is an overview of its formation, composition, and key activities:

Formation

- Established under the Public Finance Management Act, 2012.
- Formed to strengthen accountability, transparency, and effective financial management.

Composition

- Chaired by an independent external member and include the following members
 - I. Andrew Mugesani- chairman
 - II. David Kibiwott - member
 - III. Anne Mwihia - member
 - IV. Samuel Makori - member
 - V. Timothy Munyole - Treasury Rep

- Includes professionals with expertise in:
 - Finance and Accounting
 - Risk Management
 - Governance
- The Principal Secretary serves as an ex-officio member to provide departmental insights.

Key Activities of the state department audit committee

- **Financial Oversight:**
 - Reviews financial statements and management reports.
 - Monitors compliance with relevant laws and regulations.
- **Internal Controls:**
 - Evaluates internal control systems and suggests improvements.
- **Risk Management:**
 - Identifies and mitigates key risks impacting road projects.
 - Advises on risk management strategies and processes.
- **Governance and Advisory Role:**
 - Recommends best practices for governance.
 - Enhances the internal audit function’s independence and effectiveness.



The Audit Committee met 4 times within the Financial Year. It also undertook field audit visits.

11. Risk management

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

12. PFM Committee

The State Department for Roads' Public Finance Management Standing Committee (PFMSC) meeting reviewed audit compliance, budget performance, and internal control measures, focusing on achieving zero-fault audit status and effective resource management. The committee also discussed strategies for improving financial oversight and mitigating risks to enhance the overall efficiency of road sector projects.

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

Over the Financial Year 2022/23, the following staff in crucial leadership positions attended training

Fig 3-2 table on Recent training

No	Name	Designation	Course Attended	Financier
1.	Eng. Francis Gitau	Roads Secretary	Leadership For The 21 st Century	World Bank-Hoagdp
2.	Eng. James Kungu	Chief Engineer, Roads	Leadership For The 21 st Century	World Bank- Hoagdp
3.	Eng. Maurice Nabende	Director - Kenya Institute Of Highways And Building Technology	Managing Public Sector Development In Developing Countries	World Bank-Eastrip
4.	Joyce Gichomo	Director of Human Resource Management And Development	Advanced E-Records	World Bank-Earttdfp
5.	David Ngugi	Assistant Director - Procurement	Advanced Monitoring And Evaluation	World Bank-Earttdfp
6.	Richard Thitai	Chief Mechanical Engineer	Proactive Management	World Bank-Earttdfp

Public participation activities

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

Compliance with laws and regulations, .

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

PERFORMANCE MEASUREMENT SYSTEM.

The State Department for Roads uses the Government Performance Contracting Information System (GPCIS) to measure performance across all its semi-autonomous agencies and divisions. The Government Performance Contracting Information System (GPCIS) in Kenya is a digital performance monitoring system platform used to monitor, evaluate, and report on the performance of the State Department's Directorates, Divisions and Agencies against set targets and objectives. It was established to enhance accountability, transparency, and efficiency in the public sector

by linking performance to resource allocation and decision-making.

Key features of the GPCIS include:

1. Performance Contracting:

- i. The Principal Secretary, State Department for Roads, signs the performance contract with the Cabinet Secretary, Ministry of Roads and Transport. The contract outlines the key performance indicators (KPIs), targets, and timelines. It is then monitored and evaluated using GPCIS.
- ii. The performance contract signed between the Principal and Cabinet Secretary is then cascaded down to all the State Department's agencies, directorates, and divisions. The Board of the State Department's agencies, in turn, signs its performance contracts with the Principal Secretary, the directorates sign their performance contracts with the Secretary administration, and finally, the divisions sign their performance contracts with the Director of the Central Planning and Project Monitoring Division (CPPMD), which is the division in charge of project monitoring and evaluation.

2. Dashboard Reporting: The GPCIS provides a dashboard interface that displays real-time performance data, allowing stakeholders to track progress against targets, identify areas of concern, and make informed decisions.

3. Data Integration: The system integrates data from various sources, such as financial systems, human resource systems, and service delivery platforms, to provide a comprehensive view of the State Department's performance.

4. Automated Reporting: The GPCIS automates the reporting process, reducing the time and effort required to compile and submit performance reports.

5. Performance Reviews: Regular performance reviews are conducted using the GPCIS, assessing performance and providing feedback to improve performance.

Achievements are captured quarterly in the GPCIS, and the various agencies, directorates and divisions are expected to submit their reports on or before the 15th of the month of the end of the quarter. This allows for tracking achievements against targets, identifying areas of concern and timely implementation of corrective measures in areas of concern. The system generates a mid-year review report enabling the State Department to pace its achievements versus targets.

Service delivery to ensure that staff serve the public interest.

The State Department has established a Service Delivery Committee that ensures staff members are sensitized to strict adherence to public service guidelines. This Committee has been trained and meets quarterly to ensure the Citizen Service Charter is implemented, including carrying out a customer satisfaction survey each half-yearly and revolutionising service delivery to enhance efficiency, timelessness, quality, flexibility and convenience. The State Department is committed to creating opportunities for the participation of all stakeholders in critical decision-making and creating opportunities for learning from one another while making space

for the ideas of others. This is done through organised Customer forums focused on areas where programs and projects are being implemented across the country aimed at enhancing information and knowledge sharing with stakeholders.

The State Department for Roads has a vital role to play as a Global Leader in the Provision of Road and Transport Infrastructure and Services for Sustainable Socio-Economic Development in the country. To achieve this, services must be rendered to the public and stakeholders effectively and efficiently. We are committed to developing and promoting standards and best practices in integrity in the workplace.

Towards this end, we have developed a Rules and Ethics Code that contains rules of conduct and ethics to be observed by Public Officers to maintain the integrity and impartiality of the State Department. The Code does not replace the regulations governing the discipline and general conduct of public officers.

The Accounting Officer communicates adherence to this conduct from time to time with employees and stakeholders on our obligations pertaining to Best Management Practices that nurture and maintain a culture of sound ethics and integrity at all times. This is in adherence to the General Code of Conduct and Ethics requirements set out in Part II of the Leadership and Integrity Act, 2012. Formation, training and operationalisation of all State Department's Operational Committees are done every Financial Year.

Ethical conduct and integrity

The State Department sensitized staff to the provisions of the Bribery Act 2016 and Bribery Regulations at the regional offices and at the headquarters. A Bribery and Corruption Risk Mitigation Plan is in place and being

implemented across the Road Agencies and Divisions. We have enhanced media coverage to ensure the visibility of the State Department and publicity through our vibrant social media platforms. An action plan that includes the identification of corruption-prone areas, the emerging issues, challenges, measures taken, outcomes and actions to address highlighted issues are contained in the Corruption Mitigation Plan. These actions are spearheaded by a Corruption Prevention Committee whose membership cuts across all Agencies and Divisions. Implementation is cascaded to the Integrity Assurance Committee with an Integrity Assurance Officer at each Section/Unit.

Whistleblower hotline & Communication.

The SDOR has established a Code of Ethics and Anti-Corruption Policy to ensure a high ethical standard in all its business activities. This Policy sets out the standard of conduct expected in the management of its businesses across its Divisions and Agencies.

All stakeholders are expected to comply with these standards when they discharge their duties. In furtherance of this, there is a Whistleblowing Policy that provides a channel for SDOR's employees and other relevant stakeholders to raise concerns about workplace malpractices in a confidential manner. The organization will investigate alleged malpractices and take steps to deal with them in a manner consistent with SDOR's policies and procedures and relevant regulations. The Policy outlines SDOR's procedure for whistle-blowing, including investigating and dealing with all reported cases of illegal, unethical conduct, or any other misconduct. This Policy is in compliance with the requirements of various regulatory authorities that oversee the conduct of Public Officers in performing their duties.

the teams have undergone two training sessions to promote efficiency and effectiveness.

The State Department also carries out a Stakeholder Analysis, which undertakes a mapping of the various stakeholders in order to understand their roles, expectations, and those of the Ministry versus the Individual Stakeholders.

The new Bills in the State Department progresses through various Stakeholder Engagement Forums as well as benchmarking to incorporate all relevant stakeholders' views

Stakeholder Feedback:

The State Department has a Monitoring and Evaluation team and a Project Implementation Team that employs the PESTELE tool for analysis of the Macro-Environment factors that have direct and indirect impacts on decision-making and performance and the Political, Economic, Social, Technological, Environmental, Legal and Ethical (PESTELE). A Monitoring and Evaluation Framework has been developed, and

Key features of the GPCIS



Figure 3-2 Key Features on GPCIS



“

The State Department for Roads Will continue implementing the ongoing construction Of roads Over the medium term with a target Of completing the upgrading Of 10,000 kilometres Of roads.

Hon. Onesimus Kipchumba Murkomen,
Cabinet Secretary

”



4. Statement by the Cabinet Secretary



Since its inception, the State Department for Roads has been instrumental in shaping Kenya's infrastructure landscape, laying the groundwork for a comprehensive and resilient road network. This dedication has fueled the nation's economic growth and connectivity, establishing a foundation for progress and development. Over the years, the department has embraced innovative approaches and technologies, responding to the dynamic demands of transportation and infrastructure, thereby solidifying its role in the nation's journey towards modernization and efficiency.

In the financial year of 2022/23, this ongoing commitment was underscored by a significant budget allocation of Kshs.170,794,984,649. Targeted at both Development and Recurrent Budgets, this funding aimed to further enhance Kenya's road infrastructure. With an effective utilization of Kshs.156,682,567,602, corresponding to an expenditure rate of 92%, the department not only demonstrated financial prudence but also exceeded its infrastructural targets. This performance is a testament to the department's enduring legacy of operational excellence and its pivotal role in advancing the country's infrastructure, marking another chapter in Kenya's developmental narrative.

The State Department Implemented One Programme Road Transport, through which it implemented its budget. The Programme Budget VS Expenditure is as detailed below;

Programmes	Approved Budget Allocation	Actual Expenditure	Percentage of Expenditure
	Kshs Million	Ksh Million	Kshs
Road Transport	170,794,984,649	156,682,567,602	92%

The State Department for Roads had an expenditure level of 92% which is considered optimal.

Key Achievements for the State Department of Roads

During the 2022/2023 Financial Year, the State Department had an overall average achievement of 105% against its set physical targets as detailed below: -

Output	Target (Km) 2022/23	Achievement (Km) 2022/23	% Achievement 2022/23
Construction of Roads and Bridges	448	495	110%
Rehabilitation of Roads and Bridges	122	115	94%
Periodic Maintenance of Roads	682	915	134%
Routine Maintenance of Roads	41,088	42,889	104%
Total	42,340	44,414	105%

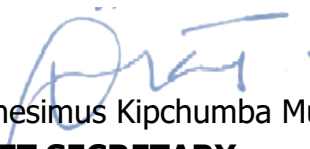
Way Forward

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



The Nairobi Expressway was opened for traffic within the 2021/2022 financial year. It will be under concession for 27 years, during which time motorists using the express way will pay tolls for payback to the Project Company for construction costs and profit. The Express Way will be handed back to the Government after the 27-year concession period. Borrowing from the success of the Nairobi Express way, the Government will continue encouraging private investors to invest in PPP road projects.

The new Government inherited an outstanding road projects portfolio to the tune of Kshs.900 billion. Over time, we have since reduced the portfolio to approximately Kshs.700 billion in an effort to ensure affordability. Moving forward, the State Department will focus more on completing the already awarded road contracts rather than awarding new contracts in order to forestall contract frustration due to delayed payments and pending bills.


 Hon. Onesimus Kipchumba Murkomen, EGH
CABINET SECRETARY
MINISTRY OF ROADS AND TRANSPORT



**“ In navigating the vast and intricate landscape of Kenya's road infrastructure, the journey of the State Department for Roads within the fiscal year 2022/23 has been both monumental and transformative.
Eng. Joseph M. Mbugua, Pncipal Secretary ”**



5. Statement by the Principal Secretary / Accounting Officer



In navigating the vast and intricate landscape of Kenya's road infrastructure, the journey of the State Department for Roads within the fiscal year 2022/23 has been both monumental and transformative. With the stewardship of innovation and a dedicated pursuit of excellence, we embarked on a mission not just to lay down asphalt, but to weave the very fabric of connectivity and growth across the nation. This year's accomplishments underscore a narrative of resilience, strategic foresight, and an unwavering commitment to the development of a road network that stands as the backbone of Kenya's economic and social progress.

Budget Performance Overview

The fiscal tapestry of 2022/23 was meticulously crafted with an allocation of Kshs. 170,794,984,649, thoughtfully partitioned between Development and Recurrent Budgets. Our financial navigation through the year witnessed an expenditure of Kshs. 156,682,567,602, marking a 92% expenditure rate. This financial discipline and efficacy highlight our dedication to harnessing our resources towards the pinnacle of infrastructural enhancement and maintenance.

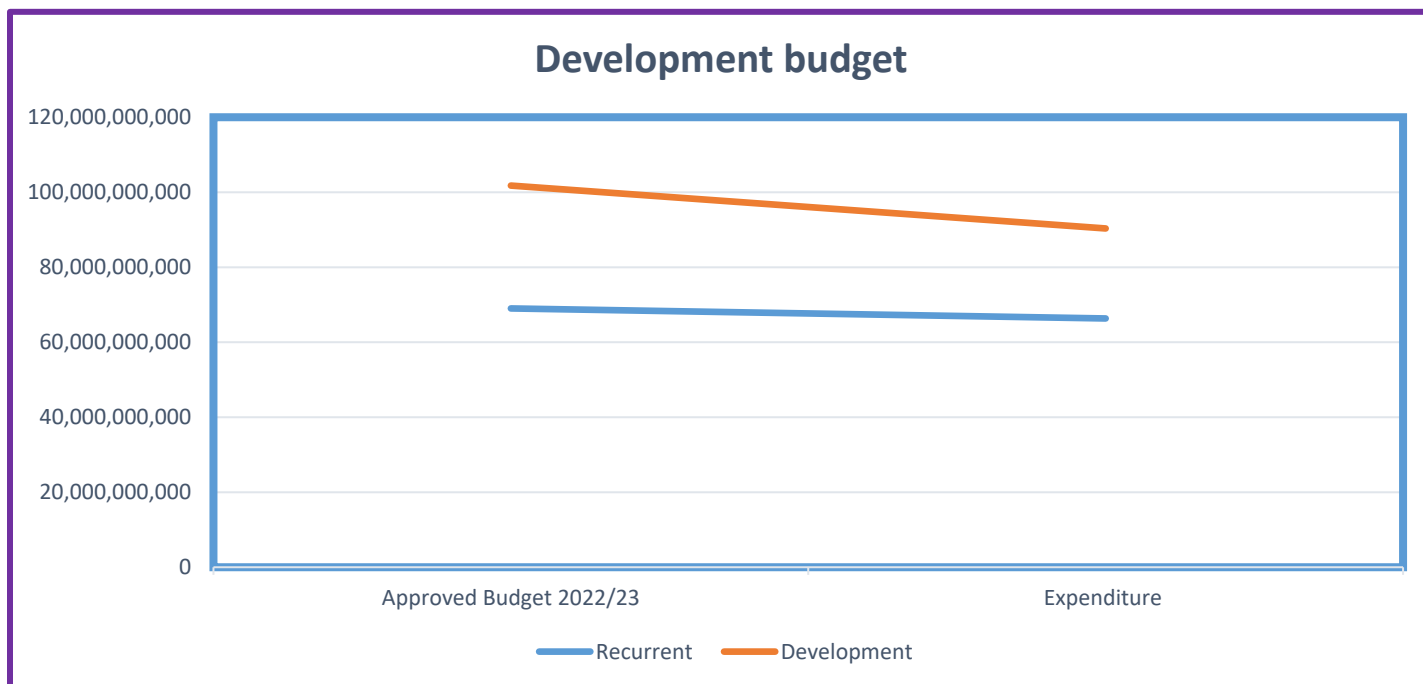
Central to our budgetary execution was the Road Transport Programme, through which we steered our resources towards bridging distances and catalyzing mobility with precision and accountability:

- Programme: Road Transport
- Approved Budget Allocation: Kshs. 170,794,984,649
- Actual Expenditure: Kshs. 156,682,567,602
- Percentage of Expenditure: 92%

This economic stewardship has been our compass, guiding every shilling towards the realization of a connected and thriving Kenya.

Vote	Approved Budget 2022/23	Expenditure	Percentage of Expenditure
Recurrent	69,017,116,247	66,337,762,177	96%
Development	101,777,868,402	90,344,805,425	89%
Total	170,794,984,649	156,682,567,602	92%

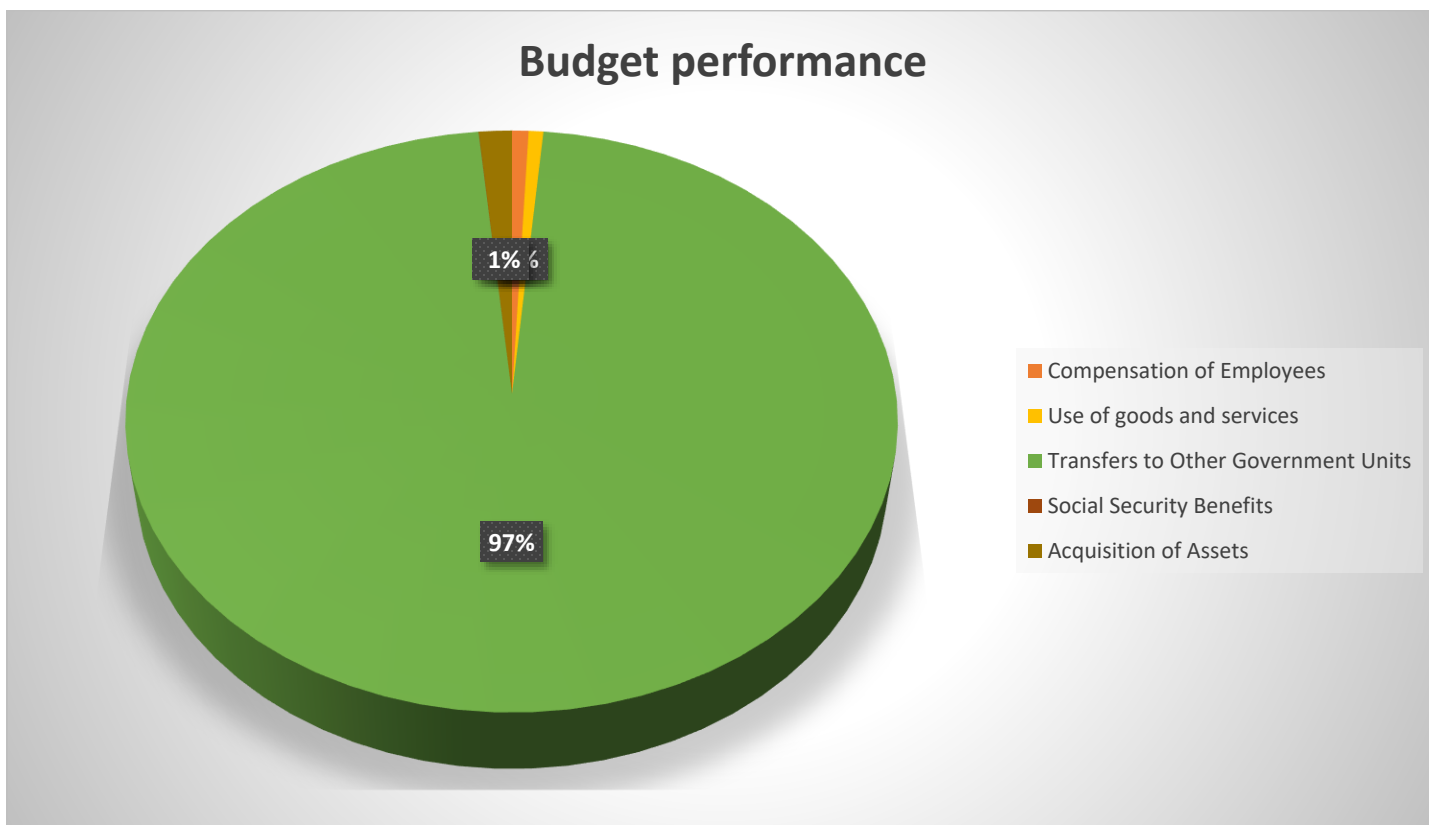
The Development Budget recorded low performance of 89% on account of reduced expenditure on Development Partner components occasioned by delayed project finalization agreements with Development Partners than originally planned.



Budget Performance Based on economic Classification

Economic Classification	Approved Budget Allocation	Actual Expenditure	Variance
	Ksh Million	Ksh Million	Ksh Million
Compensation of Employees	1,185,900,000	1,188,653,922	(2,753,922)
Use of goods and services	1,174,519,538	1,056,987,521	117,532,017
Transfers to Other Government Units	165,948,698,464	152,059,589,028	13,889,109,436
Social Security Benefits	30,002,373	24,622,265	5,380,108
Acquisition of Assets	2,455,864,274	2,352,714,866	103,149,408
TOTAL	170,794,984,649	156,682,567,602	14,112,417,047

	Approved Budget Allocation	Actual Payments	Percentage
Compensation of Employees	1,185,900,000	1,188,653,922	100%
Use of goods and services	1,174,519,538	1,056,987,521	90%
Transfers to Other Government Units	165,948,698,464	152,059,589,028	92%
Social Security Benefits	30,002,373	24,622,265	82%
Acquisition of Assets	2,455,864,274	2,352,714,866	96%
Total Payments	170,794,984,649	156,682,567,602	92%



Implementation challenges and recommended way forward.

Figure 5-1 Implementation challenges and recommended way forward

No	Challenge	Recommendation and Way forward	Action by the department to overcome the challenge
1	Inadequate funding for counterpart funds for Development Partner co financed projects	Full contract financing by the Development Partner	Engaged the National Treasury and Implementing Agencies to ensure Financing Agreements capture full Development Partner Financing for Road Contracts
2	Inadequate budgetary provisions from the Exchequer	Reduced uptake of new projects and enhanced injection of additional financing	Requested National Treasury to explore financing mechanisms outside the Sector Budgeting specifically for all the outstanding works on road contracts.
3	Expensive Land Compensation values for land required for right of way particularly in urban centers	Change Construction methods by changing future road designs from on grid surface construction designs to elevated via ducts	Road Project Implementing Agencies have continued to change road designs from lateral surface based construction to elevated via ducts

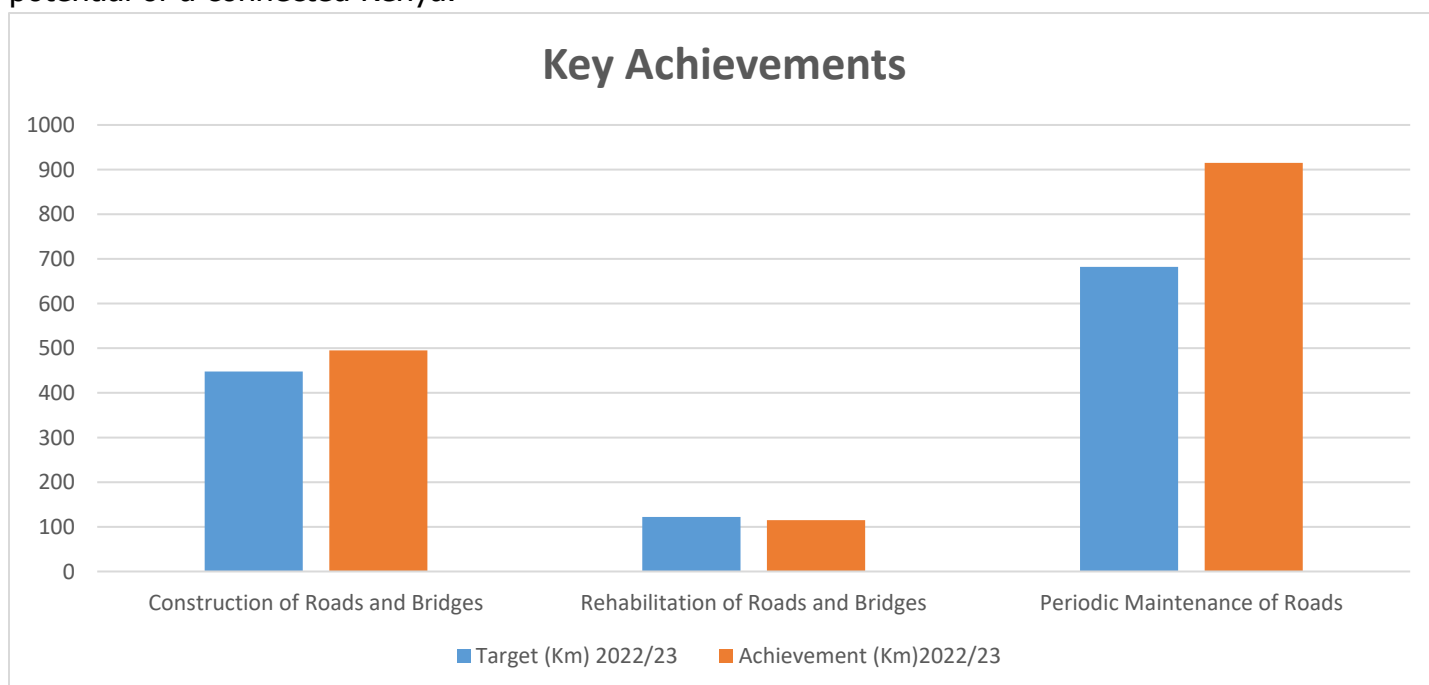
Key Achievements

The year unfolded as a canvas of success, painted with milestones that surpassed our ambitious targets. Our odyssey in infrastructure saw us not only reaching but exceeding our goals:

Construction and Rehabilitation of Roads and Bridges: With a spirited drive, we not only met but exceeded our targets, marking a beacon of progress in connectivity and resilience.

Maintenance of Roads and Bridges: Our maintenance endeavors outpaced our targets, ensuring the arteries of our nation remain robust and reliable.

These milestones are more than figures; they are the arteries of national growth, pulsating with the potential of a connected Kenya.



Emerging Issues

Despite our successes, we face significant challenges. Climatic changes such as unpredictable rainfall and floods continue to damage our infrastructure, resulting in increased maintenance costs and delays in project completion. Rapid urbanization has added pressure on our road networks, requiring continuous expansion and modernization efforts. We are also witnessing the rise of digital infrastructure needs, which, though necessary, stretch our technological capacity and financial resources. Additionally, land acquisition delays and concerns over environmental impacts require us to act with both efficiency and sensitivity.

Key Risk Management

In response to these challenges, we are implementing several risk management strategies. We are integrating climate-resilient designs to protect our infrastructure from extreme weather events, engaging more with stakeholders to ensure smooth project implementation, and exploring Public-Private Partnerships (PPPs) to broaden our financial base. Furthermore, the use of advanced technology in project monitoring and management will ensure the success of future endeavors.

Implementation Challenges and Way Forward

In the face of fiscal constraints, our approach is to prioritize the completion of ongoing projects, ensuring resources are used effectively. We will also continue to embrace PPPs, leveraging the success of initiatives like the Nairobi Expressway to attract further investment. To address technological gaps, we plan to enhance our human capital through training and the adoption of modern infrastructure development technologies. Moreover, we are working towards improving our processes for land acquisition to reduce project delays.

As we look forward to the future, our resolve remains steadfast. The State Department for Roads is committed to building a robust and interconnected Kenya, one that supports economic growth, social inclusion, and sustainable development. With a clear focus on innovation, capacity building, and strategic partnerships, we will continue paving the way toward a prosperous and dynamic future for all Kenyans.



Eng. Joseph M. Mbugua, CBS

Principal Secretary / Accounting Officer
State Department for Roads



In the same way we have a long-term plan for building roads, we have to have a long term plan to build transit.

Kathleen Wynne



STATEMENT OF PERFORMANCE

6. Statement of Performance Against Predetermined Objectives for the FY2022/23

Progress on the attainment of Strategic Objectives through Performance Contracting

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

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

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

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

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

During the period under review (FY 2020/21-2022/23) the State Department of Roads implemented one Programme namely Road Transport and the following sub-programmes;

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

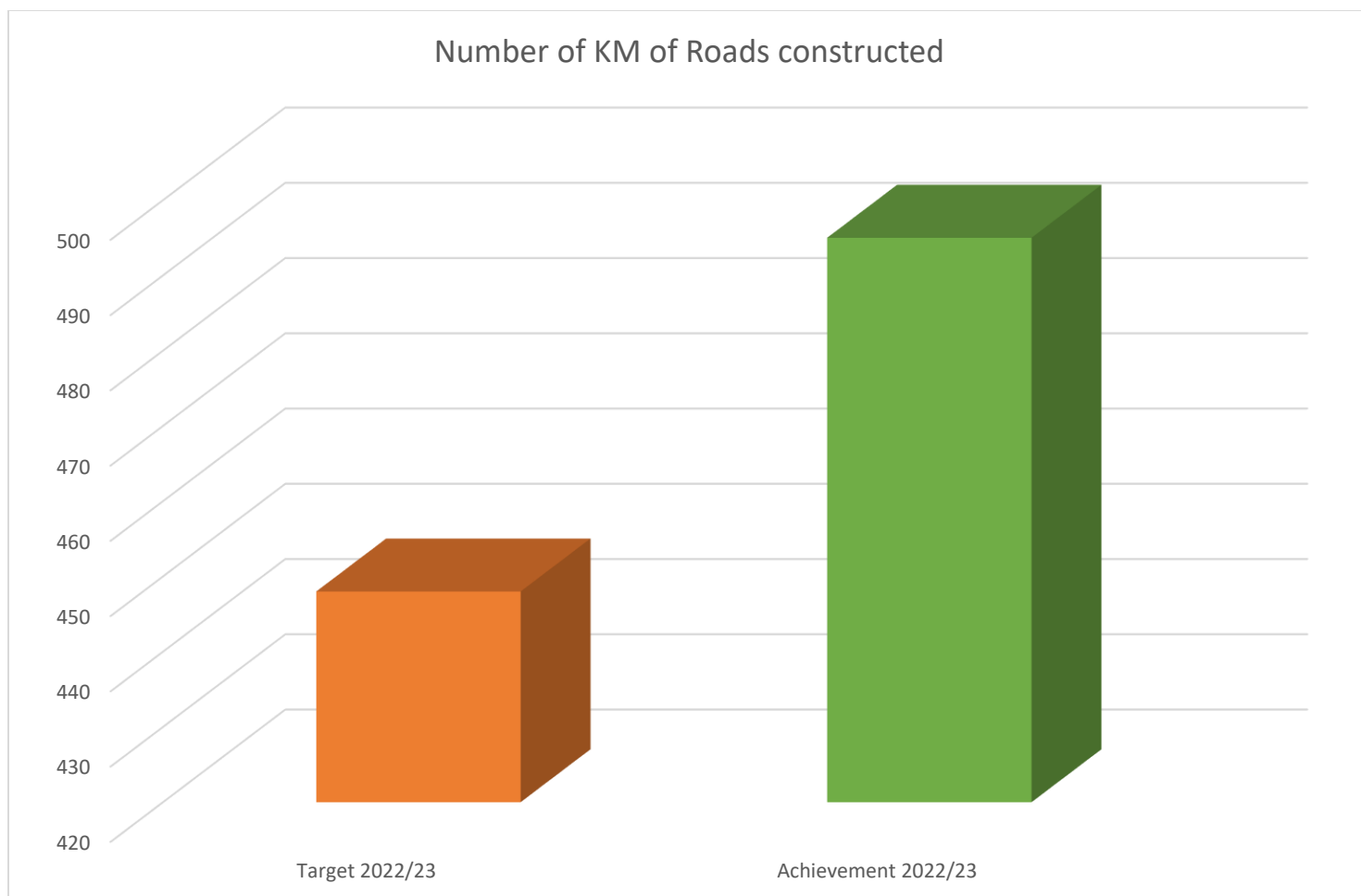
The State Department for Roads entered into a performance contract for delivery of physical outputs at the beginning of the Financial Year. The Performance Contract detailed the Key Performance Indicators for measuring and tracking performance. The Performance Contract was signed by the Principal Secretary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

During the review period FY 2022/23, a total of 495 Km of roads were constructed against a planned target of 448 Km equivalent to 110% achievement while 115 Km of roads were rehabilitated against a target of 122 km resulting to 94% achievement. The implementation of road projects has largely

enhanced domestic and regional connectivity, boosted rural productivity and reduced urban congestion. On periodic maintenance, a total of 915 km were maintained against a target of 682km, representing an achievement level of 134%. On routine maintenance, the sub-sector maintained 42,889 Km of roads achieving 104% against the target of 41,088 Km.

The performance contract for the State Department detailed the physical outputs to be achieved against the voted programme budget. During the 2022/2023 Financial Year, the State Department had an overall average achievement of 89% against its set physical targets as detailed below: -

Sub Programme	Key Performance Indicators	Target 2022/23	Achievement 2022/23
Construction of Roads and Bridges	Number of Kilometers constructed	448	495
Rehabilitation of Roads and Bridges	No of Km of roads rehabilitated	122	115
Maintenance of Roads and Bridges	No of Km Maintained under Periodic	682	915
Maintenance of Roads and Bridges	No of Km Maintained under Routine	41,088	42,889



Analysis of Past Performance.

The analysis of Past Performance undertakes an evaluation of the State Department's past performance based on the level of achievement of the previous Strategic Plan objectives, and focuses on KRAs, Specific Objectives, Performance Achievements, Challenges and Lessons Learnt.

Key Achievements consider the set targets at outcome and output levels. The challenges consider extraneous factors that hindered the achievement of the set targets during implementation of the previous Strategic Plan (2018-2022).

Key Achievements.

The section highlights the achievements under each of the Key Result Areas during the implementation period of the Strategic Plan 2018–2022.

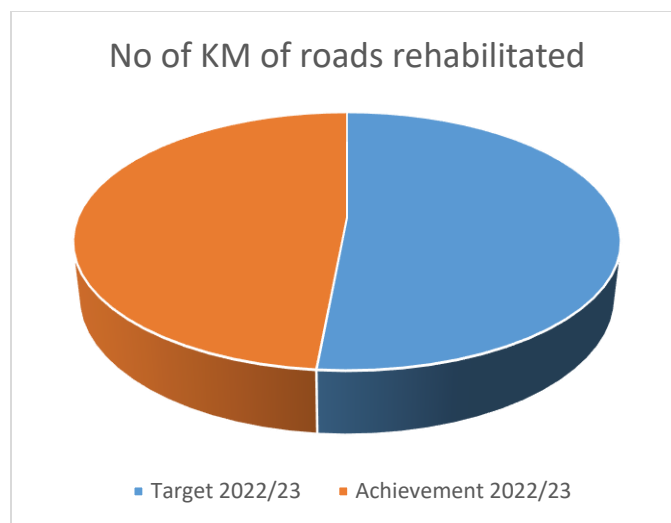
Key Result Area 1: Policy, Legal, Regulatory and Institutional Reforms

Strategic objective 1.1: To formulate and/or review and co-ordinate

The achievements under policy include: review and enactment of the Road Toll Funding Policy aimed at establishing a dedicated Road Fund; Road Asset and Roadside Development Control Policy; Axle Load Control Policy; Road Safety Audit Policy; Road Design Policy; Sustainable financing of road maintenance policy ;

implementation of requisite policies, legal, regulatory and institutional framework.

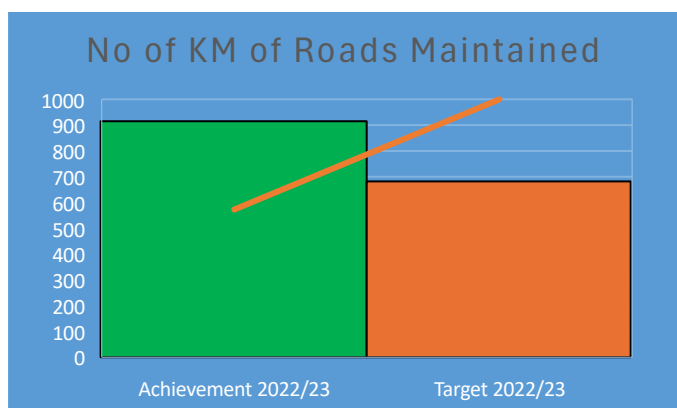
During the period, the sub-sector targeted to enact the Kenya Roads Bill, develop standards on road construction technologies, review of standards for pavement design and specifications for roads and bridge construction, develop a 20 Year Roads Master Plan, develop a Five-Year Road Sector Investment Plan (RSIP II), develop a Toll Funding Policy, review the Road Annuity programme and transformation of KIHBT, Materials and MTRD divisions into SAGAs.



development of the Road Sector Investment Programme II (RSIP) 2018-2022; development, gazettment and operationalization of Engineers Rules, 2019; development of Curriculum for Graduate Engineers Training in Highways Engineering; and development and

operationalization of Engineers Continuous Professional Development (CPD) Policy.

The achievements under legal reforms include: enactment of KRB Act, 2020; enactment of Kenya Roads Bill (the Bill is currently in the Parliament); installation of Virtual Weigh Stations with enhanced surveillance, enforcement of Axle Load compliance and traffic data collection; and enforcement of Road Asset Laws and Axle Load Control within the Country by establishing the Axle Load and Highway Police Unit (ALEHU) to ensure compliance thereby strengthening Road Asset Management within the road network.



Key Result Area 2: Development of Physical Infrastructure and Facilities

Strategic Objective 2.1: To Expand, Modernize and Maintain Integrated, Efficient and Sustainable Transport Systems

The roads Sector targeted to expand the Road Network by constructing 10,000km of roads comprising of 2,500km of conventional Roads and 7,500km Low Volume Seal Roads under the expansion of roads programme. During the plan

period, a total 7,530km of roads were constructed comprising of 3,179 km of roads constructed / rehabilitated using the conventional method while 4,351km were constructed through low volume seal method.

Under the road maintenance programmes, a total of 161,456Km of road were targeted to be maintained. During the plan period, a total of 195,896 Km was maintained comprising of 3,676 Km under periodic maintenance, 192,220 Km routine maintenance and 213Km under Roads 2000 Programme.

The summary of key achievements is provided below:

Under the **East Africa Road Network Project (EARNP)**, a total of 190 km of roads was targeted for construction/rehabilitation, a total of 429 km was achieved through the construction of Kisii- Ahero(192km), Isebania-Kisii (198km) and Kitale-Endebess-Suam (45Km) road sections.

Under the **Kenya Transport Sector Support Project (KTSSP)**, a total of 53km of roads was targeted of which 66.6km was achieved through the completion of flyovers/interchanges at Nakuru, Nyahururu, Kisumu-Kakamega, Kakamega – Webuye and Mau Summit. On-going projects include dualling of Athi River-Machakos Turnoff (20.20Km constructed) and the Ahero and Kericho interchanges are at 95.3% and 90% progress respectively.

Under the **East Africa Regional Transport, Trade and Development Facilitation Project (EARTTDF)**, a total of 350km road was targeted for construction/rehabilitation. A total of 338Km was achieved through the completion of Lokitaung Junction-Kalobeiyei River (80 km), Kalobeiyei River- Nadapal (88 km), Lokitaung junction- Lodwar (80 km), Lodwar-Loichangamatak (50 km) and Lokichar – Loichangamatak(40km) road sections.

Under the **National Urban Transport Improvement Project (NUTRIP)**, a total of 47km of roads was targeted; a total of 62.1 Km was achieved.

Under the **Horn of Africa Gateway Development Programme (HOAGDP)**, a total of 344Km was targeted for the detailed design of Isiolo- Wajir- Manderu Road section. The detailed design was completed and construction of 99Km of Nuno-Modogashe Road section.

Under the **Mombasa Port Area Road Development Project**, Package 1 (Miritini-Mwache Road including Kipevu Link Road) was completed, Package 2 (Mwache- Mteza) is 83.3% complete while package 3 (Mteza-Kibundani) section is on-going.

Under the **Decongestion of Cities, Urban Areas and Municipalities programme** aimed at easing congestion, reduce travel time and costs and enhance connectivity in cities, urban areas and municipalities through

construction of bypasses, missing links and improvement of roads in Nairobi and other cities and municipalities; a total of 54 missing links was targeted for construction in Nairobi, 50.6km was achieved; a total of 308 km of bypass roads was targeted for construction nationwide, of which 147.6km was achieved through the completion of Wajir Bypass (8Km),Meru Bypass(19.3Km),Kericho Bypass(4.9Km),Nyahururu Bypass (7.3Km), Suneka – Kiogoro Bypass, Kiogoro – Kegati By Pass, Nyakoe – Kegati By Pass, Suneka – Nyakoe By Pass And Major Link Roads Within Kisii Town in Kisii and Nyamira County (19.1Km) ,Nairobi –Western Bypass(15.9Km),Thika Bypass(14.3Km),Dualling of Nairobi Eastern Bypass (From Baraka Roundabout to Ruiru/Kamiti Junction)(26.8Km) and Eldoret Bypass; and a total of 471.72km was targeted under the improvement of Roads in Cities and Municipalities of which 185.22 Km was achieved.

Under the **Lamu Port South Sudan Ethiopia Transport (LAPSSET) Corridor Programme**, a total of 190Km of road was targeted for construction to enhance road connectivity and boost cross border trade and cooperation between Ethiopia, Kenya and South Sudan. A total of 196Km was achieved through the completion of Lamu – Witu – Garsen road (133km), link road to Lamu Port (10km), Lamu-Ijara – Garissa Road (40km) and Loruk –

Barpello(10km). Final designs were completed for Nginyang - Lokichar, and Isiolo (Lerata) – Maralal – Baragoi – Lokichar (475km) road sections.

Under the **Roads 10,000 Programme (Low Volume Seal Roads (LVSR))**, a total of 7,500Km of road was targeted for upgrading to bitumen standards, a total of 4,351 Km of roads were achieved during the plan period. The Road 2,000 programme targeted to upgrade 177Km of roads to LVSR and 299Km to gravel surface dressing. A total of 119.34km was upgraded and 1,060.85Km gravelled respectively.

Under construction of Non-Motorized Transport Facilities (NMTF): During the Plan period, a total of 40Km of NMT was targeted to be constructed. A total of 32.4 Km of NMTF lanes were constructed in Eastern Nairobi(17.2km) and additional NMTS lanes(15.2km)

Under development of Roads through **Public Private Partnerships (PPP) and Annuity Programme**: During the Plan period, 435 Km of road was targeted to be constructed using the Design-Build- Maintain and Transfer financing approach. Under this financing approach, a total of 117.73km was achieved through the

construction and commissioning of Ngong – Kiserian – Isinya-Kajiado – Imaroro road in Kajiado County (90.73km) and the Nairobi Expressway (27km). Other eligible projects for implementation under PPP financing model include the Mombasa-Nairobi Expressway (440km), Lot3 Mogadishu-Habaswein-Samatar-Rhamu-Mandera (143km), Lot 32 Illasit-Njukini-Taveta road (67km) and the Nairobi-Nakuru-Mau Summit Road (175km).

Key Result Area 3: Enhancement of Safety and Security

Strategic objective 3.1: To promote environmental sustainability

During the Plan period, the Department targeted to promote environmental sustainability in all its programmes and projects in line with Kenya's National and International commitments. The achievements include mainstreaming of climate change adaptation in National Development Plans and Environmental Impact Assessment (EIA) licensing requirement for proposed projects to ensure project activities are environmentally sustainable.

Progress on the attainment of Strategic Objectives through Performance Contracting

Program	Objective	Outcome	Indicator	Performance in FY 2022/2023
Road Transport	Expand, modernize and maintain integrated, efficient and sustainable transport systems	Motorable and passable roads completed	KMs of motorable and passable roads completed	i.) 1,597 km upgraded to bitumen standards 86 km rehabilitated ii.) 494 km periodically maintained iii.) 40,986 km routinely maintained
	Enhance compliance to national policies on Gender, Disability, HIV/AIDS, ADA and access to Government Procurement Opportunity	Staff trained/sensitised	Number of staff trained/sensitised	i.) 200 No. Staff sensitized on National Values.
				ii.) 40% (600no.) of staff sensitized on universal health and HIV & AIDs.
				iii.) 16no.ISO champions trained.
				iv. Domesticated Gender, Disability, HIV/AIDS, ADA policies
Promote environmental sustainability;	Environmental and Social Impact Assessment carried out on projects	% ESIA reports produced	100% ESIA reports produced on new projects	
Improve quality of service, safety and security of transport systems, built environment and urban development	Improved quality of service, safety and security of transport systems	% safety and security systems in place	i.) Citizen Service Charter in both English and Swahili mounted and displayed prominently at the point of entry;	
			ii.) Re-installation Local Area Network (LAN) to facilitate office connectivity undertaken;	
Enhance capacity and capabilities in human capital, institutions and technology;	Develop capacity for construction in support of the sector development.	Number Trained	i.) 1,097 No. local road contractors trained;	
			ii.) Trained 1,866 No. plant operators;	
			iii. Trained 2,454 No. technicians and artisans;	



Key Result Area 4: Research and Innovation

Strategic Objective 4.1: To Enhance Research and Development

During the Plan period, the road sub-sector targeted to facilitate existing institutions to undertake research relevant to their sub-sectors. The achievements include undertaking trials on cobble stone surfacing on Ngong' - Ololua and Machakos roads, trials on concrete roads on T-Mall and Mombasa-Kwa Jomvu Road under the Materials Testing and Research Division (MTRD) and the implementation of Low Volume Seal Roads using Roads 10,000 strategy.

Key Result Area 5: Capacity Building (Institutional, Human, Technological and Financial)

Strategic Objective 5.1: Enhance capacity and capabilities in human capital, institutions, and technology.

The primary Objective under Capacity Building is to provide training to advance knowledge and build skills and have experienced personnel to enable the Ministry and State Agencies perform the functions necessary to implement the Programs and Projects in the Strategic Plan.

Need was recognized to advance competencies and experience in areas such as Engineering, Management, Finance to acquire skills to handle special areas such as PPPs which have become prominent in developing infrastructure and in the provision of services in the Transport and Housing Sectors.

To enhance capacity, the road sub-sector targeted to provide training through existing institutions or cooperate with other institutions such as universities and research institutions to provide specialized skills, procure necessary technologies and acquire modern equipment in order to empower staff and local contractors.

The achievements during the plan period include acquisition of 36 No. plant and machinery and training of; 3,259 No. contractors; 4,859 No. plant operators; 7,136 No. technicians; and 12,368 No. Technicians/artisans.

Strategic Objective 5.2: Mobilization of Financial Resources

The development budgetary requirement for the Plan period was estimated at Kshs. 905,660 million while the allocated amount was Kshs. 697,606 million resulting in a funding gap of Kshs. 208,054 million or 22.97% deficit. The recurrent budget estimate was Kshs. 318,333 million while the allocated amount was Kshs. 332,833 million resulting in a surplus of Kshs. 14,500 million or 4.55%. The total budgetary requirements for the five-year period amounted to Kshs. 1,223,984 million against the allocation of Kshs 1,030,439 million resulting in an overall funding gap of Kshs. 193,554 million or 15.81%.

Challenges

The challenges faced during the implementation of MTP IV and the last Strategic Plan are summarized below by subsector.

In the Roads sector, the challenges faced during the implementation of the Strategic Plan include the following:

- (i) High stock of pending bills (arrears).
- (ii) High cost of land acquisition, and delays in relocating utilities.
- (iii) The restrictions in movement and disruption of the supply chain for construction materials due to the COVID-19 outbreak led to delays in the implementation of projects.
- (iv) Inadequate resources for Capacity Building and Knowledge Management of Staff.
- (v) Inadequate financing especially for high-capital investment projects.

- (vi) High construction and maintenance costs due to rising inflation.
- (vii) Vandalism of infrastructure facilities.
- (viii) Lengthy procurement procedures, including litigation challenges.
- (ix) Encroachment of land earmarked for infrastructure development.
- (x) Delays in the enactment of the Kenya Roads Bill to harmonize several statutes governing the Road Sub-sector.

Lessons Learnt

The lessons learnt take into account the knowledge gained during implementation of the previous Strategic Plan showing how issues were addressed or should be addressed in the future for the purpose of improving future performance.

The following were the lessons learnt during the implementation of the Strategic Plan (2018-2022):

- (i) There is need to explore alternative sources of funding to ensure enhanced funding for road projects.
- (ii) Incorporating technology in the Roads Subsector such as Intelligent Transportation Systems (ITS), Electronic Toll Collection, e-mobility and Traffic Management Systems that can enhance efficiency, safety, and data-driven decision-making in the Sub-sector.
- (iii) Stakeholder cooperation, and adequate budgetary allocations are essential for sustainable projects implementation.
- (iv) Effective coordination is key in ensuring alignment of the Annual Work Plans / Budgeting process to the Strategic Plan.
- (v) Effective monitoring and evaluation of projects ensures their completion on schedule leading to the cost effectiveness and efficiency.
- (vi) Disaster preparedness is important in ensuring the mitigation of COVID-19 and other communicable diseases that disrupt project completion rates.



We shape our infrastructure because thereafter they
shape us.

Dax Bamania



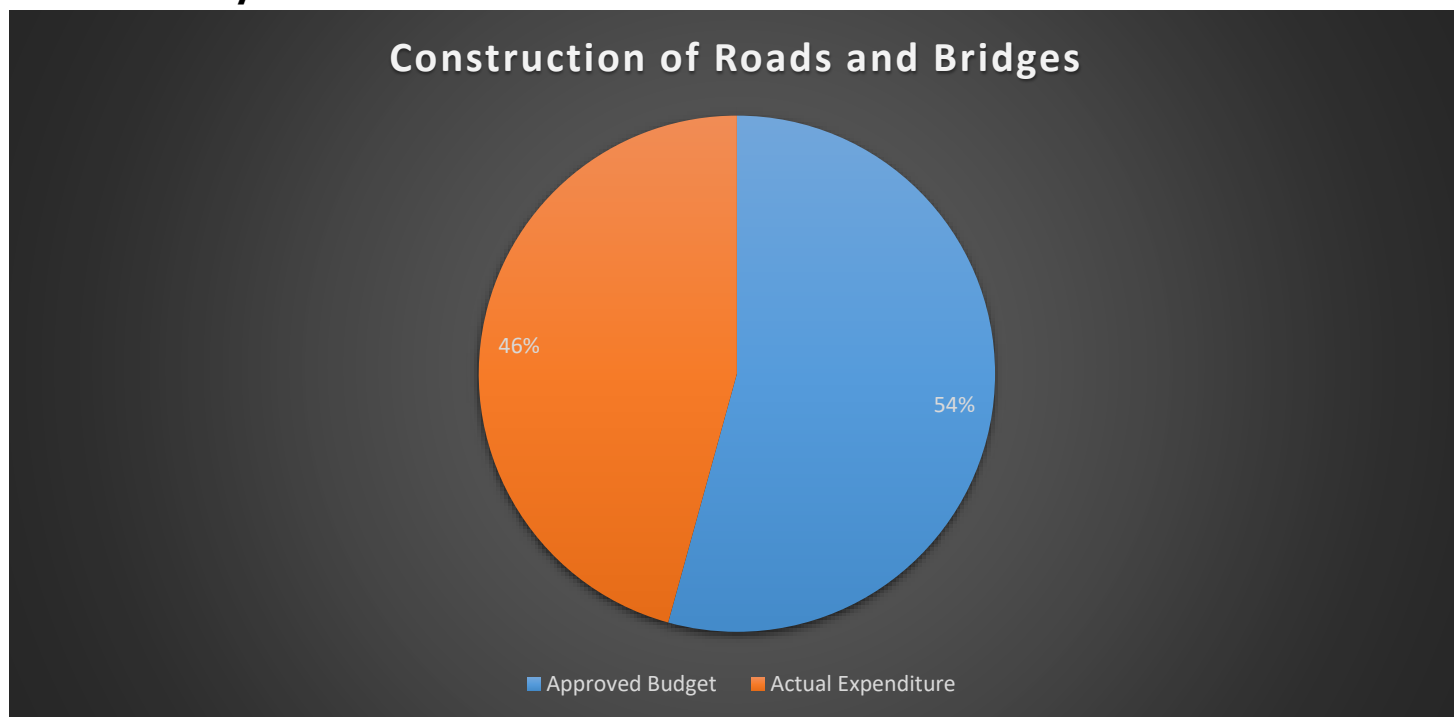
MANAGEMENT DISCUSSION

7. Management Discussion and Analysis

7.1 OVERVIEW OF PROGRAMME PERFORMANCE REVIEW FY 2020/21-2022/23

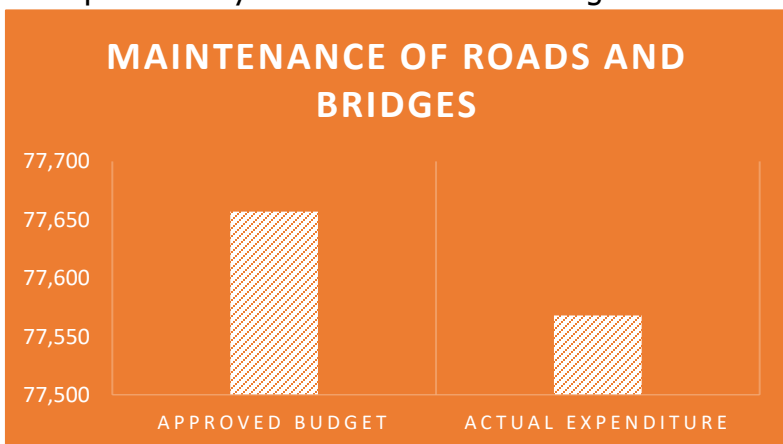
The State Department of Roads recorded significant progress in implementing its strategic infrastructure development agenda over the period FY 2020/21–2022/23. This analysis highlights the Department’s financial and operational performance, focusing on key programmes and their impact on road network expansion, rehabilitation, and maintenance. The results reflect a commitment to enhancing connectivity, improving road safety, and supporting socio-economic growth through infrastructure investments.

Report on the operational and financial performance of the State Department of Roads for the last three years



During the review period Financial Year 2020/21-2022/23, a total of 3,805 Km of roads were constructed against a planned target of 4,619 Km equivalent to 82% achievement while 240 Km of roads were rehabilitated against a target of 282 km resulting to 85% achievement.

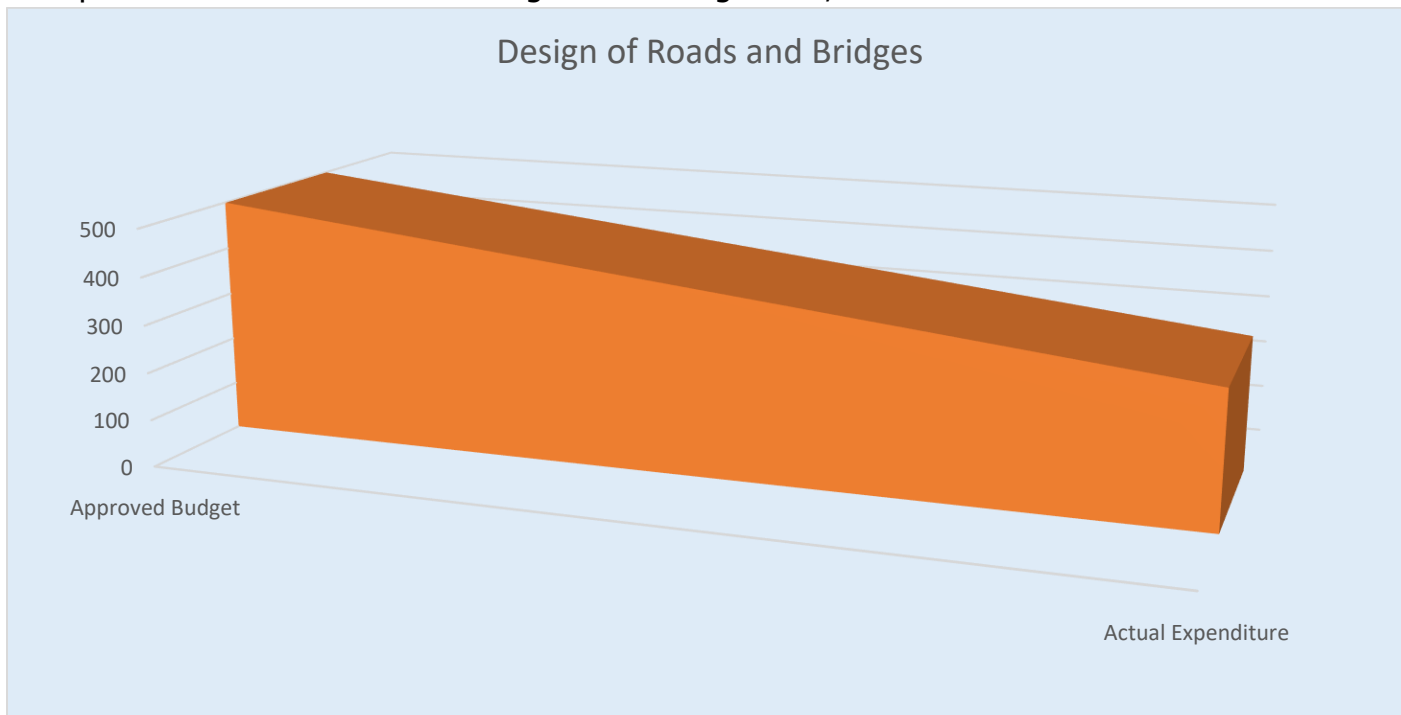
The implementation of road projects has largely enhanced domestic and regional connectivity, boosted rural productivity and reduced urban congestion.



On routine maintenance, the sub-sector maintained 120,626 Km of roads achieving 98% against the target of 123,246 Km, while 2,101 Km were maintained under periodic maintenance equivalent to 115% overachievement against a target of 1,830 Km.

Further, a total of 140 km of roads were maintained under the Roads 2000 Programme achieving 73% against a target of

191 Km and 71,754 jobs created under the same strategy. A total of 4,923 Km of roads were designed, an equivalent achievement of 88% against the target of 5,210 Km.



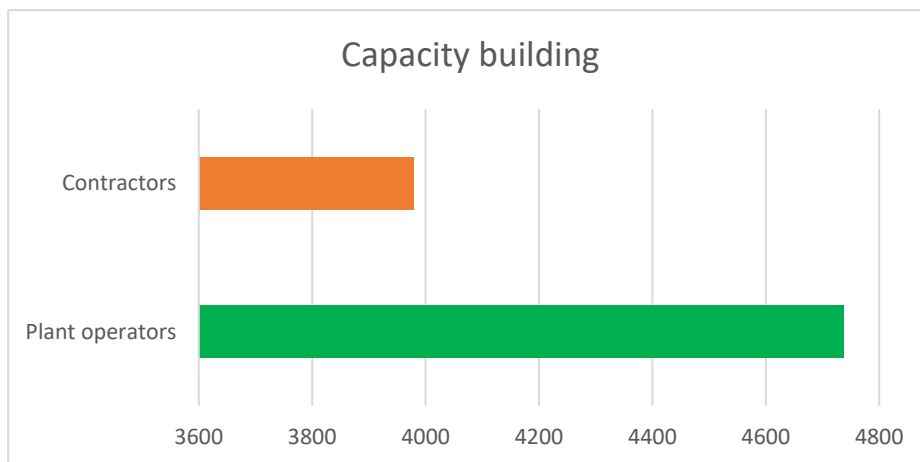
Policy, Legal and Institutional Reforms

Following the implementation of the Kenya Vision 2030, the Big Four Agenda/Bottom Up Transformation Agenda (BETA), the Ministry of Roads and Transport, carried out a mid-year review of its 2018-2022 Strategic Plan. The Department also finalized the review of the Road Sector Investment Programme (RSIP) 2010-2024 which informs the development and maintenance of priority road networks. During FY 2022/2023, the Department commenced the development of RSIP III (2023-2027) which will cover prioritized development and maintenance interventions for the entire road network over the 5-year and 10-year plan periods.

Capacity Building

The objective of the programme is to build Human Capacity for the implementation of road projects and for efficient Government service delivery. The following was achieved during the 2020/21 to 2022/23 period under review;

- Trained 4,737 No. Plant Operators
- Trained 2,979 No. Contractors





- Trained 6,887 No. Technicians and Artisans
- Trained over 500 technical staff with financing from the World Bank

The over achievement was due to increased demand for operators in road construction and the requirement for contractors to be certified.

Technical Guidance, Monitoring and Evaluation

The aim of the programme is to review project progress against the set targets, applicable regulations, standards and specifications with a view of taking corrective actions in cases of non-conformities. During the review period, 85 No. Technical Audits were conducted, technical assistance on improvement of institutional framework and urban mobility undertaken while monitoring and evaluation is a continuous assessment of project implementation in relation to set targets and objectives to be realized on completion. It assures that projects and

programmes are on course, the mitigation measures to be applied, time, cost projections and evaluate.

Materials Research and Testing

The objective of the programme is to; facilitate research and updates on the specifications for road and bridge works, for effective implementation and quality control of projects, to promote emerging construction materials and recommend new techniques for roads, bridges, and pavement and transport engineering planning, design, construction and maintenance. Review of Super Pave design method for hot mix asphalt (HMA) for Kenya and adoption of full Super Pave design in relation to grading of bitumen binders for different temperature zone, investigation of the correlation between stiffness modulus of bituminous materials, air temperature and characterization of materials for pavement design.

Public Private Partnership (PPP) / Annuity Model

The programme aims at long term engagements with the private sector in financing, construction and management of roads. Annuity Concessions is a form of PPP model in which the private operator (contractor) is remunerated via a fixed, periodical payment (Annuity) by the Government. Under this arrangement, the contractor is responsible for both the construction of the road as well as for operating and maintaining it for a fixed period of time (typically 10 years).

This form of PPP transfers the responsibility for bridge financing and performance risks to the contractor. Payment for the services is made against agreed fixed instalments which guarantee predictability in the budget system. The following was achieved through this programme:

- i. Construction of 91.5 KMS of Ngong – Kiserian – Isinya and Kajjado – Imaroro roads. The project is under Performance Based Routine Maintenance.
- ii. Commercial agreement for Nairobi – Nakuru – Mau Summit was signed in September 2020 and Procurement of an independent project expert was completed, Evaluation report has been submitted to the Project Company for signature.
- iii. Nairobi Expressway- 27 KMS completed

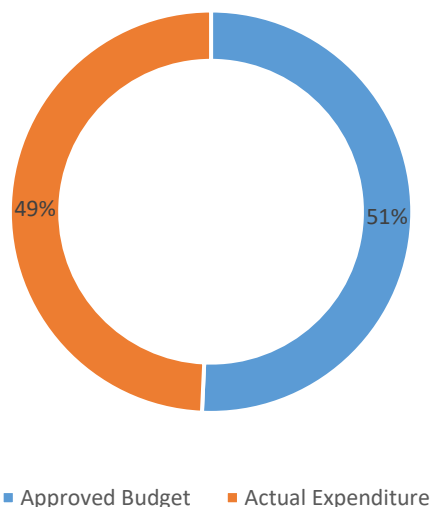
- iv. Financial agreement for construction of 67 KMS Illasit – Njukini – Taveta (Lot 32) under the Annuity Programme was signed. The project is awaiting a letter of support from the Attorney General.
- v. Financial agreement for construction of Modogashe – Habaswein – Wajir and Rhamu – Mandera (Lot 3) under Annuity Programme was signed. The project is awaiting letter of support from the Attorney General.

7.2 Programme Budget Performance over the 2020/21 – 2022/23 Financial Years

The State Department of Roads achieved budget performance over the three year review period as shown below:

Programme/Sub – Programmes	Approved Budget (KShs. Millions)			Actual Expenditure (KShs. Millions)		
	2020/21	2021/22	2022/23	2020/21	2021/22	2022/23
Programme 1: Road Transport						
Construction of Roads and Bridges	76,410	110,811	62,807	73,786	94,980	52,874
Rehabilitation of Roads and Bridges	22,118	43,894	26,119	21,306	34,297	25,376
Maintenance of Roads and Bridges	97,171	71,479	77,657	97,146	70,317	77,568
Design of Roads and Bridges	750	750	500	589	637	285
General Administration, Planning and Support services	4,082	3,654	3,712	2,423	3,026	2,940
TOTAL	200,531	230,588	170,795	195,250	203,257	159,043

Rehabilitation of Roads and Bridges



7.2.1 Key Performance Indicators (KPIs) Analysis

The assessment of the State Department of Roads' performance over the Financial Years 2020/21 to 2022/23 focuses on key metrics that measure both financial efficiency and operational effectiveness in achieving its mandate. The analysis considers budget utilization and project delivery outcomes for the main programs, reflecting the Department's capacity to implement strategic infrastructure initiatives in line with its development goals.

Budget Utilization Rate

Budget utilization is a critical measure of financial efficiency and indicates the effectiveness of project implementation in absorbing allocated funds. Over the three-year review period, the budget utilization rate fluctuated, with a high of 97.6% in FY 2020/21, a decline to 88.4% in FY 2021/22, and a recovery to 93.2% in FY 2022/23. The dip in FY 2021/22 was primarily attributed to project delays and procurement bottlenecks, which hindered optimal expenditure. The subsequent improvement in FY 2022/23 reflects enhanced project management practices and streamlined implementation processes, which restored the Department's ability to utilize its budgeted resources effectively.

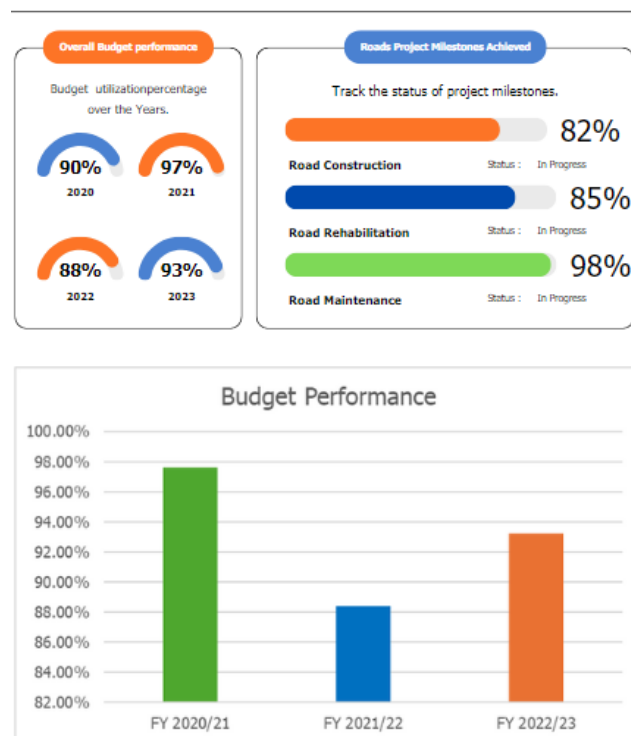
Road Construction Achievement Rate

The Department achieved 82% of its road construction targets, completing 3,805 Km against a planned 4,619 Km over the period. This metric is indicative of the Department's capacity to deliver on infrastructure projects, with the shortfall linked to logistical challenges, delays in funding disbursement, and adverse weather conditions in some regions. Despite these hurdles, the construction of new roads has contributed significantly to improved connectivity and accessibility, thereby supporting the country's economic and social development.

Road Rehabilitation Achievement Rate

The rehabilitation programme saw an achievement rate of 85%, with 240 Km of roads rehabilitated against a target of 282 Km. This reflects the Department's strategic focus on maintaining existing road networks to enhance their lifespan and safety. The variance between target and actual rehabilitation was primarily due to reallocation of resources to more urgent maintenance needs in high-traffic corridors.

Figure 7-1 Key Performance Indicators



Routine Road Maintenance Achievement Rate

Routine maintenance targets were achieved at a commendable rate of 98%, with 120,626 Km of roads maintained against a planned 123,246 Km. This near-perfect performance demonstrates strong alignment between planning and execution, ensuring that the existing road network is preserved in good condition, which minimizes future rehabilitation costs and enhances road safety.

Periodic Road Maintenance Achievement Rate

The Department recorded an overachievement in periodic maintenance, maintaining 2,101 Km against a target of 1,830 Km, translating to a 115% achievement rate. This positive variance underscores the Department's proactive approach in addressing critical sections of the network to prevent major structural failures, which can lead to more costly repairs if not addressed in time.

Road Design Achievement Rate

During the review period, the Department successfully designed 4,923 Km of roads, achieving 88% of its target of 5,210 Km. The shortfall was due to delays in project initiation and the time required for design approval processes. Nonetheless, the completion of these designs provides a robust foundation for upcoming construction projects, ensuring that the Department is well-positioned to implement its planned infrastructure development programmes.

Employment Generation through the Roads 2000 Programme

The Roads 2000 Programme, a labor-intensive maintenance initiative, created 71,754 jobs during the review period. This performance surpasses initial projections and highlights the programme's role in promoting inclusive economic growth and supporting livelihoods through employment opportunities, particularly in rural areas. The impact of this achievement extends beyond infrastructure development to encompass broader socio-economic benefits.

Summary of Performance

The KPIs demonstrate a strong financial and operational performance by the State Department of Roads, marked by effective budget utilization, significant road network expansions, and strategic maintenance interventions. The metrics further highlight the Department's ability to align its activities with national development objectives, enhancing connectivity and contributing to economic growth. Despite minor shortfalls in some targets, the Department's overall achievement showcases its resilience and commitment to delivering sustainable infrastructure solutions. Looking ahead, addressing the identified challenges in project execution and design processes will be crucial to maintaining momentum and achieving full alignment with its strategic goals.

7.3 KEY PROJECTS

The State Department for Roads oversees a variety of infrastructure projects that are crucial for enhancing the country's road network and facilitating regional trade and development. These key projects include major initiatives aimed at improving transport connectivity, expanding urban and rural road coverage, and supporting economic growth through strategic investments in road construction and rehabilitation.

- i. Kenya Transport Sector Support Project (KTSSP)
- ii. Horn of Africa Gateway Development Project (HOAGDP)
- iii. Eastern Africa Regional Transport, Trade and Development Facilitation Project (EARTTDFP)
- iv. National Urban Transport Improvement Programme (NUTRIP)
- v. Roads 10000 Programme (Low Volume Sealed Roads)
- vi. Roads 2000 Programme
- vii. Annuity Programme
- viii. Construction of Bypasses
- ix. Construction of Missing Links
- x. Improvement of Roads in Cities, Urban Areas and Municipalities

7.4 FUTURE PROJECTS

The State Department for Roads is strategically planning new infrastructure projects to address emerging transport needs and support national development. Future projects will focus on expanding major road corridors, enhancing connectivity to economic zones, and promoting cross-border trade through modernized transport facilities.

- I. Mombasa Gate Bridge (Likoni Bridge)
- II. Roads within Special Economic Zone, Done Kundu
- III. One Stop Border Post in Suam (Kitale – Endebes – Suam Road project)
- IV. Lesseru – Kitale Road Project
- V. Dualling of Northern Bypass Road Project
- VI. Construction of the Greater Eastern Bypass Road project



“

Our environment, the world in which we live and work, is a mirror of our attitudes and expectations.
Earl Nightingale

”



8. Environmental and Sustainability Reporting

The State Department of Roads is mandated to develop and maintain road transport infrastructure to support Kenya's socio-economic development. The Department plays a crucial role in formulating and implementing road policies, setting standards, and managing road networks to ensure efficient and sustainable transportation services. To maintain long-term sustainability, the Department has adopted an integrated approach that emphasizes environmental stewardship, resource efficiency, and community welfare while supporting national development objectives.



The Department's sustainability strategy is aligned with global best practices and the United Nations Sustainable Development Goals (SDGs). The primary SDGs guiding its operations include:

Sustainability Strategy and Profile

- Environmental Performance and Climate Change
- Employee Welfare
- Operational Practices
- Community Engagement

a) Sustainability Strategy and Profile

The State Department of Roads has developed a comprehensive Sustainability Strategy that addresses both long-term environmental goals and the immediate economic and social needs of road infrastructure. The strategy is structured around achieving sustainable road networks that minimize environmental impact while ensuring effective service delivery. The Department's approach is guided by the United Nations Sustainable Development Goals (SDGs), particularly SDGs 9, 12, 13, and 17, which focus on building resilient infrastructure, promoting responsible consumption, combating climate change, and fostering partnerships for sustainable development.

Top Management Sustainable Efforts

The Department's sustainability strategy is led by the top management, including the Principal Secretary and the Accounting Officer, who play a pivotal role in ensuring that sustainability principles are embedded into all project planning and implementation processes. Their leadership involves:

1. **Adopting International Best Practices:** The Department benchmarks its strategies against global frameworks like the World Bank's Environmental and Social Framework and the African Development Bank's Operational Safeguards. These frameworks ensure that projects adhere to environmental standards, manage social impacts, and enhance resilience against climate-related risks
2. **Implementing Sustainable Financing Models:** Given the fluctuating global economic environment and limited government resources, the Department has turned to Public-Private Partnerships (PPPs) and other sustainable financing models to fund new projects. This approach aligns with SDG 17 (Partnerships for the Goals), which emphasizes leveraging partnerships to mobilize financial resources for sustainable development
3. **Life-Cycle Approach to Infrastructure Development:** The State Department of Roads integrates a life-cycle approach in its road infrastructure projects, which considers sustainability from design and construction through to operation and maintenance. This ensures that roads are not



only built to last but are also environmentally sound, reducing resource consumption and greenhouse gas emissions during their operational phase. Such practices directly support SDG 12 (Responsible Consumption and Production)



Broad Trends in Macroeconomic and Political Factors

The macroeconomic environment has presented significant challenges to the sustainability of road infrastructure projects. The effects of global economic slowdowns, currency depreciation, and rising construction costs have made it increasingly difficult to maintain fiscal discipline. To address these challenges, the Department has:

- **Rationalized Project Portfolios:** By focusing on completing ongoing projects before initiating new ones, the Department has been able to allocate resources more effectively and reduce the risk of project abandonment. This rationalization is part of the effort to create a more resilient infrastructure network, in line with SDG 9 (Industry, Innovation, and Infrastructure).
- **Adopted Green Procurement Practices:** The Department has implemented sustainable procurement policies that prioritize locally sourced, environmentally friendly materials. This reduces the carbon footprint associated with transportation and supports local economies.

Key Achievements

- Conducted 33 Environmental and Social Impact Assessments (ESIAs) and 4 Environmental Audits in the past year to ensure that all projects comply with national and international environmental standards.
- Developed a Climate Resilience Strategy, which has been integrated into 60% of the ongoing projects, ensuring that new roads are designed to withstand extreme weather events

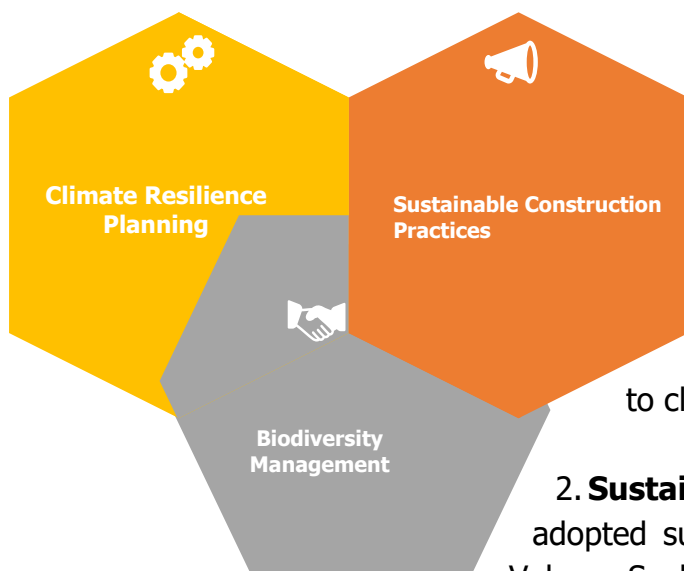
b) Environmental Performance and Climate Change

The State Department of Roads recognizes that infrastructure projects, particularly road construction and maintenance, have a significant impact on the environment. As a response, the Department has developed comprehensive policies and strategies to minimize its environmental footprint and contribute to climate resilience. This approach aligns with SDG 13 (Climate Action), SDG 12 (Responsible

Consumption and Production), and SDG 15 (Life on Land), ensuring that road projects are planned and executed with consideration for their long-term environmental and social impacts.

Environmental Policy and Climate Change Response

The State Department operates under a robust Environmental Policy Framework guided by national legislation, such as the Climate Change Act of 2016, and international frameworks like the Paris Agreement. The Department's Climate Change Unit (CCU) is responsible for implementing the National Climate Change Action Plan (NCCAP), which provides a strategic direction for mainstreaming climate considerations into all road projects. This includes:



1. Climate Resilience Planning: All new road projects undergo a climate risk assessment during the planning stage to identify vulnerabilities and incorporate climate-resilient design elements. This practice ensures that infrastructure can withstand extreme weather events such as floods and heatwaves, which are becoming more frequent due to climate change.

2. Sustainable Construction Practices: The Department has adopted sustainable construction practices, such as using Low Volume Seal Roads Strategy (LVSr), which reduces the need for resource-intensive materials like bitumen and cement. This approach directly supports SDG 12 by minimizing resource consumption and lowering greenhouse gas emissions during road construction

3. Biodiversity Management and Ecosystem Restoration: The State Department has implemented a comprehensive Biodiversity Management Plan, which includes strategies for habitat restoration, tree planting, and wildlife protection along road corridors. This aligns with SDG 15 (Life on Land) by promoting the sustainable use of terrestrial ecosystems and reducing the negative impacts of infrastructure development on biodiversity

Successes in Environmental Performance

- **Tree Planting and Reforestation Initiatives:** As part of its commitment to SDG 15, the Department has carried out extensive tree-planting programs, resulting in over 138,726 trees planted in various regions. This not only offsets carbon emissions from road projects but also supports Kenya's national goal of achieving a 10% forest cover by 2030
- **Climate-Proof Road Design:** Approximately 60% of new road designs incorporate features such as improved drainage systems, green verges, and climate-resilient materials to reduce the risk of flooding and erosion.

- Environmental and Social Impact Assessments (ESIA): The Department has completed 33 ESIA's in the past year alone, ensuring that all projects meet national and international environmental standards before implementation. These assessments include detailed evaluations of potential impacts on local communities, biodiversity, and ecosystem services,

Shortcomings and Challenges

Despite these achievements, the Department faces several challenges in fully implementing its environmental policies:

1. Insufficient Funding for Climate Adaptation: Limited financial resources hinder the full implementation of climate resilience strategies, particularly in high-risk areas where more advanced technologies are required to adapt to extreme weather conditions
2. Lack of Technical Expertise: There is a shortage of specialized skills in areas such as green road design and biodiversity management, which limits the Department's ability to integrate cutting-edge sustainability practices into its projects.
3. Waste Management Issues: Although the Department has a Waste Management Policy,



4. implementation remains inconsistent across different regions, leading to challenges in managing construction waste and minimizing its environmental impact. The Department is exploring the use of circular economy principles to recycle construction materials and reduce overall waste generation, in line with SDG 12

Efforts to Mitigate Environmental Impact

The Department has outlined several strategies to mitigate its environmental impact:

- **Adopting Green Procurement Policies:** The Department prioritizes the use of locally sourced, low-carbon materials and ensures that suppliers adhere to environmental standards.
- **Integrating Environmental Education:** The Department conducts regular training for its staff and contractors on sustainable construction practices and environmental management.
- **Community Involvement in Environmental Programs:** The Department actively involves local communities in tree planting, waste management, and biodiversity conservation efforts, thereby fostering a sense of ownership and shared responsibility.

c) Employee Welfare

The State Department of Roads places a strong emphasis on the welfare and development of its employees, recognizing that a motivated and skilled workforce is key to achieving its sustainability and operational goals. The Department's employee welfare policies are designed to foster an inclusive, safe, and supportive work environment that aligns with SDG 8: Decent Work and Economic Growth and SDG 5: Gender Equality. By investing in employee well-being, capacity building, and gender equality, the Department ensures that its staff are not only productive but also actively contribute to the sustainability of the organization and its projects.

Human Resource Policies and Gender Inclusivity

The Department adheres to the Public Service Commission's guidelines, which mandate gender parity in recruitment and promotion. This commitment ensures that no single gender occupies more than two-thirds of the total workforce, supporting **SDG 5** by promoting gender equality and empowering women in traditionally male-dominated technical fields. Despite the historical gender imbalance, particularly in senior technical roles, the Department has made significant strides in recruiting more women in technical and management positions.

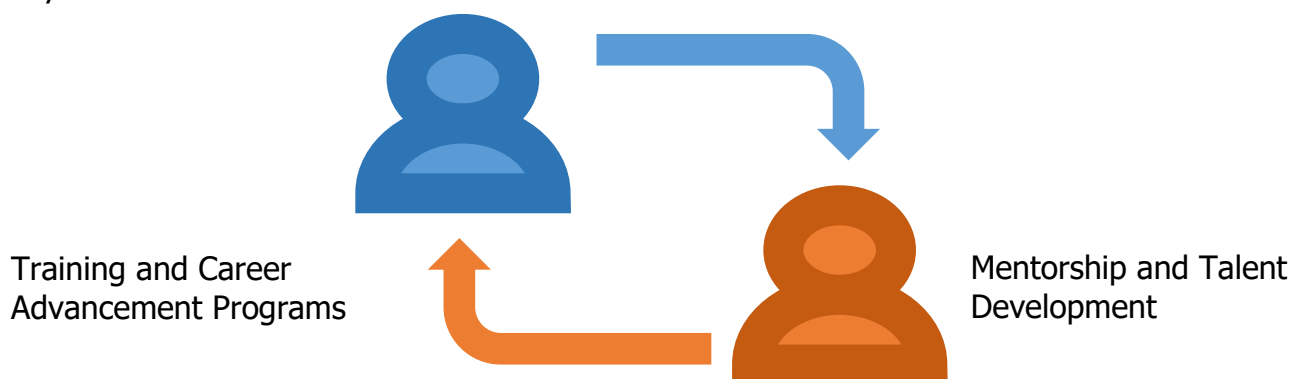


- **Gender Ratio Compliance:** The Department has achieved a **30% representation of women** in its technical divisions, a significant improvement from previous years when the ratio was skewed heavily towards men.

- **Policies for Gender Equity:** In addition to ensuring gender balance, the Department has established policies that promote a **safe and inclusive work environment** for women, including provisions for maternity leave, anti-harassment protocols, and support systems for career advancement.

Professional Development and Capacity Building

Investing in employee skills and development is a core aspect of the Department's sustainability strategy. The Department collaborates with international partners such as the World Bank and the African Development Bank to implement comprehensive training programs aimed at building the capacity of its workforce.



- **Training and Career Advancement Programs:** The Department has conducted over 50 training sessions in the past year, focusing on sustainable construction practices, project management, and environmental compliance. These programs ensure that staff are equipped with the latest knowledge and skills to implement sustainability principles in their daily work, directly supporting SDG 8 by promoting lifelong learning and economic productivity
- **Mentorship and Talent Development:** The Department has also established mentorship programs that pair junior staff with experienced professionals, creating opportunities for knowledge transfer and career growth. This initiative has led to a **20% increase** in the number of promotions among junior technical staff, enhancing overall staff morale and retention.

Occupational Health and Safety (OHS) Compliance

Ensuring a safe and healthy work environment is a top priority for the State Department of Roads. The Department strictly adheres to the Occupational Safety and Health Act of 2007 (OSHA), which mandates regular safety audits, risk assessments, and staff training to prevent workplace accidents and promote employee well-being.

- **OHS Training and Compliance Checks:** In the past year, the Department conducted 12 OHS training sessions and completed 15 compliance audits across its various offices and project sites. These efforts have resulted in a 15% reduction in workplace incidents, reflecting the Department's commitment to maintaining high safety standards.
- **Health and Wellness Programs:** The Department has also introduced wellness programs that address both physical and mental health, including access to counseling services, stress management workshops, and fitness facilities. This holistic approach to employee well-being

aligns with SDG 3: Good Health and Well-being, ensuring that staff are healthy, motivated, and able to contribute effectively to the Department's sustainability goals.

Key Achievements

- Implementation of a comprehensive Gender Equality Policy, resulting in a more balanced and inclusive workforce.
- Successful training of over 500 staff members in sustainability-related topics, enhancing their capacity to support the Department's environmental and operational goals

d) Operational Practices and Market Place Practices

The State Department of Roads is committed to maintaining high standards of integrity, transparency, and sustainability in all its operational practices and marketplace interactions. This commitment is aligned with SDG 16: Peace, Justice, and Strong Institutions and SDG 12: Responsible Consumption and Production, which emphasize the need for strong governance, ethical business practices, and sustainable resource management. By ensuring that its procurement and operational processes are ethical, efficient, and environmentally friendly, the Department contributes to building a resilient and sustainable infrastructure network for Kenya.

Sustainable Procurement and Supplier Engagement

The State Department of Roads has adopted a Sustainable Procurement Policy that guides the sourcing and use of construction materials and services. This policy prioritizes locally available, sustainable materials and mandates that all suppliers and contractors comply with environmental and social standards. The procurement process is designed to minimize environmental impacts and promote the use of recycled and renewable materials whenever possible.

- **Green Procurement Practices:** The Department's procurement guidelines include specific criteria for evaluating the sustainability of products and services, such as energy efficiency, water use, and carbon footprint. This supports SDG 12 by promoting responsible consumption and reducing the environmental impact of road construction activities
- **Supplier Code of Conduct:** All suppliers are required to adhere to a Supplier Code of Conduct, which outlines expectations regarding environmental compliance, labor practices, and community engagement. This code ensures that the Department's values are reflected across its entire supply chain, thereby supporting SDG 16 through the promotion of strong institutional governance and ethical business practices.

Transparent Financial Management and Contract Execution

The Department adheres to a strict financial management framework that ensures accountability and transparency in the use of public funds. All project budgets are reviewed and approved by the Parliamentary Departmental Committee of Transport, Roads, and Public Works, and expenditure is closely monitored to prevent wastage and mismanagement.

- **Budget Execution and Monitoring:** The Department follows a first-in, first-out (FIFO) payment system for settling supplier invoices, ensuring that payments are made in the order they are received and that no project is unfairly delayed. This process has significantly reduced the backlog of pending bills, enhancing supplier confidence and contributing to a stable and efficient project delivery pipeline
- **Performance-Based Contracts:** The Department has implemented Performance-Based Contracts (PBCs) for road maintenance projects. Under this model, contractors are paid based on the quality and sustainability of their work rather than just project completion. This encourages contractors to use high-quality materials and construction methods that have a lower environmental impact, thereby supporting SDG 9: Industry, Innovation, and Infrastructure

Ethical Business Practices and Anti-Corruption Measures

The Department is committed to upholding the highest standards of integrity in its operations. To this end, it has established a dedicated Ethics and Anti-Corruption Unit that monitors compliance with anti-corruption policies and investigates any allegations of misconduct. This focus on ethical business practices supports SDG 16, which promotes transparent institutions and justice for all.

- **Whistleblower Protection Program:** The Department has a Whistleblower Protection Program that allows employees and external partners to report unethical practices without fear of retaliation. This program has led to several investigations and corrective actions, ensuring that the Department maintains its reputation for ethical integrity
- **Regular Compliance Audits:** The Ethics and Anti-Corruption Unit conducts regular compliance audits across all operational divisions to identify potential risks and areas for improvement. These audits have helped the Department maintain a clean operational record and ensure compliance with both national and international governance standards.



Challenges and Mitigation Measures

Despite the strong governance framework, the Department faces several operational challenges:

1. **Budget Constraints:** Limited financial resources have impacted the Department's ability to fully implement some sustainability initiatives, particularly those related to waste management and advanced procurement systems. The Department is exploring alternative funding sources, including partnerships with development agencies and private sector players

2. **Supplier Compliance Issues:** Some suppliers struggle to meet the stringent environmental and social criteria outlined in the Supplier Code of Conduct. To address this, the Department has introduced capacity-building programs to help suppliers understand and comply with sustainability requirements.
3. **Pending Bills and Delayed Payments:** While significant progress has been made in reducing the backlog of pending bills, some contractors still experience delays in receiving payments, particularly for large-scale projects. The Department is working closely with the National Treasury to streamline payment processes and ensure that all bills are settled promptly.

Key Achievements

- **100% Compliance with National Procurement Standards:** The Department has maintained full compliance with the Public Procurement and Asset Disposal Act, ensuring that all procurement activities are transparent, competitive, and sustainable.
- **Implementation of Green Construction Guidelines:** The Department has developed and implemented **Green Construction Guidelines**, which are now mandatory for all new projects. These guidelines emphasize the use of eco-friendly materials, waste reduction, and energy efficiency, supporting **SDG 12**



e) Community Engagements

The State Department of Roads recognizes that its infrastructure projects have a profound impact on local communities. As a result, the Department has made Community Engagement a cornerstone of its

sustainability strategy, ensuring that the communities affected by its projects are actively involved in decision-making processes and benefit from the developments. This approach aligns with SDG 11: Sustainable Cities and Communities, SDG 15: Life on Land, and SDG 3: Good Health and Well-being, which emphasize creating safe, inclusive, and resilient communities while safeguarding natural habitats and promoting community health.

Corporate Social Responsibility (CSR) Initiatives

The Department's CSR strategy is designed to support local communities through initiatives that promote environmental stewardship, social welfare, and economic development. Key areas of focus include:

1. **Environmental Restoration and Tree Planting** The Department has undertaken several tree-planting programs as part of its commitment to SDG 15 (Life on Land). One of the flagship initiatives is the Ngong Forest Restoration Program, where over 138,726 trees have been planted to restore degraded areas and increase the region's forest cover. This initiative not only helps combat climate change by sequestering carbon but also enhances biodiversity and provides recreational spaces for local communities.
2. **Support for Educational Institutions and Health Facilities** As part of its commitment to SDG 3 (Good Health and Well-being), the Department has supported various health facilities and educational programs across the country. For instance, the Kenya Engineering Technology Registration Board (KETRB) donated hospital beds to the Moi Technical and Referral Hospital in Uasin Gishu County, significantly enhancing the hospital's capacity to deliver quality healthcare. Additionally, the Engineers Board of Kenya (EBK) has partnered with local schools to promote STEM (Science, Technology, Engineering, and Mathematics) education, helping build a pipeline of future talent for Kenya's infrastructure sector
3. **Community Health and Safety Programs** The Department has implemented road safety awareness campaigns in communities living near major road projects. These campaigns focus on educating the public about safe road usage, particularly in high-risk areas, thereby reducing the incidence of road accidents and supporting **SDG 3**. Moreover, during the construction of new roads, the Department ensures that adequate measures are taken to prevent disruptions to local livelihoods and maintain access to critical services such as hospitals and markets.

Engaging Local Communities in Decision-Making

The State Department of Roads involves local communities at every stage of the project lifecycle, from planning and design to construction and maintenance. This participatory approach ensures that the needs and concerns of affected communities are addressed, which is essential for building trust and fostering long-term partnerships.

- **Stakeholder Consultation Forums:** The Department organizes regular consultation forums with community leaders, local governments, and other stakeholders to gather input and feedback on ongoing and proposed projects. These forums are integral to ensuring that projects are not only technically sound but also socially acceptable and beneficial

- **Community Impact Assessments:** Prior to project implementation, the Department conducts Community Impact Assessments (CIAs) to evaluate the potential social and economic effects of road projects. This practice ensures that any adverse impacts are identified early and mitigated, supporting the goals of SDG 11 (Sustainable Cities and Communities) by promoting inclusive and participatory urban planning.

Monitoring and Evaluating CSR Impact

To ensure the effectiveness of its community engagement initiatives, the Department has established a Monitoring and Evaluation (M&E) Framework that tracks the impact of its CSR programs. Key performance indicators include improvements in local health and education outcomes, increased community satisfaction, and enhanced environmental quality.

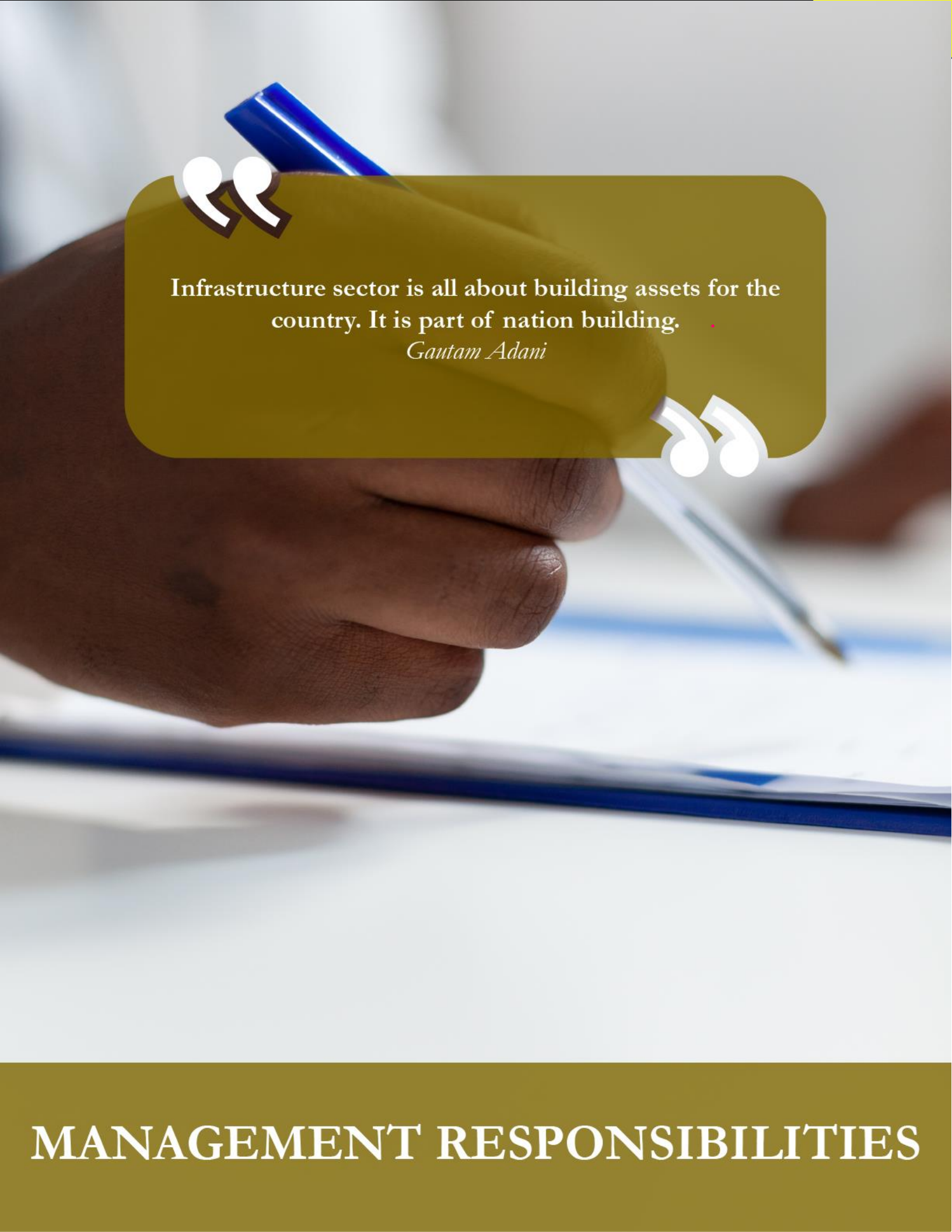
- **Annual CSR Reports:** The Department publishes annual CSR reports that detail the outcomes of its initiatives and outline future plans. These reports are shared with stakeholders, providing transparency and accountability in how the Department's projects are contributing to community well-being and environmental sustainability.

Key Achievements

- Successfully mobilized local communities to plant over **138,726 trees** as part of the Ngong Forest Restoration Program, contributing to Kenya's national reforestation targets.
- Donated hospital beds and medical supplies to support health facilities in underserved areas, enhancing access to quality healthcare for local communities.
- Implemented road safety campaigns that reached over **10,000 community members** in high-risk areas, significantly reducing road-related fatalities and injuries.

Challenges and Future Plans

- **Limited Funding for CSR Activities:** Financial constraints have limited the scope and scale of the Department's community engagement initiatives, particularly in remote and underserved areas.
- **Resistance to Change:** In some regions, local communities have been resistant to certain aspects of road projects, particularly where land acquisition is required. The Department is addressing this through enhanced stakeholder engagement and compensation mechanisms.
- **Future Plans:** The Department plans to expand its CSR activities by partnering with local NGOs and community-based organizations to implement larger-scale projects that address community needs more comprehensively. This will include new initiatives in youth training, women's empowerment, and environmental conservation, further aligning with the goals of SDG 5 (Gender Equality) and SDG 8

A close-up photograph of a hand holding a blue pen, poised to write on a document. The background is blurred, showing another hand and a pen. A semi-transparent olive-green rounded rectangle is overlaid on the image, containing a quote and the name of the speaker. The quote is enclosed in white quotation marks.

Infrastructure sector is all about building assets for the country. It is part of nation building.

Gautam Adani

MANAGEMENT RESPONSIBILITIES

9. Statement of Management Responsibilities

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

The Accounting Officer in charge of the State Department of Roads is responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2023. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity, (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of the entity; (v) selecting and applying appropriate accounting

policies, and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting Officer in charge of the State Department of Roads accepts responsibility for the entity's financial statements, which have been prepared on the Cash 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 *entity's* financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2023, and of the entity's financial position as at that date. The Accounting Officer in charge of the State Department of Roads further confirms the completeness of the accounting records maintained for the *entity*, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of the State Department of Roads confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the entity's 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 entity's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the financial statements

The State Department for Roads financial statements were approved and signed by the Accounting Officer on 30/09 2023.



.....
Eng. Joseph M. Mbugua, CBS
Accounting Officer



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

SUMMARY



INDEPENDENT AUDITORS

10. Report of the Independent Auditors of the Financial Statements for the State Department for Roads

REPUBLIC OF KENYA

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Anniversary Towers
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON STATE DEPARTMENT FOR ROADS FOR THE YEAR ENDED 30 JUNE 2023

PREAMBLE

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

- A. Report on the 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 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 that the Government achieves value for money and that such funds are applied for the intended purpose.
- 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, the risk management environment and the internal controls developed and implemented by those charged with governance for orderly, efficient, and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

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

The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of State Department for Roads set out on pages 1 to 30, which comprise of the statement of financial assets and financial liabilities as at 30 June, 2023 and the statement of receipts and payments, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the State Department for Roads as of 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the State Department for Roads Management in accordance with ISSAI 130 on 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 judgment, 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 audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of internal Controls, Risk Management and Governance. Although the issues were subsequently presented before the Public Accounts Committee, they remained unresolved as at the time of the audit in November, 2023.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of the 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. Long Outstanding Deposits and Retentions Balances**

The statement of assets and liabilities and Note 14 to the financial statements reflect third party deposits and retentions balance of Kshs.227,599,396 which was a decrease of Kshs.6,017,602 from the previous year's closing balance of Kshs.233,616,998.

As previously reported, the opening balance of Kshs.233,616,998 includes balances totalling to Kshs.180,000,000 that remained unclaimed after the transition period from direct implementation of contracts by the State Department to implementation of road contracts by road agencies between 2010 and 2015. Management has not explained why these deposits have not been paid into the Consolidated Fund.

This is contrary to Regulation 106 of the Public Finance Management Regulations, 2015 which states that unless otherwise exempted by an Act of Parliament, any deposit which has remained unclaimed for 5 years may, with the approval of the Cabinet Secretary, be paid into Consolidated Fund and thereafter the Accountant-General may refund the deposit to any person entitled thereto, if he or she is satisfied that the claim is authentic .

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

2. Earnings Below the Statutory Minimum Pay

Review of the Integrated Payroll and Personnel Database (IPPD) records for the Department, revealed that during the month of April 2023, one hundred and thirty-one (131) employees had their net pay below a third of their basic pay. This is contrary to Section C.1 (3) of the Human Resource Policies and Procedures Manual for the Public Service, of May, 2016 which states that public officers shall not over-commit their salaries beyond two thirds (2/3) of their basic salaries.

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

3. Failure to Comply with the Approved Staff Establishment

As previously reported, review of the human resource records indicated that the Department had an approved establishment of two hundred and thirty-six (236) staff members across all cadres. However, the actual number in position was six hundred and fifty-eight (658) staff leading to an over establishment of four hundred and twenty-four

(424) staff. This is contrary to Section A.15 of the Human Resource Policies and Procedures Manual for Public Service, May 2016, which states that the functions of Ministerial Human Resource Management Advisory Committees (MHRMAC) entail making recommendations to the Authorized Officer regarding: - inter alia (viii) establishment and complement control.

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

4. Maintenance of Duplicate Salary Bank Account Numbers for Staff

Review of human resource records including the bank salary compliment, for the year under review, revealed that five (5) employees had duplicate bank account numbers. Although Management has explained the State Department is in the process of cleaning up the payroll to correct the anomalies observed, this is contrary to Regulation of the 121

(3) of the Public Finance Management (National Government) Regulations, 2015 states that at least once every month, the Accounting Officer shall certify the correctness of the payroll.

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

5. Delayed Payment of Decretal Amount

Review of payment vouchers revealed that the State Department for Roads incurred an expenditure of Kshs.550,000 paid to the Solicitor General's Office during the year under review. The payment was in respect to an arbitration and compensation payments for contract awarded on 30 October, 2002 with the expected completion date of 24 April, 2003.

However, the contract was terminated by the then Ministry of Roads (now State Department for Roads) in July, 2005. The claimant then referred the dispute for an arbitration seeking compensation of Kshs.73,601,346 . The Arbitrator released the final award on 22 February, 2013 whereby the Claimant was awarded an amount of Kshs.55,235,909 and the respondent (Ministry) ordered to pay the cost of arbitration. Review of records revealed that the State Department paid the decretal amount from the year 2013 up to 2017 and then stopped further payments. However, there has been continued interest accumulation on a reducing balance which had accumulated to an amount of Kshs.11,754,028 . As at 30 June, 2023, the outstanding balance on the arbitration award was Kshs.51,582,572.

Further, the outstanding amount was not disclosed as a pending bill in the previous years' financial statements and may therefore not have been budgeted for.

In view of the above, the State department for Roads continues to accrue the principal sum awarded and interest accruing at 17% per annum as the decretal amount has been outstanding since the year 2017. Management did not provide any explanation for this unsatisfactory situation.

In the circumstances, the State Department may cause the Government to incur avoidable costs of penalties and interest on the delayed payment of the arbitration award due to its failure to settle the award as required.

The audit was conducted in accordance with ISSAI 4000. The standard requires 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 are in compliance, 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, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of the report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Non-Maintenance of Detailed Petty Cash Expenditure Schedules

Review of the recurrent cashbook revealed that the State Department made cash withdrawals amounting to Kshs.3,500,000. However, review of records revealed that the payment vouchers for the cash transactions did not have a detailed expenditure analysis indicating what was paid for but contained just an official form detailing the withdrawals.

In the circumstances, the effectiveness of the controls related to cash management could not be confirmed.

2. Lack of the Internal Audit Reports

During the year under review, it was observed that the internal audit function for the State Department for Roads did not have approved internal audit reports. It was therefore not possible to confirm whether the internal audit function was operational during the year or whether they were providing the assurance that the State Department's risk management, governance and internal control processes were operating effectively.

In the circumstances, the effectiveness of risk management, internal control environment and governance could not be confirmed.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, 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 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 (Cash 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 to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the State Department or 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 are in compliance 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

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. 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 and weakness 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 addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, 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 accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution .

My consideration of the internal controls would not necessarily disclose all matters in the internal controls that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.


Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the State Department's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the State Department to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the State Department to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that are identified during the audit.

I also provide Management with a statement that -1 have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

19 January, 2024



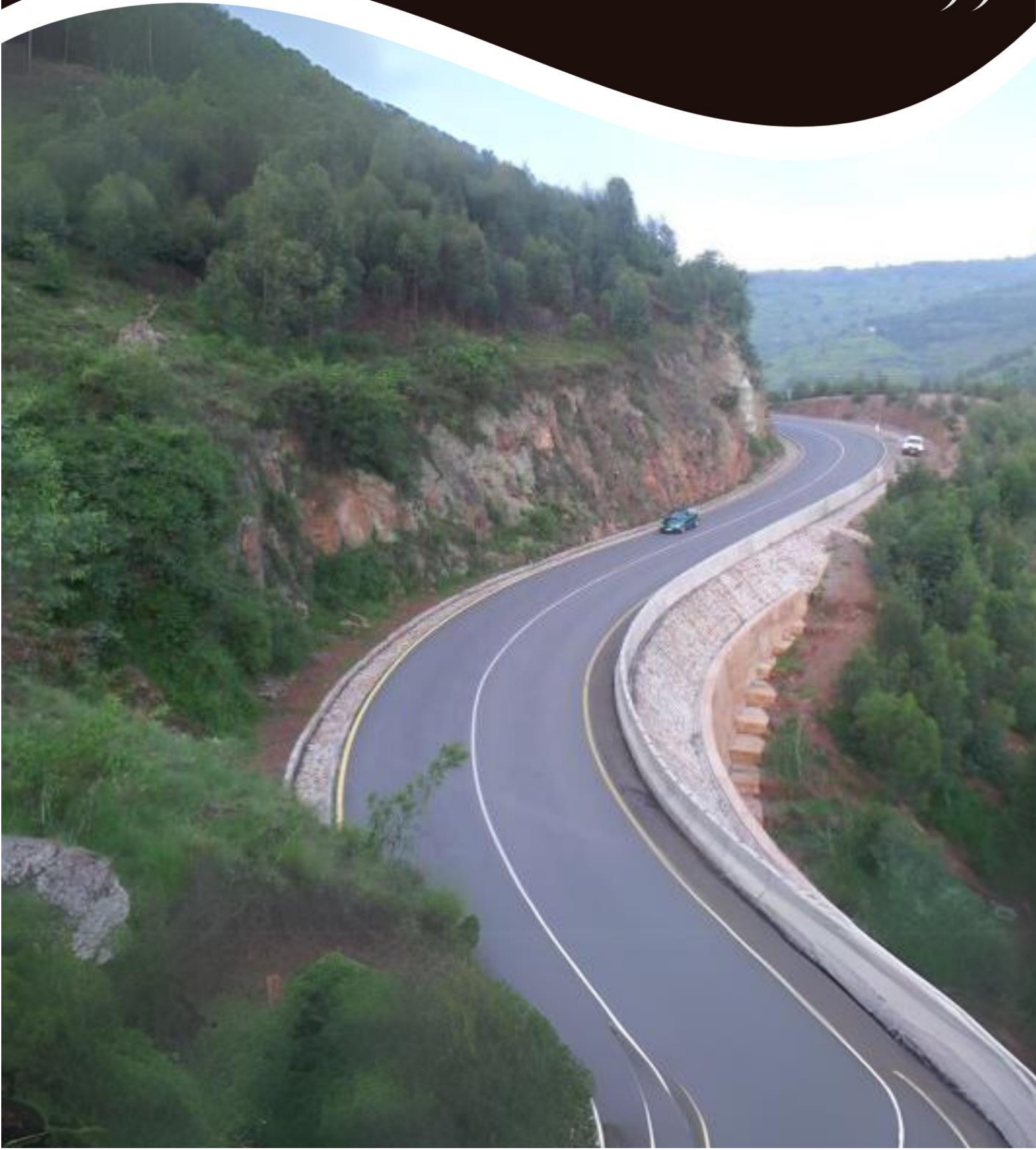


“

**It is not our wealth that built our roads,
but it is our roads that built our wealth.**

John F. Kennedy


”



11. Statement of Receipts and Payments for the Year ended 30th June 2023

	Note	2022- 2023	2021- 2022
		Ksh	Ksh
RECEIPTS			
Tax Receipts	1	39,039,432	450,016,607
Proceeds from Domestic and Foreign Grants	2	546,758,209	368,147,700
Exchequer Releases	3	53,875,610,928	76,484,346,252
Transfers from Other Government Entities	4	79,987,726,803	83,789,512,195
Proceeds from Borrowings	5	21,633,235,739	38,442,712,852
Other Revenues	6	648,429,798	1,036,246,467
TOTAL REVENUES		156,730,800,909	200,570,982,073
PAYMENTS			
Compensation of Employees	7	1,188,653,922	1,154,471,942
Use of Goods and services	8	1,056,987,521	672,594,264
Transfer to Other Government Units	9	152,059,589,028	186,299,977,564
Social Security Benefits	10	24,622,265	1,756,389
Acquisition of Assets	11	2,352,714,866	12,433,018,607
TOTAL PAYMENTS		156,682,567,602	200,561,818,766
SURPLUS		48,233,307	9,163,307

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30/09 2023 and signed by:



.....
Eng. Joseph M. Mbugua, CBS
Accounting Officer



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

12. Statement Of Financial Assets And Financial Liabilities As At 30th June 2023

	Note	2022-2023	2021-2022
FINANCIAL ASSETS		Ksh	Ksh
Cash and Cash Equivalents			
Bank Balances	12A	275,913,755	240,178,204
Cash Balances	12B		40,441
Total Cash and Cash Equivalents		275,913,755	240,218,645
Accounts Receivables - Outstanding Imprest and Clearence Accounts	13	76,068	3,855,969
TOTAL FINANCIAL ASSETS		275,989,823	244,074,614
LESS: FINANCIAL LIABILITIES			
Accounts Payables - Deposits	14	227,599,396	233,616,998
NET FLNANCIAL ASSETS		48,390,427	10,457,616
REPRESENTED BY			
Fund balance b/fwd	15	10,457,616	92,061,031
Prior	16	(10,300,496)	(90,766,722)
Surplus/Deficit for the year		48,233,307	9,163,307
NET FINANCIAL POSITION		48,390,427	10,457,616

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30/09 2023 and signed by:

.....
Eng. Joseph M. Mbugua, CBS
Accounting Officer

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

13. Statement of Cash Flows For The Year Ended 30th June 2023

	Note	2022-2023	2021-2022
		Ksh	Ksh
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from Operating Income			
Tax receipts	1	39,039,432	450,016,607
Proceed from Domestic and Foreign Grants	2	546,758,209	368,147,700
Transfer from National Treasury	3	53,875,610,928	76,484,346,252
Transfer from other Government entities	4	79,987,726,803	83,789,512,195
Other Revenues	6	648,429,798	1,036,246,467
		135,097,565,170	162,128,269,221
Payment for Operating Expenses			
Compensation of Employees	7	1,188,653,922	1,154,471,942
Use of goods and services	8	1,056,987,521	672,594,264
Transfer to Other Government Units	9	152,059,589,028	186,299,977,564
Social Security Benefits	10	24,622,265	1,756,389
		154,329,852,736	188,128,800,159
Adjusted for:			
Prior Year Adjustments	16	(10,300,496)	(90,766,722)
Decrease/Increase in Accounts receivable(Outstanding imprest)	17	3,779,901	2,264,124
Increase/Decrease in Accounts Payable(deposit and retention)	18	(6,017,602)	24,637,394
Net Cash flows from Operating Activities		(19,244,825,763)	(26,064,396,142)
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	11	(2,352,714,866)	(12,433,018,607)
Net Cash flows from Investing activities		(2,352,714,866)	(12,433,018,607)
CASH FLOW FROM BORROWING ACTIVITIES			
Proceeds from Foreign Borrowings	5	21,633,235,739	38,442,712,852
Net Cash flows from financing activities		21,633,235,739	38,442,712,852
NET INCREASE IN CASH AND CASH EQUIVALENT		35,695,110	(54,701,897)
Cash and cash equivalent at the beginning of the year		240,218,645	294,920,542
Cash and cash equivalent at the end of the year		275,913,755	240,218,645

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30/09 2023 and signed by:



Eng. Joseph M. Mbugua, CBS
Accounting Officer



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

14. Statement of Comparison of Budget and Actual Amounts for FY2022/23

Revenue/ Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparabl e	Budget Utilisatio n	% of Untisatio n
	a	b	c=a+b	D	e=c-d	f=d/c%
RECEIPTS						
Tax Receipts	8,539,000,000	8,000,000,000	539,000,000	39,039,432	499,960,568	7
Proceeds from Domestic and Foreign Grants	2,410,000,000	980,000,000	1,430,000,000	546,758,209	883,241,791	38
Exchequer releases	64,533,000,000	8,342,883,753	56,190,116,247	53,875,610,928	2,314,505,319	96
Transfer from Other Government Entities	81,882,000,000	-	81,882,000,000	79,987,726,803	1,894,273,197	98
Proceeds from Foreign Borrowings	62,839,567,854	32,952,699,452	29,886,868,402	21,633,235,739	8,253,632,663	72
Other Receipts	1,090,000,000	223,000,000	867,000,000	648,429,798	218,570,202	75
Total Receipts	221,293,567,854	50,498,583,205	170,794,984,649	156,730,800,909	14,064,183,740	92
Payments						
Compensation of Employees	1,337,000,000	151,100,000	1,185,900,000	1,188,653,922	2,753,922	100
Use of goods and services	2,862,639,387	1,688,119,849	1,174,519,538	1,056,987,521	117,532,017	90
Transfers to Other Government Units	204,991,696,916	39,042,998,452	165,948,698,464	152,059,589,028	13,889,109,436	92
Social Benefits	30,002,373	-	30,002,373	24,622,265	5,380,108	82
Aquisition of Assets	12,072,229,178	9,616,364,904	2,455,864,274	2,352,714,866	103,149,408	96
Grand Total	221,293,567,854	50,498,583,205	170,794,984,649	156,682,567,602	14,112,417,047	92
Surplus/Deficit	-	-	-	48,233,307	(48,233,307)	

(a) Variance analysis:

- i. Tax Proceeds. The item refers to transit toll collections- The underutilization was as a result of reduced receipts of transit toll collections from Kenya Roads Board

- ii. Proceeds From Domestic and Foreign Grants. The item refers to budget allocation with Grant Financing from KfW and European Investment Bank (EIB). The underutilization was as a result of delayed commencement and hence reduced consumption of allocated grant provision for upgrading of Kitale-Morpus and Kwa Jomvu Mariakani Road Projects with financing from KfW and EIB
- iii. Proceeds From Foreign Borrowing: The underutilization was on Development Partner co financed projects whose implementation was delayed than originally planned during the budgeting phase. Delayed implementation was mainly experienced for projects under the Horn of Africa Gateway Development Project (HoAGDP, Capacity enhancement for Mombasa-Mtwapa-Kilifi under AfDB improvement of kwa Jomvu-Mariakani under KfW and EIB
- iv. Other Receipts. The underutilization for other receipts was mainly due to under collections of the Mechanical Fund caused by diminished hire of Equipment for road construction occasioned by inadequate budget for contracts and hence reduced demand for equipment for hire.
- v. Social Security Payments. The amount had been budgeted for payment of gratuity for the Cabinet Secretary/Principal Secretary/and Chief Administrative Secretary. The amount was not however optimally expended since some of the beneficiary officers had not completed periods that would qualify them for payment of gratuity.

(b) **Reallocations within the year:** The changes between the original and final budget were as a result of budget reduction in tandem with the expenditure levels as at the time of the supplementary budget and also as a result of rationalization to conform with expected Government revenues.

The State Department for Roads financial statements were approved on 30/09 2023 and signed by:



.....
Eng. Joseph M. Mbugua,
CBS
Accounting Officer



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

14 (a) Statement of Comparison of Budget and Actual Amounts: Recurrent for FY2022/23

Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable	Budget Utilisation	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c%
RECEIPTS						
Tax Receipts	539,000,000	-	539,000,000	39,039,432	499,960,568	7
Exchequer releases	1,657,000,000	237,883,753	1,419,116,247	1,398,984,197	20,132,050	99
Transfer from Other Government Entities	66,192,000,000	-	66,192,000,000	64,297,726,803	1,894,273,197	97
Proceeds from Foreign Borrowing	1,090,000,000	223,000,000	867,000,000	648,429,798	218,570,202	75
Total Receipts	69,478,000,000	460,883,753	69,017,116,247	66,384,180,230	2,632,936,017	96
Payments						
Compensation of Employees	1,337,000,000	151,100,000	1,185,900,000	1,188,653,922	2,753,922	100
Use of goods and services	194,639,387	50,119,849	144,519,538	94,639,724	49,879,814	65
Transfers to Other Government Units	67,907,000,000	262,600,000	67,644,400,000	65,024,247,316	2,620,152,684	96
Social Benefits	30,002,373	-	30,002,373	24,622,265	5,380,108	82
Acquisition of Assets	9,358,240	2,936,096	12,294,336	5,598,950	6,695,386	46
Grand Total	69,478,000,000	460,883,753	69,017,116,247	66,337,762,177	2,679,354,070	96
Surplus/Deficit	-	-	-	46,418,053	46,418,053	-

*Notes***(a) Variance analysis:**

- i. Tax Receipts- The item refers to transit toll collections- The underutilization was as a result of reduced receipts of transit toll collections from Kenya Roads Board
- ii. other Receipts - . The underutilization for other receipts was mainly due to under collections of the Mechanical Fund caused by diminished hire of Equipment for road construction occasioned by inadequate budget for contracts and hence reduced demand for equipment for hire.
- iii. Use of Goods and Services- The underutilization was as a result of non-receipt of recurrent exchequer to finance purchase of office use items

iv. Social Security Benefits- The amount had been budgeted for payment of gratuity for the Cabinet Secretary/Principal Secretary/and Chief Administrative Secretary. The amount was not however optimally expended since some of the beneficiary officers had not completed periods that would qualify them for payment of gratuity.

v. Acquisition of Assets- The underutilization was as a result of non-receipt of recurrent exchequer to finance purchase of office furniture and equipment

(b) **Reallocations within the year:** The changes between the original and final recurrent budget was mainly due to reduction of budget for compensation of employees based on trend of expenditure and reduced transfers net GOK budget to Engineers Board of Kenya.

The State Department for Roads financial statements were approved on 30/09 2023 and signed by:



.....
Eng. Joseph M. Mbugua,
CBS
Accounting Officer



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

14 (b) Statement of Comparison of Budget and Actual Amounts: Development for FY2022/23

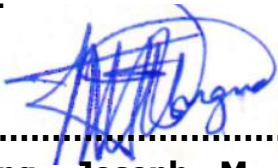
Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable	Budget Utilisation	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Tax Receipts	8,000,000,000	(8,000,000,000)	-		-	
Proceeds from Domestic and Foreign Grant	2,410,000,000	- (980,000,000)	1,430,000,000	546,758,209	883,241,791	38
Exchequer releases	62,876,000,000	(8,105,000,000)	54,771,000,000	52,476,626,732	2,294,373,268	96
Transfer from Other Government Entities	15,690,000,000	-	15,690,000,000	15,690,000,000	-	100
Proceeds from Fore*n Borrowing	62,839,567,854	(32,952,699,452)	29,886,868,402	21,633,235,739	8,253,632,663	72
Total Receipts	151,815,567,854	(50,037,699,452)	101,777,868,402	90,346,620,680	11,431,247,722	89
					-	
Payments					-	
Use of goods and services	2,668,000,000	(1,638,000,000)	1,030,000,000	962,347,797	67,652,203	93
Transfers to Other Government Units	137,084,696,916	(38,780,398,452)	98,304,298,464	87,035,341,712	11,268,956,752	89
Acquisition of Assets	12,062,870,938	(9,619,301,000)	2,443,569,938	2,347,115,916	96,454,022	96
Grand Total	151,815,567,854	(50,037,699,452)	101,777,868,402	90,344,805,425	11,433,062,977	89
Surplus/Deficit		-	-	-	1,815,255	

(a) Variance analysis:

- i. Proceeds From Domestic and Foreign Grants. The item refers to budget allocation with Grant Financing from KfW and European Investment Bank (EIB). The underutilization was as a result of delayed commencement and hence reduced consumption of allocated grant provision for upgrading of Kitale-Morpus and Kwa Jomvu Mariakani Road Projects with financing from KfW and EIB
- ii. Proceeds From Foreign Borrowing: The underutilization was on Development Partner co financed projects whose implementation was delayed than originally planned during the budgeting phase. Delayed implementation was mainly experienced for projects under the Horn of Africa Gateway Development Project (HoAGDP, Capacity enhancement for Mombasa-Mtwapa-Kilifi under AfDB improvement of kwa Jomvu-Mariakani under KfW and EIB
- iii. Transfers to Other Government Units- The underutilization was on Development Partner co financed projects whose implementation was delayed than originally planned during the budgeting phase.

(b) **Reallocations within the year:** The change between original and final budget for tax receipts from kshs.8,000,000,000 to nil was as a result of removal as a financing AIA of Petroleum Development Levy (PDL) proceeds of Kshs.8 billion which were to accrue to the State Department as Local AIA. The removal was occasioned by the realization that the PDL Fund did not have surplus to Finance the portion of budget amounting to Kshs.8 billion. The other material budget changes were reductions on Development Partner co financed projects effected on account of trend of expenditure as at the time of supplementary budget.

The State Department for Roads financial statements were approved on 30/09 2023 and signed by:



.....
Eng. Joseph M. Mbugua,
CBS
Accounting Officer



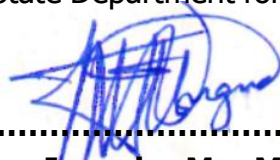
.....
Sophie Wakio Mwangashi
Head of Accounting Unit
ICPAK M/No. 11341



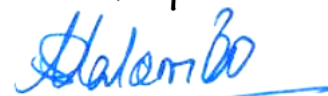
14 (c) Budget Execution by Programmes and Sub-Programmes for FY2022/23

Description	Approved Budget	Actual Payments	Variance
Road Transport	170,794,984,649	156,682,567,602	14,112,417,047
Construction of Roads and Bridges	62,807,472,652	52,985,779,093	9,821,693,559
Rehabilitation of Road	26,119,325,812	24,760,062,619	1,359,263,193
Maintenance of Roads	77,656,500,000	75,174,266,266	2,482,233,734
General Administration, Planning and Support Services	4,211,686,185	3,762,459,624	449,226,561
Grand Total	170,794,984,649	156,682,567,602	14,112,417,047

The State Department for Roads financial statements were approved on 30/09 2023 and signed by:



.....
Eng. Joseph M. Mbugua,
CBS
Accounting Officer



.....
Sophie Wakio Mwangashi

Head of Accounting Unit
ICPAK M/No. 11341

15. Notes to the Financial Statements

1. Statement of Compliance and Basis of Preparation

The financial statements have been prepared in accordance with Cash-basis International Public Sector Accounting Standards (IPSAS) as prescribed by the Public Sector Accounting Standards Board (PSASB) and set out in the accounting policy note below. This cash basis of accounting has been supplemented with accounting for;

- a) receivables that include

- imprests and salary advances and b) payables that include deposits and retentions. The financial statements comply with and conform to the form of presentation prescribed by the PSASB. The accounting policies adopted have been consistently applied to all the years presented

2. Reporting entity

The financial statements are for the State Department for Roads. The financial statements encompass the reporting entity as specified under Section 81 of the PFM Act 2012 and also comprise of the following development projects implemented by the entity:

- i. Eastern Africa Regional Transport, Trade and Development Facilitation Project
- ii. Horn of Africa Gateway Development Project
- iii. East Africa Skills for Transformation and Integration Project

3. Reporting Currency

The financial statements are presented in Kenya Shillings (Kshs), which is the functional and reporting currency of the Government and all values are rounded to the nearest Kenya Shilling.

Significant Accounting Policies

The accounting policies set out in this section have been consistently applied by State Department for Roads.

a) Recognition of Receipts

The State Department for Roads recognises all receipts from the various sources when the event occurs, and the related cash has been received.

(i) Transfers from the Exchequer

Transfers from the exchequer are recognized in the books of accounts when cash is received. Cash is considered as received when payment instruction is issued to the bank and notified to the receiving entity.

(ii) External Assistance

External assistance is received through grants and loans from multilateral and bilateral development partners. Grants and loans shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary. In case of grant/loan in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the

transaction is the value date indicated on the payment advice. A similar recognition criteria is applied for loans received in the form of a direct payment. During the year ended 30th June 2023, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

(iii) miscellaneous receipts

These include Appropriation-in-Aid and relates to receipts such as proceeds from disposal of assets and sale of tender documents. These are recognized in the financial statements the time associated cash is received.

Recognition of payments

The Entity recognises all payments when the event occurs, and the related cash has been paid out by the State Department for Roads.

i) Compensation of Employees

Salaries and wages, allowances, statutory contribution for employees are recognized in the period when the compensation is paid.

ii) Use of Goods and Services

Goods and services are recognized as payments in the period when the goods/services are paid for. Such expenses, if not paid during the period where goods/services are consumed, shall be disclosed as pending bills.

iii) Interest on Borrowing

Borrowing costs that include interest are recognized as payment in the period in which they are paid for.

iv) Principal on borrowing

The repayment of principal amount of borrowing is recognized as payment in the period in which the repayment is made.

v) Acquisition of Fixed Assets

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment. A fixed asset register is maintained and a summary provided for purposes of consolidation. This summary is disclosed as an annexure 4 to the financial statements.

vi) In-kind contributions

In-kind contributions are donations that are made to the Entity in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the *Entity* includes such value in the statement of receipts and payments both as receipts and as payments in equal and opposite amounts; otherwise, the contribution is not recorded.

vii) Third Party Payments

Included in the receipts and payments, are payments made on the entity's behalf to third parties in form of loans and grants. These payments do not constitute cash receipts and payments and are disclosed in the payment to third parties in the statement of receipts and payments as proceeds from foreign borrowings or grants.

b) Cash and Cash Equivalents

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

Restriction on Cash

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation. Amounts maintained in deposit bank accounts are restricted for use in refunding third party deposits and retentions. As of 30th June 2023, this amounted to **Kshs.227,599,396** compared to **Kshs.233,616,998** in prior period as indicated on note 12A. There were no other restrictions on cash during the year.

c) Imprests and advances

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year are treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or Authority to Incur Expenditure (AIE) holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

d) Third party deposits and retention

For the purposes of these financial statements, deposits and retentions held on behalf of third parties have been recognized on an accrual basis (as accounts payables). This is in recognition of the government practice of retaining a portion of contracted services and works pending fulfilment of obligations by the contractor and to hold deposits on behalf of third parties. This is an enhancement to the cash accounting policy adopted for National Government Ministries and Agencies. Other liabilities including pending bills are disclosed in the financial statements.

e) Pending Bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as 'memorandum' or 'off-balance' items. When the pending bills are finally settled, such payments are included in the Statement of Receipts and Payments in the year in which the payments are made.

f) Budget**Add state departent for roads here**

The State Department for Roads budget is developed on a comparable accounting basis (cash basis except for imprest and deposits and retentions, which are accounted for on an accrual basis), the same accounts classification basis, and for the same period as the financial statements. The original budget was approved by Parliament in June 2022 for the period 1st July 2022 to 30th June 2023 as required by Law and there were II number of supplementary adjustments to the original budget during the year.

A comparison of the actual performance against the comparable budget for the financial year under review has been included in the financial statements. Government Development Projects are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognised as inter-entity transfers.

g) Comparative Figures

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

h) Subsequent Events

There have been no events after the financial year end with a significant impact on the financial statements for the year ended 30th June 2023.

i) Prior Period Adjustment

During the year, errors that have been corrected are disclosed *under note 26* explaining the nature and amounts.

j) Related Party Transactions

Related party means parties are related if one party has the ability to:

- a) Control the other party or
- b) Exercise significant influence over the other party in making financial and operational decisions, or if the related party entity and another entity are subject to common control.

Related party transaction is a transfer of resources or obligations between related parties regardless of whether a price is charged.

k) Contingent Liabilities

A contingent liability is:

- a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b) A present obligation that arises from past events but is not recognised because:
 - i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
 - ii) The amount of the obligation cannot be measured with sufficient reliability.

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities. Letters of comfort/ support, insurance, Public Private Partnerships, 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.



Notes to the Financial Statements

1 Tax Receipts

Description	2022-2023	2021-2022
	Kshs	Kshs
Taxes on Goods and Services	39,039,432	450,016,607
Total	39,039,432	450,016,607

2 Proceeds from Domestic and Foreign Grants

Description	Date Received	2022-2023	2021-2022
		Kshs	Kshs
Grants Received from Multilateral Donors (International Organisations)	Financial Year 2022-2023	546,758,209	368,147,700
Total		546,758,209	368,147,700

The Proceeds from Foreign Grants are broken down as follows:-

PROJECT	DONOR – Direct Payments	AMOUNT
1 Project Feasibility study for climate proofed Rural Roads in ASAL-Kenya	Agence Francaise Developpement (AFD)	46,528,493.80
2 Institutional Support to Kenya transport sector in Kenya	European Union (EU)	192,592,356.85
3 Various	European Union (EU)	95,945,495.70
4 Various	Kreditanstalt für Wiederaufbau (KfW)	59,053,744.00
5 SCARSIP: Isebania-Kisii-Ahero	Trade Mark East Africa (TMEA)	152,638,118.15
Total		546,758,208.50

3 Exchequer releases

Description	2022-2023	2021-2022
	Kshs	Kshs
Total Exchequer Releases for quarter 1	17,961,168,155	21,800,203,982
Total Exchequer Releases for quarter 2	1,052,152,206	10,060,300,006
Total Exchequer Releases for quarter 3	8,586,387,023	18,516,050,354
Total Exchequer Releases for quarter 4	26,275,903,545	26,107,791,911
Total	53,875,610,928	76,484,346,252

The budgeted Exchequer was Kshs. 56,190,116,247. The Exchequer received was Kshs.53,875,610,928 representing 96% absorption rate.

4 Transfers from other Government Entities

Description	2022-2023	2021-2022
	Kshs	Kshs
Transfers from National government entities	79,987,726,803	83,789,512,195
Total	79,987,726,803	83,789,512,195

The above transfers were received from the Kenya Roads Board, which is Self-Reporting Entity

4b) Transfers from other Government entities

Description	Recurrent	Development	2022-2023	2021-2022
	Kshs	Kshs	Kshs	Kshs
Transfers from National government entities				
Kenya Roads Board	64,297,726,803	15,690,000,000	79,987,726,803	83,789,512,195
TOTAL	64,297,726,803	15,690,000,000	79,987,726,803	83,789,512,195

We have confirmed the above amounts with the disbursing entities and attached these confirmations as an Appendix to these financial statements.

5 Proceeds from Foreign Borrowings

Description	2022-2023	2021-2022
	Kshs	Kshs
Foreign Borrowing - Direct payments	21,633,235,739	38,442,712,852
Total	21,633,235,739	38,442,712,852

These are receipts from Development Partner Organizations (World Bank, African Development Bank, AFD, KfW, EIB, China EXIM Bank, JICA etc) that are funding various Road projects.

6 Miscellaneous Receipts

Description	2022-2023	2021-2022
	Kshs	Kshs
Receipts from Administrative Fees and Charges - AIA	363,866,337	398,813,613
Paid to Exchequer	284,563,461	637,432,854
Total	648,429,798	1,036,246,467

7 Compensation to Employees

Description	2022-2023	2021-2022
	Kshs	Kshs
Basic salaries of permanent employees	832,724,945	812,922,428
Basic wages of temporary employees	19,764,483	16,800,000
Personal allowances paid as part of salary	336,164,494	324,749,515
Total	1,188,653,922	1,154,471,943

8 Use of Goods and Services

Description	2022-2023	2021-2022
	Kshs	Kshs
Utilities, supplies and services	16,257,416	23,719,520
Communication, supplies and services	2,064,718	3,102,724
Domestic travel and subsistence	7,718,350	8,993,809
Foreign travel and subsistence	-	1,171,220
Printing, advertising and information supplies & services	818,350	1,320,048
Training expenses	733,842,132	367,637,984
Hospitality supplies and services	5,993,720	7,686,150
Insurance costs	2,140,000	3,389,760
Specialized materials and services	34,449,881	31,014,184
Office and general supplies and services	5,586,150	10,612,527
Fuel Oil and Lubricants	1,244,974	2,638,296
Other operating expenses	115,587,288	107,664,940
Routine maintenance – vehicles and other transport equipment	190,937	5,651,802
Routine maintenance – other assets	131,093,606	97,991,301
Total	1,056,987,521	672,594,264

9 Grants and Transfers to other Government Entities

Description	2022-2023	2021-2022
	Kshs	Kshs
Transfers to National Government entities		
Current grants to government agencies and other level of govt	65,024,247,316	71,375,775,316
Capital grants to government agencies and other level of govt	87,035,341,712	114,924,202,248
Total	152,059,589,028	186,299,977,564

Current grants represent Fuel Levy funds from Kenya Roads Board, local AIA and Exchequer Funds for Engineers Board of Kenya.

Capital grants comprise of Exchequer funds, Development Road Maintenance Levy Funds and direct payments for Development Partner funded projects.

9 b: Transfers to self – reporting entities in the year

The above transfers were made to the following self-reporting entities in the year:

Description	Recurrent	Development	Total for the year	2021-2022
	Kshs	Kshs	Kshs	Kshs
Transfers to SAGAs and SCs				
Kenya Institute of Highways and Building Technology	289,517,589	-	289,517,589	300,000,000
Mechanical and Transport Fund	284,563,461	-	284,563,461	637,432,854
Kenya Wildlife Service				651,338,776
Engineers Board of Kenya	113,400,000	42,000,000	155,400,000	241,000,000
Kenya Urban Roads Authority	12,507,061,064	11,225,137,719	23,732,198,783	25,674,354,906
Kenya Rural Roads Authority	26,279,243,979	34,616,922,783	60,896,166,762	61,427,378,775
Kenya National Highway Authority	25,550,461,223	19,211,269,067	44,761,730,290	58,719,787,683
Direct Payments	-	21,940,012,143	21,940,012,143	38,648,684,570
Total	65,024,247,316	87,035,341,712	152,059,589,028	186,299,977,564

We have confirmed these amounts with the recipient entities and attached these confirmations as an Appendix to this financial statement

10 Social Security Benefits

	2022-2023	2021-2022
	Kshs	Kshs
Government pension and retirement benefits	24,622,265	1,756,389
Total	24,622,265	1,756,389

This relates to service gratuity for officers including the former Principal Secretary, Cabinet Administrative Secretary upon the end of their contracts

11 Acquisition of Assets

Non -Financial Assets	2022-2023	2021-2022
	Kshs	Kshs
Construction of Buildings	82,396,142	186,311,102
Refurbishment of Buildings	52,821,509	91,021,548
Construction of Roads	1,590,000,000	11,822,186,340
Construction and Civil Works	90,682,308	57,962,288
Purchase of Vehicles and other Transport Equipment	-	33,750,000
Purchase of Office Furniture and General Equipment	-	1,595,500
Purchase of Specialized Plant, Equipment and Machinery	28,232,029	49,263,118
Rehabilitation and Renovation of Plant, Machinery and Equip.	38,537,346	12,273,700
Research, Studies, Project Preparation, Design & Supervision	460,826,015	178,655,012
Rehabilitation of Civil Works	9,219,516	-
Sub-total	2,352,714,865	12,433,018,607
Financial Assets	-	-
Sub-total	-	-
Total	2,352,714,866	12,433,018,607

12 Cash and Bank Accounts

Description	2022-2023	2021-2022
	Kshs	Kshs
Bank Accounts (Note 12 A)	275,913,755	240,178,204
Cash on hand (Note 12 B)	-	40,441
Total	275,913,755	240,218,645



12A: Bank Accounts

Name of Bank, Account No. & currency	Amount in bank account currency	Indicate whether recurrent, Development, deposit etc.	Exc rate (if in foreign currency)	2022-2023	2021-2022
				Kshs	Kshs
Central Bank of Kenya, 1000209844,KSh	2,274,615	Development	-	2,274,615	4,302,310
Central Bank of Kenya, 1000209925,KShs	46,039,744	Recurrent	-	46,039,744	2,258,896
Central Bank of Kenya, 1000212535,KShs	227,599,396	Deposit	-	227,599,396	233,616,998
Total				275,913,755	240,178,204

12B: Cash on hand

Description	2022-2023	2021-2022
	Kshs	Kshs
Cash in hand – Held in domestic currency		40,441
Total	-	40,441

Detailed Cash is as follows:

Description	2022-2023	2021-2022
	Kshs	Kshs
Headquarters Cash Office	-	40,441
Total	-	40,441

Board of Survey certificates have been provided as appendices

13 : Imprests and Advances

Description	2022-2023	2021-2022
	Kshs	Kshs
Government Imprests	-	3,441,924
Salary advances	12,803	81,991
District suspense	63,265	332,054
Total	76,068	3,855,969

All Government imprests were surrendered during the Financial Year.

Imprests and advances aging analysis.

	2022-2023	% of the total	2021-2022	% of the total
Under one year	0	0%	0	%
1-2 years	0	0%	3,441,924	100%
Total	0		3,441,924	

14 Third party deposits and retention

Description	2022-2023	2021-2022
	Kshs	Kshs
Deposits	227,599,396	233,616,998
Total	227,599,396	233,616,998

15 Fund Balance Brought Forward

Description	2022-2023	2021-2022
	Kshs	Kshs
Bank Accounts	240,178,204	294,920,542
Cash in hand	40,441	-
Imprests and advances	3,855,969	6,120,093
Third party deposits and retention	(233,616,998)	(208,979,604)
Total	10,457,616	92,061,031

16 Prior Year Adjustments

Description of the error	Balance b/f from previous year as per audited financial statements	Adjustments during the year relating to prior periods	Adjusted Balance b/f Current Year
	Kshs	Kshs	Kshs
Bank Account Balances	240,178,204	(6,561,206)	233,616,998
Imprests and advances	3,855,969	(3,739,290)	116,679
Third party deposits and retention	(233,616,998)		(233,616,998)
Total	10,417,175	(10,300,496)	116,679

The adjusted balances are not carried down on the face of the financial statement. Kshs.6,561,206 relates to swept balances to the exchequer and further kshs.3,739,290 relates to surrendered imprests in the current financial year. The prior year adjustments made results in the reduction of the fund balance of the State Department for Roads.

17 (Increase)/ Decrease in Advances and Imprests

Description	2022-2023	2021-2022
	Kshs	Kshs
Receivables As At 1 st July (A)	3,855,969	6,120,094
Receivables As At 30 th June (B)	76,068	3,855,969
(Increase)/ Decrease in Receivables (C=(B-A))	3,779,901	2,264,125

(Receivable as at 1st July for Current FY should be the same as receivable as at 30th June for previous FY)

18 Increase/ (Decrease) in Retention and Third-Party Deposits

Description	2022-2023	2021-2022
	Kshs	Kshs
Payables As At 1 st July	233,616,998	208,979,604
Payables As At 30 th June	227,599,396	233,616,998
Increase/ (Decrease) In Payables	(6,017,602)	24,637,395



19 Related Party Disclosures

The following comprise of related parties to the State Department of Roads



- i) Key management personnel that include the Cabinet Secretaries and Accounting Officers
- ii) Other Ministries Departments and Agencies and Development Projects;
- iii) County Governments; and
- iv) State Corporations and Semi-Autonomous Government Agencies.

20 Other Important Disclosures

20.1 Related party transactions:

Description	2022-2023	2021-2022
	Kshs	Kshs
Key Management Compensation	20,270,496	34,930,896
Transfers to Related Parties		
Transfers to SCs and SAGAs	152,059,589,028	186,299,977,564
Total Transfers to Related Parties	152,079,859,524	186,299,977,564
Transfers from Related Parties		
Transfers from the Exchequer	53,875,610,928	76,484,346,252
Transfers from other MDAs	79,987,726,803	83,789,512,195
Total Transfers from Related Parties	133,863,337,731	160,273,858,447

20.2 Pending Accounts Payable

There were no Pending Accounts Payable in the Financial Year 2022-2023

Description	Balance b/f Previous FY	Additions for the period	Paid during the year	Balance c/f Current FY
	Kshs	Kshs	Kshs	Kshs
Total				



20.3: Pending Staff Payables

There were no staff payables in the Financial Year 2022-2023.

	Balance b/f Previous FY	Additions for the period	Paid during the year	Balance c/f Current FY
Description	Kshs	Kshs	Kshs	Kshs
Senior Management				
Middle Management				
Union Employees				
Others				
Total				

20.4: Other Pending Payables

There were no other pending payables in the Financial Year 2022-2023.

	Balance b/f Previous FY	Additions for the period	Paid during the year	Balance c/f Current FY
Description	Kshs	Kshs	Kshs	Kshs
Total				

20.5 External Assistance

	2022-2023	2021-2022
Description	Kshs	Kshs
External Assistance received as Loans	628,327,086	128,530,882
External Assistance received as Loans (Direct Payments)	47,389,447	33,750,000
Total	675,716,533	162,280,882

a) External assistance relating loans and grants

	2022-2023	2021-2022
Description	Kshs	Kshs
External Assistance received as Loans	675,716,533	162,280,882
Total	675,716,533	162,280,882

b) Undrawn external assistance

	Purpose for which undrawn external assistance may be used	2022-2023	2021-2022
Description		Kshs	Kshs
Undrawn External Assistance - Loans		4,779,623,812	6,521,984,595
Total		4,779,623,812	6,251,984,595

c) Classes of providers of external assistance

	2022-2023	2021-2022
Description	Kshs	Kshs
Multilateral Donors	675,716,533	162,280,882
Total	675,716,533	162,280,882

d) External Assistance paid on behalf of (the MDA) by Source

This relates to external assistance paid directly by third parties to settle obligations on behalf of the entity

	2022-2023	2021-2022
Description	Kshs	Kshs
Multilateral Donors – Foreign Borrowings	675,716,533	162,280,882
Total	675,716,533	162,280,882

20.6. Payments by third party on behalf of (the MDA)**a) Classification by Source**

	2022-2023	2021-2022
Description	Kshs	Kshs
Multilateral donors	47,389,447	33,750,000
Total	47,389,447	33,750,000

20.7 Contingent Liabilities

There were no Contingent Liabilities during the Period under Review

Contingent liabilities	Insert FY	Current	Insert Comparative FY
	Kshs		Kshs
Court case xxx against (the entity)	xxx		xxx
Bank guarantees in favour of subsidiary	xxx		xxx
Contingent liabilities arising from PPPs	xx		xxx
Total	xxx		xxx

Notes to the Financial Statements (Continued)

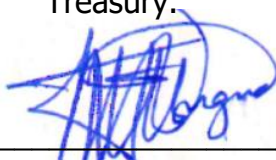
20.8 Progress on follow up of Prior Years Auditor-General’s recommendations.

The following is the summary of issues raised by the Auditor-General during the prior year and management comments that were provided.


Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
		The State Department is scheduled to appear before the Public Accounts Committee to respond to the issues raised in the Auditor General’s Report for the Financial Year 2021/2022		

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report.
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management.
- (iii) Before approving the report, discuss the timeframe with the appointed focal persons within your entity responsible for implementation of each issue.
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.



 Accounting Officer



 Head of Accounting Unit

16. Annexes**Annex 1 - Analysis of Pending Accounts Payable**

There were no Pending Accounts Payable in the Financial Year 2022-2023

Supplier of Goods or Services	Date invoiced / contract ed	Particulars	Original Amount	Balance at the beginning of the year	In addition During the year	Amount paid During the year	Outstanding Balance	Comments
				a	b	c	d=a+b-c	
Grand Total								

Annex 2 - Analysis of Pending Staff Payables

There were no staff payables in the Financial Year 2022-2023.

Name of Staff	Job Group	Date Contracted	Original Amount	Amount Paid To-Date	Outstanding Balance Current Year	Outstanding Balance Previous Year	Comments
			a	b	c=a-b		
Grand Total							

Annex 3 - Analysis of Other Pending Payables

There were no other payables in the Financial Year 2022-2023.

Name	Brief Transaction Description	Date Payable Contract ed	Original amount	Amount Paid To-Date	Outstanding Balance Current Year	Outstanding Balance Previous Year	Comments
			a	b	c=a-b		
Grand Total							



Annex 4 – Summary of Fixed Asset Register

Asset class	Historical Cost b/f (Kshs) Previous Year	Additions during the year (Kshs)	Disposals during the year (Kshs)	Transfers in/(out) during the year	Historical Cost c/f (Kshs) Current Year
Buildings and structures	36,014,089,368	2,285,945,491			38,300,034,859
Office equipment, furniture and fittings	3,625,695.00				3,625,695
Other Machinery and Equipment	507,288,197	66,769,375			574,057,572
Total	36,525,003,260	2,352,714,866			38,877,718,126



Annex 5 – List of Projects implemented by the State Department for Roads

Ref	Project Name	Principal activity of the project	Accounting Officer	Project consolidated in these financial statements(yes/no)
1	Eastern Africa Regional Transport, Trade and Development Facilitation Project (EARTTDFP)	The key objective of the project is to strengthen institutional capacities in all implementing entities and complementary institutions involved within the project.	Principal Secretary, State Department for Roads	No
2	East Africa Skills For Transformation and Regional Integration Project (EASTRIP)	The key objective of the project is to increase the access and improve the quality of TVET programs in selected regional flagship TVET institutes to support regional integration in East Africa.	Principal Secretary, State Department for Roads	No
3	Horn of Africa Gateway Development Project (HoAGDP)	The key objective of the project is to strengthen institutional capacities in all implementing entities and complementary institutions involved within the project.	Principal Secretary, State Department for Roads	No

Annex 6 – List of SCs, Sagas and Public Funds Under State Department for Roads

Ref	SAGA or Public Fund's name	Amount transferred during the year	Inter-reconciliations done?(yes/no)	entity
1	Kenya Urban Roads Authority	24,713,730,223.00		Yes
2	Kenya Rural Roads Authority	63,961,158,247.05		Yes
3	Kenya National Highways Authority	44,761,730,289.85		Yes
4	Engineers Board of Kenya	155,400,000.00		Yes
5	Kenya Roads Board	80,026,766,235.00		Yes

Annex 7 – Contingent Liabilities Register

Nature of contingent liability		Remarks
1	Arbitration and Compensation payment for contract No.490/04 (Roads 2000-Improvement and Gravelling of Road D482) – Transnational Construction and Materials Supplies Ltd	Outstanding balance as at 30 th June, Kshs.51,582,572

Annex 8: Reporting of Climate Relevant Expenditures

There State Department does not have any relevant Expenditure relating to Climate in the Period under Review

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

Annex 9: Disaster Expenditure Reporting Template

There State Department does not have any relevant Expenditure relating to Disaster in the Period under review.

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

Annex 10- Reports Generated from IFMIS

IFMIS financial reports to be presented on request.





ANNUAL REPORT

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