


Enhancing Accountability

REPORT

 THE NATIONAL ASSEMBLY	
DATE: 15 FEB 2022	
DAY: <u>Thursday</u>	
TABLED BY:	<u>LDM</u>
CLERK-AT THE TABLE:	<u>Ge...</u>

THE AUDITOR-GENERAL

ON

**STATE DEPARTMENT FOR REGIONAL AND
NORTHERN CORRIDOR DEVELOPMENT**

**FOR THE YEAR ENDED
30 JUNE, 2021**





OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY

30 SEP 2021

RECEIVED

STATE DEPARTMENT FOR REGIONAL AND NORTHERN CORRIDOR DEVELOPMENT

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2021

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



Table of Contents	Page
1. KEY ENTITY INFORMATION AND MANAGEMENT.....	1
2. FOREWORD BY THE CABINET SECRETARY.....	12
3. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES.....	17
4. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY.....	20
5. STATEMENT OF MANAGEMENT RESPONSIBILITIES.....	22
6. REPORT OF THE INDEPENDENT AUDITORS ON THE STATE DEPARTMENT FOR REGIONAL AND NORTHERN CORRIDOR DEVELOPMENT.....	24
7. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30 TH JUNE 2021.....	25
8. STATEMENT OF ASSETS AND LIABILITIES AS AT 30 TH JUNE 2021.....	26
9. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 TH JUNE 2021.....	27
10. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED.....	28
11. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT.....	30
12. SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT.....	31
13. BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES.....	32
14. SIGNIFICANT ACCOUNTING POLICIES.....	33
NOTES TO THE FINANCIAL STATEMENTS.....	37
17. PROGRESS ON FOLLOW UP OF PRIOR YEARS AUDITOR'S RECOMMENDATIONS.....	45
ANNEXES.....	49

1. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

1.1 Overview of the Ministry

The Ministry of East African Community and Regional Development was established in January 2018 following the reorganization of the Government of Kenya. The Ministry has two State Departments namely; The State Department of East African Community, and the State Department for Regional & Northern Corridor Development. The Ministry is established to coordinate Kenya's participation in the East African Community integration process pursuant to Article 8 (3)a of the Treaty for the Establishment of the East African Community; coordinate business reforms and transformation in Kenya; coordinate Northern Corridor Integration Projects (NCIP), Regional Development Authorities, Oversight and Co-ordination of Lamu Port South Sudan Ethiopia Transport Corridor (LAPSSET) Programme implementation and Northern Corridor Transit and Transport Co-ordination Authority (NCTTCA). At Cabinet level, the State Department for Regional and Northern Corridor Development is represented by the Cabinet Secretary for the Ministry of East African Community and Regional Development, who is responsible for the general policy and strategic direction of the State Department.

1.2 Vision

To be a champion on regional integration, business transformation and sustainable basin-based development.

1.3 Mission

To deepen and widen East African Integration, facilitate business transformation and enhance integrated basin-based development for improved livelihoods for all Kenyans.

1.4 Mandate

The Ministry derives its mandate from the Executive Order No.1 of June 2018 (Revised), Executive Order No. 1 of May, 2020 (Revised) and Head of Public Service Circular of 2nd April, 2019 as follows:

- i. Policy on East African Community.
- ii. East African Community Affairs.
- iii. Implementation of the East African Treaty.
- iv. Facilitate and enhance the Ease of doing Business in Kenya.
- v. Identifying and recommending business reforms for promoting business and for making Kenya competitive locally, regionally and internationally.
- vi. Coordinating engagements of the Government of Kenya with private sector in respect to business climate and business transformation.
- vii. Co-ordination of implementation of EAC Regional Programmes and Projects.
- viii. Promotion and Fast Tracking of EAC Integration.
- ix. Co-ordination of Government's participation in East African Community Affairs.
- x. East African Community Meetings and Institutions.
- xi. Coordinating Kenya South Sudan Liaison Office (KESSULO).
- xii. Coordination of Regional Development Authorities.
- xiii. Monitoring and Evaluation of the implementation of Northern Corridor Development.
- xiv. Fast tracking identified Northern Corridor Integration Projects.



State Department for Regional and Northern Corridor Development
Reports and Financial Statements
For the year ended June 30, 2021

- xv. Oversight and Co-ordination of Lamu Port South Sudan Ethiopia Transport Corridor (LAPSSET) Programme implementation.
- xvi. Providing Secretariat Service during Ministerial and Head of States Summit Meetings on Northern Corridor Development.
- Xvii. Coordinating Northern Corridor Transit and Transport Co-ordination Authority (NCTTCA).

Core Values

To realize the Vision and Mission, the Ministry is guided by the following core values.

- **Customer focus and Results-Oriented**
Results will legitimize the existence and effectiveness of the Ministry by reinforcing behaviour that engenders top performance of the workforce to the satisfaction of stakeholders
- **Innovativeness and creativity**
The Ministry operates in a dynamic environment and shall embrace best practice and continuous innovation in all its activities to ensure effectiveness and efficiency
- **Integrity**
The Ministry's business will be conducted with transparency, accountability, trustworthiness, commitment and objectivity.
- **Teamwork and Respect for Diversity**
The pivotal and central role of the Ministry renders itself to teamwork and will be sustained by embracing the value chain principle that guarantees internal connectivity and seamless service to external stakeholders.
- **Equity and fairness**
The Ministry undertakes to recognize and promote the rights of and be impartial to all stakeholders and serve all without discrimination.
- **Professionalism**
High professionalism will be maintained through continuous skills development, training and accountability.

(b) Key Management

The State Department for Regional and Northern Corridor Development day-to-day management is under the following key organs:

- Regional Development and
- Northern Corridor.

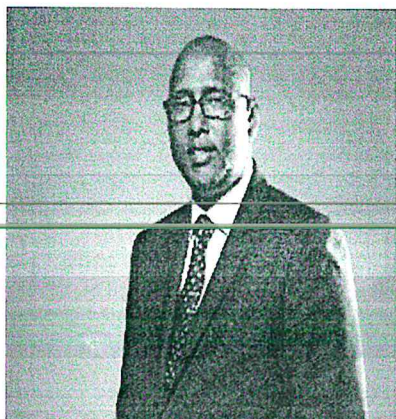
State Department for Regional and Northern Corridor Development
Reports and Financial Statements
For the year ended June 30, 2021

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2021 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Principal Secretary/ Accounting Officer	Dr. Belio R. Kipsang (W.e.f March 2021- to date)
		Dr. Margaret W. Mwakima (July 2020-March 2021)
2.	National Coordinator	Mr. Kipngetich Arap Korir
3.	Secretary Regional Development	Mr. Emilio N. Mugo
4.	Secretary Administration	Mr. Christopher Musumbu
5.	Director Regional Development	Mr. Maina Kiondo
6.	Director HRM	Mr. Douglas Njeru
7.	Assistant Internal Auditor	CPA Simon Njogu
8.	Assistant Accountant General	CPA Benson M. Kinyua (Upto 6 th July, 2021)
		CPA Tom M. Odundo (W.e.f 7 th July, 2021- to date)
9.	Senior Principal Finance Officer	CPA Joseph M. Kimani
10.	Principal Supply Chain Management Officer	Mr. Charles M. Mulandi
11.	Chief Economist	Mr. Nicholas Thairu

**State Department for Regional and Northern Corridor Development
 Reports and Financial Statements
 For the year ended June 30, 2021**



**Hon. Adan Mohamed, EGH,
 Cabinet Secretary, Ministry
 of East African Community
 & Regional Development**

Hon. Adan Mohamed is the Cabinet Secretary for East Africa, Community and Regional Development for Republic of Kenya since July 2018. He previously served as the Cabinet Secretary for Industry, Trade and Cooperatives for 5 years, as well as the Cabinet Secretary for Agriculture, Livestock and Fisheries for a period of one year. Prior to his appointment to serve in the Public Service, he was the Chief Administrative Officer for Barclays Africa (ABSA), with responsibility for ten (10) Barclays Bank subsidiaries in Africa.

Hon. Mohamed also performed various senior roles in Barclays Group including CEO of Barclays Kenya for over 10 years, and Managing Director-Barclays East and West Africa. He also worked in Senior Finance roles in Barclays Bank Group. Prior to joining Barclays, he worked for PricewaterhouseCoopers (London) in Management Consultancy and Business Advisory Services. His international career has seen him serve in the UK, US and Africa. He has served in many other capacities both in private and public sector in Kenya, including: chairman of Kenya Bankers Association, Member of the Kenya National Economic and Social Council (NESC), that developed Kenya's Vision 2030 strategy and Council Chairman of The Jomo Kenyatta University of Agriculture and Technology (JKUAT) amongst others.

Hon. Mohamed received Presidential Recognitions and was bestowed the Elder of Burning Spear (EBS) and the Elder of the Golden Hearts (EGH) Awards for his leading role and distinguished service in both the private and public sector. He led the development of Kenya's Industrial Transformation Programme (KITP), the Country's ten-year industrial blue print that is currently under implementation, Kenya's Pioneer Trade Policy, National Export Strategy amongst other notable milestones for the country. He has been leading Kenya's doing business climate reform program that has seen the country ranked one of the most reforming economies globally by the World Bank, an improvement of 80 slots from 136th in 2014 to 56th in 2019. Hon. Mohamed is an MBA Graduate from Harvard Business School and alumni of the University of Nairobi, Kenya where he graduated with first class honors degree in commerce (Accounting option). He is also a member of Institute of Chartered Accountants in England and Wales.

**State Department for Regional and Northern Corridor Development
Reports and Financial Statements
For the year ended June 30, 2021**



Dr. Belio R. Kipsang, CBS

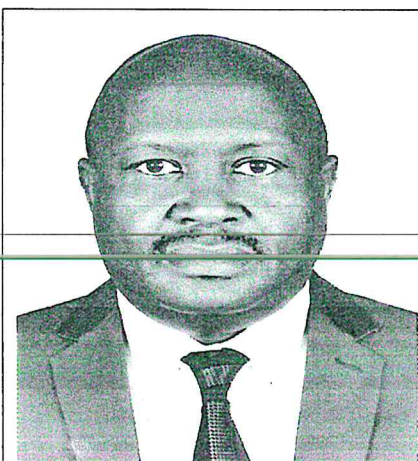
**Principal Secretary, State
Department for Regional and
Northern Corridor
Development**

Dr. Richard Belio Kipsang is the Principal Secretary State Department for Regional and Northern Corridor Development. He served as Principal Secretary, State Department for Basic Education for 9 years. He also served as Managing Trustee/Chief Executive Officer (CEO) Coffee Development Fund and; Deputy CEO and Head of Operations Higher Education Loans Board where he also previously held various Strategic Management positions. Dr. Richard Belio Kipsang is also a Council Member at Mt. Kenya University and Cooperative University College where he also Chairs Finance, Planning and Development. He is a Board member Finance Alliance for Sustainable Trade, (FAST) an International Think Tank on Financial Resource Mobilization; Council Member Advisory Council for Coffee Initiative; Government Delegate International Coffee Organization (ICO) and; Chair Operations Committee, Association of African Higher Education Financing Agencies (AAHEFA).

He is a holder of PhD degree in Education (Educational Administration and Planning from The Catholic University of Eastern Africa, a Masters of Arts degree in Economics and a Bachelors (Honors) degree in Education (Business and Economics) both from the University of Nairobi. He has had extensive professional trainings and commands numerous expose to local and international conferences and workshops in areas of higher education financing and administration, leadership, management, micro-enterprise development, fraud, corruption and combating economic crime, agricultural value chain financing, computing and other areas of business and management among others particularly in prestigious institutions such as the London School of Economics (LSE) in the UK, Harvard University in the USA, State University of New York in the USA, among other institutions in Kenya, Germany, Belgium, Sweden, Denmark, Thailand among others. He is an Associate Member of the Association of Certified Fraud Examiners and also; a member, Institute of Directors of Kenya.

Dr. Kipsang has authored highly competent academic and research papers in the areas of Higher Education Financing and Planning.

State Department for Regional and Northern Corridor Development
Reports and Financial Statements
For the year ended June 30, 2021



Emilio N. Mugo
Secretary Regional Development

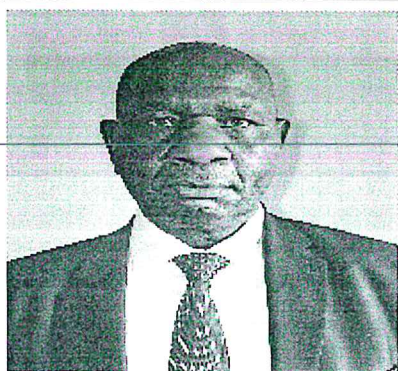
Emilio N. Mugo is the Secretary Regional Development for the State Department for Regional and Northern Corridor Development and currently the Acting Director Tana and Athi Rivers Development Authority having served briefly as Secretary, Forestry Services in the Ministry of Environment and Forestry.

~~He was instrumental in reforming the Forestry Sector in the Country~~ where he served as Senior Deputy Chief Conservator, rising to become Chief Conservator of Forests and CEO at Kenya Forest Service (2007-2018)

An energetic, self-driven Forest Management and Conservation practitioner with over 35 years of both strategic and operational Natural Resources Conservation and Management experience at National, Regional and International level.

He is a decision maker and adept strategist with strong start up and exceptional ability to resolve complex business challenges and improve profitability by minimizing expenses and increasing revenue. Strong proficiency in developing corporate strategy, policy documents, development and adherence of standards

He is a holder of Masters Degree in Project Management (Project Teams and Financing), European Business School; Cambridge, England (2009); Post Graduate Diploma in Project Management; Cambridge Association of Managers (2009); Bachelor of Science (Forestry), Moi University, Kenya (1987), Certificate in Planning and management of Participatory Forestry projects (1989); Certificate in Implementation of Participatory Forestry Projects (1990);



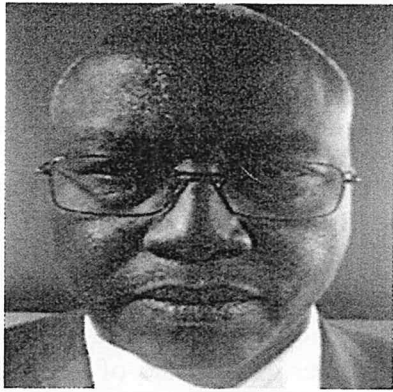
Christopher Musumbu
Secretary Administration

Mr. Christopher K. Musumbu is the Secretary Administration in the State Department for Regional and Northern Corridor Development. He holds an MSC in Conflict Resolution and Management from Masinde Muliro University of Science and Technology, and a BA in Government and Religion from the University of Nairobi. He has a wide and vast experience of more than 30 years in Provincial and Central Government Administration. He previously served as a District Officer, District Commissioner, and later County Commissioner in the then Provincial Administration.

Mr. Musumbu received a Presidential Recognition Award, Order of the Grand Warrior (OGW) for his efficient and effective delivery of service for sustainable development in the year 2008.

He is also the Alternate Director to the PS for State Department at Tana & Athi Rivers Development Authority (TARDA).

**State Department for Regional and Northern Corridor Development
 Reports and Financial Statements
 For the year ended June 30, 2021**



**Kipngetich Arap Korir
 National Coordinator**

Mr Kipngetich Arap Korir is the National Coordinator Northern Corridor Integration Project in the State Department for Regional and Northern Corridor Development. He holds an MBA, a Bachelor of Commerce (Accounting Option) and a Post-Graduate Diploma in Computer Science all from University of Nairobi. He is a Certified Public Accountant (CPA) and a Certified Public Secretary (CPS)

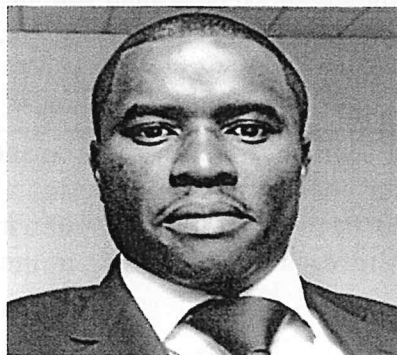
He has vast experience in private and public sector.



**Maina Kiondo
 Director Regional
 Development**

Mr Maina Kiondo is the Director Regional Development for the State Department for Regional and Northern Corridor Development. He holds an MBA (Project Management option) from Kenyatta University and a Bachelor of Science in Agriculture from University of Nairobi. He is also a Project Management professional certified by Project Management Institute and a member of Animal Production Society of Kenya.

He is the Acting Director LAPSSET Corridor Development Authority and an alternate Director to the PS for State Department at Lake Basin Development Authority.



**CPA Benson M. Kinyua
 Assistant Accountant
 General
 Head Accounts Unit**

CPA Benson Mureithi Kinyua is the Head Accounts Unit, State Department for Regional and Northern Corridor Development. He holds an MSC in Commerce, Finance and Accounting and Bachelor of commerce in Accounting and Finance.

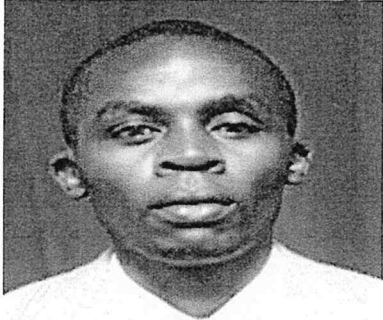

CPA Benson is a member of Institute of Certified Public Accountants of Kenya (ICPAK) in good standing. He has vast experience in Accounting in the civil service for the last 18 years.

He is also an alternate Director to the PS for State Department at Ewaso Ngiro North Development Authority.

State Department for Regional and Northern Corridor Development
Reports and Financial Statements
For the year ended June 30, 2021

	<p>CPA Joseph Muthee Kimani is the Senior Principal Finance Officer in the State Department for Regional and Northern Corridor Development. He has served in the Civil Service for 17 years, 15 of which he has served in the Ministry of Education as a School Auditor. He holds a Bachelor of Commerce in Finance from Kimathi University and a member of Institute of Certified Public Accountant of Kenya (ICPAK) in good standing.</p>
<p>CPA Joseph M. Kimani Senior Principal Finance Officer Head Finance Unit</p>	
	<p>Charles Makau Mulandi is the Head, Supply Chain Management Unit. He holds an MSc (Procurement & Contract Management), MBA (Finance), Bachelor of Business Management (Accounting & Finance) and Bachelor of Laws (LLB). He also holds a Graduate Diploma in Purchasing & Supply from the Chartered Institute of Procurement and Supply (CIPS), Graduate Diploma in Law from the Kenya School of Law and is a Certified Public Accountant of Kenya (CPA).</p>
<p>Charles Makau Mulandi Principal Supply Chain Management Officer Head Supplies chain Unit</p>	<p>He is a member in good standing of the Kenya Institute of Supplies Management (KISM), CIPS and the Law Society of Kenya (LSK) as well as an Advocate of the High Court of Kenya. He has a wealth of experience in public procurement having served in different capacities within the Supply Chain Management Services Cadre in the Public Service for over 17 years.</p>
	<p>Mr Njeru is the Director of Human Resource Management and Development. He holds a Master's Degree in Strategic Management. He is a member of the Institute of Human Resource Management. He has an illustrious career spanning more than 30 years in the Civil Service.</p>
<p>Douglas Njeru Director HRM&D Head HRM&D</p>	

**State Department for Regional and Northern Corridor Development
Reports and Financial Statements
For the year ended June 30, 2021**

 <p>CPA Simon Nyaga Njogu Assistant Internal Auditor General</p>	<p>CPA Simon Nyaga Njogu is the head of Internal Audit unit in the State Department for Regional and Northern Corridor Development. He is a holder of BA in Business Administration and a member of Institute of Certified Public Accountant of Kenya (ICPAK) in good standing. He has 16 years of experience in internal auditing in the civil service</p>
 <p>Nicholas Thairu</p>	<p>Mr. Nicholas Thairu is a Development Economist and is currently the Chief Economist, State Department for Regional and Northern Corridor Development. He is a holder of Bachelors of Arts degree in Economics and Masters of Arts degree in Development studies specialising in Economic Development.</p> <p>He has served as an Assistant Director, Africa Peer Review Mechanism (APRM) & Governance in the NEPAD/APRM Kenya Secretariat and as a Development Economist Community Empowerment and Institutional Support Project (CEISP) jointly funded by African Development Bank (AfDB). Before being an Economist, he served as a District Development Officer.</p> <p>He is a member of the Economists Society of Kenya</p>


(d) Fiduciary Oversight Arrangements

The State Department has Fiduciary Oversight responsibility over the entity's operations. This has ensured adequate systems, processes of accountability; risk management and controls are in place. The Key Management Committees with Fiduciary Oversight responsibility were as follows:

Public Finance Management Standing Committee

The State Department has established a Public Finance Management Standing Committee to provide strategic guidance on public finance management matters. The Standing Committee comprises of the following members:

- Dr Belio R. Kipsang, the Principal Secretary/Accounting Officer as chairperson of the Standing Committee;
- Kipngetich Arap Korir, National Coordinator Northern Corridor Integration Programme as a member.
- Christopher Musumbu, Secretary Administration as a member
- Maina Kiondo, Director Regional Development as a member
- Benson M. Kinyua, Head Accounts Unit, as a member
- Charles M. Mulandi, Head Supply Chain Management Unit, as a member



**State Department for Regional and Northern Corridor Development
Reports and Financial Statements
For the year ended June 30, 2021**

- Douglas Njeru, Director HRM&D as a member
- Joseph M. Kimani, Head Finance Unit, as a Member/ Secretary

The PFM Standing Committee was generally responsible for: -

- i. Ensuring that there is prioritization on resources allocated for the smooth implementation of the State Departments mission, strategy, goals, risk policy plans and objectives;
- ii. Regularly reviewing, monitoring budget implementation and advice on the State Departments financial matters, major capital expenditures and reviewing performance and strategies at least on a quarterly basis;
- iii. Identifying risks and implementation of appropriate measures to manage such risks or anticipated changes impacting on the State Department;
- iv. Reviewing on a regular basis the adequacy and integrity of the State Department internal control, acquisition and divestitures and management information systems including compliance with applicable laws, regulations, rules and guidelines;
- v. Establishing and implementing a system that provides necessary information to the stakeholders for the State Department for Regional and Northern Corridor Development in line with Article 35 of the Constitution;
- vi. Monitoring the effectiveness of the corporate governance practices under which the State Department operates and propose revisions as may be required, from time to time;
- vii. Monitoring timely resolution of audit issues; and
- viii. Any other matter referred to it from time to time by the Cabinet Secretary.

Audit Committee

There is a Ministry's Audit Committee in place with members appointed by the Cabinet Secretary with effect from 1st August, 2020.

The same is comprised of the following members and a chairperson:

- Mr. Godfrey Kirema Mwika, as a Chairperson
- Mr. Albert Okiro, as a member
- Ms. Caroline A. Oduor, as a member
- Ms. Agnes M. Maina, as a member
- Mr. William K. Njuguna as a member

The functions of the audit committee are to -:

- i. Support the Accounting Officer with regard to his responsibilities for issues of risk, control and governance and associated assurance.
- ii. Follow up on the implementation of the recommendations of internal and external auditors.
- iii. Obtain assurance from management that all financial and non-financial internal controls and risk management functions are operating effectively and reliably.
- iv. Provide an independent review of the State Department's reporting functions to ensure the integrity of financial reports.
- v. Monitor the effectiveness of the State Department's performance management and performance information.
- vi. Provide strong and effective oversight of the State Department's internal audit function.

State Department for Regional and Northern Corridor Development
Reports and Financial Statements
For the year ended June 30, 2021

- vii. Provide effective liaison and facilitate communication between management and external audit.
- viii. Ensure the State Department effectively monitors compliance with legislative and regulatory requirements and promotes a culture committed to lawful and ethical behavior

(e) Entity Headquarters

State Department for Regional and Northern Corridor Development
Railways Headquarters Building
Block D
3rd and 4th floor
Haile Selassie Avenue
P.O. Box 50944-00200
Nairobi, KENYA

Entity Contacts

State Department for Regional and Northern Corridor Development
Telephone: (254) 02-2245741 / 2211614 / 2245752
Mobile: 0729111108 / 073308888
E-mail : ps.rd@meac.go.ke
Website: www.meac.go.ke

(f) Entity Bankers

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

(g) Independent Auditors

Auditor General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya

(h) Principal Legal Adviser

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

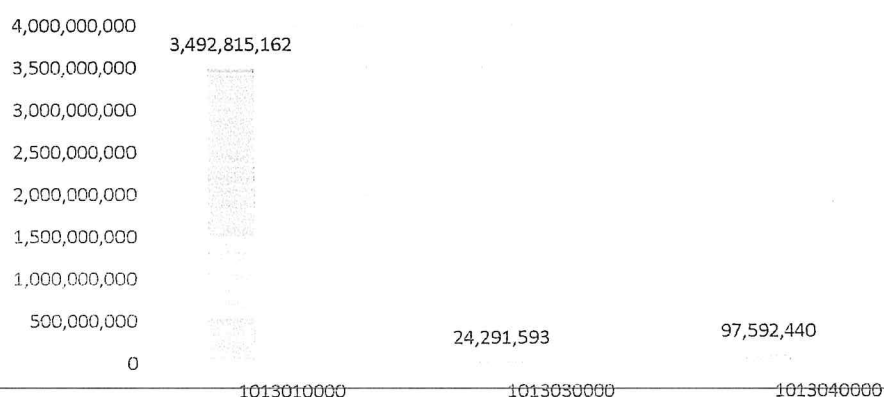


2. FOREWORD BY THE CABINET SECRETARY

KEY ACHIEVEMENTS

The State Department utilized 99% per cent of the recurrent budget and 100% of development budget funded by the exchequer in the financial year ended 30th June 2021 to carry out its mandate. The mandate of the State Department is coordination of Regional Development Authorities (RDAs), monitoring and evaluation of the implementation of Northern Corridor Development and providing secretarial service during ministerial and head of states summit meetings.

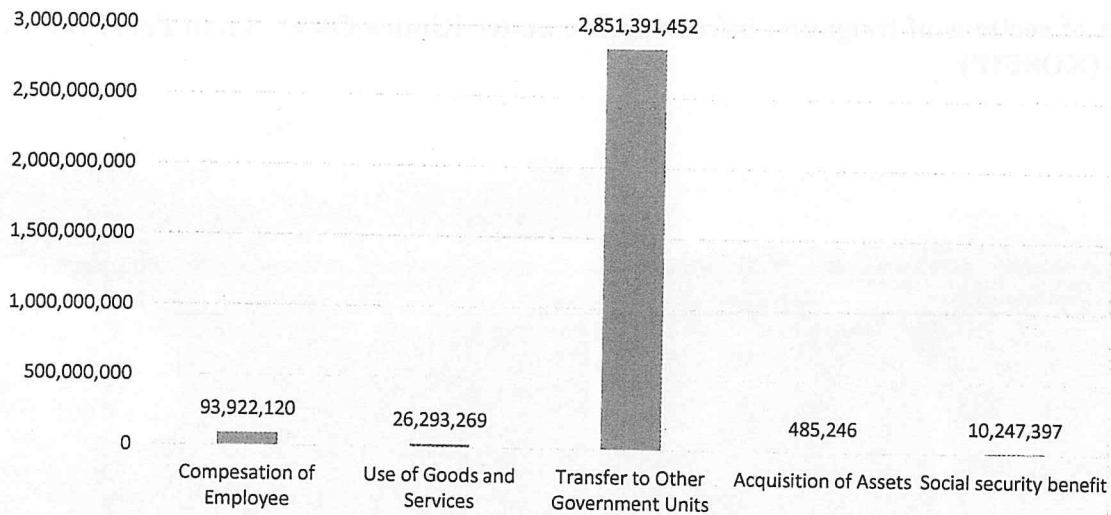
Budget Allocation by Programmes



Programme Code	Programme Description
1013010000	Irrigation Management Services
1013030000	Management of Northern Corridor Integration
1013040000	General Administration, Planning and Support Services

**State Department for Regional and Northern Corridor Development
Reports and Financial Statements
For the year ended June 30, 2021**

Budget Utilization as Per Economic Items



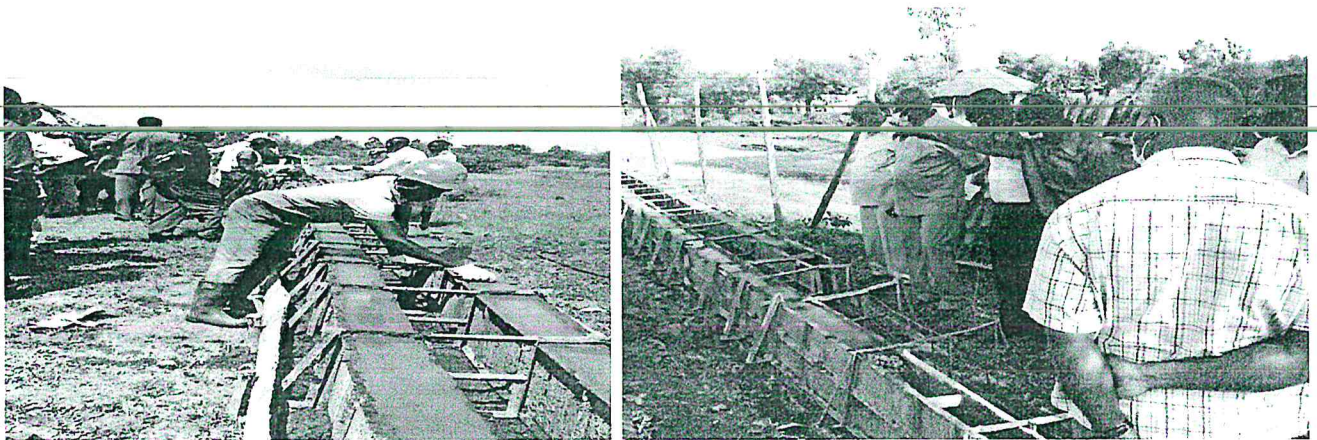
The State Department for Regional and Northern Corridor Development utilized **Kshs.93,922,120** on Compensation of Employees, **Kshs.26,293,269** on use of goods and services, **Kshs.2,851,391,452** on Transfer to other Government Units; Lake Basin Development Authority (LBDA), Kerio Valley Development Authority (KVDA), Tana and Athi Rivers Development Authority (TARDA), Ewaso Ngiro South Development Authority (ENSDA), Ewaso Ngiro North Development Authority ENNDA), Coast Development Authority (CDA) LAPSET Corridor Development Authority (LCDA) and Kimira Oluch Small Farm Improvement Project (KOSFIP), **Kshs.485,246** on acquisition of assets and **Kshs.10,247,397** on social security benefits.

During the period under review, tremendous achievements have been realised by the State Department for Regional and Northern Corridor Development despite huge budget cuts

- i. Coordinated resource mobilization to facilitate RDAs and KOSFIP on the implementation of integrated development projects and investments.
- ii. Facilitation of exchequer disbursements to RDAs and KOSFIP for the implementations of the integrated development projects and investments.
- iii. Provide technical support to the RDAs and KOSFIP.
- iv. Coordinated and oversaw the Regional Development Authorities.
- v. Successfully monitored, evaluated and reported on the implementation of the Northern Corridor Integration Projects (NCIPs)

State Department for Regional and Northern Corridor Development
Reports and Financial Statements
For the year ended June 30, 2021

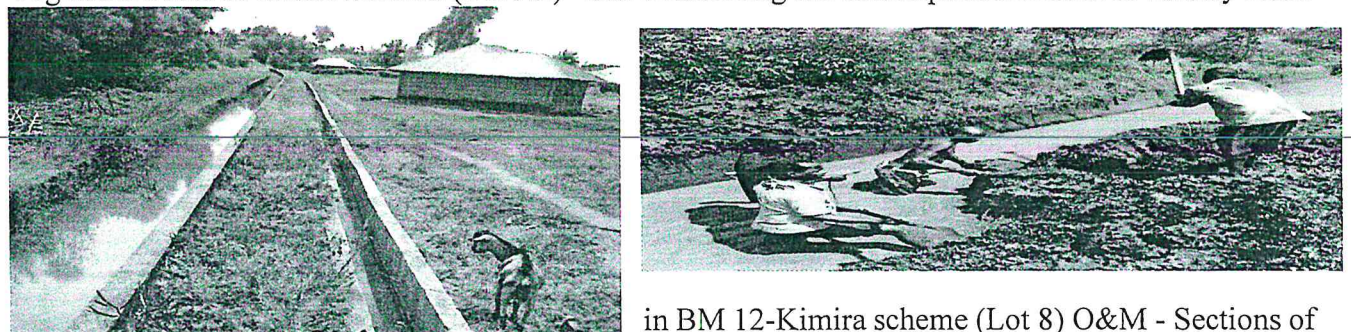
Pictures of sections of irrigation infrastructure under Kimira Oluch Small Farm Improvement Project (KOSFIP)



Construction of Minor canals in Kimira Scheme (BL 7) and The Monitoring team from SDRNCD inspecting the same



Vegetable Farm in Oluch Scheme (BR 9.2) and Connecting the uncompleted section of tertiary canal



in BM 12-Kimira scheme (Lot 8) O&M - Sections of the main canal identified for clearance and de-silting vs de-siltation of main water conveyance canal in B1 (Kimira Scheme)

**State Department for Regional and Northern Corridor Development
Reports and Financial Statements
For the year ended June 30, 2021**

Emerging Issues:

- i. Covid-19 pandemic, climate change and insecurity affected the service delivery, nationwide participation and co-ordination, publicity and advocacy, market access and human resource effectiveness.
- ii. Overlapping mandates between Regional Development Authorities (RDAs) and County Governments thereby causing friction in the implementation of projects and programmes.
- iii. Under staffing of professional/technical levels and high technical staff turnover occasioned by low remuneration and unfavourable work environment hampered effective service delivery of the State Department.
- iv. Uncertainties in regional integration process and perceived loss of revenues and employment. This greatly affected the pace of implementation of planned activities.

Implementation Challenges, Recommendations and way forward

Challenges:

The State Department faced the following major challenges in the implementation of the budget:

- i. Inadequate budgetary allocation vis-a-vis the departments mandate/planned activities.
- ii. Delays in exchequer releases.
- iii. Rapid change of policies such as delays in approval of supplementary budget.
- iv. Inadequate policy and legal instruments necessary for the existence and operations of RDAs.
- v. Change of policy within Government, which include transfer of resources from RDAs, affecting the RDAs revenue base.
- vi. Inadequate capacity required for project implementation and conflict in resource use within communities.

Recommendations:

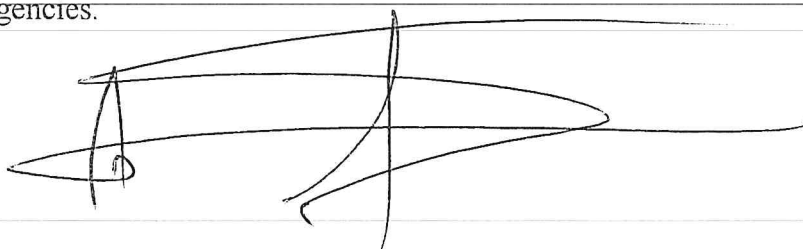
In view of the challenges and emerging issues, the State Department recommends the following measures to enhance delivery of quality service to the public and for effective implementation of the flagship projects and other programs;

- i. **Budgetary allocation:** It is recommended that the State Department's budget be increased for both recurrent and development votes to correspond with the expanded mandate and to ensure provision of efficient and seamless service delivery.
- ii. **Human Capacity Strengthening:** In order to address human resource capacity gaps and build the capacity of public servants, the State Department requests provision of adequate resources to enable recruitment, development and implementation of comprehensive succession plans.

- iii. **Progressive reduction and avoidance of pending bills:** To improve budget execution, the State Department should adhere to work plans and procurement plans within available budgetary allocation to avoid accumulation of pending bills. The State Department requests adequate allocations to progressively reduce the burden of historical pending bills on the delivery units.

Way Forward:

- i. **Policy Environment:** Develop the National regional development policy, strategy, master plan and compendium of RDAs projects concepts which will allow for harmonious work with other stakeholders.
- ii. **Resource Mobilization:** Explore alternative funding options through innovative resource mobilization strategies in order to successfully implement the strategic development objectives.
- iii. **Public Private Partnerships (PPP):** The National Treasury and Planning should support and fast-track the approval process of the PPP projects submissions as a means of joint resource mobilization with the respective Agencies to ensure that these projects are implemented to realize the attainment of the “Big Four” Agenda, SDGs and Vision 2030.
- iv. **Enhanced funding for Climate Change mitigation and adaptation measures:** The State Department has been undertaking Climate Change Mitigation and Adaptation initiatives. It requests that adequate budget provision be made to enable implementation of initiatives to address the effects of climate change on natural resources and the communities by these agencies.



Hon. Adan Mohamed, EGH
Cabinet Secretary

3. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

3.1 Introduction

Section 81(2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer when preparing financial statements of National Government entity in accordance with the standards and formats prescribed by the Public-Sector Accounting Standards Board includes a statement of the national government entity's performance against predetermined objectives.

The key strategic objectives of the State Department for Regional and Northern Corridor Development 2018-2022 are to:

- a) Coordinate and oversight Regional Development Authorities , Northern Corridor Transport & Transit Coordination Authority, LAPSSSET Corridor Development Authority and KOSFIP to achieve their mandates;
- b) Formulate, develop and review policies, strategies and regulations to guide the Regional Development Authorities (RDAs), Northern Corridor Transport & Transit Coordination Authority and LAPSSSET Corridor Development Authority;
- c) Monitor and evaluate RDAs, identified Northern Corridor Integration Projects, Northern Corridor Transport & Transit Coordination Authority and LAPSSSET Corridor Development Authority in order to ensure efficient and effective use of resources.

Progress on attainment of Strategic Objectives

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement: Below we provide the progress on attaining the stated objectives:

Program	Strategic Objective	Outcome	Indicator	Performance
Kimira Oluch Smallholder Farmers Improvement	To increase agricultural productivity through support	In field and drainage irrigation (tertiary/in	Length of tertiary canals put in place (Km)	2.85km of tertiary canals were constructed
			Length in KM of infield drains	0.Kms

State Department for Regional and Northern Corridor Development
Reports and Financial Statements
For the year ended June 30, 2021

Project (KOSFIP)	to farm households	block) systems constructed	constructed by farmers	
		Farmers capacity build to sustainably operate the	No. of farmers adopting modern irrigation technologies	358 farmers were trained on good agronomic practices to
		integrate them		integrate them
		schemes and run their farms as agribusiness	No. of farmers trained on operation & Maintenance of the irrigation infrastructure	into irrigated agriculture
				388 farmers were trained on operation & maintenance of irrigation infrastructure
		Area under irrigated agriculture increased	No. of hectares under agricultural production	228 hectares are under agricultural production
		Monitoring and evaluation of	No. of M&E reports from	1
Management of Northern Corridor Development Integration	To optimize benefits accruing from Northern Corridor Integration Projects	Northern Corridor Development projects	various Northern Corridor Integration Projects (NCIP)	
		Participate in the national and regional EATV Tourist Visa verification exercise	No. of East African VISA verification reports	0 Lack of budget allocation and budget cuts
	To enhance effectiveness of stakeholder consultations and engagements	Conduct sensitization forums on the Northern Corridor Integration	No. of sensitization forums/reports	Not held due to budget cuts and COVID-19 challenges
Regional Conservation	To facilitate, coordinate and oversee Regional Development Projects and Programmes	Policy formulation	No. of reports	In the FY 2020/21, the following document was developed: i. Draft Regional Development

State Department for Regional and Northern Corridor Development
Reports and Financial Statements
For the year ended June 30, 2021

		Tree planting campaigns	No. of trees planted	122,100
		Conservation project proposal	No. of proposals	One
		Budget utilization	% level of budget utilization	In the FY 2020/21, the State Department funds utilization level was 99%
		Monitoring and evaluation of projects done	No. of Monitoring and evaluation reports	Nil

3.3 Challenges experienced during implementation of the strategic development objectives


During the implementation, the following challenges were experienced: -

- i. Budgetary Constraints including budget cuts, inadequate funding for planned programmes and projects .
- ii. Changing dynamics and context in the EAC whereby Partner States focus more on their national interests at the expense of regional interests.
- iii. Climate change and environmental degradation.
- iv. Covid-19 pandemic which affected day to day operations.

3.4 Lessons Learnt in Implementing the State Department activities

There is need to;

- i. Explore alternative funding options through innovative resource mobilization strategies in order to successfully implement the strategic development objectives.
- ii. Acquire adequate and serviceable vehicles to facilitate execution of the State Department mandate of monitoring and overseeing the implementation of activities and programmes of the State Corporations.



**State Department for Regional and Northern Corridor Development
Reports and Financial Statements
For the year ended June 30, 2021**

4. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY

The State Department for Regional and Northern Corridor Development exists to transform lives of the citizens. This is our purpose; the driving force behind everything we do. It is what guides us to deliver our strategy, which is founded on three pillars; putting the customer/citizen first, delivering the relevant services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar

4.1 Sustainability strategy and profile

The top management has continued to provide the required leadership in designing suitable plans and strategies that will contribute to high and sustainable socio-economic development. The State Department through adherence to the Constitution of Kenya, 2010, existing Laws, Regulations, Policies and Guidelines will deliver the desired goals.

While undertaking our responsibilities diligently and to the best of our abilities to support the achievement of the stated strategic development objectives, we have continued to experience the problem of inadequate funding and technical staff.

4.2 Environmental performance

The State Department's policy was put in place in 2007 following the establishment of the six (6) Regional Development Authorities (RDAs) and was based on the integrated regional development and planning principles outlined in the Regional Development Policy 2007.

Chapter 4 constitutes the main body of the policy and sets out the policy recommendations on RDAs. It presents the main functions and activities of the RDAs, which include - Integrated Regional Planning; Integrated Basin Based Development Programmes; Resource Studies and information; establishment of basin resource management standards and norms as well as utilization of international waters among others.

The department collaborates closely with the Ministry of Environment and Natural Resources, which is the country's climate change focal point. Our environmental conservation activities are further guided by the National Environment Policy, 2013.

Chapter Four of the National Environment policy identifies Kenya's critical ecosystems and natural resources. It proposes measures to enhance conservation and management of ecosystems and sustainable use of natural resources while Chapter Six addresses a wide range of issues relating to environmental quality and health. The areas covered include air quality, water and sanitation, waste management, radiation, toxic and hazardous substances, noise and environmental diseases.

Department's conservation efforts

The department coordinates conservation activities countrywide through its implementing agencies- the Regional Development Authorities (RDAs).

Under the presidential Directive issued in October 2018 requiring government ministries to lead the way in achieving a targeted 10% national tree cover, the department has since made the progress as outlined below: -

**State Department for Regional and Northern Corridor Development
Reports and Financial Statements
For the year ended June 30, 2021**

Summary of tree planting activities

Tree planting activities in 2020

The tree planting activities in the year was affected by Covid-19 pandemic which struck just before the beginning of the long rains season (March-April-May). As such no conservation activities took place during this season. However, the activities resumed during the short rains season (October-November-December).

Tree planting campaigns took place in the following areas

Location	Number of trees planted
Kilifi	14,000
Masinga	4,600
Taita Hills	100,000
Busia	1,000
Lamu	2,500
Total	122,100

Challenges

RDAs do not have a CSR Budget for their conservation activities but instead rely on funds assigned for other activities. This significantly limits tree planting activities in their areas of operation.

Way forward

To address the challenges, the Ministry formed an inter-Regional Conservation Committee comprising environment officers from all the RDAs to address conservation challenges affecting their regions.

The committee, developed a project proposal focusing on increasing forest cover in their areas of operation. The project proposal also identifies energy-saving technologies, best conservation practices and capacity building needs for farmers and other stakeholders.

This 3-year project, once funded, is expected to raise 36.5 million tree seedlings, roll-out 36 tree planting campaigns in all counties as well as conduct 1,135 sensitization meetings to communities, schools and other stakeholders.

The department has also created a climate change unit to efficiently manage conservation activities and appointed officer who will coordinate activities of the unit.

4.3 Employee welfare

There is a recruitment and selection policy in place that guides efficient management of hiring process in the public service. The guidelines contained in the policy helps in ensuring that the State Department has optimum number of staff with relevant skills mix, knowledge, competencies, experience, values and attitudes to perform the core and support functions of the MDA. In addition,

State Department for Regional and Northern Corridor Development
Reports and Financial Statements
For the year ended June 30, 2021

the policy is meant to facilitate the recruitment and selection of staff on the basis of meritocracy, knowledge, skills and experience and cater for affirmative action on gender, youth and people living with disability as well as other special interest groups. There is monitoring and evaluation system that ensure the hiring process is improved.

In compliance with the Constitution of Kenya 2010, Article 232 (i) on Values and Principles of Public Service that calls for affording adequate and equal opportunities for appointment, training and advancement, at all levels of public service for everybody regardless of gender, ethnicity or disability, there is put in place a Human Resource Training and Development mechanism that ensures parity in treatment in respect to management of training and development function in the MDA. In this regard we have (a Training and Development policy) an elaborate continuous process of developing and strengthening the skills, abilities, competencies, attitudes and knowledge, processes and resources that the department and individuals require to adapt to and survive in the fast changing environment for effective and efficient performance. Ultimately, this enable officers to perform in their present and future roles utilizing and strengthening their inherent potential in a conducive work environment.

In compliance with OSHA, the State Department has put in place safety and security measures in the workplace. This forms part of the performance indicator or criteria against which annual performance contract is evaluated vis-a- vis staff performance appraisal is undertaken.

4.4 Market place practices-

a) Responsible competition practices

The State Department has continued to procure goods, works and services competitively in compliance with the PPADA 2015 and the government procurement regulations. Additionally, all the required statutory procurement reports are submitted to the relevant agencies as required including uploading of the same on the Public Procurement Information Portal (PPIP).

b) Responsible supplier Relationship Management

The State Department has maintained good supplier relations and has honored its contractual obligations with suppliers including payment within prescribed timelines upon satisfactory delivery subject to the availability of exchequer. Any contractual disputes including payment claims are amicably resolved within the dispute resolution mechanisms provided for in the contracts failing which the same are forwarded to the office of the Attorney General for the appropriate advisory opinions.

**State Department for Regional and Northern Corridor Development
Reports and Financial Statements
For the year ended June 30, 2021**

5. 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 for Regional and Northern Corridor Development is responsible for the preparation and presentation of the department'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, 2021. 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.

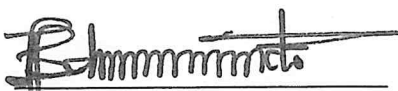
The Accounting Officer in charge of the State Department for Regional and Northern Development Corridor accepts responsibility for the entity's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public-Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the State Department's financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2021, and of the State Department's financial position as at that date. The Accounting Officer in charge of the State Department 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 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 these 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 Regional and Northern Corridor Development financial statements were approved and signed by the Accounting Officer on 27/9/ 2021.


Principal Secretary
Dr. Belio R. Kipsang, CBS

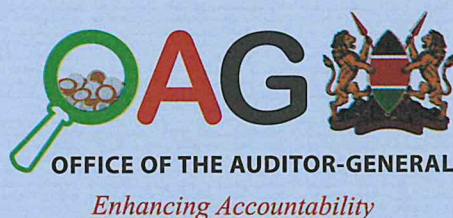

Assistant Accountant General
Tom M. Odundo
ICPAK Member Number: 5430

**State Department for Regional and Northern Corridor Development
Reports and Financial Statements
For the year ended June 30, 2021**



REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON STATE DEPARTMENT FOR REGIONAL AND NORTHERN CORRIDOR DEVELOPMENT FOR THE YEAR ENDED 30 JUNE, 2021

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, gazetted notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure government achieves value for money and that such funds are applied for 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 control, 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, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

Report of the Auditor-General on State Department for Regional and Northern Corridor Development for the year ended 30 June, 2021

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of State Department for Regional and Northern Corridor Development set out on pages 25 to 48, which comprise the statement of assets and liabilities as at 30 June, 2021, and the statement of receipts and payments, statement of cash flows and the summary statement of appropriation - recurrent and development 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 Regional and Northern Corridor Development as at 30 June, 2021, 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 Regional and Northern Corridor Development 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 on in the year under review.

Other Matter

1. Budgetary Control and Performance

The State Department received Exchequer receipts totalling Kshs.2,985,759,457 against an approved budget of Kshs.3,614,699,195 resulting to a shortfall of Kshs.628,939,738 or 17% of the approved budget. Similarly, actual expenditure amounted to Kshs.2,982,339,485 against the approved budget of Kshs.3,614,699,195 resulting to an under absorption of Kshs.632,359,710 or 17.5% which occurred mainly under transfers to other government Units. The shortfall in budgeted receipts and under-absorption implies that the overall goals and objectives of the State Department were not achieved as planned.

2. Pending Bills

As previously reported, Annex 1 to the financial statements reflects pending bills amounting to Kshs.2,448,920,483 chargeable to both the recurrent and development votes that were not settled during the year under review but were instead carried forward to the 2021/2022 financial year. The pending bills balance includes an amount of Kshs.2,439,340,189 which relates to 2019/2020 and earlier financial years.

No plausible explanation was given for not paying the bills before the end of the financial year. This is contrary to Public Finance Management Regulations Section 42(1)(a) which requires accounting officers to ensure that debt service payment is a first charge on the consolidated fund.

Failure to settle bills during the year in which they relate to adversely affects the budgetary provisions for the subsequent year to which they have to be charged.

3. Unresolved Prior Year Matters

3.1 Irregular Advance Payment for Kimwarer Multipurpose Dam Development Project.

As previously reported, the statement of receipts and payments for the year ended 30 June 2019 reflected proceeds from foreign borrowing of Kshs.3,666,495,236 out of which Kshs.3,485,500,628 was paid to an International Joint Venture firm on 27 September 2018. The payment, which was effected in the books of the State Department on 2 November, 2018 through journal entries was an advance payment for designing, building and transfer of the proposed Kimwarer Multipurpose Dam Development Project. Available information indicates that this matter is unresolved and under investigation by the relevant authorities.

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 my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Compensation of Employees

1.1 Staff Under-Establishment

Examination of payroll records revealed that the State Department had an approved staff establishment of eighty-one (81) staff, comprising of Forty-nine (49) posts for technical services cadres and thirty-two (32) posts for support services cadres. However, the

Department had a total of fifty-nine (59) staff in post comprising of five (5) technical staff and fifty-four (54) support services staff resulting in an overall under establishment of twenty-two (22). Failure to recruit or retain the required number of staff may result in poor service delivery and may negatively impact on the realization of the Department's goals. This is contrary to Public Service Commission Approval letter Ref. No.PSC/EMCS/13/2/(3) dated 29 September, 2020 which authorized the State Department to have an establishment of eighty one (81).

Consequently, the Management is in breach of Public Service Commission circular.

1.2 Affirmative Action on Gender Ethnicity and Regional Distribution

Examination of Human Resource records for the State Department for Regional and Northern Corridor Development revealed that during the year under review, the Department had a total of fifty-nine (59) employees out of whom twenty-four (24) or 40.68% of the workforce were from one ethnic group. Although Management has explained that they do not have control of the staff ethnic composition as they get their staff from Central Placement Committee of the Public Service Commission, the ethnic diversity was not achieved in the Department's staff composition.

This is contrary to the provisions of Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which requires all public establishments to represent diversity of Kenya and shall not have more than one third of its staff from the same ethnic community.

Consequently the Management is in breach of law.

Basis for Conclusion

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, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal 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 control 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 control, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the State Department's ability to sustain 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 the entity 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 control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control 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 control 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 State Department's 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 control.
- 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 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 the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

21 December, 2021




State Department for Regional and Northern Corridor Development
Reports and Financial Statements
For the year ended June 30, 2021

7. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2021

	Note	2020-2021	2019-2020
		Kshs	Kshs
RECEIPTS			
Proceeds from Domestic and Foreign Grants	1	10,691,552	0
Exchequer releases	2	2,975,067,904	5,224,758,438
TOTAL RECEIPTS		2,985,759,456	5,224,758,438
PAYMENTS			
Compensation of Employees	3	93,922,120	68,585,846
Use of goods and services	4	26,293,269	69,582,991
Transfers to Other Government Entities	5	2,851,391,453	5,022,449,999
Social Security Benefits	6	10,247,397	0
Acquisition of Assets	7	485,246	64,099,689
TOTAL PAYMENTS		2,982,339,485	5,224,718,524
SURPLUS/DEFICIT		3,419,971	39,914

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 27/9/ 2021 and signed by:


 Principal Secretary
 Dr. Belio R. Kipsang, CBS

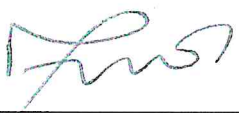

 Assistant Accountant General
 Tom M. Odundo
 ICPAK Member Number: 5430

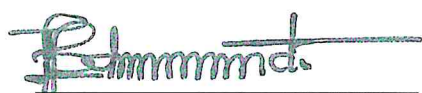
State Department for Regional and Northern Corridor Development
 Reports and Financial Statements
 For the year ended June 30, 2021

8. STATEMENT OF ASSETS AND LIABILITIES AS AT 30TH JUNE 2021

	Note	2020-2021	2019-2020
		Kshs	Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	8A	3,244,521	952,422
Cash Balances	8B	0	0
Total Cash and cash equivalent		3,244,521	952,422
Accounts Receivables	9	175,450	0
TOTAL FINANCIAL ASSETS		3,419,971	952,422
FINANCIAL LIABILITIES			
Accounts Payables	10	0	912,510
NET FINANCIAL ASSETS		3,419,971	39,914
REPRESENTED BY			
Fund balance b/fwd.	11	39,914	7,235,735
Prior year adjustment	12	(39,914)	(7,235,735)
Surplus/Deficit for the year		3,419,971	39,914
NET FINANCIAL POSITION		3,419,971	39,914

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 27/9/ 2021 and signed by:


 Principal Secretary
 Dr. Belio R. Kipsang, CBS



 Assistant Accountant General
 Tom M. Odundo
 ICPAK Member Number: 5430


State Department for Regional and Northern Corridor Development
 Reports and Financial Statements
 For the year ended June 30, 2021

9. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2021

		2020-2021	2019 -2020
		Kshs	Kshs
Receipts for operating income			
Proceeds from Domestic and Foreign Grants	1	10,691,553	0
Exchequer Releases	2	2,975,067,904	5,224,758,438
Payments for operating expenses			
Compensation of Employees	3	93,922,120	68,585,845
Use of goods and services	4	26,293,269	69,582,991
Transfers to Other Government Units	5	2,851,391,453	5,022,499,999
Social Security Benefits	6	10,247,397	0
Adjusted for:			
Adjustments during the year		(1,087,960)	911,510
Prior Year Adjustments	12	(39,914)	(7,235,735)
Net cash flow from operating activities		2,777,344	57,815,377
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	7	485,246	64,099,689
Net cash flows from Investing Activities		(485,246)	(64,099,689)
CASHFLOW FROM BORROWING ACTIVITIES			
Net cash flow from financing activities		0	0
NET INCREASE IN CASH AND CASH EQUIVALENT		2,292,098	(6,284,312)
Cash and cash equivalent at BEGINNING of the year	11	952,423	7,236,735
Cash and cash equivalent at END of the year	8	3,244,521	952,423

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 27/9/ 2021 and signed by:


 Principal Secretary
 Dr. Belio R. Kipsang, CBS


 Assistant Accountant General
 Tom M. Odundo
 ICPAK Member Number: 5430

State Department for Regional and Northern Corridor Development
 Reports and Financial Statements
 For the year ended June 30, 2021

10. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
RECEIPTS						
Proceeds from Domestic and Foreign Grants	60,000,000	0	60,000,000	10,691,553	49,308,447	18
Exchange releases	2,230,984,195	749,215,000	2,980,199,195	2,975,067,904	5,131,291	100
Proceeds from Foreign Borrowings	126,000,000	0	126,000,000	0	126,000,000	0
Proceeds from Sale of Assets "AIA"	8,750,000	8,750,000	17,500,000	0	17,500,000	0
Other Receipts "AIA"	215,500,000	215,500,000	431,000,000	0	431,000,000	0
TOTAL RECEIPTS	2,641,234,195	973,465,000	3,614,699,195	2,985,759,457	628,939,738	83
PAYMENTS						
Compensation of Employees	62,307,015	38,982,982	101,289,997	93,922,120	7,367,877	93
Use of goods and services	3,888,277	23,200,413	27,088,690	26,293,269	795,421	97
Transfers to Other Government Units	2,564,354,900	910,845,000	3,475,199,900	2,851,391,452	623,808,448	82
Social Security Benefits	10,247,397	0	10,247,397	10,247,397	0	100
Acquisition of Assets	436,606	436,605	873,211	485,246	387,965	55
TOTAL PAYMENTS	2,641,234,195	973,465,000	3,614,699,195	2,982,339,485	632,359,710	83
Surplus/ Deficit		0	0	3,419,972	-3,419,972	

Notes

1. Proceeds from domestic and foreign grants was under-utilized by 82%. This was occasioned by delay on the part of the contractor to submit withholding certificate from KRA as a requirement for payment.
2. Proceeds from sale of assets and other receipts 0%; this was budgeted as appropriation in Aid under Regional Development Authorities (RDAs). These amounts are budgeted, collected and accounted for directly by the RDAs. (Annexed is confirmation by the RDAs on the AIA budgeted for and the AIA collected)
3. Proceed from foreign borrowing of 0%. The underutilization of proceeds from foreign borrowing of 100 % was caused by the fact that the contractor was having unresolved issues with Kenya Revenue Authority making it impossible for the Department to process the payment documents.

**State Department for Regional and Northern Corridor Development
Reports and Financial Statements
For the year ended June 30, 2021**

4. Transfer to other Government units 82%; the under expenditure of 18% was due to non-utilization of Proceeds from Foreign Borrowings and Appropriation in Aid component which is reported directly by the Regional Development Authorities.

The State Department for Regional and Northern Corridor Development financial statements were approved on 27/9/ 2021 and signed by:



Principal Secretary
Dr. Belio R. Kipsang CBS



Assistant Accountant General
Tom M. Odundo
ICPAK Member Number: 5430

State Department for Regional and Northern Corridor Development
 Reports and Financial Statements
 For the year ended June 30, 2021

1. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT

Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
RECEIPTS						
Exchequer releases	1,159,084,295	749,215,000	1,908,299,295	1,903,168,004	5,131,291	99
Proceeds from Sale of Assets	8,750,000	8,750,000	17,500,000	0	17,500,000	0
Other Receipts	215,500,000	215,500,000	431,000,000	0	431,000,000	0
TOTAL RECEIPTS	1,383,334,295	973,465,000	2,356,799,295	1,903,168,004	453,631,291	81
PAYMENTS						
Compensation of Employees	62,307,015	38,982,982	101,289,977	93,922,120	7,367,857	93
Use of goods and services	3,888,277	23,200,413	27,088,690	26,293,269	795,421	97
Transfers to Other Government Units	1,306,455,000	910,845,000	2,217,300,000	1,768,800,000	448,500,000	79
Social Security Benefits	10,247,397	0	10,247,397	10,247,397	0	100
Acquisition of Assets	436,606	436,605	873,211	485,246	387,965	56
TOTAL PAYMENTS	1,383,334,295	973,465,000	2,356,799,295	1,899,748,032	457,051,263	81
Surplus/Deficit	0	0	0	3,419,972	-3,419,972	

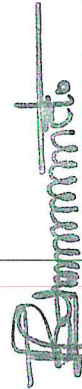
Notes

1. Proceeds from sale of assets and other receipts 0%; this was budgeted as appropriation in Aid under Regional Development Authorities (RDAs). These amounts are budgeted, collected and accounted for directly by the RDAs. (Annexed is confirmation by the RDAs on the AIA budgeted for and the AIA collected)
2. Transfer to other Government units 79%; the under expenditure was due to AIA Component in the final Budget of **KShs .448,500,000** which is not funded by the exchequer but instead was collected by the RDAs and utilized at source.

The State Department for Regional and Northern Corridor Development financial statements were approved on 27/9/ 2021 and signed by:



Principal Secretary
 Dr. Bélio R. Kipsang, CBS



Assistant Accountant General
 Tom M. Odundo
 ICPAK Member Number: 5430

State Department for Regional and Northern Corridor Development
 Reports and Financial Statements
 For the year ended June 30, 2021

12. SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT

Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
RECEIPTS						
Proceeds from Domestic and Foreign Grants	60,000,000	0	60,000,000	10,691,553	49,308,447	18
Exchequer releases	1,071,899,900	0	1,071,899,900	1,071,899,900	0	100
Proceeds from Foreign Borrowings	126,000,000	0	126,000,000	0	126,000,000	0
TOTAL RECEIPTS	1,257,899,900	0	1,257,899,900	1,082,591,453	175,308,447	86
PAYMENTS						
Transfers to Other Government Units	1,257,899,900	0	1,257,899,900	1,082,591,453	175,308,447	86
TOTAL PAYMENTS	1,257,899,900	0	1,257,899,900	1,082,591,453	175,308,447	86
Surplus/Deficit	0	0	0	0	0	0

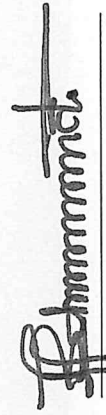
Notes

1. Proceed from foreign borrowing of 0%. The underutilization was caused by the fact that the contractor was having unresolved issues with Kenya Revenue Authority making it impossible for the Department to process the payment documents.
2. Transfer to other Government units 86%; the under expenditure of 14% was due to non-utilization of Proceeds from Foreign Borrowings.

The entity financial statements were approved on 27/9/ 2021 and signed by:



Principal Secretary
 Dr. Belio R. Kipsang, CBS



Assistant Accountant General
 Tom M. Odundo
 ICPAK Member Number: 5430

State Department for Regional and Northern Corridor Development
 Reports and Financial Statements
 For the year ended June 30, 2021

13. BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES

Programme/Sub-programme	Original Budget 2021 Kshs	Adjustments Kshs	Final Budget 2021 Kshs	Actual on comparable basis 2021 Kshs	Budget utilization difference Kshs
013000000					
013010000	2,561,533,956	931,281,206	3,492,815,162	2,868,933,388	623,881,774
013030000	33,480,139	(9,188,546)	24,291,593	23,212,593	1,079,000
013040000	46,220,100	51,372,340	97,592,440	90,193,504	7,398,936
Total	2,641,234,195	973,465,000	3,614,699,195	2,982,339,485	632,359,710

14. SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of these financial statements are set out below:

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 Regional and Northern Corridor Development. The financial statements encompass the reporting entity as specified under section 81 of the PFM Act 2012.

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.

4. Significant Accounting Policies

The accounting policies set out in this section have been consistently applied by the State Department for all the years presented.

a) Recognition of Receipts

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

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 State Department.

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 State Department.

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



State Department for Regional and Northern Corridor Development
Reports and Financial Statements
For the year ended June 30, 2021

the payment advice. A similar recognition criterion is applied for loans received in the form of a direct payment.

During the year ended 30th June 2021, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

Other 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.

b) Recognition of payments

The State Department recognises all payments when the event occurs and the related cash has actually been paid out.

Compensation of Employees

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

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.

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 to these financial statements

5. Third Party Payments

Included in the receipts and payments, are payments made on its 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.

6. 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 at the end of the financial year.

State Department for Regional and Northern Corridor Development
Reports and Financial Statements
For the year ended June 30, 2021

Restriction on Cash

Restricted cash represents amounts that are 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. As at 30th June 2021, this amounted to Kshs.0 compared to Kshs 912,509 in prior period as indicated on note 8. There were no restrictions on cash during the year.

7. Accounts Receivable

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 AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

8. Accounts Payable

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 by National Government Ministries and Agencies. Other liabilities including pending bills are disclosed in the financial statements.

9. 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 are recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the State Department at the end of the year. 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.

10. Budget

The budget is developed on a comparable accounting basis (cash basis except for imprest and deposits, 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 on June 2020 for the period 1st July 2020 to 30th June 2021 as required by Law and there were two 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.

11. Comparative Figures

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



State Department for Regional and Northern Corridor Development
Reports and Financial Statements
For the year ended June 30, 2021

12. Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30th June 2021.

13. Errors

Material prior period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by: i. restating the comparative amounts for prior period(s) presented in which the error occurred; or ii. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

During the year, there were no errors that were corrected.

14. Related Party Transactions

Related party relationships are a normal feature of commerce. Specific information with regards to related party transactions is included in the disclosure notes.

State Department for Regional and Northern Corridor Development
 Reports and Financial Statements
 For the year ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS

1 Proceeds from Domestic and Foreign Grants

	Name of Donor	Date received	Direct /Indirectpaym ent	Amount in foreign currency	2020-2021	2019-2020
				USD	Kshs	Kshs
	Grants Received from Multilateral Donors (International Organizations)					
1.	African Development Bank	30/06/2021	Direct	103,902	10,691,553	0
	Total			103,902	10,691,553	0

2 Exchequer Releases

Description	2020-2021	2019-2020
	Kshs	Kshs
Total Exchequer Releases for quarter 1	454,730,950	288,214,440
Total Exchequer Releases for quarter 2	586,982,421	1,384,503,314
Total Exchequer Releases for quarter 3	424,847,454	1,530,574,815
Total Exchequer Releases for quarter 4	1,508,507,079	2,021,465,869
Total	2,975,067,904	5,224,758,438

The budgeted exchequer was Kshs.2,980,199,195 (recurrent- Kshs.1,908,299,295 and development- Kshs.1,071,899,900) while the received exchequer was Kshs.2,975,067,904 thus fully funded at 100%

3 Compensation of Employees

	2020-2021	2019-2020
	Kshs	Kshs
Basic salaries of permanent employees	67,432,819	36,776,478
Personal allowances paid as part of salary	26,489,301	31,809,368
Total	93,922,120	68,585,846

**State Department for Regional and Northern Corridor Development
Reports and Financial Statements
For the year ended June 30, 2021**

There was an increase in the number of higher cadre employees who were transferred to the State Department thus increasing the component of compensation of employees.

4 Use of Goods and Services

	2020-2021	2019-2020
	Kshs	Kshs
Utilities, supplies and services	500,000	1,400,000
Communication, supplies and services	961,615	4,314,860
Domestic travel and subsistence	7,734,520	20,654,656
Foreign travel and subsistence	873,050	3,186,840
Printing, advertising and information supplies & services	373,177	559,330
Training expenses	1,862,280	736,220
Hospitality supplies and services	7,761,196	16,263,809
Specialized materials and services	441,887	325,110
Office and general supplies and services	2,204,463	5,676,659
Fuel Oil and Lubricants	1,631,615	7,717,610
Other operating expenses	299,292	1,100,000
Routine maintenance – vehicles and other transport equipment	1,438,399	7,311,020
Routine maintenance – other assets	211,776	336,877
Total	26,293,270	69,582,991

The State Department experienced major budget cuts in the year under report. This explains the 62% change in the expenditure under use of goods and services.

5 Grants and transfers to other Government Entities

Description	2020-2021	2019-2020
	Kshs	Kshs
Transfers to National Government entities		
Current grants to government agencies and other level of government	1,768,800,000	1,532,699,999
Capital grants to government agencies and other level of government	1,082,591,453	3,489,750,000
TOTAL	2,851,391,453	5,022,499,999

State Department for Regional and Northern Corridor Development
Reports and Financial Statements
For the year ended June 30, 2021

5 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	2019/2020
	Kshs	Kshs	Kshs	Kshs
Transfers to SAGAs and SCs				
Lake Basin Development Authority (LBDA)	322,610,000	123,943,400	446,553,400	669,231,375
Tana and Athi Rivers Development Authority (TARDA)	287,000,000	53,275,000	340,275,000	731,408,409
Coast Development Authority (CDA)	217,680,000	91,220,500	308,900,500	836,600,459
Ewaso Ngiro North Development Authority (ENNDA)	235,440,000	596,918,000	832,358,000	1,267,419,280
Ewaso Ngiro South Development Authority (ENSDA)	298,890,000	86,610,500	385,500,500	815,878,791
Kerio Valley Development Authority (KVDA)	100,180,000	57,338,500	157,518,500	303,503,184
LAPSSET Corridor Development Authority	307,000,000	10,691,552	317,691,552	0
Transfers to Projects-GoK counterpart funding				
Kimira Oluch small Holders Farm Improvement project ()	0	62,594,000	62,594,000	398,408,500
TOTAL	1,768,800,000	1,082,591,452	2,851,391,453	5,022,499,999

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

State Department for Regional and Northern Corridor Development
Reports and Financial Statements
For the year ended June 30, 2021

6 Social Security Benefits

Explanation	2020-2021	2019-2020
	Kshs	Kshs
Government pension and retirement benefits	10,247,397	0
Total	10,247,397	0

The amounts for Social Security were gratuity paid to Dr. Margaret Mwakima (Former PS for the State Department) and Kipngetich Arap Korir an amount of KShs.5,146,654 and Kshs.5,100,743 respectively.

NB. Gratuity for Mr. Korir was not paid in full due to budget constraints. An amount of Kshs.3,438,755.08 remained outstanding

7 Acquisition of Assets

Non -Financial Assets	2020-2021	2019-2020
	Kshs	Kshs
Purchase of Vehicles and Other Transport Equipment	0	22,498,999
Refurbishment of Buildings	0	19,993,400
Purchase of Office Furniture and General Equipment	485,246	21,607,290
Total	485,246	64,099,689

8A: Bank Accounts

Name of Bank, Account No. & currency	Amount in bank account currency	Recurrent, /Development, Deposit	Exchange rate (if in foreign currency)	2020-2021	2019-2020
				Kshs	Kshs
Central bank of Kenya, Recurrent Account No. 1000384816 Kshs	Kenya Shillings	Recurrent		3,244,521	39,914
Central bank of Kenya, Development Account No.1000384832 Kshs	Kenya Shillings	Development		0	0
Central bank of Kenya, Deposit Account No.1000454334 Kshs	Kenya Shillings	Deposit		0	912,510
Total				3,244,521	952,422

State Department for Regional and Northern Corridor Development
Reports and Financial Statements
For the year ended June 30, 2021

8B: cash in hand

	2020-2021	2019-2020
	Kshs	Kshs
Cash in Hand – Held in domestic currency	0	0
Cash in Hand – Held in foreign currency	0	0
Total	0	0

Board of survey certificates for each bank account held are attached to the financial statements

9: Accounts Receivable

Description	2020-2021	2019-2020
	Kshs	Kshs
Salary advances	175,450	0
Total	175,450	0

The breakdown of the advance is as follows

Name of Officer or Institution	Date Advance Taken	Amount Taken	Amount recovered	Balance
		Kshs	Kshs	Kshs
Elizabeth Abong'o	14/01/2021	199,800	83,250	116,550
Nancy Itugu	30/04/2021	70,680	11,780	58,900
Total				175,450

10. Accounts Payable

Description	2020-2021	2019-2020
	Kshs	Kshs
Retention	0	912,510
Total	0	912,510

State Department for Regional and Northern Corridor Development
Reports and Financial Statements
For the year ended June 30, 2021

11. Fund Balance Brought Forward

Description	2020-2021	2019-2020
	Kshs	Kshs
Bank accounts	952,423	7,236,735
Accounts Payables	(912,509)	(1000)
Total	39,914	7,235,735

The brought forward balances refers to the unspent bank balances that was later recouped back by the National Treasury

12. Prior Year Adjustments

	Balance b/f 2019/2020 as per financial statements	Adjustments	Adjusted Balance c/f 2020/2021
Description of the error	Kshs	Kshs	Kshs
Bank account Balances	39,914	39,914	0

13. Changes in accounts payable as at 30th June, 2021

	2020-2021	2019-2020
	KShs	KShs
Deposit and Retentions as at 1 st July 2020 (A)	912,509	0
Deposit and Retentions held during the year (B)	0	1,825,019
Deposit and Retentions paid during the Year (C)	912,509	912,509
Net changes in account receivables D= A+B-C	0	912,509

14. Changes in accounts receivable as at 30th June, 2021

	2020-2021	2019-2020
	Kshs	Kshs
Payables as at 1 st July	0	0
Payables as at 30 th June	175,450	0
Increase in receivable	175,450	0

**State Department for Regional and Northern Corridor Development
Reports and Financial Statements
For the year ended June 30, 2021**

15. Related Party Disclosures

Related party disclosure is encouraged under non-mandatory section of the Cash Basis IPSAS.

The following comprise of related parties to the State Department for Regional and Northern Corridor Development

•Key management personnel that include the Cabinet Secretaries and Accounting Officers

1. Cabinet Secretary	Hon. Adan Mohamed, EGH
2. Principal Secretary/Accounting Officer	Dr. Belio R. Kipsang, CBS
3. National Coordinator	Kipngetich Arap Korir
4. Secretary Regional	Emilio Ndigwa Mugo
5. Secretary Administration	Christopher Musumbu
6. Director Regional Development	Maina Kiondo
7. Assistant Accountant General	CPA Benson M. Kinyua
8. Principal Supply Chain Management Officer	Charles Mulandi
9. Senior Principal Finance Officer	CPA Joseph M. Kimani
10. Director HRM	Douglas Njeru
11. Chief Economist	Nicholas Thairu

- State Corporations and Semi-Autonomous Government Agencies.

SAGAs
Lake Basin Development Authority (LBDA)
Tana and Athi Rivers Development Authority (TARDA)
Coast Development Authority (CDA)
Ewaso Ngiro North Development Authority (ENNDA)
Ewaso Ngiro South Development Authority (ENSDA)
Kerio Valley Development Authority (KVDA)
LAPSSET Corridor Development Authority (LCDA)
Projects-GoK counterpart funding
Kimira Oluch Smallholders Farm Improvement Project (KOSFIP) in Homa Bay

State Department for Regional and Northern Corridor Development
Reports and Financial Statements
For the year ended June 30, 2021

Related party transactions:

	2020-2021	2019-2020
	Kshs	Kshs
Key Management Compensation (Social benefit)	10,247,397	0
<u>Transfers to related parties</u>		
Transfers to SAGAS	2,788,797,452	4,624,041,499
Transfers to Development Project	62,594,000	398,408,500
Total Transfers to related parties	2,851,391,453	5,022,449,999
<u>Transfers from related parties</u>		
Transfers from the Exchequer	2,975,067,904	5,224,758,438
Proceeds from domestic and foreign grants	10,691,553	
Total Transfers from related parties	2,985,759,457	5,224,758,438

16. Other Important Disclosures

16.1: Pending Accounts Payable (See Annex 1)

	Balance b/f FY 2019/2020	Additions for the period	Paid during the year	Balance c/f FY 2020/2021
Description	Kshs	Kshs	Kshs	Kshs
Construction of civil works	2,439,340,189	0	0	2,439,340,189
Supply of goods	0	815,820	0	815,820
Supply of services	0	5,325,719	0	5,325,719
Compensation (Gratuity)	0	3,438,755		3,438,755
Total	2,439,340,189	9,580,295	0	2,448,920,483

**State Department for Regional and Northern Corridor Development
Reports and Financial Statements
For the year ended June 30, 2021**

17. PROGRESS ON FOLLOW UP OF PRIOR YEARS AUDITOR'S RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
1	<p>Irregular Advance Payment for Kimwarer Multipurpose Dam Development Project</p> <p>The statement of receipts and payments as at 30 June, 2020, reflects proceeds from foreign borrowing of Kshs.3,666,495,236 out of which Kshs.3,485,500,628 was paid to International Joint Venture firm on 27 September, 2018. The payment, which was effected in the books of the State Department on 2 November, 2018 through journal entries, was an advance for designing, building and transfer of the proposed Kimwarer Multipurpose Dam Development Project. Available information indicates that this matter is under investigations by the relevant authorities.</p>	<p>Management Response</p> <p>The advance payment of Kshs.3,485,500,628 made to International Joint Venture firm was supported by the contract between KVDA and CMC di Ravenna- Itinera Joint Venture dated 5th April, 2017 contract number KVDA/RFP/36/2015/15. This payment was supported by documents submitted by Kerio Valley Development Authority and forwarded to Treasury (External Resources Department) for payment. However, the matter is currently in court awaiting determination.</p>	Accounting Officer	Not resolved	
2	<p>Unreconciled Grants and Transfers to Other Government Entities</p>	<p>Management Response</p>		Resolved	

**State Department for Regional and Northern Corridor Development
Reports and Financial Statements
For the year ended June 30, 2021**

	<p>The statement of receipts and payments and Note 5 to the financial statements reflect transfers to eight (8) other Government entities amounting to Kshs.8,138,743,577. However, confirmation from the respective agencies revealed variances as follows:</p> <table border="1" data-bbox="483 1391 722 1989"> <thead> <tr> <th>SAGA</th> <th>Amount disbursed by the State Department Kshs.</th> <th>Amount received by the SAGA Kshs.</th> <th>Difference</th> </tr> </thead> <tbody> <tr> <td>ENNDA</td> <td>338,129,280</td> <td>339,535,887</td> <td>(1,406,607)</td> </tr> <tr> <td>KVDA</td> <td>3,666,495,236</td> <td>Nil</td> <td>3,666,495,236</td> </tr> </tbody> </table> <p>In the circumstances, the accuracy and completeness of the grants and transfer to other Government entities balance of Kshs.8,138,743,577 for the year ended 30 June, 2019, could not be confirmed.</p>	SAGA	Amount disbursed by the State Department Kshs.	Amount received by the SAGA Kshs.	Difference	ENNDA	338,129,280	339,535,887	(1,406,607)	KVDA	3,666,495,236	Nil	3,666,495,236	<p>Grants to ENNDA</p> <p>It is true that the statement of receipts and payments for the year ended 30th June, 2019 and note 5 to the financial statements reflects transfers to eight other government entities amounting to Kshs. 8,138,743,577. Out of this amount Kshs.4,671,815,790 was funded by exchequer and Kshs.3,666,495,236 was funded through foreign borrowing and therefore did not constitute transfer to any SAGAs as it was a direct payment. The figure 338,129,280 was transferred/disbursed to Ewaso Ngiro North Development Authority and confirmed by the authority vide inter entity transfers confirmation letter. However, we communicated to Ewaso Ngiro North Development Authority and advised them to reconcile the two figures to reflect the actual amount disbursed to them by the State Department.</p>		
SAGA	Amount disbursed by the State Department Kshs.	Amount received by the SAGA Kshs.	Difference													
ENNDA	338,129,280	339,535,887	(1,406,607)													
KVDA	3,666,495,236	Nil	3,666,495,236													
3	<p>Pending Bills</p> <p>Annex 1 analysis of other pending payables reflects Pending bills totaling Kshs.2,446,331,092. Included in the amounts are bills totaling to Kshs.2,438,725,299 which had no supporting document. In the absence of supporting documents</p>	<p>Management Response</p> <p>Pending bills as reflected in the draft report for 2019/2020 amounted to Kshs 2,439,340,189.00 and comprised of two items as follows:</p> <p align="right">46</p>	Accounting Officer	Not resolved												

**State Department for Regional and Northern Corridor Development
Reports and Financial Statements
For the year ended June 30, 2021**

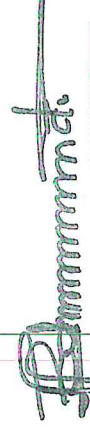
	<p>it was not possible to confirm the authenticity of the pending bills amounting to Kshs.2,438,725,299 and whether the bills are a proper charge to public funds. Further failure to settle pending bills during the year in which they relate to adversely affects the provision of the subsequent year to which they have to be charged</p>	<p>a) Pending bills pertaining to Kimira Oluch smallholder Improvement Project amounts to Kshs 867,449,206</p> <p>b) Pending bills pertaining to consultancy services on the 5 multipurpose dams amounts to Kshs 1,571,890,983.</p> <p>The above pending bills are historical in nature having been incurred in the financial years 2010/2011 and 2011/2012 respectively when the State Department was then Ministry of Regional Development.</p> <p>Following the establishment of the State Department for Regional and Northern Corridor Development via the Executive Order No 1 of June 2018, the pending bills were handed to the State Department in the FY 2018/2019.</p> <p>The State Department has in the period under consideration carried out verification of the pending bills in question and having satisfied itself on their eligibility for payment, a request has been placed with the National Treasury and Planning for consideration for a budget provision.</p> <p>The above pending bills and supporting documents were availed for audit</p>			
--	--	--	--	--	--

**State Department for Regional and Northern Corridor Development
Reports and Financial Statements
For the year ended June 30, 2021**

4	Budget Performance and Control	<p>The State Department received Exchequer receipts totaling Kshs. 5,224,758,438 against an approved budget of Kshs.5,884,758,438 resulting to a shortfall of Kshs. 660,000,000 or 11%. Similarly actual expenditure amounted to Kshs.5,224,718,525 against the approved budget of Kshs. 5,884,758,438 resulting to under absorption of Kshs. 600,039,913 or 11.2% which occurred mainly under transfers to other Government entities. The shortfall in budgeted receipts and under-absorption implies that the overall goals and objectives of the State Department were not achieved as planned.</p>	<p>Proceeds from foreign borrowing Kshs 200,000,000 – These were funds meant for the ongoing Wei Wei phase III integrated irrigation project which is being implemented by KVDA. These proceeds were not realized because the financing bank delayed in confirming declaration of the contract component as effective and the contractor delayed in taking the site.</p> <p>Proceeds from sale of assets and other receipts (Kshs 460,000,000) –These are AIA collected and accounted for directly to The National Treasury by RDAs as</p>	<p>Accountant</p> <p>Not resolved</p>
---	---------------------------------------	--	--	---------------------------------------



Principal Secretary
Dr. Bélio R. Kipsang, CBS



Assistant Accountant General
Tom M. Odundo
ICPAK Member Number: 5430

**State Department for Regional and Northern Corridor Development
Reports and Financial Statements
For the year ended June 30, 2021**

ANNEXES

ANNEX 1. ANALYSIS OF OTHER PENDING PAYABLES

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 30.06.2021	Outstanding Balance 30.06.2020	Comments
		a	b	c	d=a-c		
Kimira Oluch Smallholder Irrigation Scheme							
M/s Sino Hydro Corporation in Joint Venture with Machiri LTD	Major works	14,021,395			14,021,395	14,021,395	
M/s Sino Hydro Corporation in Joint Venture with Machiri LTD	Major works	18,027,752			18,027,752	18,027,752	
M/s Sino Hydro Corporation in Joint Venture with Machiri LTD	Major works	47,694,910			47,694,910	47,694,910	
M/s Sino Hydro Corporation in Joint Venture with Machiri LTD	Major works	68,977,619			68,977,619	68,977,619	
M/s Sino Hydro Corporation in Joint Venture with Machiri LTD	Major works	150,406,616			150,406,616	150,406,616	
M/s Sino Hydro Corporation in Joint Venture with Machiri LTD	Major works	101,648,067			101,648,067	101,648,067	
M/s Sino Hydro Corporation in Joint Venture with Machiri LTD	Major works	107,615,749			107,615,749	107,615,749	
M/s Sino Hydro Corporation in Joint Venture with Machiri LTD	Major works	74,411,433			74,411,433	74,411,433	
M/s Sino Hydro Corporation in Joint Venture with Machiri LTD	Major works	28,126,080			28,126,080	28,126,080	
M/s Sino Hydro Corporation in Joint Venture with Machiri LTD	Major works	9,137,378			9,137,378	9,137,378	
M/s Sino Hydro Corporation in Joint Venture with Machiri LTD	Minor works	15,032,452			15,032,452	15,032,452	
M/s Sino Hydro Corporation in Joint Venture with Machiri LTD	Minor works	33,312,578			33,312,578	33,312,578	
M/s Sino Hydro Corporation in Joint Venture with Machiri LTD	Minor works	39,414,642			39,414,642	39,414,642	
M/s Sino Hydro Corporation in Joint Venture with Machiri LTD	Minor works	79,481,531			79,481,531	79,481,531	

**State Department for Regional and Northern Corridor Development
Reports and Financial Statements
For the year ended June 30, 2021**

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 30.06.2021	Outstanding Balance 30.06.2020	Comments
M/s Sino Hydro Corporation in Joint Venture with Machiri LTD	Minor works	44,439,594			44,439,594	44,439,594	
M/s Sino Hydro Corporation in Joint Venture with Machiri LTD	Minor works	35,701,410			35,701,410	35,701,410	
Consultancy Services for Multi Purpose Dams							
M/s Teenica Y Proyectos, S.A (YPSA)Spain	Nandi Forest Multipurpose Dam	6,808,308			6,808,308	6,808,308	
M/s SMEC(Australia)	Magwaga Multipurpose Dam	21,403,045			21,403,045	21,403,045	
M/s Egis International (France) in Consortium with ISL, SCP, Egis Becon Kenya and CAS Consultant LTD	High Grands Falls Dam	96,594,160			96,594,160	96,594,160	
M/S Naqsh Tarsim Milad Consulting Engineers (P.J.S.CO) Iran	Aror Multipurpose Dam	222,860,156			222,860,156	222,860,156	
M/S Consulting Engineering Service (India) Private Limited	Mwache Dam	304,477,546			304,477,546	304,477,546	
M/s Teenica Y Proyectos, S.A (YPSA)Spain	Lower Ewaso Ngiro South Multipurpose Dam	919,747,768			919,747,768	919,747,768	
Silver Africa tours and Safaris	Air tickets	1,463,265			1,463,265	0	
Elite Times Ventures Limited	Air Tickets	148,810			148,810	0	
PARDA	Conference facilities	986,150			986,150	0	
Telkom Kenya	Internet services	222,300			222,300	0	
Mimat company	Cleaning services	2,126,082			2,126,082	0	

**State Department for Regional and Northern Corridor Development
Reports and Financial Statements
For the year ended June 30, 2021**

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 30.06.2021	Outstanding Balance 30.06.2020	Comments
Arca Continental services	Mineral water	28,320			28,320	0	
Decasa Restaurant	Catering services	379,112			379,112	0	
R.H Devani	Fuel	787,500			787,500	0	
Kipgetich Arap Korir	Gratuity	3,438,755			3,438,755		
TOTALS		2,448,920,483			2,448,920,483	2,439,340,189	

ANNEX 2 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost b/f (Kshs) 2019/2020	Additions during the year (Kshs)	Disposals during the year (Kshs)	Transfers in/(out) during the year	Historical Cost c/f (Kshs) 2020/2021
Refurbishment of Buildings and structures	19,993,400	0	0	0	19,993,400
Transport equipment	74,974,728	0	0	0	74,974,728
Office equipment, furniture and fittings	52,556,888	0	0	0	52,556,888
Purchase of Specialized Plant, Equipment and Machinery	9,411,498	0	0	0	9,411,498
Total	156,936,514	0	0	0	156,936,514

State Department for Regional and Northern Corridor Development
 Reports and Financial Statements
 For the year ended June 30, 2021

ANNEX 3– Project Implemented by the State Department for Regional and Northern Corridor Development

Ref	Project Name	Principal Activity Of The Project	Accounting Officer	Project Consolidated In These Financial Statements (Yes/No)
1	Kimira Oluch Small Holder Farm Improvement Project in Homa Bay	To improve income levels in a sustainable manner for 3000 rural households in Homa Bay County through improved agricultural productivity for poverty reduction and improved livelihood	Mr. Juma Robinson Jalang'o Ag. Project Manager	No

ANNEX 4 – LIST OF SCS, SAGAS AND PUBLIC FUNDS UNDER THE STATE DEPARTMENT OF REGIONAL AND NORTHERN CORRIDOR DEVELOPMENT

Ref	SC, SAGA or Public Fund's name	Principal activity of entity	Accounting Officer	Amount transferred during the year	Inter- entity reconciliations done? (yes/no)
1	Lake Basin Development Authority	Plan and co- ordinate the implementation of development projects in the Lake Victoria Basin	Dr. Raymond Omollo	446,553,400	YES
2	Tana and Athi Rivers Development Authority	Plan and co- ordinate the implementation of development projects in Tana and Athi Rivers Basins	Mr. Emilio N Mugo Ag. MD	340,275,000	YES
3.	Coastal Development Authority	Plan and co- ordinate the implementation of development projects in Coastal Regions	Dr. Mohammed Keinan Hassan, OGW	308,900,500	YES
4	Ewaso Ngiro North Development Authority	Plan and co- ordinate the implementation of development projects in Ewaso Ng'iro North and Catchment areas	Eng. Ali Hassan Ibrahim, PhD	832,358,000	YES

State Department for Regional and Northern Corridor Development
Reports and Financial Statements
For the year ended June 30, 2021

5	Ewaso Ngiro South Development Authority	Plan and co-ordinate the implementation of development projects in Ewaso Ngiro south and Catchment areas	Mr. Ngala Oloitipip	385,500,500	YES
6	Kerio Valley Development Authority	Plan and co-ordinate the implementation of development projects Kerio Valley areas of operations	Mr. Sammy Naporos	157,518,500	YES
7	LAPSSET Corridor Development Authority	Part of vision of Kenya 2030 infrastructure projects that brings together Kenya, Ethiopia and South Sudan (Roads, ports, standard gauge railways, crude oil pipelines etc)	Mr. Maina Kiondo Ag. MD	317,691,552	YES
GOK PROJECT					
8	Kimira Oluch Small Holder Farm Improvement Project in Homa Bay – Project Gok counterpart fund	To improve income levels in a sustainable manner for 3000 rural households in Homa Bay County through improved agricultural productivity for poverty reduction and improved livelihood	Juma Robinson Jalang'o Ag. Project Manager	62,594,000	YES
				2,851,391,453	

