

REPUBLIC OF KENYA



Enhancing Accountability

REPORT DATE: 12 MAY 2022

OF

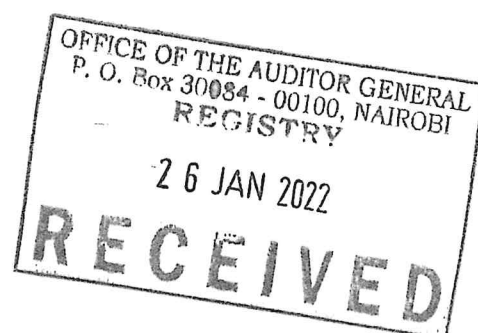
THE AUDITOR-GENERAL

ON

STATE DEPARTMENT FOR DEVOLUTION

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

THE NATIONAL ASSEMBLY	
DATE: 12 MAY 2022	DAY: Thurs
TABLED BY: LOM	
CLERK-AT-THE-TABLE: C. Ndirity	



STATE DEPARTMENT FOR DEVOLUTION

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30 JUNE, 2021

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

STATE DEPARTMENT FOR DEVOLUTION
Reports and Financial Statements
For the year ended June 30, 2021.

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1. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

Executive Order No. 1. of 2013 created State Department of Devolution which existed to spearhead devolution process, implement special programmes, and Coordinate development of ASALs. This was however changed through executive order No.1 of 2018 which established State Department of Devolution with the key focusing on devolution policy, intergovernmental relations and capacity building and technical assistance to county governments and management, monitoring and evaluation of devolution affairs and management of emergency relief. The State Department of Devolution is mandated to coordinate implementation of devolution programmes in line with the Constitution of Kenya and the various devolution legislations including; County Government Act 2012; Intergovernmental relations Act 2012; Urban Areas and Cities Act 2011; Transition to devolved government Act 2012; and Public Finance Management Act 2012.

The State Department of Devolution is composed of three technical Departments namely: Management of Devolution, Capacity building & Technical Support and Intergovernmental Relations. The Department works closely with other ministries and departments as well as county governments to ensure effective provision of technical support in devolution services.

At cabinet level, the State Department is represented by the Cabinet Secretary for the Ministry of Devolution and ASAL who is responsible for the general policy and strategic direction of the state department.

The Executive Order No. 1 of 2018 gives the following mandate to the State Department of Devolution:

- Management, monitoring and evaluation of Devolution Affairs
- Devolution policy
- Intergovernmental Relations
- Capacity Building and Technical Support to counties
- Relief food management and humanitarian emergency response.

The State Department of Devolution also oversees;

- The National and County Governments Coordinating Summit,
- The Intergovernmental Steering Committee
- The Intergovernmental Relations Technical Committee (IGRTC)
- The Council of Governors (CoG)

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VISION

To be a centre of excellence in the management of Devolution and intergovernmental relations for high quality of life for all Kenyans.

MISSION

To provide leadership, In the Management of Devolution affairs, Harmonious Intergovernmental relations and enhanced Capacities for implementation of Devolve System of Governance.

CORE VALUES

The State department upholds the following core values:

- (i) Accountability and transparency
- (ii) Professionalism and ethical practices
- (iii) Teamwork and passion for results
- (iv) Honesty and integrity
- (v) Innovativeness and creativity
- (vi) Efficiency and effectiveness
- (vii) Mutual respect, participatory approach and inclusiveness
- (viii) Customer centred service

Strategic objectives

- (i) To strengthen capacities of County Governments to implement devolved system of governance.
- (ii) To strengthen Intergovernmental Relations
- (iii) To ensure effective management of Devolution affairs

(b) Key Management

The state department day-to-day management is under the following key organs:

- Budget implementation committee
- Ministerial human resource committee
- Training committee

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(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:

Accounting Officer	Mr Julius Korir, CBS	February 2021 to date
Secretary Administration	Kula Hache	Feb 2018 To Date
Chief Finance Officer	CPA Sarah Kerandi	April 2020 to Date
Deputy Accountant General	CPA Johnson Njuguna	23 rd Dec.2019 To Date
Director Technical Assistance	Alfonso Munyali	2018 To Date
Secretary Relief	Isaac Githui	2016 To Date
Director Human Resource	Silas Gitari	2018 To Date
Director Policy And Research	James Mwanzia	2016 To Date

(d) Fiduciary Oversight Arrangements

Budget Implementation Committee (BIC)

Each of the State Departments has a Budget Implementation Committee. The committee is charged with the responsibility of implementation of the budget and its prudent management. The duties of the committee include:

- (i) To review and consider the cash flows plans.
- (ii) To review the utilization of the cash limits and consider any changes as may be required.
- (iii) To review the utilization of the donor funds voted for the Departments.
- (iv) To advice the Accounting Officers on the challenges related to the budget implementation.
- (v) To review and recommend the reallocation of expenditures.
- (vi) To review and approve the submission of the expenditure returns, IPPDs, pending bills and A-I-A returns for the Departments and recommend actions to be taken.
- (vii) To participate in Sector Working Groups.
- (viii) To prepare budget in consultation with the Heads of Departments

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Ministerial Human Management Advisory Committee

This is the committee charged with responsibilities of taking care of Human Resources needs. The duties include:

- (i) Promotions of officers in Job Groups A-P.
 - (ii) Confirmation in appointment.
 - (iii) Disciplinary matters.
 - (iv) Re-designation of officers from one cadre to another.
 - (v) Surcharge of officers found to have misused Government resource
-

Ministerial Training Committee

This is the committee that is charged with the responsibility of Human Resources Development needs. The duties include:

- (i) Overall coordination of the training function in the Ministry.
- (ii) Preparation and implementation of the Ministerial Training Plan.
- (iii) Induction of newly appointed officers.
- (iv) Bonding of officers on long term training.

Audit and finance committee activities

Parliamentary committee activities

In parliament the Ministry is under the oversight of Parliamentary Accounts Committee on issues of financial management and on operations under the oversight of Senate Devolution Committee.

(e) Entity Headquarters

P.O. Box 30004

Teleposta Building/House/Plaza

Kenyatta Avenue

NAIROBI, KENYA

Entity Contacts

Telephone: (254) 020-2217475

E-mail: ps@devolutionandasal.go.ke

Website: www.devolutionasal.go.ke

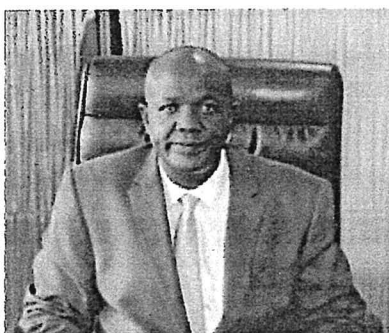
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THE SENIOR MANAGEMENT OF THE STATE DEPARTMENT FOR DEVOLUTION



Hon. Eugene Wamalwa, EGH
 Cabinet Secretary
 Ministry of Devolution and
 ASALs

Hon. Eugene L. Wamalwa, EGH He is the immediate former Cabinet Secretary for Water and Irrigation. He has also served as the Minister for justice, National Cohesion and Constitutional Affairs from 2011 to 2013 during President Kibaki's second term in office.



Hon. Gideon M. Mung'aro, OGW, CAS Devolution

Hon. Gideon M. Mung'aro, OGW, is one of the two Chief Administrative Secretaries in the Ministry of Devolution and Arid and Semi-Arid Lands (ASALs)

Prior to this appointment, he was the Chief Administrative Secretary, Ministry of Lands, Housing and Urban Development, a position he held since his appointment in 2018.

Hon. Mung'aro has served as a Member of Parliament for Kilifi North Constituency from 11th March 2013 to 16th July 2017,

He was the Member of Parliament for Malindi Constituency for five years from 2008 to 2013



Mr. Julius Korir, CBS,
 Principal Secretary, State
 Department for Devolution,

Mr., Julius Korir, CBS is the current Principal Secretary, State Department for Devolution, Ministry of Devolution and ASAL. He joined the ministry from the state department for youth affairs where he previously served as principal secretary.

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(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

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2. FORWARD BY THE CABINET SECRETARY



HON. CHARLES KETER, EGH
CABINET SECRETARY MINISTRY OF DEVOLUTION

The Ministry of devolution and ASAL was established in January 2019 following the restructuring of the government .it consist of two state departments, devolution and ASAL both of which formed part of the ministry of Devolution and Planning from April 2013 to January 2018. The Ministry is in charge of management of devolution affairs and asal.

In the financial year 2020/20201, the State Department For Devolution had a gross budget of kshs **9.1B** which was made up fo kshs **1.02B** for recurrent and kshs **8.16B** for development .

The recurrent budget was utilized 98% while development was utilized 93%, bringing total utilization to 94%.

The absorption of less than 100% was due to covid -19 restrictions which affected most of the operations of the state department.

Key performance highlights

Financial performance	Printed Estimates	Actual	Variance	% Utilisation
	Kshs	kshs	kshs	
Total receipts	9,190,254,449	8,819,269,235	370,985,214	96%
Total payments	9,190,254,449	8,637,705,329	552,549,120	94%
Surplus/deficit	0	181,563,906	(181,563,906)	

The overall performance of the budget was **94%**. the ministry had an impressive performance despite the challenges posed by covid -19 lockdowns. The performance of the **recurrent budget** was **99%** , while the performance of the **development budget** was **93%**.

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The performance of the programs is as bellow

Programme	Budget Allocated	Final Expenditure	Budget Utilisation Variance
Devolution Services	8,763,141,713.00	8,227,623,242.30	535,518,470.70
Special Initiatives	112,800,580.00	109,245,512.95	3,555,067.05
General Administration, Planning and Support Services	314,312,156.00	300,836,574.20	13,475,581.80
TOTAL	9,190,254,449.00	8,637,705,329.45	552,549,119.55

i) key achievements for the State Department for Devolution

The state department of devolution made tremendous achievements despite the challenges caused by covid -19 pandemic. Key among the issues achieved includes the following:

- a) The County Government Act (2012) and Intergovernmental Relations Act (2012) were reviewed. The developments of attendant regulations were developed to draft stage,
- b) Regulations to support the establishment and operationalization of Intergovernmental Units in Ministries and County Governments were developed,
- c) Four Intergovernmental sectors forums were held. The sectors are; Health, Manufacturing, Water, public service,
- d) Model laws on Physical Planning and Land Use were developed. The County Governments would adopt these model laws in coming up with laws in these subjects.
- e) To strengthen capacities of county governments to effectively implement devolution, County Government staffs were trained on self-assessments and development of capacity building plans. To actualize the plans, all the 47 counties were funded to the tune of Ksh.2.15 billion as capacity building grants. Investment grants amounting to Ksh.4.6 billion were also dispensed to 38 qualifying counties. These funding are performance grants under performance for results programme.
- a) Five Capacity Building Plans, 47 County capacity building plans, 38 No. of County investment plans were developed,
- b) The State Department continued to monitor and support implementation of investment projects in 25 counties funded under the Kenya Devolution Support Programme,

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f) The State Department supported Local Economic Development (LED) by funding and technically supporting 15 counties to implement 17 LED projects. The projects implementation status stood at approximately 80% by end of the period under review.

g) The Africities Summit preparation was done. The preparation included; the establishment and operationalization of Steering committee, Coordination committee and technical committee operationalized

ii) Emerging issues related to the State department for Devolution,

a) Covid-19 which has negatively affected implementation of planned programmes and activities. The pandemic led to budget cuts and reallocation of funds to combat the pandemic,

b) Electronic service delivery (e-service delivery) of government services due to Covid-19 pandemic has presented a new way of delivering service in more efficient way, There has been rising requests for transfer of functions between the two levels of the government especially from counties to National Government with the aim of improving service delivery

iii) Key risk management strategies.

- to minimize the health risk associated with the COVID-19 pandemic, the implementation of programs and projects was adjusted to ensure adherence to all protocols as set out by the Ministry of Health
- In light of the severe reduction of budgets across board, following the underperformance of revenue collection due to the effects of COVID-19, strong adherence to internal audit guidelines and controls ensured prudent utilization of available resources and delivery of most of the Ministry's performance targets.
- Tele-working, strict adherence to the work plan and effective deployment of ICT capabilities, enabled the timely implementation of activities
- Training and capacity building of staff.

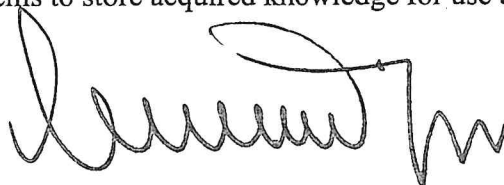
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The implementation challenges and recommended way forward.

- a) Inadequate funding to the State Department which was made worse by huge budget cuts in the Supplementary Estimates. This has led to below target execution of planned projects and activities.
 - b) Lack of budget provision under relief initiative programme to enable early planning and response to disasters and emergencies,
-
- c) Inadequate disclosure of programmes details by some of the development partners to enable the implementers effectively executes the programmes.
 - d) Weak knowledge managements systems in counties to store acquired knowledge. This has led to repetitive capacity building interventions especially when county regime change;

Recommendation

- a) A budget line should be provided for the Special Initiative Programme to enable the sub-sector respond to emergencies and disasters in time, hence saving lives and livelihoods.
- b) There is need to hold regular round table meetings with development partners when formulating and implementing programmes for full disclosure of information.
- c) There is need to gradually shift from provision of food relief to cash transfers in mitigating the effect of drought in the ASAL counties. This will ensure prompt response, cost effectiveness, as well as maintaining the beneficiaries' dignity.
- d) There is need to support County governments to establish knowledge management systems to store acquired knowledge for use by staff and new county leaders.



HON. CHARLES KETER, E.G.H
CABINET SECRETARY
MINISTRY OF DEVOLUTION.

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3. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

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 each 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 for the State Department for Devolution as per the Strategic Plan for FY 2018- FY 2022 plan are to:

- a) Strengthen the Provision of Capacity and Technical Support for Improved Service Delivery at County Level
- b) Strengthen the Policy and legal framework for Management of the Devolved System of Government
- c) Strengthen Cooperation, Coordination and Consultation for Sustainable Intergovernmental Relations
- d) Monitor and Evaluate Implementation of Devolution affairs
- e) Operationalize Interventions to Enhance the Coordination and Management of Special Programmes
- f) Save Lives and Livelihoods of People Affected by Disasters

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:

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	Strategic Objective	Outcome	Indicator	Performance
Devolution Support Services	To strengthen the Provision of Capacity and Technical Support for Improved Service Delivery at County Level	Strengthen capacities of counties to effectively and	No. of counties supported Amount of capacity	All the 47 Counties were supported on the following thematic areas;
		efficiently implement the devolved functions	building grants support to counties	Public Finance, Human Resource Management, Planning and Monitoring and Evaluation among others Ksh.1.15 billion capacity building grants were transferred to all the 47 counties
	To strengthen the Policy and legal framework for Management of the Devolved System of Government	Enabling policy, legal framework for efficient management of devolved system of government	No. of policies, legislations and regulations developed/reviewed	In the FY 2020/21, the review of County Government Act (2012) and Intergovernmental Relations Act (2012) were finalized and attendant regulations initiated
	To Monitor and Evaluate Implementation of Devolution affairs	Efficient and effective implementation of	No. of M&E reports on Investment and LED projects	Monitoring and Evaluation was carried out

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		Devolution programmes	implemented under Kenya Devolution Support Programme (KSDP) and IDEAS programme	quarterly on the two programmes and reports prepared. Technical support was also provided to counties implementing projects funded under the programmes.
Management of Intergovernmental Relations	To Strengthen Cooperation, Coordination and Consultation for Sustainable Intergovernmental Relations	Harmonious inter- and intra-governmental relations	No. of Intergovernmental sector forums held	In the FY 2020/21, four sector forums we held, the sectors are; Health, Manufacturing, Water, and Public Service.
Special Initiatives	To operationalize Interventions to Enhance the Coordination and Management of Special Programmes	Coordinated management of special programmes	National Policy on Relief Assistance	During the FY 2020/21, a policy on Relief Assistance was developed to the draft stage
	To Save Lives and Livelihoods of People Affected by Disasters	Saved lives and livelihood in ASAL counties	No. of food insecure persons provided with relief food	In the FY 2020/21, 300,000 food insecure persons were provided with relief assistance.

4. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

State Department for Devolution exists to support Devolution and the county governments to ensure that there is improved service delivery at the local level. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on the Devolution pillars: putting the Citizen first, delivering relevant technical support and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar

Sustainability strategy and profile:

1. Sustainability strategy and profile

The ministry is working closely with county governments and other devolution stakeholders to ensure that the activities and projects carried out are done in a sustainable manner and with the participation of all stakeholders.

2. Environmental performance

The State Department has continued to support environmental performance and specifically such as climate change and the State Department was participated in the 2019 Climate Action Summit and Twenty Fifth Session Conference of Parties (COP 25). Although the State Department does not directly participate in matters of environment, the State Department has continued to support the implementation of various environmental aspect and building capacity in county government.

To this end the Ministry has engaged services of expert in environmental and social safeguards to ensure environmental concerns are integrated in the implementation of infrastructural projects. On international front, the State Department is the member of the Building Climate Resilience for Urban (BCRUP) secretariat mandated to ensure climate change initiatives are localized at county governments. The biggest challenge in realization of this objective is lack of sub-national (county governments) financing framework.

To address this concern, the State Department together with The National Treasury and Ministry of Environment are in the process of finalization of proposed Financing Locally-Led Climate Action Program (FLLCAP). This is Performance for Result (PforR) programme aimed at supporting implementation of the locally identified climate change initiatives by county governments. The financing of this project by the World Bank will mobilize resources for financing BCRUP initiative

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and build a decentralized/ sub-national climate change financing framework which was identified as missing link in combating climate change by county governments.

The State Department will provide the lead role in coordinating capacity building and provision of technical support in the project implementation

3. Employee welfare

The hiring and process and policies within the state department are guided by the constitution and procedures and process developed by the public service commission. The guidelines have inbuilt mechanisms to take care of the marginalised, the disabled and also consider gender balance.

The ministry has training and development program for all employees guided by the procedures developed by the ministry of public service. at the beginning of each year all employees develop their training projection for the year guided by their supervisors.

4. Market place practices-

The organisation has the following policies on market practices.

a) Responsible Supply chain and supplier relations

The state department maintains fair market practice by ensuring there is fair competition in all procurement's ministry adheres to all the regulations and procedures in the procurement and disposal act 2015.

5. Community Engagements-

The State Department for Devolution has continued to provide community support during various calamities. Provision of Emergency Relief for Flood, Drought and other Natural calamities victims cannot be overemphasized. More and more Kenyans are affected by disasters like droughts, floods, landslides and most recent, the Corona Virus pandemic which has disrupted livelihood and require relief support. This has however been affected by lack of budgetary provision during the MTEF process. The current trend of provision for relief only through Supplementary Budgets is not sustainable as statistics have proved that annual emergency provisions are required. It is therefore critical that enough funds are provided to the State for Devolution to enable fulfil its mandate of managing disaster emergencies effectively.

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 Devolution* is responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 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 Devolution* 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 for Devolutions* 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 entity's financial position as at that date. The Accounting Officer charge of the *State Department for Devolution* further confirms the completeness of the accounting records maintained for the *State Department for Devolution* which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of the *State Department for Devolution* 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

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Accounting Officer confirms that the entity's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the financial statements

The State Department for Devolution financial statements were approved and signed by the Accounting Officer on 5th January 2022.



Principal Secretary

Name: Julius Korir ,CBS



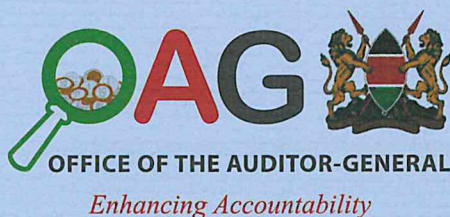
Principal Accounts Controller

Name: CPA Johnson W. Njuguna

ICPAK Member Number:7626

REPUBLIC OF KENYA

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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 DEVOLUTION 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, gazette 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 controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of State Department for Devolution set out on pages 19 to 46, which comprise of 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 combined 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, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the State Department for Devolution as at 30 June, 2021 and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Compensation of Employees

As disclosed in Note 3 to the financial statements, the statement of receipts and payments reflects compensation of employees' balance of Kshs.291,548,253 out of which an amount of Kshs.178,484,023 and Kshs.113,064,231 paid as basic salaries and part of personal allowances, respectively. However, examination of payments made through the Integrated Personnel Payroll Database, IPPD system indicates that an amount of Kshs.163,104,904 and Kshs.128,019,802 were paid as basic salaries and other personal allowances resulting to a difference of Kshs.15,379,119 and Kshs.14,955,571 respectively.

Consequently, the accuracy of compensation of employees' balance of Kshs.291,548,253 reflected in the statement of receipts and payments for the year ended 30 June, 2021 could not be confirmed.

2.0 Use of Goods and Services

As disclosed in Note 4 to the financial statements, the statement of receipts and payments reflects use of goods and services balance of Kshs.877,989,107. Examination of records revealed the following:

2.1 Refund of Ineligible Expenditure

The balance includes an amount of Kshs.760,645,302 in respect of other operating expenses, which further includes an amount of Kshs.388,689,253 as refund to the World Bank, being project funds found to have been ineligible after World Bank review. The amount was meant for financing Western Kenya Community Driven Development and Flood Mitigation Project under Credit No.4287-KE.

An in-depth review by World Bank report submitted in March, 2017 to the Government revealed potentially ineligible expenditure amounting to Kshs.388,689,257 affecting sixty-one (61) contracts evidencing probable fraud through submission of forged documents, such as bid securities, performance bonds, National Construction Agency registration documents, tax compliance as well as falsified prior working experience. A further nineteen (19) contracts had significant red flags of fraud and corruption, while fifty-four (54) contracts exhibited red flags of fraud but with significant gaps in the available evidence.

Management has not explained how the ineligibility occurred and what action it has taken to ensure the culprits face consequences or how it intends to recover the amounts.

2.2 Unsupported Expenditure

Further, the balance of Kshs.877,989,107 constitutes an amount of Kshs.12,021,546 under domestic travel and subsistence out of which a balance of Kshs.1,301,000 could not be confirmed as payment vouchers and other supporting documentation were not provided for audit review.

In the circumstances, the propriety of the expenditure of Kshs.389,990,253 included in use of goods and services balance of Kshs.877,989,107 for the year ended 30 June, 2021 could not be confirmed.

3.0 Unsupported Transfers to Other Government Entities

The statement of receipts and payments reflects a balance of Kshs.7,434,223,946 in respect of transfers to other Government entities which as disclosed in Note 5 to the financial statements includes an amount of Kshs.4,600,000,000 being Kenya Devolution Support Programme transfers to thirty-eight (38) counties as level 2 investment grants following achievement of disbursement linked indicators, meeting the minimum access conditions and also minimum performance conditions. However, only five (5) counties confirmed having received the funds totalling to Kshs.689,429,163, leaving a total of Kshs.3,910,570,837 from thirty-three (33) counties not confirmed.

Further, the balance includes an amount of Kshs.2,115,000,000 which was transferred directly to the counties by The National Treasury for the Kenya Devolution Support Program and which was not supported with returns from the recipients to confirm receipt of the funds.

Consequently, the propriety and accuracy of the transfers to other Government entities expenditure of Kshs.6,025,570,837 included under transfers to other Government entities balance of Kshs.7,434,223,946 for the year ended 30 June, 2021 could not be confirmed.

4.0 Unsupported Acquisition of Assets

As disclosed in Note 7 to the financial statements, the statement of receipts and payments reflects a balance of Kshs.10,335,141 in respect of acquisition of assets out of which expenditure amounting to Kshs.7,649,441 had not been supported with verifiable audit evidence.

Consequently, the accuracy and completeness of the expenditures amounting to Kshs.7,649,441 included under acquisition of assets balance of Kshs.10,335,141 for the year ended 30 June, 2021 could not be confirmed.

5.0 Inaccuracies in Cash and Cash Equivalents

As disclosed in Note 8A to the financial statements, the statement of assets and liabilities reflects cash and cash equivalents balance of Kshs.204,845,006. The balance includes bank balance of Kshs.202,959,524 which further includes project account balance of Kshs.7,424,401. However, review of records indicated that the opening balance for Instruments for Devolution Advice and Support, (IDEAS) Project Account is reflected

as Kshs.13,595,445 while the cashbook reflected an amount of Kshs.13,124,323 resulting to an unexplained difference of Kshs.471,122. Further, the bank reconciliation statement for deposit account with a balance of Kshs.13,561,548 was not provided for audit review.

Consequently, the accuracy and completeness of the cash and cash equivalents balance of Kshs.204,845,006 as at 30 June, 2021 could not be confirmed.

6.0 Unaccounted for District Suspense Account

The statement of assets and liabilities reflects an accounts receivables balance of Kshs.59,820,046 which, as disclosed in Note 9 to the financial statements constitutes salary advances and district suspense account balance of Kshs.165,226 and Kshs.59,654,820, respectively. However, the latter relates to Authority to Incur Expenditures (AIEs) issued to various County Commissioners for the transportation of relief food to the beneficiaries to the Sub-county level. The amounts could not be confirmed as no documents in form of returns were provided for audit review, to explain the requisition process, evidence of receipt by the respective recipients and the usage.

Under the circumstances, the accuracy and existence of the reported accounts receivables balance of Kshs.59,820,046 as at 30 June, 2021 could not be ascertained.

7.0 Unsupported Accounts Balances

The statement of assets and liabilities reflects account payables balance of Kshs.20,985,949 which, as reflected in Note 10 to the financial statements is made up of deposits and IDEAS balances of Kshs.13,561,548 and Kshs.7,424,401 respectively. However, there were no details and breakdown provided to support the balance of Kshs.13,561,548.

Consequently, the accuracy and validity of the accounts payables balance of Kshs.13,561,548 as at 30 June, 2021 could not be confirmed.

8.0 Inaccuracies in Pending Bills

Note 16.1 and Note 16.2 – Other important disclosures in the financial statements reflects pending bills totalling to Kshs.385,782,680 which comprise of Kshs.47,513,967 and Kshs.338,268,713 in respect of pending accounts payables and other pending payables, respectively. However, the opening balance for other pending payables of Kshs.338,268,713 differs with the balance of Kshs.3,268,178,016 reflected in the audited financial statements for the previous year by Kshs.2,929,909,303 which had not been reconciled.

Further, Management did not provide documents to support the amount stated in the financial statements by a schedule showing how the prior year's pending bills were paid and their current status or provide an explanation for the non-payment of the pending bills.

Consequently, the accuracy and validity of pending bills totalling to Kshs.385,782,680 could not be ascertained.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the State Department for Devolution 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 qualified opinion.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury's Circular Ref:AG.4/16/2 Vol.3(72) dated 30 June, 2021.

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. Irregular Payment of Demurrage Charges

As disclosed in Note 4 to the financial statements, the statement of receipts and payments reflects use of goods and services balance of Kshs.877,989,107 which includes an amount of Kshs.760,645,302 in respect of other operating expenses. The balance includes an amount of Kshs.75,560,800 which was paid through the Government Clearing Agency for onward payment to a company as demurrage charges arising from long delay in returning empty containers that had been used to deliver relief food supplies from the Government of the People's Republic of China and which could have been avoided had proper planning measures been put in place.

Consequently, the value for money for the expenditure of Kshs.75,560,800 paid for demurrage charges could not be confirmed.

2. Non-Compliance with the Public Procurement and Asset Disposal Act, 2015

The statement of receipts and payments reflects use of goods and services balance of Kshs.877,989,107 under use of goods and services which as disclosed in Note 4 to the financial statements includes an amount of Kshs.3,049,735 in respect of routine maintenance - vehicles and other transport equipment which further includes an amount of Kshs.600,000 issued to an officer as standing imprest. Examination of supporting documents revealed use of imprest to make purchases that did not meet the thresholds for low-value procurements through carrying out procurement work that should ordinarily could have been done by procurement professionals and for activities which had not been included in the approved procurement plan.

This was in contravention of Section 107(a) of the Public Procurement and Asset Disposal Act, 2015 which provides that items procured on low value method are those items that are not procured on a regular or frequent basis and are not covered in framework agreement.

Consequently, Management was in breach of the law.

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, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Lack of Fixed Assets Register

Annex 3 - Summary of fixed assets register in the financial statements reflects assets with a cumulative historical cost of Kshs.64,116,320 as at 30 June, 2021, However, the Department did not maintain a fixed assets register as required under Regulation 143 of the Public Finance Management (National Government) Regulations, 2015 and The National Treasury Guidelines as per Circular No. 5/2020 dated 25 February, 2020, which required all public entities to maintain a comprehensive register to protect public assets.

Consequently, the existence of an effective assets management system capable of safeguarding and ensuring proper custody of the assets could not be established.

2. Lack of Audit Committee and Public Finance Management Standing Committee

The State Department did not have an independent Audit Committee and Public Finance Management Committee as required by Regulations 174(1) and 18(1) of the Public Finance Management (National Government) Regulations, 2015 respectively. An audit committee forms a key component in the governance process by providing an independent expert assessment of the organization's activities, quality of the risk management, financial reporting and management to the top management, while the Public Finance Management Standing Committee provides strategic guidance to the entity on public finance management matters.

In the circumstance, the effectiveness of the internal controls, risk management and overall governance for the State Department could not be confirmed.

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

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal 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 overall governance.

In preparing the financial statements, Management is responsible for assessing the Department's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the 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 Department's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective

processes and systems are in place to address key roles and responsibilities in relation to overall 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 overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal 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 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 Department's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the 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 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

29 March, 2022

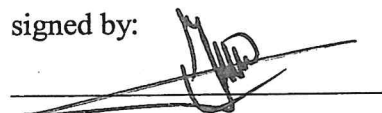



STATE DEPARTMENT FOR DEVOLUTION
Annual Report and Financial Statements
For the year ended 30 June 2021.

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	238,383,946	-
Exchequer releases	2	8,575,885,289	4,669,339,784
Other Receipts			-
TOTAL RECEIPTS		8,814,269,235	4,669,339,784
PAYMENTS			
Compensation of Employees	3	291,548,253	312,215,099
Use of goods and services	4	877,989,107	1,064,133,914
Transfers to Other Government Entities	5	7,434,223,946	1,858,800,000
Other grants and transfers	6	18,608,881	1,363,294,349
Acquisition of Assets	7	10,335,141	877,936
TOTAL PAYMENTS		8,632,705,329	4,599,321,298
SURPLUS/DEFICIT		181,563,906	70,018,486

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 5th January 2022 and signed by:


Principal Secretary
Name: Julius korir, CBS



Principal Accounts Controller
Name: CPA Johnson W. Njuguna
ICPAK Member Number:7626


STATE DEPARTMENT FOR DEVOLUTION
Reports and Financial Statements
For the year ended 30, June 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	202,959,524	52,384,145
Cash Balances	8B	1,885,482	1,466,005
Total Cash and cash equivalent		204,845,006	53,850,150
Accounts Receivables	9	59,820,046	60,178,070
TOTAL FINANCIAL ASSETS		264,665,052	114,028,220
FINANCIAL LIABILITIES			
Accounts Payables	10	20,985,949	22,044,915
NET FINANCIAL ASSETS		243,679,103	91,983,305
REPRESENTED BY			
Fund balance b/fwd	11	91,983,305	23,201,544
Prior year adjustment	12	(29,868,108)	(1,236,724)
Surplus/Deficit for the year		181,563,906	70,018,486
NET FINANCIAL POSITION		243,679,103	91,983,306

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 5th January 2022 and signed by:


Principal Secretary
Name: Julius Korir ,CBS


Principal Accounts Controller
Name: CPA Johnson W. Njuguna
ICPAK Member Number:7626

STATE DEPARTMENT FOR DEVOLUTION**Reports and Financial Statements****For the year ended 30, June 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	238,383,946	-
Exchequer Releases	2	8,575,885,289	4,669,339,784
TOTAL		8,814,269,235	4,669,339,784
Payments for operating expenses			
Compensation of Employees	3	291,548,253	312,215,099
Use of goods and services	4	877,989,107	1,064,133,914
Transfers to Other Government Units	5	7,434,223,946	1,858,800,000
Other grants and transfers	6	18,608,881	1,363,294,349
TOTAL		8,622,370,188	4,598,443,362
Adjusted for:			
Adjustments during the year			
Decrease/(Increase) in Accounts Receivable	13	358,024	(38,094,550)
Increase/(Decrease) in Accounts Payable	14	(1,058,966)	(30,613,629)
Prior Year Adjustments	12	(29,868,108)	(1,236,724)
Net cash flow from operating activities		161,329,997	951,519
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	7	(10,335,141))	(877,936)
Net cash flows from Investing Activities		(10,335,141)	(877,936)
CASHFLOW FROM BORROWING ACTIVITIES		-	-
Net cash flow from financing activities		-	-
NET INCREASE IN CASH AND CASH EQUIVALENT		150,994,856	73,583
Cash and cash equivalent at BEGINNING of the year		53,850,150	53,776,567
Cash and cash equivalent at END of the year		204,845,006	53,850,150

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 5th January 2022 and signed by:



Principal Secretary

Name: Julius Korir ,CBS



Principal Accounts Controller

Name: CPA Johnson W. Njuguna

ICPAK Member Number:7626

STATE DEPARTMENT FOR DEVOLUTION
Reports and Financial Statements
For the year ended 30, June 2021.

**10. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND
DEVELOPMENT COMBINED**


Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Proceeds from	370,725,939	0	370,725,939	238,383,946	132,341,993	64%
Domestic and Foreign Grants						
Exchequer releases	8,349,439,299	465,089,211	8,814,528,510	8,575,885,287	238,643,223	97%
Other receipts	5,000,000		5,000,000		5,000,000	0%
TOTAL RECEIPTS	8,725,165,238	465,089,211	9,190,254,449	8,819,269,233	370,985,216	96%
PAYMENTS						
Compensation of Employees	158,576,592	132,810,000	291,386,592	291,548,253	(161,661)	100%
Use of goods and services	830,876,703	87,914,211	918,790,914	877,989,107	40,801,807	96%
Transfers to Other Government Units	7,425,045,939	231,520,000	7,656,565,939	7,434,223,946	222,341,993	97%
Other grants and transfers	15,000,000	10,000,000	25,000,000	18,608,881	6,391,119	74%
Acquisition of Assets	295,666,004	2,845,000	298,511,004	10,335,141	288,175,863	
Other Payments						
TOTAL PAYMENTS	8,725,165,238	465,089,211	9,190,254,449	8,632,705,329	557,549,120	94%
Surplus/ Deficit	0	0	0	181,563,905	(181,563,905)	

i. *Some counties did not meet the requirements for release of grants hence low absorption of grants*

ii. *The difference between the final and approved budget was due to supplementary I and supplementary II adjustments*

The entity financial statements were approved on 5th January 2022 and signed by:


Principal Secretary
Name: Julius Korir, CBS


Principal Accounts Controller
Name: CPA Johnson W. Njuguna
ICPAK Member Number: 7626

STATE DEPARTMENT FOR DEVOLUTION
Annual Report and Financial Statements
For the year ended 30 June 2021.

11. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT


Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Exchequer releases	564,335,375	465,089,211	1,029,424,586.00	1,016,541,123	12,883,463	99%
TOTAL RECEIPTS	564,335,375	465,089,211	1,029,424,586	1,016,541,123	12,883,463	99%
PAYMENTS						
Compensation of Employees	158,576,592	132,810,000	291,386,592	291,548,253	161,661	100%
Use of goods and services	145,456,283	87,914,211	233,370,494	221,743,569	11,626,925	95%
Transfers to Other Government Units	249,320,000	231,520,000	480,840,000	480,840,000	0	100%
Other grants and transfers	10,000,000	10,000,000	20,000,000	18,608,881	1,391,119	93%
Acquisition of Assets	982,500	2,845,000	3,827,500	1,299,070	2,528,430	34%
TOTAL PAYMENTS	564,335,375	465,089,211	1,029,424,586	1,014,039,773	15,384,813	99%
Surplus/Deficit	0	0	0	2,501,350	(2,501,350)	

Notes: acquisition of assets-the ministry did not acquire most of the assets planned due to budget cuts which was done in December 2020, before the procurement process was finalised.

The changes between the original budget and final budget was due to supplementary budget done by the national treasury in December 2020, for first supplementary and supplementary II done in May, 2020.

The entity financial statements were approved on 5th January 2022 and signed by:


Principal Secretary
Name: Julius Korir, CBS


Principal Accounts Controller
Name: CPA Johnson W. Njuguna
ICPAK Member Number:7626

STATE DEPARTMENT FOR DEVOLUTION
Annual Report and Financial Statements
For the year ended 30 June 2021.

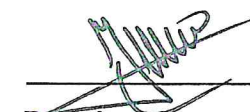
12. SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT


Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Proceeds from Domestic and Foreign Grants	370,725,939		370,725,939.00	238,383,946	132,341,993	64%
Other receipts	5,000,000		5,000,000.00		5,000,000	0%
Exchequer releases	7,785,103,924		7,790,103,924.00	7,559,344,164	225,759,760	97%
TOTAL RECEIPTS	8,160,829,863		8,160,829,863	7,802,728,110	358,101,753	96%
PAYMENTS						
Use of goods and services	685,420,420		685,420,420.00	656,245,538	29,174,882	96%
Transfers to Other Government Units	7,175,725,939		7,175,725,939.00	6,953,383,946	222,341,993	97%
Other grants and transfers	5,000,000		5,000,000.00		5,000,000	0%
Acquisition of Assets	294,683,504		294,683,504.00	9,036,071	285,647,433	3%
TOTAL PAYMENTS	8,160,829,863	0	8,160,829,863	7,623,665,555	537,164,308	93%
Surplus/Deficit	0	0	0	179,062,555	(179,062,555)	

Acquisition of assets-the ministry did not acquire most of the assets planned due to budget cuts which was done in December 2020, before the procurement process was finalised.

The changes between the original budget and final budget were due to supplementary budget done by the national treasury in December 2020, for first supplementary and supplementary II done in May 2020

The entity financial statements were approved on 5th January 2022 and signed by:


Principal Secretary
Name: Julius Korir, CBS


Principal Accounts Controller
Name: CPA Johnson W. Njuguna
ICPAK Member Number:7626

STATE DEPARTMENT FOR DEVOLUTION
Annual Report and Financial Statements
For the year ended 30 June 2021.

13. BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES

Programme/Sub-programme	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Budget utilization difference
	2021		2021	2021	
	Kshs	Kshs	Kshs	Kshs	Kshs
Devolution services	8,763,141,713		8,763,141,713	8,227,623,242.30	535,518,470.70
mgt of devolution services	859,092,881		859,092,881	499,355,813.60	359,737,067.40
Intergovernmental relations	485,738,378		485,738,378	485,480,460.45	257,917.55
capacity building	7,398,310,454		7,398,310,454	7,224,100,178.25	174,210,275.75
	20,000,000		20,000,000	18,686,790.00	1,313,210.00
Special Initiatives	112,800,580		112,800,580	109,245,512.95	3,555,067.05
relief and rehabilitation	112,800,580		112,800,580	109,245,512.95	3,555,067.05
General administration, planning and support services	314,312,156		314,312,156	300,836,574.20	13,475,581.80
Human resources and support services	302,198,952		302,198,952	294,642,400.60	7,556,551.40
Finance management services	11,844,011		11,844,011	6,028,340.40	5,815,670.60
Information communication and technology	269,193		269,193	165,833.20	103,359.80
Total	9,190,254,449		9,190,254,449	8,637,705,329	552,549,120.00

(NB: This statement is a disclosure statement indicating the utilisation in the same format at the Entity's budgets which are programme based.)

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 for Devolution. The financial statements encompass the reporting entity as specified under section 81 of the PFM Act 2012 and also comprise of the following development projects implemented by the entity:

- i. Project: UNDP*
- ii. Project: KDSP*

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.

3. Significant Accounting Policies

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

a) Recognition of Receipts

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

i) Tax Receipts

Tax receipts are recognized in the books of accounts when cash is received. Cash is considered as received when notification of tax remittance is received.

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ii) Transfers from the Exchequer

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

iii) External Assistance

External assistance is received through grants and loans from multilateral and bilateral development partners.

Grants and loans shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary.

In case of grant/loan in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice. A similar recognition criteria is applied for loans received in the form of a direct payment. During the year ended 28th June 2021, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

iv) 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 recognised in the financial statements the time associated cash is received.

b) Recognition of payments

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

i) Compensation of Employees

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

ii) Use of Goods and Services

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

iii) Interest on Borrowing

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

iv) Repayment of Borrowing (Principal Amount)

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

v) Acquisition of Fixed Assets

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

A fixed asset register is maintained by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the financial statements.

4. In-kind contributions

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

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 Eequivalents

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

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account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

a) Restriction on Cash

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation.

Amounts maintained in deposit bank accounts are restricted for use in refunding third party deposits. As at 30th June 2021, this amounted to Kshs 13,561, compared to Kshs 8,920,592 in prior period as indicated on note. There were no other 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 recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the Entity 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.

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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 2021 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.

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 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.

15. Contingent Liabilities

Section 148 (9) of the PFM Act regulations 2015 requires the accounting officer of a National Government entity to report on the payments made, or losses incurred, by the National Government entity to meet contingent liabilities as a result of loans during the financial year.

A contingent liability is:

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

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities. Letters of comfort/ support, insurance, Public Private Partnerships, The *State Department For Devolution* does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. The ministry has no contingent liability to report for the year.

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15. NOTES TO THE FINANCIAL STATEMENTS

1 Proceeds from Domestic and Foreign Grants

	Name of Donor	Date received	Indicate whether it was a direct payment	Amount in foreign currency	2020-2021	2019-2020
					Kshs	Kshs
	Grants Received from Bilateral Donors (Foreign Governments)					
	IDEAS	-		-	238,383,946	-
	Grants Received from Multilateral Donors (International Organisations)					
	Total	-		-	238,383,946	-

The EU is supporting IDEAS program which is focused on development of local economic projects in 15 counties.

2 Exchequer Releases

Description	2020-2021	2019-2020
	Kshs	Kshs
Total Exchequer Releases for quarter 1	282,885,115	172,214,735
Total Exchequer Releases for quarter 2	409,010,016	1,487,290,421
Total Exchequer Releases for quarter 3	191,271,203	571,764,598
Total Exchequer Releases for quarter 4	7,692,718,955	2,438,070,030
Total	8,575,885,289	4,669,339,784

There is a significant change in exchequer receipts from prior period as the ministry received additional exchequer for KDSP as transfer to counties in the fourth quarter.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 Compensation of Employees

	2020-2021	2019-2020
	Kshs	Kshs
Basic salaries of permanent employees	178,484,023	188,078,751
Basic wages of temporary employees	-	5,712,461
Personal allowances paid as part of salary	113,064,231	118,423,887
Total	291,548,253	312,215,099

4 Use of Goods and Services

	2020-2021	2019-2020
	Kshs	Kshs
Utilities, supplies and services	66,000	-
Communication, supplies and services	3,374,024	2,949,981
Domestic travel and subsistence	12,021,546	13,850,594
Foreign travel and subsistence	217,080	233,587
Printing, advertising and information supplies & services	1,155,240	2,711,250
Rentals of produced assets	81,556,333	87,499,104
Training expenses	1,777,213	5,101,537
Hospitality supplies and services	4,443,030	8,539,937
Specialized materials and services	2,404,944	6,232,270
Office and general supplies and services	2,248,019	3,932,113
Insurance costs		
Fuel Oil and Lubricants	3,617,141	6,822,676
Other operating expenses	760,645,302	917,731,873
Routine maintenance – vehicles and other transport equipment	3,049,735	6,535,992
Routine maintenance – other assets	1,413,500	1,993,000
Total	877,989,107	1,064,133,914

The expenditure under use of goods and services is lower this financial year (2020-2021) compared to last financial year (2019-2020) as the supplementary I done in December 2020 reduced the budget before most activities were finalised and paid for.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

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	480,840,000	390,600,000
Other Capital transfers grants and subsidies		58,200,000
Other grants and transfers (county governments)	6,953,383,946	1,410,000,000
TOTAL	7,434,223,946	1,858,800,000

6.a: 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(2020-2021)	2019-2020
	Kshs	Kshs	Kshs	Kshs
Transfers to SAGAs and SCs				
COUNCIL OF GOVERNORS	285,500,000	-	285,500,000	161,200,000
IGRTC	195,340,000	-	195,340,000	287,600,000
County governments-KDSP	-	6,715,000,000	6,715,000,000	1,410,000,000
County governments-IDEAS	-	238,383,946	238,383,946	-
TOTAL	480,840,000	6,953,383,946	7,434,223,946	2,858,800,000

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

6. b: Other Grants and Transfers

Explanation	2020-2021	2019-2020
	Kshs	Kshs
Emergency relief and refugee assistance	18,608,881	1,363,294,349
Relief to the disabled, the sick, unemployed	-	-
Total	18,608,881	1,363,294,349

(The grants under relief is food and non food items provide to drought and other emergencies affected residents in various counties)

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. Acquisition of Assets

Non -Financial Assets	2020-2021	2019-2020
	Kshs	Kshs
Refurbishment of Buildings	-	90,380
Purchase of Office Furniture and General Equipment	315,700	787,556
Research, Studies, Project Preparation, Design & Supervision	10,019,441.00	-
TOTAL	10,335,141	877,936
Financial Assets		
Sub-total	-	-
Total	10,335,141	877,936

8A: Bank Accounts

Name of Bank, Account No. & currency	Amount in bank account currency	Indicate whether recurrent, Development, deposit e.t.c	Exc rate (if in foreign currency)	2020-2021	2019-2020
				Kshs	Kshs
<i>CBK 1000209828 , Recurrent Kes -State Department for Devolution</i>	KES	Recurrent	N/A	1,844,550	1,471,416
<i>CBK 1000209763 , Development Kes -State Department for Devolution</i>	KES	Development	N/A	180,129,025	28,396,692
<i>CBK 1000212616 , Deposit Kes -State Department for Devolution</i>	KES	Deposit	N/A	13,561,548	8,920,592
<i>Project Accounts- IDEAS</i>	KES	Project		7,424,401	13,595,445
Total				202,959,524	52,384,145

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8B: cash in hand

	2020-2021	2019-2020
	Kshs	Kshs
Cash in Hand – Held in domestic currency	1,885,482	1,466,005
Total	1,885,482	1,466,005

Cash in hand should also be analysed as follows:

	2020-2021	2019-2020
	Kshs	Kshs
Location 1-Ministry Headquarters	1,885,482	1,466,005
Total	1,885,482	1,466,005

[board of survey certificates for each Account provided as attachments to the financial statements]

9: Accounts Receivable

<i>Description</i>	2020-2021	2019-2020
	Kshs	Kshs
Government Imprests	-	-
Salary advances	165,226	53,250
District suspense	59,654,820	60,124,820
Total	59,820,046	60,178,070

10. Accounts Payable

Accounts Payables	2020-2021	2019-2020
	Kshs	Kshs
Deposits	13,561,548	8,920,592
IDEAS	7,424,401	13,124,323
		-
TOTAL	20,985,949	22,044,915

The deposit account is for money held as withholding for contractors

The IDEAS account is for money held by the ministry belonging to IDEAS project.

Included in the deposit balance is an amount of Kshs, 5,000,000 being grant by Chinese Government deposited in the account that will be surrendered to national treasury as excess AIA

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. Fund Balance Brought Forward

Description	2020-2021	2019-2020
	Kshs	Kshs
Bank accounts	52,384,145	52,735,170
Cash in hand	1,466,005	1,041,398
Accounts Receivables	60,178,070	22,083,520
Accounts Payables	(22,044,915)	(52,658,544)
Total	91,983,305	23,201,544

[Provide short appropriate explanations as necessary]

12. Prior Year Adjustments

	Balance b/f FY 2019/2020 as per audited financial statements	Adjustments during the year relating to prior periods	Adjusted ** Balance b/f FY 2019/2020
Description of the error	Kshs	Kshs	Kshs
Bank account Balances	52,384,145	(29,868,108)	22,516,037.00
Cash in hand	1,466,005	0.00	1,466,005.00
Accounts Payables	(22,044,915)	0	(22,044,915.00)
Receivables	60,178,070	0	60,178,070.00
Others (<i>specify</i>)	0	0	-
TOTAL	91,983,305	(29,868,108)	62,115,197.00

The adjustment on bank account balances relates to money surrendered to treasury in FY financial year 2020-2021, though it relates to FY 2019-2020.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

13.(Increase)/ Decrease in Receivable

	2020-2021	2019-2020
	KShs	KShs
Receivables as at 1 st July (a)	60,178,070.00	22,083,520.00
Receivables as at 28th June (b)	59,820,046.00	60,178,070.00
Increase)/ Decrease in Receivables (c=(b-a))	358,024.00	38,094,550.00

(Receivable as at 1st July for FY 2020/21 should be the same as receivable as at 30th June for FY 2019/20)

14. Increase/ (Decrease) in Accounts Payable

	2020-2021	2019-2020
	Kshs	Kshs
Payables as at 1 st July	22,044,915.00	52,658,544.00
Payables as at 30th June	20,985,949.15	22,044,915.00
Increase/ (Decrease) in payables	(1,058,965.85)	(30,613,629.00)

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 Devolution.

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Related party transactions:

	2020-2021	2019-2020
	Kshs	Kshs
Key Management Compensation	34,923,696.00	35,082,616
Transfers to related parties		
Transfers to SCs and SAGAs	480,840,000	390,600,000
Transfers to County Governments	6,953,383,946	1,410,000,000
Total Transfers to related parties	7,434,223,946	1,858,800,000
Transfers from related parties		
Transfers from the Exchequer	8,575,885,289	4,669,339,784
Total Transfers from related parties	8,575,885,289	4,669,339,784

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	-	0	0	0
Supply of goods	6,944,898.00	7,334,282	6,944,898.00	7,334,282
Supply of services	11,062,633.30	40,179,685.00	11,062,633.30	40,179,685.00
Total	18,007,531.30	47,513,967.00	18,007,531.30	47,513,967.00

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
16.2: Other Pending Payables (See Annex 2)

	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
Amounts due to National Government entities	105,000,000	0	0	105,000,000
Amounts due to third parties	233,268,713	0	0	233,268,713
Total	338,268,713	0	0	338,268,713

16.2. External Assistance

	FY 2020/2021	FY 2019/2020
Description	Kshs	Kshs
External assistance received in cash(chèque)	5,000,000	-
External assistance received as loans and grants	238,383,946	-
External assistance received in kind- as payment by third parties	-	-
Total	243,383,946	-

a) External assistance relating loans and grants

	FY 2020/2021	FY 2019/2020
Description	Kshs	Kshs
External assistance received as loans	-	-
External assistance received as grants	238,383,946	-
Total	238,383,946	-

b). Classes of providers of external assistance

	FY 2020/2021	FY 2019/2020
Description	Kshs	Kshs
Multilateral donors	5,000,000	-
Bilateral donors	238,383,946	-
Total	243,383,946	-

The external assistances is by EU for local economic development IDEAS project.

The multilateral donor relates to donation given by the Chinese embassy for relief assistance.

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c). Purpose and use of external assistance

	FY 2020/2021	FY 2019/2020
	Kshs	Kshs
Compensation of Employees	-	-
Use of goods and services	-	-
Subsidies	-	-
Transfers to Other Government Units	238,383,946	-
Other grants and transfers	5,000,000	-
TOTAL	243,383,946	-

N/B The above sub-classification will be adopted based on the purpose of the external assistance and how the external assistance was used.

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**16. 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	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1. unaccounted for district suspense	No explanation provided for delay in surrender of AIES /district suspense of kshs 60,124,820	We have raised a reminder letter to the various counties to submit expenditure returns	Not resolved	31 st December 2021
2. Unsupported grants and transfers to other government entities	22 counties did not confirm receipt of KDSP grants totalling to kshs 660M further no confirmation was provided to show counties had complied with the program conditions of preparing capacity building plans before disbursement.	A reminder letter has been sent to the various counties to confirm receipt of the grants	Not resolved	30th November 2021
3. Other grants and transfers	The payments for other grants and transfers were overstated by kshs 1,479,210 on printing and stationery charged to the item. Further relief commodities were delivered to county commissioners for distribution but details of beneficiaries were not availed.	A journal voucher raised to adjust the expenditure to the correct account. The accounting officer has written a letter to PS interior to facilitate provision of the information	Partially resolved	31 st December 2021
Other matters 2.pending bills	The ministry reported a pending bills amount kshs 3,268,178,016. Management	The ministry has initiated the process of writing off 2.9B	Not resolved	30th June 2022

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	has not provided reasons for non-payment of pending bills.	for CILOR. The process of payment of ksh 105M for Kenya railways has started.		
1.1. consultancy contracts	<p>The ministry paid kshs 70,786,929 for development of KDSP MIS kshs 24,963,929 and annual capacity assessment, 45,823,000</p> <p>No documentary evidence of tender documents and contracts were provided to confirm method used to procure and award the contracts.</p> <p>Further there is no evidence of the TOR having been approved by the joint steering committee as required by the financing agreement.</p> <p>There was no evidence of completion of MIS 10 months after the end of the contract period.</p>		Not resolved	30th June 2022
1.2. procurement outside IFMIS system	<p>Included in other operating expenses is an amount of kshs 364,246,316 for goods and services procured outside the IFMIS system as evidenced by the various professional opinions attached. The state department was therefore in breach of the executive order No 6 of 6 march 2015 which required all MDAs to migrate to e procurement.</p>	<p>The procurement was for urgent items that were procured during the period that ifmis system was down. The ministry has instituted measures to ensure that all procurements are undertaken within ifmis.</p>	Not resolved	30th June 2022
1.3. replenishment	Include in other operating		Not	30th June

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of stores	expenses are purchases amounting to kshs 49,863,200 made against a requisition for replenishment of stores originated by the officer in charge of stores and approved by		resolved	2022
	CFO. however there was no documentary evidence in form of counterfoil receipts and issue vouchers availed for audit verification to confirm that the various items of furniture and computers were received and to whom they were issued.			
1.4. Lack of budget for Kenya devolution support program.	kshs 917,931,873 was spent under KDSP without a budget and procurement plan in contravention of part 32 and 64 of the program appraisal document.	the ministry work plan combines all the activities under KDSP as the program is implemented within the ministry	Not resolved	30th June 2022
1.5. unsupported expenditure on air tickets	Kshs 60, 285, 800, was made to various suppliers for air tickets. There was no documentary evidence including boarding passes, certificate fo inspection and acceptance to confirm receipt of the tickets		Not resolved	30th June 2022
1.6 irregular acting allowance	Kshs 629,902 was paid to an officer appointed as acting secretary relief and rehabilitation. however, the appointed was backdated to 5 th July 2017 in contravention of hr regulations which states that a person cannot be appointed acting for more than two	The officer (Mr. Githui) was deployed to the Department of Special Programmes vide letter Ref. No. PSC/CP/APPTS/23/(25) of 5 th July, 2017 and was assigned to perform the duties of	Not resolved	30th June 2022

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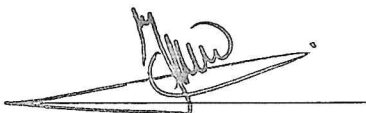
	months	<p>Secretary, Relief and Rehabilitation and Community Mobilization until the post is competitively filled.</p> <p>A letter Ref. No. MDP/1/10 dated 22nd January, 2018 was addressed to the Public Service Commission requesting for confirmation of appointment since the officer had completed six (6) months.</p> <p>A letter Ref. No. MDP/1/10 dated 22nd January, 2018 was addressed to the Public Service Commission requesting for confirmation of appointment since the officer had completed six (6) months</p>		
3. routine maintenance	<p>An officer was issued with standing impress of kshs 100,000 reimbursed 18 times in respect of maintenance of transport equipments. However, the records show use of imprest to procure that should be under procurement, carrying out</p>	<p>The ministry has a fleet of old vehicles that kept breaking down. This necessitated regular and frequent minor repairs and maintenance. The vehicles were</p>	Not resolved	30th June 2022

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	work that should be done by professionals and for activities not in the procurement plan	also involved in various activities undertaken across various counties therefore the high frequency reimbursements to meet the cost of repairs and maintenance.		

Guidance Notes:

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



Principal Secretary



Principal Accounts Controller

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ANNEXES

ANNE X 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

A	SUPPLY OF SERVICES-	ORIGINAL AMOUNT	DATE CONTRACTED	AMOUNT PAID TO DATE	OUTSTANDING BAL 2020/2021	OUTSTANDING BAL 2019/2020	COMMENTS
1.	1. Kyala Hotel	165,000.00	FY 2020/2021	NIL	165,000.00	0	
2.	Lake Naivasha Resort Limited	594,000.00	FY 2020/2021	NIL	594,000.00	0	
3.	Maanzoni Lodge Ltd	656,000.00	FY 2020/2021	NIL	656,000.00	0	
4.	Lake Naivasha Resort Limited	475,000.00	FY 2020/2021	NIL	475,000.00	0	
5.	Zipjoe Agencies	278,760.00	FY 2020/2021	NIL	278,760.00	0	
6.	Zebu Lodge and Luxury Hotel	807,000.00	FY 2020/2021	NIL	807,000.00	0	
7.	Chronic Drug Medical Scheme Ltd	2,275,020.00	FY 2020/2021	NIL	2,275,020.00	0	
8.	Attic Tours and Travel Limited	59,000.00	FY 2020/2021	NIL	59,000.00	0	
9.	Attic Tours and Travel Limited	28,780.00	FY 2020/2021	NIL	28,780.00	0	
10	Otele Meywa Oscar	1,358,000.00	FY 2020/2021	NIL	1,358,000.00	0	
11	Prideinn Paradise	416,000.00	FY 2020/2021	NIL	416,000.00	0	
12	Horizon Business Limited	3,899,280.00	FY 2020/2021	NIL	3,899,280.00	0	
13	Lukanya Gateway	97,200.00	FY 2020/2021	NIL	97,200.00	0	
14	Global Limited	811,820.00	FY 2020/2021	NIL	811,820.00	0	
15	Stewaki Agencies	39,590.00	FY 2020/2021	NIL	39,590.00	0	
16	Chamwa Motors Limited	1,155,960.00	FY 2020/2021	NIL	1,155,960.00	0	
17	Travellers Beach Hotel	444,500.00	FY 2020/2021	NIL	444,500.00	0	
18	Chamwa Motors Limited	675,960.00	FY 2020/2021	NIL	675,960.00	0	
19	Primate Tours	33,750.00	FY 2020/2021	NIL	33,750.00	0	
20	Global Limited	39,990.00	FY 2020/2021	NIL	39,990.00	0	
21	Attic Tours and Travel Limited	726,000.00	FY 2020/2021	NIL	726,000.00	0	
22	Global Limited	841,000.00	FY 2020/2021	NIL	841,000.00	0	
23	Global Limited	462,850.00	FY 2020/2021	NIL	462,850.00	0	

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24	Attic Tours and Travel Limited	587,200.00	FY 2020/2021	NIL	587,200.00	0
25	Attic Tours and Travel Limited	129,790.00	FY 2020/2021	NIL	129,790.00	0
26	Inter-Flights Ventures	149,090.00	FY 2020/2021	NIL	149,090.00	0
27	Hotel Waterbuck	255,000.00	FY 2020/2021	NIL	255,000.00	0
28	Joventre Hotel Limited	1,124,000.00	FY 2020/2021	NIL	1,124,000.00	0
29	Sovereign Hotel	295,100.00	FY 2020/2021	NIL	295,100.00	0
30	Global Limited	239,970.00	FY 2020/2021	NIL	239,970.00	0
31	State Department of Broadcasting	292,106.00	FY 2020/2021	NIL	292,106.00	0
32	Chamwa Motors Limited	1,055,868.00	FY 2020/2021	NIL	1,055,868.00	0
33	Kenya School of Government	243,600.00	FY 2020/2021	NIL	243,600.00	0
34	Stewaki Agencies	113,550.00	FY 2020/2021	NIL	113,550.00	0
35	Geotide Safaris Ltd	17,500.00	FY 2020/2021	NIL	17,500.00	0
36	Geotide Safaris Ltd	35,000.00	FY 2020/2021	NIL	35,000.00	0
37	Kenya School of Government	344,500.00	FY 2020/2021	NIL	344,500.00	0
38	Raptors Automotives	398,155.00	FY 2020/2021	NIL	398,155.00	0
39	Kiragu Wachira	2,000,000.00	FY 2020/2021	NIL	2,000,000.00	0
40	Worldbay Agencies Limited	52,570.00	FY 2020/2021	NIL	52,570.00	0
41	Worldbay Agencies Limited	39,270.00	FY 2020/2021	NIL	39,270.00	0
42	Global Limited	43,995.00	FY 2020/2021	NIL	43,995.00	0
43	Telcom Kenya	108,965.00	FY 2020/2021	NIL	108,965.00	0
44	Telcom Kenya	150,000.00	FY 2020/2021	NIL	150,000.00	0
45	Institute of Certified Investment	15,000.00	FY 2020/2021	NIL	15,000.00	0
46	Kenya School of Government	227,940.00	FY 2020/2021	NIL	227,940.00	0
47	Chartered Institute of Arbitrators	155,650.00	FY 2020/2021	NIL	155,650.00	0
48	Whitespan Enterprises	9,685,080.00	FY 2020/2021	NIL	9,685,080.00	0
49	Institute of Certified Secretaries	15,000.00	FY 2020/2021	NIL	15,000.00	0
50	Kenasa	105,400.00	FY 2020/2021	NIL	105,400.00	0

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51	Geotide Safaris	35,000.00	FY 2020/2021	NIL	35,000.00	0	
52	Kayleaf Tours	777,230.00	FY 2020/2021	NIL	777,230.00	0	
53	Kenya Safari Lodges and Hotels-Mombasa Beach Hotel	245,000.00	FY 2020/2021	NIL	245,000.00	0	
54	Lake Naivasha Resort	666,000.00	FY 2020/2021	NIL	666,000.00	0	
55	Legend hotels ltd/White Rhino Nyeri	212,500.00	FY 2020/2021	NIL	212,500.00	0	
56	Pride Inn Paradise- Mombasa	228,000.00	FY 2020/2021	NIL	228,000.00	0	
57	Pride Inn Paradise	575,000.00	FY 2020/2021	NIL	575,000.00	0	
58	Pride Inn Paradise	365,250.00	FY 2020/2021	NIL	365,250.00	0	
59	Primate Tours	35,400.00	FY 2020/2021	NIL	35,400.00	0	
60	Primate Tours	35,750.00	FY 2020/2021	NIL	35,750.00	0	
61	Travellers Beach	406,000.00	FY 2020/2021	NIL	406,000.00	0	
62	Travellers Beach Hotel	255,500.00	FY 2020/2021	NIL	255,500.00	0	
63	Voyager.Beach Resort	525,000.00	FY 2020/2021	NIL	525,000.00	0	
64	Worldbay Agencies	586,050.00	FY 2020/2021	NIL	586,050.00	0	
65	Hale Pest Control Services Limited	600,000.00	FY 2020/2021	NIL	600,000.00	0	
66	Geotide Safaris	39,900.00	FY 2020/2021	NIL	39,900.00	0	
67	Maanzoni Lodge	240,000.00	FY 2020/2021	NIL	240,000.00	0	
68	Ragwa Travels	43,970.00	FY 2020/2021	NIL	43,970.00	0	
69	Toyota Kenya	51,726.00	FY 2020/2021	NIL	51,726.00	0	
70	Worldbay Agencies	36,650.00	FY 2020/2021	NIL	36,650.00	0	
	TOTAL	40,179,685.00			40,179,685.00		
B	SUPPLY OF GOODS						
1.	Snavem Enterprises Limited	930,758.00	FY 2020/2021	NIL	930,758.00	0	
2.	Workspace Investment Limited	848,500.00	FY 2020/2021	NIL	848,500.00	0	
3.	Computer ways Limited	1,510,800.00	FY 2020/2021	NIL	1,510,800.00	0	

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4.	Soland Enterprises Ltd	1,550,000.00	FY 2020/2021	NIL	1,550,000.00	0			
5.	Specicom Technologies	1,872,000.00	FY 2020/2021	NIL	1,872,000.00	0			
6.	Nasuna Enterprises	167,600.00	FY 2020/2021	NIL	167,600.00	0			
7.	Rex Kiosk	454,624.00	FY 2020/2021	NIL	454,624.00	0			
8.	Nasuna Enterprises	167,600.00	FY 2020/2021	NIL	167,600.00	0			
	TOTAL	7,334,282.			7,334,282.				
	GRAND TOTAL A+B				47,513,967.00				

STATE DEPARTMENT FOR DEVOLUTION

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ANNEX 2 - ANALYSIS OF OTHER PENDING PAYABLES

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2020	Outstanding Balance 2019	Comments
Amounts due to National Govt Entities							
1. KENYA RAILWAYS PENSION SCHEME	PURCHASE OF LAND FOR MUTHURWA MARKET	105,000,000		0	105,000,000		
2.							
Sub-Total		105,000,000			105,000,000		
Amounts due to Third Parties							
3. SPENCOM LIMITED	SEWERAGE SYSTEMS IN MOMBASA TOWN	233,268,713		0	233,268,713		
4.							
Sub-Total		233,268,713			233,268,713		
Grand Total		338,268,713			338,268,713		

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ANNEX 3 – 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) 2020/21
Land					
Buildings and structures	90,380				90,380
Transport equipment	4,915,000				4,915,000
Office equipment, furniture and fittings	32,725,799	315,700			33,041,499.00
ICT Equipment	16,050,000				16,050,000
Machinery and Equipment	0				
Research, Studies, Project Preparation, Design & Supervision	0	10,019,441.00			10,019,441.00
Total	53,781,179	10,335,141			64,116,320.00

NB: The balance as at the end of the year is the cumulative cost of all assets bought and inherited by the Ministry, Department or Agency. Additions during the year should tie to note 18 on acquisition of assets during the year. Ensure this section is complete and covers all the entity's assets. Ensure the complete fixed asset register is separately prepared as per circular number 5/2020 and follow up reminder of circular No. 23/2020 of The National Treasury)

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ANNEX 4 – LIST OF PROJECTS IMPLEMENTED BY THE STATE DEPARTMENT FOR DEVOLUTION

Ref	Project Name	Principal activity of the project	Accounting Officer	Project consolidated in these financial statements (yes/no)
1	Kenya Devolution Support Program	Capacity building for county governments	Julius korir, CBS Principal secretary	Yes
2	Instrument for Devolution Support-IDEAS	Development of local economic projects in counties	Julius korir, CBS Principal secretary	NO

ANNEX 5 – LIST OF SCs, SAGAs AND PUBLIC FUNDS UNDER THE ENTITY (insert entity's name)

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	Intergovernmental relations committee (IGRTC)	Coordination of Intergovernmental Matters	CEO	287,600,000	Yes
2	Council Of Governors (COG)	Coordination of County Governments	CEO	161,200,000	Yes

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ANNEX 6- REPORTS GENERATED FROM IFMIS

The following financial Reports Generated from IFMIS should be generated and attached as appendices to these financial statements.

- i. GOK IFMIS Comparison Trial Balance
- ii. FO30 (Bank reconciliations) for all bank accounts
- iii. GOK IFMIS Receipts and Payments Statement
- iv. GOK IFMIS Statement of Financial Position
- v. GOK IFMIS Statement of Cash Flows
- vi. GOK IFMIS Notes to the Financial Statements
- vii. GOK IFMIS Statement of Budget Execution
- viii. GOK IFMIS Statement of Deposits
- ix. GOK IFMIS Budget Execution by Programme and Economic Classification
- x. GOK IFMIS Budget Execution by Heads and Programmes
- xi. GOK IFMIS Budget Execution by Programmes and Sub-programmes