

REPUBLIC OF KENYA



*Enhancing Accountability*



THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 21 FEB 2024	DAY: WED
TABLED BY:	Hon Owen Baya, MP Deputy Leader, Majority Party
OF	Miriam Njoroge

**THE AUDITOR-GENERAL**

**ON**

**STATE DEPARTMENT FOR INVESTMENT  
PROMOTION**

**FOR THE SIX (6) MONTHS  
PERIOD ENDED 30 JUNE, 2023**



REPUBLIC OF KENYA



---

STATE DEPARTMENT FOR INVESTMENT PROMOTION

REPORT AND FINANCIAL STATEMENTS

FOR THE SIX (6) MONTHS ENDED

JUNE 30, 2023

---

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

## **Table of Contents**

1.ACRONYMS AND GLOSSARY OF TERMS.. . . . .	iv
2. KEY INFORMATION AND MANAGEMENT FOR STATE DEPARTMENT FOR INVESTMENT PROMOTION . . . . .	v
3. STATEMENT OF GOVERNANCE.. . . . .	xiv
4. STATEMENT BY THE CABINET SECRETARY . . . . .	xxv
5. STATEMENT BY THE PRINCIPAL SECRETARY..... . . . .	xxvii
6. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR THE FY2022/23 . . . . .	xxix
7. MANAGEMENT DISCUSSION AND ANALYSIS .....	xxxiv
8. ENVIRONMENTAL AND SUSTAINABILITY REPORTING..... . . . .	xlii
9. STATEMENT OF MANAGEMENT RESPONSIBILITIES.. . . . .	xliii
10. REPORT OF THE INDEPENDENT AUDITORS. .... . . . .	xliv
11. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2023..... . . . .	1
12. STATEMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES AS AT 30TH JUNE 2023..... . . . .	2
13. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 <sup>TH</sup> JUNE 2023 . . . . .	3
14. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS: COMBINED FOR FY2022/2023... . . . .	5
15. NOTES TO THE FINANCIAL STATEMENTS . . . . .	11

*State Department for Investments Promotion*  
*Report and Financial Statements for the Six (6) Months ended 30<sup>th</sup> June 2023*

Annex 4- Reports Generated from IFMIS .....27

## **1.ACRONYMS AND GLOSSARY OF TERMS**

AIE	Authority to Incur Expenditure
CFO	Chief Finance Officer
HAU	Head of Accounting Unit
IPSAS	International Public Sector Accounting Standards
OCOB	Office of the Controller of Budget
OAG	Office of the Auditor General
PFM	Public Finance Management
CPPMD	Central Planning and Projects Monitoring Department
ICPAK	Institute of Certified Public Accountants (Kenya)
SEZA	Special Economic Processing Zones
EPZA	Export Processing Zones Authority
KENIVEST	Kenya Investment Authority
KDC	Kenya Development Corporation
FY	Financial Year

## **2. KEY INFORMATION AND MANAGEMENT FOR STATE DEPARTMENT FOR INVESTMENT PROMOTION**

### **a) Background information**

The investment promotion function in Kenya dates back to early years of independence where the Government formulated various strategies and policies in an effort to boost investment growth in the country. In 1964, the Foreign Investment Protection Act was passed to provide basic investor protection. This Act was enacted as a statutory guarantee to the protection of certain approved investments in the country. In 1982, the Investment Advisory and Promotion Centre was set up under the then Ministry of Finance. It was later converted to the Investment Promotion Centre (IPC) in 1986 through the Investment Promotion Centre Act, Cap 485 of 1986, with the mandate of promoting private investments in Kenya by both local and foreign investors. The Act was amended in 1992 to empower IPC to issue a Certificate of General Authority to investments that have no policy, planning, security, health or environmental implication, and are not on the restricted list, viz mining, forest products, Manufacturing under Bond (MUB), Export Processing Zones, excisable goods, petroleum operations, tourism, ferries, insurance, banks, financial institutions and mortgages. Kenya enacted the Investment Promotion Act, 2004 to promote and facilitate investment by assisting investors in obtaining the licenses necessary to invest and by providing other assistance and incentives for related purposes.

The State Department for Investment Promotion was established under the **Executive Order No. 1 of 2023**, placing it under the Ministry of Investment, Trade and Industry, with four (4) State Corporations and two (2) Directorates.

## **Vision and Mission**

**Vision:** A Premier Investment Destination in Africa

**Mission:** To coordinate the promotion of local and foreign investments into the Kenyan economy through creation of a conducive business and investment climate for a sustainable transformed economy

### **Mandates:**

- i. Develop and implement Investment policy and strategy;
- ii. Promote both locally and internationally the opportunities for Investment in Kenya;
- iii. Promote and Oversee the Development of Special Economic Zones, Export Processing Zones and Industrial Parks;
- iv. Coordinating the transformation of the ecosystem supporting private sector development;
- v. Development of a business reform agenda across the entirety of Government;
- vi. Championing automation and re-engineering Government business and services processes,
- vii. Driving legislative and regulatory reform on the ease of doing business and business transformation;
- viii. Coordination of engagements with the private sector/ business community in respect to business climate and business and business transformation;
- ix. Monitoring the implementation of business climate reforms as recommended by key international partners notably: The World Bank, The World Economic Forum, The Global Investment Forum, and other international bodies and indices; and
- x. Creating public awareness of reforms in the business climate on ease of doing business.

**Core Values**

*Table 1: Core Values*

	<b>Value</b>	<b>Description</b>
1	Transparency and Accountability	SDIP will uphold transparency and accountability in service delivery.
2	Integrity	SDIP will adhere to corporate and moral values, act with honesty and fairness, and treat all internal and external stakeholders with respect and within the law.
3	Innovation and creativity	We will be original, flexible and more effective in creating value and growth in the investment sector and society at large.
4	Professionalism	All SDIP staff shall uphold high moral standards and professional competence in service delivery.
5	Inclusivity	SDIP will ensure all stakeholders are involved in key decision making processes

**Autonomous and Semi-Autonomous Government Agencies**

The State department has one (1) Autonomous and three (3) Semi-Autonomous agencies, of which three (3) receive transfers from the exchequer. The Agencies undertake various functions to support industrial development and investment promotion in the country.



The Autonomous Government Agency include:

**Kenya Development Corporation (KDC)**

Kenya Development Corporation Ltd is a Development Finance Institution mandated to promote sustainable socio-economic development by providing development finance, infrastructure finance, business support and advisory services to medium and large-scale industries, infrastructure projects and commercial undertakings in target sectors here and elsewhere

The Semi-Autonomous Government Agencies includes.

**Export Processing Zones Authority (EPZA)**

EPZA is mandated to promote and facilitate export-oriented investments and the development of an enabling environment. Development of all aspects of the export processing zones with particular emphasis on the provision of advice on the removal of impediments to, and creation of incentives for, export-oriented production in areas designated as export processing zones, Regulation and administration of approved activities within the export processing zones and protection of government revenues and foreign currency earnings.

**i. Kenya Investment Authority (KenInvest)**

Kenya Investment Authority (KenInvest) is mandated to promote investment with core functions of; Policy Advocacy; Investment Promotion, Investment Facilitation, which includes Investor Tracking and After-care Services. It is responsible for facilitating the implementation of new investment projects, providing after-care services for new and existing investments and organizing investment promotion activities both locally and internationally.

**ii. Special Economic Zones Authority (SEZA)**

The Special Economic Zones Authority is mandated to promote and facilitate local and foreign investments; develop and manage SEZs (both private and public).

The Directorates includes:

**i. Business Reforms & Transformation**

The Business Reforms & Transformation plays an important role in developing the Kenyan economy through spearheading reforms especially on improvement of Business climate and Investment environment. The directorate implements Business Reforms and Transformation across all levels and arms of government.

**ii. Business Environment & Private Sector Development**

**Programmes and Sub-Programmes implemented by the Investment Sub-Sector**

The State Department for Investment Promotion executes its mandate through two (2) Programmes and six (2) sub-programmes as follows:

**Programmes**

- i. Investments Development And Promotion
- ii. General Administration, Planning and Support Services

**Sub-programmes**

- i. Business Environment and Investments Promotion
- ii. Investments Profiling and Development
- iii. Financing and Business Advisory
- iv. General Administration, Planning and Support Services

**Annual Reports and Financial Statements**

At the Cabinet level, the Ministry is represented by the Cabinet Secretary for Investment Promotion, Trade and Industry who is responsible for guiding on the general policy formulation and provides strategic direction to the Ministry.

**b) Key Management**

The State Department for Investment Promotion, day-to-day management is under the following key organs:

*State Department for Investments Promotion  
Report and Financial Statements for the Six (6) Months ended 30<sup>th</sup> June 2023*

- i. Office of the Cabinet Secretary (OCS)
- ii. Office of the Principal Secretary (OPS)
- iii. Directorate of Administration
- iv. Directorate of Business Reforms and Transformation
- v. Directorate of Business Environment and Private Sector Development
- vi. Central Planning and Projects Monitoring Department
- vii. Human resource Management and Development Department
- viii. Finance Department
- ix. Accounts Department
- x. Supply chain Management Department
- xi. Public Communications Department
- xii. Internal Audit and
- xiii. Information, Communication and Technology

**c) Fiduciary Management**

The key management personnel who held office during the six (6) months ended 30<sup>th</sup> June 2023 and who had direct fiduciary responsibility were:

*Table 2: Fiduciary Management*

<b>No.</b>	<b>Designation</b>	<b>Name</b>
1.	Cabinet Secretary, Ministry of Investments, Trade and Industry	Moses Kuria, HSC
2.	Principal Secretary, State Department for Investment Promotion	Abubakar Hassan Abubakar
3.	Director of Administration	Joseph Nguyo
4.	Director of Business Reforms and Transformation	Rueben Ng'eno
5.	Directorate of Business Environment and Private Sector Development	Stephen Oduor
6.	Director of Central Planning and Projects Monitoring	David Waga
7.	Director Human Resource and Development	Paul K'angira,
8.	Head of Supply Chain	Emmah Kirugu
9.	Chief Finance Officer	Poire Kakui
10.	Deputy Accountant General	Esther Waweru

**d) Fiduciary Oversight Arrangements**

The key State Department fiduciary oversight arrangements include:

**Ministerial Audit committee**

The term of office for the Audit Committee members for the defunct Ministry of Industrialization, Trade and Enterprise Development lapsed on 5th January 2023 after serving their second and last term of office.

As provided for in Section 73 (5) of the Public Finance Management Act, 2012, The Cabinet Secretary, Ministry of Investments, Trade and Industry has commenced the process of recruiting members to the audit committee. The ministry has invited applicants for the position of chair and member of the committee. The application period is expected to lapse on 19th October 2023 after which interviews will be conducted and formal appointments made.

**Budget Implementation Committee**

This is the committee charged with the responsibility of implementation of the State Department's budget and its prudent management. The duties of the committee include:

- i. To review and consider the cash flow 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 State Department.
- iv. To advise the accounting officer on the challenges related to the budget implementation
- v. To review and recommend the reallocation of payments
- vi. To review and approve the submission of the payment returns, payroll IPPDs, pending bills and A-I-A returns for the State Department and recommend actions to be taken
- vii. To participate in sector working groups
- viii. To review budgets, supplementary estimates and performance of budget against actual for the State Department in consultation with the Heads of Directorates.

*State Department for Investments Promotion  
Report and Financial Statements for the Six (6) Months ended 30<sup>th</sup> June 2023*

The following shows the number of budget committee meetings held during the six (6) months ended 30<sup>th</sup> June 2023 and the attendance of individual members:

*Table 3 Budget Implementation Committee*

<b>NO</b>	<b>NAME</b>	<b>POSITION</b>	<b>2023</b>	<b>Total attendance</b>
1	Poire Kaku	Chairperson	2	2
2.	Esther Waweru	Secretary	2	2
3.	Joseph Nguyo	Member	2	2
4.	David Waga	Member	2	2
5	Stephen Oduor	Member	2	2
6.	Rueben Ngeno	Member	2	2
7	Paul Kang'ira	Member	1	1
8	James Kebwaro	Member	2	2
9	Edward Olem	Member	1	1
10.	John Matagaro	Member	2	2
11.	Emma Kirugu	Member	2	2
12	Lilian Moraa	Member	2	2

**e) Entity Headquarters and contacts**

**State Department for Investments Promotion**

P.O. Box 30418-00100

Social Security House BLK 'A' 16<sup>th</sup> Floor

Bishop Road, Capitol Hill

**NAIROBI, KENYA**

**Contacts**

Telephone: (254) 020-2731531-9

E-mail [ps@investmentpromotion.go.ke](mailto:ps@investmentpromotion.go.ke)

Website: [www.investmentpromotion.go.ke](http://www.investmentpromotion.go.ke)

**f) State Department for Investment Promotion (all banks)**

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

Office of the Attorney-General & Department for Justice

State Law Office & Department for Justice.

Harambee Avenue

P.O. Box 40112

City Square 00200

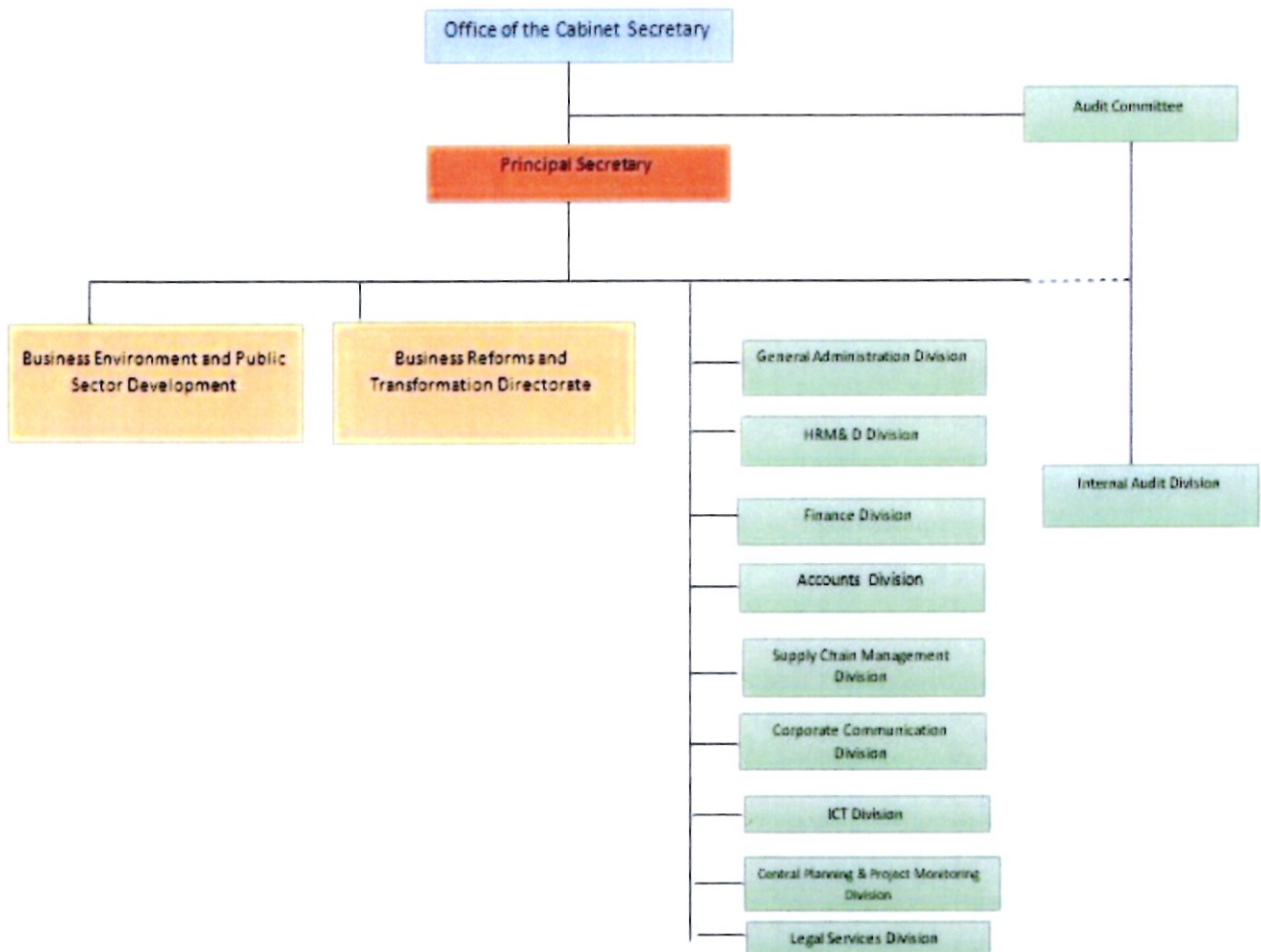
Nairobi, Kenya

### 3. STATEMENT OF GOVERNANCE

#### The State Department for Investment Promotion for Leadership Structure

The State Department for Investment Promotion was established under the Executive Order No. 1 of 2023, placing it under the Ministry of Investment, Trade and Industry. The existing structure comprises of two technical directorates namely: Business reforms and Transformation and Business Environment and Public Sector Environment. It also comprises of the Administration and Support Services with nine (9) divisions and a the Internal Audit Division:

**Figure 1: Current Organizational Structure for State Department for Investment Promotion**



**Figure 2: Proposed Organizational Structure for State Department for Investment Promotion**

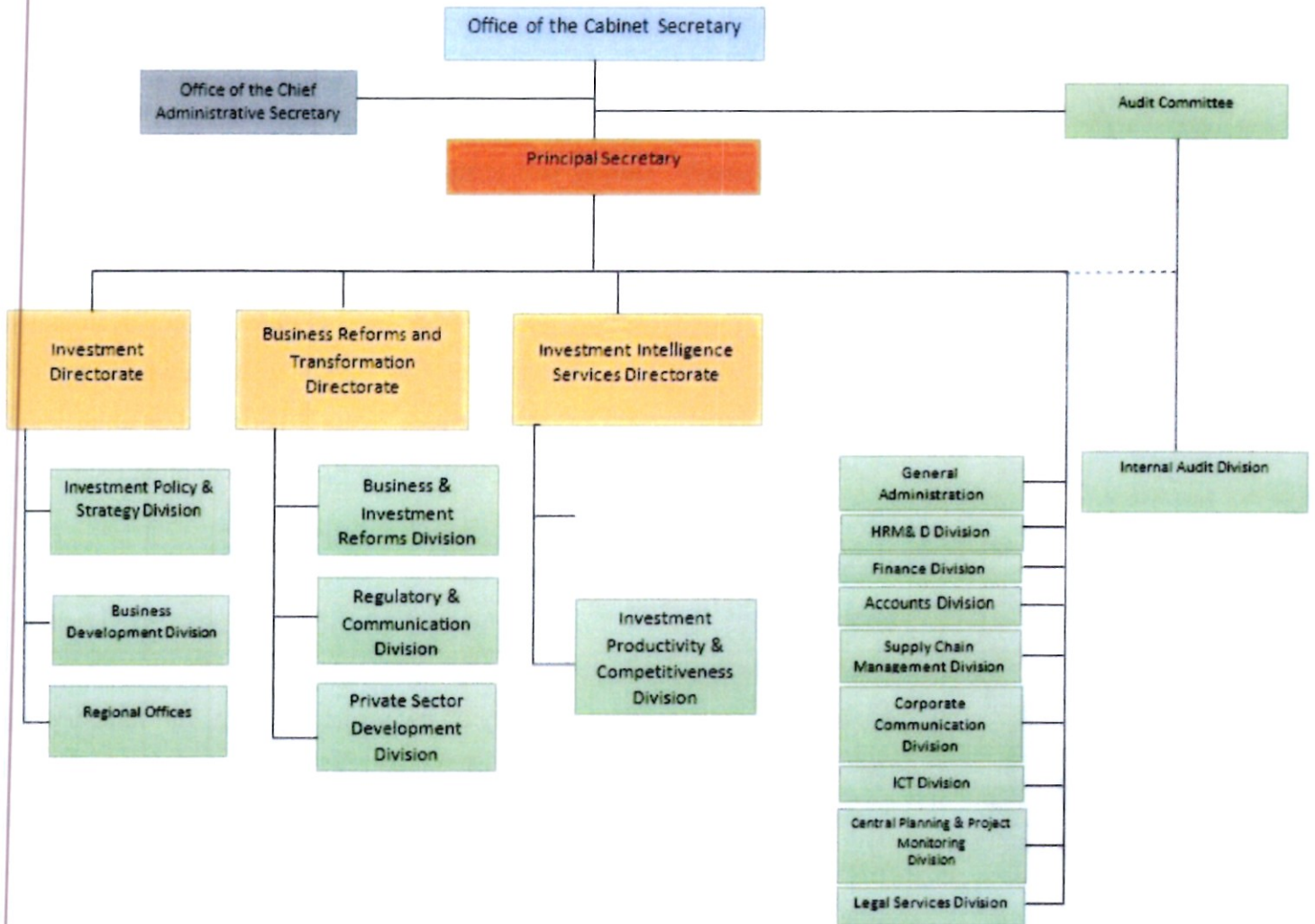




Table 4: Senior Management- State Department for Investment Promotion

 <p>Hon. Moses K. Kuria, HSC <b>Cabinet Secretary</b></p>	<p>Hon. Moses K. Kuria, HSC is the Cabinet Secretary for the Ministry of Investment, Trade and Industry. An experienced and dedicated public servant with 30 years' experience progressively and significantly contributing to the social, political and economic space in Kenya. A distinguished professional and entrepreneurial career in manufacturing, banking and investment both in Kenya and internationally. During two terms as elected Member of Parliament for Gatundu South, served as a Member of various Committees including: Budget and Appropriations; Vice Chair, Transport, Infrastructure, Public Works and Housing; ICT and Energy; and member of the 14 Member Bicameral and Bipartisan Committee on Electoral Reforms. A skilled strategic thinker who has been called upon by local and international media to comment on topical issues. Currently seeking to lead ultimate solutions to Kenya's economic recovery and take off.</p> <p>He holds a Bachelor Degree in in business administration from the University of Nairobi.</p>
 <p>Abubakar Hassan Abubakar <b>Principal Secretary</b></p>	<p>Abubakar Hassan Abubakar is the Principal Secretary for the State Department for Investment Promotion, Ministry of Investments, Trade, and Industry. He is the immediate former Director of Market Operations at Capital Market Authority in charge of market oversight and investors' confidence. He holds a Master's in Financial Services Law (Project ongoing), a Master's of Business Administration (Strategic Management), and a Bachelor's Degree in Law all from the University of Nairobi. He is an Advocate of the High Court of Kenya, Certified Public Accountant, Certified Public Secretary, Certified Fraud Examiner, and Certified Investment &amp; Financial analyst and holds a Certification in the Management of Banking Risks.</p> <p>Abubakar is a Member of the Law Society of Kenya (LSK), Member of the Institute of Certified Public Secretaries of Kenya (ICPSK), Member of Association of Certified Fraud Examiners (USA), and Member of the Institute of Certified, Investment and Financial Analysts (ICIFA).</p>

*State Department for Investments Promotion  
Report and Financial Statements for the Six (6) Months ended 30<sup>th</sup> June 2023*

From his background in legal, finance, and investment, he has wide experience in facilitating the mobilization of capital, allocation of the said capital into productive areas of the economy, and protection of the investor's interest.



Mr. Joseph K. Nguyo is the Senior Deputy Secretary in the State Department for Investment Promotion where he currently heads Administration Department. He holds a Bachelor of Education Degree (2<sup>nd</sup> Class Upper) from Moi University and a Master's in Business Administration, Strategic Management from Dedan Kimathi Memorial University. He has studied for other courses like Strategic Leadership Management course and Senior Management course from Kenya School of Government and Strategic Leadership at Grets University in Kenya.

Joseph K. Nguyo  
**Senior Deputy Secretary**



Mr. Stephen Odua is the Director, Business Environment and Private Sector Development in the State Department for Investments Promotion, Ministry of Investments, Trade and Industry.

He holds a Master of Science Degree in Entrepreneurship from Jomo Kenyatta University of Agriculture and Technology, a Bachelor of Science Degree in Statistics and Computer Science from the University of Nairobi, and a Postgraduate National Diploma in Business Management from the Kenya Institute of Management.

He has over thirty-two (32) years of working experience out of which fourteen (14) years have been in Senior Management position and continues to be a director for the last five (5) years. His experience spans through corporate and strategic management, project management, investment promotion, private sector development, industrial development, policy formulation and implementation, entrepreneurship and business development services, statistical research and analysis, industrial registration and information dissemination, systems design and computer programming, trade and investment negotiations amongst others and has been a Board member in several State Corporations.

He is a member of the Institute of Directors (Kenya).

Mr. Stephen A. Odua  
**Director of Business  
Environment & Private  
Sector Development**

*State Department for Investments Promotion  
Report and Financial Statements for the Six (6) Months ended 30<sup>th</sup> June 2023*

	<p>Dr. K'Angira holds a Doctorate degree in Leadership and Management from Northwestern University, Master's degree in Business Administration, Bachelor's degree in Law (LLB) and Bachelor of Arts all from the University of Nairobi. Professionally, He holds a Diploma in Law from the Kenya School of Law and is an Advocate of the High Court of Kenya. He is a Certified Human Resource Practitioner and Public Secretary.</p>
<p><b>Dr. Paul W.C. K'angira</b> <b>Director, Hrm&amp;D</b></p>	<p>Mr. Reuben K. Ng'eno is a deputy director at the Directorate of Business Reforms &amp; Transformation, State Department for Investment Promotion in the Ministry of Investments, Trade and Industry. He holds Master's Degree in Economics from Ritsumeikan University in Japan and a Bachelor of Arts in Economics from the University of Nairobi. He is a distinguished Civil Servant who has worked in three different ministries for 12 years with an achievement with others in the development of the EAC E-commerce Strategy and being a National co-ordinator in spearheading Trade in Services within EAC and AfCFTA</p>
	
<p>Reuben Ng'eno <b>Deputy Director DBRT</b></p>	<p>Mr. David Waga is the Head, Central Planning and Projects Monitoring Department. He holds a Master of Arts Degree in Project Planning and Management from the University of Nairobi, a Bachelor of Science Degree in Applied Statistics from Maseno University and a Diploma in Results Based Monitoring and Evaluation from L'Universite Laval, Québec, Canada. He has attended many short courses including: Executive Training for Evaluation Leaders (ExCEL)- National University of Singapore; Development Evaluation Training Program for Africa (DETPA)- University of Witwatersrand, Johannesburg South Africa; Certificate in Data Analysis for Development Planning- United Nations Institute for Economic Development Planning, Senegal; and Senior Management Course-Kenya School of Government. Mr. Waga is a Member of Kenya Association of Project Managers (KAPM) and Kenya National Statistical Society (KNSS).</p>
	
<p>David Waga <b>Head, Central Planning and Projects Monitoring</b></p>	

*State Department for Investments Promotion  
Report and Financial Statements for the Six (6) Months ended 30<sup>th</sup> June 2023*



Esther Waweru  
**Deputy Accountant General  
Head of Accounting Unit**

CPA Esther W. Waweru is the Head of Accounting Unit at the State Department. She represents the Principal Secretary in the Board of LAPPSET Corridor Development Authority. She has many years' experience in Civil Service having worked in different departments. She holds a Master's Degree in Business Administration corporate management. Holder of a Bachelor of Arts Finance and Accounting and a member of ICPAK.



Emma Kirungu  
**Deputy Director Head  
Supply Chain Management**

Ms. Emmah W. Kirungu is a holder of Master of Science in Procurement and Logistics from Jomo Kenyatta University of Agriculture and Technology- JKUAT. She is a Member of Kenya Institute of Supplies Management and Chartered Institute of Purchase and Supplies (MCIPS). Ms. Kirungu's vast experience in Supply Chain Management Services within the Public service has made her raise up the ladder in various State Departments in Supply Chain Services Management.



Poire Kakui  
**Chief Finance Officer**

CPA Poire Kakui is the Chief Finance Officer in the State Department for Investment Promotion. He has 20 years' experience in accounting and finance and has worked in the Non-Governmental Organisations, County Government and National Government. CPA Poire Kakui is an ICPAK member and also holds a Bachelor's degree in Commerce

*State Department for Investments Promotion*  
*Report and Financial Statements for the Six (6) Months ended 30<sup>th</sup> June 2023*



James Kebwaro  
**Head ICT**

Mr, James Kebwaro is a holder of Bachelors of Science in Applied Computer Science from Daystar University, he is also a Cisco Certified Network Associate (CCNA) and Postgraduate in Project Management from Kenya Institute of Managements (KIMS)

Mr. James has vast experience in ICT field with over 15 years' experience in the Public service and is currently the Head of ICT

## **Management Committees**

### **a) Budget Implementation Committee**

This is the committee charged with the responsibility of implementation of the State Department's budget and its prudent management. The duties of the committee include:

- i. To review and consider the cash flow 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 State Department.
- iv. To advise the accounting officer on the challenges related to the budget implementation
- v. To review and recommend the reallocation of payments
- vi. To review and approve the submission of the payment returns, payroll IPPDs, pending bills and A-I-A returns for the State Department and recommend actions to be taken
- vii. To participate in sector working groups
- viii. To review budgets, supplementary estimates and performance of budget against actual for the State Department in consultation with the Heads of Directorates.

### **b) Ministerial Human Resource Management Committee**

The PSC Circular REF NO: PSC/SEC/93/37/VOL.VI(31) dated 14th December 2022 gives the State Department the power to constitute a Ministerial Human Resource Committee (MHRMAC) in discharging the delegated authority. The State Department for Investment Promotion's functions of the Ministerial Human Resource Management Advisory Committees entail making recommendations to the Principal Secretary regarding: -

- i. Recruitment, selection and appointment;
- ii. Performance management;
- iii. Promotions;
- iv. Confirmation in appointment;
- v. Training and Development;
- vi. Training Impact Assessment;
- vii. Management of skills inventory;
- viii. Establishment and Complement control;
- ix. Payroll management;
- x. Deployment;
- xi. Promotion of values and Principles of Public Service;

- xii. Recommendation for secondment and unpaid leave;
- xiii. Recommendation for retirement under 50 years rule;
- xiv. Recommendation for retirement on medical grounds;
- xv. Recommendation for re-designation,
- xvi. Recommendation for renewal of contract;
- xvii. Discipline

**c) Ministerial Performance Management Committee**

The Public Service Commission (Performance Management) Regulations 2021 states that the authorized Officer will be answerable for the performance of staff in the State Department and ensure that all staff are allocated duties linked to their areas of work performance which will be linked to organizational performance/Performance Contract:

The Functions of the Ministerial Performance Management Committee (MPMC) shall be as follows

- i. Undertake quarterly review of implementation of Strategic Plans and Performance Contracts;
- ii. Ensure linkage between Institutional Performance Contract and Performance Appraisal System;
- iii. Ensure that the overall assessment of employee performance is within the context of institutional performance as evaluated through staff Performance Appraisal System,
- iv. Ensure that the performance of all officers is evaluated and feedback on performance is relayed in writing at the end of the year,
- v. Hold quarterly performance review meetings,
- vi. and make recommendations for improvement;
- vii. Review cases of appeals on appraisal ratings between supervisors and appraisees;
- viii. Make recommendations to the Cabinet Secretary on the application of Rewards or Sanctions
- ix. Develop and implement the internal monitoring and evaluation and reporting system; and
- x. Ensure that the integrity and credibility of the overall process of rewards and sanction system is safeguarded and maintained at all times.

**d) Ministerial Audit committee**

The term of office for the Audit Committee members for the defunct Ministry of Industrialization, Trade and Enterprise Development lapsed on 5th January 2023 after serving their second and last term of office.

As provided for in Section 73 (5) of the Public Finance Management Act, 2012, The Cabinet Secretary, Ministry of Investments, Trade and Industry has commenced the process of recruiting members to the audit committee. The ministry has invited applicants for the position of chair and member of the committee. The application period is expected to lapse on 19th October 2023 after which interviews will be conducted and formal appointments made.

**Risk Management, Compliance, conflict of interest**

Pursuant to the provisions of the Public Finance Management (PFM) Regulation 165, the State Department for Investment Promotion has commenced the process of developing an Institutional Risk Management Policy Framework and Risk registers.

Towards achievement of this goal, the state department conducted sensitization on risk management and has developed a draft risk management framework and risk registers. It has also developed a comprehensive action plan with a detailed schedule of activities from the formal appointment of the risk committees to the eventual completion and launch of the strategies after which regular monitoring and evaluation will be carried out.

According to the developed implementation action plan, the completed risk management policy framework and risk registers are expected to be approved and officially launched by 4<sup>th</sup> December 2023. The policy framework is expected to provide a clear strategy on how the SDIP will mitigate its risks, including fraud risks.

**Training and Development in Governance**

Due to limited timelines to the close of the financial year, the State department managed to conduct only one training for its key leadership during the last financial year. In line with the provisions of the PFM regulations, the State Department for Investment Promotion held a training in FY2022/23 for its top management on Sensitization and Development of Institutional Risk Management Policy Framework (Irm pf) and Risk Registers to setup a robust system of risk management.



The Public Finance Management (PFM) Regulation 165 which requires accounting officers of national government entities to ensure they develop risk management strategies, which include fraud prevention mechanism and a system of risk management and internal control that builds robust business operations.

The role of the internal audit function is provided for under the PFM regulation 164(1) (d) as promoting national government-wide risk management and provide the management with consulting services to improve the overall national government operations

### **Public participation activities**

Article 118(1) of the Constitution of Kenya, 2010 introduced mandatory public participation in all decisions and engagements that have an effect on Kenyans. During the year in review, however, the State Department did not carry out any public participation.

### **Compliance with laws and regulations among others**

Kenya enacted the Investment Promotion Act, 2004 to promote and facilitate investment by assisting investors in obtaining the licenses necessary to invest and by providing other assistance and incentives for related purposes. Under **Executive Order No. 1 of 2023** The State Department in the execution of its mandate, adhered to the Constitution of Kenya, 2010, Public Financial Management Act, 2012 and Public Financial Management Regulation, 2015. The Public Service Commission (Performance Management) Regulations 2021. In its procurement processes, were also in accordance to the Public Procurement and Disposal Act 2015 and the Public Procurement and Asset Disposal Regulations 2020.

The state Department complied to the National Treasury Circulars, Public Service Commission Circulars among others. There was no breach of law, misconduct nor non-adherence to the laws and regulations reported in the financial year under review.

#### **4. STATEMENT BY THE CABINET SECRETARY**

Investment Promotion is an enabler of the national development priorities including the Kenya Vision 2030, Bottom-Up Economic Transformation Agenda (BETA) and the Fourth Medium Term Plan as well international commitments such as Africa Agenda 2063 and the Sustainable Development Goals (SDGs) among others. This sub-sector therefore plays a critical role in attracting both local and foreign private investments by undertaking investment climate and business environment reforms, coordinating development and aggressive marketing of bankable investment projects; development and expansion of economic zones and provision of investor facilitation and support. In the medium term, the sub sector seeks to increase the value of Foreign Direct Investments (FDI) from USD 500Million in 2022 to USD 10Billion by 2027.

This Annual Report and Financial Statements for the year 2022/2023 is the first by the State Department for Investment Promotion since establishment by the Executive Order No 1 of 2023 on the organization of the Government of the Republic of Kenya to implement investment policy and coordinate promotion of private (foreign and domestic) investments into Kenyan economy and position Kenya as a preferred investment destination in Africa. During the year under review, priority interventions included: Development of Bills to review investment related laws; Conducting investment Missions in targeted destinations to aggressively market investment projects, operationalization of Special Economic Zones and Export Processing Zones; Gazettement and Declaration of private special economic zones sites and export processing zones; Hosting of Kenya International Investment Conference (KIICO); Operationalization of the Kenya Investment Council.

The main challenge faced in implementation of the programmes was the slow pace of operationalization of the State Department. This was occasioned by delays in deployment of officers from various MDAs, acquisition of office space and equipment. The State Department is fully operationalized and is expected to implement programmes more efficiently during the FY2023/2024. The following interventions have been prioritized: Participating in 12 local and international business and investment forums to market Kenya as the preferred investment destination and attract investments; Development of six (6) Business Climate Reforms agenda through legislative policy and administrative measures; Fastrack operationalization of one (1) public special economic zone and one (1) export processing zones; Development of two (2) investment related Bills; Development of County Competitiveness Index; Development of

National Investment Strategy; Transform one stop shop at KenInvest to a one start one stop Centre with an escalating mechanism to the National Investment Council and De-risking 10 private investment through co-investment mechanism.

We strongly believe that these interventions once effectively implemented, will enhance Kenya's competitiveness and attract investments in the various value chains. This in turn is expected to create employment for the young Kenyans in priority sectors as envisioned in the Bottom-Up Economic Transformation Agenda (BETA).



Hon. Moses Kuria, HSC

Cabinet Secretary

Ministry of Investments, Trade and Industry

## **5. STATEMENT BY THE PRINCIPAL SECRETARY**

The State Department for investment Promotion is mandated to implement investment policy and coordinate promotion of private (foreign and domestic) investments into Kenyan economy and position Kenya as a preferred investment destination in Africa. This mandate is executed through a three-prong strategy comprising of investment attraction; investment facilitation and investment enablement. These pillars of the strategy are budgeted for and implemented through two (2) programmes namely: Investments Development and Promotion General Administration, Planning and Support Services and four (4) sub-programmes namely: Business Environment and Investments Promotion; Investments Profiling and Development; Financing and Business Advisory; and General Administration, Planning and Support Services

The FY 2022/2023 was the first for the state department and therefore involved setting up structures and implementing priority interventions since they played a pivotal role in enabling the value chain approach in the Bottom Economic Transformation Agenda (BETA). The State Department for Investment Promotion had a total approved recurrent budget of Kshs.975,758,920 during the FY 2022/23. Out of this, Kshs.473,758,920 was from exchequer releases while Kshs.502,000,000 from Appropriations-In-Aid. On the other hand, a total approved development budget of Kshs1,238,121,044 during the FY 2022/23 however, no exchequer was issued for implementation of planned development projects. Budget implementation commenced in quarter four of the financial year since the state department was newly created and the process of operationalizing took longer than expected. Despite this challenge, the following key achievements for the FY 2022/23 include:

- i. Investment attraction and retention:** Investments worth Kshs.230.852 billion was attracted during the FY 2022/23 against a target of Kshs.100Billion. This over achievement was attributed to aggressive targeted marketing of Kenya as preferred investment destination in Africa. The investments attracted included: Moderna-75B, Taifa Gas-30B, International Committee on Red Cross- 0.135B, AAA Jumbo Car Auction Facility-0.157B, Various Investments in Special Economic Zones-9B, Various Investments in Export Processing Zones-11.56B, and Various Investors Registered by Kenya Investment Authority-74.71B. Kenya International Investment Conference

(KIICO) 2023 was hosted attracting a total of 300 delegates. A total of ten (10) reforms on ease of doing business were undertaken, these included in Special Economic Zones (Amendment Bill, 2023, and Export Processing Authority Bill, 2023 Six; (6) reform Action plans developed and shared with MDAs for implementation. In addition, fifteen (15) stakeholder fora to sensitize on the implemented business reforms held.

- ii. **Investment facilitation:** The capacity of KenInvest to facilitate investors was improved through completion of the one stop shop center. The State Department for Investment Promotion was also operationalized as the second port of call for investors. The operationalization of the National Investment Council during the FY provided investors with the final port of call.
- iii. **Investment enablement:** Nine (9) new Export Processing Zones were gazette to increase the number of gazetted EPZs to 96 from 87 in 2021/22. Similarly, Nine (9) new Special Economic Zones were gazette. 10% of works at of Naivasha SEZ was done, 8% of works at Dongo Kundu SEZ was achieved which included implementation of the Masterplan on relocation of Projected Affected Persons. Minimal achievements were realized in Athi River Textile Hub (65.7%) and Railway Siding and related infrastructure (2.7%) and construction of Industrial sheds (1.86%) due to inadequate budget allocation.

The above milestones were realized against challenges of operationalization of the State Department that took longer than expected due to delays in deployment of staff from various MDAs. Moving forward, focus will be laid on strengthening the capacity of the State Department to effectively deliver its mandate through collaborations and partnerships with local and international partners.

  
**Mr. Abubakar Hassan Abubakar**

**Principal Secretary**

**State Department for Investments Promotion.**

## **6. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR THE FY2022/23**

### **a) Introduction**

The State Department aimed at achieving the following strategic objectives as drawn from the draft Strategic Plan to contribute to the goals as outlined in the Bottom-Up Economic Transformation Agenda (BETA), Kenya Vision 2030 Medium Term Plan IV (2023-2027), and contribute to international commitments:

- i. To improve competitiveness of investment climate and business environment
- ii. To increase local and foreign investments
- iii. To increase access to economic zones and industrial parks

### **b) Progress on the attainment of Strategic Objectives**

The review highlights the achievements of programmes implemented during the FY2022/23 against set targets. The programmes aimed at attracting domestic and foreign investments, improving investment climate and business environment, expanding special economic zones and export processing zones. The following is a summary of key achievements:

Table 4: Summary of achievements against Planned Targets Six (6) Months Ended 30 June 2023

Program	Strategic Objective	Outcome	Indicator	Target FY 2022/2023	Actual Achievement FY 2022/2023	Comments
<b>Business Environment and Investments Promotion</b>	To improve competitiveness of investment climate and business environment	Improved competitiveness of investment climate and business environment	No. of reforms on ease of doing business in Kenya	20	10	The reforms targeted re-engineering/upgrading/automation of systems, reduction of cost, time and processes and therefore some are still underway
			No. of reform Action plans developed and shared with MDAs	10	6	Tracking of implementation of the Action Plans by MDAs on going.
			No. of stakeholder fora to sensitize on the implemented business reforms held.	15	15	The fora targeted Business Management Organization (BMO), the county

						government and the general public
	To increase local and foreign investments	Increased local and foreign investments	Value of Investments attracted (Kshs Billions)	100	230.852	This attributed to signing of MoUs by Moderna, Taifa Gas, UK Green and Kisumu County, ICRC and AA Jumbo
			No. of investment projects proposals facilitated	200	207	Value chain approach facilitated more projects
			Amount of credit provided (in Billions)	2.43	2.1	Based on applications received by KDC
			No. of new enterprises financed	50	35	
	To increase access to economic zones	Increased access to economic	No of new Special Economic Zones Gazetted	6	9	Over achievement in the FY 2022/23 was due to improved



	and industrial parks	zones and industrial parks				business environment
			No of New Export Processing Zones Gazetted	4	9	Overachievement due to increased sensitization on EPZ incentives
			% completion of the Naivasha SEZ	20	10	Target missed due to budget cuts
			% completion of the Dongo Kundu SEZ	10	8	Target missed due to budget cuts
			No of Jobs Created	SEZs 2000	2025	Due to licensing of 9 SEZ developers and 36 SEZ Enterprises
				EPZs 15,000	-2,127	Job losses due to disruption in apparel industry
				Other Investments (KenInvest) 10,000	5400	The projects attracted were not labour intensive.

			Value of Exports from EPZs (Kshs. Million)	108,000	111,800	Over achievement attributed to increase no. of EPZs.
			No. of operating Enterprises in EPZs	172	165	Shortage due to limited investor sheds at Athi River

7. MANAGEMENT DISCUSSION AND ANALYSIS

a) Operational and financial performance

The State Department was established in January 2023 via Executive order No 1 of 2023 and therefore there is no information for previous medium-term performance. Table 5 provides the summary of financial performance during the FY 2022/2023.

**Table 5: Actual performance against budget for the six (6) months ended 30<sup>th</sup> June 2023**

<b>Economic Classification</b>	<b>Approved Budget</b>	<b>Total Expenditures</b>	<b>Balance</b>
2100000 Compensation Of Employees	-	-	-
2200000 Use Of Goods And Services	131,380,001	72,141,846	59,238,153
2600000 Transfer to other Gov't entities:			
Exchequer Releases	235,785,000	235,785,000	
Appropriation in Aid	40,000,000	-	40,000,000
Total	502,000,000	494,632,000	7,368,000
	<u>777,785,000</u>	<u>730,417,000</u>	<u>47,368,000.00</u>
2700000 Social Benefits	-	-	-
3100000 Acquisition of Non- Financial Assets	66,593,919	92,016,404	(25,422,484)
<b>Gross Expenditure KSHS.</b>	<b>975,758,920</b>	<b>894,575,248</b>	<b>81,183,672</b>

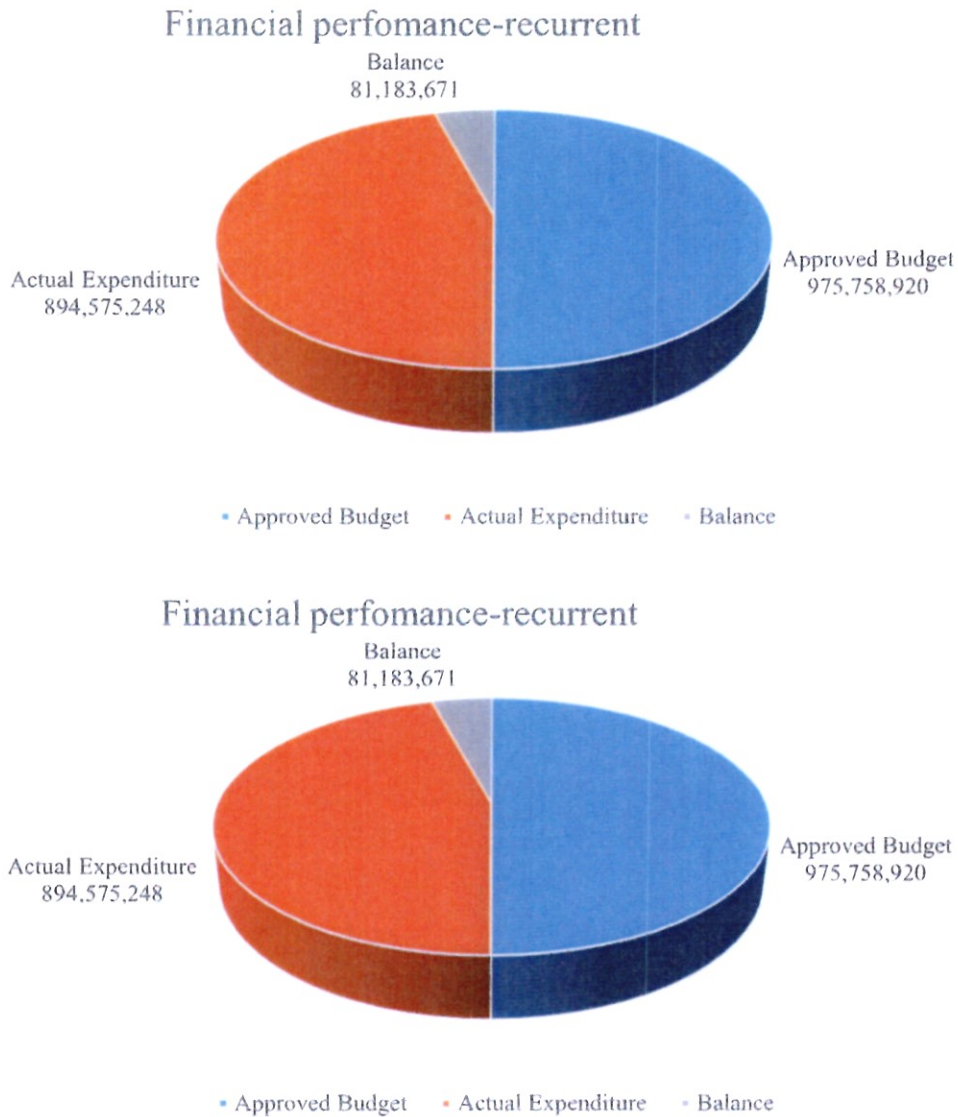
**Budget Utilization**

The state department budget utilization was in the fourth quarter of the FY which represents the total expenditure of Kshs.894,575,248.45 (recurrent) against an approved budget of Kshs.975,758,920 representing an absorption rate of 91.7 per cent. The state department did not receive exchequer funding for development expenditures during the FY2022-2023. The State department was allocated Kshs.1,238,121,044 as a Capital grant to SAGA's but was not financed.

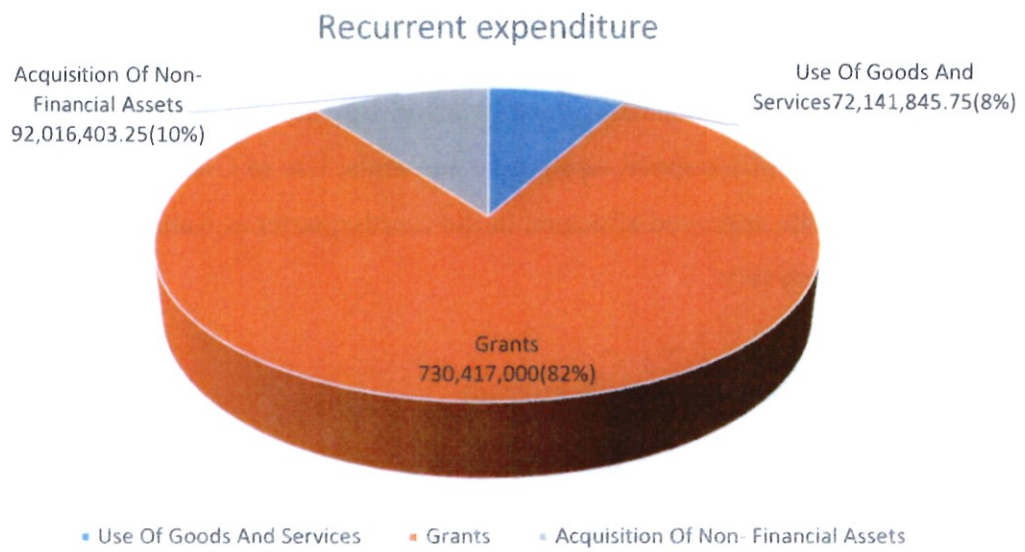
There was no expenditure on compensation of employees and social benefits during the FY since the state department did not have a payroll and requisite tools and equipment for IPPD. Staff were therefore paid from the MDAs where they served before joining SDIP. Transfer to other government entities was to the three SAGAs which comprised Kshs.235,785,00 from exchequer releases and Ksh.494,632,00 against Ksh.502,000,00 from Appropriation in Aid which is spent at

source. An additional supplementary budget of Kshs.40,000,000 had been granted but no exchequer was released by the National Treasury against it. Budget implementation during the FY focused on achieving core mandate objectives and operationalization of the state Department through acquisition of office space, equipment and tools. Use of Goods and Acquisition of Assets was utilized within the approved allocated in the fourth quarter at Kshs. 72,141,845.75 and Kshs. 92,016,403.25 respectively.

**Figure 3: Financial Performance- Recurrent**



**Figure 4: Recurrent Expenditure**



**b) SDIP Project Information FY 2022/2023**

The SDIP Project portfolio for FY 2022/23 included: Develop a Freeport & Industrial Parks Special Economic Zones Mombasa (Dongo Kundu) **SEZA**; Development of SEZ Textile Park Naivasha **SEZA**; Development of Athi River Textile hub- **EPZA**; Development of Railway Siding and Related Infrastructure – **EPZA**; Construction of Investors Sheds **EPZA** and Establishment of One stop shop Centre for Investment – **KENINVEST**. Table 6 provides an analysis of project performance:

The State Department for Investment Promotion was established under the Executive Order No. I of 2023. In the Financial Year 2022/23, the State Department received allocation of Ksh 1,238,121,044 for Development expenditure through Supplementary Estimates No. I in the Month of March, 2023. However, the State Department was not able to spend the development budget due to lack of exchequer. The table below is a summary of Projects details inherited from the former Ministry of Industrialization and Enterprise Development.

Table:6 project implementation

Project Name	Project Commence Date	Project End Date	Source of Funds	Estimated Value of the Project (KShs.) Millions	Total Approved Estimates FY 2022/23 (KShs.) Millions	Actual Expenditure FY 2022/23 (KShs.) Millions	Total Cumulative Expenditure as at 30th June 2023 (KShs.) Millions	Outstanding Project Cost as at 30th June 2023	Percentage of Completion	Remarks/Challenges faced in implementing Projects
I. Develop a Freeport & Industrial Parks Special Economic Zones Mombasa (Dongo Kundu)SEZA	1/7/2019	30/06/2026	GOK	4,620	-	-	360	4,260	8%	Transfer to Semi-Autonomous Government Agency

2. Development of SEZ Textile Park Naivasha <b>SEZA</b>	1/7/2019	30/06/20 26	GOK	5,000	-	-	299	4,701	6%	Transfer to Semi-Autonomous Government Agency
3. Development of Athi River Textile hub- <b>EPZA</b>	1/7/2014	30/06/20 26	GOK	8,240	34	-	5,344	2,896	65%	Transfer to Semi-Autonomous Government Agency
4. Development of Railway Siding and Related Infrastructure - <b>EPZA</b>	7/1/2020	30/06/20 27	GOK	1,600	-	-	95	1,505	6%	Transfer to Semi-Autonomous Government Agency
5. Construction of Investors Sheds <b>EPZA</b>	1/7/2022	30/06/20 26	GOK	2,693	1,196	-	-	2,693	0%	Transfer to Semi-Autonomous Government Agency
6. Establishment of One stop shop centre for	1/7/2016	30/06/20 24	GOK	200	8	-	160	40	80%	Transfer to Semi-Autonomous Government Agency



*State Department for Investments Promotion  
Report and Financial Statements for the Six (6) Months ended 30<sup>th</sup> June 2023*

<b>Investment - KENINVEST</b>										
<b>8 Construction of an Effluent Treatment Plant Kename ETP - EPZA</b>	1/7/2015	30/06/20 25	GOK	2,000	-	-	250	1,750	13%	Transfer to Semi- Autonomous Government Agency
<b>Total</b>				<b>24,353</b>	<b>1,238</b>	<b>-</b>	<b>6,508</b>	<b>17,845</b>		<b>Underutilization attributed to lack of exchequer release</b>

**c) Priorities for FY 2023/2024**

The State Department is fully operationalized and is expected to implement programmes more efficiently during the FY2023/2024. The following interventions have been prioritized: Participating in 12 local and international business and investment forums to market Kenya as the preferred investment destination and attract investments; Development of six (6) Business Climate Reforms agenda through legislative policy and administrative measures; Fastrack operationalization of one (1) public special economic zone and one (1) export processing zones; Development of two (2) investment related Bills; Development of County Competitiveness Index; Development of National Investment Strategy; Transform one stop shop at KenInvest to a one start one stop Centre with an escalating mechanism to the National Investment Council and De-risking 10 private investment through co-investment mechanism.

Discussions have been initiated with the World Bank to design the Kenya Jobs and Economic Transformation Project (KJET) which will support the Investment Climate and Business environment to enhance Kenya's competitiveness.

## **8. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

### **a) Sustainability Strategy and profile**

The State Department, as part of implementation of its mandate is promoting green investments to address environmental sustainability. The Naivasha Special Economic Zone is being marketed as a Green Industrial Park as it will be powered using geothermal energy. Ten (10) per cent of the land has also been reserved for greening and planting of trees. Similarly, the Dongo Kundu Industrial Park, as part of Master Plan has envisaged being powered using LNG Gas and already, investors have expressed interest in investing in such a plant. Other green investments include the proposed manufacture of Electric Vehicles and motor bikes within the zones.

### **b) Operational practices/ Market place practices**

The State Department has put in place a Service Charter focused on providing satisfactory services to its clients with seven main areas of services as following:

- i. Facilitate the Private sector with information about investment upon request
- ii. Support the Private Sector resolve emerging business concerns
- iii. Provide information to support Private sector development and facilitate engagements with development partners and other stakeholders
- iv. Coordinate, organize, participate in investment promotion forums with local and international partners
- v. Provision of information on Global competitive Index
- vi. Guide on labour, capital and technological productivity for enterprises
- vii. Providing Regulatory and Investment Information to investors both local and foreign investors

## **9. STATEMENT OF MANAGEMENT RESPONSIBILITIES**

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

The Accounting Officer in charge of the State Department for Investment Promotion 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 six (6) months period ended on June 30, 2023. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity, (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of the entity; (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting Officer in charge of the State Department for Investment Promotion 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 Investment Promotion financial statements give a true and fair view of the state of entity's transactions during the six (6) months period ended June 30, 2023, and of the entity's financial position as at that date. The Accounting Officer in charge of the State Department for Investment Promotion further confirms the completeness of the accounting records maintained for the *entity*, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of the State Department for Investment Promotion confirms that the entity has complied fully with applicable Government Regulations and the terms of external

*State Department for Investments Promotion*  
**Report and Financial Statements for the Six (6) Months ended 30<sup>th</sup> June 2023**

financing covenants (where applicable), and that the entity's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the entity's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

**Approval of the financial statements**

The State department of Investment Promotion financial statements were approved and signed by the Accounting Officer on 14<sup>th</sup> November 2023 2023.



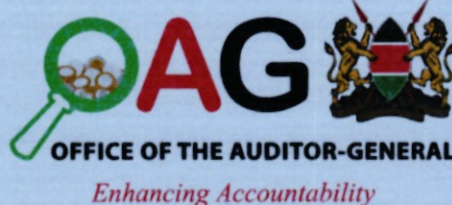
.....  
Name: Abubakar Hassan  
Abubakar  
**Accounting Officer**



.....  
Name: Esther Waweru  
**Head of Accounting Unit**  
**ICPAK M/No 5658**

# REPUBLIC OF KENYA

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



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

## REPORT OF THE AUDITOR-GENERAL ON STATE DEPARTMENT FOR INVESTMENT PROMOTION FOR THE SIX (6) MONTHS PERIOD ENDED 30 JUNE, 2023

---

### PREAMBLE

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

- A. Report on the Financial Statements, which considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws, and regulations, which 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 the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance, which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

#### Opinion

I have audited the accompanying financial statements of State Department for Investment Promotion set out on pages 1 to 24, which comprise of the statement of financial assets and liabilities as at 30 June, 2023, and the statement of receipts and payments, statement

---

*Report of the Auditor-General on State Department for Investment Promotion for the Six (6) Months Period ended 30 June, 2023*

of cash flows, statement of comparison of budget and actual amounts, summary statement of appropriation - recurrent, summary statement of appropriation - development, budget execution by programmes and sub-programmes for the period then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

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

### **Basis for Opinion**

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

### **Key Audit Matter**

Key audit matters are those matters which, 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 period under review.

### **Other Matter**

### **Budgetary Control and Performance**

The statement of comparison budget and actual amounts: combined reflects final receipts budget and actual on comparable basis of Kshs.2,213,879,964 and Kshs.895,765,598 respectively resulting in a shortfall of Kshs.1,318,114,366 or 59% of the budget. Similarly, the State Department spent Kshs.894,575,248 against approved budget of Kshs. 2,213,879,964 resulting to under absorption of Kshs.1,319,304,715 or 60% of the budget.

The underfunding and under expenditure affected the planned activities and may have negatively impacted on service delivery to the public.

## **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, I confirm that, nothing 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**

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

## **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

### **Conclusion**

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

### **Basis for Conclusion**

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

### **Responsibilities of Management and those Charged with Governance**

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

In preparing the financial statements, Management is responsible for assessing the State Department's ability to continue sustaining its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the State Department or to cease operations.

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

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



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

### **Auditor-General's Responsibilities for the Audit**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report which 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 which govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal controls, which 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 which 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 noncompliance. 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 which 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, which may cast significant doubt on the State Department's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the State Department to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner which achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the State Department to express an opinion on the financial statements.
- Perform such other procedures, as I consider necessary in the circumstances.

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

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

  
**FCPA Nancy Gathungu, CBS**  
**AUDITOR-GENERAL**

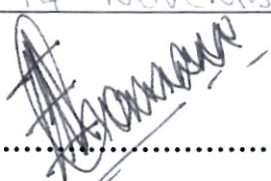
**Nairobi**

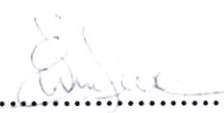
**14 December, 2023**

**11. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE SIX (6) MONTHS  
 PERIOD ENDED 30TH JUNE 2023**

Description	Notes	2022-2023	2021-2022
		Kshs	Kshs
<b>Receipts</b>			
Exchequer Releases	1	401,133,598	-
Miscellaneous Receipts(A-I-A)	2	494,632,000	-
<b>Total Receipts</b>		<b>895,765,598</b>	-
			-
<b>Payments</b>			
Use of Goods and Services	3	72,141,845.75	-
Grants and Transfers to other Government Entities	4	730,417,000	-
Acquisition of Assets	5	92,016,403.25	-
<b>Total Payments</b>		<b>894,575,248</b>	-
<b>Surplus/(Deficit)</b>		<b>1,190,350</b>	-

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 14<sup>th</sup> November 2023 2023 and signed by:

  
 .....  
 Name: Abubakar Hassan Abubakar  
 Accounting Officer

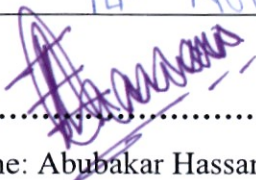
  
 .....  
 Name: Esther Waweru  
 Head of Accounting Unit  
 ICPAK M/No 5658

**12. STATEMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES AS AT 30TH JUNE 2023.**

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
<b>Financial assets</b>			
<b>Cash and cash equivalents</b>			
Bank balances	6A	3,724,677	-
Cash balances	6B	-	-
<b>Total cash and cash equivalents</b>		<b>3,724,677</b>	<b>-</b>
<b>Total financial assets</b>		<b>3,724,677</b>	<b>-</b>
<b>Less: Financial liabilities</b>			
Accounts Payable - Deposits	7	2,534,327	-
<b>Net financial assets</b>		<b>1,190,350</b>	<b>-</b>
<b>Represented by</b>			
Surplus/(Deficit )for the year		<b>1,190,350</b>	<b>-</b>
<b>Net financial position</b>		<b>1,190,350</b>	<b>-</b>

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

14<sup>th</sup> November 2023 and signed by:

  
.....

Name: Abubakar Hassan Abubakar  
**Accounting Officer**

  
.....

Name: Esther Waweru  
**Head of Accounting Unit**  
**ICPAK M/No 5658**

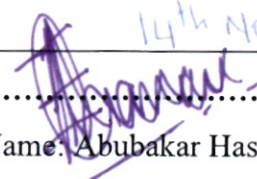
**13. STATEMENT OF CASH FLOWS FOR THE SIX (6) MONTHS PERIOD ENDED**


**30<sup>TH</sup> JUNE 2023**

Description	Notes	2022-2023	2021-2022
		Kshs	Kshs
<b>Operating Activities</b>			
<b>Receipts</b>			
Transfers from National Treasury	1	401,133,598	-
Miscellaneous receipts	2	494,632,000	-
<b>Total Receipts</b>		<b>895,765,598</b>	-
<b>Payments for Operating Expenses</b>			
Use of goods and services	3	72,141,845.75	-
Transfers to other government units	4	730,417,000	-
<b>Total Payment</b>		<b>802,558,845.75</b>	-
<b>Adjusted For:</b>			
Increase in Accounts Payable Retention (deposits and retention)	7	2,534,327	-
<b>Net Cash Flow from Operating Activities</b>		<b>65,288.047</b>	-
<b>Cash flow From Investing Activities</b>			
Acquisition of assets	5	(92,016,404.25)	-
<b>Net Cash Flows from Investing Activities</b>		<b>(92,016,404.25)</b>	-
<b>Cash flow from Financing Activities</b>		-	-
Proceeds from Domestic Borrowings		-	-
<b>Net Cash Flow from Financing Activities</b>		-	-
<b>Net increase in cash and cash equivalents</b>		<b>3,724,677</b>	-
<b>Cash &amp; Cash Equivalent at Start of The Year</b>		-	-
<b>Cash &amp; Cash Equivalent at End of The Year</b>	6A+6B	<b>3,724,677</b>	-

*State Department for Investments Promotion*  
**Report and Financial Statements for the Six (6) Months ended 30<sup>th</sup> June 2023**

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 \_\_\_\_\_ 2023 and signed by:

  
.....  
Name: Abubakar Hassan Abubakar  
**Accounting Officer**

  
.....  
Name: Esther Waweru  
**Head of Accounting Unit**  
**ICPAK M/No 5658**

**14. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS: COMBINED FOR SIX (6) MONTHS TO  
 30 JUNE 2023**

<b>Receipt/Expense Item</b>	<b>Original Budget</b>	<b>Adjustments</b>	<b>Final Budget</b>	<b>Actual on Comparable Basis</b>	<b>Budget Utilization Difference</b>	<b>% of Utilization</b>
	<b>a</b>	<b>b</b>	<b>c=a+b</b>	<b>d</b>	<b>e=c-d</b>	<b>f=d/c %</b>
Exchequer releases	-	1,711,879,964	1,711,879,964	401,133,598	1,310,746,366	23%
Other Receipts		502,000,000	502,000,000	494,632,000	7,368,000	99%
<b>Total Receipts</b>	<b>-</b>	<b>2,213,879,964</b>	<b>2,213,879,964</b>	<b>895,765,598</b>	<b>1,318,114,366</b>	<b>41%</b>
<b>Payments</b>						
Use of goods and services	-	131,380,001	131,380,001	72,141,846	59,238,155	55%
Transfers to other government entities	-	2,015,906,044	2,015,906,044	730,417,000	1,285,489,044	36%
Acquisition of assets	-	66,593,919	66,593,919	92,016,404.25	(25,422,485)	138%
<b>Total Payments</b>	<b>-</b>	<b>2,213,879,964</b>	<b>2,213,879,964</b>	<b>894,575,248.45</b>	<b>1,319,304,715</b>	<b>40%</b>
<b>Surplus/ Deficit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,190,350</b>	<b>(1,190,350)</b>	

**Notes**

**Receipts**

*Exchequer issue*

The exchequer issue amounted to Kshs.401,133,598 against Kshs.1,711,879,964 of the total budget (recurrent and development) representing 23% funding. The exchequer received was for recurrent budget. The state department did not receive exchequer funding for the development budget.

*Appropriations-in-Aid*

Appropriations-in-aid received by SAGA's was Kshs.494,632,000 against the budgeted Kshs.502,000,000. This represented 99% actualization of funds received against the budget.

Total funding was therefore Kshs. 895,765,598 against cumulative budget of Kshs.2,213,879,964. This translated to 40.46% funding of the total budget.

**Payments**

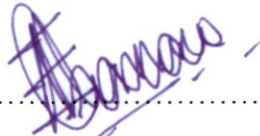
The total payments were Kshs. 894,575,248.45 against Kshs.2,213,879,964 representing a 40.40% utilization of the budget for both recurrent and development expenditures. The underutilization of budget was due to the following reasons:

- (a) The State Department for Investment Promotion was created via Executive Order of January 2023 and received its budget from supplementary estimates in March, 2023 delaying the start-up of operations. The state department committed both budgets but was only funded it's recurrent budget by the National Treasury. The development budget allocation remained unfunded as at the close of the financial year.
- (b) Reallocations within the year: The reallocation of the budgetary items did not affect our approved budget estimate but was done in order to help the new State Department carry out mandatory activities that was geared to help in the start-up of smooth operations. The reallocation request to the National Treasury was done on 5th May 2023 and approved on 16th May 2023. A total of Kshs.46,729,997 was reallocated.
- (d) Staffing of new state department took a long-time due challenge in identifying the right personnel's to be posted and delay in release of posted officers. There was also a delay in



equipping the offices and setting up financial systems by the National Treasury and Central Bank.

The entity financial statements were approved on 14<sup>th</sup> November 2023 and signed by:



.....  
Name: Abubakar Hassan Abubakar

**Accounting Officer**



.....  
Name: Esther Waweru

**Head of Accounting Unit**

**ICPAK M/No 5658**

14 (A) STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS: RECURRENT FOR SIX (6) MONTHS TO 30 JUNE 2023

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 %
<b>Receipts</b>						
Exchequer releases	-	473,758,920	473,758,920	401,133,598	72,625,322	85%
Miscellaneous receipts		502,000,000	502,000,000	494,632,000	7,368,000	99%
<b>Total Receipts</b>	-	<b>975,758,920</b>	<b>975,758,920</b>	<b>895,765,598</b>	<b>79,993,322</b>	<b>92%</b>
<b>Payments</b>						
Use of goods and services	-	131,380,001	131,380,001	72,141,846	59,238,155	55%
Transfers to other Government entities	-	777,785,000	777,785,000	730,417,000	47,368,000	94%
Acquisition of assets	-	66,593,919	66,593,919	92,016,404	(25,422,485)	138%
<b>Total Payments</b>	-	<b>975,758,920</b>	<b>975,758,920</b>	<b>894,575,248</b>	<b>81,183,672</b>	<b>92%</b>
<b>Surplus/Deficit</b>	-	-	-	<b>1,190,350</b>	<b>(1,190,350)</b>	

The entity financial statements were approved on 14<sup>th</sup> November 2023 and signed by:

.....

Name: Abubakar Hassan Abubakar

Accounting Officer

.....

Name: Esther Waweru

Head of Accounting Unit

ICPAK M/No 5658

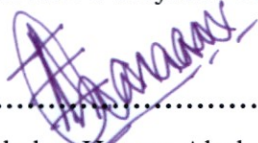
14 (B) STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS: DEVELOPMENT FOR SIX (6) MONTHS TO 30 JUNE 2023


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 %
<b>Receipts</b>						
Exchequer releases	-	1,238,121,044	1,238,121,044	-	1,238,121,044	0%
<b>Total Receipts</b>	-	-	-	-	-	0%
<b>Payments</b>						
Transfers to other Government entity	-	1,238,121,044	1,238,121,044	-	1,238,121,044	0%
<b>Total Payments</b>	-	<b>1,238,121,044</b>	<b>1,238,121,044</b>	-	<b>1,238,121,044</b>	<b>0%</b>
<b>Surplus/Deficit</b>	-	-	-	-	-	

Notes:

The Nil Utilization of the development budget is due to unfunded exchequer requests by the National Treasury. The development budget was to fund the SAGA's Projects. The entity financial statements were approved on 14<sup>th</sup> November

2023 and signed by:

.....  
  
 Name: Abubakar Hassan Abubakar  
**Accounting Officer**

.....  
  
 Name: Esther Waweru  
**Head of Accounting Unit**  
**ICPAK M/No 5658**

**14 (C) BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES FOR SIX  
 (6) MONTHS TO 30 JUNE 2023**

<b>Programme/Sub-programme</b>	<b>Description</b>	<b>Final Budget</b>	<b>Actual on comparable basis</b>	<b>Budget utilization difference</b>
			<b>Kshs</b>	<b>Kshs</b>
<b>301000000</b>	<b>General Administration Planning and Support Services</b>	<b>87,973,920</b>	<b>67,237,309</b>	<b>20,736,611</b>
Sub-programme 1:301010000	General Administration Planning and Support Services	87,973,920	67,237,491	20,736,429
<b>302000000</b>	<b>Industrial Development and Investments</b>	<b>2,125,906,044</b>	<b>827,337,939</b>	<b>1,298,568,105</b>
Sub-programme 1:302010000	Promotion of Industrial Development and Investments	2,125,906,044	827,337,939	1,298,568,105
<b>Total</b>		<b>2,213,879,964</b>	<b>894,575,430</b>	<b>1,319,304,534</b>

## **15. NOTES TO THE FINANCIAL STATEMENTS**

### **1. Statement of Compliance and Basis of Preparation**

The financial statements have been prepared in accordance with Cash-basis International Public Sector Accounting Standards (IPSAS) as prescribed by the Public Sector Accounting Standards Board (PSASB) and set out in the accounting policy note below. This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions. The financial statements comply with and conform to the form of presentation prescribed by the PSASB. The accounting policies adopted have been consistently applied to all the years presented.

### **2. Reporting entity**

The financial statements are for the State Department for Investment Promotion. The financial statements encompass the reporting entity as specified under Section 81 of the PFM Act 2012. The State Department's expenditures are recurrent. Development projects are under the Semi-autonomous Government Agencies which report independently.

### **3. Reporting Currency**

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

#### **Significant Accounting Policies**

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

#### **a) Recognition of Receipts**

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

**(i) Transfers from the Exchequer**

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

**(ii) External Assistance**

External assistance is received through grants and loans from multilateral and bilateral development partners. Grants and loans shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary. In case of grant/loan in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice. A similar recognition criteria is applied for loans received in the form of a direct payment. During the year ended 30<sup>th</sup> June 2023, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

**(iii) Miscellaneous receipts**

These include Appropriation-in-Aid and relates to receipts such as proceeds from disposal of assets and sale of tender documents. These are recognised in the financial statements the time associated cash is received. The state department received receipts of Kshs.10,000 from sale of tender documents and have been disclosed in the financial statements. Appropriation-in- Aid were for the The Semi-Autonomous Government Agencies which amounted to Kshs.494,632,000.

**b) Recognition of payments**

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

**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. The State Department for Investment Promotion had no borrowings in the financial year and therefore no interest on borrowing.

**iv) Principal on borrowing**

The repayment of principal amount of borrowing is recognized as payment in the period in which the repayment is made. State Department for Investment Promotion had no borrowings in the financial year and therefore no principal on borrowing.

**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.

The State Department has maintained A fixed asset register is maintained and is provided for purposes of consolidation. This summary is disclosed as an Annex 1 to the financial statements.

**Significant Accounting Policies (Continued)**

**vi) In-kind contributions**

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

**vii) Third Party Payments**

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

**c) Cash and Cash Equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. A bank account register is maintained, and a summary provided for purposes of consolidation. This summary is disclosed in Note 5B.

**Restriction on Cash**

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation. Amounts maintained in deposit bank accounts are restricted for use in refunding third party deposits and retentions. As of 30th June 2023, this amounted to Kshs



2,534,327 compared to Kshs.0 in prior period as indicated on note 5A. There were no other restrictions on cash during the year

**d) Imprests and advances**

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

**e) Third party deposits and retention**

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

**f) Pending Bills**

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as 'memorandum' or 'off-balance' items. When the pending bills are finally settled, such payments are included in the Statement of Receipts and Payments in the year in which the payments are made. The State Department did not accumulate any pending bills as at 30<sup>th</sup> June, 2023.

**g) Budget**

The budget is developed on a comparable accounting basis (cash basis except for imprest and deposits and retentions, which are accounted for on an accrual basis), the same accounts classification basis, and for the same period as the financial statements. The supplementary I

budget was approved by Parliament in February 2023 for the 4<sup>th</sup> quarter of FY2022-2023 as required by Law and there were one number of supplementary adjustments to the supplementary I 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.

**h) Comparative Figures**

The state department is reporting for the first time after few months of operation. The financial statements do not therefore have comparative statements.

**i) Subsequent Events**

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

**j) Prior Period Adjustment**

During the year, errors should be corrected and disclosed explaining the nature and amounts. The State Department did not have any errors to disclose during the financial year.

**k) Related Party Transactions**

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

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

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

**Significant Accounting Policies (Continued)**

**l) Contingent Liabilities**

A contingent liability is

- a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the State Department ; 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 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 State Department did not have any contingent liabilities to disclose in the year.

**15. NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**1. Exchequer releases**

<b>Description</b>	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Transfers From Exchequer for quarter 4	401,133,598	-
<b>Total</b>	<b>401,133,598</b>	<b>-</b>

The State Department received Exchequers from the National Treasury amounting to Kshs.401,133,598 against the budgeted of Kshs.473,758,920 recurrent. The entity did not receive development exchequer against the budget of Kshs. 1,238,121,044.

**2. Miscellaneous Receipts**

The receipts were confirmed by the three SAGAs and reported in the FY2022/2023 as follows:

<b>Description</b>	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Receipts from Administrative Fees and Charges - AIA	494,632,000	0
<b>Total</b>	<b>494,632,000</b>	<b>0</b>

We have confirmed the above amounts with the SAGAs entities and attached these confirmations as an Appendix to Annex 2 to these financial statements. EPZAs and KEINVEST reported an over collection of AIA while SEZA reported an under collected. This has been reconciled in Annex 2.

**3. Use of Goods and Services**

<b>Description</b>	<b>2022-2023</b>	<b>2021-22</b>
	<b>Kshs</b>	<b>Kshs</b>
Utilities, supplies and services	-	-
Communication, supplies and services	3,127,410	-
Domestic travel and subsistence	18,097,585	-
Foreign travel and subsistence	10,341,539	-
Printing, advertising and information supplies & services	4,477,650	-
Rentals of produced assets	2,500,000	-
Training expenses	4,587,400	-
Hospitality supplies and services	4,888,388	-
Specialised materials and services	1,194,925.45	-
Office and general supplies and services	6,457,360	-
Fuel Oil and Lubricants	4,706,498	-
Other operating expenses	8,623,673.30	-
Routine maintenance – vehicles and other transport equipment	3,097,417	-
Routine maintenance – other assets	42,000	-
<b>TOTAL</b>	<b>72,141,845.75</b>	

**4. Transfers to self – reporting entities in the year**

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

<b>Description</b>	<b>Recurrent</b>	<b>Development</b>	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
Current Grants to Government Agencies and other levels of Government	235,785,000		235,785,000	-

State Department for Investments Promotion  
Report and Financial Statements for the Six (6) Months ended 30<sup>th</sup> June 2023

Description	Recurrent	Development	2022-2023	2021-2022
	Kshs	Kshs	Kshs	Kshs
<b>Transfers to SAGAs</b>				
Export Processing Zones Authority	17,045,000	-	17,045,000	-
Kenya Investment Authority	214,857,500	-	214,857,500	-
Special Economic Zone Authority	3,882,500	-	3,882,500	-
<b>Total</b>	<b>235,785,000</b>	<b>-</b>	<b>235,785,000</b>	<b>-</b>

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

#### 5. Acquisition of Assets

Non -Financial Assets	2022-2023	2021-2022
	Kshs	Kshs
Refurbishment of Building	25,243,269.70	-
Purchase of Vehicles and Other Transport Equipment	32,540,000	-
Purchase of Office Furniture and General Equipment	11,393,699	-
Purchase of Specialised Plant, Equipment, and Machinery	10,865,494.55	-
Research, Studies, Project Preparation, Design & Supervision	11,973,940	-
<b>Total</b>	<b>92,016,404.25</b>	<b>-</b>

#### Notes

As had been previously highlighted in the Statement of Receipts and Payments, the assets acquired by the entity as indicated in Acquisition of Assets is not conclusive. The budget from these items was not sufficient to procure critical assets and therefore the state department utilized the Contracted Technical Services budget line classified in Use of Goods above. The Assets Register is attached as an appendix in Annex 1.

The entity did not purchase any Financial Assets in the subject periods.

6. Cash and Bank Accounts

Description	2022-2023	2021-2022
	Kshs	Kshs
Bank Accounts (Note 7A)	3,724,677	3,724,677
Cash on hand (Note 7B)	-	-
<b>Total</b>	<b>3,724,677</b>	<b>3,724,677</b>

6A: Bank Accounts

Name of Bank, Account No. & currency	Amount in bank account currency	Indicate whether recurrent, Development, deposit etc.	Exc rate (if in foreign currency)	2022-2023	2021-2022
				Kshs	Kshs
Central Bank of Kenya, 1000384301, Recurrent Kes- State Department for Investment Promotion	-	Recurrent	1	1,190,350	-
Central Bank of Kenya, 1000384317, Development Kes – State Department for Investment Promotion	-	Development	1	-	-
Central Bank of Kenya, 1000384328, Deposits Kes –State Department for Investment Promotion	-	Deposit	1	2,534,327	-
<b>Total</b>				<b>3,724,677</b>	<b>-</b>

**6B: Cash on hand**

Description	2022-2023	2021-2022
	Kshs	Kshs
Cash in hand – Held in domestic currency	-	-
Cash in hand – Held in foreign currency	-	-
<b>Total</b>	-	-

Detailed Cash is as follows:

Description	2022-2023	2021-2022
	Kshs	Kshs
Headquarters, National Treasury Building, Cash office	-	-
<b>Total</b>	-	-

*Note:* The Board of Survey Certificate has been attached as an annex

**7. Third party deposits and retention (accounts Payable)**

Description	2022-2023	2021-22
	Kshs	Kshs
Retention	2,524,327	-
Deposits	10,000	-
<b>Total</b>	<b>2,534,327</b>	-

**8.Related Party Disclosures**

The following comprise of related parties to the State Department for Investment Promotion

- i) State Corporations and Semi-Autonomous Government Agencies.

**8.1 Related party transactions:**

Description	2022-2023	2021-22
	Kshs	Kshs
Key Management Compensation	-	-



*State Department for Investments Promotion  
Report and Financial Statements for the Six (6) Months ended 30<sup>th</sup> June 2023*

<b>Transfers to Related Parties</b>		
Transfers to the Other Ministries Departments and Agencies	-	-
Transfers to other State Corporations and Semi-Autonomous Government Agencies	235,785,000	-
Transfers to Government Development Projects	-	-
Transfers to Counties	-	-
<b>Total Transfers to Related Parties</b>	<b>235,785,000</b>	<b>-</b>

**9. Pending Accounts Payable (See Annex 1)**

	<b>Balance b/f Previous FY</b>	<b>Additions for the period</b>	<b>Paid during the year</b>	<b>Balance c/f 2022-2023</b>
<b>Description</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
Construction of Buildings	-	-	-	2,534,327
Construction of Civil Works	-	-	-	-
Supply of Goods	-	-	-	-
Supply of Services	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,534,327</b>

The Kshs. 2,534,327 indicated is 10% retention of the certificate amount of Kshs.25,243,270.

*Notes to the Financial Statements (Continued)*

**10. PROGRESS ON FOLLOW UP OF PRIOR YEARS AUDITOR-GENERAL'S RECOMMENDATIONS.**

The state department was in the first year of operations and therefore had no prior audit issues.

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)
N/A				

.....  
 Name: Abubakar Hassan Abubakar  
**Accounting Officer**

.....  
 Name: Esther Waweru  
**Head of Accounting Unit**  
**ICPAK M/No 5658**

**Annex 1 – Summary of Fixed Asset Register**

<b>Asset class</b>	<b>Historical Cost b/f (Kshs) Previous Year</b>	<b>Additions during the year (Kshs)</b>	<b>Disposals during the year (Kshs)</b>	<b>Transfers in/(out) during the year</b>	<b>Historical Cost c/f (Kshs) Current Year</b>
Land		-			
Buildings and structures		25,243,269.70			25,243,269.70
Transport equipment		32,540,000			32,540,000
Office equipment, furniture and fittings		11,393,699			11,393,699
Machinery and Equipment		10,865,494.55			10,865,494.55
Intangible assets		11,973,940			11,973,940
<b>Total</b>		<b>92,016,404.25</b>			<b>92,016,404.25</b>

**Notes**

The State Department acquired Fixed Assets totalling Kshs. **92,016,404.25**. For more information, Please refer to Note 3 and Note 5 on Use of Good and Acquisition of Assets respectively as well as the Statement of Receipts and Payments.

**Annex 2 – List of SAGA’s under the State Department for Investment Promotion**

<b>Ref</b>	<b>SC, SAGA or Public Fund’s name</b>	<b>Amount transferred during the year</b>	<b>Inter- entity reconciliations done?(yes/no)</b>
1	Export Processing Zones Authority	17,045,000	Yes
2	Kenya Investment Authority	214,857,500	Yes
3	Special Economic Zone Authority	3,882,500	Yes

*State Department for Investments Promotion  
Report and Financial Statements for the Six (6) Months ended 30<sup>th</sup> June 2023*

**Notes**

**Over/Under collection of AIA**

1. Export Processing Zones Authority collected Kshs. 491,593,656 against projected collection of Kshs.475,000,000 therefore an over collection of Kshs.16,593,656
2. Kenya Investment Authority collected Kshs.4,475,592 against projected collection of Kshs.2,000,000 therefore an over collection of Kshs.2,475,592
3. Special Economic Zone Authority collected Kshs.17,632,000 against projected collection of Kshs.25,000,000 therefore being under collection of Kshs. 7,368,000

**Annex 3: Reporting of Climate Relevant Expenditures**

Project Name	Project Description	Project Objectives	Project Activities					Source of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		
Kenya Forestry Research Institute	6000 tree seedlings for planting	Climate Mitigation and resilience purposes.	Planting, maintenance, protecting and nurturing to maturity.				Ksh.378,140	GOK	Staff of the State Department for Investment Promotion and KEFRI

**Notes**

During the fourth quarter of the financial year, the State Department bought trees for planting costing Ksh 378,140 to help in climate change mitigation as part of the Government agenda to plant fifteen million trees by 2032.

#### **Annex 4- Reports Generated from IFMIS**

The following financial Reports Generated from IFMIS have been attached as appendices to the Financial Statements six (6) months to 30 June 2023:

- 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 Classifications
- x. GOK IFMIS Budget Execution by Heads and Programmes
- xi. GOK IFMIS Budget Execution by Programmes and Sub-programmes

Not from IFMIS system

- i. Board of Survey