

REPUBLIC OF KENYA



*Enhancing Accountability*

**REPORT**

THE NATIONAL ASSEMBLY  
PAPERS LAID

DATE: 22 FEB 2024

DAY

Tuesday

**OF**

TABLED  
BY:

Hon Owen Bayo, MP  
Deputy Leader, majority party

CLERK AT  
THE TABLE:

Shubuko

PARLIAMENT  
OF KENYA  
LIBRARY

**THE AUDITOR-GENERAL**

**ON**

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

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



REPUBLIC OF KENYA



---

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

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2023**

---

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

10 27 23



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

**Annual Report and Financial Statements for the year ended 30th June 2023**

---

<b>Table of Contents</b>	<b>Page</b>
1. Acronyms and Glossary of Terms .....	ii
2. Key Entity Information and Management .....	iii
3. Statement by the Cabinet Secretary .....	xiii
4. Statement by the Principal Secretary / Accounting Officer .....	xv
5. Statement of Performance against Predetermined Objectives for the FY2022/23 .....	xx
6. Management Discussion and Analysis .....	xxiii
7. Environmental and Sustainability Reporting .....	xxvi
8. Statement of Management Responsibilities .....	xxx
9. Report of the Independent Auditors of the Financial Statements for the State Department for Regional and Northern Corridor Development .....	xxxii
10. Statement of Receipts and Payments for the Year ended 30 <sup>th</sup> June 2023.....	1
11. Statement of Financial Assets and Financial Liabilities As At 30 <sup>th</sup> June 2023.....	2
12. Statement of Cash Flows For The Year Ended 30th June 2023 .....	3
13. Statement of Comparison of Budget and Actual Amounts for FY2022/2023 .....	4
14. Notes to the Financial Statements .....	10
15. Annexes.....	29

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

***Annual Report and Financial Statements for the year ended 30th June 2023***

---

**1. Acronyms and Glossary of Terms**

EAC	East African Community
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
RDAs	Regional Development Authorities
LBDA	Lake Basin Development Authority
CDA	Coast Development Authority
TARDA	Tana and Athi Rivers Development Authority
ENNDA	Ewaso Ngiro North Development Authority
ENSDA	Ewaso Ngiro South Development Authority
KVDA	Kerio Valley Development Authority
LCDA	LAPSSET Corridor Development Authority
LAPSSET	Lamu Port, South Sudan, Ethiopia Transport Corridor
NCIP	Northern Corridor Integration Projects
NCTTCA	Northern Corridor Transit and Transport Co-ordination Authority
KESSULO	Kenya South Sudan Liaison Office
CPPMD	Central Planning and Project Monitoring Directorate
ASALs	Arid and Semi-Arid Lands
ICPAK	Institute of Certified Public Accountants of Kenya
CSR	Corporate Social Responsibility
SCT	Single Custom Territory
ICD	Inland Container Depot
RD	Regional Development
MISHDP	Malindi Integrated Social and Health Programme
KOSFIP	Kimira Oluch Smallholder Farm Improvement Project
GOK	Government of Kenya
AFDB	The Africa Development Bank
UA	Unit of Account (AFDB reporting currency)
HRM&D	Human Resource Management and Development

## **2. Key Entity Information and Management**

### **(a) Background information**

#### **2.1 Overview of the Ministry**

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

#### **2.2 Vision**

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

#### **2.3 Mission**

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

#### **2.4 Mandate**

The Ministry derives its mandate from the Executive Order No.1 of June 2018 (Revised), Executive Order No. 1 of May, 2020 (Revised), Head of Public Service Circular of 2nd April, 2019 and Executive Order No. 1 of 2023 as follows:

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

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

**Annual Report and Financial Statements for the year ended 30th June 2023**

---

- xiii. Monitoring and Evaluation of the implementation of Northern Corridor Development.
- xiv. Fast tracking identified Northern Corridor Integration Projects.
- xv. Oversight and Co-ordination of Lamu Port South Sudan Ethiopia Transport Corridor (LAPSSSET) Programme implementation.
- xvi. Providing Secretariat Service during Ministerial and Head of States Summit Meetings on Northern Corridor Development.
- Xvii. Coordinating Northern Corridor Transit and Transport Co-ordination Authority (NCTTCA).

**Core Values**

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

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

**(b) Key Management**

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

- Regional Development and
- Northern Corridor.

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

**Annual Report and Financial Statements for the year ended 30th June 2023**

**(c) Fiduciary Management**

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

No.	Designation	Name
1.	Cabinet Secretary	Hon. Peninah Malonza, OGW
2.	Principal Secretary/ Accounting Officer	Kello Harsama
3.	A/g Secretary, Regional Development	Mr. Maina Kiondo
4.	Director, Northern Corridor	Mr. Maina Kiondo
5.	A/g National Coordinator	Mr. Maina Kiondo
6.	A/g Director, Regional Development	Ms. Wanjiku Manyatta
7.	Director, HRM & D	Ms. Anne Kariithi
8.	Head Internal Auditor	CPA Fred Nyakundi
9.	Deputy Accountant General	CPA Daniel I. Mwangi
10.	Chief Finance Officer	Ms. Paul Masinde
11.	Head, Supply Chain Management Unit	Mr. Kieti Kiven
12.	Head CPPMD	Mr. Nicholas Thairu

**(d) Fiduciary Oversight Arrangements**

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

**Public Finance Management Standing Committee**

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

- Kello Harsama, The Principal Secretary/Accounting Officer as chairperson of the Standing Committee;
- Maina Kiondo, Director Northern Corridor as a member
- Alfred Mungai, Secretary Administration as a member
- Daniel Mwangi, Head Accounts Unit, as a member
- Kieti Kiven, Head Supply Chain Management Unit, as a member
- Anne Kariithi, Director HRM&D as a member
- Paul Masinde, Head Finance Unit, as a Member/ Secretary

The PFM Standing Committee was generally responsible for: -

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

#### **Audit Committee**

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

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

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

The functions of the audit committee are to -:

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

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

***Annual Report and Financial Statements for the year ended 30th June 2023***

---

- viii. Ensure the State Department effectively monitors compliance with legislative and regulatory requirements and promotes a culture committed to lawful and ethical behavior

**(e) Entity Headquarters**

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

**Entity Contacts**

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

**(f) Entity Bankers**

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

**(g) Independent Auditors**

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

**(h) Principal Legal Adviser**

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

Nairobi, Kenya

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

**Annual Report and Financial Statements for the year ended 30th June 2023**

**Key Leadership Structure**



**Hon. Peninah Malonza, OGW.**

Cabinet Secretary, Ministry of East African Community, The ASALs & Regional Development.

**Hon. Peninah Malonza, OGW** serves as Kenya's Cabinet Secretary for East African Community, The Arid and Semi-Arid Lands (ASALs) & Regional Development. She is also an Ex Officio Member of the East African Legislative Assembly (EALA). Prior to this appointment she was the Cabinet Secretary for Tourism, Wildlife and Heritage, the President of the 13th Governing Council of the Parties to Lusaka Agreement Task Force (LATF) on Cooperative Enforcement Operations Directed at Illegal Trade in Wild Fauna and Flora as well as the Vice Chairperson of the United Nations World Tourism Organization (UNWTO) Regional Commission for Africa (CAF). She has worked in developmental organizations including Compassion International - Kenya Office 2006-2013 where She rose to the position of Partner in Training and Support Director. She also served as Project Coordinator at AMREF-Kenya. Peninah is a graduate of the University of Nairobi in Anthropology. She also holds two masters' degrees from the same institution in Public Health and in Project Planning and Management.



**Kello Harsama**

Principal Secretary, State Department for the ASALs and Regional Development.

**Kello Harsama** is the Principal Secretary and the accounting officer for the State Department for the ASALs and Regional Development and for the period under report The State Department for Regional and Northern Corridor Development. He is a holder Master's Degree in Public Administration & Policy and Bachelor's Degree in Education.

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

**Annual Report and Financial Statements for the year ended 30th June 2023**

 <p><b>Maina Kiondo</b> <b>Director, Northern Corridor</b> <b>Ag. Secretary Regional</b></p>	<p>Mr Maina Kiondo is the Director Northern Corridor. He holds an MBA (Project Management option) from Kenyatta University and a Bachelor of Science in Agriculture from University of Nairobi. He is also a Project Management professional certified by Project Management Institute and a member of Animal Production Society of Kenya.</p> <p>He is the Acting Secretary, Regional Development as well as National Coordinator.</p> <p>He has vast experience in the Civil Service spanning over 29 years.</p>
 <p><b>Ms. Wanjiku Manyatta</b> <b>A/g Director, Regional Development</b></p>	<p>Wanjiku Manyatta is the Acting Director, Regional Development</p> <p>She has a Masters in Population, Resources and Environmental Economics from China University of Geosciences, and an undergraduate in Bachelor of Science Agricultural Economics from Egerton University</p> <p>She has been a Manager, Water Tower Protection and Climate Change Mitigation and Adaptation (WaTER) Programme- EU grant</p> <p>She has vast experience in the Civil Service spanning over 29 years. She belongs to Forestry Society of Kenya and is an alternate Director to the PS for State Department at Ewso Ngiro South Development Authority.</p>

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

**Annual Report and Financial Statements for the year ended 30th June 2023**

 <p><b>Dr. Alfred Mungai</b> <b>Director, Administration</b></p>	<p>Dr. Alfred Mungai is a Senior Deputy Secretary. He has served as Deputy Director at the Betting Control and Licensing Board, Ministry of Interior and Coordination of National Government.</p> <p>He is currently the Director, Administration in charge of administrative services in the State Department.</p> <p>He is a holder of a PhD degree in Strategic Management from Kenyatta University, Masters in Business Administration from Kenyatta University, Bachelor of Commerce from the University of Nairobi. He holds a certificate in Strategic Leadership Development Program and is a Member of Kenya Institute of Management.</p> <p>He has vast experience in public sector spanning over 30years</p>
 <p><b>Paul Masinde</b> <b>Chief Finance Officer</b> <b>Head, Finance Unit</b></p>	<p>Mr. Paul Masinde is the Chief Finance Officer and the head Finance Department in the State Department for Regional and Northern Corridor Development.</p> <p>He is a holder of a Masters degree in Business Administration, Bachelor degree in Commerce- in Accounting option. He is a Certified Public Accountant CPA (K) and Certified Public Secretary CPS (K).</p> <p>He has worked in various Government Ministries and departments.</p> <p>He is a member of ICPAK in good standing</p>
<p><b>CPA Mwangi Daniel</b> <b>Deputy Accountant General</b> <b>Head, Accounts Unit</b></p>	<p>CPA Mwangi Daniel, Deputy Accountant General is currently the Head Accounts Unit, State Department for Regional and Northern Corridor Development. He has served in various Government Ministries and Departments.</p> <p>He is a member of ICPAK</p> <p>He has an illustrious career spanning more than 27 years in the Civil Service.</p>

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

**Annual Report and Financial Statements for the year ended 30th June 2023**

 <p>Anne Kariithi <b>Director HRM&amp;D</b> <b>Head, HRM&amp;D</b></p>	<p>Anne W. Kariithi is the Director HRM&amp;D in the State Department for Regional and Northern Corridor Development. She holds a Masters in Educational Psychology, Bachelor's degree in Education both from Kenyatta University. She also holds a Diploma in HRM from Kenya Institute of Management, and a member of IHRM in good standing.</p> <p>She has an illustrious career spanning more than 25 years in the Civil Service.</p>
 <p>CPA Fred Nyakundi <b>Head, Internal Auditor</b></p>	<p>CPA, Fred Obiye Nyakundi is the Head of Internal Audit unit in the State Department for Regional and Northern Corridor Development.</p> <p>He is a holder of Masters in Business Administration (Finance option) from the Maseno University, a Diploma in Internal Audit from KCA university, a member of Institute of Certified Public Accountant of Kenya (ICPAK) in good standing.</p> <p>He is also a member of Institute of Internal Auditors (IIA), Certified Fraud Examiners Institute (ACFE) and Information Systems Audit and Control Association (ISACA)</p> <p>He has served in various National Treasury Sub Counties, and as a Regional Internal Auditor in Nyanza.</p>
 <p>Kieti Kigen <b>Head, Supply Chain Management Services</b></p>	<p>Kieti Kigen is a Senior Deputy Director and the Head Supply Chain Management at State Department for Regional and Northern Corridor Development.</p> <p>He is a holder of Masters in Procurement and Logistics from JKUAT and Bachelors Degree in Business Administration from Baraton University</p> <p>He is a member of Kenya Institute of Supply Management in good standing.</p> <p>He has an illustrious career spanning more than 15 years in the Civil Service.</p>

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

***Annual Report and Financial Statements for the year ended 30th June 2023***

---



Nicholas Thairu  
**Head, CPPMD**

Mr. Nicholas Thairu is a Development Economist and is currently the Chief Economist, State Department for Regional and Northern Corridor Development. He is holder of Bachelors of Arts degree in Economics and Masters of Arts degree in Development studies specialising in Economic Development.

He has served as an Assistant Director, Africa Peer Review Mechanism (APRM) & Governance in the NEPAD/APRM Kenya Secretariat and as a Development Economist Community Empowerment and Institutional Support Project (CEISP) jointly funded by African Development Bank (AfDB). Before being an Economist, he served as a District Development Officer.

He is a member of the Economists Society of Kenya

### **3. Statement by the Cabinet Secretary**

The Kenya Government implemented various social, economic and political reform programmes in line with the Third Medium Term Plan (MTP) 2018-2022 of the Kenya Vision 2030. The Government put premium weight on efficient service delivery to the citizens through implementation of priority projects during the five-year plan period. The overriding objective was to make Kenya a globally competitive and prosperous Nation, where every citizen enjoys high quality life.

This Strategic Plan covered the period 2018-2022 and provided a significant milestone in defining the strategic direction that the Ministry of Eastern African Community, and Regional Development would take over the five years. It clearly stipulated the Ministry's mandate, vision, mission, strategic objectives, core values, programmes and projects to be implemented during the plan period.

The State Department for Regional and Northern Corridor Development is committed to ensuring that public officers are well managed and the Regional Development Authorities are well coordinated for effective delivery of quality services in line with the provisions of the Constitution. The State Department is assigned the responsibility of Co-ordination of Regional Development Authorities and Monitoring and Evaluation of the implementation of Northern Corridor Development with a vision of realizing a country with vibrant, equitable and self-sustaining regional development in a globally competitive environment. This involves sustainable utilization and management of natural resources to spur harmonious, equitable and sustainable socio-economic development across all the regions in the country.

During the Financial Year under review, the State Department committed to the following targets:

- i. Co-ordination of Regional Development Authorities (RDAs)
- ii. Monitoring and Evaluation of the implementation of Northern Corridor Development
- iii. Providing Secretariat Services during Ministerial and Head of States Summit Meetings on Northern Corridor Development.
- iv. Fast Tracking Identified Northern Corridor Integration Projects
- v. Oversight and Coordination of Lamu Port South Sudan Ethiopia Transit Corridor Development Authority
- vi. Regional Development Policy Implementation, oversight and management

On co-ordination of the Regional Development Authorities, the State Department coordinated the seven State Corporations namely; Tana and Athi Rivers Development Authority; Lake Basin Development Authority; Kerio Valley Development Authority; Ewaso Ngiro North Development Authority; Ewaso Ngiro South Development Authority; Coast Development Authority; and LAPSET Corridor Development Authority.

The co-ordination involved Review of Regional Development policy in close consultation with the stakeholders, Review of RDAs Legal framework with the Regional Development Authorities Bill, 2021 now pending before Parliament, Development of Regional Development Strategy (draft), Development of Regional Development Master Plan (draft), Development of Compendium of

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

***Annual Report and Financial Statements for the year ended 30th June 2023***

---

RDAs Concept Notes for Programmes/Projects, Development and implementation of Interactive E-module/ICT Platform for RDAs projects and programmes, Implementation of Presidential Directive on the Roll-out of Tree growing, Oversight, monitoring and reporting projects and programmes, Facilitating resource mobilization activities, and Facilitating stakeholders' engagement and consultations.

The State Department is customer focused and results-oriented, having achieved a Single Custom Territory (SCT) where directive to have Mombasa Port operate 24 hours clearing backlog of cargo in Mombasa continues to be adequately addressed. All Imports (intra- trade) are on SCT and this has reduced the cost of doing business in the Northern Corridor; Exports (containerized cargo) have been rolled out on SCT and are at about 80 per cent;

Under the refined petroleum oil products pipeline; the Lake Victoria Inter-modal Transport System; Kisumu Oil Jetty is ready and is awaiting completion of Bukasa Oil Jetty in Uganda, this will ease oil transportation from Kisumu to Uganda, Rwanda and South Sudan. The Rehabilitation of the Kisumu Port has facilitated transport of fuel from Kisumu through Lake Victoria using Kenya Railways vessels to Port Bell.

Under Immigration Tourism, Trade, Labour & Services the use of National ID cards as travel documents and the development of One Stop Border Points is significantly easing the movement of people and goods. This plays a role in marketing the region as a single tourist destination.

The Department launched MISHDP Phase II which is an Italian Government funded project. The project is estimated to cost 6,395,375 Euros approximately Kshs.944.5 million and is aimed at improving the social and economic development of Malindi and Magarini Sub counties in Kilifi County. The project focuses on education, health and infrastructure.

Finally, I wish to acknowledge the efforts of the Principal Secretary, Kello Harsama and all staffs for their unwavering support that led to the sterling performance in the year under review.



.....  
**Hon. Peninah Malonza, OGW.**

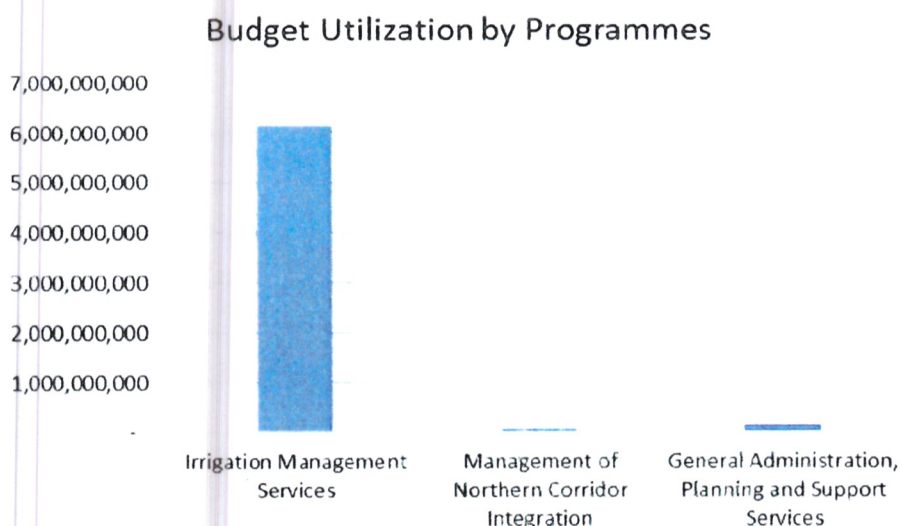
**CABINET SECRETARY**

**MINISTRY OF EAST AFRICAN COMMUNITY, THE ASALS AND REGIONAL DEVELOPMENT.**

**4. Statement by the Principal Secretary / Accounting Officer**

The State Department utilized 85% per cent of the recurrent budget and 80% of development budget and cumulative absorption rate of 82% funded by the exchequer in the financial year ended 30<sup>th</sup> June 2023 to carry out its mandate. The mandate of the State Department is coordination of Regional Development Authorities (RDAs), monitoring and evaluation of the implementation of Northern Corridor Development and providing secretarial service during ministerial and head of states summit meetings.

**Budget Allocation by Programmes**



**Key**

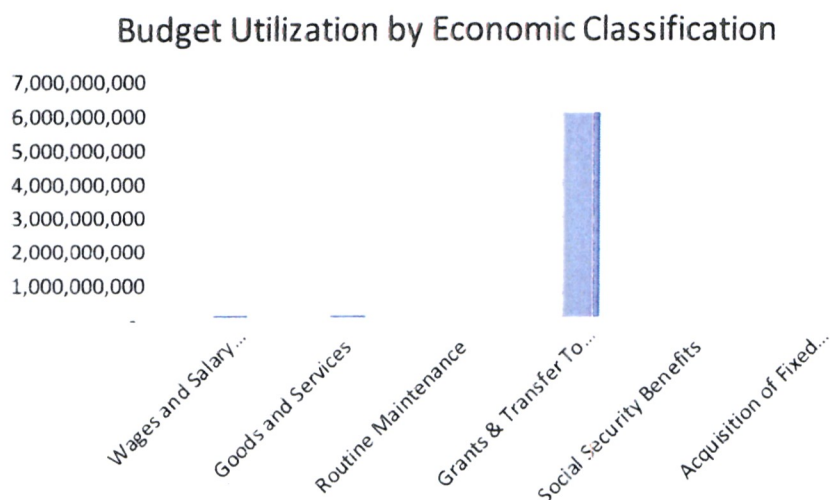
Irrigation Management Services	6,155,746,102
Management of Northern Corridor Integration	39,425,502
General Administration, Planning and Support Services	126,504,875

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

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

**Annual Report and Financial Statements for the year ended 30th June 2023**

**Budget Utilization as Per Economic Items**



**Key**

Wages and Salary Contributions	90,802,129
Goods and Services	98,999,614
Routine Maintenance	5,188,400
Grants & Transfer To Other Govt. Units	6,115,808,896
Social Security Benefits	4,914,401
Acquisition of Fixed Capital Assets	5,963,040

The State Department for Regional and Northern Corridor Development utilized **Kshs.90,802,129** on Compensation of Employees, **Kshs.104,188,014** ( 98,999,614 + 5,188,400 ) on use of goods & services including maintenance, **Kshs. 6,115,808,896** on Transfer to other Government Units which includes Lake Basin Development Authority (LBDA), Kerio Valley Development Authority (KVDA), Tana and Athi Rivers Development Authority (TARDA), Ewaso Ngiro South Development Authority (ENSDA), Ewaso Ngiro North Development Authority ENNDA), Coast Development Authority (CDA) and **Kshs. 5,963,040** on acquisition of assets and **Kshs.4,914,401** on social security benefits.

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

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

**Key achievements for the State Department for Regional and Northern Corridor Development**

Picture a



Picture b



a) Ngomeni Secondary school, the school was built by MISHDP phase I, phase II will construct a dormitory add classes 4 classes and a dining hall

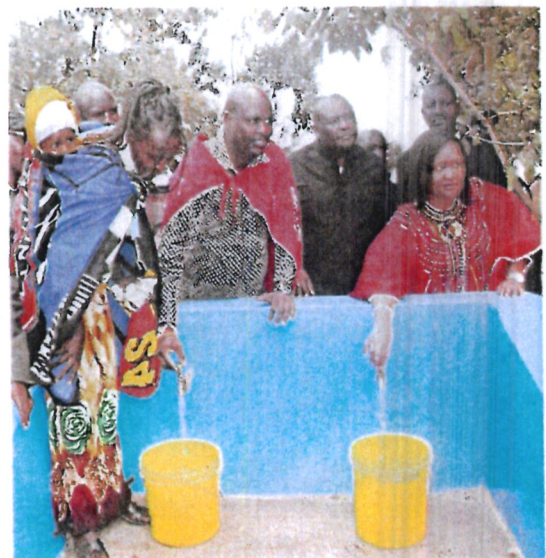
b) Proposed footbridge to be built across River Sabaki to Burangi Primary to ease movement of school children especially during rainy seasons

Picture c

c) The former Cabinet Secretary and the former Principal Secretary at the Ewaso Ngiro South Leather factory

d) Comissioning of the Narok County model/ school boreholein Narok North

Picture d



Picture e

Picture f



a) e & f) Launch of the MISHDP Phase II Project at Malindi

**Emerging Issues:**

- i. Overlapping mandates between RDAs and County Governments.
- ii. Uncertainties in regional integration process and perceived loss of revenues and employment.
- iii. Slow implementation of decisions and directives affecting the pace of regional development

**Implementation Challenges, Recommendations and way forward**

**Challenges:**

- i. Frequent reorganization of the coordinating department to various Ministries, making the directorate unstable and unable to give adequate oversight to RDAs.
- ii. Delayed funding from the exchequer, leading to huge inactivity periods thus projects taking too long to complete and unable to take advantage of the synergies that arise from continuous project activities.
- iii. Existence of conflicts within the two levels of government leading to disharmony in project implementation rather than synergy.
- iv. Geo-Political differences between some of the member states countries. This is also as a result of lack of enforceable legal framework for Northern Corridor Integration Project where it still runs as a coalition of the willing.
- v. After effects of Covid-19 on the business environment resulting in halting of major projects
- vi. Inadequate policy and legal instruments necessary for the existence and operations of RDAs.
- vii. Inadequate capacity required for project implementation and conflict in resource use within communities.
- viii. Divesting RDAs assets to other institutions has affected the allocation of resources and revenue generation to the Authorities over the years.
- ix. As a result of reduced revenues from such mega investments, there is need for the government to support proposed mega-anchor investments/projects to generate adequate revenue to support other initiatives and create regional economic pillars or acts as economic growth poles.

**Recommendations:**

- i. There is need to adequately fund publicity and advocacy programmes on Northern Corridor Programmes, benefits and opportunities of the Integration.
- ii. Additional resources should be provided towards Coordination of Regional Development Authorities
- iii. Monitoring and Evaluation of the Implementation of Northern Corridor Development.

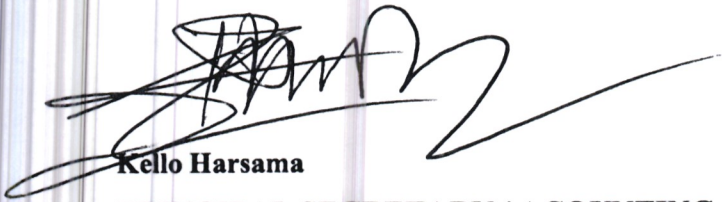
**STATE DEPARTMENT FOR REGIONAL AND NORTHERN CORRIDOR  
DEVELOPMENT**

***Annual Report and Financial Statements for the year ended 30th June 2023***

---

**Way Forward:**

- i. Develop the National regional development policy, strategy, master plan and compendium of RDAs projects concepts which will allow for harmonious work with other stake holders.
- ii. Explore alternative funding options through innovative resource mobilization strategies in order to successfully implement the strategic development objectives.
- iii. Fast tracking Miscellaneous amendments of RDAs Acts



**Kelo Harsama**

**PRINCIPAL SECRETARY / ACCOUNTING OFFICER  
STATE DEPARTMENT FOR REGIONAL AND NORTHERN CORRIDOR  
DEVELOPMENT**

**5. Statement of Performance against Predetermined Objectives for the FY2022/23**

**Introduction**

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

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

**Progress on attainment of Strategic Objectives**

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

Program	Strategic Objective	Outcome	Indicator	Performance
Management of Northern Corridor Development Integration	To optimize benefits accruing from Northern Corridor Integration Projects	Monitoring and evaluation of Northern Corridor Development projects	No. of M&E reports from various Northern Corridor Integration Projects (NCIP)	A National NCIP clusters Focal Point Persons meeting was convened in Machakos where a current status report and road map was developed.  NCIP National Cluster Meetings (7) were convened in Nairobi and reports prepared

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

**Annual Report and Financial Statements for the year ended 30th June 2023**

				NCIP attended and Participated in the SGR regional Cluster meeting in Uganda
		Participate in the national and regional EATV Tourist Visa verification exercise	No. of East African VISA verification reports	Convened NCIP National Cluster meeting for Immigration, Trade, Tourism, labour and Services.  NCIP attended and Participated in Multisectoral meeting of Technical Experts on East African Community Single Tourism Visa in Entebbe, Uganda
	To enhance effectiveness of stakeholder consultations and engagements	Conduct sensitization forums on the Northern Corridor Integration	No. of sensitization forums/reports	1
Regional Conservation	To facilitate, coordinate and oversee Regional Development Projects and Programmes	Climate change negotiation conference	Conference report	1 conference in Bonn, Germany
		Capacity building on climate change	Training report	1 training in Cairo, Egypt
		Acquisition of tree seedlings for RDAs	No, of seedlings distributed to RDAs	4,700,000 seedlings distributed
		Establish a cooperation framework with other stakeholders	No, of cooperation framework signed	One with the Ministry of Environment

**6.2 Challenges experienced during implementation of the strategic development objectives**

During the implementation, the following challenges were experienced: -

- i. Changing dynamics and context in the EAC whereby Partner States focus more on their national interests at the expense of regional interests.
- ii. Climate change and environmental degradation. Inability to predict weather patterns.

**6.3 Lessons Learnt in implementing the State Department activities**

There is need to;

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

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

**Annual Report and Financial Statements for the year ended 30th June 2023**

**6. Management Discussion and Analysis**

The tables below gives a comparison of the State Department's budget, receipts and payments for the last three financial years

Description	FY 2022/2023		FY 2021/2022		FY 2020/2021	
	Approved budget	Actual expenditure	Approved budget	Actual expenditure	Approved budget	Actual expenditure
Receipts	7,174,477,781	6,332,675,609	5,504,562,275	4,711,026,537	3,614,699,195	2,985,759,456
Payments	7,174,477,781	6,321,676,480	5,504,562,275	4,710,034,185	3,614,699,195	2,982,339,485
<b>Surplus</b>	-	<b>10,999,130</b>	-	<b>992,352</b>	-	<b>3,419,971</b>

The absorption percentage of actual expenditure against the approved budgets for the last 3 financial years 2022/2023, 2021/2022 and 2020/2021 are 82%, 86% and 83% respectively.

**Comparative budget and expenditure for the financial years 2022/2023, 2021/2022 and 2020/2021**

Economic Classification	Approved Budget Allocation			Actual Expenditure		
	FY 2020/2021	FY 2021/2022	FY 2022/2023	FY 2020/2021	FY 2021/2022	FY 2022/2023
Exchequer	2,980,199,195	4,847,062,275	6,495,977,781	2,975,067,904	4,585,177,698	5,897,260,514
AIA	431,000,000	461,000,000	461,000,000	-	-	418,885,529
Proceeds from foreign borrowing	126,000,000	129,000,000	150,000,000	-	104,146,275	-
Proceeds from domestic and foreign grants	60,000,000	50,000,000	50,000,000	10,691,553	21,702,564	-
Proceeds from sale of assets	17,500,000	17,500,000	17,500,000	-	-	16,529,566
<b>Totals</b>	<b>3,614,699,195</b>	<b>5,504,562,275</b>	<b>7,174,477,781</b>	<b>2,985,759,457</b>	<b>4,711,026,537</b>	<b>6,332,675,609</b>
Compensation to Employees	101,289,982	153,500,000	85,000,000	93,922,120	149,557,983	90,802,129
Transfers	3,475,199,900	5,183,700,000	6,937,360,784	2,851,391,452	4,402,048,839	6,115,808,896
Other Recurrent	38,209,298	167,362,275	152,427,363	37,025,912	158,427,363	115,065,455

The actual expenditure for the AIA was collected, used and reported at the respective RDAs since they are self-reporting entity. (Attached copies of the amounts received at the RDAs)

Proceeds from foreign borrowing amounting to Kshs.150,000,000 for Weiwei Irrigation scheme phase III under KVDA were not absorbed. The contractor for the project had not

- i) cleared with Kenya revenue Authority and thus could not get a compliance certificate that is a pre requisite for payment
- ii) Received a certificate of no objection for the modifications of the contract from the Italian Government

Proceeds from domestic and foreign grants amounting to Kshs.50,000,000 were not absorbed by LAPPSET Corridor Development Authority this occasioned by the contract that expired and upon

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

**Annual Report and Financial Statements for the year ended 30th June 2023**

renewal of the contract by the AFDB under the same terms, the contractor raised an invoice for interest on his payment, he therefore did not undertake the works as he had not entered into contract.

The component of compensation of employees reduced by 39.3% this was occasioned by the transfer of KOSFIP to LBDA therefore the component of the compensation was captured under funds transferred to LBDA

For the 4<sup>th</sup> quarter 2022/2023, funds allocated for LAPSET Corridor Development Authority were moved to the State Department of Transport where the Authority was moved after reorganisation of Government under Executive Order No, 1 of 2023

**KOSFIP PROJECT**

The management of the KOSFIP project was transferred to LBDA and for the financial year 2022/2023 it reported under LBDA. The budget for financial year under report was under LBDA transfers.

NAME OF THE PROJECT	PROJECT STATUS AS AT 30 <sup>TH</sup> JUNE 2022	SOURCE OF FUNDS	PROJECT COSTS AS AT 30 <sup>TH</sup> JUNE 2022	AMOUNT SPENT
KOSFIP Project number ADF LOAN NO. 2100150012296	The overall Completion Status is at 82%.	AFDB and GOK counterpart funding	Kshs.7,356,234,812	Kshs.7,356,234,812

The project was formed to intervene in low food security and high poverty levels in Homa Bay County.

The project started on 13th February 2007 and is expected to run until 30 June 2025 with an approved ADF Loan of UA.22,978,992 equivalent to Kshs 2,851,000,000, ADF Grant of UA.1,147,529 equivalent to Kshs.142,408,349 and GoK counterpart of Kshs.5,187,998,011

Picture a



Picture b



- a) Construction of Minor canals in Kimira Scheme Lot 8 (BL 12 & 13). The contractor was joining the gaps initially developed but could not permit water flow (financial year 2021/2022)

- b) Rice Farm in Kimira Scheme (B1) and associated reticulation structures for ease of water application and control. (F/Y 2021/2022)

Picture c



Picture d



- c) Connecting the uncompleted section of tertiary canal in BM 12-Kimira scheme (Lot 8) (F/Y 2020/2021)
- d) O&M - de-silting of sections of main water conveyance canal in B1 (Kimira Scheme) (F/Y 2020/2021)

The State Department is customer focused and results-oriented, in the last 3 financial years, we have achieved a Single Custom Territory (SCT) where directive to have Mombasa Port operate 24 hours has been implemented and backlog of cargo in Mombasa and Nairobi Inland Container Depot has been addressed. All Imports (intra- trade) are on SCT and this has reduced the cost of doing business in the Northern Corridor; Exports (containerized cargo) have been rolled out on SCT and are at about 80 per cent;

The Standard Gauge Railways was up to September 2022 transporting cargo to Naivasha easing congestion at ICD Nairobi and reducing cost of transport for transit cargo to Uganda, Rwanda, Burundi, Republic of South Sudan, and Democratic Republic of Congo.

Under the refined petroleum oil products pipeline; the Lake Victoria Inter-modal Transport System; Kisumu Oil Jetty is ready and is awaiting completion of Bukasa Oil Jetty in Uganda, this will ease oil transportation from Kisumu to Uganda, Rwanda and South Sudan. The Rehabilitation of the Kisumu Port has facilitated transport of fuel from Kisumu through Lake Victoria using Kenya Railways vessels to Port Bell.

Under Immigration Tourism, Trade, Labour & Services the use of National ID cards as travel documents and the development of One Stop Border Points is significantly easing the movement of people and goods. This plays a role in marketing the region as a single tourist destination.

The Kimira Oluch Smallholder Farm Improvement Project (KOSFIP), which is an irrigation Agricultural Project in Homabay County with the goal to enhance sustainable income levels for the rural households and help in alleviating poverty was complete at 82% by the time the State Department was handing it over to LBDA as at 30<sup>th</sup> June, 2022. It had by 30<sup>th</sup> June 2022 developed 59km of a water conveyance system and 151.6 km in-block irrigation canals and associated

infrastructure to convey water from the sources rivers Kibuon and Tende to 97 irrigation blocks (1,474ha) in the Kimira and Oluch schemes.

Moving forward under the Presidential Directive issued in 2023 requiring Government Ministries and Agencies to lead the way in achieving a targeted 10% national tree cover, the Department has undertaken to plant and grow 15,000,000 fruit trees each financial year. The purpose for growing fruit trees is to achieve forest cover, reduce the carbon credits in the atmosphere and at the same time deal with the issue of nutrition in the ASALs regions

## **7. Environmental and Sustainability Reporting**

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

### **a) Sustainability strategy and profile**

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

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

### **b) Environmental performance climate change/ mitigation of natural disasters**

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

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

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

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

**Annual Report and Financial Statements for the year ended 30th June 2023**

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

**Department's conservation efforts**

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

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

**Summary of tree planting activities /Tree planting activities in 2022/2023**

For the year under review, the Ministry of Environment and Forestry, State Department of Forestry

Procured and delivered potting bags (seedling growing bags) to the RDAs as the Regions Forest Conservators and distributed them as follows;

Location	Quantity in bales	No. of potting bags
Tana and Athi Rivers Development Authority	200	2,000,000
Ewaso Ng'iro South Development Authority	134	1,340,000
Lake Basin Development Authority	140	1,400,000
Kerio Valley Development Authority	200	2,000,000
<b>Total</b>	<b>474</b>	<b>4,740,000</b>

**Challenges**

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

**Way forward**

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

S/NO	NAME	RDA	MEMBER
1	Joseph Chirchir	RD Headquarter	Coordinator
2	Diba Qallu Boru	ENNDA	Member
3	Magdalene	ENSDA	Member

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

**Annual Report and Financial Statements for the year ended 30th June 2023**

---

4	Peter Kyallo	TARDA	Member
5	Simon Loktari	CDA	Member
6	Philip Oloo	LBDA	Member
7	David Cheboi	KVDA	Member

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

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

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

**c) Employee welfare**

There is a recruitment and selection policy in place that guides efficient management of hiring process in the public service. The guidelines contained in the policy helps in ensuring that the State Department has optimum number of staff with relevant skills mix, knowledge, competencies, experience, values and attitudes to perform the core and support functions of the MDA. In addition, the policy is meant to facilitate the recruitment and selection of staff on the basis of meritocracy, knowledge, skills and experience and cater for affirmative action on gender, youth and people living with disability as well as other special interest groups. There is monitoring and evaluation system that ensure the hiring process is improved.

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

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

**d) Operational /market place practices-**

**Responsible competition practices**

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

**i) Responsible supplier Relationship Management**

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

**8. Statement of Management Responsibilities**

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

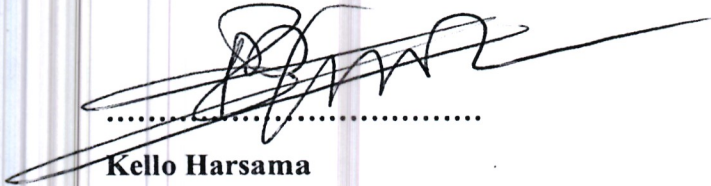
The Accounting Officer in charge of the State Department for Regional and Northern Corridor Development is responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial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

The Accounting Officer in charge of the State Department for Regional and Northern Corridor Development 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 Regional and Northern Corridor Development's financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2023, and of the entity's financial position as at that date. The Accounting Officer in charge of the State Department for Regional and Northern Corridor Development 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.

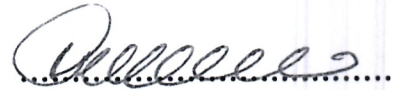
The Accounting Officer in charge of the State Department for Regional and Northern Corridor Development confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the entity's funds received during the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

**Approval of the financial statements**

The State Department for Regional and Northern Corridor Development's financial statements were approved and signed by the Accounting Officer on 30<sup>th</sup> September 2023.



**Kello Harsama**  
**Accounting Officer**



**Daniel I. Mwangi**  
**Head of Accounting Unit**  
**ICPAK M/No 9061**

# REPUBLIC OF KENYA

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



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

## REPORT OF THE AUDITOR-GENERAL ON THE STATE DEPARTMENT FOR REGIONAL AND NORTHERN CORRIDOR DEVELOPMENT FOR THE YEAR ENDED 30 JUNE, 2023

---

### PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution 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 Regional and Northern Corridor Development set out on pages 1 to 28, which comprise of the statement of financial assets and financial liabilities as at 30 June, 2023, and the

---

*Report of the Auditor-General on the State Department for Regional and Northern Corridor Development for the year ended 30 June, 2023*

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

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

### **Basis for Opinion**

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

### **Emphasis of Matter**

#### **1. Budgetary Control and Performance**

I draw attention to the statement of comparison of budget and actual amounts which reflects final receipts budget and actual amounts on comparable basis of Kshs.7,174,477,781 and Kshs.6,332,675,609 respectively resulting to an underfunding of Kshs.841,802,172 or 11% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis of Kshs.7,174,477,781 and Kshs.6,321,676,480 respectively resulting to an under-expenditure of Kshs.852,801,302 or 12% of the budget.

In the circumstances, the under-funding and under-expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

#### **2. Undisclosed Contingent Liabilities**

Review of records in respect of pending legal cases revealed that the State Department was compelled to pay a contractor Kshs.67,279,525 together with interest at 12% per annum. The pending claim arose from a contract entered between the then Ministry of Regional Development and the contractor for the construction of Lake Basin Development Authority Headquarters Complex and Housing in Kisumu in a contract entered into on 22 October, 1990.

During the execution of the contract, a dispute arose between the contractor and the State Department after which the matter was referred to arbitration and judicial process. However, this information has not been disclosed in the financial statements. In addition, the arising liability on interest accrued as a result of the arbitration was not included as a pending bill.

In the circumstances, the status on contingent liabilities as at 30 June, 2023 could not be confirmed.

### **3. Pending Bills**

Disclosed in Note 19.2 and Annex 1 to the financial statements are pending bills totalling to Kshs.2,445,742,328 as at 30 June, 2023 from previous year audited balance of Kshs.2,451,916,061 whereas Note 19.2 reflects opening balance of Kshs.2,448,493,375 resulting to an unexplained variance of Kshs,3,422,686. These supplies of goods and services were not paid in the year under review, but were carried forward to 2023/2024 financial year. Failure to settle bills during the year to which they relate distorts the financial statements and adversely affects the budgetary provisions for the subsequent year as they form a first charge.

My opinion is however, not modified in respect of these matters.

### **Key Audit Matter**

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

## **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 and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

## **Basis for Conclusion**

### **Incomplete Fixed Asset Register**

Annex 2 to the financial statements for the year ended 30 June, 2023 reflects summary of fixed assets register historical cost carried forward of Kshs.194,888,452. However, the movement of the balances brought forward of Kshs.188,992,412 and additions during the year Kshs.5,896,040 could not be traced in the updated asset register up to 30 June, 2023. Further, the transfer of assets and handover report was not provided for audit review.

In the absence of an accurate and comprehensive register of assets, controls on fixed asset records could not be confirmed.

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

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

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

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

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

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

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

to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

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

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of 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 that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the State Department's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the State Department to cease to continue to sustain its services.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the State Department to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

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

**Nairobi**

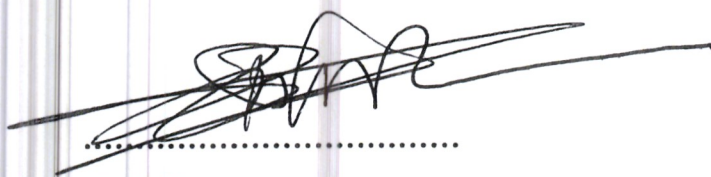
**23 January, 2024**

**STATE DEPARTMENT FOR REGIONAL AND NORTHERN CORRIDOR DEVELOPMENT**  
**Annual Report and Financial Statements for the year ended 30th June 2023**

**10. Statement of Receipts and Payments for the Year ended 30<sup>th</sup> June 2023**

	Note	2022/2023	2021/2022
<b>RECEIPTS</b>			
Proceeds from Domestic and Foreign Grants	1	-	21,702,564
Exchequer releases	2	5,897,260,514	4,585,177,698
Proceeds from Foreign Borrowings	3	-	104,146,275
Proceeds from Sales of Assets	4	16,529,566	-
Other Receipts	5	418,885,529	-
<b>TOTAL RECEIPTS</b>		<b>6,332,675,609</b>	<b>4,711,026,537</b>
<b>PAYMENTS</b>			
Compensation of Employees	6	90,802,129	149,557,983
Use of goods and Services	7	104,188,014	126,371,465
Transfers to Other Government Units	8	6,115,808,896	4,402,048,839
Social Security Benefits	9	4,914,401	-
Acquisition of Assets	10	5,963,040	32,055,898
<b>TOTAL PAYMENTS</b>		<b>6,321,676,480</b>	<b>4,710,034,185</b>
<b>SURPLUS/DEFICIT</b>		<b>10,999,130</b>	<b>992,352</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 30<sup>th</sup> September 2023 and signed by:



**Kello Harsama**  
**Accounting Officer**

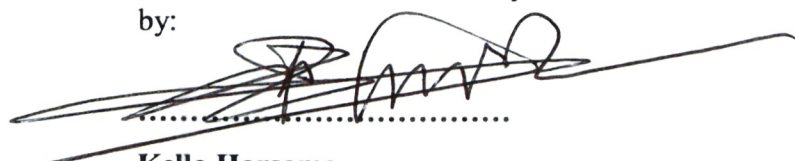


**Mwangi Daniel**  
**Head of Accounting Unit**  
**ICPAK M/No 9061**

**11. Statement of Financial Assets and Financial Liabilities As At 30<sup>th</sup> June 2023**

	Note	2022 2023	2021 2022
		Kshs	Kshs
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances	11	10,044,369	1,107,313
<b>Total Cash And Cash Equivalents</b>		<b>10,044,369</b>	<b>1,107,313</b>
Accounts Receivables - Outstanding Imprest and Clearance Accounts	12	1,215,250	260,489
<b>TOTAL FINANCIAL ASSETS</b>		<b>11,259,619</b>	<b>1,367,802</b>
<b>Financial Liabilities</b>			
Accounts Payables - Deposits	13	-	200,000
<b>NET FINANCIAL ASSETS</b>		<b>11,259,619</b>	<b>1,167,802</b>
<b>REPRESENTED BY</b>			
Fund Balance b/fwd	14	1,167,802	3,419,971
Prior Year Adjustment	15	(907,313)	(3,244,521)
Surplus/Deficit for the Year		10,999,130	992,352
<b>NET FINANCIAL POSITION</b>		<b>11,259,619</b>	<b>1,167,802</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 30<sup>th</sup> September 2023 and signed by:



**Kello Harsama**  
Accounting Officer



**Mwangi Daniel**  
Head of Accounting Unit  
ICPAK M/No 9061

**STATE DEPARTMENT FOR REGIONAL AND NORTHERN CORRIDOR DEVELOPMENT**  
**Annual Report and Financial Statements for the year ended 30th June 2023**

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

Description	Note	Current Period	Previous Period
		Kshs	Kshs
<b>Receipts and operating income</b>			
Proceeds from Domestic and Foreign Grants	1	-	21,702,564
Exchequer releases	2	5,897,260,514	4,585,177,698
Other Receipts	5	418,885,529	-
Sub Total		6,316,146,043	4,606,880,262
<b>Payments for Operating Expenses</b>			
Compensation of Employees	6	90,802,129	149,557,983
Use of goods and Services	7	104,188,014	126,371,465
Transfers to Other Government Units	8	6,115,808,896	4,402,048,839
Social Security Benefits	9	4,914,401	-
Sub Total		6,315,713,440	4,677,978,287
<b>Adjusted for :</b>			
Adjustments during the year	16	(1,154,761)	114,961
Prior year adjustments	17	(907,313)	(3,244,521)
		(2,062,074)	(3,129,560)
<b>Net Cash From Operating Activities</b>	A	(1,629,470)	(74,227,586)
<b>Cash Flow From Investing Activities</b>			
Proceeds from Sales of Assets	4	16,529,566	-
Acquisition of Assets	10	(5,963,040)	32,055,898
<b>Net Cash Flow From Investing Activities</b>	B	10,566,526	(32,246,703)
<b>Cash Flow From Borrowing Activities</b>			
Proceeds from Foreign Borrowings	3	-	104,146,275
<b>Net Cash Flow From Financing Activities</b>	C	-	104,146,275
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>	A+B+C	8,937,056	(2,137,208)
<b>Cash and Cash Equivalent at BEGINNING of The Year</b>		1,107,313	3,244,521
<b>Cash and Cash Equivalent at END of The Year</b>	11	10,044,369	1,107,313

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



**Kello Harsama**  
**Accounting Officer**



**Mwangi Daniel**  
**Head of Accounting Unit**  
**ICPAK M/No 9061**

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

**Annual Report and Financial Statements for the year ended 30th June 2023**

**13. Statement of Comparison of Budget and Actual Amounts for FY2022/2023**

	Note	Printed Estimate	Supplementary Estimates	Final Approved Estimate (Net)	Actual	Budget Utilization Differences	% of Utilization
		a	c	d=a+b+c	e	f=d-e	g=e/d%
Proceeds from Domestic and Foreign Grants	1	73,974,000	(23,974,000)	50,000,000	-	50,000,000	-
Exchequer releases	2	4,341,060,000	2,154,917,781	6,495,977,781	5,897,260,514	598,717,267	91%
Proceeds from Foreign Borrowings	3	215,000,000	(65,000,000)	150,000,000	-	150,000,000	0%
Proceeds from Sales of Assets	4	17,500,000	-	17,500,000	16,529,566	970,434	94%
Other Receipts	5	461,000,000	-	461,000,000	418,885,529	42,114,471	91%
<b>Total</b>		<b>5,108,534,000</b>	<b>2,065,943,781</b>	<b>7,174,477,781</b>	<b>6,332,675,609</b>	<b>841,802,172</b>	<b>88%</b>
<b>PAYMENTS</b>							
Compensation of Employees	6	146,000,000	(61,000,000)	85,000,000	90,802,129	(5,802,129)	107%
Use of goods and Services	7	122,002,000	17,116,997	139,118,997	104,188,014	34,930,983	75%
Transfers to Other Government Units	8	4,822,534,000	2,114,826,784	6,937,360,784	6,115,808,896	821,551,888	88%
Social Security Benefits	9	10,000,000	(5,000,000)	5,000,000	4,914,401	85,599	98%
Acquisition of Assets	10	7,998,000	-	7,998,000	5,963,040	2,034,960	75%
<b>Total</b>		<b>5,108,534,000</b>	<b>2,065,943,781</b>	<b>7,174,477,781</b>	<b>6,321,676,480</b>	<b>852,801,302</b>	<b>88%</b>
Surplus/Deficit		-	-	-	10,999,130	(10,999,130)	

**Notes**

- (a) Proceeds from sale of assets and other receipts 94%; this was budgeted as Appropriation in Aid (AIA) under Regional Development Authorities (RDAs). These amounts are budgeted, collected and accounted for directly by the RDAs.
- (b) Transfer to other Government units 82%; the under expenditure of 18% was due to AIA Component in the final Budget of KShs.461,000,000 which is not funded by the exchequer but instead was collected by the RDAs and utilized at source. Under development an exchequer request of Kshs.550,000,000 whose budget had been issued in supplementary II was not funded, an amount of Ksh28,464,889.6 under MISHDP remained in the budget after conversion
- (c) Acquisition of assets 75%, the under absorption of 25% was occasioned by the closure of procurement windows for the better part of the financial year.

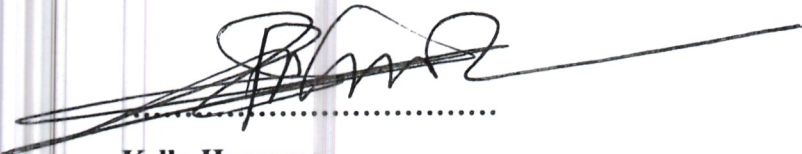
**STATE DEPARTMENT FOR REGIONAL AND NORTHERN CORRIDOR DEVELOPMENT**

***Annual Report and Financial Statements for the year ended 30th June 2023***


---

- (d) Compensation of employees, the over expenditure was occasioned by budget cuts that occurred after June 2023 payroll had been run in mid-June, 2023
- (e) The 12% under absorption under goods and services was due to negative balances for the better part of the year, when the budget was reinstated, there were massive transfers of accountants from the Department that slowed the payment processes

The entity financial statements were approved on 30<sup>th</sup> September 2023 and signed by:



**Kello Harsama**  
**Accounting Officer**



**Mwangi Daniel**  
**Head of Accounting Unit**  
**ICPAK M/No 9061**

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

**Annual Report and Financial Statements for the year ended 30th June 2023**

**14 (a) Statement of Comparison of Budget and Actual Amounts: Recurrent for FY2022/2023**

	Note	Printed Estimate	Supplementary Estimates	Final Approved Estimate (Net)	Actual	Budget Utilization Differences	% of Utilization
		a	c	d=a+b+c	e	f=d-e	g=e/d %
<b>RECEIPTS</b>							
Exchequer releases	2	3,015,210,000	(157,357,611)	2,857,852,389	2,837,602,106	20,250,283	99%
Proceeds from Sales of Assets	4	17,500,000	-	17,500,000	16,529,566	970,434	94%
Other Receipts	5	461,000,000	-	461,000,000	418,885,529	42,114,471	91%
<b>Total</b>		<b>3,493,710,000</b>	<b>(157,357,611)</b>	<b>3,336,352,389</b>	<b>3,273,017,201</b>	<b>63,335,188</b>	<b>98%</b>
<b>PAYMENTS</b>							
Compensation of Employees	6	146,000,000	(61,000,000)	85,000,000	90,802,129	(5,802,129)	107%
Use of goods and Services	7	122,002,000	17,116,997	139,118,997	104,188,014	34,930,983	75%
Transfers to Other Government Units	8	3,207,710,000	(108,474,608)	3,099,235,392	3,056,150,487	43,084,905	99%
Social Security Benefits	9	10,000,000	(5,000,000)	5,000,000	4,914,401	85,599	98%
Acquisition of Assets	10	7,998,000	-	7,998,000	5,963,040	2,034,960	75%
<b>Total</b>		<b>3,493,710,000</b>	<b>(157,357,611)</b>	<b>3,336,352,389</b>	<b>3,262,018,071</b>	<b>74,334,318</b>	<b>98%</b>
<b>Surplus/Deficit</b>					10,999,130	(10,999,130)	

*Notes (continuation)*

- (f) Proceeds from sale of assets and other receipts 0%; this was budgeted as Appropriation in Aid (AIA) under Regional Development Authorities (RDAs). These amounts are budgeted, collected and accounted for directly by the RDAs.
- (g) Transfer to other Government units 85%; the under expenditure of 15% was due to AIA Component in the final Budget of KShs.461,000,000 which is not funded by the exchequer but instead was collected by the RDAs and utilized at source. Under development an exchequer request of Kshs.550,000,000 whose budget had been issued in supplementary II was not funded, an amount of Ksh28,464,889.6 under MISHDP remained in the budget after conversion
- (h) Acquisition of assets 74%, the under absorption of 26% was occasioned by the closure of procurement windows for the better part of the financial year.
- (i) Compensation of employees, the over expenditure was occasioned by budget cuts that occurred after June 2023 payroll had been run

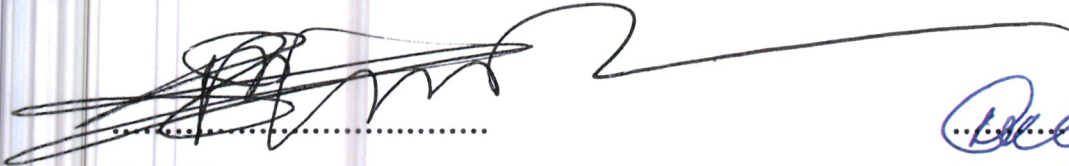
**STATE DEPARTMENT FOR REGIONAL AND NORTHERN CORRIDOR  
DEVELOPMENT**

***Annual Report and Financial Statements for the year ended 30th June 2023***

---

- (j) The 25% under absorption under goods and services was due to negative balances for the better part of the year, when the budget was reinstated, there were massive transfers of accountants from the Department that slowed the payment processes

The entity financial statements were approved on 30<sup>th</sup> September 2023 and signed by:



**Kello Harsama**  
**Accounting Officer**



**Mwangi Daniel**  
**Head of Accounting Unit**  
**ICPAK M/No 9061**

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

**Annual Report and Financial Statements for the year ended 30th June 2023**

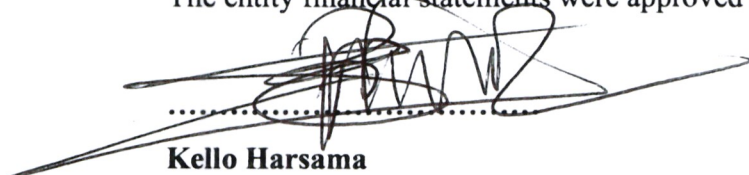
**14 (b) Statement of Comparison of Budget and Actual amounts: Development for FY2022/23**

	Note	Printed Estimate	Supplementary Estimates	Final Approved Estimate (Net)	Actual	Budget Utilization Differences	% of Utilization
		a	c	d=a+b+c	e	f=d-e	g=e/d%
<b>RECEIPTS</b>							
Proceeds from Domestic and Foreign Grants	1	73,974,000	(23,974,000)	50,000,000	-	50,000,000	0%
Exchequer releases	2	1,325,850,000	2,312,275,392	3,638,125,392	3,059,658,408	578,466,984	84%
Proceeds from Foreign Borrowings	3	215,000,000	(65,000,000)	150,000,000	-	150,000,000	0%
<b>Total</b>		<b>1,614,824,000</b>	<b>2,223,301,392</b>	<b>3,838,125,392</b>	<b>3,059,658,408</b>	<b>778,466,984</b>	<b>80%</b>
<b>PAYMENTS</b>							
Transfers to Other Government Units	8	1,614,824,000	2,223,301,392	3,838,125,392	3,059,658,408	778,466,984	80%
<b>Total</b>		<b>1,614,824,000</b>	<b>2,223,301,392</b>	<b>3,838,125,392</b>	<b>3,059,658,408</b>	<b>778,466,984</b>	<b>80%</b>

**Notes**

- (a) Proceeds from domestic and foreign grants were not utilised. The contractor at Lamu Port South Sudan Ethiopia Transport (LAPSSSET) Corridor Development Authority (LCDA) raised an invoice on interest that had accrued as they were sorting out the contract between the National Treasury and the donor. He has not on boarded the new contract as he argued the terms should have been revised
- (b) Exchequer releases were utilized by 84%. The under-utilization of 16% was occasioned by the approval of Kshs.200, 000,000 under ENNDA and 350,000,000 under LBDA in the tail end of the financial year's supplementary II budget estimate and the exchequer request was not funded.
- (c) Proceed from foreign borrowing was under-utilized as the contractor at KVDA had not been cleared by KRA and had not gotten a no objection letter from the Italian Government

The entity financial statements were approved on 30<sup>th</sup> September 2023 and signed by:



**Kello Harsama**  
Accounting Officer



**Mwangi Daniel**  
Head of Accounting Unit  
ICPAK M/No 9061

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

**Annual Report and Financial Statements for the year ended 30th June 2023**

**14 (c) Budget Execution by Programmes and Sub-Programmes for FY 2023**

Program	Sub Program	Description	Approved Budget	Actual Payments	Variance
<b>1013000000</b>			<b>7,174,477,781</b>	<b>6,321,676,480</b>	<b>852,801,302</b>
	1013010000		6,983,676,769	6,155,746,102	827,930,667
	1013030000		43,742,493	39,425,502	4,316,991
	1013040000		147,058,519	126,504,875	20,553,644
		<b>Grand Total</b>	<b>7,174,477,781</b>	<b>6,321,676,480</b>	<b>852,801,302</b>

## **14. 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 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 for the State Department for Regional and Northern Corridor Development. The financial statements encompass the reporting entity as specified under section 81 of the PFM Act 2012.

### **3. Reporting Currency**

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

### **4. Significant Accounting Policies**

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

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

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

#### **(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 State Department.

In case of grant/loan in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice. A similar recognition criterion 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 recognized in the financial statements the time associated cash is received.

**b) Recognition of payments**

The State Department recognises all payments when the event occurs and the related cash has actually been paid out by the State Department for Regional and Northern Corridor Development

**(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) Acquisition of Fixed Assets**

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

A fixed asset register is maintained and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to these financial statements

**(iv) Third Party Payments**

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

**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.

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

***Annual Report and Financial Statements for the year ended 30th June 2023***

---

Bank account balances include amounts held at the Central Bank of Kenya at the end of the financial year.

**Restriction on Cash**

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

Amounts maintained in deposit bank accounts are restricted for use in refunding third party deposits. As at 30th June 2023, this amounted to KShs.0 compared to KShs.200,000 in prior period as indicated on note 11. There were no 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 which were not surrendered or accounted for at the end of the financial year are treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

**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 by 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 are recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the State Department at the end of the year. When the pending bills are finally settled, such payments are included in the Statement of Receipts and Payments in the year in which the payments are made.

**g) Budget**

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

A comparison of the actual performance against the comparable budget for the financial year under review has been included in the financial statements.

Government Development Projects are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognised as inter-entity transfers.

**h) Comparative Figures**

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

**i) Subsequent Events**

There were no events subsequent to 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, there were no errors that were corrected.

**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.

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

**Annual Report and Financial Statements for the year ended 30th June 2023**

**1 Proceeds from domestic and foreign Grants**

Name of Donor	Date received	Indicate whether it was a direct payment	Amount in foreign currency	FY 2022/2023	FY 2021-2022
			USD	Kshs	Kshs
<b>Grants received from Multilateral Donors (International Organizations)</b>					
African Development Bank	30.06.22	Direct	-	-	21,702,564
<b>Total</b>			-	-	<b>21,702,564</b>

Proceeds from domestic and foreign grants were not utilised. The contractor at Lamu Port, South Sudan, Ethiopia Transport (LAPSSET) Corridor Development Authority (LCDA) raised an invoice on interest that had accrued as they were sorting out the contract between the National Treasury and the donor. He has not on boarded the new contract as he argued the terms should have been revised

**2 Exchequer releases**

Description	2022/2023	2021-2022
	Kshs	Kshs
Total Exchequer releases for quarter 1	1,031,881,402	1,045,258,605
Total Exchequer releases for quarter 2	809,162,778	566,180,782
Total Exchequer releases for quarter 3	712,880,489	548,598,584
Total Exchequer releases for quarter 4	3,343,335,846	2,425,139,727
<b>Total</b>	<b>5,897,260,515</b>	<b>4,585,177,698</b>

The budgeted exchequer was Kshs.6,495,977,781 (recurrent- Kshs.2,857,852,389 and development- Kshs.3,638,125,392) while the received exchequer was Kshs.5,897,260,514 thus funded at 91%

**3 Proceeds from Foreign Borrowings**

Description	2022-2023	2021-2022
	Kshs	Kshs
Foreign Borrowing - Direct payments	-	104,146,275
<b>Total</b>	<b>-</b>	<b>104,146,275</b>

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

**Annual Report and Financial Statements for the year ended 30th June 2023**

Proceed from foreign borrowing was under-utilized as the contractor at KVDA had not been cleared by KRA and had not gotten a no objection letter from the Italian Government

**4 Proceeds from sale of assets**

Description	FY 2022-2023	FY 2021-2022
Proceeds from sale of assets	16,529,566	-
<b>Total</b>	<b>16,529,566</b>	<b>-</b>

**5 Other receipts**

Description	FY 2022-2023	FY 2021-2022
Other receipts (AIA)	418,885,529	-
<b>Total</b>	<b>418,885,529</b>	<b>-</b>

**6 Compensation to Employees**

Description	FY 2022-2023	FY 2021-2022
	Kshs	Kshs
Basic salaries of permanent employees	51,817,172	79,869,132
Basic wages of temporary employees	-	34,453,654
Personal allowances paid as part of salary	38,984,957	35,235,197
<b>Total</b>	<b>90,802,129</b>	<b>149,557,983</b>

The 35% change in basic salaries was occasioned by the transfer of management of KOSFIP from the headquarters to LBDA. The basic wages of temporary employees was for KOSFIP employees for the financial year 2021/2022.

**7 Use of Goods and Services**

Description	FY 2022/2023	FY 2021-2022
	Kshs	Kshs
Utilities, supplies and services	1,532,610	1,640,204
Communication, supplies and services	5,363,388	4,350,920
Domestic travel and subsistence	31,469,365	15,832,419
Foreign travel and subsistence	9,640,066	1,153,225
Printing, advertising and information supplies & services	1,029,655	1,560,957
Training expenses	11,046,110	6,386,430
Hospitality supplies and services	18,382,995	10,040,618
Specialized materials and services	78,900	1,326,556
Office and general supplies and services	3,945,662	3,689,686
Fuel Oil and Lubricants	9,733,356	5,757,063
Other operating expenses	6,777,508	65,033,268
Routine maintenance – vehicles and other transport equipment	3,874,200	4,604,155
Routine maintenance – other assets	1,314,200	4,995,964
<b>Total</b>	<b>104,188,014</b>	<b>126,371,465</b>

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

**Annual Report and Financial Statements for the year ended 30th June 2023**

**8 a: Grants and Transfers to other Government Entities**

Description	FY 2021-2023	FY 2021-2022
	Kshs	Kshs
<b>Transfers to National Government entities</b>		
Current grants to government agencies and other level of govt	2,620,735,392	2,249,000,000
Capital grants to government agencies and other level of govt	3,059,658,408	2,153,048,839
<b>Total</b>	<b>5,680,393,800</b>	<b>4,402,048,839</b>

**8 b: Transfers to self – reporting entities in the year**

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

Description	Recurrent	Development	FY 2022/2023	FY 2021/2022
	Kshs	Kshs	Kshs	Kshs
<b>Transfers to SAGAs and SCs</b>				
Lake Basin Development Authority (LBDA)	617,340,000	438,900,000	1,056,240,000	827,210,000
Tana and Athi Rivers Development Authority (TARDA)	556,600,000	662,550,636	1,219,150,636	592,200,000
Coast Development Authority (CDA)	226,030,000	436,015,025	662,045,025	437,788,000
Ewaso Ngiro North Development Authority (ENNDA)	320,670,000	328,976,253	649,646,253	729,632,000
Ewaso Ngiro South Development Authority (ENSDA)	346,890,000	652,629,288	999,519,288	744,890,000
Kerio Valley Development Authority (KVDA)	227,880,000	480,587,206	708,467,206	452,180,000
LAPSSET Corridor Development Authority	325,325,392	60,000,000	385,325,392	552,300,000
<b>TOTAL</b>	<b>2,620,735,392</b>	<b>3,059,658,408</b>	<b>5,680,393,800</b>	<b>4,336,200,000</b>

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

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

**Annual Report and Financial Statements for the year ended 30th June 2023**

**8 c: Transfers to self – reporting entities in the year AIA**

Description	Recurrent Kshs	Development	Total 2022/2023	2021/2022
		Kshs	Kshs	Kshs
<b>Transfers to SAGAs and SCs</b>				
Lake Basin Development Authority (LBDA)	72,863,287	-	72,863,287	-
Tana and Athi Rivers Development Authority (TARDA)	134,836,858	-	134,836,858	-
Coast Development Authority (CDA)	14,776,768	-	14,776,768	-
Ewaso Ngiro North Development Authority (ENNDA)	2,582,926	-	2,582,926	-
Ewaso Ngiro South Development Authority (ENSDA)	16,529,566	-	16,529,566	-
Kerio Valley Development Authority (KVDA)	193,825,690	-	193,825,690	-
<b>TOTAL</b>	<b>435,415,095</b>	<b>-</b>	<b>435,415,095</b>	<b>-</b>

**9. Social Security Benefits**

	2022-2023	2021-2022
	Kshs	Kshs
Government pension and retirement benefits	4,914,401	-
<b>Total</b>	<b>4,914,401</b>	<b>-</b>

**10. Acquisition of Assets**

Non -Financial Assets	2022/2023	2021-2022
		Kshs
Purchase of Office Furniture and General Equipment	5,963,040	3,745,721
Rehabilitation of Civil Works	-	28,310,177
<b>Total</b>	<b>5,963,040</b>	<b>32,055,898</b>

The amount for rehabilitation of civil works was implemented under KOSFIP which has since been moved to LBDA

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

**Annual Report and Financial Statements for the year ended 30th June 2023**

**Cash and Bank Accounts**

**11: Bank Accounts**

Name of Bank, Account No. & currency	Amount in bank account currency	Recurrent, /Development, Deposit	Exchange rate (if in foreign currency)	FY 2022-2023 Kshs	FY 2021-2022 Kshs
Central bank of Kenya, Recurrent Account No. 1000384816 Kshs	Kenya Shillings	Recurrent		10,039,119	91,358
Central bank of Kenya, Development Account No.1000384832 Kshs	Kenya Shillings	Development		5,250	-
Central bank of Kenya, Deposit Account No.1000454334 Kshs	Kenya Shillings	Deposit		-	200,000
<b>Total</b>				<b>10,044,369</b>	<b>1,107,313</b>

**12: Imprests and salary Advances**

Domestic Debtors & Advances	129,900	260,489
Government Imprests	1,085,350	-
<b>TOTAL</b>	<b>1,215,250</b>	<b>260,489</b>

**The breakdown of the advances is as follows**

Name of Officer or Institution	Date Advance Taken	Amount Taken Kshs	Amount recovered Kshs	Balance Kshs
Elizabeth Abong'o **	14/01/2021	199,800	99,900	99,900
Celine Nancy Itugu	07/12/2022	72,000	42,000	30,000
<b>Total</b>		<b>271,800</b>	<b>141,900</b>	<b>129,900</b>

\*\*Elizabeth Abong'o was issued a salary advance. She transferred to the Ministry of Education and last payment certificate indicated that they were to recover the amount and remit to the State Department, however no remittances on the same were received.

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

**Annual Report and Financial Statements for the year ended 30th June 2023**

**Imprests and advances aging analysis.**

	FY 2022-2023	% of the total	FY 2021-2022	% of the total
Under one year	1,115,350	90%	260,489	64%
1-2 years	99,900	10%	-	36%
2-3 years	-	-	-	-
Over 3 years	-	-	-	-
<b>Total</b>	<b>1,215,250</b>		<b>260,489</b>	

The imprests were for a joint activity of the two merged State Department's Strategic plan preparation workshop in Naivasha. The Team from Department of the ASALs was not facilitated in time to undertake the activity. Plans are underway for the joint team to undertake the activity

**13. Third party deposits and retention**

Item Description	2022 2023	2021 2022
	Kshs	Kshs
Other Liabilities-Retention	-	200,000
<b>TOTAL</b>	<b>-</b>	<b>200,000</b>

Ageing analysis:	Current FY	% of the Total	Prior FY	% of the Total
Under one year	-	100%	200,000	100%
1-2 years	-	0%	-	0%
2-3 years	-	0%	-	0%
Over 3 years	-	0%	-	0%
<b>Total</b>	<b>-</b>		<b>200,000</b>	

**14. Fund Balance Brought Forward**

Item Description	FY 2022-2023	FY 2021-2022
	Kshs	Kshs
Opening Balance Bank	1,107,313	3,244,521
Opening Balance Receivables - Imprest and Clearance Accounts	260,489	175,450
Opening Balance - Deposits	(200,000)	-
<b>TOTAL</b>	<b>1,167,802</b>	<b>3,419,971</b>

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

**Annual Report and Financial Statements for the year ended 30th June 2023**

**15. Prior Year Adjustments**

Item Description	Current Period	Previous Period
	Kshs	Kshs
Exchequer Provisions	907,313	3,244,521
<b>TOTAL</b>	<b>907,313</b>	<b>3,244,521</b>

The balance carried forward is as below

	Bal b/f	Adjustments	Balance c/f
Bank Account Balances	1,107,313.00	200,000.00	907,313.00

Kshs.907, 313 was unspent bank balances as at 30th June 2022 which was recovered by The National Treasury on 23rd July 2022

**16. (Increase)/ Decrease in Advances/Imprests**

Description	FY 2022-2023	FY 2021-2022
	Kshs	Kshs
Receivables As At 1 <sup>st</sup> July (A)	260,489	-
Receivables As At 30 <sup>th</sup> June (B)	1,215,250	260,489
<b>(Increase) in Receivables (C=(B-A))</b>	<b>954,761</b>	<b>260,489</b>

**17. Increase/ (Decrease) in Retention**

Description	FY 2022-2023	FY 2021-2022
	Kshs	Kshs
Payables As At 1 <sup>st</sup> July	200,000	-
Payables As At 30 <sup>th</sup> June	(-)	200,000
<b>Increase/ (Decrease) In Payables</b>	<b>-200,000</b>	<b>200,000</b>

Increase in receivable =954,761

Decrease in payables =200,000

**Net change =1,154,761**

**18. Related Party Disclosures**

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

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

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

1. Cabinet Secretary	Hon. Peninah Malonza, OGW
2. Principal Secretary/Accounting Officer	Kello Harsama
3. Ag. Secretary Regional	Maina Kiondo
4. Director Northern Corridor	Maina Kiondo
5. Director Administration	Dr. Alfred Mungai
6. National Coordinator	Maina Kiondo
7. A/g Director Regional Development	Wanjiku Manyatta
7. Deputy Accountant General	Daniel Mwangi
8. Senior Deputy Director Supply Chain	Kieti Kigen
9. Chief Finance Officer	Paul Masinde
10. Director HRM	Anne Kariithi
11. Chief Economist	Nicholas Thairu

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

**Annual Report and Financial Statements for the year ended 30th June 2023**

- State Corporations and Semi-Autonomous Government Agencies.

<b>SAGAs</b>
Lake Basin Development Authority (LBDA)
Tana and Athi Rivers Development Authority (TARDA)
Coast Development Authority (CDA)
Ewaso Ngiro North Development Authority (ENNDA)
Ewaso Ngiro South Development Authority (ENSDA)
Kerio Valley Development Authority (KVDA)
LAPSSET Corridor Development Authority (LCDA)

**19 Other Important Disclosures**

**19.1 Related party transactions:**

	<b>FY 2022-2023</b>	<b>FY 2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
<b><u>Key Management compensation</u></b>		
Key Management Compensation (Social benefit)	4,914,401	-
<b>Total Key Management Compensation</b>	<b>4,914,401</b>	<b>-</b>
<b><u>Transfers to related parties</u></b>		
Transfers to SAGAS	6,115,808,896	4,402,048,839
Transfers to Development Project	-	-
<b>Total Transfers to related parties</b>	<b>6,125,637,698</b>	<b>4,402,048,839</b>
<b><u>Transfers from related parties</u></b>		
<b><u>Proceeds from Domestic and Foreign Grants</u></b>	-	21,702,564
<b><u>Exchequer releases</u></b>	5,897,260,514	4,585,177,698
<b><u>Proceeds from Foreign Borrowings</u></b>	-	104,146,275
<b><u>Proceeds from Sales of Assets</u></b>	16,529,566	-
<b><u>Other Receipts</u></b>	418,885,529	-
<b>Total Transfers from related parties</b>	<b>6,332,675,609</b>	<b>4,711,026,537</b>

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

**Annual Report and Financial Statements for the year ended 30th June 2023**

**19.2 Pending Accounts Payable (See Annex 1)**

	Balance b/f	Additions for the period	Paid during the year	Balance c/f
	FY 2021/2022			FY 2022-2023
Description	Kshs	Kshs	Kshs	Kshs
Construction of civil Works	2,439,340,189	-	-	2,439,340,189
Supply of goods	3,458,980	685,000	2,404,555	1,739,425
Supply of services	5,678,137	1,631,410	2,646,833	4,662,714
Compensation (Gratuity)*	16,069	4,898,332	4,914,401	-
<b>Total</b>	<b>2,448,493,375</b>	<b>7,214,742</b>	<b>9,965,789</b>	<b>2,445,742,328</b>

\*Compensation due to Kipngetich Arap Korir had been calculated wrongly. After Correction, the Department owed him 16,069.10 and not Kshs 3,438,755. The amount of Kshs 16,069.10 was paid during the year under review vide PV1175014458. The State Department had a nil balance under compensation (Gratuity) as at 30<sup>th</sup> June, 2023.

**STATE DEPARTMENT FOR REGIONAL AND NORTHERN CORRIDOR DEVELOPMENT**  
**Annual Report and Financial Statements for the year ended 30th June 2023**

**19.3 Progress on follow up of Prior Years Auditor-General's recommendations.**

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

Ref No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Time-frame
1623	<p><b>Budgetary Control and Performance</b>                      The State Department received Exchequer receipts totalling Kshs.2,985,759,457 against an approved budget of Kshs.3,614,699,195 resulting to a shortfall of Kshs.628,939,738 or 17% of the approved budget. Similarly, actual expenditure amounted to Kshs.2,982,339,485 against the approved budget of Kshs.3,614,699,195 resulting to an under absorption of Kshs.632,359,710 or 17.5% which occurred mainly under transfers to other government Units. The shortfall in budgeted receipts and under-absorption implies that the overall goals and objectives of the State Department were not achieved as planned.</p>	<p>It is true that the State Department received exchequer receipts totalling to Kshs.2,985,759,457 against an approved budget of Kshs.3,614,699,195 resulting in a shortfall of Kshs.628,939,738 or 17%. However, the shortfall of Kshs.628,939,738 does not represent an under expenditure but other sources of financing. Of the above amount, Kshs.460,000,000 represents Appropriation in Aid (A.I.A) budgeted under the respective Regional Developments Authorities normally collected and utilized at the source. Kshs.60,000,000 represents proceeds from domestic and foreign grants under LAPSET Corridor Authority out of which certificates for KShs.10,691,553 were presented and paid, KShs.17,500,000 represents proceeds from sale of assets budgeted and accounted for under the respective RDAs. The balance of Kshs.126,000,000 represents proceeds from foreign borrowing meant for the Sigor Wei Wei phase II project implemented by Kerio Valley Development Authority the amount was not paid as KVDA had outstanding tax issues with Kenya Revenue Authority.</p>	Not Resolved	2022-2023
1624	<p><b>Pending bills</b>                      As previously reported, Annex 1 to the financial statements reflects pending bills amounting to Kshs.2,448,920,483 chargeable to both the recurrent and development votes that were not settled during the year under review but were instead carried forward to the 2021/2022 financial year. The pending bills balance includes an amount of Kshs.2,439,340,189 which relates to 2019/2020 and earlier financial years. No explanation was provided for failure to</p>	<p>The pending bills are historical in nature having been incurred in the financial years 2010/2011 and 2011/2012 when the State Department was in the then Ministry of Regional Development. Following the establishment of the State Department for Regional and Northern Corridor Development via the Executive Order No 1 of June 2018, the pending bills were handed over to the State Department in the FY 2018/2019. The supporting documents for the above bills have been availed to the audit team for verification.</p>	Not resolved	2022-2023

**STATE DEPARTMENT FOR REGIONAL AND NORTHERN CORRIDOR DEVELOPMENT**  
**Annual Report and Financial Statements for the year ended 30th June 2023**

	<p>pay the bills before the end of the financial year. This is contrary to Regulation 42(1)(a) of the Public Finance Management (National Government) Regulations, 2015 which requires Accounting Officers to ensure that debt service payment is a first charge on the consolidated fund. Failure to settle bills during the year in which they relate to adversely affects the budgetary provisions for the subsequent year to which they have to be charged.</p>	<p>Pending bills as reflected in the financial report amounted to Kshs.2,446,331,092 and comprised of three items as follows:</p> <ul style="list-style-type: none"> <li>a) Pending bills pertaining to Kimira Oluch smallholder Improvement Project amounts to Kshs.867,449,206.00. These bills have been forwarded to the Attorney General for direction.</li> <li>b) Pending bills pertaining to consultancy services on the 5 multipurpose dams amounts to Kshs 1,571,890,983.00. These bills were verified by the Ministerial verification committee and the Treasury's Multi Agency team and found eligible for payment. The State Department has requested The National Treasury for budgetary support to clear the pending bills.</li> <li>c) Pending bills for headquarters of Kshs.9,201,182.00. Out of these, bills amounting to Ksh.5,106,910,90 were paid during the financial year 2021/2022.</li> </ul>		
1625.1	<p><b>Irregular Advance Payment for Kimwarer Multipurpose Dam Development Project</b>  As previously reported, the statement of receipts and payments for the year ended 30 June, 2019 reflected proceeds from foreign borrowing of Kshs.3,666,495,236 out of which Kshs.3,485,500,628 was paid to an International Joint Venture firm on 27 September 2018. The payment, which was effected in the books of the State Department on 02 November, 2018 through journal entries was an advance payment for designing, building and transfer of the proposed Kimwarer Multipurpose Dam Development Project. Available information indicates that this matter is unresolved and under investigation by the relevant authorities.</p>	<p>In accordance with the contract document number KVDA/RFP/39/2014-2015 signed on 5<sup>th</sup> April 2017 between KVDA and CMC di Ravena Itinera JV and the loan agreement between the financier and the The National Treasury dated 18<sup>th</sup> April 2017, article 14.2 of section VIII of particular conditions of contract, the contractor was eligible to 15% of advance payment equivalent to USD.33,663,324.59 to enable commencement of work having executed the signing of the contract. This matter (Kimwarer) is under investigations by the relevant authorities and is currently before court and relevant documents have been forwarded to the investigative authorities.</p>	Not resolved	Matter in Court
1626.1	<p><b>Staff Under-Establishment</b>  Examination of payroll records revealed that the State Department had an approved staff establishment of eighty-one (81) staff, comprising of Forty-nine (49) posts for technical services cadres and thirty-two (32) posts for</p>	<p>It is true that the State Department for Regional and Northern Corridor was understaffed in the year under review. However, approval was granted by the Public Service Commission for the recruitment of Forty-Two (42) Technical Officers as per the Authorized Establishment. Interviews were conducted in July.</p>	Resolved	N/A

**STATE DEPARTMENT FOR REGIONAL AND NORTHERN CORRIDOR DEVELOPMENT**  
**Annual Report and Financial Statements for the year ended 30th June 2023**

	<p>support services cadres. However, the Department had a total of fifty-nine (59) staff in post comprising of five (5) technical staff and fifty-four (54) support services staff resulting in an overall under establishment of twenty-two (22). Failure to recruit or retain the required number of staff may result in poor service delivery and may negatively impact on the realization of the Department's goals. This is contrary to Public Service Commission Approval Letter Ref. No.PSC/EMCS/13/2/ (3) dated 29 September, 2020 which authorized the State Department to have an establishment of eighty-one (81).</p> <p>Consequently, the Management was in breach of Public Service Commission circular.</p>	<p>2022 and the Public Service Commission has since granted approval for the Appointment of 21 officers</p>	
1626.2	<p><b>Non-Compliance with Affirmative Action on Gender Ethnicity and Regional Distribution</b></p> <p>Examination of Human Resource records for the State Department for Regional and Northern Corridor Development revealed that during the year under review, the Department had a total of fifty-nine (59) employees out of whom twenty-four (24) or 40.68% of the workforce were from one ethnic group. Although Management has explained that they do not have control of the staff ethnic composition as they get their staff from Central Placement Committee of the Public Service Commission, the ethnic diversity was not achieved in the Department's staff composition. This is contrary to the provisions of Section 7(1) and (2) of the National Cohesion and Integration Act, 2008.</p> <p>Consequently, the Management was in breach of law.</p>	<p>It's true that 40.68% of the State Department's workforce during the year under review were from one ethnic group. However subsequent postings and deployments have improved this situation by 4.38% to a percentage of 36.3%. The State Department deliberately took this into consideration during the interviews for the technical officers.</p>	<p>Not resolved</p> <p>2022-2023</p>
<b>DONOR FUNDED PROJECT KIMIRA OLUCH SMALLHOLDER FARM IMPROVEMENT PROJECT (ADF LOAN NO.2100150012296)</b>			
1629	<p><b>Pending Bills</b></p> <p>Disclosed in Annex 2A to the financial statements are pending bills totalling to Kshs.700,656,527 as at 30 June, 2021 and which had been brought forward from 2019 / 2020 financial year. No satisfactory explanation was given by the Management for failure to settle the bills during the year in which they were incurred.</p>	<p>The pending bills in question are historical in nature and could not be settled in the years they were incurred due to budget cuts in the said periods. Further to that, during the financial year under review, the National Treasury reduced development budget allocations to Ministries due to the negative effects of Covid-19 on Government revenue. As a result, the Project suffered a development budget cut of 84.3%, from approved budget of Kshs.398,408,500 to actual received of Kshs.62,594,000 as seen in the Financial Report on the Statement of Receipts and Payments for the year ended 30th June 2021 and Inter Entity</p>	<p>Not Resolved</p> <p>2022-2023</p>

**STATE DEPARTMENT FOR REGIONAL AND NORTHERN CORRIDOR DEVELOPMENT**  
**Annual Report and Financial Statements for the year ended 30th June 2023**

1630	<p><b>Irregular Payment of Meal Allowances</b> Disclosed in Note 9.5 to the financial statements under compensation of employees are payments totalling Kshs.25,028,750, being personal allowances paid as part of salary. Included in these payments is an amount of Kshs.937,500 paid to various members of staff as meal allowances while working during lunch hours and late in the night as indicated in the memo dated 17 September, 2020. However, no documentary evidence was provided for audit review in support of the rates used in payment of the meal allowances. As a result, the validity and regularity of the meals allowances totalling Kshs.937,500 could not be confirmed</p>	<p>Transfers Confirmation Letter attached. The budget cut left the project with 15.7% of the approved budget for the year which was only able to support operation expenditure during the year. We appreciate the observation that there was a delay in providing the documentary evidences in support of the rates used in payment of the meal allowances for audit review. However, attached here in are approvals by the GoK and African Development Bank through the Project Steering Committee (PSC) to support the same</p>	Not Resolved 3	2022-2023
1631	<p><b>Project Vehicles Not Handed Over by the Consultant</b> The consultant who was supervising the project procured two motor vehicles with registration numbers KBS 681Z and KBS 682Z at a total cost of Kshs.7,200,000. However, the vehicles were not handed over to the project after the completion of consultancy services. This is contrary to Paragraph 10.0 (IV) of the Service Contract No. KOSFIP/C/2 2020-2011 on consultant fees and payments, which states that after completion of the project, the consultant shall hand over equipment and vehicles to the project.</p>	<p>It is true that the consultant was in breach of the contract after having failed to hand over project vehicles Reg.no. KBS 681Z Toyota and Reg.no. KBS 682Z Toyota Hilux Double Cabin Pick-ups at the end of his contract despite several requests to do so as evidenced by our correspondences attached. As a way forward the Project Management is pursuing the matter with a view of offsetting the liability of vehicles with the debt owed to the consultant of Kshs 6,900,000 The management has initiated steps toward resolving the matter by calling for an engagement with the consultant so as to resolve and settle the matter</p>	Not Resolved 4	2023-2024
1632.	<p><b>Outstanding Imprests</b> Imprests amounting to Kshs.781,450 had not been surrendered at the closure of the year under review contrary to Regulation 93 (5) of the Public Finance Management (National Government) Regulations, 2015 that requires a holder of a temporary imprest to account for or surrender the imprest within seven (7) working days after returning to duty station</p>	<p>It is true that there existed unupdated imprests in the imprest register, amounting to Ksh.781,450.00. There was a delay in updating the imprest register thus showing some imprests as outstanding No imprests remained outstanding at the end of the financial year. The imprest register was updated to reflect the correct position and presented to the auditors for examination Warning was issued to accountant in charge of imprest, failure to update imprest register on time would lead to disciplinary action</p>	Resolved N/A	N/A
1633.	<p><b>Ethnic Composition of Staff</b> During the year under review, the project had thirty-four (34) employees out of whom twenty-four representing 75% of the</p>	<p>It is true that majority of the project staff were from one predominant community in the region as at the time of audit. This</p>	Not Resolved 3	2022-2023

**STATE DEPARTMENT FOR REGIONAL AND NORTHERN CORRIDOR DEVELOPMENT**  
**Annual Report and Financial Statements for the year ended 30th June 2023**

	<p>workforce were from the dominant ethnic community in the region. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which requires all public entities to represent the diversity of the people of Kenya in employment of staff and not to have more than one third of staff from one ethnic community.</p>	<p>was influenced by the project location, probability of retention and the need for ease in communication in local dialect to promote adequate participation of the local communities in the project implementation activities. As a way forward, we will strive as a project to diversify the human resource representation. The project management has since been taken by LBDA which has posted a team whose composition is diverse</p>	
<p><b>1634.</b></p>	<p><b>Lack of Audit Committee</b>                  The Project had also not established an Audit Committee to assist the Management with responsibilities for issues of risk, internal controls, governance and associated assurance, and follow-up on the implementation of the recommendations of internal and external auditors.</p>	<p>It is true that the Project did not have an Audit Committee in place. The GoK and ADF in the appraisal report envisaged that the Project was to be audited annually by independent consultants supervised by Office of the Auditor General. However, the budget line for the consultants was not provided resulting to the Project being continuously audited by the Office of the Auditor General. As a measure to strengthen the audit functions, the internal auditor's functions were integrated to support the internal controls as part of GoK human resource contribution. As a way forward, the Project Management will undertake to make the internal audit more accountable to the Parent Ministry's Ministerial Audit Committee for independence. Currently the project is under Lake Basin Development Authority that has an active Audit Committee which shall apply on the project.</p>	
<p><b>1635.</b></p>	<p><b>Lack of Staff Establishment</b>                  During the year under review, the Project did not have an approved staff establishment and human resource plan to support achievement of goals and objectives in the strategic plan.</p>	<p>We regret the non-provision of the approved staff establishment to the audit team. However, the project obtains approvals for the required staff as and when needed depending on the level of the project activity cycle. The requests on need basis were availed to the audit team attached and has been availed to the Audit team LBDA has since come up with a staff establishment that should address the remaining aspect of the implementation phase.</p>	

*APPROVED DANIEL  
 HEAD OF ACCOUNTING UNIT  
 KPAK NO 9061*

The non-resolved issues are awaiting feedback from Parliament as they had been presented to the Parliamentary Accounts Committee in May 2022

**STATE DEPARTMENT FOR REGIONAL AND NORTHERN CORRIDOR DEVELOPMENT**  
**Annual Report and Financial Statements for the year ended 30th June 2023**

**15. Annexes**

**Annex 1 - Analysis of Pending Accounts Payable**

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 30.06.2023	Outstanding Balance 30.06.2022	Comments
		a	b	c	d=a-c		
<b>Kimira Oluch Smallholder Irrigation Scheme</b>							
M/s Sino Hydro Corporation in Joint Venture with Machiri LTD	Major works	14,021,395			14,021,395	14,021,395	Budgetary
M/s Sino Hydro Corporation in Joint Venture with Machiri LTD	Major works	18,027,752			18,027,752	18,027,752	Budgetary
M/s Sino Hydro Corporation in Joint Venture with Machiri LTD	Major works	47,694,910			47,694,910	47,694,910	Budgetary
M/s Sino Hydro Corporation in Joint Venture with Machiri LTD	Major works	68,977,619			68,977,619	68,977,619	Budgetary
M/s Sino Hydro Corporation in Joint Venture with Machiri LTD	Major works	150,406,616			150,406,616	150,406,616	Budgetary
M/s Sino Hydro Corporation in Joint Venture with Machiri LTD	Major works	101,648,067			101,648,067	101,648,067	Budgetary
M/s Sino Hydro Corporation in Joint Venture with Machiri LTD	Major works	107,615,749			107,615,749	107,615,749	Budgetary
M/s Sino Hydro Corporation in Joint Venture with Machiri LTD	Major works	74,411,433			74,411,433	74,411,433	Budgetary
M/s Sino Hydro Corporation in Joint Venture with Machiri LTD	Major works	28,126,080			28,126,080	28,126,080	Budgetary
M/s Sino Hydro Corporation in Joint Venture with Machiri LTD	Major works	9,137,378			9,137,378	9,137,378	Budgetary
M/s Sino Hydro Corporation in Joint Venture with Machiri LTD	Minor works	15,032,452			15,032,452	15,032,452	Budgetary
M/s Sino Hydro Corporation in Joint Venture with Machiri LTD	Minor works	33,312,578			33,312,578	33,312,578	Budgetary
M/s Sino Hydro Corporation in Joint Venture with Machiri LTD	Minor works	39,414,642			39,414,642	39,414,642	Budgetary
M/s Sino Hydro Corporation in Joint Venture with Machiri LTD	Minor works	79,481,531			79,481,531	79,481,531	Budgetary

**STATE DEPARTMENT FOR REGIONAL AND NORTHERN CORRIDOR DEVELOPMENT**  
**Annual Report and Financial Statements for the year ended 30th June 2023**

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance	Outstanding Balance	Comments
M/s Sino Hydro Corporation in Joint Venture with Machiri LTD	Minor works	44,439,594			44,439,594	44,439,594	Budgetary
M/s Sino Hydro Corporation in Joint Venture with Machiri LTD	Minor works	35,701,410			35,701,410	35,701,410	Budgetary
<b>Consultancy Services for Multi Purpose Dams</b>							Budgetary
M/s Teenica Y Proyectos, S.A (TYPSA)Spain	Nandi Forest Multipurpose Dam	6,808,308			6,808,308	6,808,308	Budgetary
M/s SMEC(Australia)	Magwagwa Multipurpose Dam	21,403,045			21,403,045	21,403,045	Budgetary
M/s Egis International (France) in Consortium with ISL, SCP, Egis Bceon Kenya and CAS Consultant LTD	High Grands Falls Dam	96,594,160			96,594,160	96,594,160	Budgetary
M/S Naqsh Tarsim Milad Consulting Engineers (P.J.S.CO) Iran	Aror Multipurpose Dam	222,860,156			222,860,156	222,860,156	Budgetary
M/S Consulting Engineering Service (India) Private Limited	Mwache Dam	304,477,546			304,477,546	304,477,546	Budgetary
M/s Teenica Y Proyectos, S.A (TYPSA)Spain	Lower Ewaso Ngiro South Multipurpose Dam	919,747,768			919,747,768	919,747,768	Budgetary
<b>Subtotals</b>		<b>2,439,340,189</b>			<b>2,439,340,189</b>	<b>2,439,340,189</b>	Budgetary
TARDA	Conference facilities	986,150		-	986,150	986,150	Budgetary
Kipngetch Arap Korir**	Gratuity	16,069		16,109	-	3,438,755	Exchequer
<b>Subtotals</b>		<b>1,002,219</b>		<b>16,109</b>	<b>986,150</b>	<b>4,424,905</b>	
Jadore Africa		1,054,425		-	1,054,425	1,054,425	Exchequer
Veeko Enterprises		315,000		315,000	-	315,000	Budgetary

**STATE DEPARTMENT FOR REGIONAL AND NORTHERN CORRIDOR DEVELOPMENT**  
**Annual Report and Financial Statements for the year ended 30th June 2023**

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance	Outstanding Balance	Comments
Chellyar Supplies		183,000		183,000	-	183,000	Budgetary
Acubarr Enterprises		190,805		190,805	-	190,805	Budgetary
Jackmer Ventures		411,600		411,600	-	411,600	Budgetary
KSG Embu,		318,000		-	318,000	318,000	Budgetary
Chambai Safari Hotel		504,000		504,000	-	504,000	Budgetary
Aimat Company Ltd		2,138,368		2,138,368	-	2,138,368	Budgetary
Telcom Kenya		417,600		417,600	-	417,600	Budgetary
M/s Elite Times Ventures		87,690		87,690	-	87,690	Budgetary
M/s Silver Africa Tours		978,625		445,975	532,650	978,625	Budgetary
M/s Air Fares Travel Agency		225,300		130,900	94,400	225,300	Budgetary
M/s Angani Tours & Travel		348,260		226,450	121,810	348,260	Budgetary
M/s Pogo Airways Travel Services Ltd.		742,344		-	742,344	742,344	Budgetary
Realdge Africa		235,950		-	235,950	235,950	Budgetary
<b>Sub Total</b>		<b>8,150,967</b>		<b>5,051,388</b>	<b>3,099,579</b>	<b>8,150,967</b>	
<b>Additions during the year</b>							
M/s Pogo Airways Travel Services Ltd		78,385		-	78,385	-	Budgetary
Realdge Africa		253,625		-	253,625	-	Budgetary
Jepco Services and renovators		181,600		-	181,600	-	Budgetary

**STATE DEPARTMENT FOR REGIONAL AND NORTHERN CORRIDOR DEVELOPMENT**  
**Annual Report and Financial Statements for the year ended 30th June 2023**

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance	Outstanding Balance	Comments
Milele Resort		256,000		-	256,000	-	Budgetary
Kyaka Hotel		514,300		-	514,300	-	Budgetary
Cherrynam Resort		347,500		-	347,500	-	Budgetary
Dariwa Supplies		491,000		-	491,000	-	Budgetary
Gapollo Limited		94,000		-	94,000	-	Budgetary
Jacima Ventures		100,000		-	100,000	-	Budgetary
Sub Total		<b>2,316,410</b>		-	<b>2,316,410</b>	-	
<b>GRAND TOTALS</b>		<b>2,450,809,785</b>		<b>5,067,497</b>	<b>2,445,742,328</b>	<b>2,451,916,061</b>	

\*Compensation due to Kipngetich Arap Korir had been calculated wrongly. After Correction, the Department owed him Kshs.16, 069.10 and not Kshs 3,438,755. The amount of Kshs 16,069.10 was paid in the year under review vide Payment Voucher number 1175014458

**STATE DEPARTMENT FOR REGIONAL AND NORTHERN CORRIDOR DEVELOPMENT**  
**Annual Report and Financial Statements for the year ended 30th June 2023**

**Annex 2 – Summary of Fixed Asset Register**

Asset class	Historical Cost b/f (Kshs) 2022/2023	Additions during the year (Kshs)	Disposals during the year (Kshs)	Transfers in/(out) during the year	Historical Cost c/f (Kshs) 2022/2023
Refurbishment of Buildings and structures	19,993,400	-	-	-	19,993,400
Transport equipment	74,974,728	-	-	-	74,974,728
Office equipment, furniture and fittings	56,302,609	5,896,040	-	-	62,198,649
Infrastructure Assets- (Rehabilitation of civil works)	28,310,177	-	-	-	28,310,177
Purchase of specialised plant, Machinery and Equipment	9,411,498	-	-	-	9,411,498
<b>Total</b>	<b>188,992,412</b>	<b>5,896,040</b>	<b>-</b>	<b>-</b>	<b>194,888,452</b>

**Annex 3 – List of Sagas under State Department for Regional and Northern Corridor Development**

Ref	SC, SAGA or Public Fund's name	Principal activity of entity	Accounting Officer	Amount transferred during the year	Inter- entity reconciliations done? (yes/no)
1	Lake Basin Development Authority	Plan and co- ordinate the implementation of development projects in the Lake Victoria Basin	Mr. Wycliffe Ochiaga	1,056,240,000.00	YES
2	Tana and Athi Rivers Development Authority	Plan and co- ordinate the implementation of development projects in Tana and Athi Rivers Basins	Liban R. Duba	1,219,150,636.00	YES
3.	Coastal Development Authority	Plan and co- ordinate the implementation of development projects in Coastal Regions	Dr. Mohammed Keinan Hassan, OGW	662,045,025.40	YES
4	Ewaso Ng'iro North Development Authority	Plan and co- ordinate the implementation of development projects in Ewaso Ng'iro North and Catchment areas	Eng. Ali Hassan Ibrahim, PhD	649,646,253.00	YES
5	Ewaso Ng'iro South	Plan and co- ordinate the implementation of	Mr. Ngala Oloitiptip	999,519,288.00	

**STATE DEPARTMENT FOR REGIONAL AND NORTHERN CORRIDOR DEVELOPMENT**  
**Annual Report and Financial Statements for the year ended 30th June 2023**

Ref	SC, SAGA or Public Fund's name	Principal activity of entity	Accounting Officer	Amount transferred during the year	Inter- entity reconciliations done? (yes/no)
	Development Authority	development projects in Ewaso Ng'iro south and Catchment areas			YES
6	Kerio Valley Development Authority	Plan and co- ordinate the implementation of development projects Kerio Valley areas of operations	Mr. Sammy Naporos	708,467,206.00	YES
7	LAPSET Corridor Development Authority	Part of vision of Kenya 2030 infrastructure projects that brings together Kenya, Ethiopia and South Sudan (Roads, ports, standard gauge railways, crude oil pipelines etc)	Mr. Stephen Ikua	385,325,392.30	YES
	<b>Total</b>				

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

**Annual Report and Financial Statements for the year ended 30th June 2023**

**Annex 4- Outstanding Imprests**

Particulars	Invoice Num	Due Date	Amount
PETER NDOGO KANYIRI	1175019508	30/06/2023	50,400
FRED O NYAKUNDI	1175019510	30/06/2023	63,000
DOMINICS NYANDIGAH OGWARI	1175019850	30/06/2023	50,400
ALFRED NGUGI MUNGAI	1175019507	30/06/2023	75,600
STEPHEN MWANGI	1175019504	30/06/2023	50,400
PERPETUA WANJIKU MANYATTA	1175019309	30/06/2023	75,600
ROSE KARIMI MWONGERA	1175019532	30/06/2023	63,000
NICHOLAS KIUGI THAIRU	1175019503	30/06/2023	63,000
DELILAH KERUBO MARAGIA	1175019742	30/06/2023	54,400
SIMON KARWANDA KUBAI	1175019848	30/06/2023	50,400
WYCLIFF ODUOR ACHOLA	1175019741	30/06/2023	54,400
JOSEPHINE WAWIRA GICHERU	1175019509	30/06/2023	50,400
VIVIAN AKOTH OGENDI	1175019849	30/06/2023	50,400
THOMAS MWANDORI WANJE	1175019506	30/06/2023	50,400
MICHAEL MUNGAI KARIUKI	1175019505	30/06/2023	50,400
FAWZIA NAMULANDA BARASA	1175019533	30/06/2023	50,400
DENIS MUTUIRI MARANGU	1175019745	30/06/2023	54,400
CATHERINE WAIRIMU NGURE	1175019314	30/06/2023	2,350
Evans Atuti Atera	1175019502	30/06/2023	63,000
JOHN MBURU WAINAINA	1175019310	30/06/2023	63,000
<b>Total</b>			<b>1,085,350</b>

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

**Annual Report and Financial Statements for the year ended 30th June 2023**

**GUIDE MATRIX ON THE STATUS OF REGIONAL DEVELOPMENT COURT CASESRD AS AT 17<sup>TH</sup>NOVEMBER, 2023**

SN	CASE NO.	PARTIES	CAUSE OF ACTION		ACTION BY DEPARTMENT	HEARING/MENTION/RULING/JUDGMENT DATE	COSTIMPLICATIONS
1.	Nairobi Misc. No. 472 of 2012, Judicial Review No. 196 of 2019 & Nairobi Civil App. No. E279 of 2023, at the Court of Appeal	N.K Brothers Limited -vs- The Ministry of Regional Development	-The pending claim arose from a contract entered into on 22 <sup>nd</sup> October 1990. between the then Ministry of Regional Development and N.K. Brothers Ltd for the construction of Lake Basin Development Authority Headquarters Complex and Housing in Kisumu -During the execution of the contract a dispute arose between the claimant and the Ministry of Regional Development after which the matter was referred to an arbitration and judicial process.	-Payment of amounts due and interest accrued.	-Instructions issued to the Attorney General to enter appearance on behalf of the PS in tandem with Government policy -AG lodged an appeal at the Appellate Court in Nairobi. -The State Department was compelled to pay the Claimant a sum of <b>Kshs. 66,955,559.55</b> and has currently requested for a budgetary allocation to facilitate the settlement of the claim which has now accrued to <b>Kshs. 87,000,000.</b>	-On 26 <sup>th</sup> November, 2021 the Court issued an Order of Mandamus in favor of the Ex-parte Applicant directing the Ministry to satisfy the Decree in the matter in the sum of <b>Kshs.67,279,524.92</b> together with interest at 12% per annum. -The Applicant filed a Notice of Motion Application dated 18 <sup>th</sup> February, 2022 for contempt of Court proceedings against the Ministry seeking enforcement of the judgment award. The PS was cited for contempt on 21 <sup>st</sup> October 2022. The matter came up for mention on 18th September, 2023, 27th September, 2023 and 23 <sup>rd</sup> October 2023 when Justice Gatembu recused himself having dealt with the Arbitration matter, the Court is to communicate on the next hearing date. There are no stay orders issued and the applicants have on weekly basis requested for payment of the decretal amount.	-Total sum of <b>Kshs. 87,000,000</b> accrued since 24th August, 2010 when judgment was entered in favor of the applicant(s).

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

**Annual Report and Financial Statements for the year ended 30th June 2023**

2.	Nairobi HCCC No. 129 of 2015	Chester House Limited -vs- The AG & Another	-The suit relates to unpaid rent claims to Chester House when the Ministry was a tenant at Chester House. The Ministry novated the lease to four RDS's namely Lake Basin Development Authority (LBDA), Coast Development Authority (CDA), Ewaso Ng'iro South Development Authority (ENSDA) and Ewaso Ng'iro North Development Authority (ENNDA) W.E.F 1 <sup>st</sup> July 2013.to pay rent to Chester House Limited upon termination of their lease agreement).	Payment of Rent arrears Nov 2013 -Feb 2014.(12 300sf)@ Kshs.60 per square feet and kshs.17 per square feet(serv ice charge)	-The PS, wrote a letter the RDAs to release their officers to testify in the matter on 7th December, 2022. -The named RDAs failed to comply prompting the AG to write two letters in reference to their non-compliance. -The legal office wrote to the Secretary, Regional Development regarding the same and the Secretary advised that the legal office contact each of the RDAs regarding the matter. -The legal office contacted the RDAs and on telephone and email on 18th and 19th May, 2023.Only CDA complied.	Estimated at 4million
----	------------------------------	---	--	---	---	-----------------------

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

**Annual Report and Financial Statements for the year ended 30th June 2023**

3.	<p><b>Milimani CC No. E844 of 2021</b></p>	<p>Consulting Engineering Services (India) Private Limited -vs- The Hon. AG and the PS, Ministry of EAC &amp; Regional Development</p>	<p>-M/S CES India PVT Ltd filed a claim for breach of contract against the Ministry. The claim in dispute is among the pending bills under the former Ministry of Regional Development Authorities where multipurpose dam feasibility studies and design contracts including Mwache Dam was undertaken by M/s. CES India PVT Ltd. The total outstanding claims for all the feasibility studies owed by the State Department amount to an equivalent <b>KES. 1,535.2 Billion.</b></p>	<p>-The claim by the M/s. CES India PVT Ltd totaling <b>USD 2,912,645.00</b> (excluding invoice for interest for delay in payment), as verified by the Ministry's Inter-Disciplinary Pending Bills Verification Committee appointed on 17<sup>th</sup> January 2020. The National Treasury reviewed this request against the input of the Pending Bills Multi-Agency Team at the Treasury and recommended full settlement of the bills from the <b>Supplementary Estimates No. 1 for the FY 2020/2021.</b></p> <p>-The State Department issued instructions to the Attorney General on <b>28<sup>th</sup> January, 2022</b> to defend the Ministry in the suit.</p>	<p>Matter pending in court</p>	<p><b>USD 2,912,645.00</b></p>
----	--	--	--	---	--------------------------------	--------------------------------

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

**Annual Report and Financial Statements for the year ended 30th June 2023**

4.	Nairobi HCCC No. 305 of 2017 & Nairobi HC JR. App. No. E025 of 2021	SMEC International Pty Limited -vs- Ministry of Water, Sanitation and Irrigation	<p>-The matter relates to M/S SMEC International PTY Limited, the Applicant, who sued for payment of AUD 295, 133.00 as a balance of payment for consultancy services rendered under a contract with Ministry of Regional Development Authorities (as it then was) where multipurpose dams feasibility studies and design contracts including the one for Magwagwa Multipurpose Dam signed with M/S SMEC International PTY Limited on 31<sup>st</sup> May, 2010 were undertaken.</p> <p>-M/s SMEC International PTY Limited filed a Judicial Review Application seeking for an Order of Mandamus to compel the Principal Secretary, as the Administrator and Accounting Officer for the Ministry to pay the sums awarded by the Court in its judgment of 18<sup>th</sup> September,2020 to the sum of <b>Australian Dollars (AUD) 378,176.00</b> together with interest thereon at the LIBOR rate + 2% per annum from 16<sup>th</sup> August, 2012 until payment in full together with <b>taxed costs of Kenya Shillings (KES) 759,909.00.</b></p> <p>-The claim relates to a historical pending bill which has remained pending over the years due to lack of a budgetary allocation to settle the claim.</p>		-The State Department requested the National Treasury to allocate budgetary sums to facilitate settlement of the claim.	Matter pending in court	Australian Dollar 558,785.18 plus additional Ksh759, 909 and further costs until payment in full.
----	---	--	--	--	---	-------------------------	---

**Annex 5- Reports Generated from IFMIS**

IFMIS financial Reports to be presented on request.