

REPUBLIC OF KENYA

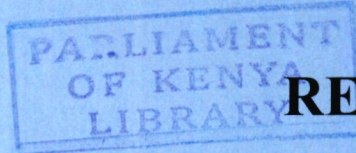


*Paper laid by
the Hon. Wasipali
Mwangi*

OFFICE OF THE AUDITOR-GENERAL



Thursday 7/6/2018



REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF STATE
DEPARTMENT OF DEVOLUTION**

**FOR THE YEAR ENDED
30 JUNE 2017**





**MINISTRY PLANNING AND DEVOLUTION
STATE DEPARTMENT OF DEVOLUTION**

REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2017**

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

MINISTRY PLANNING AND DEVOLUTION - STATE DEPARTMENT OF DEVOLUTION
Reports and Financial Statements
For the year ended June 30, 2017

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KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Ministry of Devolution and Planning was formed through Presidential Executive Order No. 1 of April 2013 and No. 2 of May 2013 by merging the former Ministry of Planning, National Development and Vision 2030, Ministry of Gender, Children and Social Development, Ministry of Special Programmes/Ministry of State for Public Service, Ministry of Local Government, Ministry of State for Development of Northern Kenya and Other Arid Lands and the Ministry of Youth Affairs and Sports and some departments from the former Office of the Prime Minister i.e. Public Service Transformation Department and Department and Performance Contracting Department. At cabinet level, the Ministry is represented by the Cabinet Secretary for the Ministry of Devolution and Planning who is responsible for the general policy and strategic direction. The ministry has three State Departments namely: State Department of Planning and Statistics; State Department of Devolution; and State Department of Special Programmes each headed by a Principal Secretary.

The State Department of Devolution was formed through Presidential Executive Order No. 1 of April 2013 and No. 2 of May 2013 by merging the former Ministry of Planning, National Development and Vision 2030, Ministry of Gender, Children and Social Development, Ministry of Special Programmes/Ministry of State for Public Service, Ministry of Local Government, Ministry of State for Development of Northern Kenya and Other Arid Lands and the Ministry of Youth Affairs and Sports and some departments from the former Office of the Prime Minister.

Executive Order No. 1 of 2013 created State Department of Devolution which existed to spearhead devolution process, implement special programmes, and Coordinate development of ASALs. This was however changed through executive order No.1 of May 2016 which established State Department of Devolution with the key focusing on devolution policy, intergovernmental relations and capacity building and technical assistance to county governments and management, monitoring and evaluation of devolution affairs. The State Department of Devolution is mandated to coordinate implementation of devolution programmes in line with the Constitution of Kenya and the various devolution legislations including; County Government Act 2012; Intergovernmental relations Act 2012; Urban Areas and Cities Act 2011; Transition to devolved government Act 2012; and Public Finance Management Act 2012.

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

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The Executive Order No. 1 of May 2016 gives the following mandate to the State department of Devolution:

- Management of Devolution Affairs
- Intergovernmental Relations
- Capacity Building and Technical Support to counties

The State Department of Devolution also oversees;

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

VISION

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

MISSION

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

CORE VALUES

The SDD upholds the following core values:

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

Strategic objectives

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

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(b) Key Management

The State Department's day-to-day management is under the following key divisions:

- Management of Devolution Affairs,
- Capacity building and Technical support
- Intergovernmental Relations
- Administration

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2017 and who had direct fiduciary responsibility were:

No.	Designation	Name	Date
1.	Accounting Officer	Mwanamaka Amani Mabruki, CBS	- April 2017
2.	Accounting Officer	Micah Pkopus Powon, CBS	April 2017 to date
3.	Secretary, Devolution Affairs	Dr. Anne Kinyua	July 2016 to November 2016
4.	Secretary, Devolution Affairs	Samuel Ole Kirgotty	November 2016 to date
5.	Director, Administration	Edward Irungu, OGW	
6.	Chief Finance Officer	Boniface Mwaura	
7.	Principal Accounts Controller	Benson Macharia Mwangi	- June 2017
9	Principal Accounts Controller	CPA Paul Kimani FCCA	June 2017 to date

(d) Fiduciary Oversight Arrangements

Budget Implementation Committee (BIC)

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

The duties of the committee include:

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

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- (vii) To participate in Sector Working Groups.
- (viii) To prepare budget in consultation with the Heads of Departments.

Ministerial Human Management Advisory Committee

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

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

Ministerial Training Committee

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

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

(e) Entity Headquarters

P.O. Box 30004-00100
Teleposta Towers (1st and 6th floors).
Kenyatta Avenue
Nairobi, Kenya.

(f) Entity Contacts

Telephone: (254) 020 2250645
E-mail: psplanning@devolutionplanning.go.ke
Website: www.devolutionplanning.go.ke

(g) Entity Bankers

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

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(h) Independent Auditors

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

(i) Principal Legal Adviser

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

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FORWARD BY THE CABINET SECRETARY

The State Department of Devolution is one of the three State Departments of the Ministry of Devolution and Planning. The other departments are the State Department of Planning and Statistics and State Department of Special Programme.

In the financial year 2016/17, the Ministry had an approved gross budget of KShs.1.9 billion which was made up of KShs. 794 million and KShs. 1.1 billion for recurrent and development vote respectively. Out of the above allocation, the Development Vote is comprised of KShs. 295 million GOK component KShs 770 million being donor component. Out of the total allocation of KShs. 1.9 billion, the Ministry has spent KShs. 1.1 billion representing absorption of 60%.

The State Department expended the above resources under the following programmes:

- (i) The Kenya Devolution Support Programme (KDSP).
- (ii) The Instruments for Devolution Advice and Support (IDEAS) Programme.
- (iii) Integrated Program to Support Devolution process in Kenya
- (iv) Network Infrastructure at Teleposta Towers (1st and 6th Floor)

The above mentioned programmes have led to enhanced delivery of public services at national and county levels and generally a better environment for realization of the ideals of a devolved system of governance in Kenya.

In the FY 2016/17 the State Department of Devolution implemented devolution activities in line with its mandate and the Medium Term Plan of Kenya Vision 2030.

Key achievements of the department include:

- i) A policy on the Devolved system of Government developed
- ii) The fourth devolution conference was held at Naivasha in May 2017. The conference enabled national and county governments to share experiences on devolution and celebrate the results.
- iii) Framework on assumption of office by Governors developed.
- iv) Intergovernmental sectoral forums meetings held for Energy and Petroleum Meetings; Agriculture; Health; Environment, public service, labour and social services, gender affairs,

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education ,Industrialization and Enterprise Development; Mining; Transport and Infrastructure and East African Affairs. Commerce and Tourism; Labour, Social Security and Services.

- v) National Civic Education framework developed.
- vi) Civic education units in counties established in all counties.
- vii) TOT on civic education conducted at KSG.
- viii) Continued to implement the Kenya Devolution Support Programme (KDSP).
- ix) Continued to implement the Instruments for Devolution Advise and Support (IDEAS) Programme.
- x) Facilitated operations of the Intergovernmental Technical Committee of the Summit and its secretariat.
- xi) Support to the development of Alternative Dispute Resolution mechanism (ADR) on intergovernmental disputes
- xii) Transfers to Council of Governors,(CoG)

Emerging Issues and Challenges

- Inadequate policies, legal & institutional reforms relating to devolution.
- Weak Human resource management in the two levels of government.
- Centralization of services at county headquarters.
- Weak linkage in integrated development planning between the two levels of government.
- Weak resource mobilization and management strategies at the county level.
- Transfer of assets and liabilities still remained unresolved.
- Inadequate Civic education and public participation.
- Weak coordination mechanism between the two levels of government - Poor coordination among many stakeholders in the devolution process, i.e. MDAs, donors, Private Sectors, County Governments etc.
- Inadequate resources to implement various activities in State Department of Devolution.
- Inadequate monitoring and evaluation of the programme activities due to inadequate of funds.
- Lack of clear communication between MDAs and county governments.
- Conflicts between National Government and County Governments, Senate and Parliament, County Assemblies and Executives, County Government and the Senate.

Recommendations and way forward

- a) Creation of linkages and collaboration with stakeholders to minimize duplication of activities.
- b) Timely release of resources for effective and efficient implementation of projects and programs.
- c) Monitoring and evaluation framework should be strengthened to ensure efficient and effective utilization of resources.
- d) It is recommended that the National Treasury considers allocating more resources to the state department to correspond with the increased mandates and to ensure provision of efficient and

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seamless service delivery that meets the expectation of Kenyans. Capacity Development: Adequate resources should be provided to build public service capacity for steering implementation of devolutions programmes.

- e) Enhancing of Public Private Partnership: The Sector also recommends the fast-tracking of the Public Private Institutional arrangements to provide framework for structural collaboration in service delivery.

An appreciable level of success was realized in 2016/17 especially in matters of devolved system of governance, and the preparation of key policies to guide devolution. Much more would have been achieved were it not for the inadequacy of financial and other resources. We look forward to better performance in 2017/18 and subsequent years.

Hon. Eugene L. Wamalwa, EGH
CABINET SECRETARY

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STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES

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

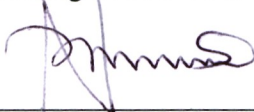
The Accounting Officer in charge of the State Department of Devolution is responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year 2016/17 ended on June 30, 2017. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting Officer in charge of the State Department of Devolution accepts responsibility for the entity's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the State Department of Devolution's financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2017, and of the entity's financial position as at that date. The Accounting Officer in charge of the State Department of Devolution further confirms the completeness of the accounting records maintained for the State Department of Devolution, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The State Department of Devolution's draft financial statements were approved and signed by the Accounting Officer on 29 September 2017.



Principal Secretary
Name: Nelson Marwa Sospeter, EBS



Principal Accounts Controller
Name: CPA Paul Kimani FCCA
ICPAK Member Number: 11852

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON THE STATE DEPARTMENT OF DEVOLUTION FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements for The State Department of Devolution set out on pages 1 to 26, which comprise the statement of assets and liabilities as at 30 June 2017, and the statement of receipts and payments, statement of cash flows and summary statements of appropriation – recurrent, development and combined for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of audit.

In my opinion, except for the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the State Department of Devolution as at 30 June 2017, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standard (Cash Basis) and comply with Public Finance Management Act, 2012.

In addition, as required by Article 229(6) of the Constitution, except for matters described in the Basis for Qualified Opinion section of my report, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

Basis for Qualified Opinion

1. Opening Balances

The financial statements for the year ended 30 June 2017 include restated comparative figures for the financial year 2015/2016. However, no documents have been provided for audit verification in support of the restated comparative figures. The accuracy and validity of the comparative figures as reported cannot, therefore, be confirmed.

2. Other Revenue

The statement of receipts and payments and as disclosed at Note 3 and Annex 3 to the financial statements, reflects other revenues amounting to Kshs.3,031,318. These other revenues are described under Note 3 as receipts found in the State Department's bank statement as having been credited to the bank account. However,

the management has not provided any supporting documents to prove that the receipts were due to the State Department for services rendered. Consequently, the validity, ownership and accuracy of other revenues cannot be confirmed.

3. Grants and Transfers to other Government Entities

The financial statements reflect payments totalling Kshs.541,135,010 as grants and transfers to other government entities. However, the amounts recorded in the financial statements of the receiving government entities differs from the ones reported in the State Department's financial statements as detailed below:

Entity	Amount as Per the Entity's Financial Statements Kshs.	Amount Reported in the State Dept. Financial Statements Kshs.	Variance Kshs.
Council of Governors	153,202,024	160,145,650	6,943,026
KDSP Component	101,159,883	80,939,360	20,170,523

The variances above have not been explained or reconciled.

4. Use of Goods and Services

The use of goods and services payments totalling Kshs.415,522,851 as reflected in the statement of receipts and payments and disclosed in Note 5 to the financial statements includes an amount of Kshs.260,256,399 in respect of other operating expenses. However, examination of the ledger revealed that the following amounts were charged to operating expenses instead of the correct items of the expenditure:

Amount - Kshs	Nature of Expense
3,219,000	Communication, supplies and services
580,000	Salaries to staff
15,697,081	Domestic travel & subsistence, staff meal allowances
5,113,500	Accommodation and Conference
722,036	Motor Vehicle Repairs & Maintenance
925,900	Routine Maintenance – Other assets

No explanations have been provided for the above anomalies.

In addition, an unexplained journal entry of Kshs.19, 897,500 was similarly posted to the operating expenses account and no explanation to justify this journal has been provided.

5. Cash and Cash Equivalents

(i). The statement of assets and liabilities as at 30 June 2017 reflects an amount of Kshs.76,795,422 as cash and cash equivalents comprising of the bank balances of Kshs.75,987,651 and cash balances of Kshs.807,771. However, even though the balances were supported by bank statements, board of survey report and bank confirmation certificates as at 30 June 2017, the bank reconciliation statements for the rest of the year have not been presented for audit review. The completeness of transactions arising from the bank accounts and the cash system for the whole year cannot not be confirmed under the circumstances.

(ii). Although the bank confirmation certificate as at 30 June 2017 reflects an amount of Kshs.1,163,889 in respect of Kenya Devolution Support Programme, the same has not been taken into account inspite of the programme expenditure forming part of the other operating expenses. Further, an adjustment of Kshs.440,298 under the deposits account has not been explained.

In the circumstances, the completeness and accuracy of the cash and cash equivalents balance of Kshs.76,795,422 as at 30 June 2017 cannot be confirmed.

6. Prior Year Adjustments

The statement of assets and liabilities as at 30 June 2017 reflects prior year adjustments of Kshs.180,997,512 in respect of the current year and Kshs.792,501 in respect of the previous year. However, the reasons for the prior year adjustments and the documentation in support of the adjustments have not been provided. In addition, the treatment does not satisfy the requirement of IPSAS 3 on, "Accounting Policies, Changes in Accounting Estimates and Errors" which, require restatement of the affected figures in the year the error first occurred except when it is impracticable and this fact must be disclosed. Under the circumstances, the accuracy and validity of the adjustments as presented cannot be ascertained.

7. Pending Bills

The State Department of Devolution reported at Annex 2 to the financial statements pending bills amounting to Kshs.3,296,627,373 as at 30 June 2017, comprising of Kshs.3,286,465,791 brought forward from the previous year and Kshs.10,161,582 for the financial year 2016/2017. Failure to settle bills during the year to which they relate distorts the financial statements for the year and adversely affects the provisions of the subsequent year to which they have to be charged. Had the bills been paid and expenditure charged to the accounts for 2016/2017, the statement of receipts and payments for the year would have reflected a deficit of Kshs.3,259,566,371 instead of the surplus of Kshs.37,061,102 now shown.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the State Department of Devolution in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I

believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for matters described in the Basis for Qualified Opinion section of my report, I have determined that there are no Key Audit Matters to communicate in my report.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standard (Cash Basis) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the State Department's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to cease operations, or have no realistic alternative but to do so.

The 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.

Those charged with governance are responsible for overseeing the State Department's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

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.

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

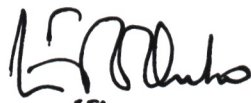
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide

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.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the State Department's 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 going concern 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 ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the State Department to cease sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the State Department to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

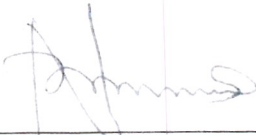
25 April 2018

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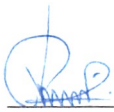
STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2016-2017 Kshs	RE-STATED 2015-2016 Kshs	PREVIOUSLY STATED 2015-2016 Kshs
RECEIPTS				
Proceeds from Domestic and Foreign Grants	1	152,895,860	3,484,968,076	3,484,968,076
Transfers from National Treasury	2	1,009,820,523	7,411,431,312	7,411,431,312
Other Revenues	3	3,031,318	-	-
TOTAL REVENUES		1,165,747,701	10,896,399,388	10,896,399,388
PAYMENTS				
Compensation of Employees	4	169,997,428	276,569,499	276,569,499
Use of goods and services	5	415,522,851	548,876,759	426,676,308
Transfers to Other Government Units	6	541,135,010	6,186,850,946	6,166,680,423
Other grants and transfers	7	1,827,400	3,796,534,079	3,796,534,079
Acquisition of Assets	8	203,910	7,385,682	7,385,682
TOTAL PAYMENTS		1,128,686,599	10,816,216,965	10,673,845,991
SURPLUS/DEFICIT		37,061,102	80,182,423	222,553,397

The accounting policies and explanatory notes to these draft financial statements form an integral part of the financial statements. The entity draft financial statements were approved on 29 September 2017 and signed by:



 Principal Secretary
 Name: Nelson Marwa Sospeter, EBS



 Principal Accounts Controller
 Name: CPA Paul Kimani FCCA
 ICPAK Member Number: 11852

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STATEMENT OF ASSETS AND LIABILITIES

	Note	2016-2017 Kshs	RE-STATED 2015-2016 Kshs	PREVIOUSLY STATED 2015-2016 Kshs
FINANCIAL ASSETS				
Cash and Cash Equivalents				
Bank Balances	9A	75,987,651	262,414,654	404,785,629
Cash Balances	9B	807,771	736,358	736,358
Total Cash And Cash Equivalents		76,795,422	263,151,012	405,521,987
Accounts Receivables - Outstanding Imprest and Clearance Accounts	10	1,870,224	3,135,099	3,135,099
TOTAL FINANCIAL ASSETS		78,665,646	266,286,111	408,657,086
LESS: FINANCIAL LIABILITIES				
Accounts Payables - Deposits	11	39,206,617	82,890,672	82,890,672
NET FINANCIAL ASSETS		39,459,030	183,395,439	325,766,414
REPRESENTED BY				
Fund balance b/fwd	12	183,395,439	104,005,517	104,005,517
Surplus/Deficit for the year		37,061,102	80,182,423	222,553,397
Prior year adjustments		(180,997,512)	(792,501)	(792,501)
NET FINANCIAL POSSITION		39,459,029	183,395,439	325,766,413

The accounting policies and explanatory notes to these draft financial statements form an integral part of the financial statements. The entity financial statements were approved on 29 September 2017 and signed by:



Principal Secretary
Name: Nelson Marwa Sospeter, EBS



Principal Accounts Controller
Name: CPA Paul Kimani FCCA
ICPAK Member Number: 11852

MINISTRY PLANNING AND DEVOLUTION - STATE DEPARTMENT OF DEVOLUTION
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STATEMENT OF CASH FLOWS

	Note	2016-2017 Kshs	RE-STATED 2015-2016 Kshs	PREVIOUSLY STATED 2015-2016 Kshs
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts for operating income				
Proceeds from Domestic and Foreign Grants	1	152,895,860	3,484,968,076	3,484,968,076
Transfers from National Treasury	2	1,009,820,523	7,411,431,312	7,411,431,312
Other Revenues	3	3,031,318	-	-
		1,165,747,701	10,896,399,388	10,896,399,388
Payments for operating expenses				
Compensation of Employees	4	169,997,428	276,569,499	276,569,499
Use of goods and services	5	415,522,851	548,876,759	426,676,308
Transfers to Other Government Units	6	541,135,010	6,186,850,946	6,166,680,423
Other grants and transfers	7	1,827,400	3,796,534,079	3,796,534,079
		1,128,482,689	10,808,831,283	10,666,460,309
Adjusted for:				
Changes in receivables		1,264,875.00	2,727,786	2,727,786
Changes in payables		(43,684,056)	(119,263,389)	(119,263,389)
Adjustments during the year	13	(180,997,512)	(792,501)	(792,501)
Net cash flow from operating activities		(186,151,680)	(28,967,498)	112,610,975

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**CASHFLOW FROM INVESTING
ACTIVITIES**

Acquisition of Assets	8	(203,910)	(7,385,682)	(7,385,682)
Net cash flows from Investing Activities		(203,910)	(7,385,682)	(7,385,682)

**NET INCREASE IN CASH AND CASH
EQUIVALENT**

		(186,355,590)	(36,353,180)	105,225,293
Cash and cash equivalent at BEGINNING of the year		263,151,012	300,296,693	300,296,693
Cash and cash equivalent at END of the year		76,795,422	263,151,012	405,521,987

The accounting policies and explanatory notes to these draft financial statements form an integral part of the financial statements. The entity financial statements were approved on 29 September 2017 and signed by:



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MINISTRY PLANNING AND DEVOLUTION - STATE DEPARTMENT OF DEVOLUTION

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SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Revenue/Expense Item	a	b	c=a+b	d	e=d-c	f=d/c %
Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation Difference to Final Budget	
RECEIPTS						
Proceeds from Domestic and Foreign Grants	1,834,300,000	(1,064,291,000)	770,009,000	152,895,860	(617,113,140)	20%
Exchequer releases	2,953,451,492	(1,114,176,726)	1,839,274,766	1,009,820,523	(829,454,243)	55%
Other Receipts	-	-	-	3,031,318	3,031,318	0
Total Receipts	3,073,451,492	(1,214,176,726)	1,859,274,766	1,165,747,701	(693,527,065)	
Payments						
Compensation of Employees	126,397,273	43,974,274	170,371,547	169,997,428	(374,119)	100%
Use of goods and services	921,627,969	(343,860,000)	577,767,969	415,522,851	(162,245,118)	72%
Transfers to Other Government Units	2,022,656,250	(914,291,000)	1,108,365,250	541,135,010	(567,230,240)	49%
Other grants and transfers	2,000,000	-	2,000,000	1,827,400	(172,600)	91%
Acquisition of Assets	770,000	-	770,000	203,910	(566,090)	26%
Total Payments	3,073,451,492	(1,214,176,726)	1,859,274,766	1,128,686,599	(730,588,167)	61%

The entity draft financial statements were approved on 29 September 2017 and signed by:



Principal Secretary
Name: Nelson Marwa Sospeter, EBS



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ICPAK Member Number: 11852

See variance explanation in annex 1.

MINISTRY PLANNING AND DEVOLUTION - STATE DEPARTMENT OF DEVOLUTION
Reports and Financial Statements
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SUMMARY STATEMENT OF APPROPRIATION: RECURRENT

Revenue/Expense Item	a	b	c=a+b	d	e=d-c	f=d/c %
Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation Difference to Final Budget	
RECEIPTS						
Exchequer releases	649,451,492	145,014,274	794,465,766	793,950,000	(515,766)	100%
Other Receipts	-	-	-	3,031,318	3,031,318	
Total Receipts	649,451,492	145,014,274	794,465,766	796,981,318	2,515,552	
PAYMENTS						
Compensation of Employees	126,397,273	43,974,274	170,371,547	169,997,428	(374,119)	100%
Use of goods and services Transfers to Other Government Units	111,927,969	101,040,000	212,967,969	201,480,441	(11,487,528)	95%
Other grants and transfers	408,356,250	-	408,356,250	408,136,650	(219,600)	100%
Other grants and transfers	2,000,000	-	2,000,000	1,827,400	(172,600)	91%
Acquisition of Assets	770,000	-	770,000	203,910	(566,090)	26%
Total Payments	649,451,492	145,014,274	794,465,766	781,645,830	(12,819,936)	98%

The entity draft financial statements were approved on 29 September 2017 and signed by:



Principal Secretary
Name: Nelson Marwa Sospeter, EBS



Principal Accounts Controller
Name: CPA Paul Kimani FCCA
ICPAK Member Number: 11852

MINISTRY PLANNING AND DEVOLUTION - STATE DEPARTMENT OF DEVOLUTION

Reports and Financial Statements

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SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT

Revenue/Expense Item	a	b	c=a+b	d	e=d-c	f=d/c %
	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation Difference to Final Budget
RECEIPTS						
Proceeds from Domestic and Foreign Grants	1,834,300,000	(1,064,291,000)	770,009,000	152,895,860	(617,113,140)	20%
Exchequer releases	589,700,000	(294,900,000)	294,800,000	215,870,523	(78,929,477)	73%
Total Receipts	2,424,000,000	(1,359,191,000)	1,064,809,000	368,766,383	(696,042,617)	
Payments						
Use of goods and services	809,700,000	(444,900,000)	364,800,000	214,042,410	(150,757,590)	59%
Transfers to Other Government Units	1,614,300,000	(914,291,000)	700,009,000	132,998,360	(567,010,640)	19%
Total Payments	2,424,000,000	(1,359,191,000)	1,064,809,000	347,040,770	(717,768,230)	33%

The entity draft financial statements were approved on 29 September 2017 and signed by:



Principal Secretary
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Principal Accounts Controller
Name: CPA Paul Kimani FCCA
ICPAK Member Number: 11852

MINISTRY PLANNING AND DEVOLUTION - STATE DEPARTMENT OF DEVOLUTION
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SIGNIFICANT ACCOUNTING POLICIES

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

1. Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with Cash-basis IPSAS financial reporting under the cash basis of Accounting, as prescribed by the PSASB and set out in the accounting policy notes below.

This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions.

The receivables and payables are disclosed in the Statement of Assets and Liabilities. The Statement of Assets and Liabilities is not a mandatory statement under the IPSAS Cash basis but is encouraged in order to disclose information on assets and liabilities.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the entity. All values are rounded to the nearest Kenya Shilling. The accounting policies adopted have been consistently applied to all the years presented.

The financial statements comply with and conform to the form of presentation prescribed by the PSASB.

2. Reporting entity

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

- (i)* Devolution Support Programme For Results
- (ii)* Support to Devolution Programme

3. Recognition of receipts and payments

a) Recognition of receipts

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

Tax receipts

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

SIGNIFICANT ACCOUNTING POLICIES

Transfers from the Exchequer

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

External Assistance

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

Donations and grants

Grants and donations shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary. In the case of grant/donation 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.

Proceeds from borrowing

Borrowing includes Treasury bill, treasury bonds, corporate bonds; sovereign bonds and external loans acquired by the entity or any other debt the Entity may take on will be treated on cash basis and recognized as receipts during the year of receipt.

Undrawn external assistance

These are loans and grants at reporting date as specified in a binding agreement and relate to funding projects currently under development where conditions have been satisfied or their ongoing satisfaction highly likely and the project is anticipated to continue to completion. During the year ended 30th June 2017, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

Other receipts

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

b) Recognition of payments

The entity recognises all expenses when the event occurs and the related cash has actually been paid out of the entity.

Compensation of employees

Salaries and Wages, Allowances, Statutory Contribution for employees are recognized in the period when the compensation is paid.

SIGNIFICANT ACCOUNTING POLICIES

Use of goods and services

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

Interest on borrowing

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

Repayment of borrowing (principal amount)

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

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 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 a payment.

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

4. In-kind contributions

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

5. Cash and cash equivalents

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

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SIGNIFICANT ACCOUNTING POLICIES

Restriction on cash

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

Amounts maintained in deposit bank accounts are restricted for use in refunding third party deposits. As at 30th June 2017, this amounted to Kshs 38,766,319 compared to Kshs 82,890,672 in prior period indicated on note 11

There were no other restrictions on cash during the year

6. Accounts Receivable

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

MINISTRY PLANNING AND DEVOLUTION - STATE DEPARTMENT OF DEVOLUTION
Reports and Financial Statements
For the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS

1. PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

Name of Donor	RE-STATED		PREVIOUSLY STATED
	2016-2017 Kshs	2015-2016 Kshs	2015-2016 Kshs
Grants Received from Bilateral Donors (Foreign Governments)			
MTAP-DANIDA(DENMARK)		48,575,465	48,575,465
Instruments for Devolution Advice and Support - IDEAS	19,897,500		
Grants Received from Multilateral Donors (International Organisations)			
Kenya Devolution Support Programme – WORLD BANK	80,989,360		
Council of Governors – SIDA(Swedish)	52,009,000		
NDMA-Subtotal Various as under			
Kenya Hunger Safety net Programme-DFID-UK		2,906,000,000	2,906,000,000
Kenya Rural Development Programme-EDF/-EEC		205,901,561	205,901,561
KRDP ASAL Drought Contingency-EDF/ECC		280,987,850	280,987,850
Armed Violence and small arms reduction-UNDP		6,223,200	6,223,200
Kenya Integrated Climate CHANGE Project-UNDP		7,280,000	7,280,000
EDF(European Development Fund)		30,000,000	30,000,000
Total	152,895,860	3,484,968,076	3,484,968,076

MINISTRY PLANNING AND DEVOLUTION - STATE DEPARTMENT OF DEVOLUTION
Reports and Financial Statements
For the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. EXCHQUER RELEASES

Description and reference of the transfer	2016-2017	2015-2016	2015-2016
	Kshs	Kshs	Kshs
1st quarter transfer	109,900,000	1,001,450,000	1,001,450,000
2nd quarter transfer	319,209,883	2,028,153,855	2,028,153,855
3rd quarter transfer	217,300,000	2,847,000,000	2,847,000,000
4th quarter transfer	363,410,640	1,534,827,457	1,534,827,457
Total	1,009,820,523	7,411,431,312	7,411,431,312

3. OTHER REVENUES

	2016-2017	2015-2016	2015-2016
	Kshs	Kshs	Kshs
Other Miscellaneous Revenues	3,031,318	-	-
Total	3,031,318	-	-

These represent miscellaneous receipts from various sources found on our bank statement credited on our bank account and receipted. The listing for this amount is provided as per annexure No.3

4. COMPENSATION OF EMPLOYEES

	2016-2017	2015-2016	2015-2016
	Kshs	Kshs	Kshs
Basic salaries of permanent employees	95,405,929	178,829,761	178,829,761
Personal allowances paid as part of salary	74,591,499	97,739,738	97,739,738
Total	169,997,428	276,569,499	276,569,499

MINISTRY PLANNING AND DEVOLUTION - STATE DEPARTMENT OF DEVOLUTION
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5. USE OF GOODS AND SERVICES

	2016-2017	2015-2016	2015-2016
	Kshs	Kshs	Kshs
Utilities, supplies and services	285,600	6,963,795	4,873,552
Communication, supplies and services	8,631,626	17,204,157	17,204,157
Domestic travel and subsistence	17,916,573	68,088,838	33,014,348
Foreign travel and subsistence	2,652,105	14,042,344	14,042,344
Printing, advertising and information supplies & services	1,699,332	4,594,006	4,594,006
Rentals of produced assets	72,500,000	170,189,103	137,042,417
Training expenses	7,305,460	8,218,925	8,218,925
Hospitality supplies and services	24,976,863	36,309,599	36,309,599
Specialised materials and services	796,400	1,525,767	1,525,767
Office and general supplies and services	5,775,718	10,127,827	10,127,827
Other operating expenses	260,256,399	167,900,978	116,119,946
Routine maintenance – vehicles and other transport equipment	4,514,177	9,476,235	9,476,235
Fuel Oil and Lubricants	6,346,316	17,784,288	17,784,288
Routine maintenance – other assets	1,866,283	16,450,897	16,450,897
Total	415,522,851	548,876,759	426,676,308

MINISTRY PLANNING AND DEVOLUTION - STATE DEPARTMENT OF DEVOLUTION
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For the year ended June 30, 2017

6. A) TRANSFERS TO OTHER GOVERNMENT ENTITIES

Current Grants to Government Agencies and other Levels of Government	408,136,650	-	-
Capital Grants to Government Agencies and other levels Of Government	52,009,000	-	-
Other Capital Grants and Transfer	80,989,360	6,186,850,946	-
TOTAL	541,135,010	6,186,850,946	-

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

6. B) GRANTS AND TRANSFERS TO OTHER GOVERNMENT ENTITIES

Description	2016-2017 Kshs	2015-2016 Kshs	2015-2016 Kshs
Transfers to National government entities			
Western Kenya Community Driven Development &Flood Mitigation Project	-	946,410,000	946,410,000
National Humanitarian Secretariat		1,827,000,000	1,827,000,000
IGRTC	300,000,000	Nil	Nil
Transition Authority		661,237,500	661,237,500
Medium Term ASAL Programme		402,892,375	402,892,375
National Drought Management Authority (NDMA)		1,893,284,405	1,893,284,405
Council of Governors	160,145,650	205,856,143	205,856,143
Current Grants to other govt agencies(street families)		230,000,000	230,000,000
KDSP Donor component Project Preparation Advance(PPA)	80,989,360	20,170,523	
TOTAL	541,135,010	6,186,850,946	6,166,680,423

MINISTRY PLANNING AND DEVOLUTION - STATE DEPARTMENT OF DEVOLUTION
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NOTES TO THE FINANCIAL STATEMENTS (Continue

7. OTHER GRANTS AND TRANSFERS

	2016-2017 Kshs	2015-2016 Kshs	2015-2016 Kshs
Emergency relief and refugee assistance		2,001,933,736	2,001,933,736
Membership Fees and Dues and subscription to International Organizations	1,827,400	21,800	21,800
Other Capital Grants and Transfers		1,794,578,543	1,794,578,543
Total	1,827,400	3,796,534,079	3,796,534,079

8. ACQUISITION OF ASSETS

	2016-2017 Kshs	2015-2016 Kshs	2015-2016 Kshs
Non Financial Assets			
Construction of Buildings		2,999,419	2,999,419
Refurbishment of Buildings		157,980	157,980
Construction and Civil Works		-	-
Purchase of Office Furniture and General Equipment		3,313,200	3,313,200
Purchase of Specialised Plant, Equipment and Machinery	203,910	915,083	915,083
Total	203,910	7,385,682	7,385,682

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. A: BANK ACCOUNTS

Name of Bank, Account No. & currency Head Quarters	CBK A/c No.	Type	2016-2017	2015-2016	2015-2016
			Kshs	Kshs	Kshs
State Department of Devolution	1000209828	Recurrent	19,921,300.55	100,979,190.25	41,305,367.00
State Department of Devolution	1000209763	Development	16,859,733.70	78,544,792.00	280,589,590.00
State Department of Devolution	1000212616	Deposit	39,206,616.50	82,890,672.00	82,890,672.00
Total			75,987,650.75	262,414,654	404,785,629

9. B: CASH IN HAND

	2016-2017	2015-2016	2015-2016
	Kshs	Kshs	Kshs
Cash in Hand – Held in domestic currency	807,771.00	736,358.00	736,358.00
Cash in Hand – Held in foreign currency	Nil	Nil	Nil
Total	807,771.00	736,358.00	736,358.00

Cash in hand should also be analysed as follows:

	2016-2017	2015-2016	2015-2016
	Kshs	Kshs	Kshs
Ministry Headquarters-Cash Office	807,771	736,358	736,358
Total	807,771	736,358	736,358

MINISTRY PLANNING AND DEVOLUTION - STATE DEPARTMENT OF DEVOLUTION
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. ACCOUNTS RECEIVABLE - OUTSTANDING IMPRESTS

<i>Description</i>	2016-2017 Kshs	2015-2016 Kshs	2015-2016 Kshs
Outstanding Imprests	203,200.00	1,322,566.00	1,322,566.00
Clearance accounts			
Salary advance	-	145,509.00	145,509.00
District suspense	1,667,024.00	1,667,024.00	1,667,024.00
Total	1,870,224.00	3,135,099.00	3,135,099.00

Breakdown of Outstanding Imprest

Name of Officer or Institution	Date Imprest Taken	Amount Taken Kshs	Amount Surrendered Kshs	Balance Kshs
Humphrey Kasyamani Litali	2015/2016	84,500	-	84,500
Stephen Owino Odhiambo	2015/2016	118,700	-	118,700
Total		203,200		203,200

11. ACCOUNTS PAYABLE

	2016-2017 Kshs	2015-2016 Kshs	2015-2016 Kshs
Deposits	39,206,616.50	82,890,672	82,890,672
TOTAL	39,206,616.50	82,890,672	82,890,672

12. FUND BALANCE BROUGHT FORWARD

	2016-2017 Kshs	2015-2016 Kshs	2015-2016 Kshs
Bank accounts	262,414,654	300,188,260	300,188,260
Cash in hand	736,358	108,433	108,433
Receivables - Outstanding Imprests	3,135,099	5,862,885	5,862,885
Payables - Deposits	(82,890,672)	(202,154,061)	(202,154,061)
Total	183,395,439	104,005,517	104,005,517

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13. PRIOR YEAR ADJUSTMENTS

	2016-2017 KSHS	2015-2016 KSHS	2015-2016 KSHS
Outstanding Imprests	(1,119,366)	(490,185)	(490,185)
District suspence	-	(302,316)	(302,316)
Surrender to treasury balance on Mtap	(8,841,037)		
Transfer to exchequer/treasury	(170,891,600)		
salary advance	(145,509)		
Total	(180,997,512)	(792,501)	(792,501)

14. 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 of Devolution

- Key management personnel that include the Accounting Officer
- Other Ministries Departments and Agencies and Development Projects;
- County Governments; and
- State Corporations and Semi-Autonomous Government Agencies.

15. PROJECTS TAKEN OVER BY OTHER STATE DEPARTEMENTS

Projects taken over by other Ministry/State Department

National Humanitarian Fund	The Presidency
Street Families	State Department for special Programme
National Drought Management Authority	State Department for special Programme

Projects that have ended

Arid and Semi Arid Lands (ASAL MTAP) Project	30 June 2016
Western Kenya Demand and Community Driven Project	30 June 2016

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16. LIST OF PROJECTS IMPLEMENTATED BY THE STATE DEPARTMENT OF DEVOLUTION

Ref.	Project Name	Principle Activity	Accounting Officer	Project Consolidated in these Financial Statements (Y/N)
1.	Kenya Devolution Support Programme	Devolution Support	Micah Pkopus Powon, CBS	N
2.	Instruments for Devolution Advice Support Programme	Devolution Support	Micah Pkopus Powon, CBS	N

17. PENDING BILLS (Annex 2.)

	2016/17 KSHS	2015/16 KSHS	2015/16
Supply of goods and services	10,161,582.10	-	-
Supply of goods and services	3,286,465,791.49	3,286,465,791.4	2,939,375,585.15
Total	3,296,627,373.60	3,286,465,791.49	2,939,375,585.15

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18. PROGRESS ON FOLLOW UP OF AUDITORS RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

ACTION PLAN FOR ADDRESSING AUDIT ISSUES RAISED FOR FINANCIAL YEAR 2016/2017

	No. of paragraph Header	Issue raised/Basis of opinion	Management comments	Focal point person to resolve the issue	Time Frame to resolve the issue
1.	Pending Bills	-Long outstanding -They affect the current operations	-We requested for funding from National Treasury -We have cleared those of 2016/2017	CFO PAC	One financial year
2.	Outstanding Imprest	-Long outstanding and not recovered	-A follow up is being made for those outstanding imprest for 2015/2016 and before	PAC HRM	One financial year
3.	Cash and Cash Equivalent	-Recurrent	-The cash book was adjusted with the reconciling items	PAC	One financial year
		-Development	-The cash book was adjusted with the reconciling items	PAC	One financial year
		-Unexplained reconciling items	-The unexplained items were investigated and the corrections were done in	PAC	One financial year

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		-Failure to provide record	the cash book -The cash book extracts and the board of survey report have been provided for audit	PAC	One financial year
4.	Proceeds from domestic and foreign grants	-Explanation between the figures	-The previously stated amount was erroneous and the correct amount has now been supported	PAC	One financial year
5.	Current Grants and Transfers(Street families)	-No expenditure return provided	Expenditure return being sought from the office of street families.	PAC	One financial year
6.	Other Grants and Transfers	-Emergency relief and refugee assistance	-Price variation is supported by minutes	PAC HSCM	One financial year
		-Other Capital Grants and Transfers	Correct figure has been restated	PAC	One financial year
7.	Budget and Budgetary Control	Variances not explained	Regularised in 2016/2017	PAC CFO	One financial year
8.	Unexplained and Unsupported Adjustments	Unsupported adjustments	Journal entries done to support the adjustments	PAC	One financial year
9.	Trial Balance	Trial balance not provided	Trial balance has been provided	PAC	One financial year
10.	Summary statement of provisions	Unsupported GAV and Exchequer provision	Support documents have been provided	PAC	One financial year



ANNEXURES

ANNEX 1.

1. STATEMENT OF APPROPRIATION COMBINED (RECURRENT AND DEVELOPMENT)

i. Use of goods and services -72%

- This is a new project of which the implementing agencies are required to achieve certain results to enable them access funding. Due to the late approval of planning document, including procurement plan and annual work plan.
- Activities which were planned under KDSP did not take place due to:-
 - late approval of procurement plan
 - Some of the activities planned were not carried out as planned this making it difficult to absorb the amount allocated.

ii. Transfer – 49%

Amount budgeted for counties in 2016/2017 was not released due to lack of enabling legislation in Counties Allocation of Revenue Act(CARA)& Division of Revenue Act(DORA) and efforts to amend these two Acts did not materialized. Hence the low absorption level.

Going forward we have ensured the allocation to counties are captured in both CARA and DORA and MTEF budget to avoid underutilization in future.

iii. Acquisition of Assets -26%

This was due to late approval of procurement plan which led to delays in the procurement process and thus affected the acquisition of assets before closure

iv. Proceeds from Domestic and foreign Grants -20%

The under expenditure recorded for receipts was due to non-release of World Bank proceeds which would have gone towards transfers to counties under Performance for Results (PforR) under KDSP.

v. Exchequer Release -73%

KDSP activities took place beyond the closure of Financial Year, some of the payments of these activities could not be done by June 30th 2017. The payments includes invoice from Kenya School of Government amounting to Ksh.26 Million.

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ANNEX 2.

2016-2017 HEADQUARTERS PENDING BILLS

S/N	P V NO	VOTE	PAYEE	AMOUNT	PURPOSE	CATEG.
1	918	R1032	FREJOS DESIGNER GRAPHICS	150,000.00	BOOKLETS	GOODS
2	832	D1032	FREJOS DESIGNER GRAPHICS	150,000.00	BOOKLETS	GOODS
3	3175	R1032	KIMIKETO CREATIONS	767,870.00	UNIFORM	SERVICE
4	3290	D1032	LIBKEN AGENCIES LTD	365,054.00	AIR TICKET	SERVICE
5	3288	D1032	LIBKEN AGENCIES LTD	125,955.00	AIR TICKET	SERVICE
6	3289	D1032	LIBKEN AGENCIES LTD	39,560.00	AIR TICKET	SERVICE
7	2775	R1032	KSG-LOWER KABETE	140,360.90	TUITION FEE	SERVICE
8	3158	R1032	POSTAL CORPORATION	27,840.00	POST OFFICE BOX	SERVICE
9	3350	R1032	REUBEN SIKULU	40,000.00	RETREAT ALLOWANCE	SERVICE
10	3136	R1032	CHEBET REGINA	182,866.20	SALARY ARREARS	SALARY
11	3349	R1032	SUSAN NALIANYA	14,000.00	TRANSPORT	SERVICE
12	3249	R1032	ZABLON MATOKE	4,900.00	PER DIEM	SERVICE
13	1167	D1032	MASADA HOTEL	300,050.00	CONFERENCE FACILITIES	SERVICE
14	144	D1032	BURCH,S RESORT	128,000.00	CONFERENCE FACILITIES	SERVICE
15	VARIOUS	D1032	ROTAM CLEANING SERVICES	1,228,060.00	CLEANING SERVICES	SERVICE
16	775	D1032	SWEET LAKE RESORT	231,000.00	CONFERENCE FACILITIES	SERVICE
17	708	D1032	SWEET LAKE RESORT	348,500.00	CONFERENCE FACILITIES	SERVICE
18	151	D1032	BURCH,S RESORT	104,000.00	CONFERENCE FACILITIES	SERVICE
19	13658560	D1032	ASTORIAN HOTEL	236,000.00	CONFERENCE FACILITIES	SERVICE
20	82017	D1032	VARIOUS OFFICERS	520,000.00	CONFERENCE FACILITIES	SERVICE
21	356	D1032	JUBILLY TOURS	37,350.00	AIR TICKET	SERVICE
22	1625	D1032	MASADA HOTEL	425,000.00	CONFERENCE FACILITIES	SERVICE
23	0	D1032	REX KIOSK	307,684.00	SUPPLY OF NEWS PAPERS	SERVICE
24	17030022	D1032	LIBKEN AGENCIES LTD	53,625.00	AIR TICKET	SERVICE
25	17060011	D1032	LIBKEN AGENCIES LTD	237,085.00	AIR TICKET	SERVICE
26	17030022	D1032	LIBKEN AGENCIES LTD	109,625.00	AIR TICKET	SERVICE
27	17060014	D1032	LIBKEN AGENCIES LTD	34,447.00	AIR TICKET	SERVICE
28	17030016	D1032	LIBKEN AGENCIES LTD	34,147.00	AIR TICKET	SERVICE
29	17030017	D1032	LIBKEN AGENCIES LTD	125,955.00	AIR TICKET	SERVICE
30	17030033	D1032	LIBKEN AGENCIES LTD	175,600.00	AIR TICKET	SERVICE
31	17030035	D1032	LIBKEN AGENCIES LTD	23,375.00	AIR TICKET	SERVICE
32	17030036	D1032	LIBKEN AGENCIES LTD	39,560.00	AIR TICKET	SERVICE
33	0	D1032	CUBE MOVERS	175,425.00	OFFICE RELOCATION	SERVICE
34	0	D1032	BEGON HYGIENE	69,600.00	SUPPLY OF SANITARY	SERVICE
35	6155593	D1032	MFI DOCUMENT SOLUTIONS	34,800.00	SERVICE CONTRACT	SERVICE

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36	0	D1032	SPEEDMAN AGENCIES	16,288.00	AUCTIONEER SERVICES	SERVICE
37	0	D1032	SHOWBIZ AGENCIES	357,000.00	PRINTING WORKS	SERVICE
38	207	D1032	MASADA HOTEL	2,801,000.00	CONFERENCE FACILITIES	SERVICE
			TOTALS	10,161,582.10		

Prior year pending bills

S/N	PAYEE	AMOUNT	DESCRIPTION	REMARKS
1	TAIB A. TAIB REPRESENTED BY J.A.B ORENGO	10,171,941.00	MBSA HIGH COURT MISC.NO.158 OF 2006	RECOMMENDED FOR PAYMENT
2	SPENCO (K) LTD	233,268,713	NBI HIGH COURT CIVIL.23 OF 2014,597 OF 2010,598 OF 2010 NO CONSOLIDATED	RECOMMENDED FOR PAYMENT
3	KENYA RAILWAYS COOPERATION	105,000,000	SALE OF L.R.NO 209/6502 TO DEFUNCT MINISTRY OF LOCAL GOVT.	RECOMMENDED FOR PAYMENT
4	DAVID MEREKA	8,115,834.49	NBI CMCC NO.3919 OF 2012	RECOMMENDED FOR PAYMENT
5	VARIOUS COUNTIES	2,929,909,303	CONTRIBUTION IN LIEU OF RATES	CONTRIBUTION OF RATES OUTSTANDING
	TOTAL	3,286,465,791.49		

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OTHER REVENUES

RECEIPTS FROM VARIOUS MINISTRIES

	RECEIVED FROM	DESCRIPTION	TRANSACTION REFERENCE	DEPART. VCH NO.	CASH BOOK VCH NO.	TRANSACT. DATE	AMOUNT KSH
1	P/S STATE DEPT OF AGRICULTURE	TRAINING	FT16337Q24M5	3483	650	2/12/16	63,960.30
2	P/S YOUTH AFFAIRS & SPORTS CILGIL	SURRENDER OF REVENUE	FT171857MRK3	3511	2156	4/7/17	86,975.00
3	P/S YOUTH AFFAIRS & SPORTS CILGIL	SURRENDER OF REVENUE	FT17185L910S	3512	2157	4/7/17	804,275.00
4	THE PRESIDENCY	TRAINING	FT16243FMG5F	3479	250	30/08/16	5,210.00
5	STATE DEPARTMENT FOR INTERIOR	TRAINING	FT16320HB0SR	3414	444	15/11/16	136,234.00
6	P/S YOUTH AFFAIRS & SPORTS CILGIL	UNSPENT AIE	FT162165TLCC	3417	248	3/8/16	1,384.90
7	P/S STATE DEPT OF AGRICULTURE	TRAINING	FT170582MCWC	3419	1005	27/02/17	63,939.25
8	P/S STATE DEPT OF AGRICULTURE	TRAINING	FT170342M14Q	3485	795	3/2/2017	63,959.50
9	P/S STATE DEPT OF AGRICULTURE	TRAINING	FT16308K6VH3	3482	413	3/11/16	93,037.75
10	P/S STATE DEPT OF AGRICULTURE	TRAINING	FT16365SPTPB	3484	651	30/12/16	63,959.50
11	P/S STATE DEPT OF AGRICULTURE	TRAINING	FT162747COMN	3481	253	30/09/16	105,715.00
12	P/S STATE DEPT OF AGRICULTURE	TRAINING	FT16248WYD6Y	3480	251	7/10/16	90,371.80
13	P/S STATE DEPT OF AGRICULTURE	TRAINING	FT162162T4DS	3418	249	3/8/16	45,727.00
14	MIN OF LOCAL GOVERNMENT	REVERS. OF FUNDS REF FT16235NNR	FT1628423XIX	3415	49	10/10/16	179,004.25
15	DC GARISSA	UNSPENT AIE	FT16279GV0SW	3478	2119	5/10/16	20,820.00
16	MIN OF INTERIOR & COORD.DC LODWAR	REMIT. OF UNSPENT FUNDS	FT17094LQHGC	3443	2120	4/4/17	100,000.00
17	P/S STATE DEPT OF AGRICULTURE	TRAINING	FT17093SC8DK	3476	2121	3/4/17	54,055.50
18	P/S STATE DEPT OF AGRICULTURE	TRAINING	FT17128BXQ3F	3477	2122	8/5/17	52,689.50
19	STATE DEPARTMENT FOR INTERIOR	UNSPENT AIE	FT16251KMCGY	3416	254	13/10/16	1,000,000.00
	TOTAL						3,031,318.25

ANNEX 3.