REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

STATE DEPARTMENT FOR SOCIAL PROTECTION AND SENIOR CITIZEN AFFAIRS

FOR THE YEAR ENDED 30 JUNE, 2025

MINISTRY OF LABOR AND SOCIAL PROTECTION
STATE DEPARTMENT FOR SOCIAL PROTECTION AND SENIOR CITIZEN

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2025

Transitional IPSAS Financial Statements is prepared in accordance with the Accrual Basis of Accounting Method Under International Public Sector Accounting Standards (IPSAS)

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1. Acronyms and Definition of Key Terms

CS	Cabinet Secretary
PS	Principal Secretary
CFO	Chief Finance Officer
HAU	Head of Accounting Unit
SPS	National Social Protection Secretariat
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
OCOB	Office of the Controller of Budget
OAG	Office of the Auditor General
DCS	Directorate Children Services
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
NCCS	National Council for Children Services
CWSK	Child Welfare Society of Kenya
TNT	The National Treasury
NCPWD	National Council for Persons with disabilities
SFRTF	Street Families Rehabilitation Trust Fund
DSAU	Directorate Social Assistant Unit
DSD	Directorate of Social Development

2. Key entity Information and Management

(a) Background information

The State Department for Social Protection and Senior Citizen Affairs was formed on 1st July, 2016 at Cabinet Level, the State Department is represented by the Cabinet Secretary for Ministry of Labour and Social Protection, who is responsible for the general policy and strategic direction of the State Department for Social Protection and Senior Citizen Affairs.to ensure that the Ministry's Vision and Mission are realised.

The State department comprises of four technical directorates namely: Directorate of Children's Services, Directorate of Social Development, National Social Protection Secretariat (SPS) and Directorate of Social Assistance. It has three Semi-Autonomous Government Agencies (SAGAs) National Council for Persons with Disabilities (NCPWDs), Children Welfare Society of Kenya (CWSK) and National Council for Children Services (NCCS). The Trust Funds under the State Department include Street Families Rehabilitation Fund (SFRTF) and National Assistance Trust Fund for victims of Counter Trafficking.

(b) Mandate

The sub-sector mandate is derived from the Executive Order No. I of June 2018 (Revised) which include;

- Social Protection policy;
- Policy and programmes for Persons with Disabilities;
- Vocational Training and Rehabilitation of Persons with Disabilities;
- National Volunteerism Policy;
- Policy and programmes for Older Persons;
- Management of Statutory Children's Institutions;
- Community Development Policy;
- Community Mobilization;
- Registration of Self-help groups;
- Protection and Advocacy of Needs of Persons with Disabilities
- Rehabilitation of Street Families;

Vision: A society where communities are empowered and vulnerable groups enjoy equal rights, opportunities and a high quality of life.

Mission: To promote and coordinate community empowerment, care, participation, and protection of children, Persons with Disabilities and other vulnerable groups as an integral part of national development.

(c) Key Management

The State Department for Social Security and Protection's day-to-day management is under the following key organs

1. Cabinet Secretary
2. Principal Secretary
3. Directorate Social Assistant Unit; (DSAU)
4. Directorate Children Services; (DCS)
5. Directorate of Social Development; (DSD)
6. National Social Protection Secretariat (SPS)
7. Administration Department

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2024 and who had direct fiduciary responsibility were:

No.	Designation	Name
1	Accounting Officer	Joseph M. Motari, CBS
2	Secretary Children Services	Mr.Shem Nyakutu
3	Director Social Development	Mr.Lissel Mogaka
4	Director Social Assistance	Mr.Moses Kamau
5	Secretary Administration	Mr.Dickson O. MacAger
6	National Social Protection Secretariat	Ms Jane Muyanga
7	Senior Chief Finance Officer	Mr.Batista Nyang'ara
8	Director Central Planning Unit	Mr.Nicholas Kitua

- Family Protection Policy;
- Policies on Children and Social Development;
- Counter Trafficking in Persons;
- Children Welfare and Penal Protection; and
- Support for matrimonial and succession laws and policies.

Kenya Vision 2030 Flagship Projects relevant to the State Department for Social Security and Protection

The Kenya Vision 2030 identified two flagships which are relevant to the State Department for Social Protection and Senior Citizen Affairs namely: -

- Establishment of a consolidated social protection fund for cash transfers to OVCs and the elderly; and
- Full implementation (including appropriate budgetary allocation) of the Disability Fund.

The Kenya Vision 2030 further identified the following strategies to be implemented alongside the flagship's projects: -

- Enforce the Children Act, 2001 to eliminate child labour as well as other retrogressive practices causing vulnerabilities among children;
- Empower people with special needs to make them self-supporting;
- Enhance support to orphans and vulnerable children (OVCs) to reduce dependency;
- Implementing policies that minimize the differences in income opportunities and access to social services across Kenya's geographical regions; and
- Increasing community participation in social-economic development.

Vision and Mission of the State Department

(e) Fiduciary Oversight Arrangements

a. Budget Implementation Committees.
b. Audit Committee.
c. Medium Term Expenditure Framework Committee.
d. Medium Term Planning Committee.
e. Sector Policies Committee.
f. Performance Contracting Committee.
g. Sustainable Development Goals Committee.
h. Monitoring & Evaluating Committee.
i. Corruption Eradication Committee.
j. Safety & Security Committee

(f) Entity Headquarters

State Department for Social Protection and Senior Citizen Affairs

P.O. Box 46205-00100
NSSF Building Bishop Road Nairobi, Kenya

(g) Entity Contacts

Telephone: (254) 2727980 E-mail: Info@labour.go.ke
Website: www.Labour.go.ke

(h) Entity Bankers (all banks)

1. Central Bank of Kenya Haile Selassie Avenue
   P.O. Box 60000
   City Square 00200 Nairobi, Kenya
2. Kenya Commercial Bank Kencom House
   P.o Box 48400 GPO-00100
   Nairobi, Kenya
3. Co-operative Bank of Kenya Co-operative House
   Haile Selassie Avenue
   P.o Box 74956-00200
   Nairobi, Kenya

(i) Independent Auditors

Auditor-General
Office of the Auditor General
Anniversary Towers, University Way

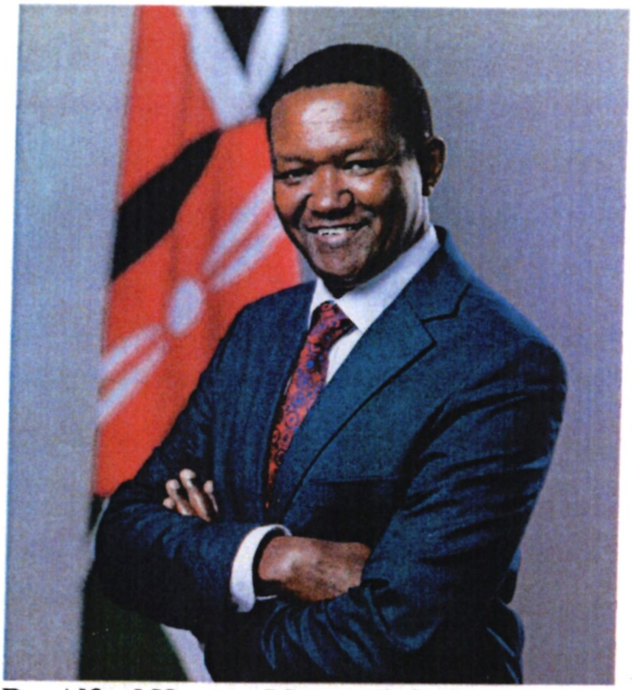
P.O. Box 30084
GPO 00100
Nairobi, Kenya

(j) Principal Legal Adviser

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

3. Profile of Cabinet Secretary

Dr. Alfred Nganga Mutua, E.G.H is a prominent Kenyan politician and public figure, currently serving as the Cabinet Secretary for Labour and Social Protection. Previously, he held the position of Cabinet Secretary for Tourism and Wildlife in the Republic of Kenya, and before that, he served as the Cabinet Secretary for Foreign and Diaspora Affairs. Dr. Mutua was the first elected Governor of Machakos County, where he served two terms from 2013 to 2017 and again from 2018 to 2022.



Dr. Alfred Nganga Mutua, E.G.H
Cabinet Secretary
Ministry of Labour and Social Protection

During his tenure, he demonstrated exemplary leadership, contributing to the county's long-term sustainable socio-economic development. His efforts earned him the title of **"Best Governor in Africa, 2021"** by the Illustrious Awards Organizers for significantly improving the livelihoods of Machakos County residents.

From June 2002 to September 2012, Dr. Mutua served as Kenya's first official Government Spokesperson. In this role, he established the Public Communications Office, which coordinated the dissemination of information from various government ministries and departments, revolutionizing government communication strategies. His pioneering work in public communication left a lasting impact on how government information is shared with the public.

Dr. Mutua's educational background is distinguished. He attended Toi Primary School, Dagoretti High School, and Jamhuri High School for his "O" and "A" levels. He later studied abroad, earning a Bachelor of Arts in Journalism from Whitworth University and a Master of Science in Communications from Eastern Washington University, where he graduated at the top of his class. He further pursued a Doctorate in Communication and Media Studies from the University of Western Sydney, Australia. Dr. Mutua began his academic career as a lecturer at Daystar University in Kenya and later served as an Assistant Professor at Zayed University's College of Communication and Media Sciences in Dubai.

Beyond his academic and political careers, Dr. Mutua has an extensive background in media and journalism. He has worked for major Kenyan newspapers, including Nation Media, Standard Newspaper, and Kenya Times, with his articles published internationally in outlets such as the Spokesman Review and Sydney Morning Herald. Additionally, he served as a Foreign Correspondent for Australia's SBS TV, where he interviewed numerous world leaders and produced TV documentaries. Dr. Mutua is also a published author, best known for his book "How to be Rich in Africa and Other Secrets of Survival", and has directed and produced several TV series.

In recognition of his outstanding service to Kenya, Dr. Alfred Mutua has been conferred with the Elder of the Burning Spear (EBS) and the Elder of the Order of the Golden Heart (E.G.H.), one of the highest honours in the country.

4. Profile of Accounting Officer and Key Management

Management Profile	
 Mr. Joseph Mogosi Motari, CBS Principal Secretary	Mr. Joseph Mogosi Motari, CBS is the Principal Secretary, State Department for Social Protection and Senior Citizen Affairs in the Ministry of Labour and Social Protection. He is a seasoned career civil servant specialized in Public Administration and Governance. Preceding his appointment as Principal Secretary on 5th December, 2022, he was the Director Administration in the then State Department for Post Training and Skills Development, Ministry of Education from May 2022. Mr. Motari is an alumnus of Kenyatta University where he undertook his Bachelor of Arts degree and Moi University where he undertook his Masters Degree in Public Administration.
 Esther Maina, MBS **Secretary Administration**	Esther Maina holds a masters degree and she is a career civil Servant. She was served as the regional Commissioner for Central region.
 **Bernard Muliro Sabwami**	Deputy Accountant General who is also a member of ICPAK holds a Masters degree in Business administration from JKUAT and Bachelors degree in business Management from Moi University. Bernard has been with the National Treasury since 2005 in the fields of auditing and accountancy.
Joel Ongao Senior Chief Finance Officer	Joel Ongao is holds a Master of Business Administration and he is a CPA finalist. He is a career civil Servant since 2005.
 **Nicholas Wambua Kitua, OGW**	Director Planning, is a masters degree holder and graduand from Makerere University and University of Nairobi respectively. He is a career civil servant for a period of more than 30 years.
 **Jane Nzisa Muyanga**	Director National Social Protection Secretariat. She is a Career Civil Servant

 **Moses Kamau**	Director, Directorate of Social Assistance, Holds a masters of education (economics and planning)-2004 and a bachelor of education(arts)-1997 both from Kenyatta University. **Work History** Employed by the Teachers Service Commission in 1998 as a graduate teacher and posted in a secondary school in Taita Taveta. In 2004 after graduating with a masters degree I was posted as a lecturer at Muranga teachers training College. In 2007 I transferred my service to the public Service Commission as a Chief Youth officer under the ministry of Youth affairs. In 2010 I transferred on promotion to the Ministry of gender and Social services and posted in Kitui and Nairobi Counties as the County Coordinator for social development. Later in 2018 I was transferred to the headquarters as Section head for the Disability Division in the Directorate of Social Development. In 2023 I was Deployed to head the Directorate of Social Assistance. My current Designation is Director for social Development
 **Lynnet Ochuma** Ag. Secretary, Directorate of Social Assistance	Currently acting Secretary at the State Department for Social Protection and Senior Citizen Affairs, Directorate of Social Development. Coordinates Community Capacity Support and Development Program, Disability services, Family Promotion and Protection initiatives in the Country. Has thirty one years (31) in the Public Sector, brings extensive expertise in Social Development and Social Protection, have actively participated in the Development of Policies and Implementation in the Social Protection Sector. Hold a Doctor of Philosophy in Disaster Management and Humanitarian from Masinde Muliro University of Science and Technology. Additionally I have a Masters Degree in Nutrition and Dietetics and a trained Educationist from Kenyatta University Kenya.
 **Shem Nyakutu**	Secretary, Directorate of Children Services holds a Masters of science degree from the university of maastricht and Bachelor of law degree from Mount Kenya University. He is a career civil servant for a period of more than 30 Year. He has a fashion for Children.
Bernard Orina Director, Human Resournce Management and Development	Bernard Orina is a Career Civil Servant
 **David Kinyae** Head, Supply Chain	David Kinyae is a career Civil Servant

Management Services	
Michael Wambuu Head, Internal Audit	Michael Wambuu is a Career Civil Servant
Francis Khamala Head, Public Communications	Francis is a Career Civil Servant
Christine Muthama Head, ICT	Christine Muthama is a Career Civil Servant

5. Statement by the Cabinet Secretary

Ministry of Labour and Social Protection through the State Department of Social Protection and Senior Citizen Affairs is mandated with the responsibility of ensuring implementation of chapter 4 of the Constitution on the Bill of Rights. The State Department hence plays a fundamental role in the direction to realization of the transformation agenda as advocated in the fourth medium term Plan (MTP 4) 2023-2027 of the Kenya Vision 2023, the Constitution of Kenya (2010) and the Bottom-up Economic Transformation agenda (BETA).

It further plays a role on Kenyan's commitment to sustainable Development Goals, Africa Agenda 20263 and relevant international conventions to which Kenya is a signatory. Social Protection Sub Sector is gradually becoming critical in the development progression exclusively as the world in general and Kenya in particular face with the challenges of unemployment, climate change, vulnerability, poverty, pandemic like Covid – 19 and inequalities.

To Implement the commitment, the State Department focus on Improving the Livelihoods of poor and Vulnerable groups through streamlining payment of cash transfers and management of Inua Jamii to older persons and Persons with Severe Disabilities (PwsD)- Consolidated Cash Transfer Programme CCTP and enhancing transparency in registration, targeting and enrolment of beneficiaries.

In addition, the State Department provide policy and legislative framework on social Development, strengthens for effective delivery of social development interventions, strengthen capacity of communities for participation in social economic activities through community group registration, coordinate and mange volunteerism activities, protection of rights of persons with disabilities, social welfare for older persons, thus contributing to national regional and international obligations and protocols.

In order to improve coordination and Linkages in Delivery of Social interventions by actors in Kenya, The State Department Co-coordinate development and review of social protection policies, legal and Institutional frameworks, Support Development and Improvement of Social Protection systems, Facilitate Development of Social Protection Stakeholders networks, Enhance awareness and capacity for increased uptake of Social Protection Services among contributory schemes and promote sustainable financing options for social protection.

In Conclusion, I wish to recognize the support and determinations of our partners and stakeholders in ensuring that the State Department programmes are effectively implemented. From our social partners, Development Partners, Government Ministers, and State Department), Non-Governmental Organizations (NGOs), Beneficiaries and the General Public, your unending support to this department is very much appreciated. The Level of Success implementing the initiatives and Programmes during the regional year is dependent upon strengthening the collaborations we build over the years while forming new ones.

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Dr. Alfred Nganga Mutua, E.G.H
Cabinet Secretary
Ministry of Labour and Social Protection

6. Statement by the Accounting Officer

The State Department for Social Protection and Senior Citizen Affairs is mandated with the responsibility of ensuring implementation of the constitution especially under chapter 4 on the Bill of rights. Articles 43 sub article 3 states that **"The State Shall Provide Appropriate Social Security to persons who are unable to support themselves and their dependents".**

In order to continuously address this obligation, the State Department pays special focus on the improvement of livelihood of vulnerable groups specifically the elderly and persons with Disabilities. The State Department therefore plays a pivotal role towards the realization of the country's transformation agenda as advocated in the Kenya Vision 2030, medium term Plan (MTP), Bottom-Up Transformation Agenda (BETA) and the Constitution of Kenya (2010).

Key achievements

Activities	**Actual achievement**
Community group registered	179,200
Community group linked to MFIs	94,345
Community groups trained	71,274
Community members sensitized on CGR Act of 2022	71,274
Vulnerable community members targeted and supported through Economic Inclusion Programme (EIP)	14,296
Business Group established	12,237

Key Challenge

Inadequate fundings from the National Treasury that has negatively affected achievement of various targets as per the annual work plans for various departments.

Financial performance

The state department has a revenue basket of Kshs 48,343,941,009 against the total expenditure of Kshs 47,316,329,072 resulting to a surplus of Kshs 1,027,611,936 during the year.

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Joseph M. Motari, CBS

Accounting Officer

7. Statement of Performance Against Predetermined Objectives for FY 2024/2025

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer presents a statement of performance against predetermined objectives of the State Department.

The key strategic objectives as per the State Department of Social Protection and Senior Citizen Affairs strategic plan for FY 2022/2023- FY 2026/27 are to:

a) Develop and review policies, legal and legislative frameworks to guide different stakeholders involved in the implementation of social protection measures
b) Mobilize, empower individuals, families, groups and communities for improved livelihoods
c) Safeguard the rights and welfare of vulnerable groups
d) Deliver social protection interventions amongst state and non-state actors
e) Implementation of Social Protection Programmes

Expenditure in the FY should be geared toward to realization of the aforementioned strategic objectives as captured in the Strategic plan for FY 2022/2023 to FY 2026/27. Linked to these objectives are specific programmes outcomes and outputs and performance indicators.

Table 1: Programme performance

					Achievement for the FY 2024/25			Cumulative Achievement by end of FY			
Programme	**Strategic Objective**	**Outcome**	**Key Outputs**	**Key Performance Indicators**	**target**	**Actual**	**Variance**	**target**	**Actual**	**Variance**	**Remarks**
Social Development and Children Services	Mobilize, empower individuals, families, groups and communities for improved livelihoods	Individuals, families, groups, and communities are empowered to actively participate in decision-making, improve their livelihoods, and collectively address social and economic challenges.	Community Groups (SHGs, CBOs) registered, trained & linked to MFIs	No. of community groups registered	55,000	55,710	710	180,000	179200	(800)	Reduced budget for mobilization, sensitization and training of groups
				No. of groups linked to various MFIs	30,000	35,537	5,537	90,000	94345	4,345	Target Achieved
				No. of community groups (SHGs, CBOs) trained	20,000	29,084	9,084	60,000	71,274	11,274	Support from stakeholders
				% of resolved group conflict and grievance	100%	100%	–	100%	100%		Target Achieved
			Community Group Registration	No of regulations developed to	5	0	(5)	5	0	(5)	Validation of regulations by the DD

			Act, 2022 Operationalized for Increased Community participation in socio-economic development	implement the Community Group Registration Act, 2022							Team completed, awaiting public participation to be carried out in the 2025/26 FY
				Training Manual for Social Development Officers	1	0	(1)	1	0	(1)	Draft Training manual developed. Pretest and validation to be done in 2025/26 FY.
				Directorate of Social Development Strategic Plan 2023-2027	1	0	(1)	1	0	(1)	Draft Directorate's Strategic Plan in place
				No of community members sensitized on CGR Act of 2022	20,000	29,084	9,084	60,000	71,274	11,274	Support from stakeholders
				Community Development Policy	1	0	(1)	1	0	(1)	Target reviewed. To be done after

											completion of the SRIM policy and the CGR Act regulation
				No. of learning forum for Community Development Practice in the Kenya	1	1	0	1	1		Target achieved
				A reviewed National Volunteerism Policy	1	0	(1)	1	0	(1)	Need for collaboration with youth subsector as per the Executive Order
			Vulnerable community members targeted and supported through Economic Inclusion programme (EIP)	No of vulnerable community members supported through consumption support	7,740	5837	(1903)	15,000	14,296	(704)	EIP Programme Phase I Cohort 2 ended in December, 2024 Deficit as a result of participants not opening bank

											accounts and non-submission of opened bank accounts by PSPs
				No. of businesses groups established	2,500	4211	1711	10,00 0	12,23 7	2,237	Members preferred one person business
				No of vulnerable community members supported through Asset Transfer	7,740	5837	(1903)	15,00 0	14,29 6	(704)	EIP Programme Phase I Cohort 2 ended in December, 2024. Deficit as a result of participants not opening bank accounts and non-submission of opened bank accounts by PSPs

				No. of participants trained and mentored	7,740	5837	(1903)	15,000	14,296	(704)	Some participants opted out of the program
				EIP impact evaluation of cohort I	1	1	0	1	1		Target Achieved
				No of Village Savings and Loans (VSLAs) Groups operationalized	550	286	(264)	1,100	1,100		
				No of mentors recruited and trained	161	161	0	161	161	0	Target Achieved
				Strategy for Economic Inclusion Programme (EIP) Scale up	1	1	0	1	1	0	Target Achieved. EIP graduation strategy for Scale up finalized and validated
				EIP County and Sub county Multisectoral	15	15		15	15		Achieved

				Committee operationalized						
				No of officers trained on poverty Graduation Approach (EIP)	50	50	0	150	150	0	150 Implementing and coordinating teams trained on poverty Graduation Approach
				No. of National and County government officers trained on Social Risk & Impact Management (SR&IM)	160	120	(40)	280	260	(20)	
			Local communities protected from unintended negative adverse effects of social risks in	Kenya Social Risks and Impact Management Policy	1	0	(1)	1	0	(0)	Policy finalized and Cabinet memo signed by CS forwarded to CS Environment for comments and

			development projects								countersigning
				No of National and County officers trained on Land Acquisition and Resettlement Management	70	90	20				Target Achieved.
				No. of SRM County Multisectoral Committees established & operationalized	12	12	0	36	36		Target Achieved.
				No of Social Impact Assessments conducted	100%	100 %	0	100	100		Target Achieved.
				No. of National and County government officers trained on Social Risk	160	120	(40)	160	120		120 officers trained on SRIM

				& Impact Management (SR&IM)							
				A reviewed National Policy on Older Persons and Ageing	1	0	(1)	1	1		Achieved
	Safeguard the rights and welfare of vulnerable groups		Support and care for older Persons and Aging	Sensitization Booklet on Older Persons and Ageing	1	0	(1)	1	0	(1)	Draft Booklet in place, pending finalization in the next FY 2025/26
				Older Person and Ageing Bill	1	0	(1)	1	0	(1)	Incorporation of comments by legal drafters carried out. Draft Bill 2024 for-warded to the AG for consideration and adoption
				A reviewed National Standards Guidelines	1	1	0	1	1		Review of the National Standards Guidelines

				on the Establishment and Management of institutions for older persons							on the Establishment and Management of institutions for older persons will be carried out after the enactment of the Older Persons Bill, 2024
				An up to date National databank of institutions and service providers for older persons	1	1	0	1	1		Update ongoing (continuous throughout the financial year)
				No. of older persons rescued and placed at Kirinyaga Rescue Centre	15	12	(3)	90	94		
				A Strategy on Intergenerati	1	0	(1)	1	0	(1)	To be carried out in the next FY subject to

				onal Solidarity							availability of funds
				No. of community members sensitized on healthy ageing and older persons rights	10,000	3,177	(6823)	30,000	10,243	19,757	Reduction in budget
				No. of county governments sensitized on the rights for older person	40	1	(39)	47	7	(40)	Nairobi County sensitized during the UN day World Elder Abuse Day and UN International Day of the Family held in Nairobi County
				No. of community members sensitized on disability inclusion	50	0	(50)	200	0	(200)	Funding to field offices was not sufficient to undertake the activity.

											Activity to be carried out in 2025/26 FY
				No. of PWDs trained in VRCs	750	758	8	2,250	2,301		Target achieved
				Prototype Curriculum for Vocational Rehabilitation Centers	1	0	(1)	1	0	(0)	-Draft developed. -A technical working group was formed to finalize the management guidelines -The finalization is ongoing.
				Resource Mobilization Strategy on implementation of Inclusive Data Charter	-	0	(1)	1	0	(0)	-Draft resource mobilization strategy developed. -The Validation will be conducted in 2025/26 FY
				Strategy to address	1	0	(1)	1	0	(1)	Concept Note developed

				intersectional discrimination of women and girls with disabilities							Development of the draft strategy to be carried out in the FY 2025/26.
				No. stakeholders sensitized on inclusive data collection	150	150	0	750	750		Target Achieved
				National Policy for Persons with Disabilities	1	1	0	1	1		Target Achieved Policy approved by Cabinet.
				No of community-based rehabilitation volunteers Sensitized on management of CBR programmes	1089	0	(1089)	2100	1	(2100)	-Terms of Reference finalized. -Technical working group formed to harmonize CBR Volunteers, lay volunteers and Volunteers.

				Training manual for Community-Based Rehabilitation volunteers	1	0	(1)	1	0	(1)	-Training manual, booklet and framework developed and finalized. - Validation to be carried out in the 2025/26 FY.
			Disability inclusion services provided	No. of land title deeds secured	3	0	(3)	6	0	(6)	Land ownership processes ongoing with assistance from Ministry of Lands
				No. of land ownership documents acquired	4	0	(4)	12	0	(12)	Land ownership documentation ongoing with assistance from Ministry of Lands
				No. of UN days observed	6	6	0	18	18		- International Day of Older persons held

											in the counties -International Day of Persons with Disabilities held on 3rd December, 2024 in Bungoma County. -International Day for Volunteerism held on 5th December, 2024 in Nairobi County. -Good Deeds Day held on 5th April, 2025 at Mathare, Nairobi County. -WEAAD 2025 was observed through a two - day

											National Symposium held on 16-17th June at KISE, Nairobi -IDOF 2025 held on 15th May, 2025 at PrideInn Westlands, Nairobi.
				No. of UN and EAC State Parties reports	4	3	(1)	12	11	(10	The 63rd Session of the Commission for Social Development held on 10th - 14th February, 2025 at the United Nations, New York. - GDS 2025 held in April - UN Conference of State Parties of

											Persons with Disabilities was held in New York on 10th-12th June with DSD representation The open-ended working group on ageing closed its mandate in May 2024
				No. of PWD SHGs Linked to Funding Opportunities.	600	1076	476	1800	2125	325	Overachievement due to enhanced awareness on registration of OPDs
				No. of PWDs graduates with vocational and technical skills supported with tools of	350	249	101	1100	986		Majority of applicants did not meet the requirements for funding

				trade for self-employment provided with startup capital							
				No. of PWDs supported with LPO financing fund	50	25	25	150	132		Demand driven and subject to eligibility criteria.
				No. of PWDs provided with assistive & supportive devices and services	4,700	8,952	4,252	12,000	13,453		Overachievement due to strengthened partnerships
				No. of persons with disabilities registered and issued with disability cards	120,000	88,575	31,425	500,000	497,453		Low levels of awareness on self-registration on e- citizen by PWDs
				No. of PWDs provided	4,000	4,382	382				Overachievement due to

				with scholarships							strengthened partnerships
				No. of Persons with Albinism supported with sunscreen lotion	5,000	3,800	1,200				Mapping done to bridge the variance
			National, Regional and International recommendation implemented	No. of Persons with Albinism supported for eye care	500	500	500				Target achieved
				No. of Persons with Albinism provided with financial support for skin cancer screening.	5,000	2,431	2,569				Demand driven
		Safeguard the rights and welfare of vulnerable groups	Disability rights mainstreamed in socio-economic development	No. of Persons with Autism and related developmental disorders provided	13,000	15,884	2,884				Overachievement due to high demand on therapy services

				with therapy services							
				No. of Persons with Autism and related developmental disorders supported with essential drugs and supplies	8,000	6,941	1,059				Partnership with MOH through COG finalized in 4th quarter
				No. of accessibility audits conducted in MDCAs	100	321	221				Overachievement due to digital audits conducted on websites
				No. of PWDs registered in the NCPWD career Portal	5,000	6,338	1.338	15000	14236	744	Demand driven target
				% of registered employable PWDs	5	1.5	3.5	5	3.5	(1.5)	As per Public Service commission

				engaged as employees and interns in STATE DEPARTMENTs							report on employment
			Persons with Albinism supported for eye and skin care	No. of households with PWSDs supported with cash	65,281	63,607	(1,674)	65,281	63,607	(1,674)	
				No. of Gok MIS systems integrated with CCTP MIS (National Registration Bureau, Civil Registration Service, Pensions, Enhanced Single Registry,)	5	4	(1)	5	4	(1)	Demand driven
				No. of CCTP MIS modules	5	5		5	5		Overachievement due to high demand

				enhanced and operationaliz ed							on therapy services
			Persons with Autism and related development al disabilities supported	No. of Sub County officers retrained on the enhanced CCTP MIS modules	850	0	(850)	850	0	(850)	There was no funding to undertake the trainings
				% of case updates and grievances within the spelt timelines (meeting the Service Level Agreements)	100	90	(10)	100	90	(10)	Delays within escalation levels. If they have entered wrong details and and cases rejected it takes long to re submit.
			Compliance with Disability regulations in MDCAs monitored	No. of sub counties where Beneficiary Outreach Strategy has been rolled out	47	10	(37)	47	10	(37)	It was to supported by the KSEIP project but the funding was later not given
				CCTP Operations	1	1		1	1		

				Manual (OM) reviewed							
				No. of Payment Service Providers (PSPs) procured	-	1		1	1		Payments done through Safaricom Mpesa via the Ecitizen platform
National Safety Net	SP 2.1: Social Assistance to Vulnerable Groups	Safeguard the rights and welfare of vulnerable groups	Households with vulnerable persons supported	No of counties with operational COP county chapters	2	3	1	2	3	1	The COP county chapters were established in Nairobi, Laikipia and Nakuru counties
				No. of meetings for the National Steering committee for SP (NSCSP)	2	2	-	6	6		Target achieved
				No. of KSEIP progress reports	1	1	-	3	3		Target achieved
			Consolidated Cash Transfer Programme Management Information	Reviewed SP M&E framework	1	0	1	3	2		This was not achieved due to the budget cut in the donor support

			System (CCTP MIS) enhanced	Upgraded and maintained ESR and CCTP data centre	1	1	-	1	1		Target achieved
				No. of stakeholders accessing data through the ESR MIS	3	7	4	9	21		The following stakeholders utilized data from the ESR ;Redcross for Turkana County, SHA across multiple counties and UNHCR for Mombasa, Nakuru, Kajiado, Nairobi and Kiambu counties
			Grievance and case management system strengthened	No. of Counties adopting Generic County Government Social	2	0	2	13	6		This was not achieved due to the budget cut in the donor support

				Protection (CG-SP) MIS							
				% of total estimated Vulnerable households per County in the Social registry in 23 counties	75	75	-	75	104	29	Target achieved as a result of donor support
			Administrative frameworks strengthened to enhance delivery of CCTP	No of SP stakeholders sensitized on the ESR including the HTT	23,000	24,500	-1500	50,000	50,400	400	During the roll out of the inclusion of Refugees into the ESR, additional stakeholders were sensitized
				% of NSNP beneficiaries enrolled into NHIF	75	55	-20	75	55	(20)	This Indicator has been on hold due to the restructuring of NHIF to SHIF
		National Social Protection	Social protection network for sustainabilit	No. of counties which has populated	23	23	-	23	23		

		Secretariat (NSPS)	y and coordination strengthened	ESRMIS data in non-HSNP counties							
				No. of stakeholders trained on social protection (Learning & Development)	20	20		128	47		Target achieved.
				No of Research study findings on SP disseminated	1	1	-				Target achieved.
				No. of stakeholders trained on the Environmental Safeguards Framework (ESF) for KSEIP	20	20	-				Target achieved.
			Functional registry for harmonized	No. of Public Private Partnership	2	2	-	6	2	(4)	Requirements of legal

			identification and enrollment of vulnerable households in Social Protection	forums for Co-financing social protection held							framework was needed
				No. of UNSDCF coordination meetings	1	1	-	3	3	-	Target achieved.
				No. of legislative documents (Finalize the SP bill	1	0	(1)	1	1		Achieved
				No of the annual cross cutting issues coordinated in the Annual CS PC	5	5		5	5		Achieved
				% of implementation of Training Needs Assessment report	100	100		100	100		Achieved
				No. of functional	5	5		5	5		Achieved

				Management Information Systems (MISs) supported							
				% adherence to annual servicing and maintenance of ICT equipment schedule	100	100		100	100		Achieved
			Enhanced awareness and capacity for increased uptake of SP services	No. of ICT staff trained to administer MISs within the State Department	6	6		200	200		Achieved
				No. of staff trained on Media handling	20	20		60	61	1	Achieved
				No. of procured computers	145	40	105	246	246		Achieved
			Sustainable Financing Options for Social Protection Promoted	Updated Annual Inventory of State Department's assets	1	1		1	1		Achieved

				No. of Students placed on attachment	584	512	(72)	1800	1912	112	Achieved
			Administrative support Services provided	No. of monthly reports on remitted statutory deductions to relevant statutory institutions (PAYE, NHIF, NSSF, HELB WCPS)	60	60		120	120		Achieved
		Street Families Rehabilitation Trust Funds (SFRTF)	Street families rehabilitated	No of Strategic plan developed	1	1		1	1		Achieved
				No. of strategies developed	1	1		1	1		Achieved
				No. of annual CS Performance contracts coordinated	1	1					

				No. of Performance contracts cascaded (CS vis PS and PS vis HODs)	10	10		30	30		Achieved
			Street families reintegrated	No. of quarterly and annual M&E reports prepared	4	4		12	12		Achieved
				No. of monthly Payroll processed	12	12	0	36	36		Achieved
			Capacity of county chapters and caregivers strengthened	No. of budget implementation committee (BIC) constituted and operationalized.	1	1		3	3		Achieved
			Communication Strategy developed	No. of MPPR, Sub-Sector, Sector & PBB reports	4	4		12	12		Achieved

				Itemized budget							
			Resources mobilized	Itemized budget	1	1		3	3		Achieved
			Compliance with statutory requirements	Approved budget	2	2					
			Development of Strategic plan 2023-2027 coordinated	Quarterly and annual audit report	5	5		15	15		Achieved
			Communication Strategy developed Performance managed	No. of annual work plan, annual procurement plan and cash plan prepared and submitted to TNT&P	1	1		3	3		Achieved
				No. of Periodic Reports produced and submitted to various lead Agencies	4	4		12	12		Achieved

				(Annual financial statement to controller and auditor general, quarterly expenditure return, quarterly reports to COB)						
			National census of street families undertaken	No. of budgetary performance reports	4	4		12	12		Achieved
			Secure Mavoko land							
General Administration and Support Services	Develop and review policies, legal and legislative frameworks to guide different stakeholders involved	Coherent and up-to-date policy, legal, and legislative frameworks are in place to guide stakeholders, ensuring	Administrative support Services provided Compliance with Public Finance Management Act, 2012 and							

	in the implementation of social protection measures	effective, coordinated, and rights-based implementation of social protection measures.	subsequent regulations								

8. Governance Statement

i. Leadership and Governance Structure

The State Department for Social Protection and Senior Citizen Affairs through executive order No.1 of 2025 is mandated to perform functions which cover, Social Protection Issues, Social Development Issues, Social Assistance Issues and Adult Learning and Education Issues. These are delivered through and established structure which covers 4No. technical directorates and support services at the headquarters, regional offices, county offices and sub-county offices across the entire country.

ii. Audit committee and other committees

The State Department for the purpose of ensuring smooth, seamless, efficient, and effective delivery of services has established an Audit Committee, Performance Contracting Committees, Drug and Abuse Committee, Monitoring and Evaluation Committee, Asset Management Committee, Productivity Committee, among others. These committees have been active and have facilitated the department to deliver on its mandate.

iii. Risk management policies with the Ministries, Departments and Agencies

The State Department developed a risk management framework, and disseminated the same to all heads of departments and their stakeholders. This has created and enabling environment for delivery of services.

iv. Report on recent training and development on governance for those in key leadership

During the FY 2024/25, the State Department trained 22No. officers in the areas of Policy, Leadership,

Governance, Third year capacity building to achieve Gender Equality in the world of Work . These trainings were conducted locally in the Kenya School of Government and outside the country mainly in ESAMI – Tanzania, Dubai, Singapore and Uganda. The trainings have imparted the necessary and required skills to improve performance of the department.

v. Public Participation

The State Department has adhered to public participation process as required in its implementation of programmes and projects. This has enabled the department realize its key deliverables which include but not limited to: Social Protection Act of 2025; Person with Disabilities Act of 2025; delivery of National Safety Net Programme (Inua Jamii); delivery of Community Group and Registration Programme; and Empowerment Programmes affecting the vulnerable members of society.

vi. Compliance with laws and regulations among others

The State Department implements chapter 4 on the Bill of Rights of the Constitution in support to vulnerable in the society. There are other subsidiary regulations which support the constitution. During the period under review, the department has complied with all the legislations and has ensured there is value for money to the citizens.

9. Management Discussion and analysis

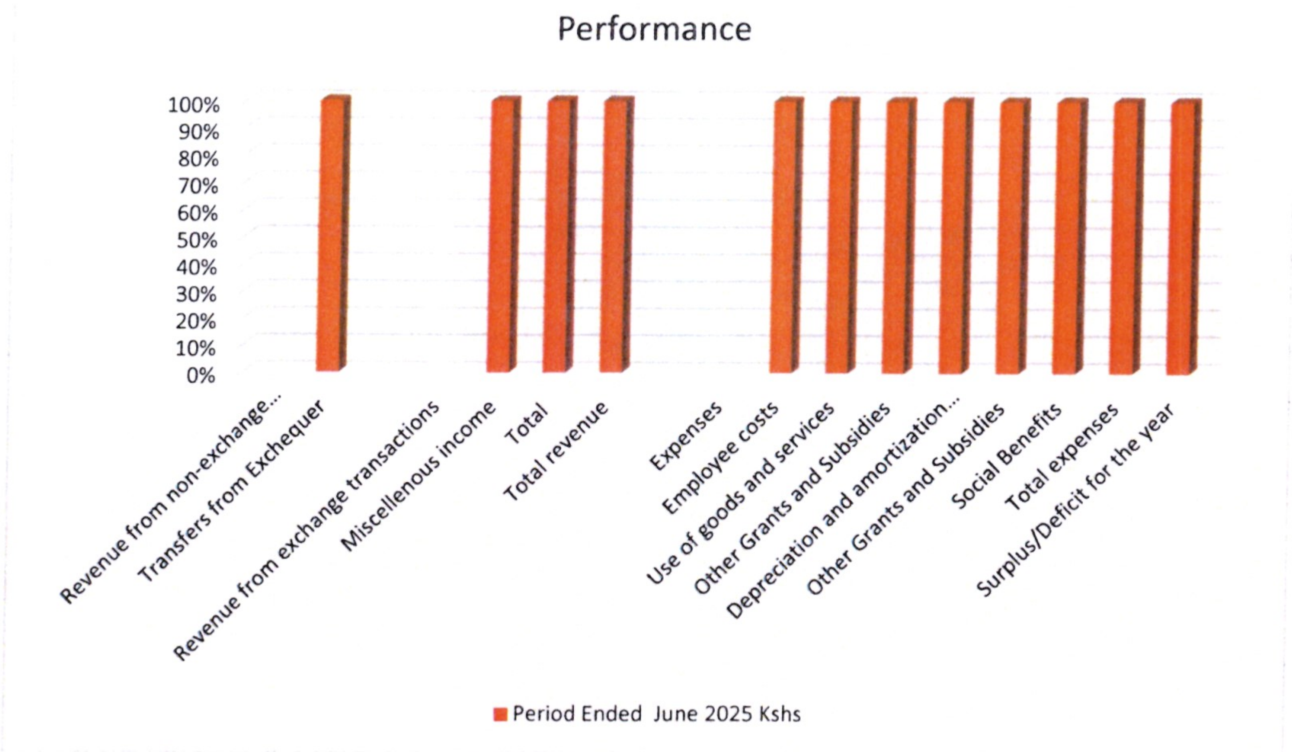
Operational and financial performance

The state department continued to execute its mandate which include; Social Protection policy, Policy and programmes for Persons with Disabilities, Vocational Training and Rehabilitation of Persons with Disabilities, National Volunteerism Policy, Policy and programmes for Older Persons, Management of Statutory Children's Institutions, Community Development Policy, Community Mobilization, Registration of Self Help groups, Protection and Advocacy of Needs of Persons with Disabilities, Rehabilitation of Street Families;

During the period under review, the state department received recurrent grants amounting to ksh 47 billion against a budget of ksh 47 billion representing 99% and Appropriation in Aid of ksh 149 million against the budget of ksh 179 million, which represents 86%.
The expenditure during the period ended includes use of goods and services (ksh 2.4 billion), personnel emolument (ksh 2.3 billion), Transfer to other Government entities (Kshs 4.9Billion),other grants and subsidies(ksh .388Billion) and social benefits totalling to (Kshs 37 billion)

Performance

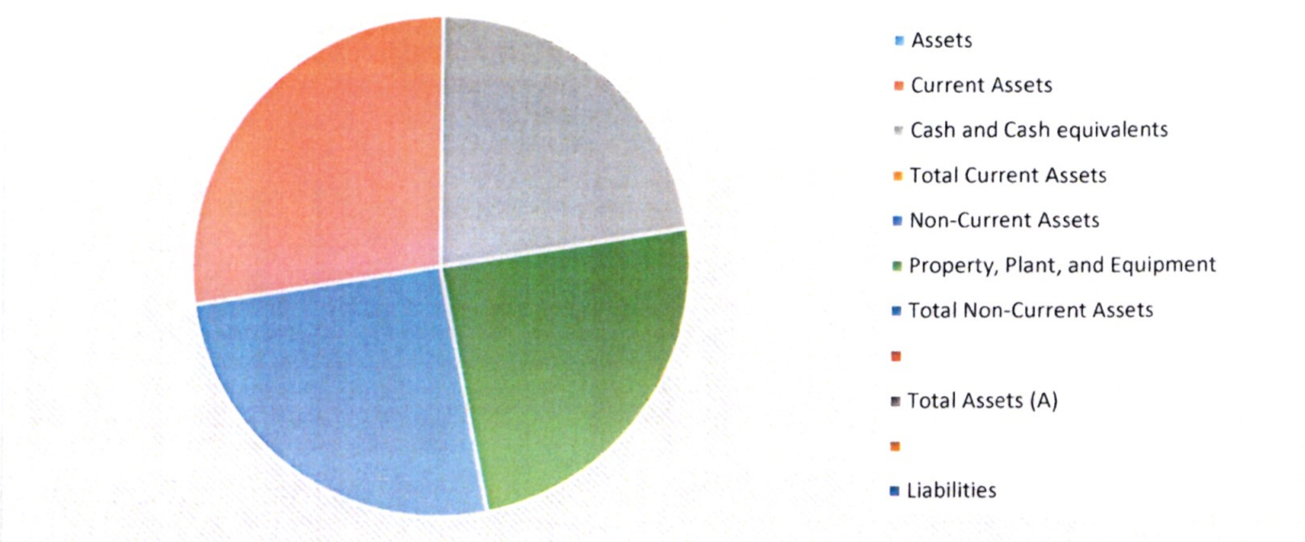
The graph below illustrates the actual revenue and expenditure as at 30th June 2025.



Position

The analysis of current assets, non-current assets, current liabilities, non-current liabilities and reserves for the financial year and opening balances, as illustrated below.

position



Compliance with Statutory Requirements

The state department complied with all legal provisions of the Acts which affects its operations for example the Public Finance Management Act, 2012, State Corporations Act and Tax laws including: PAYE, SHA, AHL and NSSF are up to date in terms of remittance and compliance.

10. Environmental and Sustainability Reporting

a) Sustainability Strategy and Profile

The State Department has put in place measures and strategies to ensure its programmes and projects are sustainable. Key among these measures are development of various policies and legislations in every thematic area. Persons with Disabilities Act 0f 2025 and the Community Group and Registration Act 2022 are being developed and are at different stages. National Street families rehabilitation policy was completed and approved and its bill is being developed. The National family policy was also developed and approved.

b) Environmental Performance

In order to ensure the State Department has effectively contributed to the management and conservation of the environment for the current and future generation, the following measures have been put in place. Implementing the presidential directive on achieving 10% forest cover through planting in its public institutions which includes Children remand homes, children rehabilitation centres, vocational rehabilitation centers, regional county and sub county offices. The State Department has a target of 50Million trees in the next 10 years and this translates to 5 million trees per year. In order to realize this, target the State Department has established Environmental Management Committees both the headquarters and its field stations.

c) Employee Welfare

The State Department recognizes the contribution of its staff to the realization of its functions. In this regard, the State Department has put in place the following measures to improve the employee welfare: Development and realignment of the State Departments functions with various schemes of service which have reduced stagnation of staff hence improving their morale leading to higher productivity. The State Department has established various committees for the purpose of addressing staff concerns and welfare. Ministerial Human Resource Advisory Management Committee (MHRAC) and Ministerial Human Resource Performance Committee (MHRPC) have been discharging their functions effectively. The State Departments also implements the Occupational Safety and Health Act of 2007 by clearly making the exit areas in case of emergencies and placing fire extinguishers in its buildings and floors.

d) Market Place Practices

The State Department has put in place effort in: -

i. Responsible Competition practice through

Establishment of various committees such as the public complaints committee and corruption prevention committee. The State Department has further adopted online platform for procurement of goods and services and is being guided by the PFM Act 2012 in procurement of goods and services

The State Department has been able to honor its obligation through ensuring that its supplies are paid timely.

e) Community Engagements

The State Department has been implementing its activities in an open manner by a way of ensuring that communities are involved in every stage of the project cycle. This is through the identification of cash transfer beneficiaries, Registration of the Poor and Vulnerable households into the Enhanced Single Registry, social welfare and community development programmes to older persons and PWDs

11. 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 State Department shall prepare financial statements in respect of that State Department. 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 Principal Secretary in charge of the State Department and is responsible for the preparation and presentation of the State Department financial statements, which give a true and fair view of the state of affairs of the State Department for and as at the end of the financial year (period) ended on June 30, 2025. 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 State Department, (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 State Department; (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 accepts responsibility for the State Department's financial statements, which have been prepared on the Accrual Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the State Department*'s* financial statements give a true and fair view of the state of State Department's transactions during the financial year ended June 30, 2025, and of the State Department financial position as at that date. The Accounting Officer further confirms the completeness of the accounting records maintained for the State Department, which have been relied upon in the preparation of the State Department financial statements as well as the adequacy of the system of internal controls.

The Accounting Officer in charge of the State Department confirms that the State Department has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the state department'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 state department'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 Ministry's financial statements were approved on ________________ 2025 and signed by:

....

Joseph M. Motari, CBS

Principal Secretary

REPUBLIC OF KENYA

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REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON STATE DEPARTMENT FOR SOCIAL PROTECTION AND SENIOR CITIZEN AFFAIRS FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

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

A. Report on 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 the 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 the Government achieves value for money and that such funds are applied for the intended purpose; and,

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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying transitional IPSAS financial statements of State Department for Social Protection and Senior Citizen Affairs set out on pages 1 to 40, which comprise of the statement of financial position as at 30 June, 2025 and the statement of statement of financial performance, statement of changes in net assets, statement of cash flows and statement 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, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the transitional IPSAS financial statements present fairly, in all material respects, the financial position of State Department for Social Protection and Senior Citizen Affairs at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards- Accrual Basis (including the transitional provisions permitted under IPSAS 33) and comply with the Public Finance Management Act, 2012 and The National Treasury and Economic Planning Circular No.3 of 14 April, 2025.

Basis for Qualified Opinion

1. Non-Compliance with Transitional IPSAS Reporting Template

Note 2 to the Financial Statements on Statement of Compliance and Basis of Preparation of the financial statements reflects Management have taken advantage of the transitional provisions under IPSAS 33 and indicated property, plant and equipment have not been recognized in the financial statements but have not indicated the steps being taken towards full compliance with IPSAS Accrual.

In the circumstances, the financial statements as prepared and presented are not in compliance with IPSAS reporting framework.

2. Variance in Reported Transfer to Kenya Social Economic Inclusion Project

The statement of financial performance reflects transfers to other government entities of Kshs.4,939,786,240 as disclosed in Note 11 to the financial statements. Included in the transferred amount is Kenya Social Economic Inclusion Project (KSEIP) of Kshs.1,584,820,960. However, the amount differs with revenue transfers received in the Kenya Social Economic Inclusion Project financial statements of Kshs.1,806,880,807 resulting to an unexplained variance of Kshs.222,059,847.

In the circumstances, the accuracy and completeness of transfers to other government entities of Kshs.4,939,786,240 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the State Department for Social Protection and Senior Citizen Affairs Management in accordance with ISSAI 130 on the 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.

Other Matter

Unresolved Prior Year Audit Matters

In the prior year's audit report, several issues were raised under the Report on Financial Statements, Lawfulness and Effectiveness in Use of Public Resources, and Effectiveness of Internal Controls, Risk Management and Governance, respectively. Review of the status during audit of the State Department in 2024/2025 revealed that some matters remained unresolved as detailed in **Appendix I** as at 30 June, 2025.

Other Information

The Management is responsible for the Other Information set out on page iv to lvii which comprise of Key Entity Information and Management, Profile of Cabinet Secretary, Profile of the Accounting Officer and Key Management, Statement by the Cabinet Secretary, Statement by the Accounting Officer, Statement of Performance Against Predetermined Objectives for FY2024/2025, Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting and the Statement of Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the State Department's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Human Resources Management and Practices

Review of the State Department Human Resources Management and Practices revealed the following unsatisfactory matters:

1.1. Non-Compliance on Employment of People Living with Disability

Audit review of March 2025 payroll revealed that the State Department has a total of two thousand three hundred and seventy-four (2,374) employees, out of which sixty-seven (67) are persons living with disabilities or approximately 2.8% of the department's workforce. Further, the State Department recruited three hundred and fifty-four (354) officers during the period under review out of which only five (5) were persons living with disabilities or approximately 1.4% of the new recruits contrary to Article 54(2) of the Constitution of Kenya, 2010 which states that at least five percent (5%) of the members of the public in elective and appointive bodies are persons with disabilities and Section B23(1) and (2) of Public Service Commission Human Resource Policies and Procedures Manual for Public Service, 2016.

1.2. Non-Compliance With One Third of Basic Salary Rule

Audit review of the State Department payroll for the month of March, 2025 revealed that one thousand five hundred and fifteen (1,515) employees had over committed their salaries beyond two thirds (2/3) of their basic salaries contrary to Section C1(3) of Public Service Commission Human Resource Policies and Procedures Manual for the Public Service, 2016 which states that public officers shall not over-commit their salaries beyond two thirds ($^2/_3$) of their basic salaries and Heads of Human Resource Units should ensure compliance.

In the circumstances Management was in breach of the law.

2. Failure to Deduct and Remit Statutory Deductions

The statement of financial performance and as disclosed in Note 9 to the financial statements reflects employee costs of Kshs.2,360,800,496. However, audit review revealed the following unsatisfactory matters:

2.1. National Social Security Fund

Review of the payrolls for the State Department revealed that National Social Security Fund Tier II deductions of Kshs.122,615,743 comprising employee and employer contributions were not remitted to the Fund. Further, NSSF tier 1 deductions were computed using lower rate other than the prescribed rate resulting to under deduction of Kshs.4,500,240. This was contrary to Section 20(1)(a) and (b) of the National Social Security Fund Act 2013, which states that from the commencement date and subject to the provisions of sub-section (3) and section 21, an employer shall pay to the Pension Fund in respect of each employee in his or her employment the employer's contribution at six per centum of the employee's monthly pensionable earnings and the employee's contribution at six per centum of the employee's pensionable earnings deducted from the employee's earnings.

2.2. Unremitted Pay As You Earn

Pay As You Earn (PAYE) amount of Kshs.1,942,030 deducted from casuals, enumerators and supervisors was not remitted to Kenya Revenue Authority and remains unremitted as at the time of the audit contrary to Section 37(1)of the Income

Tax Act, 2012 which states that an employer paying emoluments to an employee shall deduct therefrom, and account for tax thereon, to such extent and in such manner as may be prescribed and Section 72(D) which states that where any amount of tax remains unpaid after the due date a penalty of twenty percent shall immediately become due and payable.

In the circumstances, the Management was therefore in breach of the law.

3. Unprocedural Payment of Sitting Allowances

Note 10 to the financial statements disclose domestic travel and subsistence of costs of Kshs.556,331,996. Audit review revealed that sitting allowances of Kshs.19,288,400 charged to domestic travel and subsistence were paid to various officers for performance of various day to day activities within the office as outlined in their job description and therefore they did not qualify for payment of sitting allowances as this was contrary to Salaries and Renumeration Commission circular Ref: SRC/ADM/11(156) dated 7 August 2023 which states that payment of allowances in addition to basic pay amounts to double payments.

In the circumstances, the management was therefore in breach of the law.

4. Irregular Procurement of Goods and Services

The statement of financial performance and as disclosed in Note 7 to the financial statements reflects transfer from other government entities of Kshs.800,000,000 transferred from Kenya Social and Economic Inclusion Project commercial bank account on 11 October, 2025 to facilitate Enhanced Single Registry (ESR) data collection exercise in various counties. However, the following unsatisfactory issues were noted;

4.1. Inappropriate Use of Request for Quotation (RFQ) Procurement Method

Audit review revealed that five counties of Bomet, Siaya, Busia, Embu and Kiambu counties procured various goods and services valued at Kshs.41,146,000 through request for quotations from various suppliers. However, the procurements exceeded threshold for use of request for quotations procurement method of Kshs.3,000,000 contrary to Second Schedule of the Public Procurement and Asset Disposal Regulations, 2020.

4.2. Irregular Use of Low Value Procurement Method

Audit review revealed that various Counties irregularly procured good and services including payment for conference facilities, catering services, tea and snacks of Kshs.6,026,000 through low value procurement method in Enhanced Single Registry data collection exercise. Imprest was issued to staffs to facilitate procurements of various goods and services through low value procurement method despite the expenditures having exceeded the maximum procurement values allowed for use of low value procurement method as per the second schedule in the Public Procurement and Disposal Regulations 2020. This was contrary to Section 107(a) and (b) of the

Public Procurement and Asset Disposal Act, 2015 which states that a procuring entity may use a low-value procurement procedure if the entity is procuring low value items which are not procured on a regular or frequent basis and are not covered in framework agreement and the estimated value of the goods, works or non-consultancy services being procured are less than or equal to the maximum value per financial year for that low-value procurement procedure as may be prescribed.

4.3. Lack of Registered List of Suppliers

Audit review revealed that Kericho, Embu and Trans Nzoia Counties procured goods and services of Kshs.5,468,000, Kshs.10,916,160 and Kshs.7,445,000 respectively during the year under review. However, the Counties procured various goods and services through imprest issued to staffs and they did not have a list of prequalified suppliers contrary to Section 71(1) of the Public Procurement and Assets Disposal Act,2015 which states that the head of procurement function shall maintain and continuously update lists of registered suppliers, contractors and consultants in various specific categories of goods, works or services according to its procurement needs.

4.4. Procurement from Unregistered Suppliers

Audit review revealed that Uasin Gishu procured goods and services of Kshs.13,817,525 through request for quotations from non-registered suppliers despite the County having a list of registered suppliers contrary to Section 95(3) of the Public Procurement and Disposal Act, 2015 which states that a procuring entity shall invite tenders from only the approved persons who have been pre-qualified.

In the circumstances, the Management was in breach of the law.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require 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 comply 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 effect of the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Social Benefit

The statement of financial performance and as disclosed in Note 14 to the financial statements reflects social benefit cost of Kshs.37,160,360,968. However, the following observations were noted:

1.1 Payments to Ineligible Beneficiaries under Older Persons Cash Transfers

Audit review of the Older Persons Cash Transfers (OPCT) payroll data revealed that one thousand seven hundred ninety (1,790) beneficiaries receiving monthly government pensions were former civil servants. An amount of Kshs.26,937,000 was paid to these pensioners contrary to Clause 1.2.2 of the State Department of Social Protection's Revised Operations Manual for the Consolidated Cash Transfer Programmes which states that the eligibility criteria for enrolment in the Older Persons Cash Transfer (OPCT) Programme require that a beneficiary must: (i) be a Kenyan citizen aged 70 years or older with a valid national ID; and (ii) not be receiving a government pension.

1.2 Unregistered Caregivers in Enrolment Database

Audit review revealed that three thousand four hundred and twenty-five (3,425) of the caregivers' identification numbers could not be traced in the enrollment database and their ability to represent various households was doubtful. The total expenditure incurred on the affected caregivers amounted to Kshs.49,287,500 contrary to Clause 3.2.2.8 of the State Department of Social Protection Revised Operations Manual for Consolidated Cash Transfer Programme states that beneficiary/caregivers are required to present themselves to the Sub County programme officer for identification and review using their original national ID cards and/or programme cards.

In the circumstances, Management was in breach of the law while the effectiveness of internal control over onboarding of the Older Persons Cash Transfers beneficiaries could not be confirmed.

2. Encroachment of Land for Children Institutions

As previously reported various parcels of land for children remand homes, rehabilitation centers, and rescue centre lacked ownership documents and have been encroached as indicated below:

2.1 Getathuru National Reception, Assessment and Classification Centre

The Getathuru Center, situated in Nairobi County's Westlands Sub-County along Lower Kabete Road occupies about 17 hectares. However, a Chinese Construction Company was given about 5 hectares to set up their building site as they built the Redhill-Waiyaki Way By-Pass. The Company built a double permanent perimeter wall on the property as a residence and a yard for machinery. However, no lease agreement was provided, making it impossible to determine the terms under which they are using the property with no evidence of receipt of revenue from the Company by the State Department. Further, it was not explained why the Construction Company continued to use the property about three (3) years after the bypass had been completed.

2.2 Wamumu Rehabilitation School

Wamumu Rehabilitation School occupies approximately 74.6 hectares of land, out of which, approximately 40.5 hectares of land was allocated to KEMRI and approximately 26 hectares is in the process of being allocated to a group calling themselves "Watu wa Mihiriga Kenda" (translated to mean people from the nine clans). However, no approval documents were provided for the allocation. In addition, documents provided revealed that there was no correspondence between the Rehabilitation Center, the Director of Children Services, the County Government for Kirinyaga, National Lands Commission and Principal Secretary of the State Department for Social Protection and Senior Citizen Affairs, an indication of the irregular transfer of the parcel of land.

2.3 Othaya Rehabilitation School

Othaya Rehabilitation School has approximately 9.8 hectares of land. However, the land has not been fenced off and lacks ownership documents.

2.4 Muranga Children's Remand home

The Muranga Remand home occupies approximately 0.9 hectares parcel of land. However, the Remand home has no fence and has been encroached upon by private developers who have put up permanent buildings on the land.

2.5 Thika Rescue Centre

Thika Rescue Center occupies approximately 10.1 hectares. However, the parcel of land has not been fully fenced. Management has not taken measures to safeguard the public land from encroachment and alienation.

In the circumstances, the effectiveness of control systems put in place by Management for assets and preventative mechanisms to eliminate theft, security threats, losses, wastage and misuse of assets as provided for in Regulation 139(1) of the Public Finance Management (National Government) Regulations, 2015 could not be confirmed.

3. Incomplete Fixed Asset Register

The statement of financial position and as disclosed in Note 16 to the financial statements reflects property, plant and equipment of Kshs 69,568,895 during the year under review. Audit review of the fixed asset register maintained by the State Department revealed the State Department owns various fixed assets including parcels of land, motor vehicles, furniture, fittings, computer and accessories. However, review of the fixed asset register revealed various missing details such as dates of purchases, acquisition or valuation amounts or values and some serial numbers were not indicated.

In the circumstances, the effectiveness of internal control on safeguarding fixed assets could not be confirmed.

4. Incomplete Fuel and Lubricants Register

The statement of financial performance and as disclosed in Note 10 to the financial statements reflects use of goods and services of Kshs.2,438,017,457 which includes fuel and lubricants expenditure of Kshs.51,403,098. However, manual fuel register provided lacked details such as the work ticket numbers, fuel loaded in each card and fuel running balance making it difficult to authenticate the fuel usage during the year under review. Further, review of fuel register revealed inaccuracies and inconsistencies between fuel opening balance in amount, fuel consumed and closing balances on various dates and therefore the manual fuel register could not be used to authenticate the fuel consumed during the year.

Further also, fuel was consumed through open fuel cards and could not be traced to any vehicle since the fuel statements did not include the motor vehicle registration numbers. In addition, fuel register balances maintained in the department were not reconciled with fuel statements from the fuel service provider.

In the circumstances, the effectiveness of internal control over management of fuel could not be confirmed.

5. Other Grants and Subsidies

The statement of financial performance and as disclosed in Note 13 to the financial statements reflects other grants and subsidies of Kshs.388,009,273 which relates to presidential bursaries issued to various counties for onward award to vulnerable students in various secondary schools. However, the following unsatisfactory issues were noted:

5.1 Non-Compliance with Presidential Secondary School Bursary Guidelines

Audit review revealed that thirty (30) sub counties awarded bursaries to less than forty-five (45) needy students during the year under review contrary to Guidelines 3.1.3 of the Presidential School Bursary (PSSB) Guidelines (2018) which states that the constituency bursary committee shall ensure that; each constituency will be expected to support a minimum of 45 needy students who are in public Boarding Schools.

5.2 Lack of monitoring and evaluation

Audit review revealed that sub county children's officers are not facilitated to make a follow up of the benefiting students' status in terms of physical existence in schools, outstanding fees balances, school performance and their general well-being based on their home backgrounds.

In the circumstances, the management was therefore in breach of the law and effectiveness of internal control over bursary management 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 controls, 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 the 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 (Accrual 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 governance.

In preparing the financial statements, Management is responsible for assessing the State Department's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply 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 Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. 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 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/. This description forms part of my auditor's report.

FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

17 December, 2025

APPENDICES

Appendix I: Unresolved Prior Year Audit Matters

S/No.	Observations
1	Variance between financial statements and schedules
2	Unsupported prior year adjustment
3	Variance in grants and other transfers
4	Unsupported domestic travel and subsistence expenditures
5	Unsupported cash payments
6	Voided transactions
7	Unsupported fuel and lubricants
8	Variance in total receipts original budget
9	Budgetary control and performance
10	Unresolved prior year issues
11	Staff earning less than a third of basic salary
12	Payment of allowances to non-committee members
13	Lack of risk management framework
14	Incomplete fixed asset register
15	Inaccuracies in summary of fixed asset register
16	Grants and transfers to other Government entities
17	Overpayment of beneficiaries
18	Caregivers representing more than one household
19	Repeat unsuccessful credit transactions
20	Poor control over data input and validation
21	Encroachment of land for children institutions
22	Getathuru National reception, assessment and classification centre
23	Wamumu Rehabilitation school
24	Othaya Rehabilitation School
25	Muranga Children's Remand Home
26	Thika Rescue Centre

13.Statement of Financial Performance for the year ended 30 June 2025

0	Notes	Period Ended June 2025
		Kshs
Revenue from non-exchange transactions		
Transfers from Exchequer	6	47,394,681,768
Transfers from Other Government entities	7	800,000,000
Total		**48,194,681,768**
Revenue from exchange transactions		
Miscellenous income	8	149,259,241
Total revenue		**48,343,941,009**
Expenses		
Employee costs	9	2,360,800,496
Use of goods and services	10	2,438,017,457
Transfers to other Government Entities	11	4,939,786,240
Depreciation and amortization expense	12	29,354,639
Other Grants and Subsidies	13	388,009,273
Social Benefits	14	37,160,360,968
Total expenses		**47,316,329,072**
Surplus/Deficit for the year		**1,027,611,936**

The Financial Statements set out on pages 1 to 40 were signed by:

……………………………… ………………………………

Joseph M. Motari, CBS
Principal Secretary

CPA Bernard M. Sabwami
Senior Deputy Accountant General
ICPAK M/No 18274

14.Statement of Financial Position as at 30 June 2025

	Notes	Period as at June 2025	Opening Statement 1st July 2024
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash equivalents	15	209,434,514	56,188,027
Total Current Assets		**209,434,514**	**56,188,027**
Non-Current Assets			
Property, Plant, and Equipment	16	69,568,895	-
Total Non-Current Assets		**69,568,895**	-
Total Assets (A)		**279,003,409**	**56,188,027**
Liabilities			
Current Liabilities			
Trade and Other Payables	17	9,435,835	836,875,750
Refundable Deposits and Prepayments	18	28,121,021	2,160,391
Current provision	19	4,568,734	-
Total Current Liabilities		**42,125,590**	**839,036,141**
Non-Current Liabilities			
Non-Current Provisions	19	2,020,138	9,749,873
Total Non-Current Liabilities		**2,020,138**	**9,749,873**
Total Liabilities (B)		**44,145,728**	**848,786,015**
Net Assets (A-B)		**234,857,681**	**(792,597,988)**
Represented By:			

Accumulated Surplus		234,857,681	(792,597,988)
Net Assets		**234,857,681**	**(792,597,988)**

The financial statements set out on pages 1 to 40 were signed by:

....	....
Joseph M. Motari, CBS	**CPA Bernard M. Sabwami**
Principal Secretary	**Senior Deputy Accountant General**
	ICPAK M/No 18274

15 Statement of Changes in Net Assets for the year ended 30 June 2025

Dascription	Accumulated Surplus	Total
	kshs	kshs
As at 30th June 2024 (cash basis)	**1,433,735,812**	**1,433,735,812**
Adjustments: (to recognize assets)	(1,379,708,176)	(1,379,708,176)
Adjustments: (to recognize liabilities)	(846,625,624)	(846,625,624)
As at July 1, 2024	**(792,597,988)**	**(792,597,988)**
Surplus for the period	1,027,611,936	1,027,611,936
Returns to exchequer	(156,267)	(156,267)
As at 30th June, 2025	**234,857,681**	**234,857,681**

16.Statement of Cash Flows for the year ended 30 June 2025

	Notes	Period as at June 2025
Cash flows from operating activities		
Receipts		
Transfers from exchequer	6	47,394,681,768
Transfers from Other Government entities	7	800,000,000
Other income	8	149,259,241
Total receipts		**48,343,941,009**
Payments		
Employee costs	9	2,408,122,564
Use of goods and services	10	3,195,335,676
Transfers to other Government Entities	11	4,939,786,240
Other Grants and Subsidies	13	388,009,273
Social Benefits	14	37,160,360,968
Total payments		**48,091,614,720**
Net cash flows from/(used in) operating activities	20	**252,326,288**
Cash flows from investing activities		
Purchase of PPE		(98,923,534)
Net cash flows from/(used in) investing activities		**(98,923,534)**
Cash flows from financing activities		
Return to Exchequer		(156,267)
Net cash flows from financing Activities		**(156,267)**
Net increase/(decrease) in cash & Cash equivalents		**153,246,487**
Cash and cash equivalents at the start of the period	15	56,188,027
Cash and cash equivalents at the end of the period	15	**209,434,514**

17.Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2025

Description	Original budget	Adjustments	Final budget	Actual on a comparable basis	Budget utilization difference	% of utilization
	A	B	C=a+b	D	E=c-d	F=d/c %
Revenue						
Transfers from exchequer	35,200,705,645	12,417,191,368	47,617,897,013	47,394,681,768	223,215,245	100%
Transfers from Other Government entities	-	-	-	800,000,000	(800,000,000)	#DIV/0!
Proceeds from Sales of Assets	104,000,000	70,000,000	174,000,000	149,259,241	24,740,759	86%
Other Revenues	100,000	-	100,000	-	100,000	0%
Total revenue	**35,304,805,645**	**12,487,191,368**	**47,791,997,013**	**48,343,941,009**	**(551,943,996)**	**101%**
Expenses						
Employees Costs	2,133,810,000	212,500,000	2,346,310,000	2,408,122,564	(61,812,564)	103%
Use of goods and services	2,103,071,145	1,467,294,514	3,570,365,659	3,195,335,676	375,029,983	89%
Transfers to other government units	2,177,590,000	-	2,177,590,000	4,939,786,240	(2,762,196,240)	227%
Social benefits	27,743,387,547	11,335,994,500	39,079,382,047	37,160,360,968	1,919,021,079	95%

Other grants and transfers	465,913,453	(75,000,000)	390,913,453	388,009,273	2,904,180	99%
Total recurrent expenses	**34,623,772,145**	**12,940,789,014**	**47,564,561,159**	**48,091,614,720**	**(527,053,561)**	**101%**
Capital items						
Acquisition of PPE	681,033,500	(453,597,646)	227,435,854	98,923,534	128,512,320	43%
Total expenses Development	**681,033,500**	**(453,597,646)**	**227,435,854**	**98,923,534**	**128,512,320**	43%
Total expenses	**35,304,805,645**	**12,487,191,368**	**47,791,997,013**	**48,190,538,254**	**(398,541,241)**	**101%**
Surplus/ deficit		-	-	**153,402,754**	**(153,402,754)**	

Budget Reconciliation to the Statement of Cash Flows

	Description of Particulars	Amount in Kshs
1	Actual Surplus Amounts as per the statement of Budget	153,402,754
2	Timing differences	56,188,027
3	Classification differences	(156,267)
	Closing Cash and Cash Equivalent as per the statement of Cash flows	209,434,514

Budget Execution by Programmes and Sub-Programmes for FY2024/25

Program	Sub Program	Description	Approved Budget	Actual Payments	Variance
0		**Default - Non Programmatic**	**0**	**0**	**0**
	0	Default - Non Programmatic	0	0	0
901000000		**Sports**	**0**	**0**	**0**
	901010000	Sports Training and competitions	0	0	0
908000000		**Social Development and Children Services**	**4,867,985,345.00**	**4,873,491,488.40**	**-5,506,143.40**
	908010000	Social Welfare and vocational rehabilitation	1,057,033,607.00	1,056,952,629.65	80,977.35
	908020000	Community Mobilization and development	800,934,284.00	802,528,823.15	-1,594,539.15
	908030000	Child Community Support Services	2,536,672,763.00	2,541,971,763.25	-5,299,000.25
	908040000	Child Rehabilitation and Custody	473,344,691.00	472,038,272.35	1,306,418.65
909000000		**National Social Safety Net**	**42,688,892,043.00**	**43,085,729,052.00**	-396,837,009.00
	909010000	Social Assistance to Vulnerable Groups	42,688,892,043.00	43,085,729,052.00	-396,837,009.00
910000000		**General Administration Planning and Support Services**	**0**	**0**	**0**
	910010000	Policy, Planning and General administrative services	0	0	0
914000000			**235,119,625.00**	**231,317,712.95**	**3,801,912.05**
	914010000		235,119,625.00	231,317,712.95	3,801,912.05
		Grand Total	**47,791,997,013.00**	**48,190,538,251.00**	**-398,541,238.35**

18. Notes to the Financial Statements

1. Establishment

The State Department for Social Protection and Senior Citizen Affairs was formed on 1st July, 2016 at Cabinet Level, the State Department is represented by the Cabinet Secretary for Ministry of Labour and Social Protection, who is responsible for the general policy and strategic direction of the State Department for Social Protection and Senior Citizen Affairs. The Ministry is wholly owned by the Government of Kenya and is domiciled in Kenya. The State Department's principal activity is to ensure that the Ministry's Vision and Mission are realised.

2. Statement of Compliance and Basis of Reporting

Statement of compliance

These transitional IPSAS financial statements are in accordance with the Public Finance Management Act, 2012 and with the International Public Sector Accounting Standards (IPSAS).

For the purpose of these financial statements, the State Department has been categorized as a Schedule 1 national government state department in line with Section 4 of the Public Finance Management Act, 2012 read together with Regulation 211 (2) of the Public Finance Management (National Government) Regulations, 2015. Schedule 1 national government entities include Ministries, Departments, Agencies, constitutional institutions and independent offices. State Department s are reporting entities whose primary objective is to provide policy and coordination of government services.

The use of public resources by State Department is primarily governed by Chapter 12 of the Constitution, the relevant Appropriation Act, the Public Finance Management Act, of 2012, and the Public Procurement and Disposal Act, of 2015.

These financial statements were authorized for issue by the Principal Secretary on 15th December, 2025.

Notes to the financial statements

The financial statements have been prepared in accordance with the Public Finance Management Act, and International Public Sector Accounting Standards (IPSAS). The State Department has taken advantage of the transitional provisions under IPSAS 33 and therefore these 1st year financial statements are transitional financial statements and PPE have not been fully reported as the State Department has taken advantage of the transition provisions outlined in IPSAS 33.

Reporting period

The reporting period for these financial statements is for the period ended 2025.

Basis of preparation

These financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period on an accrual basis unless otherwise specified (for example, the Statement of Cash Flows). Under an accrual basis, revenues are recognised when rights to assets are earned or levied rather than when cash is received, and expenses are recognised when obligations are incurred rather than when they are settled. The financial statements have been prepared and presented in Kenya Shillings to the nearest shilling. The accounting policies adopted have been consistently applied to all the years presented.

Critical accounting judgements

IPSAS requires accounting judgements to be made in determining accounting policies that impact the presentation of these financial statements. The most critical of these judgements, and their impact, are:

Recognition of revenue

A revenue is an increase in the net financial position, other than increases arising from ownership contributions. Revenue is required to be measured when the event occurs and when recognition criteria (probable inflow of resources and ability to reliably measure their value) are met. Judgment is required to determine if these criteria are met, particularly where limited evidence is available at the time the revenue is earned.

Recognition of non-exchange expenses and liabilities

A liability is a present obligation of the State Department for an outflow of resources that results from a past event. Expenses (and other liabilities) are recognized when there is a present obligation (legal or constructive) as a result of a past event. An outflow of resources embodying economic benefits will probably be required to settle the obligation and a reliable estimate of the obligation can be made. Judgement is required in assessing each of these conditions, and therefore reporting if an expense and a present obligation should be reported.

The State Department pursues a number of policy targets and outcomes. However, the commitment to these targets and outcomes, generally, do not of themselves constitute a present obligation unless the State Department is clear on the cost it intends to incur, when payment will be made, and to whom and as a consequence has raised a valid expectation. As a consequence, liabilities are not reported for costs associated with the State Department policy objectives and targets. Where a policy choice gives rise to an obligation that exists independently of the State Departments future actions, expenses (and other related liabilities) are recognized for that policy.

Purpose and nature of financial instruments

Judgment is required in determining whether financial assets (including investment in securities and advances) and financial liabilities are held for trading or to provide a return through interest and principal transactions. Depending on that judgment, financial instruments will be reported at fair value or on an amortized cost basis.

Climate change obligations

Kenya's current National Determined Contribution (NDC) to deliver on the goals of the Paris Agreement sets a headline target of a 32 per cent emission reduction by 2030. State department commitment to climate change action does not constitute a present obligation on the balance sheet but are disclosed separately.

Physical assets

An asset is a resource presently controlled by the state department as a result of a past event. The primary reason for holding property, plant and equipment and other assets is for their service potential rather than their ability to generate cash flows. Because of the types of services provided, a significant proportion of assets used by public sector entities including roads, national parks, heritage buildings etc are specialized in nature. There may be a limited market for such assets and so judgement is required on measurement. Judgment is also required whether assets are held for commercial purposes or public benefit purposes.

3. Adoption of New and Revised Standards

i) New and amended standards and interpretations in issue effective in the year ended 30 June 2025.

There were no new and amended standards issued in the financial year.

ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025.

Standard	Effective date and impact:
IPSAS 43	***Applicable 1st January 2025*** The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities. This standard shall be applicable when accounting for rental payments
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	***Applicable 1st January 2025*** The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.

Standard	Effective date and impact:
	The standard shall be applicable during disposal of assets
IPSAS 45- Property Plant and Equipment	***Applicable 1st January 2025*** The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets. The standard shall be applicable during accounting for PPE
IPSAS 46 Measurement	***Applicable 1st January 2025*** The objective of this standard was to improve measurement guidance across IPSAS by: i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. The standard also introduces a public sector specific measurement bases called the current operational value. The standard shall be applicable during measurement of PPE
IPSAS 47- Revenue	***Applicable 1st January 2026*** This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish

Standard	Effective date and impact:
	the principles that an STATE DEPARTMENT shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions. The standard shall be applicable during accounting for revenue
IPSAS 48- Transfer Expenses	***Applicable 1st January 2026*** The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers. The standard shall be applicable during accounting for transfers of revenue
IPSAS 49- Retirement Benefit Plans	***Applicable 1st January 2026*** The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan. Not applicable
IPSAS 50: Exploration For & Evaluation of Mineral Resources	***Applicable 1st January 2027*** The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires: i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized. Not applicable

iii) Early adoption of standards

The State Department did not early – adopt any new or amended standards in the financial year

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

The State Department recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the State Department and the fair value of the asset can be measured reliably.

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the State Department and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development grants are recognized in the statement of financial performance after meeting the revenue recognition criteria. Conditional grants are recognized as revenue upon fulfilment of the set conditions.

ii) Revenue from exchange transactions

Rendering of services

The State Department recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

Summary of Significant Accounting Policies (Continued)

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

b) Budget information

The original budget for FY 2024/2024 was approved by the National Assembly in June 2025. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the State Department upon receiving the respective approvals in order to conclude the final budget. Accordingly, the State Department recorded additional appropriations following the governing body's approval. The State Department's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of cash flows has been presented under section 17 of these financial statements.

Summary of Significant Accounting Policies (Continued)

c) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

d) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the State Department recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value. Assets are being depreciated using reducing balance method.

e) Right of use asset

The right-of-use assets comprises the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the State Department incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IPSAS 21 or IPSAS 26. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the State Department expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the statement of financial position.

f) Tangible Natural Resources

The State Department recognises a tangible natural resource recognized if, and only if: It is probable that service potential associated with the natural resource will flow to the State Department; the State Department controls the tangible natural resource as a result of past events; and the tangible natural resource can be measured reliably. Where this criterion is not met, the State Department discloses the tangible natural resource in the notes to the financial statements. Where a tangible natural resource is recognized as an asset as the result of an event that is not a transaction in an orderly market, including non-exchange transactions, the asset shall be measured initially at its deemed cost. A State Department shall apply IPSAS 46, Measurement, when measuring the deemed cost of such a recognized tangible natural resource. A recognized tangible natural resource acquired through an exchange transaction shall be measured at its cost. Historical cost model is applied after initial recognition less any depreciation and impairment losses.

g) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the State Department. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The State Department also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the State Department will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

h) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite.

i) Research and development costs

The State Department expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the State Department can demonstrate:

i) The technical feasibility of completing the asset so that the asset will be available for use or sale
ii) Its intention to complete and its ability to use or sell the asset
iii) How the asset will generate future economic benefits or service potential
iv) The availability of resources to complete the asset
v) The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

j) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The State Department does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

a) **Financial assets**

Classification of financial assets

The State Department classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the State Department's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

Based on the business model and the cash flow characteristics, the State Department classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Notes to the Financial Statements (Continued)

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the State Department manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Impairment

The State Department assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The State Department recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL).

b) Financial liabilities

Classification

The State Department classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

Notes to the Financial Statements (Continued)

k) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

i) Raw materials: purchase cost using the weighted average cost method.

ii) Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the State Department.

l) Provisions

Provisions are recognized when the State Department has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the State Department expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Notes to the Financial Statements (Continued)

m)Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The State Department recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the State Department will incur in fulfilling the present obligations represented by the liability.

n) Contingent liabilities

The State Department does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

o) Contingent assets

The State Department does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the State Department in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

p) Nature and purpose of reserves

The State Department creates and maintains reserves in terms of specific requirements.

q) Changes in accounting policies and estimates

The State Department recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

r) Employee benefits

Retirement benefit plans

The State Department provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an State Department pays fixed contributions into a separate State Department (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

s) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. At each reporting date, foreign currency monetary items are translated using the closing rate. Non-monetary items measured in historical cost are translated using the exchange rate at the date of the transaction, and those measured at fair value are translated using the exchange rates at the date when the fair value was determined. Exchange differences arising from the settlement of monetary items or translation of monetary/non-monetary items at rates different from those at which they were initially reported are recognized in surplus or deficit in the period.

t) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

u) Related parties

The State Department regards a related party as a person or an State Department with the ability to exert control individually or jointly, or to exercise significant influence over the State Department, or vice versa. members of key management are regarded as related parties and comprise the CS, the Principal secretary and senior managers.

v) Service concession arrangements

The State Department analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the State Department recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price.

In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the State Department also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

w) 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.

x) Comparative figures

In preparing these financial statements, the State Department has elected to apply paragraph 79 of IPSAS 33, which allows for the election by an entity to present one statement of financial performance, one statement of cash flow, one statement of net assets and the statement of financial position and an opening statement of financial position as at the time of first-time adoption of the accrual basis of accounting.

y) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2025.

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the State Department's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. State all judgements, estimates and assumptions made:

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The State Department based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the State Department. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual value

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

a) The condition of the asset based on the assessment of experts employed by the State Department.
b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
c) The nature of the processes in which the asset is deployed.
d) Availability of funding to replace the asset.
e) Changes in the market in relation to the asset

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in note 18.

Provisions are measured at the management's best estimate of the expenditure required to settle

Nature of transfer	Amount recognized to Statement of Financial performance	Amount deferred under deferred income	Total transfers Period ended June 2025
	Kshs	Kshs	Kshs
Recurrent	45,587,800,961	-	45,587,800,961
Development	1,806,880,807	-	1,806,880,807
Total	**47,394,681,768**	-	**47,394,681,768**

the obligation at the reporting date, and are discounted to present value where the effect is material.

6. Transfers from Exchequer

Description	Kshs
Recurrent	45,587,800,961
Development	1,806,880,807
Total Transfers from Exchequer	**47,394,681,768**

7. Transfer from Other Government Entities

Name Of The Entity Sending The Grant/Transfer	Amount recognized to Statement of Financial performance		Total transfers Period ended June 2025
	Kshs		Kshs
Transfer from Project	800,000,000	-	800,000,000
Total Transfers from Other Government entities	**800,000,000**	-	**800,000,000**

8. Other Incomes

Description	Period ended June 2025
	Kshs
Sale of incidental goods	149,259,241
Total Miscellaneous Incomes	**149,259,241**

9. Employee Costs

Description	Period ended June 2025
	Kshs
Basic salaries of permanent employees	1,472,908,928
Basic wages of temporary employees	166,199,928
Personal allowances – part of salary	717,122,905
Gratuities Due for the year	4,568,734
Total Employee costs as per Performance	**2,360,800,496**
Adjustments: -Less gratuity provision	(4,568,734)
Add paid gratuity	7,729,736
wage payables	(1,203,254)
Add paid salary arrears	450,426
Add:Paid supervisors and enumerators	39,891,600
Add:Paid mentors and enumerators	5,022,294
Total Employee costs as per Cashflow	**2,408,122,564**

10. Use of Goods and Services

Description	Period ended June 2025
	Kshs
Utilities, supplies and services	49,610,357
Communication, supplies and services	10,952,090
Domestic travel and subsistence	556,331,996
Foreign travel and subsistence	17,306,895
Printing, advertising, and information supplies & services	9,710,020
Rentals of produced assets	40,208,446
Training expenses	26,710,205
Hospitality supplies and services	226,544,793
Specialized materials and services	234,199,247
Office and General Supplies and Services	43,143,663
Fuel Oil and Lubricants	51,403,098
Other operating expenses	941,633,536
Bank Charges	196,776,556
Routine maintenance – vehicles and other transport equipment	30,184,289
Routine maintenance – other assets	3,302,267
Total Use of Goods and Services as Performance	**2,438,017,457**
Adjustments: -Add paid pending bill	790,342,429
Less accrued expenses	(7,063,580)
Less changes in payables (3rd parties' monies)	(25,960,630)
Total Employee costs as per Cashflow	**3,195,335,676**

11. Transfers to Other Government Entities

Description	Period ended June 2025
	Kshs
Children welfare society of Kenya	1,059,999,999
NCCS	90,000,000
National Assistance Trust Fund	20,000,000
Street Families Rehabilitation Trust Fund	198,965,281
National Council for Persons with Disabilities	1,986,000,000
Transfer from KSEIP	1,584,820,960
Total	**4,939,786,240**

12. Depreciation and Amortization Expense

Description	Period ended June 2025
	Kshs
Property, plant and equipment	29,354,639
Total Depreciation and Amortization Expense	**29,354,639**

13. Other Grants and Subsidies

Description	Period ended June 2025
	Kshs
Scholarships and other educational benefits	325,000,000
Emergency relief and refugee assistance	63,009,273
Total Grants and Subsidies	**388,009,273**

14. Social Benefits

Description	Period ended June 2025
	Kshs
Transfers to the elderly	37,160,360,968
Total social benefit expenses	**37,160,360,968**

Notes to the Financial Statements (Continued)

15. Cash and Cash Equivalents

Description	Period ended June 2025	Opening statement 1st Jul 2024
	Kshs	Kshs
Recurrent Account	128,656,536	138,981
Development Account	88,019	17,287
Deposits Account	28,121,021	2,160,391
Street Families Trust fund	-	138,041,324
Central Bank of Kenya KSEIP	194,240	138,971
Central Bank of Kenya KSEIP	52,374,698	53,732,398
Kenya Commercial Bank	-	1,241,666,852
Total	**209,434,514**	**1,435,896,203**

15 (a) Detailed Analysis of the Cash and Cash Equivalents

		Period ended June 2025	Opening statement 1st Jul 2024
Financial Institution	Account number	Kshs	Kshs
Recurrent Account	100303212	128,656,536	138,981
Development Account	1000303228	88,019	17,287
Deposits Account	1000303239	28,121,021	2,160,391
Street Families Trust fund	1000398598	-	138,041,324
Central Bank of Kenya KSEIP	1000425059	194,240	138,971
Central Bank of Kenya KSEIP	1000488395	52,374,698	53,732,398
Kenya Commercial Bank	1293561193	-	1,241,666,852

Sub- Total		**209,434,514**	**1,435,896,203**
Grand Total		**209,434,514**	**1,435,896,203**

16. Property, Plant, and Equipment

Description	Land	Buildings	Computers & ICT Equipment	Furniture and fittings	Capital Work in progress	Total
Depreciation Rate		**2%**	**30%**	**12.50%**		
Cost	**Kshs**	**Kshs**	**Kshs**	**Kshs**	**Kshs**	**Kshs**
Opening Bal as 1st July 2024						-
Additions			97,081,128	1,842,406	-	**98,923,534**
As At 30th June 2025	-	-	**97,081,128**	**1,842,406**	-	**98,923,534**
Depreciation And Impairment						-
Depreciation			29,124,338	230,301	-	**29,354,639**
As At 30th June 2025	-	-	**29,124,338**	**230,301**	-	**29,354,639**
Net Book Values						-
Opening Bal as at 1st July 2024	-	-	-	-	-	-
As At 30th June 2025	-	-	**67,956,790**	**1,612,105**	-	**69,568,895**

Notes to the Financial Statements (Continued

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Computers & ICT Equipment	97,081,128	29,124,338	67,956,790
Furniture and fittings	1,842,406	230,301	1,612,105
Total	**98,923,534**	**29,354,639**	**69,568,895**

NB: Assets are being depreciated on reducing balance method

Property plant and Equipment includes the following assets that are fully depreciated

	Cost or valuation	Normal annual depreciation charge
Computers & ICT Equipment	0	0
Furniture and fittings	0	0
Total	**0**	**0**

17. Trade and Other Payables

Description	Period ended June 2025	Opening Statement 1st Jul 2024
	Kshs	
Trade payables-Pending bills	8,232,581	836,425,324
Employee payables	1,203,254	450,426
Total trade and other payables	**9,435,835**	**836,875,750**

Ageing analysis: (Trade and other payables)	Current FY	% of the Total	1st July	% of the Total
Under one year	9,435,835	100%	836,875,750	100%
1-2 years				
2-3 years				
Over 3 years				
Total (tie to above total)	**9,435,835**		**836,875,750**	

18. Refundable Deposits and Prepayments

Description	Period ended June 2025	Opening Statement 1st Jan 2024
	Kshs	Kshs
Other deposits	28,121,021	2,160,391
Total deposits	**28,121,021**	**2,160,391**

19. Provisions

Description	Gratuity Provision	Total
	Kshs	Kshs
Opening bal 1st July 2024	**9,749,873**	**9,749,873**
Additional provisions-Constituencies	4,568,734	4,568,734
Provision utilized	(7,729,736)	(7,729,736)
Total provisions period end	**6,588,872**	**6,588,872**
Current Provisions	4,568,734	4,568,734
Non-current Provisions	2,020,138	2,020,138

Notes to the Financial Statements (Continued)

20. Cash Generated from Operations

	Period ended June 2025
	Kshs
Surplus for the period before tax	**1,027,611,936**
Adjusted for:	
Depreciation	29,354,639
Working capital adjustments	
Decrease in payables	(804,640,287)
Net cash flow from operating activities	**252,326,288**

21. Financial Risk Management

The state department activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The state department overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The state department does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history. The state department financial risk management objectives and policies are detailed below:

i) Credit risk

The state department has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, considering its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the state department management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the state department maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount	Fully performing
	Kshs	Kshs
As at July 2025		
Bank balances	209,434,514	209,434,514
Total	209,434,514	209,434,514

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the state department has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the state department directors, who have built an appropriate liquidity risk management framework for the management of the state department short, medium and long-term funding and liquidity management requirements. The state department manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the state department under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
As at 30 June 2025				
Trade payables	-	8,232,581	-	**8,232,581**
Total	-	8,232,581	-	**8,232,581**

iii) Market risk

The state department has put in place an internal audit function to assist it in assessing the risk faced by the state department on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the state department income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The state department Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the state department exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign currency risk

The state department has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate. The state department manages foreign exchange risk form future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

The carrying amount of the state department foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

The following table demonstrates the effect on the state department statement of comprehensive income on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant. The State Department reports in Kenya shillings

b) Interest rate risk

Interest rate risk is the risk that the state department financial condition may be adversely affected as a result of changes in interest rate levels. The state department interest rate risk arises from bank deposits. This exposes the state department to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the state department deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

Financial Risk Management

Sensitivity analysis

The state department analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior

Fair value of financial assets and liabilities

a) Financial instruments measured at fair value.

Determination of fair value and fair values hierarchy

IPSAS 30 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the state department market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The state department considers relevant and observable market prices in its valuations where possible.

There were no transfers between levels 1, 2 and 3 during the year. Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

iv) Capital Risk Management

The objective of the state department capital risk management is to safeguard the state department ability to continue as a going concern. The state department capital structure comprises of the following funds:

	2024-2025
	Kshs
Retained Earnings	234,857,681
Total Funds	**234,857,681**
Less: Cash and Bank Balances	(209,434,514)

Net Debt/ (Excess Cash and Cash Equivalents)	25,423,167
Gearing	0

NB: The department has no long-term loans in the financial statements

22. Related Party Disclosures

Nature of related party relationships

Entities and other parties related to the state department include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Government of Kenya

The Government of Kenya is the principal shareholder of the state department holding 100% of the state department equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the state department, both domestic and external.

Other related parties include:

i) The Parent Ministry.

ii) Key management.

	2024-2025
	Kshs
a) Grants /transfers from the government	
Transfers from National Government	47,394,681,768
Total	**47,394,681,768**
b) Transfers to Other Government Entities	
Children welfare society of Kenya	1,059,999,999
NCCS	90,000,000
National Assistance Trust Fund	20,000,000
Street Families Rehabilitation Trust Fund	198,965,281
National Council for Persons with Disabilities	1,986,000,000
Transfer from KSEIP	1,584,820,960
Total	**4,939,786,240**

Notes to the Financial Statements (Continued)

Events after the Reporting Period

There were no material adjusting and non- adjusting events after the reporting period.

Ultimate and Holding Entity

The state department ultimate parent is the Government of Kenya.

Currency

The financial statements are presented in Kenya Shillings (Kshs) and is rounded off to the nearest shilling.

19. Appendix I

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
1.	**Variance Between Financial Statements and Schedules** The statement of receipts and payments reflects total payments of Kshs.34,520,990,954 which include three components amounting to Kshs.32,038,340,693. However, the payments were supported with schedules amounting Kshs.31,969,380,117 resulting to an unexplained variance of Kshs.68,960,576. In the circumstances, the accuracy and occurrence of payments totaling to Kshs.68,960,576 could not be confirmed.		Not resolved	30th June,2026
2.	**Unsupported Prior Year Adjustment** The statement of financial assets and financial liabilities reflects prior year adjustments of negative Kshs.188,909,524 as disclosed in Note 15 to the financial statements. The amount was explained			

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
	to be unspent bank balances for 2022/2023 financial year transferred back to The National Treasury. However, the supporting bank statements or official receipts confirming the transfer were not provided for audit review. In addition, prior year adjustment balance brought forward of Kshs.794,994,738 differs with the audited prior year adjustment balance of negative Kshs.134,820,493 reflected in 2022/2023 resulting to an unexplained variance of Kshs.929,815,231.			
3.	**Variances in Grants and Other Transfers** The statement of receipts and payments and as disclosed in Note 6 to the financial statements reflects grants and other transfers amount of Kshs.28,744,179,274. The amount includes transfers of Kshs.25,594,472,236 for which the supporting schedules reflected an amount of Kshs.26,122,438,000 resulting to an unexplained variance of Kshs.527,965,764. Further, the reported transfer of		Not resolved	30th June,2026

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
	Kshs.25,594,472,236 to Kenya Social and Economic Inclusion Project differed from the Project reported receipts of Kshs.27,353,449,499 resulting to an unexplained variance of Kshs.1,758,977,263. In the circumstance, the accuracy and completeness of grants and transfers to other government entities of Kshs.25,594,472,236 could not be confirmed.			
4.	**Unsupported Domestic Travel and Subsistence Expenditure** The statement of receipts and payments and as disclosed in Note 5 to the financial statements reflects use of goods and services amount of Kshs.3,254,775,218. The amount includes domestic travel and subsistence of Kshs.1,251,546,087 out of which Kshs.98,628,960 was not supported by way of payment schedules,		Not resolved	30th June,2026

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
	attendance schedules and in some cases inconsistencies of signatures in the attendance and payment schedules was noted. In the circumstances, the accuracy and occurrence of domestic travel and subsistence expenditure of Kshs. Kshs.98,628,960 could not be confirmed.			
5.	**Unsupported Cash Payments** The statement of financial assets and financial liabilities and as disclosed in Note 11 to the financial statements reflects bank and cash balances of Kshs.1,435,896,203 and Nil respectively. However, analysis of the payment details report indicates that one hundred and fifty-nine (159) transactions amounting Kshs.41,282,970 were paid in cash. However, the payment vouchers provided did not have any supporting documents. In the circumstances, the accuracy and validity of cash payments amounting to Kshs.41,282,970 could not be confirmed		Not resolved	30th June,2026

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
6	**Voided Transactions** The statement of receipts and payments reflects total payments of Kshs.34,520,990,954. Analysis of the IFMIS system payments details revealed two hundred and thirty-seven (237) transactions amounting to Kshs.687,758,223 that had been granted approval by Controller of Budget were voided. However, there were no correspondence from the National Treasury authorizing the voiding was provided for audit verification. This was contrary to Paragraph 3.14 ii of The National Treasury and Economic Planning Circular Ref. No:AG.3/88/Vol.II (32) dated 15 May, 2024 which states that IFMIS is the prescribed Government system for accounting and reporting and all MDAS are expected to fully utilize IFMIS in transaction processing as well as reporting. Every effort should therefore be made to ensure the ledger			

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
	balances are true. To achieve this voiding and cancelling of payments and invoices that have not gone through the internet banking by 30 June, 2024 should be carried out. Voiding payments requires request for activation of voiding role from the National Treasury in writing. In the circumstances, the validity and regularity of the voided payments amounting to Kshs.687,758,223 could not be confirmed.			
7	**Unsupported Fuel and Lubricants Expenditure** Note 5 to the financial statements discloses fuel and oil lubricants expenditure of Kshs.74,796,236 which includes cost of fuel procured from a contracted supplier of Kshs.25,274,425. However, review of the fuel register revealed that the fuel was consumed through open fuel cards not assigned to any vehicle. Further, review of the fuel statements from the supplier did not indicate the vehicles registration numbers that were consuming the fuel.		Not resolved	30th June,2026

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
	Further, the manual fuel register lacked details such as the work ticket numbers, fuel loaded in each fuel card and fuel running balance. Also, review of the fuel register revealed various inconsistencies between fuel opening balance amount, fuel consumed and closing balances on various dates, cases of over or under consumption for different fuel cards. In the circumstances, accuracy and of fuel, oil and lubricants expenditure of Kshs.25,274,425 could not be confirmed.			
8.	**Variances in the Total Receipts original Budget** The statement of comparison of budget and actual amounts reflects total receipts original budget of Kshs.36,259,550,000 which differs with recomputed amount of Kshs.36,159,550,000 resulting to a variance of Kshs.100,000,000.		Not resolved	30th June,2026

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
	In the circumstances, the accuracy of total receipts original budget of Kshs.36,259,550,000 is overstated by Kshs.100,000,000. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the State Department for Social Protection and Senior Citizen Affairs Management in accordance with ISSAI 130 on the 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.			
1	Staff Earning less than a third Basic Salary	The Government directed the conversion of all Defined Benefit (DB)	Not Resolved	Within six months

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
		Schemes in the Public Sector to Defined Contributory (DC) Schemes. The objective Was to align Public Service Pension Schemes with best practice in retirement benefits industry. The Public Service Superannuation Scheme (PSSS) IS A Defined Contribution Scheme where the Government and employees contribute to		

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
		the Scheme to fund the retirement benefits of the employee. Membership to the new contributory scheme comprised employees serving on permanent and pensionable terms of service and aged below 45 years as at 1 st January, 2021 and new employees who join the service on or after 1st January, 2021 on permanent and		

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
		pensionable terms of service. Employees contribute at the rate of 7.5% of their monthly basic salary graduated at the following rates: 2% in first year, 5% in the second year; and 7.5% in the third year. Further, the Government affordable housing levy with effect from August 2023 which is deducted		

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
		at the rate of 1.5% of the gross income. All the mentioned factors above contributed to the four hundred		
2	Payment of Allowance to Non-Committee Members	The Public Procurement and Asset Disposal Act, 2015 (Amendment 2022) stipulates that an Evaluation Committee should between 3-5 members including the Chairperson and Secretariat. During the period in question, the	Not Resolved	Within six months

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
		Evaluation Committees were appointed prior to Opening of Tenders, and the tenders were many to an extent that the secretariat were overwhelmed by the tasks. These prompted the call for support from other officers to ensure that the timelines were met. However, in future we are going to stick to the approved lists or review the committee		

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
		before evaluation exercises depending on the tasks ahead		
1	Lack of Risk Management Framework	The State Department has developed institutional Risk Management Policy Frameworks (IRMPF). Annex V111. The IRMPF defines the State Department risk management processes, methodology, risk appetite traing, reporting, and establishes the responsibilities for	Not Resolved	Within six months

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
		implementation as per the Public Finance Management ACT- 2012, and Attendant. This policy, therefore, provides a structured approach to assist management, staff, affiliated bodies and stakeholders, to integrate risk into their decision-making processes. The focus of the Risk Management system is to identify and ensure that		

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
		risks are managed properly to ensure smooth running and operations.		
4.1	Over payment of Beneficiaries	The CCTP supports payment of complementary programmes which are usually top-ups to the kshs 2,000 beneficiary entitlement amount. These programmes are Nutrition Improvement through Cash and Health Education (NICHE)	Resolved	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
		AND THE Economic Inclusion Programme (EIP). Under the NICHE programme, beneficiaries receive Kshs 500 or Kshs. 1,000 top-ups depending on their programme eligibility criteria. The Economic Inclusion programmes also has their eligibility criteria where some beneficiaries receive top-ups		

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
4.2	Caregivers Representing More than One Household	The program noted this anomaly which occasioned by a transition process of a scale up that was done in FY 2023/2024. However, the programme suspended these beneficiaries with shared caregivers from the enrolment file that was shared to the PSPs for account opening and thus were not included in the payroll.	Resolved	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
		These cases of beneficiaries with shared caregivers are currently being addressed by through the progemme's case management process.		
4.3	**Repeat Unsuccessful Credit Transactions** An analysis of the credit reports revealed 1719 beneficiaries whose accounts experienced mor than three months failed credit attempts totalling Ksh 34,799,500.This was due lack of adequate controls to manage repetitive failed transitions .		Not resolved	30th June ,2026
4.4	**Poor Controls Over Data input and validation**		Not resolved	30th June,2026

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
	Review of the persons with severe disability (PSD)and orphaned and vulnerable children payrolls revealed that primary recipient of 646 and 3812 respectively were enrolled using invalid binational .This was contrary to clause 3.1.3.4 of state department of social protection revised operations manual for consolidate transfer programme on household identification and listing which requires that after the listing exercise is completed the list will be synced into the CCTPMS which will be subject names to IPRS and NRB Checks to ensure names dates of birth and national id are captured correctly			
5.1	**Getathuru National Reception Assessment and classification Centre** The Getathuru Centre situated in National county's Westland Sub-county along lower Kabete occupies 17 hectares .However a Chinese company was given 5 hectares to set up their building site		Not resolved	30th June,2026

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
	as they built the Redhill Waiyaki way By-bass .The company built double permanent perimeter wall on the property as residence and for machinery however no lease agreement was provided.			
5.2	Wamumu Rehabilitation School	Wamumu Rehabilitation School was established in 1950 and gazetted to be a children institution providing rehabilitation programs for children in conflict with the law. The land that the institution is seating on was reserved by the colonial government and	Not Resovled	**Within six months**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
		maintained by subsequent governments as set aside for children rehabilitation services. The Management Wamumu rehabilitation school has made efforts to secure title deeds for its two remaining parcels of land and have also requested for survey works to enable fencing as indicated in the attached letters referenced		

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
		KIR/NLC/MWEA/MUTITHI/SCHEME/523 & MWEA/MUTITHI/SCHEME1450/1 and KRG/INST/9/3/VOL.1 (122)		
5.3	Othaya Rehabilitation School	The audit report mentions the parcel of land as measuring about 9.8 Ha and is not fenced and threats of occupation by the Othaya Level 4 Hopsital and a church are real. Records from our	Not Resolved	Within six months

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
		office indicate that the land measures 5.67 Ha and no part of the land has been encroached or developed. The Level 4 hospital had attempted to occupy and develop a section of the land but due to our objection, the proposed development was halted and the land is still being utilized by the children at the Othaya Rehabilitation School.		

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
5.4	Muranga Children's Remand home	The land measures 0.9 Ha and that it has not been fenced. However, no encroachment has been noted in the said allotted portion of land. The State Department has called for resurveying of the land to confirm the original boundaries so that fencing can be done properly and appropriately. Department of Land Survey has returned an	Not resolved	Within six months

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
		estimated cost of surveying the land. The State Department based on the guide from Survey, is in the process of providing for funds to curry out the survey exercise.		
5.5	Thika Rescue Centre	The land is about 13 Ha and not 10.1 Ha as pointed out in the report. The land is fenced albeit with different material. The side bordering Mt. Kenya University is	Not Resolved	Within six months

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
		fenced with concrete wall, the side facing the Carissa Road is fenced with concrete and the adjacent side, and opposite of the University is fenced with concrete polls and a mesh wire. On the lower side of the land, it is fenced with sisal plant forming a life fence and also a deterrence from those would be encroachers.		

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
		The management has requested the State Department for Public Works to supply us with the bills of quantities to inform construction of a concrete wall on the remaining parts of the land.		

....

Joseph M. Motari, CBS

Principal Secretary

Date

Appendix II: Projects implemented by State Department for Protection and Senior Citizen Affairs

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
Kenya Social and Economic Inclusion Project	Project Number: P164654 IDA Credit Number:6348-KE Project Grant No.TF A 9527	World Bank	31-Jan-2019 to 30 -April-2025	DFID-Grant IDA Credit	Yes	Yes

Status of Projects completion

Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
Kenya Social and Economic Inclusion Project	92,045,781,684	83,390,641,724	90.50%	16,104,761,403	10,991,990,597	World Bank

Appendix III: Fixed Asset Register

Asset class	Historical Cost b/f (Kshs) Previous Year	Additions during the year (Kshs)	Disposals during the year (Kshs	Transfers in/(out) during the year	Historical Cost c/f (Kshs) Current Year
Land	-				
Buildings and structures	342,163,551				342,163,551
Motor Vehicle and Transport equipment	540,728,474				540,728,474
Household Furniture and Institutional Equipment	31,326,392				31,326,392
Office equipment, furniture and fittings	287,769,428	1,842,406			289,611,834
ICT Equipment	91,357,105	97,081,128			188,438,233
Machinery and Equipment	21,852,634				21,852,634
Purchase of Specialised Plant, Equipment and Machinery	19,283,180				19,283,180
Intangible assets	10,407,659				10,407,659
Total	**1,344,888,423**	**98,923,534**			**1,443,811,957**

Appendix IV: Transfers from Other Government Entities

				Where Recorded/recognized					
Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/ Development/Others	Total Amount - KES	Statement of Financial Performance		Deferred Income	Receivables	Others - must be specific	Total Transfers during the Year
KSEIP	11/10/2024	Development	800,000,0000		-	-	-	-	800,000,000

Appendix VI: Reporting of Climate Relevant Expenditures-NONE

Project Name	Project Description	Project Objectives	Project Activities					Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		

Appendix VII: Disaster Expenditure Reporting Template-NONE

Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments