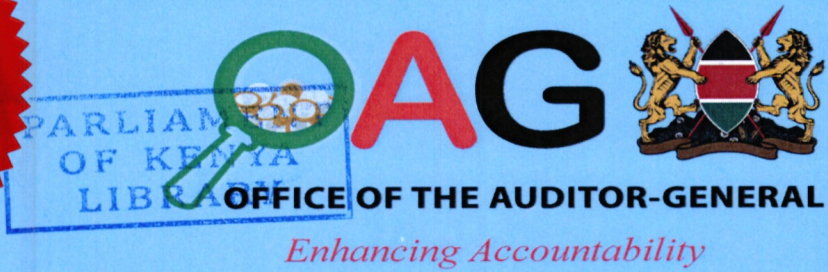


REPUBLIC OF KENYA



REPORT

THE NATIONAL ASSEMBLY

DATE: 13 APR 2023

THURSDAY

OF

TABLED
BY:

THE LEADER OF THE
MAJORITY PARTY
(Hon. Kimani (Chung'u)

CLERK AT
THE TABLE:

Joyce Lemereke

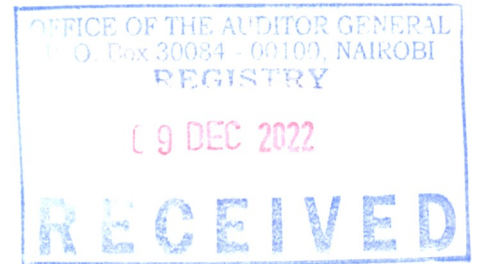
THE AUDITOR-GENERAL

ON

**STATE DEPARTMENT FOR
INDUSTRIALIZATION**

**FOR THE YEAR ENDED
30 JUNE, 2022**

MINISTRY OF INDUSTRIALIZATION, TRADE AND ENTERPRISE DEVELOPMENT
STATE DEPARTMENT FOR INDUSTRIALIZATION
Annual Report and Financial Statements for the year ended June 30, 2022.



MINISTRY OF INDUSTRIALIZATION, TRADE AND ENTERPRISE DEVELOPMENT

STATE DEPARTMENT FOR INDUSTRIALIZATION

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2022

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

**MINISTRY OF INDUSTRIALIZATION, TRADE AND ENTERPRISE DEVELOPMENT
STATE DEPARTMENT FOR INDUSTRIALIZATION**

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**1. STATE DEPARTMENT FOR INDUSTRIALIZATION KEY INFORMATION AND
MANAGEMENT**

(a). Background information

The State Department for Industrialization is established under the Executive Order No. 1 of June 2018 (Revised in May 2020). It is placed under the Ministry of Industrialization, Trade and Enterprise Development. It has the overarching responsibility of Industrial policy planning; overseeing the growth, development and regulation of the Micro, Small and Medium Enterprises; Manufacturing and Industrial sectors. Under the Big Four Agenda 2018-2022, the State Department is implementing various interventions under the Manufacturing Pillar to raise Sector's share to GDP to 15 percent by supporting value addition to accelerate economic growth, create jobs and reduce poverty.

The mandate for the State Department for Industrialization includes:

- i. Industrial Policy and Planning;
- ii. SME Policy;
- iii. SME Financing Policy;
- iv. SME/Biashara Financing Policy;
- v. Buy Kenya Build Kenya Policy and Strategy;
- vi. To promote Standardization in Industry and Quality Control;
- vii. Promotion and Development of Micro and Small Enterprises;
- viii. To Promote and facilitate Domestic and Foreign Investments;
- ix. Promotion and Oversight of the Development of Special Economic Zones and Industrial Parks;
- x. Kenya Property Rights Policy (Patents, Trade Marks, Service Marks, and Innovations);
- xi. Promotion of value Addition and Agro-Processing;
- xii. Textile Sector Development;
- xiii. Leather Sector Development;
- xiv. Business Innovation and Incubation;
- xv. Promotion and development of the Cottage Industry;
- xvi. Oversight and regulation of Scrap Metal Industry;

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- xvii. Promotion and Development of Medium Business Enterprises; and
- xviii. Industrial Training and Capacity Development.

Autonomous and Semi-Autonomous Government Agencies

During the period, the State Department for Industrialization had Eleven (11) State Corporations, One (1) training Institution and three (3) Tribunals. The State Corporations under the State Department include:

Autonomous Government Agencies:

- i.) East African Portland Cement Company (EAPCC)
- ii.) Kenya Bureau of Standards (KEBS).

Semi-Autonomous Government Agencies:

- iii.) Export Processing Zones Authority (EPZA)
- iv.) Kenya Industrial Estates (KIE)
- v.) Kenya Industrial Property Institute (KIPI)
- vi.) Kenya Industrial Research and Development Institute (KIRDI)
- vii.) Kenya Investment Authority (KenInvest)
- viii.) Kenya Accreditation Services (KENAS)
- ix.) Numerical Machining Complex (NMC)
- x.) Scrap Metal Council (SMC)
- xi.) Special Economic Zones Authority (SEZA).

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

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VISION, MISSION AND CORE VALUES

Vision

Globally competitive and sustainable industrial sector

Mission

To create an enabling environment for a globally competitive and sustainable industrial sector

Core Values

The State Department seeks to uphold the following core values:

- ⚙ **Customer focus:** We are committed to upholding the highest standard in our services delivery to all customers;
- ⚙ **Integrity:** we are committed to acting in an honest impartial, fair and transparent manner and being devoid of corruption practices while delivering our services;
- ⚙ **Team work:** We will deliberately nurture team spirit, collaboration, consultation and adopt participatory approach in discharging our mandate;
- ⚙ **Professionalism:** We will maintain high level of professionalism through continuous competency development;
- ⚙ **Creativity and innovativeness:** We will continuously be seeking innovative methods of delivery our services;
- ⚙ **Efficiency and effectiveness:** we will be guided by operational, rationalization and cost saving measures;
- ⚙ **Commitment to Environmental Sustainability:** we shall be committed to ensure sustainable industrial and enterprise development process, which protects the environment.

Strategic Objectives

- i.) To improve product competitiveness and business environment
- ii.) To increase manufacturing sector's contribution to GDP to 15 per cent
- iii.) To attract Domestic and Foreign Direct investments
- iv.) To generate employment opportunities
- v.) To mobilize resources for Industrial and Trade Development
- vi.) Strengthen institutional capacity for service delivery.

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(b). Key Management

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

- i. Cabinet Secretary Office
- ii. Principal Secretary Office
- iii. Industrialization Secretary
- iv. Directorate of Agro - industries;
- v. Directorate of Chemical and Mineral Industries;
- vi. Directorate of Field Services;
- vii. Directorate of Engineering and Construction industries;
- viii. Directorate of Enterprise Development;
- ix. Directorate of Research, Manufacturing and Industrialization Policy;
- x. Directorate of Private Sector Development and Business Environment;
- xi. Kenya Industrial Training Institute; and
- xii. Administration and Support Services.

(c). Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2021 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Cabinet Secretary, Ministry of Industrialization, Trade and Enterprise Development	Betty C. Maina, EGH
2.	Principal Secretary, State Department for Industrialization	Amb. Kiriimi P. Kaberia, CBS
3.	Director of Administration	Mr. Joseph Bullut
4.	Industrialization Secretary	Mr. Hezekiah Okeyo
5.	Director Agro – processing industries	Mr. Nobby Macharia
6.	Director Chemical and Mineral Industries	Mr. Julius Kirima, HSC
7.	Director Field Services	Mr. Joseph Mbeva
8.	Director Engineering and Construction industries	Mr. George Makateto
9.	Director Enterprise Development	Ms. Nancy Muya

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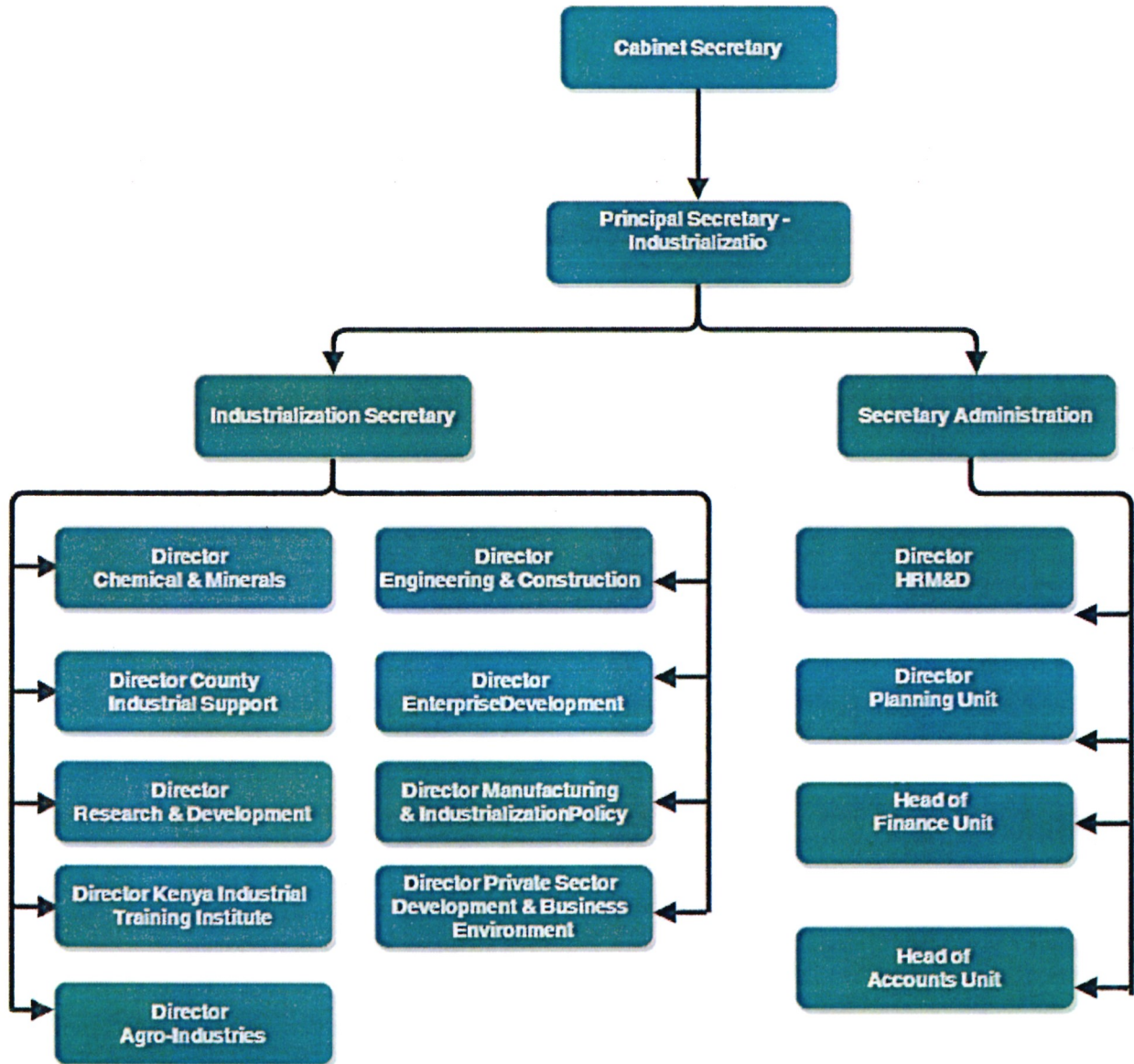
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No.	Designation	Name
10.	Ag. Director Research, Manufacturing and Industrialization Policy	Mr. Roy Nyagena
11.	Director Private Sector Development and Business Environment	Mr. Stephen Odua
12.	Director Kenya Industrial Training Institute	Ms. Peris Adema
13.	Director of Planning	Mr. Timothy Gakuu, HSC
14.	Director Human Resource and Development	PhD. Judy Njeru, HSC
15.	Ag. Senior Chief Finance Officer	Mr. Nicholas Kamau
16.	Ag. Head of Accounting Unit	Ms. Ruth Wanyonyi, CPA

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State Department for Industrialization Organization Structure



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 <p>Ms. Betty C. Maina, EGH, Cabinet Secretary</p>	<p>Ms. Betty C. Maina, EGH is the Cabinet Secretary for the Ministry of Industrialization, Trade and Enterprise Development. She has more than 27 years' experience in organizational leadership and development.</p> <p>She has served as the Principal Secretary in the Ministry of Environment and Forestry, State Department for Industrialization, and State Department of East African Affairs. She has also served as the Chief Executive of the Kenya Association of Manufacturers for 11 years.</p> <p>She holds a Master of Science Degree in Development Administration and Planning from the University College of London, and an undergraduate degree in Land Economics from the University of Nairobi.</p>
 <p>Amb. Kirimi P. Kaberia, CBS Principal Secretary</p>	<p>Amb. Kirimi P. Kaberia CBS, joined the State Department for Industrialisation in February 2021 as the Principal Secretary. He possesses rich experience in corporate governance, public policy practice and administration, having previously served as Principal Secretary for Mining and Principal Secretary in State Department for Sports Development, where he also served as the founding Administrator of the Sports, Arts and Social Development Fund. He has also served as the Principal Secretary in State Department for Defence and a member of the National Security Council. Amb. Kaberia has also served in a vast number of Boards in state corporations, companies and universities.</p> <p>Amb Kaberia has wide experience in international relations, diplomacy and global trade negotiations, having served as the Ambassador Extraordinary and Plenipotentiary to Brazil, Colombia, Venezuela, Chile, and Argentina; Deputy Ambassador and Head of Chancery, Kenya Embassy in Madrid, Spain; Deputy Ambassador and Head of Chancery, Kenya Embassy in Paris, France, with accreditation to Portugal and the Holy See; and, Counsellor, Kenya Embassy in Washington DC.</p> <p>Amb Kaberia holds a Master's Degree in International Law (LLM) as well as a Bachelor's Degree in Journalism and Communications. In recognition of his service to the Republic of Kenya, he was conferred with a Chief of Burning Spear award by His Excellency the President in 2016.</p>
 <p>Mr. Joseph Bullut, Director of Administration</p>	<p>Mr. Joseph Bullut joined the State Department in September , 2021 as Director of Administration, He has served for over 33 years in different capacities as Secondary School Teacher from 1989 to 1984 and joined Administration in 1994(Transfer of Service) rising from District Officer Cadet to Senior Deputy County Commissioner serving in different parts of the country.</p> <p>He holds Bachelor of Commerce and Diploma in Education.</p>






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 <p>Mr. Hezekiah Okeyo Industrialization Secretary</p>	<p>Mr. Hezekiah B. Okeyo holds a Master of Business Administration (MBA) in Strategic Management from the Eastern and Southern African Management Institute (ESAMI), Tanzania; Master of Science (MSc) in Environmental Science and Technology from IHE Delft, Netherlands, Bachelor of Science (BSc) from the University of Nairobi University.</p> <p>He has broad experience in industrial policy development and research analysis. He joined the Civil Service June 1990 under Industrial Development Officers Cadre and has risen through the ranks in the industrialization docket.</p>
 <p>Mr. Nobby Macharia Director of Industries</p>	<p>Mr. Nobby Macharia is the Director of Industries in charge of Agro – processing industries Directorate in the State Department for Industrialization. He joined the Ministry of Industrialization in the year 1992 as an Industrial Development Officer 1 and risen through the ranks to become a Director.</p> <p>He holds MBA (Entrepreneurship) from the Methodist University and Bachelor Degree in Science – Agriculture from the University of Nairobi.</p>
 <p>Mr. Stephen A. Odua Director of Industries</p>	<p>Mr. Stephen Odua is the Director of Industries in charge of Business Environment (BE) and Private Sector Development (PSD) in the State Department of Industrialization, Ministry of Industrialization, Trade and Enterprise Development. He is also the Project Coordinator of the Kenya Industry and Entrepreneurship Project (KIEP), a World Bank-sponsored Project, and an Alternate Director to the Board of Directors, Kenya Investment Authority.</p>
 <p>Ms. Nancy Muya Director of Industries</p>	<p>Ms. Nancy W. Muya is a Director of Industries in charge of the Enterprise Development Directorate. She holds BSc. (Maths/Chem) degree from Kenyatta University and is pursuing MSc (Entrepreneurship) degree at Jomo Kenyatta University of Agriculture and Technology.</p> <p>She has over 29 years of experience in civil service, offering her expertise in industrial development while in the Ministry. She has undergone several short-term training programmes during her work experience in industrial development, policy formulation, processing technologies, management, and leadership, locally and internationally.</p>
 <p>Mr. Julius Kithinji Kirima, HSC Director of Industries</p>	<p>Mr. Julius Kithinji Kirima, HSC is Director of Industries Heading Chemical & Mineral Industries Directorate in the State Department of Industrialization. He holds a Bachelor of Science Degree in Chemistry and Mathematics, Master of Science in Entrepreneurship. He has risen the ranks in the civil service from Industrial Development Officer II in 1990 to Director of Industries and was awarded Head of State Commendation (HSC) for his distinguished service to the Republic of Kenya 2011.</p> <p>He has served previously as Deputy Director of Internal Trade, Chairman of the Technical Committee that Drafted the Anti-Counterfeit Bill 2008, and later Ag. Secretary to Operationalize the Anti-Counterfeit Agency, Coordinator for Kenya Trade and Poverty Programme (KTPP,) and Member of high-Level Task Force that negotiated the East African</p>




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	<p>Community Common Market Protocol. Mr. Kirima is also a Lead Expert in Environmental Impact Assessment and Audit and is trained in Ceramic Kiln and Firing Technology, among others</p>
 <p>Mr. Joseph Mbeva Director of Industries</p>	<p>Mr. Joseph Mbeva is Director of Industries in charge of Industrialization Field services. holds vast experience in industrial matters and intellectual property rights have started working with the Government from 1992 to date.</p> <p>He holds a Master's of Science Degree in Intellectual Properties and a Bachelor's Degree in Science.</p>
 <p>Mr. George Makateto Director of Industries</p>	<p>Mr. George Makateto is Director of Engineering and Construction Directorate the State Department of Industrialization.</p> <p>He joined civil service in the year 1993 at Tutor - drawing and design, building construction; rising through the ranks of lecturer, deputy director to become Director of Industries.</p>
 <p>Ms. Peris Adema Director KITI</p>	<p>Ms. Peris Adema is the current Director of the Kenya Industrial Training Institute (KITI), Nakuru. She holds a Master's degree in Corporate Strategy and Economic Policy.</p>
 <p>Mr. Roy Nyagena Ag. Director of Industries</p>	<p>Mr. Roy Nyagena is the Acting Director Research, Manufacturing and Industrialization Policy Directorate in the State Department for Industrialization. He joined the Ministry of Industrialization in the year 1992 as an Industrial Development Officer 1 and risen through the ranks to become a Deputy Director of Industries.</p> <p>He holds Master of Arts degree in Rural Economics from Gandhigram Rural University and Bachelor Degree in Commerce from Nagpur University, India.</p>
 <p>PhD. Judy Njeru, HSC Director, HRM&D</p>	<p>Dr. Judy Njeru, Director is the Director, Human Resources and Development. She holds a Doctor of Philosophy in Diplomacy and International relations, Masters of Arts in International Studies, Masters in Education Administration, Postgraduate Diploma in HRM, and Bachelor's Degree in Education.</p>

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	<p>Other training includes; SLDP, Senior Management, Management of training function, Training needs Analysis, Personnel management Negotiation skills, Team building, and Disaster training.</p>
 <p>Mr. Timothy Gakuu, HSC Director of Planning</p>	<p>Mr. Timothy Gakuu is the Director of Planning in the Central Planning and Programme Monitoring Unit, State Department for Industrialization. He holds a Master of Arts in Economics from the University of Nairobi.</p> <p>He has experience spanning over 25 years having worked with various Government Ministries and Department. Formerly Director of Planning in Ministry of Energy, Chief Economist Ministry of Devolution and Planning, Chief Economist Ministry of Youth and Sports and Ag. Chief Executive Officer of CDF Board.</p>
 <p>Mr. Nicholas Kamau Chief Finance Officer</p>	<p>Mr. Nicholas Kamau is the Senior Chief Finance Officer for the State Department. He is experienced in financial management having worked with various MDAs for the last 20 years in various capacities in financial management including being an auditor, accountant, and currently finance.</p> <p>He holds a master’s degree in science in finance and investment, Bachelor’s degree in finance, certified information systems, and CPA K. He is a member of ICPAK.</p>
 <p>Ms. Ruth Wanyonyi Ag. Head of Accounting Unit</p>	<p>Ms. Ruth Wanyonyi is the Ag. Head of Accounting Unit at the State Department. She joined the department in June 2018 has worked with various Ministries Departments Agencies.</p> <p>She is a holder of a Master of Science Degree in Finance from JKUAT, Bachelor of Commerce in Finance, 1st Class honor from KCA University, and CPA (K). She is a member of ICPAK.</p>

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(d). Fiduciary Oversight Arrangements

The key State Department fiduciary oversight arrangements include:

Audit and Finance Committee activities

The committee performs the following duties

- i. Reviewing and monitoring the external auditor's independence and objectivity, taking into consideration relevant professional and regulatory requirements. In fulfilling its duties, the committee reviews with the external auditors, the scope of their audit plan, system of internal audit reports, assistance given by management and its staff to the auditors and any findings and actions to be taken.
- ii. Reviewing any related party transactions that may arise within the State Department of Industrialization.
- iii. Reviewing communication between external auditors and management including responses on audit queries on the annual financial statement raised by the Auditor General.
- iv. Following up on recommendations of the Parliamentary Accounts Committee (PAC).

The following shows the number of finance and audit committee meetings held during the year and the attendance of individual members.

NO.	NAME	POSITION	28/9/2021	6/5/2022	Total attendance
1	Mr. Stephen K. Mbuko	Chairperson	✓	✓	2
2.	Ms. Jane W. Muthaura	Member	✓	✓	2
3.	Abdi Sahal Ali	Member	✓	✓	2
4.	Mr. Simon S. Nabosa	Member	✓	✓	2
5	Prof. Daniel K. Tarus	Member	x	x	0
6.	Dr.Jackson Barngetuny	Secretary	✓	✓	2

Budget Committee Activities

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

- i. To review and consider the cash flow plans
- ii. To review the utilization of the cash limits and consider any changes as may be required;
- iii. To review the utilization of the donor funds voted for the State Department.

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

The following shows the number of budget committee meetings held during the year and the attendance of individual members

NO.	NAME	POSITION	24/8/2021	2022	Total attendance
1	Mr. Nicholas Kamau	Chairperson	✓		1
2.	Dr. Judy Njeru, PhD	Member	✓		1
3.	Mr. Hezekiel Okeyo	Member	✓		1
4	Mr. Samson Wangusi	Member	✓		1
5.	Mr. Jared Ichwara	Co-Chair	✓		1
6.	Rose Baraza	Secretary	✓		1
7	Obiero Makori	Member	✓		1

(e). State Department of Industrialization Headquarters

P.O. Box 30418-00100

NSSF Building, Block A, 17th Floor

Bishops Road, Capital Hill

NAIROBI, KENYA

State Department of Industrialization Contacts

Telephone: 020-2731531-9

E-mail: ps@industrialization.go.ke;

ps.moied@gmail.com

Website: www.industrization.go.ke

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(f). State Department of Industrialization Bankers

Central Bank of Kenya

Haile Selassie Avenue

P.O. Box 60000 - City Square 00200

NAIROBI, KENYA.

(g). Independent Auditors

Auditor General

Office of The Auditor General

Anniversary Towers, University Way

P.O. Box 30084 - GPO 00100

NAIROBI, KENYA.

(h). Principal Legal Adviser

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112 - City Square 00200

NAIROBI, KENYA.

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2. STATEMENT BY THE CABINET SECRETARY

The manufacturing sector is one of the key drivers for economic growth and development. The sector plays a critical role in contributing to economic growth and generating employment as the Country moves towards realization of the aspirations of Vision 2030. Its overall goal is to increase its contribution to Gross Domestic Product (GDP) by at least 15% by 2022; increase level of foreign direct investments to \$2 billion; and improve ease of doing business ranking from 80 in 2017 to 50 by 2022. This will propel Kenya towards becoming one of Africa's major industrial hubs. The sector has a high potential of investment attraction, employment creation, export expansion, stimulus for agricultural sector growth and provision of forward and back ward linkages in all other sectors of the economy. The sector plays a strategic role in technology and innovation as it is a major platform for diffusion of new technologies to other sectors of the economy.

Under the manufacturing pillar, the priority interventions implemented during the period under review included: Policy Reviews and Implementation; Development of infrastructural facilities for industrial parks at Naivasha and Dongo Kundu, Mombasa; Development of Textile Hub at EPZ Athi River; Modernization of RIVATEX EA machinery and Factory together with the Cotton processing for Textiles and Apparels manufacturing; One Stop-shop Center; Construction of Industrial Research Laboratories - KIRDI South B; Provision of Finances to SMEs in the Manufacturing Sector through KIE; Modernization of NMC's Foundry Plant & Fabrication Workshop; Kenya Industry and Entrepreneurship Project; and Infrastructure & civil works Development at KITI.

In terms of Budget allocation to the Ministry (and more specifically, the State Department for Industrialization), three programmes are been implemented namely:

- i. Promotion of Industrial Development and Investment (Industrial Development & Investments; and Promotion of Industrial Training)
- ii. Standards and Business Incubation (Standardization Metrology & Conformity Assessment; Industrial Research, Technology & Innovations; and Business Financing and Incubation for MSMEs)
- iii. General Administration, Planning and Support Services.

The key achievements for the FY 2021/2022 include:

- i. Finalization of National Automotive Policy 2021, Intellectual Property Bill 2022 and KIRDI Act 2022;
- ii. Development of infrastructural facilities for Naivasha SEZ reached 6.40 percent completion level;
- iii. Development of infrastructural facilities for Dongo Kundu SEZ reached 7.78 percent completion level;
- iv. Development of Athi River Textile hub has reached 65 percent level of covering the construction of civil works for the Industrial Sheds, sewerage, internal roads and water provision;
- v. Modernization of RIVATEX Machinery – modern machinery acquisition and installation has reached 96 percent level of completion;

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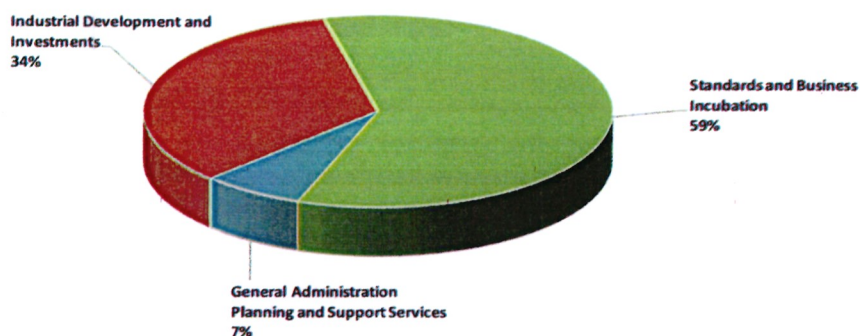
- vi. Modernization of NMC's Foundry Plant & Fabrication Workshop – 35 percent level of completion of modernization of foundry plant, fabrication plant and Galvanising plant;
- vii. Kshs 1.03 billion provided as industrial credit to SMEs and Large firms in Manufacturing sector through KIE;
- viii. Construction of Industrial Research, Laboratories (KIRDI Nairobi) - construction works, cladding and building services and management installations reached 80 percent level of completion;
- ix. Infrastructure and civil works development (KITI) – completion of Central Stores, Women Hostels and Walkways;
- x. Kenya Industry and Entrepreneurship Project (KIEP) - for increased innovation and productivity in select private sector firms through Upgrading of SMEs, Incubators and Accelerators and student training on coding and soft skills.

BUDGET ALLOCATION

The Budget estimates for the FY 2021/22 were Kshs 6,292,747,120 consisting Recurrent Kshs 3,304,847,120 and Development Kshs 2,987,900,000. The State Department was to expend the gross budget of **Kshs. 5,090,081,684** under the following three programmes:

Programmes	Approved Budget Allocation		
	KShs	Actual Payments	Variance
General Administration Planning and Support Services	443,352,721	430,612,104	12,740,617
Industrial Development and Investments	2,117,459,689	2,012,034,047	105,425,642
Standards and Business Incubation	3,731,934,710	2,647,435,533	1,084,499,177
	6,292,747,120	5,090,081,684	1,202,665,436

BUDGET ALLOCATION BY PROGRAMMES



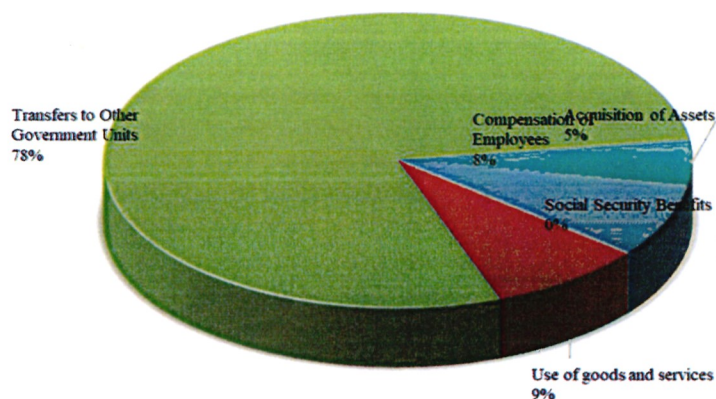
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Budget Utilisation (Payments)

The State Department spent **Kshs. 5,090,081,684** against an approved budget of **Kshs. 6,292,747,120** representing absorption of **81%**. Utilisation of the budget was carried out through various activities (economic classifications) as shown in the chart below:

Budget Utilisation as Per Economic Items



Emerging Issues

The COVID-19 Pandemic and the current geopolitics and alignments in the global economic power bases has continued causing disruptions in the global trade value chains in the Manufacturing Sector, leading to slow movement of goods, shortages of critical imports of raw materials and increasing cost of doing business. The Ministry through the Performance Contracting process has ensured continuous performance improvement mechanisms have been adopted to ensure that the manufacturing sector activities returns to normalcy.

Implementation challenges

The Manufacturing Sector pillar of the ‘Big Four’ Agenda faced a number of challenges, which include:

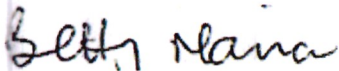
- i.) Inadequate industrial infrastructure
- ii.) Unavailability of Industrial Land
- iii.) High cost of energy and operations
- iv.) Rapidly changing consumer needs, preferences and quality requirements
- v.) Low awareness on Industrial Property Rights and weak protection of indigenous knowledge
- vi.) Inadequate Skills and Capabilities in Manufacturing sector
- vii.) Inadequate Financial Resources
- viii.) Limited access to financial services for industrial development
- ix.) Inadequate market information and access

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- x.) Counterfeit, Dumping and Substandard goods
- xi.) Increased vandalism of national critical infrastructure.

Sign



**Betty C. Maina, EGH
CABINET SECRETARY**

**STATE DEPARTMENT FOR INDUSTRIALIZATION
MINISTRY OF INDUSTRIALIZATION, TRADE AND ENTERPRISE
DEVELOPMENT.**

**MINISTRY OF INDUSTRIALIZATION, TRADE AND ENTERPRISE DEVELOPMENT
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3. STATEMENT BY THE PRINCIPAL SECRETARY / ACCOUNTING OFFICER

Budget performance against actual amounts for current year based on economic classification and programmes, (under this section, include graphs, pie charts, figures and tables)

In the period under review, the State Department absorbed 99 percent of all the allocated funds under the recurrent budget, 90 percent of GoK development budget and 11 percent of the Donor Mobilized funds.

Detail key achievements for State Department for Industrialization (under this section use pictorial to depict successful projects undertaken during the year)

- i. Finalized the National Automotive Policy 2021, Intellectual Property Bill 2022 and KIRDI Act 2022;
- ii. Development of infrastructural facilities for Naivasha SEZ reached 6.40 percent completion level;
- iii. Development of infrastructural facilities for Dongo Kundu SEZ reached 7.78 percent completion level;
- iv. Development of Athi River Textile hub has reached 65 percent level of covering the construction of civil works for the Industrial Sheds, sewerage, internal roads and water provision;
- v. Modernization of RIVATEX Machinery – modern machinery acquisition and installation has reached 96 percent level of completion;
- vi. Modernization of NMC's Foundry Plant & Fabrication Workshop – 33 percent level of completion of modernization of foundry plant, fabrication plant and Galvanising plant;
- vii. Kshs 1.03 billion provided as industrial credit to SMEs and Large firms in Manufacturing sector through KIE;
- viii. Construction of Industrial Research, Laboratories (KIRDI Nairobi) - construction works, cladding and building services and management installations reached 80 percent level of completion;
- ix. Infrastructure and civil works development (KITI) – completion of Central Stores, Women Hostels and Walkways;
- x. Kenya Industry and Entrepreneurship Project (KIEP) - for increased innovation and productivity in select private sector firms through Upgrading of SMEs, Incubators and Accelerators and student training on coding and soft skills.

In pictorial:

Emerging issues

- i. Continued existence of the COVID-19 pandemic
- ii. High Cost of Doing Business
- iii. Current geopolitics and alignments in the global economic power bases
- iv. Green Manufacturing and Circular Economy.

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Highlight key risk management strategies.

The State Department has put in place measures and mechanisms for identifying, assessing, controlling, monitoring and mitigating risks by instituting adequate internal controls. The risk management committee was constituted to drive the risk management activities.

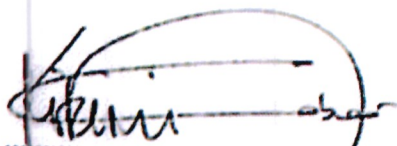
The risk management processes and strategies adopted have helped the State Department in identifying its strengths, weaknesses, opportunities, and threats in its operating environment. This has led to:

- i. Improved service delivery to the citizens
- ii. Securing and Protection of government assets
- iii. Efficient procurements services and payment of suppliers
- iv. Reduced incidences of corruption incidences
- v. Fast-tracking implementation of priority programmes and projects.

Implementation challenges and recommended way forward. (Ensure that you include what the entity is doing to overcome the challenges noted).

During the period under review the following challenges slowed down the implementation of programmes and project geared towards increasing the manufacturing sector contribution to the GDP and creation of more employment opportunities

- i. Inadequate financial resources
- ii. Inadequate industrial infrastructure
- iii. Unavailability of Industrial Land
- iv. High cost of energy and operations
- v. Rapidly changing consumer needs, preferences and quality requirements
- vi. Inadequate Skills and Capabilities in Manufacturing sector
- vii. Limited access to financial services for industrial development
- viii. Counterfeit, Dumping and Substandard goods
- ix. Increased vandalism of national critical infrastructure.



.....

AMB. KIRIMI P. KABERIA, CBS

PRINCIPAL SECRETARY / ACCOUNTING OFFICER

STATE DEPARTMENT FOR INDUSTRIALIZATION.

**MINISTRY OF INDUSTRIALIZATION, TRADE AND ENTERPRISE DEVELOPMENT
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**4. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES
FOR FY 2021/2022**

Introduction

In line with the Ministry's Vision, Mission, and Key Strategic Objectives, State Department for Industrialization has identified key priority areas under the Manufacturing Pillar of the Big Four Agenda for implementation. The strategies will help in the attainment of the key result areas outlined in the sector performance standards, which include manufactured export growth and Global competitiveness; Contribution to economic growth; Industrial Growth and Development; Employment, prosperity and equity; Resources for industrial and Trade Development; and Leadership and integrity (governance).

The key development objectives include:

- i. To increase manufacturing, sector contribution to GDP to 15%;
- ii. To improve product competitiveness;
- iii. To improve business environment;
- iv. To attract Domestic and Foreign Direct Investments;
- v. To Generate Employment opportunities;
- vi. To Mobilize resources for Industrial Development; and
- vii. Strengthen institutional capacity for service delivery.

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Progress of the Big Four Agenda programmes and Interventions under the Manufacturing Sector

Summary of projects/Programmes, key performance targets and achievement for the Financial Year 2021/2022

Programmes /Projects	Objectives	Expected outcomes/Output	Performance Indicator	Implementing Agency	Timeframe	Current Status Achievement Level
Development of Textile Hub at Athi River – Export Processing Zones Authority	To provide industrial warehouses/ shed and basic infrastructure facilities (internal roads, power, water, security fence, and sewerage) that are key in attracting and retaining investors in textiles value addition and creating more employment opportunities at the Export Processing Zones	Increased investments in EPZs from \$350 million to \$2 billion Increased level of exports from the Export Processing Zones (EPZs) firms Industrial sheds constructed Railway siding and infrastructure developed	Amount of investments attracted Exports level from the EPZs (in Kshs billion) Level of completion Level of completion	SDI EPZA SDI EPZA	1/7/2021 to 30/6/2022 1/7/2021 to 30/6/2022	124.34 billion 98.7 billion
Modernization of the Machinery and factory for RIVATEX E.A Ltd	To upgrade and modernize the production machinery and the factory for increased textile & apparel production and creation of job opportunities through backward linkages with the cotton farmers	Increased textiles and apparel production Increase in employment levels Modernized machinery for: weaving, spinning, production and finishing sections.	Increase in production of fabrics Increase in employment levels Completion level	SDI RIVATEX	1/7/2015 to 30 th June 2023	65% level of completion 5% level of completion 95 % level of modernization
Cotton value addition and extension Subsidy - RIVATEX E.A Ltd	The programme aims at expanding the cotton production mainly through provision of farm inputs (seeds, fertilizers & capacity building) to farmers, extension services and coordinate the revival of ginneries for processing of cotton which will feed into the modernized factory	Farmers provided with inputs, extension services and ginneries revived	No. of cotton bales sources locally for apparel processing	SDI RIVATEX	1/7/2021 to 30/6/2022	3,800 bales

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Programmes /Projects	Objectives	Expected outcomes/Output	Performance Indicator	Implementing Agency	Timeframe	Current Status Achievement Level
Development of Freeport & Industrial park at Dongo Kundu - Mombasa - Special Economic Zones Authority	To provide basic infrastructure facilities	Basic infrastructure facilities provided	% completion of basic infrastructure (Construction of Business Centre to house one stop shop; custom gatehouses and custom warehouses; perimeter wall; buffer zone and landscaping; Administration Block)	SDI SEZA	1/7/2019 to 30/06/2025	7.78%
Development of Naivasha Industrial Park - Special Economic Zones Authority	To provide basic infrastructure facilities	Basic infrastructure facilities provided	% completion of basic infrastructure (Construction of Business Centre to house one stop shop; custom gatehouses and custom warehouses; perimeter wall; buffer zone and landscaping; Administration Block)	SDI SEZA	1/7/2019 to 30/06/2024	6.40%
Provision of Credit to Micro Small and Medium Enterprises (MSMEs) in Manufacturing sector - Kenya Industrial Estates	To increase access to affordable long term finance	Increased credit to MSMEs	Amount of credit disbursed to MSMEs	SDI KIE	1/7/2021 to 30/6/2022	1.03 billion Issued as industrial credit
Modernization of NMC's Foundry	To upgrade and modernize foundry plant for increased	Enhanced production of industrial spare parts &	Completion rate	SDI NMC	1/7/2015 to 30/06/2024	33% level of completion

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Programmes /Projects	Objectives	Expected outcomes/Output	Performance Indicator	Implementing Agency	Timeframe	Current Status Achievement Level
Plant at the Numerical Machining Complex (NMC)	production of steel products and machinery	machinery; R&D and reverse engineering capability				
		Foundry Casting produced.	Quantity of foundry castings made in tonnes	SDI NMC	1/7/2021 to 30/6/2022	75.7
		Power Transmission Parts manufactured	Number of Transmission parts manufactured.	SDI NMC	1/7/2021 to 30/6/2022	350,000
Infrastructure and civil works development at Kenya Industrial Training Institute (KITI)	To provide a conducive environment for skills development	KITI infrastructure upgraded and completed	% level of completion of infrastructure upgrading (Women Hostel)	SDI KITI	1/7/2016 to 30/06/2024	86% level of completion
			No. of students trained on industrial and entrepreneurship skills	SDI KITI	1/7/2021 to 30/6/2022	4,252 trained
Completion and equipping of Industrial Research Laboratories at Nairobi, under Kenya Industrial Research and Development Institute (KIRDI)	To provide laboratories for Industrial Research and product development	Increased use of industrial technologies and MSMEs growth facilitated through product development	% completion rate of KIRDI laboratories at South C, Nairobi	SDI KIRDI	1/7/2013 to 30/06/2024	80% level of completion
			No. of industrial technologies transferred to MSMEs	SDI KIRDI	1/7/2021 to 30/6/2022	16
Attraction of Investments (domestic and foreign), investment promotion and one stop-shop centre	To attract investments	Increased level of Investments	Amount of investments attracted (Kshs Billion)	SDI KENIVEST	1/7/2021 to 30/6/2022	45.23 billion

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Programmes /Projects	Objectives	Expected outcomes/Output	Performance Indicator	Implementing Agency	Timeframe	Current Status Achievement Level
establishment - Kenya Investment Authority						
Accreditation of conformity assessment bodies - Kenya Accreditation Service (KENAS)	To promote assessment and accreditation of Conformity Assessment Bodies (CABs)	Increased accreditation and conformity assessment	No. of New CABs Accredited No. of CABs Assessed on accreditation	SDI KENAS SDI KENAS	1/7/2021 to 30/6/2022 1/7/2021 to 30/6/2022	23 259
Development and enforcement of standards by the Kenya Bureau of Standards (KEBS)	To enable access to markets through use of standards	Increased standards development, products compliance and certification by SMEs and large firms	No. of Standards developed No. of products certified under SMEs No. of products certified under large firms	SDI KEBS SDI KEBS SDI KEBS	1/7/2021 to 30/6/2022 1/7/2021 to 30/6/2022 1/7/2021 to 30/6/2022	1,082 6,491 16,660
Protection of innovations and intellectual property - Kenya Industrial Property Institute	To protect industrial and intellectual property rights	Increased intellectual property rights for industrial development and innovation	No. of National Trademarks Registered No. of patents, utility models and industrial designs processed	SDI KIPI SDI KIPI	1/7/2021 to 30/6/2022 1/7/2021 to 30/6/2022	4,966 664
Policy, Legal and Institutional Reforms - SDI	To provide an enabling environment for MSMEs development	Increased manufacturing sector contribution to GDP and employment levels	No. of Policies developed	SDI	1/7/2021 to 30/6/2022	<ul style="list-style-type: none"> • National Automotive Policy 2021 • Intellectual Property Bill 2022 • KIRDI Act 2022

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**5. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY
REPORTING**

The State Department for Industrialization is established under the Executive Order No. 1 of June 2018 (Revised in May 2020) with the mandate of: Industrialization Policy and Planning; Value Addition/Agro Processing; Quality Control including Industrial Standards; Investment Promotion Policy and Facilitation; Kenya Property Rights Policy (Patents, Trade Marks, Service Marks, and Innovation); Textile Sector Development; Leather Sector Development; Ease of Doing Business; Special Economic Zones and Industrial Parks; Industrial Training and Capacity Development; Enterprise Development and Innovation; SME Policy and Development; and SME Training.

The State Department undertook the following activities under the Corporate Social Responsibility for the year ended 30th June, 2022:

i). Sustainability strategy and profile -

The State Department put in place the Management Board Structure bringing together the Cabinet Secretary, Principal Secretary, Head of Directorates and Chief Executive Officers of the various State Corporations under it. This was meant to streamline the operation of the State Department as a whole for efficient and effective service delivery.

The Management Board met once in every month on every first Monday of the month. This built synergy and effective coordination in the implementation and delivery of planned programmes and projects. The reporting and follow up is done to ensure all agreed actions point are implemented within the stipulated timelines. Issues of good governance and accountability have been adopted by the Board to ensure that all Institutions/Departments have zero tolerance to corruption practices, ensure payment of outstanding pending bills and reduction of Audit queries by promptly addressing all the Management Issues raised by Internal Audit Department Unit and Office of the Auditor General.

The State Department has put in place mechanisms of engaging with the Development Donors with a view of supporting in the implementation of Industrial programmes including technical Assistance. Some of the support received include: World Bank – on KIEP Program, Stanbic Bank – on ICT equipment; UNIDO - on Country Partnership program; Msingi East Africa – on Textile Development Program; JICA – on OVOP program, and TMEA. The Department is in negotiation with the German Government through GIZ on support to establish Centre for Entrepreneurship.

The Department has signed financing agreement with the World Bank to support the implementation of the Kenya Industry Entrepreneurship Project which is aims at supporting innovation and productivity improvement for select firms/SMEs.

ii). Environmental Performance

The State Department undertakes the reviewing and screening of Environment Impact Assessments and Strategic Environmental Assessment for all industrial projects both at the National Level and County level. This is meant to reduce the adverse impact of projects and their impacts on the environment and livelihoods.

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In terms of implementing the greening initiative and progressing towards achievement of the 10% tree cover in the country, the State Department planted over 4,000 trees in the FY 2021/2022. The areas where planting of trees was carried out include: 31 County Industrial Development offices, Kenya Industrial Training Institute Nakuru, Nyambene Forest in Mt Kenya and in public schools.

iii). Employee welfare

The Accounting Officer developed and implemented employee welfare and wellness programmes in the workplace to improve employee productivity, motivation, team working and working environment for the staff at the Headquarters and at all the Field Stations. These programmes included:

- i.) Medical camp for the staff for general check-up, HIV testing and counselling, Cancer awareness among others;
- ii.) Training of Departmental AIDs Committee;
- iii.) Undertook regular distribution of condoms to staff in various offices including field stations; and
- iv.) Facilitated leave management for all the employees including leave commutation, bereavement leave where possible.

iv). Market Place Practices

The State Department is spearheading the implementation of public procurement preferences targeting special groups of women, youth and persons with disabilities:

- i.) Department use the Government Advertising Agency to place for its advertisement for delivery of various categories of goods and services;
- ii.) Conducted evaluation of tenders for goods and services in a transparent manner adhering to all laid down procedures;
- iii.) Awarded Kshs 32.55 million tenders of the total procurement budget to the Youth, Women and Persons with Disabilities;
- iv.) Organized capacity building of three groups through training on: government procurement procedures; the requirements for accessing government procurement opportunities; and the specific opportunities;
- v.) Undertook prequalification of suppliers and special groups that provided the framework for selection of merchant and suppliers;
- vi.) Undertook continuous update of the prequalification framework; and
- vii.) Cleared the pending bills with the available resources provided and within reasonable timelines.

v). Community Engagements

The State Department worked with the private sector associations/ communities in advocating for implementation of favourable business environment to facilitate the industrial development. These associations included: Kenya Private Sector Alliance, Kenya Association of Manufacturers, Jua Kali Association, SME Federation of Kenya, Scrap Metal Dealers Associations and Council of Governors among others.

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Engagement areas for these association included: elimination of cases of vandalism of national critical infrastructure and theft of private property; taxation of business proposals, adoption of greener production technologies by firms/SMEs, production /energy /labour costs reduction proposals, work environment/employment terms and related issues, business operation facilitation in terms of raw materials imported among other areas.

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6. STATEMENT OF MANAGEMENT RESPONSIBILITIES

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

The Accounting Officer in charge of the State Department for Industrialization is responsible for the preparation and presentation of the State Department of Industrialization's financial statements, which give a true and fair view of the state of affairs of the State Department of Industrialization for and as at the end of the financial year (period) ended on June 30, 2022. 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 of Industrialization; (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 of Industrialization; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting Officer in charge of the State Department for Industrialization accepts responsibility for the State Department of Industrialization's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the *State Department of Industrialization's* financial statements give a true and fair view of the state of State Department of Industrialization's transactions during the financial year ended June 30, 2022, and of the State Department of Industrialization's financial position as at that date. The Accounting Officer in charge of the State Department for Industrialization further confirms the completeness of the accounting records maintained for the *State Department of Industrialization*, which have been relied upon in the preparation of the State Department of

**MINISTRY OF INDUSTRIALIZATION, TRADE AND ENTERPRISE DEVELOPMENT
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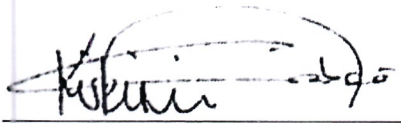
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Industrialization's financial statements as well as the adequacy of the systems of internal financial control.

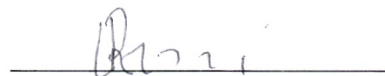
The Accounting Officer in charge of the State Department for Industrialization confirms that the State Department of Industrialization has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the State Department of Industrialization's 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 of Industrialization's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the financial statements

The State Department of Industrialization's financial statements were approved and signed by the Accounting Officer on 11/10/2022 2022.



Amb. Kirimi P. Kaberia, CBS
Principal Secretary



CPA Ruth M. Wanyonyi
Ag. Head of Accounting Unit
ICPAK Member Number 13147

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REPORT OF THE AUDITOR-GENERAL ON STATE DEPARTMENT FOR INDUSTRIALIZATION FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of State Department for Industrialization set out on pages 1 to 32, which comprise of the statement of financial

assets and liabilities as at 30 June, 2022, and the statement of receipts and payments, statement of cash flows and the summary statement of appropriation-recurrent and development 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 effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the State Department for Industrialization as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Motor Vehicles without Title Documents

As previously reported, Annex 4, the summary of fixed assets register reflects a total historical cumulative cost of assets of Kshs.635,627,327. However, the balance excludes 78 vehicles (36 vehicles at the headquarters and 42 vehicles at the County Industrial Development Offices) with an estimated value of Kshs.185,080,000 and Kshs.94,200,600 respectively. Records provided indicated that out of the pool of 78 vehicles, 75 vehicles did not have logbooks or any registration documents and therefore it was not possible to determine their ownership status.

Management explained that, the original registration documents for the vehicles could not be traced due to the reorganization of the Ministry of Industrialization into various State Departments. Although, Management had requested for copies of the registration documents from the National Transport Safety Authority (NTSA), the logbooks had not been received at closure of audit in November, 2022.

In absence of the logbooks, it was not possible to confirm the ownership status of the vehicles.

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

Key Audit Matters

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

Other Matter

1. Budgetary Control and Performance

The summary statement of appropriation: recurrent and development combined reflects actual exchequer releases of Kshs.4,257,569,405 against budgeted receipts of Kshs.5,132,333,120 resulting to an underfunding of Kshs.874,763,715 or 17% of total budget. Similarly, the statement reflects budgeted payments of Kshs.6,292,747,120 against actual payments of Kshs.5,090,081,684 resulting to under expenditure of Kshs.1,202,665,436 or 19% of total budget.

In the circumstances, the State Department has not implemented all the planned and approved programmes resulting to delayed provision of services to citizen.

2. Pending Bills

Notes 18.1 and 18.3 to the financial statements reflects pending bills amounting to Kshs.90,272,732 which comprises of Kshs.16,914,534 for the State Department and Kshs.73,358,198 for Kenya Industrial Training Institute that were not settled in the year under review but were carried forward to the 2022/2023 financial year. The pending bills balance includes an amount of Kshs.30,720,699 which relates to 2020/2021 and earlier financial years.

No plausible explanation was provided for non-payment of the pending bills before the end of the financial year. This is contrary to Regulation, 42(1)(a) of the Public Finance Management (National Government) Regulations, 2015 which states that debt service payments shall be a first charge in the Consolidated Fund and the Accounting Officer shall ensure this is done to the extent possible that the Government does not default on debt obligations.

Failure to settle bills in the year to which they relate will adversely affect the implementation of the subsequent year's budgeted programmes as the pending bills form a first charge for that year's budget provision.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Late Exchequer Releases

The statement of receipts and payments reflects exchequer releases of Kshs.4,257,569,405 which as disclosed in Note 1 to the financial statements, includes an

amount of Kshs.458,369,160 received on 4 July, 2022. This is contrary to Section 17(2) (b) of the Public Finance Management Act, 2012 which states that, payment from the National Exchequer Account should be done without undue delay on all amounts that are payable for public services.

The delayed exchequer releases may have affected the State Department's ability to implement its planned programmes and possible underutilization of the budget, resulting to negative impact on delivery of services to the public.

In the circumstances, The National Treasury was in breach of the law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Failure to Provide Internal Audit Reports

As previously reported, the Internal audit reports for the State Department were not provided for review and it was therefore not possible to ascertain whether the internal audit function had given an assurance on the state of the risk management, internal control and governance within the State Department as required by the Regulation 160(1) of the Public Finance Management (National Government) Regulations, 2015.

Further, Management did not provide the Audit Committee minutes for audit, contrary to Regulations 166(2) and 179(1) of the Public Finance Management (National Government) Regulations, 2015, which requires the Audit Committee to carry out annual review of independence, performance, and competency of the internal audit unit and comment on their effectiveness in the annual report and also ensure that the Audit Committee meets at least once in every three months respectively.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were

operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities,

financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the State Department's policies and procedures may deteriorate.


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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the State Department's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the State Department to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the State Department to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

07 December, 2022

**MINISTRY OF INDUSTRIALIZATION, TRADE AND ENTERPRISE DEVELOPMENT
STATE DEPARTMENT FOR INDUSTRIALIZATION**

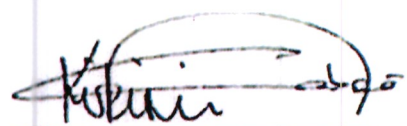
Annual Report and Financial Statements for the year ended 30, June 2022.

**8. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH
JUNE 2022.**

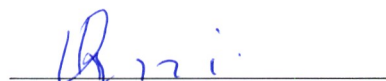
	Note	2021- 2022 Kshs	2020- 2021 Kshs
RECEIPTS			
Transfers from National Treasury	1	4,257,569,405	4,409,619,069
Proceeds from foreign borrowings	2	-	98,563,699
Proceeds from Sale of Assets	3	34,814,505	26,434,832
Other Receipts	4	775,330,398	-
TOTAL REVENUES		5,067,714,308	4,534,617,600
PAYMENTS			
Compensation of Employees	5	406,724,320	406,543,629
Use of goods and services	6	430,332,897	322,081,060
Transfers to Other Government Units	7	4,003,361,835	3,578,466,740
Social Security Benefits	8	4,338,506	3,500,392
Acquisition of Assets	9	245,324,127	259,306,144
TOTAL PAYMENTS		5,090,081,684	4,569,897,965
SURPLUS/DEFICIT		(22,367,376)	(35,280,365)

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The State Department of Industrialization financial statements were approved on

1/10/2022 2022 and signed by:



Amb. Kirimi P. Kaberia, CBS
Principal Secretary



CPA Ruth Wanyonyi
Ag. Head of Accounting Unit
ICPAK Member Number 13147

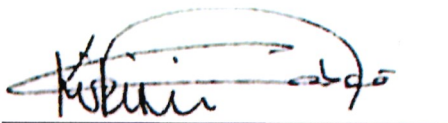
**MINISTRY OF INDUSTRIALIZATION, TRADE AND ENTERPRISE DEVELOPMENT
STATE DEPARTMENT FOR INDUSTRIALIZATION**

Annual Report and Financial Statements for the year ended 30, June 2022.

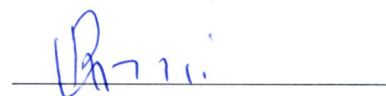
9. STATEMENT OF ASSETS AND LIABILITIES A AS AT 30TH JUNE 2022.

	Note	2021- 2022 Kshs	2020- 2021 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	10A	91,727,374	117,145,511
Cash Balances	10B	-	49
Total Cash And Cash Equivalents		91,727,374	117,145,559
Accounts Receivables - Outstanding Imprest and Clearence Accounts	11	1,314,578	333,783
TOTAL FINANCIAL ASSETS		93,041,952	117,479,342
LESS: FINANCIAL LIABILITIES			
Accounts Payables - Deposits	12	19,358,834	20,457,497
NET FINANCIAL ASSETS		73,683,118	97,021,845
REPRESENTED BY			
Fund balance b/fwd	13	97,021,845	137,306,959
Prior year adjustments	14	(971,354)	(5,004,749)
Surplus/Defict for the year		(22,367,376)	(35,280,365)
NET FINANCIAL POSSITION		73,683,118	97,021,845

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The State Department of Industrialization financial statements were approved on 11/10/2022 2022 and signed by:



Amb. Kirimi P. Kaberia, CBS
Principal Secretary



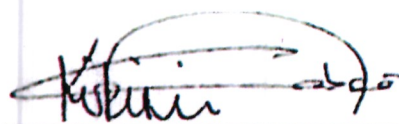
CPA Ruth Wanyonyi
Ag. Head of Accounting Unit
ICPAK Member Number 13147

10. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2022

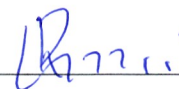
MINISTRY OF INDUSTRIALIZATION, TRADE AND ENTERPRISE DEVELOPMENT
STATE DEPARTMENT FOR INDUSTRIALIZATION
Annual Report and Financial Statements for the year ended 30, June 2022.

	Note	2021- 2022 Kshs	2020- 2021 Kshs
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts for operating income			
Transfers from National Treasury	1	4,257,569,405	4,409,619,069
Other Receipts	4	775,330,398	-
		5,032,899,803	4,409,619,069
Payments for operating expenses			
Compensation of Employees	5	406,724,320	406,543,629
Use of goods and services	6	430,332,897	322,081,060
Transfers to Other Government Units	7	4,003,361,835	3,578,466,740
Social Security Benefits	8	4,338,506	3,500,392
		4,844,757,558	4,310,591,821
Adjusted for:			
Prior Year Adjustments	14	(971,354)	(5,004,749)
Decrease/(Increase) in Accounts receivable: (outstanding imprest	15	(980,795)	(18,652)
Increase/(Decrease) in Accounts Payable: (deposits and retention	16	(1,098,663)	(11,373,396)
		185,091,434	82,630,451
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	2	-	98,563,699
Proceeds from Sale of Assets	3	34,814,505	26,434,832
Acquisition of Assets	9	(245,324,127)	(259,306,144)
Net cash flows from Investing Activities		(210,509,622)	(134,307,614)
NET INCREASE IN CASH AND CASH EQUIVALENT			
		(25,418,187)	(51,677,162)
Cash and cash equivalent at BEGINNING of the year		117,145,559	168,822,722
Cash and cash equivalent at END of the year		91,727,374	117,145,559

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The State Department of Industrialization financial statements were approved on 1/10/2022 and signed by:



Amb. Kirimi P. Kaberia, CBS
Principal Secretary



CPA Ruth Wanyonyi
Ag. Head of Accounting Unit
ICPAK Member Number 13147

**MINISTRY OF INDUSTRIALIZATION, TRADE AND ENTERPRISE DEVELOPMENT
STATE DEPARTMENT FOR INDUSTRIALIZATION
Annual Report and Financial Statements for the year ended 30, June 2022.**

11. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

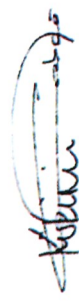
Revenue/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilisation Difference e=c-d	% of Utilisation Difference to Final Budget f=d/c %
RECEIPTS						
Exchequer releases	5,565,333,120	(433,000,000)	5,132,333,120	4,257,569,405	874,763,715	83%
Proceeds from Foreign Borrowings	-	200,000,000.00	200,000,000	-	200,000,000	0%
Proceeds from Sale of Assets	33,000,000	-	33,000,000	34,814,505	(1,814,505)	105%
Other Receipts	787,000,000	140,414,000	927,414,000	775,330,397.65	152,083,602	84%
Total Receipts	6,385,333,120	(92,586,000)	6,292,747,120	5,067,714,308	1,225,032,812	81%
Payments						
Compensation of Employees	405,000,000	2,000,000	407,000,000	406,724,320	275,680	100%
Use of goods and services	439,442,045	11,089,898	450,531,943	430,332,897	20,199,046	96%
Transfers to Other Government Units	3,976,900,000	380,414,000	4,357,314,000	4,003,361,835	353,952,165	92%
Social Security Benefits	537,919	3,910,102	4,448,021	4,338,506	109,515	98%
Acquisition of Assets	1,563,453,156	(490,000,000)	1,073,453,156	245,324,127	828,129,030	23%
Grand Total	6,385,333,120	(92,586,000)	6,292,747,120	5,090,081,684	1,202,665,436	81%
Surplus/Deficit				(22,367,376)	22,367,376	

Notes:

- Underutilisation in Proceeds from domestic borrowings of 0% was a result late submission of AIAs.
- Underutilization of 83% of exchequer releases is as a result of lack of funding from the National Treasury.
- Overutilization of 105% of proceeds from foreign borrowings is as a result of over collection of AIA from SAGAs.
- Under Utilisation of 80% in Other Receipts was as a result of late submission of AIAs.
- Underutilisation in Acquisition of Assets of 23% was as a result of long procurement process

The changes between the original and final budget are as a result of increase in funding by Exchequer of KShs 92,586,000 and thus reallocation of the budget was necessary. The State Department of Industrialization financial statements were approved on

11/01 2022 and signed by:



Amb. Kirimi P. Kaberia, CBS
Principal Secretary



CPA Ruth Wanyonyi
Ag. Head of Accounting Unit

**MINISTRY OF INDUSTRIALIZATION, TRADE AND ENTERPRISE DEVELOPMENT
STATE DEPARTMENT FOR INDUSTRIALIZATION
Annual Report and Financial Statements for the year ended 30, June 2022.**

ICPAK Member Number 13147

12. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT

Revenue/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilisation Difference e=d-c	% of Utilisation Difference to Final Budget f=d/c %
RECEIPTS						
Exchequer releases	2,292,433,120	52,000,000	2,344,433,120	2,344,432,914	206	100%
Proceeds from Sale of Assets	33,000,000	0	33,000,000	34,814,505	(1,814,505)	105%
Other Receipts	787,000,000	140,414,000	927,414,000	775,330,397.65	152,083,602	84%
Total Receipts	3,112,433,120	192,414,000	3,304,847,120	3,154,577,817	150,269,303	95%
PAYMENTS						
Compensation of Employees	405,000,000	2,000,000	407,000,000	406,724,320	275,680	100%
Use of goods and services	419,442,045	16,089,898	435,531,943	415,503,497	20,028,446	95%
Transfers to Other Government Units	2,284,000,000	170,414,000	2,454,414,000	2,302,330,396	152,083,604	94%
Social Security Benefits	537,919	3,910,102	4,448,021	4,338,506	-	98%
Acquisition of Assets	3,453,156	0	3,453,156	4,214,052	(760,896)	122%
Grand Total	3,112,433,120	192,414,000	3,304,847,120	3,133,110,771	171,736,349	95%
Surplus/Deficit	-	-	-	21,467,047	(21,467,046)	

Notes:

- Overutilization of 105% of proceeds from foreign borrowings is as a result of over collection of AIA from SAGAs.
 - Under Utilisation of 80% in Other Receipts was as a result of late submission of AIAs.
 - Overutilization of 122% on acquisition of Assets was as result of change in supplementary budgets.
- The changes between the original and final budget are as a result of reduction in funding by Exchequer of KShs 192,414,000 and thus reallocation of the budget was necessary

(Explain whether the changes between the original and final budget are as a result of reallocations within the budget or other causes as per IPSAS 1.7.23. The totals of actual on comparable basis under the recurrent and development statement should equal to the total on actual on comparable basis under the Combined Summary Statement of Appropriation.)

The State Department of Industrialization financial statements were approved on 11/10/2022 and signed by:



Amb. Kirimi P. Kaberia, CBS

Principal Secretary



CPA Ruth Wanyonyi

Ag. Head of Accounting Unit

MINISTRY OF INDUSTRIALIZATION, TRADE AND ENTERPRISE DEVELOPMENT
STATE DEPARTMENT FOR INDUSTRIALIZATION
Annual Report and Financial Statements for the year ended 30, June 2022.

ICPAK Member Number 13147

13. SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT

Revenue/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilisation Difference e=c-d	% of Utilisation f=d/c %
RECEIPTS						
Exchequer releases	3,272,900,000	(485,000,000)	2,787,900,000	1,913,136,491	874,763,509	69%
Proceeds from Foreign Borrowings	-	200,000,000	200,000,000	-	200,000,000	0%
Total Receipts	3,272,900,000	(285,000,000)	2,987,900,000	1,913,136,491	1,074,763,509	64%
Payments						
Use of goods and services	20,000,000	(5,000,000)	15,000,000	14,829,400	170,600	99%
Transfers to Other Government Units	1,692,900,000	210,000,000.00	1,902,900,000	1,701,031,439	201,868,561	89%
Acquisition of Assets	1,560,000,000	(490,000,000.00)	1,070,000,000	241,110,075	828,889,926	23%
Grand Total	3,272,900,000	(285,000,000)	2,987,900,000	1,956,970,914	1,030,929,087	65%
Surplus/Deficit				(43,834,422)	43,834,422	

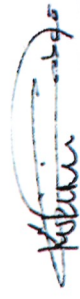
Notes:

- Underutilisation in Proceeds from foreign borrowings of 0% was a result late submission of AIAs.
- Under Utilisation of 69% in exchequer releases was as a result of lack of funding by the National Treasury
- Underutilisation in transfers to other government entities of 89% was as a result late requests' from SAGAs
- Underutilisation in Acquisition of Assets of 22% was as a result of long procurement process.

The changes between the original and final budget are as a result of reduction in funding by Exchequer of KShs 285,000,000 and thus reallocation of the budget was necessary

(Explain whether the changes between the original and final budget are as a result of reallocations within the budget or other causes as per IPSAS 1.9.23. The totals of actual on comparable basis under the recurrent and development statement should equal to the total on actual on comparable basis under the Combined Summary Statement of Appropriation.)

The State Department of Industrialization financial statements were approved on 11/10/ 2022 and signed by:



Amb. Kirimani P. Kaberia, CBS
Principal Secretary



CPA Ruth Wanyonyi
Ag. Head of Accounting Unit
ICPAK Member Number 13147

MINISTRY OF INDUSTRIALIZATION, TRADE AND ENTERPRISE DEVELOPMENT
 STATE DEPARTMENT FOR INDUSTRIALIZATION
 Annual Report and Financial Statements for the year ended 30, June 2022.

14. BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES

Program	Sub Program	Description	Approved Budget	Actual Payments	Variance
301000000	301010000	General Administration Planning	443,352,721	430,612,104	1,788,162
302000000	302010000	Industrial Development and	443,352,721	430,612,104	1,788,162
	302030000	Promotion of Industrial Development	2,117,459,689	2,012,034,047	107,873,685
	302030000	Promotion of Industrial Training	1,814,122,001	1,709,183,327	106,465,274
	303000000	Standards and Business Incubation	303,337,688	302,850,719	1,408,412
	303010000	Standardization, Metrology and	3,731,934,710	2,647,435,533	1,121,183,218
	303020000	Business financing & incubation for	323,072,000	270,620,030	86,012,001
	303030000	Promotion of Industrial Products	2,262,349,710	1,233,554,004	1,031,919,717
	303040000	Industrial Research, Development and	55,083,000	55,083,000	-
		Grand Total	6,292,747,120	5,090,081,684	1,230,845,065

(NB: This statement is a disclosure statement indicating the utilisation in the same format at the State Department of Industrialization's budgets which are programme based. Ensure that this document is completed to enable consolidation by the National Treasury)

The State Department of Industrialization financial statements were approved on 11/10/22 2022 and signed by:



Amb. Kiriimi P. Kaberia, CBS
 Principal Secretary



CPA Ruth Wanyonyi
 Ag. Head of Accounting Unit
 ICPAK Member Number 13147

**MINISTRY OF INDUSTRIALIZATION, TRADE AND ENTERPRISE DEVELOPMENT
STATE DEPARTMENT FOR INDUSTRIALIZATION**
Annual Report and Financial Statements for the year ended 30, June 2022.

15. SIGNIFICANT ACCOUNTING POLICIES

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

1. Statement of Compliance and Basis of Preparation

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

The financial statements comply with and conform to the form of presentation prescribed by the PSASB. The accounting policies adopted have been consistently applied to all the years presented.

2. Reporting State Department of Industrialization

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

- i. Project –Kenya Industry and Entrepreneurship Project (KIEP) – World Bank funded project.*

3. Reporting Currency

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

**MINISTRY OF INDUSTRIALIZATION, TRADE AND ENTERPRISE DEVELOPMENT
STATE DEPARTMENT FOR INDUSTRIALIZATION**

Annual Report and Financial Statements for the year ended 30, June 2022.

4. Significant Accounting Policies

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

a) Recognition of Receipts

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

i) Tax Receipts

Tax receipts are recognized in the books of accounts when cash is received. Cash is considered as received when notification of tax remittance is received. (Check if this policy is applicable to State Department of Industrialization)

ii) Transfers from the Exchequer

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

iii) External Assistance

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

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

In case of grant/loan in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice. A similar recognition criteria is applied for loans received in the form of a direct payment.

**MINISTRY OF INDUSTRIALIZATION, TRADE AND ENTERPRISE DEVELOPMENT
STATE DEPARTMENT FOR INDUSTRIALIZATION**

Annual Report and Financial Statements for the year ended 30, June 2022.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

During the year ended 30th June 2022, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

iv) Other receipts

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

b) Recognition of payments

The State Department of Industrialization recognises all payments when the event occurs, and the related cash has been paid out by the State Department of Industrialization.

i) Compensation of Employees

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

ii) Use of Goods and Services

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

iii) Interest on Borrowing

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

iv) Repayment of Borrowing (Principal Amount)

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

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SIGNIFICANT ACCOUNTING POLICIES (Continued)

v) Acquisition of Fixed Assets

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

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

5. In-kind contributions

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

6. Third Party Payments

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

7. 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.

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

a) Restriction on Cash

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

Amounts maintained in deposit bank accounts are restricted for use in refunding third party deposits. As at 30th June 2022, this amounted to Kshs 19,358,834 compared to Kshs 20,457,497 in prior period as indicated on note 12. There were no other restrictions on cash during the year.

8. Accounts Receivable

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

9. Accounts Payable

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

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SIGNIFICANT ACCOUNTING POLICIES (Continued)

10. Pending Bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the State Department of Industrialization at the end of the year. When the pending bills are finally settled, such payments are included in the Statement of Receipts and Payments in the year in which the payments are made.

11. Budget

The budget is developed on a comparable accounting basis (cash basis except for imprest and deposits, which are accounted for on an accrual basis), the same accounts classification basis, and for the same period as the financial statements. The original budget was approved by Parliament on June 2021 for the period 1st July 2021 to 30th June 2022 as required by Law and there were two supplementary adjustments to the original budget during the year.

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

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

12. Comparative Figures

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

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SIGNIFICANT ACCOUNTING POLICIES (Continued)

13. Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30th June 2022.

14. Errors

Material prior period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by: i. restating the comparative amounts for prior period(s) presented in which the error occurred; or ii. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented. During the year, errors that have been corrected are disclosed under note 13 explaining the nature and amounts.

15. Related Party Transactions

Related party relationships are a normal feature of commerce. Specific information with regards to related party transactions is included in the disclosure notes.

16. Contingent Liabilities

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

A contingent liability is:

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

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities. Letters of comfort/ support, insurance, Public Private Partnerships, The State Department for

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Industrialization 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. and *Annex 7* of this financial statement is a register of the contingent liabilities in the year..

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16. NOTES TO THE FINANCIAL STATEMENTS

1 Exchequer Releases

Description	2021- 2022 Kshs	2020- 2021 Kshs
Total Exchequer Releases for quarter 1	1,474,266,448	1,687,637,179
Total Exchequer Releases for quarter 2	547,169,928	491,560,763
Total Exchequer Releases for quarter 3	686,496,322	649,828,099
Total Exchequer Releases for quarter 4	1,549,636,707	1,580,593,028
TOTAL	4,257,569,405	4,409,619,069

(During the year the ministry was to receive KShs 5,132,333,120, however, it received 4,257,569,405 falling short by KShs 874,763,715).

2. Proceeds from foreign borrowings

These represent receipts that are obtained from selling assets owned by the State Department

Description	2021- 2022 Kshs	2020- 2021 Kshs
Foreign Borrowing-Direct Payments	-	98,563,699
TOTAL	-	98,563,699

3 Proceeds from Sale of Assets

These borrowings are done locally within the General Government and local financial institutions and creditors

Description	2021- 2022 Kshs	2020- 2021 Kshs
Receipts from the Sale of Inventories, Stocks and Commodities	34,814,505	26,434,832
TOTAL	34,814,505	26,434,832

4 Other Receipts

Description	2021- 2022 Kshs	2020- 2021 Kshs
Administrative Fees and Charges collected as AIA	775,330,398	-
TOTAL	775,330,398	-

Relates to AIA Collected by SAGAS.

5 Compensation of Employees

Compensation of employees comprise of remuneration paid to employees in return for the work done. It includes sound contributions made by the State Department on behalf of its employees.

Description	2021- 2022 Kshs	2020- 2021 Kshs
Basic salaries of permanent employees	258,356,841	246,970,039
Personal allowances paid as part of salary	148,367,479	159,573,590
TOTAL	406,724,320	406,543,629

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6 Use of Goods and Services

These comprise the total value of goods and services consumed.

	2021- 2022 Kshs	2020- 2021 Kshs
Utilities, supplies and services	33,302,112	33,655,703
Communication, supplies and services	7,275,024	1,414,566
Domestic travel and subsistence	32,103,947	6,873,097
Foreign travel and subsistence	10,296,690	1,054,600
Printing, advertising and information supplies & services	6,232,420	1,079,701
Rentals of produced assets	128,446,360	118,010,682
Training expenses	25,041,021	15,194,382
Hospitality supplies and services	9,969,141	2,198,204
Specialised materials and services	86,002,953	93,124,848
Office and general supplies and services	18,756,886	10,543,905
Other operating expenses	45,501,226	26,179,112
Routine maintenance – vehicles and other transport equipment	11,663,386	6,699,104
Routine maintenance – other assets	3,729,980	1,673,693
Fuel Oil and Lubricants	12,011,750	4,379,462
TOTAL	430,332,897	322,081,060

7 Grants and Transfers to other Government Entities

Description	2021- 2022 Kshs	2020- 2021 Kshs
(SCOA Codes 2630100, 2630200, 2640400, 2640500, 2649900, 2820100, 2820200, 2820300)	2,302,330,396	1,473,279,193
See attached list	1,701,031,439	2,105,187,547
TOTAL	4,003,361,835	3,578,466,740

7b: Transfers to self – reporting entities in the year. The above transfers were made to the following self-reporting entities in the year:

Description	Recurrent Development		2021- 2022 Kshs
	Kshs	Kshs	
Transfers to SAGAs and SCs			-
Kenya Investment Authority	226,510,000	10,000,000	236,510,000
Scrape Metal Council	11,749,999	-	11,749,999
Numeric Machining Complex Limited	170,830,000	35,000,000	205,830,000
Export Processing Zones Authority	89,460,000	190,100,000	279,560,000
Special Economic Zone Authority	20,370,000	45,000,000	65,370,000
Kenya Industrial Estates Limited	280,239,999	604,634,000	884,873,999
Kenya Industrial Research and Development Institution	617,430,000	448,000,000	1,065,430,000
RIVATEX	-	333,297,439	333,297,439
Kenya Accreditation Services	110,410,000	35,000,000	145,410,000
AIA	775,330,398	-	775,330,398
TOTAL	2,302,330,396	1,701,031,439	4,003,361,835

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

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(Although the Actual AIA was Ksh. 868,261,397.65, We only captured kshs. 775,330,397.65 thus a variance of kshs. 92,930,969.65 relating to Scrape Metal-ksh.92,730,969.65 and Kenya industrial Estates -200,000 was not captured in the Ifmis System since the excess amount was over and above the approved budget in the Ifmis system)

8 Social Security Benefits

	2021- 2022 Kshs	2020- 2021 Kshs
Government pension and retirement benefits	4,338,506	3,500,392
TOTAL	4,338,506	3,500,392

(Social Security benefits relate to medical and life assurance for staff deployed in highly volatile areas by the State Department)

9 Acquisition of Assets

These represent payments made to acquire property, plant and equipment during the year; which have been fully expended in the year of purchase in line with the accounting policies

	2021- 2022 Kshs	2020- 2021 Kshs
Refurbishment of Buildings	526,887	532,041
Purchase of Vehicles and Other Transport Equipment	-	45,000,000
Purchase of Office Furniture and General Equipment	3,224,745	498,613
Construction and Civil Works	89,905,779	25,000,000
Purchase of Specialised Plant, Equipment and Machinery	462,420	-
Research, Studies, Project Preparation, Design & Supervision	151,204,295	188,275,490
TOTAL	245,324,127	259,306,144

10A: Bank Accounts

Name of Bank, Account No. & currency	Amount in bank account currency	Indicate whether recurrent, Development, deposit e.t.c	2021- 2022	2020- 2021
			Kshs	Kshs
Central Bank of Kenya, 87038023,KShs	Ksh	Reccurent	16,507,723	529,662
Central Bank of Kenya, 87056980,KShs	Ksh	Development	-	107,860
Central Bank of Kenya, 87134823,KShs	Ksh	Deposit	7,333,318	6,215,613
Central Bank of Kenya, 30861002,KShs	Ksh	Project	55,860,817	96,050,492
kenya commercial Bank-1112977716 KITI,Kshs	Ksh	Deposit	12,025,516	14,241,884
Total			91,727,374	117,145,511

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10B: cash in hand

	2021- 2022 Kshs	2020- 2021 Kshs
Cash in Hand – Held in domestic currency	-	49
TOTAL	-	49

Cash in hand should also be analysed as follows:

	2021- 2022 Kshs	2020- 2021 Kshs
	-	49
TOTAL	-	49

(Board of survey certificates Attached)

11: Accounts Receivable

Description	2021- 2022 Kshs	2020- 2021 Kshs
Government Imprests	746,400	-
District suspense	568,178	333,783
TOTAL	1,314,578	333,783

12. Accounts Payable

These are general deposits and retention monies that is 10% retained by the State Department on behalf of third parties that offer services to the State Department.

	2021- 2022 Kshs	2020- 2021 Kshs
Deposits	7,333,318	6,215,613
Deposits-KITI	12,025,516	14,241,884
TOTAL	19,358,834	20,457,497

13 Fund Balance Brought Forward

	2021- 2022 Kshs	2020- 2021 Kshs
Bank accounts	117,145,511	168,798,873
Cash in hand	49	23,849
Receivables - Outstanding Imprests	333,783	315,131
Payables - Deposits	(20,457,497)	(31,830,892)
TOTAL	97,021,845	137,306,959

These are the fund balances that were brought forward from FY 2020/21. The bank balances were however taken back by exchequer as shown in note 14.

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14. Prior Year Adjustments

Description of the error	Balance b/f FY 2021/2022 as per Financial statements Kshs	Adjustments Kshs	Adjusted Balance b/f FY 2021/2022 Kshs
Bank account Balances	117,145,511	(637,522)	116,507,989
Cash in hand	49	(49)	-
Receivables	333,783	(333,783)	-
Accounts Payables	(20,457,497)	-	(20,457,497)
	97,021,845	(971,354)	96,050,492

** (The adjusted balances are not carried down on the face of the financial statement. They relate to kshs. 529,662(Recurrent, kshs. 107,860(Development)swept to the exchequer and kshs. 333,783 relates to AIEs returns surrendered during the year. Further ksh.49 cash banked and swept to the exchequer.

These adjustments affect the Statement of Assets as they result into the reduction of the fund balance brought forward.

15.(Increase)/ Decrease in Receivable

Description of the error	2021- 2022 KShs	2020- 2021 KShs
Opening Accounts Receivables as at 1 st July 2021	333,783	315,131
Closing Accounts Receivables as at 30 th June 2022	1,314,578	333,783
Change in Accounts Receivables	(980,795)	(18,652)

16.Increase/ (Decrease) in Accounts Payable

Description of the error	2021- 2022 KShs	2020- 2021 KShs
Opening Accounts Payables as at 1 st July 2021	20,457,497	31,830,892
Closing Accounts payables as at 30 th June 2022	19,358,834	20,457,497
Change in Accounts payables	(1,098,663)	(11,373,395)

17. Related Party Disclosures

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

The following comprise of related parties to the (*State Department of Industrialization*)

- i) Key management personnel that include the Cabinet Secretaries and Accounting Officers
- ii) Other Ministries Departments and Agencies and Development Projects;

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- iii) County Governments; and
- iv) State Corporations and Semi-Autonomous Government Agencies.

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Related party transactions:

	2021-2022	2020-2021
	Kshs	Kshs
Key Management Compensation	-	-
<u>Transfers to related parties</u>		
Transfers to SCs and SAGAs	4,003,361,835	3,578,466,740
Transfers to Development Project	34,814,505	124,998,531
Total Transfers to related parties	4,038,176,340	3,703,465,271
<u>Transfers from related parties</u>		
Transfers from the Exchequer	4,257,569,405	4,409,619,069
Total Transfers from related parties	4,257,569,405	4,409,619,069

18. Other Important Disclosures

18.1: Pending Accounts Payable (See Annex 1)

	Balance b/f FY 2020/2021	Additions for the period	Paid during the year	Balance c/f FY 2021/2022
Description	Kshs	Kshs	Kshs	Kshs
Construction-KITI Civil works	22,581,164	-	22,581,164	-
Supply of goods	28,703,687	-	21,452,746	49,888,440
Historical bills	26,202,330	42,637,499	2,732,572	23,469,758
Total-KITI	77,487,181	42,637,499	46,766,482	73,358,198
Supply of goods-SDI	17,394,477	376,00	5,389,663	12,380,014
Supply of services-SDI	5,359,139	443,540	1,268,159	4,534,520
Total-SDI	22,753,616	819,540	6,657,822	16,914,534

18.2: Pending Staff Payables (See Annex 2)

No staff payables existed during the year.

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18.3: Other Pending Payables (See Annex 3)

	Balance b/f FY 2020/2021	Additions for the period	Paid during the year	Balance c/f FY 2021/2022
Description	Kshs	Kshs	Kshs	Kshs
Amounts due to third parties-KITTI	14,241,784	36,845,711	(39,061,979)	12,025,516
Amounts due to third parties	6,215,613	10,211,945	(9,094,240)	7,333,318
Total	20,457,397	47,057,656	(48,156,219)	19,358,834

18.4 External Assistance

	FY 2021/2022	FY 2020/2021
Description	Kshs	Kshs
External assistance received as loans and grants	63,687,757	102,500,265
Total	63,687,757	102,500,265

a) External assistance relating loans and grants

	FY 2021/2022	FY 2020/2021
Description	Kshs	Kshs
External assistance received as loans	63,687,757	102,500,265
Total	63,687,757	102,500,265

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b) Undrawn external assistance

	Purpose for which the undrawn external assistance may be used	FY 2021/2022	FY 2020/2021
Description		Kshs	Kshs
Undrawn external assistance - loans		4,375,211,399	4,438,899
Total		4,375,211,399	4,438,899

c).Classes of providers of external assistance

	FY 2021/2022	FY 20120/2021
Description	Kshs	Kshs
International assistance organization	63,687,757	102,500,265
Total	63,687,757	102,500,265

Provide details of the reasons for external assistance e.g. Economic development or welfare objective, Emergency relief, Trading activities

d. Purpose and use of external assistance

	FY 2021/2022	FY 20120/2021
	Kshs	Kshs
Compensation of Employees	20,771,632	17,750,000
Use of goods and services	118,941,604	108,924,181
Transfers to Other Government Units	-	31,600,000
TOTAL	139,713,236	120,289,181

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

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18.5 Contingent Liabilities

No contingent liabilities existed during the year.

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19. PROGRESS ON FOLLOW UP OF PRIOR YEARS AUDITOR'S RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
1457	Motor Vehicles without Title Documents			
	Annex 4, the summary of fixed assets register reflects a total historical cumulative cost of assets of Kshs.390,303,20 However, the balance excludes 78 motor vehicles (36 motor vehicles at the Headquarters and 42 motor vehicles at the County Industrial Development Offices) with an estimated value of Kshs.185,080,000 and Kshs.94,200,600, respectively. Records provided indicated that out of the pool of 78 motor vehicles, 75 motor vehicles did not have logbooks or any registration documents and therefore it was not possible to determine their ownership status. Management explained that, the original registration documents for the motor vehicles could not be traced due to the reorganization of the Ministry of Industrialization into	I It is true that the 78 motor vehicles have no original registration certificate due to reorganization of the ministry of industrialization into various State Departments, Through a letter ref: MITED/SDI/TRA/8/1 dated 16 th December, 2021 and was received at NTSA on 21 st December,2021,The accounting officer requested the NTSA to issue us with copies of the registration certificate but due to internal controls and process at NTSA ,we could not manage to get the copies of the registration certificate in one day, we remain committed that once we receive the documents we shall avail them to Auditor General Office.(See Appendix I-A letter received by NTSA).	Not resolved ,issues were for the financial year 2020/2021,we are yet to appear at the PACS thus not resolved	

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	<p>various State Departments. Although, Management had requested for copies of the registration documents from the National Transport Safety Authority (NTSA), the logbooks had not been received. In the absence of the logbooks, it was not possible to confirm ownership of the motor vehicles.</p>			
1458	<p>Budgetary Control and Performance</p>			

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	<p>The State Department received Exchequer receipts totalling Kshs.4,534,617,601 against an approved budget of Kshs.6,626,795,985 resulting to a shortfall of Kshs.2,092,178,384 or 32% of the approved budget. Similarly, actual expenditure amounted to Kshs.4,569,897,965 against the approved budget of Kshs.6,626,795,985 resulting to an under absorption of Kshs.2,056,898,020 or 31% which occurred mainly under transfers to other government units. The Management attributed the under absorption to delays in Exchequer releases by The National Treasury. The shortfall in budgeted receipts and under-absorption implies that the overall goals and objectives of the State Department were not achieved as planned.</p>	<p>The under absorption of kshs.2, 056,898,020 or 31% was due to lack of exchequer from The National Treasury.</p>	<p>Not resolved ,issues were for the financial year 2020/2021,we are yet to appear at the PACS thus not resolved</p>	
<p>1459</p>	<p>Pending Bills</p>			

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	<p>As previously reported, Notes 17.1 and 17.3 to the financial statements reflects pending bills amounting to Kshs.120,698,294 comprised of Kshs.22,753,616 for the State Department, Kshs. 77,487,181 for Kenya Industrial Training Institute (KITI) and Kshs.20,457,497 due to other entities respectively, that were not settled in the year under review but were carried forward to the 2021/2022 financial year. Failure to settle bills in the year to which they relate will adversely affect the implementation of the subsequent 486 year's budgeted programmes as the pending bills form a first charge to that year's budget provision.</p>	<p>we settled part of the pending bills ,the balance will be settled in the financial year 2022/2023</p>	<p>Not resolved ,issues were for the financial year 2020/2021,we are yet to appear at the PACS thus not resolved</p>	
<p>1460</p>	<p>Exchequer Releases Received After Year End</p>			

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	<p>As disclosed in Note 1 to the financial statements, the statement of receipts and payments reflects Exchequer releases amounting to Kshs.4,409,619,069.</p> <p>Included in the balance is an amount of Kshs.528,363,136 relating to Exchequer released by The National Treasury to the State Department from 2 July, to 7 July, 2021 as summarized below; The delayed Exchequer releases may have affected the State Department's ability to implement its planned programmes, thus negatively impacting on service delivery to the public.</p>	<p>It is true that we received the above exchequers in July, Development exchequer was ksh.466,041,453 not 446,298,658 as indicated, but the requests were made earlier as follows:</p> <p>Date Requested 8 June,2021 Vote Recurrent Amount (Kshs.)23,013,783.00</p> <p>Date Requested 12th June,2021 Vote Recurrent Amount 59,050,695.00</p> <p>Date Requested 21st April,2021 Vote Development Amount Kshs. 466,041,453.00</p> <p>Total 548,105,931.00</p>	<p>Not resolved ,issues were for thefinancial year 2020/2021,we are yet to appear at the PACS thus not resolved</p>
1461	Failure to Provide Internal Audit Reports		

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	<p>During the audit, the Internal Audit reports for the State Department were not provided for review and it was therefore not possible to ascertain whether the Internal Audit Function had given an assurance on the state of the risk management, internal control and governance within the State Department as required by Regulation 160(1) of the Public Finance Management(National Government)Regulations, 2015.Further, the Management did not provide the Audit Committee minutes for audit review, contrary to Regulations 166(2) and 179(1) of the Public Finance Management (National Government) Regulations, 2015, which requires the Audit Committee to carry out annual (Government) Regulations, 2015, which requires the Audit Committee to carry out annual review of independence, performance, and competency of the internal audit unit and comment on their effectiveness in the annual report and also ensure that the Audit Committee meets at least once in every three months respectively.</p>	<p>The Management is committed to ensure that internal Audit department is given contusive environment and be fully facilitated in discharging its mandate.</p>	<p>Not resolved ,issues were for the financial year 2020/2021,we are yet to appear at the PACS thus not resolved</p>	

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report.
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management.

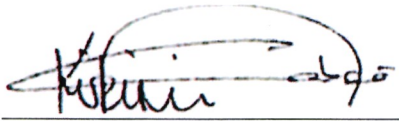
**MINISTRY OF INDUSTRIALIZATION, TRADE AND ENTERPRISE DEVELOPMENT
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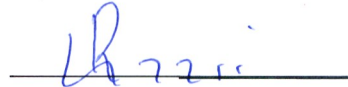
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your State Department of Industrialization responsible for implementation of each issue.
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.

Approval of the financial statements

The State Department of Industrialization’s financial statements were approved and signed by the Accounting Officer on 11/10/2022.



Amb. Kirimi P. Kaberia, CBS
Principal Secretary



CPA Ruth Wanyonyi
Ag. Head of Accounting Unit
ICPAK Member Number

**MINISTRY OF INDUSTRIALIZATION, TRADE AND ENTERPRISE DEVELOPMENT
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ANNEXES

ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

-Attached

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ANNEX 2 - ANALYSIS OF PENDING STAFF PAYABLES-Attached

No Pending staff Payables as 30th June 2022

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ANNEX 3 - ANALYSIS OF OTHER PENDING PAYABLES-Attached

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ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost b/f	Additions during the year	Disposals during the year	Historical Cost e/f
	(Kshs)	(Kshs)	(Kshs)	(Kshs)
Buildings and structures	344,315,420	241,636,962	-	585,952,382
Other Equipments	45,000,000	-	-	45,000,000
Office equipment, furniture and fittings	987,780	3,687,165	-	4,674,945
Total	390,303,201	245,324,127	-	635,627,327

(Kshs. 151,204,295 relates to Research, Studies, Project Preparation, Design & Supervision, incurred as project expenses under KIEP)

NB: The balance as at the end of the year is the cumulative cost of all assets bought and inherited by the Ministry, Department or Agency. Additions during the year should tie to note 9 on acquisition of assets during the year. Ensure this section is complete and covers all the State Department of Industrialization's assets. Ensure the complete fixed asset register is separately prepared as per circular number 5/2020 and follow up reminder of circular No. 23/2020 of The National Treasury)

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**ANNEX 5 – LIST OF PROJECTS IMPLEMENTED BY THE STATE DEPARTMENT OF
INDUSTRIALIZATION (*State Department of Industrialization*)**

Ref	Project Name	Principal activity of the project	Accounting Officer	Project consolidated in these Financial Statements(yes/no)
1	Kenya Industry and Entrepreneurship Project (KIEP)	To increase innovation and productivity in selected private firms	Amb. Kirimi P. Kaberia, CBS	Yes

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ANNEX 6 – LIST OF SCs, SAGAs AND PUBLIC FUNDS UNDER THE STATE

DEPARTMENT FOR INDUSTRIALIZATION

Description	Recurrent Development		2021- 2022
	Kshs	Kshs	
Transfers to SAGAs and SCs			-
Kenya Investment Authority	226,510,000	10,000,000	236,510,000
Scrape Metal Council	11,749,999	-	11,749,999
Numeric Machining Complex Limited	170,830,000	35,000,000	205,830,000
Export Processing Zones Authority	89,460,000	190,100,000	279,560,000
Special Economic Zone Authority	20,370,000	45,000,000	65,370,000
Kenya Industrial Estates Limited	280,239,999	604,634,000	884,873,999
Kenya Industrial Research and Development Institution	617,430,000	448,000,000	1,065,430,000
RIVATEX	-	333,297,439	333,297,439
Kenya Accreditation Services	110,410,000	35,000,000	145,410,000
AIA	775,330,398	-	775,330,398
TOTAL	2,302,330,396	1,701,031,439	4,003,361,835

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ANNEX 7 – CONTINGENT LIABILITIES REGISTER-

No Contingent Liabilities during the Year.

ANNEX 8-AIA ANALYSIS

ENTITY	AIA collections	Budget
Numerical machining complex ltd	17,501,806.00	60,000,000.00
special economic zones Authority	9,800,000.00	10,000,000.00
Kenya Industrial reaseach and development institute	22,748,499.65	26,000,000.00
Export processing zone authority	421,340,685.00	475,000,000.00
Kenya industrial Estate	188,702,000.00	188,502,000.00
Kenya Accreditation service	103,460,031.00	155,912,000.00
Kenya investment Authority	1,977,376.00	2,000,000.00
Scrap metal council	102,731,000.00	10,000,000.00
TOTALS FOR SAGAs	868,261,397.65	927,414,000.00

(Only kshs. 10,000,000 relating to Scrap Metal Council was captured in the IFMIS System due to insufficient budget)

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ANNEX 9- REPORTS GENERATED FROM IFMIS

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

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