

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE



REPORT

OF

THE AUDITOR-GENERAL

ON

**MINISTRY OF DEVOLUTION
AND PLANNING**

**FOR THE YEAR ENDED
30 JUNE 2014**

Paper laid
By Hon. A. Waake, MP
on Wed. 08.07.2015 (pm)
MMW

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OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON THE MINISTRY OF DEVOLUTION AND PLANNING FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of the Ministry of Devolution and Planning set out on pages 16 to 36, which comprise the statement of assets as at 30 June 2014, the statement of receipts and payments, statement of cash flows for the year then ended, summary statement of appropriation recurrent and development combined 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 8 of the Public Audit Act, 2003. 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.

Management's Responsibility for the Financial Statements

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 such 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.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 4 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with provisions of Section 9 of the Public Audit Act, 2003. The audit was conducted in accordance with International Standards on Auditing (ISA). Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the

purpose of expressing an opinion on the effectiveness of the Ministry's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

1. Prior Year Matters

The Ministry did not provide for all issues as had been raised in the previous Auditor-General's report as required in the template provided by the Public Sector Accounting Standards Board. Only three (3) issues were captured under Note 20 on the progress on follow up of the Auditor's recommendations. No explanation has been provided for failure to comply with the template provided by the Board.

2. Trial Balance

The balances reflected in the financial statements have not been supported with a consolidated trial balance as at 30 June 2014. Consequently, the source, accuracy and completeness of the financial statements balances could not be ascertained.

3. Comparative figures for 2012/2013

The Ministry did not provide summary by item to support the comparative figures for the previous year. Consequently, the accuracy and completeness of the financial statement balances could not be ascertained.

4. Unexplained Variances

The figures reflected in the financial statements and the appropriation summary by item for various items are not in agreement. Further, proceeds from domestic and foreign grants and journal entries figure of Kshs.7,627,521,353.00 and the financial statements figure of Kshs.7,621,149,449.00 deferred by Kshs.6,371,904.00 that has not been reconciled. Consequently, the accuracy and completeness of the financial statement balances could not be ascertained.

5. Budget and Budgetary Controls-Variations between Actual and Budget Figures in the Development Vote

The Ministry did not adhere to the budget provisions and no explanations and mitigating measures were provided. Further, under the Head 103005300 Planning and Development- Headquarters, the Ministry spent Kshs.1,964,426,798.00 as transfer to other Government Units which had not been budgeted for. Consequently, the propriety of the amount could not be confirmed.

6. Acquisition of Assets

During the year under review, the Ministry acquired non-financial assets to the tune of Kshs.8,036,371,566.00 against budgeted figure of Kshs.11,372,218,703 resulting to an under expenditure of Kshs.3,335,487,137. The various classes were not disclosed as required.

Further the supporting schedules showing the date of payment, payment voucher numbers, amounts and purpose were not provide

d. The Ministry did not prepare the summary of fixed assets register. Consequently, ownership, existence, location of the fixed assets could not be confirmed.

7. Construction of Buildings

The Ministry awarded a tender for the Construction of proposed flats at National Youth Service Vocational Training Institute-Industrial area at an estimated cost of Kshs. 49,105,721.10. The contract between the Ministry and the contractor was signed on 22 February 2013 and was estimated to take 52 weeks from 08 April 2013 to 07 April 2014. The Contractor was paid certificate No.1 for Kshs.7,111,432.26. Physical verification carried on 17 February 2015 showed that the work was abandoned at foundation level. Information on site meetings or other management meetings were not provided for audit. This Project therefore appears to have stalled.

Further the Ministry did not provide the contract documents for the ongoing construction works at the National Youth Service (N.Y.S) Institute of Business. Correspondences from the Contractor indicate that the original contract period expired but there is no evidence whether an extension was given. Consequently, the continued works on the Project could not be confirmed.

8. Transfer To Other Government Entities

The financial statements of the Ministry reflect recurrent and development combined transfer to other Government entities of Kshs.2,871,368,369.00 which was not budgeted. This amount includes Kshs. 2,151,010,210 reflected in the financial statements as transfer to Ministry of Lands, Housing and Urban Development which has not been supported. Consequently, the accuracy of figure could not be confirmed.

9. Outstanding Imprests

The cash and cash equivalents balance of Kshs.786,967,051.00 as at 30 June 2014 includes an amount of Kshs.11,978,581.00 in form of outstanding imprests. Some imprests holders are deceased, retired or have been transferred elsewhere, while some officers took large amounts of imprests and others had multiple imprests. No reasons have been provided for failure to account for the outstanding imprests.

10. Domestic Currency and Domestic Deposits

Deposits held in trust show a negative balance of Kshs.(183,522,381) as at 30 June 2014. No analysis or evidence was availed to support the negative balance of Kshs.183,522,381.00. Further, no explanation as to how deposits were negative was provided. Consequently the accuracy of the deposits is doubtful.

11. Cash and Cash Equivalents

(a) Bank Reconciliation Statement for the Recurrent Cashbook

i. Payments in Cashbook not yet Recorded in the Bank Statement

The bank reconciliation statement reflects payments in cashbook not in the bank statement of Kshs.1,905,460,392.60 as at 30 June 2014.

No explanation has been provided for failure to clear the outstanding items.

ii. Receipts in the Bank Statement not yet Recorded in the Cashbook

The bank reconciliation statement reflects receipts in the bank statement not yet recorded in the cashbook of Kshs.97,946,037.55 as at 30 June 2014.

No reason has been provided for failure to record the receipts in the cashbook as at 30 June 2014.

iii. Payments in the Bank Statement not yet Recorded in the Cashbook

The bank reconciliation statement reflects payments in the bank statement not yet recorded in the cashbook of Kshs.98,669,055.90 as at 30 June 2014.

No reason has been provided for failure to update the cashbook with the payments.

iv. Receipts in Cashbook not yet Recorded in the Bank Statement

The bank reconciliation statement reflects receipts in cashbook not yet recorded in the bank statement of Kshs.1,811,382,066.85 as at 30 June 2014.

No reason has been given for failure to bank the receipts as at 30 June 2014.

(b) Bank Reconciliation Statement for the Development Cashbook

i. Payments in Cashbook not yet Recorded in the Bank Statement

The bank reconciliation statement reflects payments in cashbook not in the bank statement of Kshs.4,444,546,451.55 as at 30 June 2014.

No explanation has been provided for failure to clear the outstanding items.

ii. Receipts in the Bank Statement not yet Recorded in the Cashbook

The bank reconciliation statement reflects receipts in the bank statement not yet recorded in the cashbook of Kshs.551,579.00. No reason has been provided for failure to record the receipts in the cashbook as at 30 June 2014.

iii. Payments in the Bank Statement not yet Recorded in the Cashbook

The bank reconciliation statement reflects payments in the bank statement not yet recorded in the cashbook of Kshs.37,700,618.00 as at 30 June 2014.

No reason has been provided for failure to update the cashbook with the payments.

iv. Receipts in Cashbook not yet Recorded in the Bank Statement

The bank reconciliation statement reflects receipts in the cashbook not yet recorded in the bank statement of Kshs.4,233,152,021.75 as at 30 June 2014.


No reason has been given for failure to bank the receipts as at 30 June 2014.

12. Pending Bills

The Ministry reported pending bills amounting to Kshs.1,113,380,200.65 comprising of Kshs.120,321,544.00, Kshs.839,292,958.20, Kshs.135,190,012.00 and Kshs.18,575,686.45 for Construction of Civil Works, supply of goods, supply of services, staff payables respectively. However, the list provided for audit review, totalled Kshs.4,271,256,913.46 leading to a difference of Kshs.3,157,876,712.81 which was not explained. In addition, important details such as account charged and current status are not included. Further the register for pending bills was not provided and no explanation has been given for the difference between the two figures. Consequently the accuracy of the pending bills is doubtful.

Qualified Opinion

In my opinion, except for the effect of the matters described in the basis for Qualified Opinion paragraph, the financial statements present fairly in all material respects, the financial position of the Ministry as at 30 June 2014, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS) cash basis and comply with Public Finance Management Act 2012.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

21 May 2015

REPUBLIC OF KENYA
THE PRESIDENCY



MINISTRY OF DEVOLUTION AND PLANNING

REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2014

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

MINISTRY OF DEVOLUTION AND PLANNING
Reports and Financial Statements
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ABBREVIATIONS

ASALs	-	Arid and Semi Arid Lands
IPPD,	-	Integrated Payroll and Personnel Database
A-I-A	-	Appropriation –in Aid
ICT	-	Information, Communication Technology
GTIs	-	Government Training Institutes
IDPs	-	Internally Displaced Persons
FGM,	-	Female Genital Mutilation
STIs	-	Sexually Transmitted Infections
HIV/AIDS	-	Human immuno Virus/ Acquired immune Deficiency Sydrome

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I. KEY MINISTRY INFORMATION AND MANAGEMENT

(a) Background information

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

(b) Key Management

The Ministry's day-to-day management is under the following key organs:

- Directorate of Planning and Economic Coordination.
- Directorate of Youth Affairs.
- Directorate of Gender
- Directorate of Devolution.
- Directorate of ASALS.
- Directorate of Special Programmes.
- Directorate of Public Service Management.

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2014 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Accounting Officer	Eng. Peter O. Mwangi
2.	Principal Secretary	Gideon Konchella
3.	Executive Planning Secretary	Stephen Wainaina
4.	Chief Director of Administration	James Njor

(d) Fiduciary Oversight Arrangements

Ministerial Audit Committee

The Committee shall assist the Accounting Officer by providing oversight responsibilities relating to governance, accountability, risk management and transparency in the Ministry through:

- (i) Supporting the Accounting Officer in discharging responsibilities provided for in Public Financial Management Act, 2012 and other enabling Acts of parliament.
- (ii) Enhancing efficiency and effectiveness in operations and service delivery.
- (iii) Assisting the Accounting Officer in indentifying priorities for action in line with respective strategic plans and performance contracts.
- (iv) Providing means of gaining assurance on the Ministry and the effectiveness on the internal control systems that are in place.
- (v) Contributing to the fight against corruption and prevention of frauds.

Duties and Oversight Responsibilities

Duties and responsibilities of the Ministerial Committee encompass issues relating to compliance with internal controls, financial reporting and governance and include;

- i. Evaluating adequacy of management procedures with regard to risk management, control and governance.
- ii. Reviewing and approving the Internal Audit charter and Annual Audit work plan.
- iii. Reviewing Internal and External audit findings and recommendations and proposing necessary action.
- iv. Reviewing the systems established to ensure sound public financial management and internal controls, compliance with policies, laws, regulations, procedures, plans and ethics.
- v. Initiating special audit/investigating on any allegations, concerns and complains regarding, corruption, lack of accountability and transparency in consultation with the Accounting officer.
- vi. Any other duties and responsibilities as assigned by the Accounting Officer.

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Ministerial Budget Committee

This is the committee charged with the responsibility of implementation of the ministerial budget and its prudent management. The duties of the committee include:

- i. To review and consider the cash flows plans.
- ii. To review the utilization of the cash limits and consider any changes as may be required.
- iii. To review the utilization of the donor funds voted for the Ministry.
- iv. To advise the Accounting Officer on the challenges related to the budget implementation.
- v. To review and recommend the reallocation of expenditures.
- vi. To review and approve the submission of the expenditure returns, IPPDs, pending bills and A-I-A returns for the Ministry and recommends actions to be taken.
- vii. To participate in Sector Working Groups.
- viii. To prepare budget in consultation with the Heads of Departments.

Ministerial Human Resource Management Advisory Committee

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

- i. Promotions of officers in job Group A-P.
- ii. Confirmation in appointment.
- iii. Disciplinary matters.
- iv. Re-designation of officers from one cadre to another.
- v. Surcharge of officers found to have misused government resources.

Ministerial Training Committee

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

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

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(e) Ministry Headquarters

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(f) Ministry Contacts

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Website: www.devolutionplanning.go.ke

(g) Ministry Bankers

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(h) Independent Auditors

Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
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Nairobi, Kenya

(i) Principal Legal Adviser

The Attorney General
State Law Office
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Nairobi, Kenya

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II. FOREWORD BY THE CABINET SECRETARY

The Ministry of Devolution and Planning is mandated to provide effective leadership and coordination in planning, policy formulation and tracking results for a globally competitive and prosperous nation. The ministry also promotes, coordinates, monitors and evaluates gender equality, Women and Youth empowerment, social development, care, participation and protection of the persons with disabilities and other vulnerable groups as an integral part of national development. In addition, the ministry also designs and initiates programmes to address regional disparities, disasters and other emergencies among others.

In the financial year 2013/14 the ministry had an approved gross budget of Kshs.75.343 billion which was made up of Kshs.18.560 billion and Kshs.56.782 billion for both recurrent and development vote respectively. Out of the above allocation the Development Vote is comprised of Kshs. 12.270 billion being donor AIA and Kshs. 206.000 million being the AIA in the Recurrent Vote. The net estimate for ministry in both Development and Recurrent Vote is Kshs. 62.866 billion. Out of the net allocation of Kshs. 62.866 billion, the ministry has spent Kshs. 60.130 billion representing an absorption of 96%.

The ministry expended the above resources under the following programmes:

Programme 1: National Planning and Community Development

The objective of this programme is to enhance the standard of living for the people of Kenya by supporting the County Governments planning. This programme had been allocated Kshs. 29.595 billion. A total of Kshs. 27.096 billion was spent under the following sub-programmes:

- District Planning
- Community Based Development
- Poverty Alleviation Initiatives
- Constituency Development Fund

Programme 2: Coordination of Policy Formulation and Implementation of Vision 2030

The objective of this programme is to enhance capacity in policy formulation and coordination of Vision 2030 flagship projects so as to make Kenya a globally competitive and prosperous country of middle income status by the year 2030. The programme had a net allocation of Kshs. 1.297 billion for the Financial Year 2013/14. A total of Kshs. 1.095 billion was spent under the following key sub-programmes:

- Macro Economic Policy Planning and Regional Integration
- Infrastructure, Social Economic Policy and Planning
- Vision 2030 Delivery
- Public Policy Research
- Population Policy and Planning

Programme 3: Data Collection and National Statistical Information Services

The objective of this programme is to collect and disseminate comprehensive, integrated, accurate and timely national statistics for planning and monitoring of national development. The Programme was allocated Kshs. 1.013 billion for the Financial Year 2013/14. A net of Kshs. 885.780 million has been spent under the following the sub-programmes:

- Surveys
- National Information and Statistical Systems

Programme 4: Devolution Support Services

The objective of this programme is to provide technical support services on spatial planning, infrastructure development and management of the devolution process. The Programme was allocated Kshs. 1.660 billion for the Financial Year 2013/14.

- Reforms Programmes
- Management and Advisory Services
- Transition Authority

Programme 5: Special Development Initiative for Northern Kenya and other Arid Lands.

The objective of this programme is to improve the standards of living in Northern Kenya and other Arid Lands. The Programme was allocated Kshs. 3.457 billion for the Financial Year 2013/14. A net of Kshs. 1,274 billion has been spent under the following sub-programmes:

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- Drought, Food Security and Natural Resource Management
- ASAL Infrastructure Development
- ASAL Human Capital Development

These sub-programmes are largely Donor funded.

Programme 6: Gender and Social Development

The objective of this programme is to formulate policies and programmes that empower the vulnerable members of the society. The Programme was allocated Kshs. 159.5, million for the Financial Year 2013/14. Kshs. 139 million was spent under the following sub-programme:

- Gender Mainstreaming and Development

Programme 7: Youth Development and Empowerment Services

The objective of this programme is to equip the youth with relevant skills, knowledge and positive attitudes for the labour market and to be productive citizens. The programme was allocated Kshs. 20.701 billion for the Financial Year 2013/14 Kshs. 6.35 billion being donor funds. A net of Kshs. 13.472 billion was spent under the following sub-programmes;

- National Youth Service
- Youth Development Services
- Youth Employment Service

Programme 8: Monitoring and Evaluation Services

The objective of this programme is to provide a tool for monitoring progress in the implementation of the Kenya Vision 2030 and other key policies and projects. The programme was allocated Kshs. 410 million for the Financial Year 2013/14. A total of Kshs. 274, million was spent under the following sub-programme being implemented under the programme include:

- National Integrated Monitoring and Evaluation Systems (NIMES)

Programme 9: General Administration and Support Services for Devolution and Planning

The objective of this programme is to consolidate budget allocations of former administrative programmes under the old ministries. The programme has been allocated Kshs.594 million for the Financial Year 2013/14. A total of Kshs.539 million was spent under the following units ;

- Procurement
- Finance
- Administration
- ICT
- Accounts and
- Human Resources

Programme 10: Disaster Management.

The objective of this programme is to ensure a safe and resilient society responding adequately to disasters. The Programme was allocated Kshs.4.797 billion for the financial Year 2013/14 . Kshs.3.875 billion was spent under the following sub-programmes;

- relief and rehabilitation
- Resettlement and reconstruction
- Western Kenya Community Driven Development. & Flood Mitigation
- Mitigation and Resettlement
- Disaster preparedness

Programme 11: Human resource management and development.

The objective the programme is to ensure Efficient Public Service delivery by competent employees and streamlined Management System. The Programme was allocated 5.952 billion for the financial Year 2013/14 . Kshs.5.862 billion was spent under the following sub-programmes;

- Development of GTIs
- Management Consultancy services
- Human Resource Development
- Human Resource Management
- Huduma Kenya

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Programme 12: Public Sector Advisory Coordination and supervisory Services.

The Programme was allocated 1.454 billion for the financial Year 2013/14 . Kshs.1,271 billion was spent under the following sub-programmes;

- Result based management
- Economic and social advisory services
- Efficiency, Monitoring, evaluation and inspectorate services
- Human Resource Management
- Civil service reform (Huduma)

Key achievements of the Ministry in 2013/2014:

During the 2013/14 financial year, the Ministry of Devolution and Planning registered the following achievements:

1. Spearheaded the publishing and launch of the second Medium Term Plan (MTP II) of the Kenya Vision 2030 covering the period 2013-2017; MTP II outlines policies, programmes and projects that the government intends to implement to achieve accelerated economic growth, infrastructural development and higher living standards for all Kenyans; also coordinated the preparation of Sector Plans for MTP II.
2. Established the inter-governmental consultative forums and developed the draft devolution policy.
3. Established 12 Huduma centres in 10 counties in order to ensure effective efficient and responsive public service; also developed National Capacity Building Framework for County Governments as well as a generic organizational and grading structure for County Governments.
4. Re-engineered the structure, processes and programmes of the National Youth Service (NYS) through the launch and implementation of the NYS 5-Point Vision; The restructuring will see recruitment of servicemen up- and down-wards an annual average of 2,000 to 20,800 starting from FY 2014/15.
5. Re-settled 8,131 Internally Displaced Persons (IDPs).
Increased the number of households receiving electricity in 10 of the 11 SAU counties of Marsabit, Turkana, Mandera, West Pokot, Wajir, Lamu, Garissa, Mandera, West Pokot and Wajir from 33,002 to 40,000.

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7. Under the Community Empowerment and Institutional Support Project (CEISP); trained 5,578 stakeholders; completed construction of 11 sub-county Information and documentation centres; provided 98 sub-county Information and documentation centres with ICT equipment and furniture.
8. Under the Western Kenya Community Driven Development and Flood Mitigation, poverty indices were developed for five (5) counties; preliminary designs for the multi-purpose dams were done, 73 communities were provided with grants for micro-projects, 31 youth action plans were funded, 23 SLD projects were completed; 13 anti-malaria micro-projects were supported; daily bulletins for flood early warning were prepared.
9. Launched the Uwezo fund; disbursed Uwezo funds to all constituencies; Uwezo fund framework developed; trained 1,990 youth and women groups on Uwezo fund; The Uwezo fund was allocated Kshs. 6 Billion out of which, 3% will support administrative work while Kshs. 500 Million is targeted for capacity building purposes while the balance will be disbursed to the constituencies.
10. Increased loan disbursement through Women Enterprise Fund (WEF) for 2013/14 by Kshs. 1.055 billion; increased credit access to the youth by Kshs. 683.69 million in 2013/14 compared to 2012/13.
11. The Constituencies Development Fund allocation and disbursement for the Financial Year 2013/14 was Kshs 26.374 billion and various sector projects, that is, education, water, health, roads, security, agriculture and other sectors, continued to be implemented.
12. Under the medium term ASAL programme; established GIS platform and Knowledge management Centre for ASALs; conducted two (2) studies to support the identification of drivers and enablers for public private sector investment.
13. Engaged 5,826 youths in internships and apprenticeships; trained 58,424 youth on entrepreneurship in 47 counties; tracked 4,888 trained and unemployed; instituted 130 Youth Empowerment Centre Committees; and 4700 youth sensitized on, FGM, early marriage, HIV/AIDS and STIs and dangers of crime, drugs and substance abuse and life skills.
14. Allocated a total of 1.577 billion to women, youth & Persons with Disability on 30% preferences and reservations in government procurement.
15. Mobilized Kshs. 22.706 billion through the 30% procurement reservation for youth and women enterprises in government procurement through Ministries performance contracts;

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spearheaded by the Ministry, the government allocated 3.639 million (17.51%) to youth, women and persons with disability through ministries. 1,800 youth, at a value of kshs. 1.154 billion; 2,131 women at a value of 1.703 billion and 48 PWDs at 24.516 million.

16. Promoted awareness and ownership of NEPAD activities and programmes by initiating the conducting of the second African Peer Review Mechanism (APRM) country review and preparing annual APRM progress report.
17. Strengthened macroeconomic modelling and forecasting capacity of the Ministry through capacity building through the Threshold 21 (T21) Model.
18. Strengthened capacity to coordinate Government representation and participation at national, regional and international economic forums within the framework of Tokyo International Cooperation for Africa's Development (TICAD). South-South Cooperation; Economic and Social Council (ECOSOC); African Caribbean and Pacific (ACP); Economic Commission for Africa (ECA); and Economic Partnership Agreements (EPAs).

Emerging Issues and Challenges

1. Capacity building of the county governments to ensure effective and efficient delivery of public services.
2. Ensuring that there are seamless linkages between national level and devolved level implementation of development programmes and projects.
3. Inadequate resources to fund priorities such as establishment of Huduma Centres which aim at transforming the public service delivery through adoption of a “one stop shop” approach in the delivery of Government services.
4. The up-scaling of recruitment of servicemen to the National Youth Service from average of 2,000 to 20,800 which requires increased demand for resources.
5. Lack of proper coordination in recruitment and deployment of staff in the counties which has brought disharmony in the terms of service between the long serving public servants in the counties and the newly recruited staff members.
6. Catering for the unbudgeted items such as drought emergencies and support to victims of the Lamu and other skirmishes.

Challenges in budget implementation

The following were the challenges faced in the budget implementation

1. Overlap of functions between ministries.
2. Insufficient funding that hamper the full implementation of projects and programmes.
3. The bureaucratic and stringent rules on procurement bring about delays in implementation of projects where procurement of goods and services are sought.
4. Time Lag - Donor funds are normally channelled through Treasury and a number of approvals such as no obligations have to be sought from either the donor or treasury; therefore delaying disbursement of funds to end users in time for implementation of activities within the time frame.
5. Lack of enabling legislation for transformation process and weak transformative leadership practices.
6. Failure of donors to submit their expenditure returns to the Ministry on funds for direct disbursement or appropriation in aid (AIA) for capture and information.
7. Implementation of the Constitution and Devolution to the Counties -The challenge is in rolling out services at the County levels with limited staffing and infrastructural levels.

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ANNE WAIGURU
CABINET SECRETARY

MINISTRY OF DEVOLUTION AND PLANNING
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III. STATEMENT OF MINISTRY 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 Ministry shall prepare financial statements in respect of that Ministry. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed the Public Sector Accounting Standards Board of Kenya from time to time.

The Accounting Officer in charge of the Ministry of Devolution and Planning is responsible for the preparation and presentation of the Ministry's financial statements, which give a true and fair view of the state of affairs of the Ministry for and as at the end of the financial year (period) ended on June 30, 2014. 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 Ministry; (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 Ministry; (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 Ministry of Devolution and Planning accepts responsibility for the Ministry'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 Ministry's financial statements give a true and fair view of the state of Ministry's transactions during the financial year ended June 30, 2014, and of the Ministry's financial position as at that date. The Accounting Officer in charge of the Ministry of Devolution and Planning further confirms the completeness of the accounting records maintained for the Ministry, which have been relied upon in the preparation of the Ministry's financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of the Ministry of Devolution and Planning confirms that the Ministry has complied fully with applicable Government Regulations and that the Ministry'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 Ministry's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the financial statements

The Ministry's financial statements were approved and signed by the Accounting Officer on
30/9 2014.

Principal Accounting Officer

IV. REPORT OF THE INDEPENDENT AUDITORS ON THE MINISTRY OF DEVOLUTION AND PLANNING

MINISTRY OF DEVOLUTION AND PLANNING
 Reports and Financial Statements
 For the year ended June 30, 2014

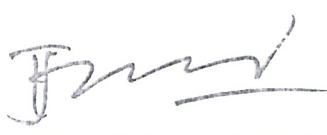
I. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2013-2014 Kshs	2012-2013 Kshs
RECEIPTS			
Proceeds from Domestic and Foreign Grants	1	7,621,149,449	2,688,460,284
Exchequer releases	2	59,409,080,631	58,624,795,726
Transfers from Other Government Entities	3	795,267,028	-
Proceeds from Domestic Borrowings Domestic Currency and Domestic Deposits	4	337,730,803	629,464,417
	5	(183,522,381)	-
Proceeds from Sale of Assets	6	79,699,972	174,749,761
Other Receipts	7	<u>2,990,526</u>	<u>73,101,730</u>
TOTAL RECEIPTS		<u>68,062,396,028</u>	<u>62,190,571,917</u>
PAYMENTS			
Compensation of Employees	8	7,227,147,906	8,548,030,909
Use of goods and services	9	6,541,016,849	9,110,459,342
Transfers to Other Government Units	10	2,871,368,369	9,505,382,487
Other grants and transfers	11	43,268,504,371	36,139,548,265
Social Security Benefits	12	9,888,745	31,860,628
Acquisition of Assets	13	<u>8,036,371,566</u>	<u>10,725,319,465</u>
TOTAL PAYMENTS		<u>67,954,297,806</u>	<u>74,060,601,096</u>
SURPLUS/DEFICIT		<u>108,098,222</u>	<u>(11,870,029,180)</u>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Ministry financial statements were approved on 30/9 2014 and signed by:



 Principal Secretary



 Principal Accounts Controller

MINISTRY OF DEVOLUTION AND PLANNING
 Reports and Financial Statements
 For the year ended June 30, 2014

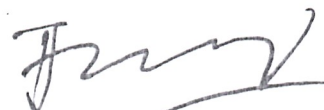
II. STATEMENT OF ASSETS

	Note	2013-2014 Kshs	2012-2013 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	14.1	772,899,073	1,097,349,395
Cash Balances	14.2	2,089,397	13,112,473
Outstanding Imprests	14.3	<u>11,978,581</u>	<u>180,396</u>
TOTAL FINANCIAL ASSETS		<u>786,967,051</u>	<u>1,110,642,264</u>
 REPRESENTED BY			
Fund balance b/fwd	15	1,110,642,264	12,980,671,444
Surplus/Deficit for the year		108,098,222	(11,870,029,180)
Transfer to Exchequer		(187,604,668)	
Prior year adjustments	16	<u>(244,168,767)</u>	<u>-</u>
NET FINANCIAL POSSITION		<u>786,967,051</u>	<u>1,110,642,265</u>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Ministry financial statements were approved on 30/9 2014 and signed by:



Principal Secretary



Principal Accounts Controller


MINISTRY OF DEVOLUTION AND PLANNING
 Reports and Financial Statements
 For the year ended June 30, 2014

III. STATEMENT OF CASHFLOW

Receipts for operating income	Note	2013-2014 Kshs	2012-2013 Kshs
Proceeds from Domestic and Foreign Grants	1	7,621,149,449	2,688,460,284
Exchequer Releases	2	59,409,080,631	58,624,795,726
Transfers from Other Government Entities	3	795,267,028	-
Proceeds from Domestic Currency & Domestic Deposits	5	(183,522,381)	-
Other Receipts	7	2,990,526	73,101,730
Payments for operating expenses			
Compensation of Employees	8	(7,227,147,906)	(8,548,030,909)
Use of goods and services	9	(6,541,016,849)	(9,110,459,342)
Transfers to Other Government Units	10	2,871,368,369	(9,505,382,487)
Other grants and transfers	11	(43,268,504,371)	(36,139,548,265)
Social Security Benefits	12	(9,888,745)	(31,860,628)
Net cash flow from operating activities		<u>7,727,039,014</u>	<u>(1,948,923,893)</u>
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	6	79,699,972	174,749,761
Acquisition of Assets	13	(8,036,371,566)	(10,725,319,455)
Net cash flows from Investing Activities		<u>(7,956,671,594)</u>	<u>(10,550,569,705)</u>
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Domestic Borrowings	6	<u>337,730,803</u>	<u>629,464,417</u>
Net cash flow from financing activities		<u>337,730,803</u>	<u>629,464,417</u>
NET INCREASE IN CASH AND CASH EQUIVALENT		108,098,223	(11,870,029,180)
Cash and cash equivalent at the beginning of the year		1,110,642,264	12,980,671,444
Transfers to Exchequer		(187,604,668)	
Prior year adjustments		(244,168,767)	
Cash and cash equivalent at the end of the year	14	<u>786,967,051</u>	<u>1,110,642,264</u>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Ministry financial statements were approved on 30/9 2014 and signed by:


 Secretary


 Principal Accounts Officer

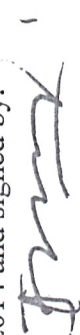
IV. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Receipt/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						
Proceeds from Domestic and Foreign Grants	13,427,726,736	(1,567,097,339)	11,860,629,397	7,621,149,449	(4,239,479,948)	64
Exchequer releases	62,282,779,154	584,215,401	62,866,994,555	59,409,080,631	(3,457,913,924)	95
Proceeds from Domestic Borrowings	1,857,673,733	(1,527,673,733)	330,000,000	337,730,803	7,730,803	102
Transfers from Other Government Entities	-	-	-	795,267,028	795,267,028	0
Proceeds from Domestic Currency & Domestic Deposits	-	-	-	(183,522,381)	381,939,585	0
Proceeds from Sale of Assets	106,338,000	(600,000)	105,738,000	79,699,972	(26,038,028)	75
Other Receipts	153,800,000	26,000,000	179,800,000	2,990,526	(176,809,474)	2
TOTAL	77,828,317,623	(2,485,155,671)	75,343,161,952	68,062,396,028	(6,715,303,958)	
PAYMENTS						
Compensation of Employees	9,320,468,789	(1,055,766,677)	8,264,702,112	7,227,147,906	(1,037,554,206)	87
Use of goods and services	10,614,607,773	(2,405,335,767)	8,209,272,006	6,541,016,849	(1,668,255,157)	80
Transfer to Other Government Units	-	-	-	2,871,368,369	2,871,368,369	0
Other grants and transfers	39,216,400,346	8,229,195,278	47,445,595,624	43,268,504,371	(4,177,091,253)	91
Social Security Benefits	19,314,014	32,059,493	51,373,507	9,888,745	(41,484,762)	19
Acquisition of Assets	18,657,526,701	(7,285,307,998)	11,372,218,703	8,036,371,566	(3,335,847,137)	71
TOTAL	77,828,317,623	(2,485,155,671)	75,343,161,952	67,954,297,806	(7,388,864,146)	90

The Ministry financial statements were approved on 30/9 2014 and signed by:



Principal Secretary



Principal Accounts Controller

Annual Financial Statements
for the year ended June 30, 2014

STATEMENT OF APPROPRIATION: RECURRENT

Account/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	16,113,749,903	2,240,917,349	18,354,667,252	16,515,641,841	(1,839,025,411)	90
Transfers from Other Government Entities	-	-	-	795,267,028	795,267,028	0
Proceeds from Domestic Currency & Domestic Deposits	-	-	-	183,522,381	381,939,585	0
Proceeds from Sale of Assets	49,650,000	(600,000)	49,050,000	79,699,972	30,649,972	162
Total Receipts	<u>155,700,000</u>	<u>1,000,000</u>	<u>156,700,000</u>	<u>2,990,526</u>	<u>(153,709,474)</u>	<u>2</u>
	<u>16,319,099,903</u>	<u>2,241,317,349</u>	<u>18,560,417,252</u>	<u>17,210,07986</u>	<u>(784,873,300)</u>	<u>95</u>
EXPENDITURES						
Compensation of Employees	7,219,471,788	414,183,926	7,633,655,714	6,525,651,203	(1,108,004,511)	85
Use of goods and services	5,020,301,930	(18,096,482)	5,002,205,448	4,288,395,793	(713,809,655)	86
Transfer to Other Government Units	-	-	-	185,583,412	185,583,412	0
Transfer to Entities	-	-	-	721,358,159	721,353,159	0
Other economic transfers	3,626,576,570	1,541,075,418	5,167,651,988	5,026,152,327	(141,499,661)	97
Other Security Benefits	19,314,014	2,059,493	21,373,507	6,190,243	(15,183,264)	29
Provision of assets	433,685,601	302,094,994	735,780,595	613,044,545	(122,736,050)	83
Total Expenditures	<u>16,319,349,903</u>	<u>2,241,317,349</u>	<u>18,560,667,252</u>	<u>17,366,375,692</u>	<u>(1,194,291,570)</u>	<u>94</u>

These financial statements were approved on 30/9 2014 and signed by:


Secretary

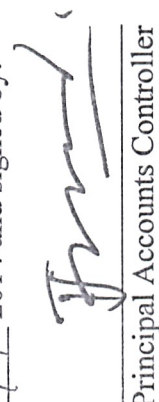

Principal Accounts Controller

VI. SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT

Receipt/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						
Proceeds from Domestic and Foreign Grants	13,427,726,736	(1,567,097,339)	11,860,629,397	7,621,149,449	(4,239,479,948)	64
Exchequer Releases	46,169,029,251	(1,656,701,948)	44,512,327,303	42,893,438,790	(1,618,889,513)	96
Proceeds from Domestic Borrowings	1,857,673,733	(1,527,673,733)	330,000,000	337,730,803	7,730,803	102
Proceeds from Sale of Assets	56,688,000	-	56,688,000	-	(56,688,000)	0
Other Receipts	(1,900,000)	25,000,000	23,100,000	-	(23,100,000)	0
TOTALS	61,509,217,720	(4,726,473,020)	56,782,744,700	50,852,319,042	(5,930,426,658)	90
PAYMENTS						
Compensation of Employees	2,100,997,001	(1,469,950,603)	631,046,398	701,496,703	70,450,305	111
Use of goods and services	5,594,305,843	(2,387,239,285)	3,207,066,558	2,252,621,056	(954,445,502)	70
Transfer to Other Government Units	-	-	-	1,964,426,798	1,964,426,798	
Other grants and transfers	35,589,823,776	6,688,119,860	42,277,943,636	38,242,352,044	(4,035,591,592)	90
Social Security Benefits	-	30,000,000	30,000,000	3,698,502	(26,301,498)	12
Acquisition of Assets	18,223,841,100	(7,587,402,992)	10,636,438,108	7,423,327,021	(3,213,111,087)	70
TOTALS	61,508,967,720	(4,726,473,020)	56,782,494,700	50,587,922,124	(6,194,572,576)	89

The Ministry financial statements were approved on 30/9 2014 and signed by:


Principal Secretary


Principal Accounts Controller

MINISTRY OF DEVOLUTION AND PLANNING
Reports and Financial Statements
For the year ended June 30, 2014

VII. SUMMARY STATEMENT OF PROVISIONINGS

- Details of General Accounts On Vote

	2013 - 2014 Kshs	2012 - 2013 Kshs
GAV Provisioning account balance	<u>2,005,198,606</u>	<u>21,136,430,142</u>
<i>Total</i>	<u>2,005,198,606</u>	<u>21,136,430,142</u>

- Details of Exchequer Account

Exchequer Provisioning account balance	<u>3,747,103,169</u>	<u>27,166,783,704</u>
<i>Total</i>	<u>3,747,103,169</u>	<u>27,166,783,704</u>



Principal Secretary



Principal Accounts Controller

VIII. 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 and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting. The financial statements comply with and conform to the form of presentation prescribed by the Public Sector Accounting Standards Board of Kenya.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the Ministry and all values are rounded to the nearest (Kshs'). The accounting policies adopted have been consistently applied to all the years presented.

The financial statements have been prepared on the cash basis following the Government's standard chart of accounts. The cash basis of accounting recognises transactions and events only when cash is received or paid by the Ministry.

2. Recognition of revenue and expenses

The *Ministry* recognises all revenues from the various sources when the event occurs and the related cash has actually been received by the Ministry. In addition, the Ministry recognises all expenses when the event occurs and the related cash has actually been paid out by the *Ministry*.

3. In-kind contributions

In-kind contributions are donations that are made to the Ministry 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 Ministry includes such value in the statement of receipts and payments both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

4. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

MINISTRY OF DEVOLUTION AND PLANNING

Reports and Financial Statements

For the year ended June 30, 2014

SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. 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 Ministry 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.

6. Budget

The budget is developed on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as the financial statements. The Ministry's budget was approved as required by Law and as detailed in the Government of Kenya Budget Printed Estimates. A high-level assessment of the Ministry's actual performance against the comparable budget for the financial year under review has been included in an annex to these financial statements.

7. Comparative figures

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

8. Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2014.

IX. NOTES TO THE FINANCIAL STATEMENTS

1 PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

Name of Donor	Date received	Amount in foreign currency	2013 - 2014 Kshs	2012 - 2013 Kshs
Grants Received from Bilateral Donors (Foreign Governments)				
CHINESSE GOVT			4,189,584,677	2,688,460,284
Grants Received from Multilateral Donors (International Organisations) ADB, UNDP, SIDA, EU, GOVT OF FINLAND			<u>3,431,564,772</u>	<u>-</u>
Total			<u>7,621,149,449</u>	<u>2,688,460,284</u>

2 EXCHQUER RELEASES

Development Exchequer Releases		42,893,438,790	38,838,510,225
Recurrent Exchequer Releases		<u>16,515,641,841</u>	<u>19,786,285,501</u>
Total		<u>59,409,080,631</u>	<u>58,624,795,726</u>

3 TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Description	2013 - 2014 Kshs	2012 - 2013 Kshs
Transfers from Counties	721,358,159	
Refunds from County Governments	<u>73,908,860</u>	<u>-</u>
TOTAL	<u>795,267,028</u>	<u>-</u>

MINISTRY OF DEVOLUTION AND PLANNING

Reports and Financial Statements

For the year ended June 30, 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 PROCEEDS FROM DOMESTIC BORROWINGS

	2013 - 2014 Kshs	2012 - 2013 Kshs
Domestic Accounts Payable	<u>337,730,803</u>	<u>629,464,417</u>
Total	<u><u>337,730,803</u></u>	<u><u>629,464,417</u></u>

5 DOMESTIC CURRENCY AND DOMESTIC DEPOSITS

Deposits held in trust	<u>(183,522,381)</u>	<u>-</u>
Total	<u><u>(183,522,381)</u></u>	<u><u>-</u></u>

6 PROCEEDS FROM SALE OF ASSETS

Receipts from the Sale of Vehicles and Transport Equipment	..	168,955
Receipts from the Sale Plant Machinery and Equipment	83,109	59,178
Receipts from Sale of Certified Seeds and Breeding Stock	-	119,202,871
Sale of Capital goods	-	60,700
Receipts from sale of Certified seeds and breeding stock	-	55,258,057
Receipts from sale of Inventories, stocks and Commodities	<u>79,616,863</u>	<u>-</u>
Total	<u><u>79,699,972</u></u>	<u><u>174,749,761</u></u>

7 OTHER RECEIPTS

Other Receipts Not Classified Elsewhere	<u>2,990,526</u>	<u>73,101,730</u>
Total	<u><u>2,990,526</u></u>	<u><u>73,101,730</u></u>

MINISTRY OF DEVOLUTION AND PLANNING

Reports and Financial Statements

For the year ended June 30, 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 COMPENSATION OF EMPLOYEES

	2013 - 2014	2012 - 2013
	Kshs	Kshs
Basic salaries of permanent employees	1,890,992,678	2,395,345,387
Basic wages of temporary employees	1,084,849,948	732,389,267
Personal allowances paid as part of salary	666,588,957	1,075,739,805
Personal allowances paid as reimbursements	74,482	19,556,450
Compulsory national health insurance schemes	4,306,000,000	4,325,000,000
Relating to Counties	(721,358,159)	-
Total	<u>7,227,147,906</u>	<u>8,548,030,909</u>

9 USE OF GOODS AND SERVICES

Utilities, supplies and services	142,795,968	175,382,223
Communication, supplies and services	98,392,475	118,047,310
Domestic travel and subsistence	311,209,413	454,838,446
Foreign travel and subsistence	91,263,450	350,143,469
Printing, advertising and information supplies & services	112,630,833	80,277,521
Rentals of produced assets	673,728,342	545,856,151
Training expenses	634,341,189	735,779,028
Hospitality supplies and services	691,404,451	599,284,831
Insurance costs	69,773,603	42,265,388
Specialised materials and services	1,526,332,197	1,636,063,990
Office and general supplies and services	120,746,391	181,839,650
Fuel, oils and Lubricants	984,892,961	347,152,256
Routine maintenance – vehicles and other transport equipment	105,791,841	150,224,591
Other operating expenses	575,552,748	2,766,882,535
Routine maintenance – other assets	327,464,369	135,367,435
Subsidies to non Financial Public Corporations	-	745,389,743
Membership fees and dues, subscriptions to int. organizations	74,696,618	45,664,775
Total	<u>6,541,016,849</u>	<u>9,110,459,342</u>

10 TRANSFER TO OTHER GOVERNMENT ENTITIES

Description

Transfers to Counties	721,358,159	-
Ministry of Lands, Housing and Urban Dev.	2,150,010,210	-
Local Authorities Transfer Fund(LATF)	-	9,505,382,487
TOTAL	<u>2,871,368,369</u>	<u>9,505,382,487</u>

MINISTRY OF DEVOLUTION AND PLANNING
Reports and Financial Statements
For the year ended June 30, 2014

11 OTHER GRANTS AND OTHER PAYMENTS	2013 - 2014	2012 - 2013
	Kshs	Kshs
Scholarships and other educational benefits	59,022,201	68,957,613
Emergency relief and refugee assistance	2,770,679,752	3,565,642,257
Current Grants to Govt Agencies and other levels of Govt	3,061,629,305	12,056,785,804
Capital Grants to Govt Agencies and other levels of Govt	28,752,088,862	18,889,937,279
Subsidies to small businesses, cooperatives, and self employed	-	4,000,000
Other Current transfers and Grants	-	111,326,666
Other Capital Grants and transfers	<u>8,625,084,251</u>	<u>1,442,898,646</u>
Total	<u>43,268,504,371</u>	<u>36,139,548,265</u>
12 SOCIAL SECURITY BENEFITS		
Government pension and retirement benefits	<u>9,888,745</u>	<u>31,860,628</u>
Total	<u>9,888,745</u>	<u>31,860,628</u>
13 ACQUISITION OF ASSETS		
<u>Non Financial Assets</u>		
Construction of Buildings	655,671,974	3,943,818,077
Refurbishment of Buildings	57,889,325	121,128,611
Construction of Roads	408,266,623	896,594,621
Construction and Civil Works	50,058,976	44,783,985
Other Infrastructure and Civil Works	-	1,062,075,690
Water Supplies and Sewerage	-	615,522,962
Overhaul and Refurbishment of Construction and Civil Works	8,501,250	654,507,499
Purchase of Vehicles and Other Transport Equipment	70,156,375	12,196,659
Overhaul of Vehicles and Other Transport Equipment	2,832,724	2,817,758
Purchase of Household Furniture and Institutional Equipment	33,486,642	92,117,388
Purchase of Office Furniture and General Equipment	296,935,509	119,741,147
Purchase of Specialised Plant, Equipment and Machinery	4,716,152,922	1,068,730,615
Rehabilitation and Renovation of Plant, Machinery and Equip.	202,501,045	32,313,717
Purchase of Certified Seeds, Breeding Stock and Live Animals	20,521,422	21,221,478
Research, Studies, Project Preparation, Feasibility Studies, Super-Advisors	1,221,478	879,517,456
Rehabilitation of Civil Works	1,221,478	1,221,478
Acquisition of Non-Financial Assets	1,221,478	1,221,478

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Acquisition of Land	38,000,000	-
Total	<u>8,036,371,566</u>	<u>10,725,319,465</u>

14.1 BANK ACCOUNTS	Amount in bank account currency	Exc rate	2013 - 2014	2012 - 2013
			Kshs	Kshs
<i>Central Bank of Kenya 1000181419</i>			87,116,905	-
<i>Central Bank of Kenya 1000181613</i>			138,448,406	-
<i>Central Bank of Kenya 1000182016</i>			<u>547,333,762</u>	<u>1,097,349,395</u>
Total			<u>772,899,073</u>	<u>1,097,349,395</u>

14.2 CASH IN HAND

	2013 - 2014	2012 - 2013
	Kshs	Kshs
Ministry Headquarters Cash office	<u>2,089,397</u>	<u>13,112,473</u>
Total	<u>2,089,397</u>	<u>13,112,473</u>

14.3 OUTSTANDING IMPRESTS

Name of Officer or Institution	Date Imprest Taken	Amount Taken	Amount Surrendered	Balance
		Kshs	Kshs	Kshs
Principal Secretary Devolution and Planning(Annex I)	various	<u>11,978,581</u>	-	<u>11,978,581</u>
Total		<u>11,978,581</u>	<u>-</u>	<u>11,978,581</u>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. BALANCES BROUGHT FORWARD

	2013 - 2014 Kshs	2012 - 2013 Kshs
Bank accounts - PMG	772,899,073	1,097,349,395
Cash in hand	2,089,397	13,112,474-
Deposit bank account	-	-
Imprest	11,978,581	180,396
Districts unaccounted for: AIEs	-	-
Total	<u>786,967,051</u>	<u>1,110,642,265</u>

16. PRIOR YEAR ADJUSTMENTS

Bank accounts - PMG	(244,168,767)	-
Imprest	-	-
Total	<u>(244,168,767)</u>	<u>-</u>

These relate to funds that were held by defunct Ministries which were not taken over by the current Ministry. The reconciliation is still ongoing as the funds reflected in the books amounted to 178,888,584

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17. OTHER IMPORTANT DISCLOSURES

17.1: PENDING ACCOUNTS PAYABLE (See Annex 1)

	2013 - 2014 Kshs	2012 - 2013 Kshs
Construction of buildings	-	-
Construction of civil works	120,321,544	-
Supply of goods	839,292,958.20	-
Supply of services	135,190,012	-
	<u>1,094,804,514.20</u>	

17.2: PENDING STAFF PAYABLES (See Annex 2)

Senior management	-	-
Middle management	194,055.4	-
Unionisable employees	-	-
Others - Director NYS (Various)	16,635,132.45	-
	<u>18,575,686.45</u>	

17.3: OTHER PENDING PAYABLES (See Annex 3)

Amounts due to National Government entities	-	-
Amounts due to County Government entities	-	-
Amounts due to third parties	-	-
Others – inter government	-	-
	<u>-</u>	<u>-</u>

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20. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1050	Grant of Kshs 745,389,743	The recipient polytechnic were requested to submit the required details	Director Youth Affairs	Not resolved	Once all the polytechnics submit returns
11	Outstanding imprest Kshs 455,900	The ministry is awaiting Treasury Authority to write off the amount since the officer is deceased	Principal Secretary, Planning	Not resolved	Once treasury Authority is received
562	Non clearance of long outstanding balances	Awaiting treasury instructions	Accountant	Not resolved	Once National Treasury instructions are received

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;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your Ministry 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.


 Principal Secretary


 Principal Accounts Controller

ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2014	Outstanding Balance 2013	Comments
	A	b	c	d=a-c		
Construction of Buildings						
Annex (i)				-		
Total				-		
Construction of Civil Works						
Annex (ii)				120,321,544		
Total				120,321,544		
Supply of Goods						
Annex (iii)				839,292,958.20		
Total				839,292,958.20		
Supply of Services						
Annex (iv)				135,190,012		
Total				135,190,012		
Grand Total				1,094,804,514.20		

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ANNEX 4 - SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost (Kshs 000) 2013/14	Historical Cost (Kshs 000) 2012/13
Land	-	-
Buildings and structures	-	-
Transport equipment	-	-
Office equipment, furniture and fittings	-	-
ICT Equipment, Software and Other ICT Assets	-	-
Motor Vehicle and Equipment	-	-
Biological Assets	-	-
Intangible Assets	-	-
Other Assets	-	-