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**THE AUDITOR-GENERAL**

**ON**

**STATE DEPARTMENT FOR INTERNAL  
SECURITY AND NATIONAL  
ADMINISTRATION**

**FOR THE YEAR ENDED  
30 JUNE, 2025**

OFFICE OF THE AUDITOR GENERAL  
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# STATE DEPARTMENT FOR INTERNAL SECURITY AND NATIONAL ADMINISTRATION

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

State Department for Internal Security and National Administration  
Annual Report and Financial Statements for the year ended 30th June 2025

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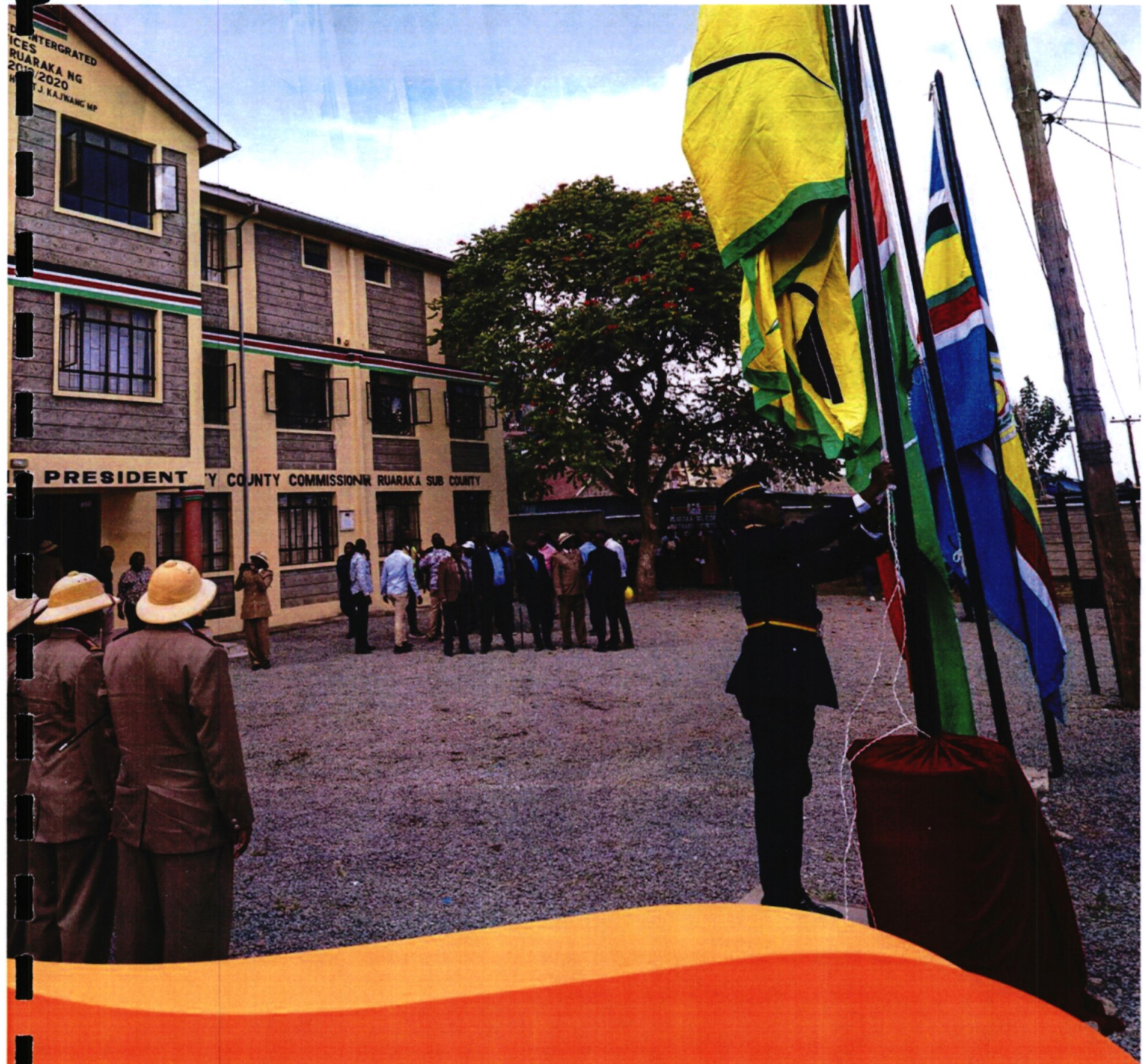
## **1. Acronyms and Definition of Key Terms**

### **A: Acronyms and Abbreviations**

CS	Cabinet Secretary
PS	Principal Secretary
CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
OCOB	Office of the Controller of Budget
OAG	Office of the Auditor General
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies
SC	State Corporations
TNT	The National Treasury
WB	World Bank

### **B: Definition of Key Terms**

**Fiduciary Management-** Members of Management directly entrusted with the responsibility of financial resources of the organisation.



## Key MDA Information and Management

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

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

The State Department for Internal Security and National Administration was established under the Executive Order No. 1 of 2023. The State Department is domiciled in Kenya under the ministry of Interior and National Administration. At the Cabinet level, the Ministry is headed by the cabinet Secretary for Interior and National Administration, Who is responsible for the general policy and strategic direction of the Ministry.

### **(b) Mandate**

The Mandate of the State Department for Internal Security and National Administration is: Co-ordination of National Government Functions; Internal Security; Promotion of Nationhood and National Values; Oversight and Co-ordination in delivery of National Priorities and Flagship Programmes; Oversight Over Internal Security; Government Chemist Services; Development of the National Cohesion and Integration Policy; Policy on National Values and Principles of Governance; Policy on training of Security Personnel; Border Management (Marine and Terrestrial); Disaster and Emergency Response Co-ordination; National Crime Research and Management; Public Benefits Organizations; Control of Drug and Narcotic Substance; Proclamation of Public Holidays; State Functions and Government Receptionist; Security Roads and Airstrips and Small Arms and Light Weapons Management.

#### **Principle Activities**

The principal activity/Mission of the State Department is “to create an enabling environment for Kenya’s growth and prosperity through provision of security and safety to people and property, promotion of national cohesion and coordination of national government functions.

#### **Vision**

A safe, cohesive, inclusive and secure society.

#### **Mission**

To create a conducive environment for the achievement of the bottom-up economic transformation agenda through provision of security, protection of life and property and promote peaceful co-existence.

#### **Core Values**

Patriotism; Professionalism; Integrity, transparency and accountability; National unity; Adherence to rule of law; Human rights and dignity; Equity and fairness; Good governance; Customer focus and Team work.

#### **Core functions**

- Co-ordination of National Government Functions in Counties;
- Policy on Internal Security;
- Oversight Over Internal Security affairs;
- Policy on National Cohesion and Integration;
- Policy on Training of Security Personnel;
- Border Management (Marine and Terrestrial);

- Disaster and Emergency Response Co- ordination;
- Support in Co-ordination and Distribution of Relief Food;
- Policy on National Crime Research and Management;
- Public Benefits Organizations;
- State Functions and Government Receptionist;
- Proclamation of Public Holidays;
- Security Roads and Airstrips;
- Small Arms and Light Weapons Management; and
- Control of Drug and Narcotic Substances.

**(c) Key Management**

The State Department is under the following Key management;

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

**Directorates**

- National Government Administration and Field Services;
- Directorate of Internal Security;
- Directorate of Peace Building and Conflict Management;
- Directorate of Liaison Services;
- Government Chemist;
- Kenya Coast Guard Services (KCGS);
- Kenya National Focal Point (KNFP) on Small Arms and Light Weapons (SALW);
- Kenya School of Adventure and Leadership (KESAL); and
- National Disaster Operation Centre (NDOC).

**SAGAS/COMMISSIONS**

- NGO Coordination Board;
- National Authority for the Campaign Against Drug Abuse;
- National Crime Research Centre (NCRC);
- Firearms Licensing Board;
- Private Security Regulatory Authority Board; and
- National Cohesion and Integration Commission (NCIC)

**(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2025 and who had direct fiduciary responsibility were:

### Fiduciary Oversight Arrangements

No	Designation	Name	Date of Appointment
1	Cabinet Secretary	Hon. Kipchumba Murkomen, EGH	19th December 2024
2	Principal Secretary/Accounting Officer	Dr. Raymond Omollo, PhD, CBS	
3	Principal Administrative Secretary	Ms. Anne R. Ng'etich, EBS	
4.	Secretary, National Administration	Beverly Opwora, EBS	
5.	Secretary, Internal Security	Jacob Narengo, MBS	
6.	Senior Chief Finance Officer	John O. Nyabwari	
7.	Director of Economic Planning	Mr.Kennedy Tegeret	
8.	<b>Director, HRM &amp; D</b>	<b>Zipporah W. Mutahi</b>	

The State Department for Internal Security and National Administration has implemented comprehensive fiduciary oversight mechanisms to promote prudent financial management, accountability, and compliance with statutory obligations. These mechanisms are operationalized through various governance structures and committees, as outlined below:

#### 1. Audit Committee Activities

The Audit Committee operates as an independent advisory body to the Accounting Officer. It reviews financial statements, audit reports, risk management strategies, and internal control frameworks. The committee ensures that internal and external audit recommendations are implemented promptly, thereby strengthening financial governance and operational efficiency.

#### 2. Public Finance Management Committee (PFMC)

The PFMC is responsible for overseeing the planning, execution, and review of financial and budgetary operations. It ensures adherence to the Public Finance Management (PFM) Act, coordinates the development of Medium-Term Expenditure Framework (MTEF) budgets, and monitors expenditure trends against approved allocations. The committee plays a vital role in aligning budget execution with strategic priorities.

#### 3. Senior Management Committees

Senior Management Committees, chaired by the Principal Secretary, provide strategic direction on program implementation, resource allocation, and compliance with legal and policy frameworks. These forums also

review quarterly and annual performance reports, risk assessments, and audit findings, facilitating timely decision-making and corrective actions.

#### **4. Budget Implementation Committee**

This committee monitors and evaluates budget utilization to ensure efficient use of allocated funds. It reviews monthly expenditure reports, addresses variances, and ensures that disbursements are aligned with work plans. The committee is instrumental in maintaining fiscal discipline and ensuring accountability in public spending.

#### **5. Parliamentary Committees**

The Department regularly engages with Parliamentary Committees such as the Public Accounts Committee (PAC) and Departmental Committees on Administration and National Security. These committees scrutinize financial reports, audit findings, and budgetary allocations, ensuring accountability to the Legislature and the public. The Department responds to committee queries and implements recommendations issued through parliamentary reports.

#### **6. Internal Audit Unit**

The Internal Audit Unit conducts periodic reviews and audits to assess the adequacy of internal controls, risk management processes, and compliance with financial regulations. Reports from this unit form a key input into decision-making by senior management and oversight committees.

#### **7. Monitoring and Evaluation (M&E) Unit**

The M&E unit supports fiduciary oversight by tracking program performance and value-for-money outcomes. It generates data that inform financial decisions, budget reallocations, and reporting obligations to the National Treasury and other oversight bodies.

##### **(e) State Department Headquarters**

P.O. Box 30510  
Harambee House  
Harambee Avenue  
Nairobi, KENYA

##### **(f) State Department Contacts**

Telephone: (254) 020-2227411  
E-mail: [ps. ps@interior.go.ke](mailto:ps_ps@interior.go.ke)  
Website: <https://interior.go.ke>

##### **(g) State Department Bankers**

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

##### **(h) Independent Auditors**

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

Nairobi, Kenya

**(i) Principal Legal Adviser**

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



**Profile of the Cabinet Secretary, Ministry of  
Interior and National Administration**

### 3. Profile of the Cabinet Secretary, Ministry of Interior and National Administration



Hon. Onesimus Kipchumba Murkomen Cabinet Secretary

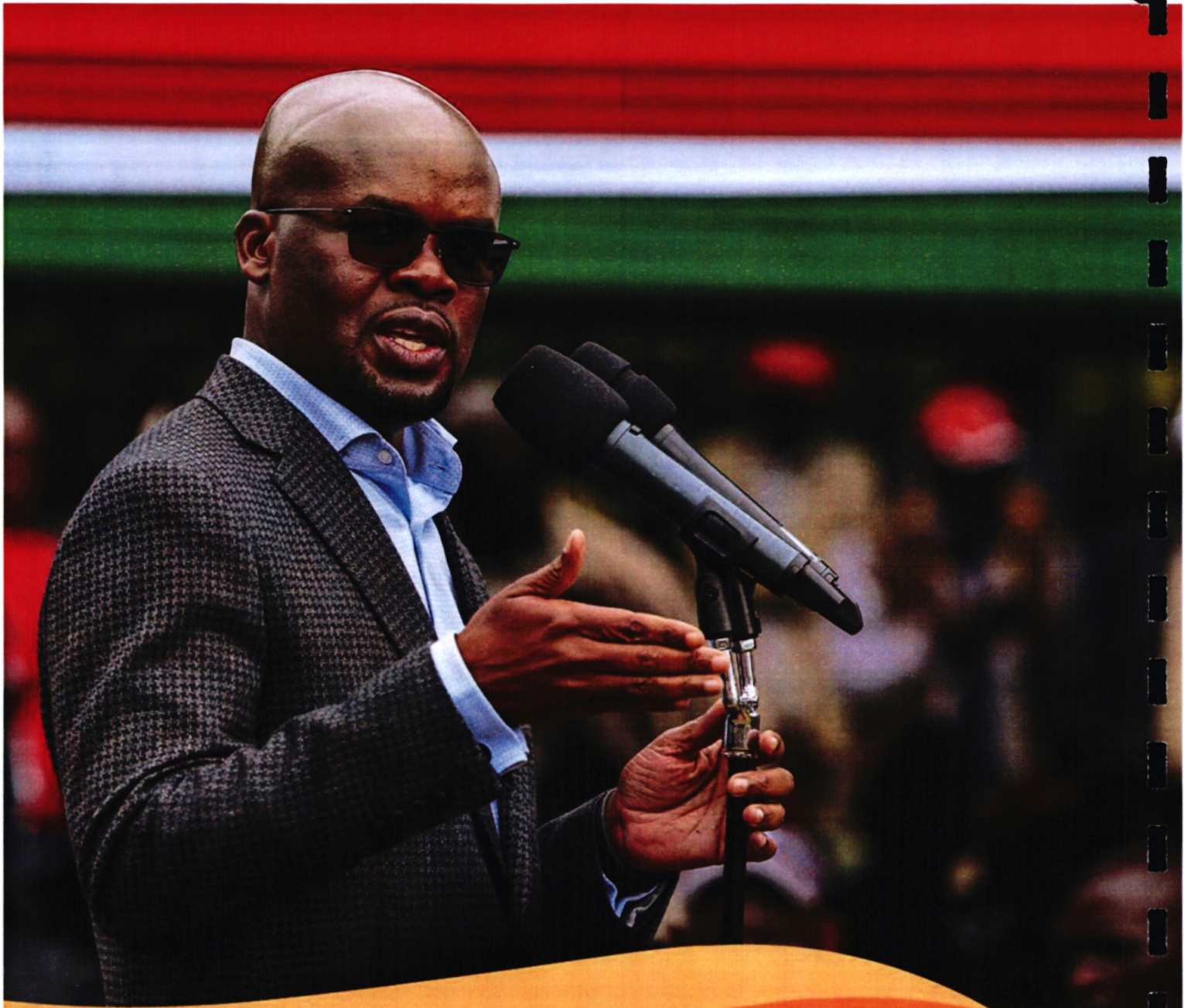
#### **Academic & Professional Qualifications:**

- Bachelor of Laws (LL.B) from the University of Nairobi
- Post Graduate Diploma in Law from the Kenya School of Law
- Holds two Master of Laws (LL.M) degrees—one from the University of Pretoria, South Africa; and another from the American University Washington College of Law, USA
- Admitted as an Advocate of the High Court of Kenya.

#### **Work experience:**

- Senator of Elgeyo-Marakwet County (2013–2022)
- Deputy Senate Majority Leader (2015–2017) and subsequently Senate Majority Leader (2017–2020)
- Chaired the Senate Standing Committee on Devolution & Intergovernmental Relations, and served on multiple select committees including Agriculture, Energy, Justice & Legal Affairs, and Electoral Reforms
- Cabinet Secretary for Roads, Transport & Public Works: Appointed 27 September 2022; served until July 2024.
- Cabinet Secretary for Youth Affairs, Creative Economy & Sports: Briefly served from July to December 2024

- Cabinet Secretary for Interior & National Administration: Appointed on 19 December 2024



**Profiles of Accounting Officer and Key  
Management.**

#### 4. Profiles of Accounting Officer and Key Management.

##### Accounting Officer and Key Management



Dr. Raymond Omollo, PhD, CBS Principal Secretary

##### Key Academic Qualifications:

- **PhD in Applied Statistics**  
– University of Nairobi, Kenya
- **Master of Science in Applied Statistics**  
– University of Nairobi, Kenya
- **Bachelor of Science in Statistics**  
– University of Nairobi, Kenya

##### Professional Experience & Designations:

- Principal Secretary, State Department for Internal Security and National Administration (from December 2022)
- Former Director of the Lake Basin Development Authority (LBDA)
- Data and governance expert with experience in public sector administration, strategic planning, and

policy implementation

**Area of Responsibility:**

- Coordination of national security policy implementation
- Overseeing the National Government Administrative Officers (NGAOs), including Regional, County, Sub-County, and Ward administrators
- Supporting internal security operations, including counter-terrorism, crime prevention, and conflict resolution
- Coordination of disaster risk management, peacebuilding, and national cohesion initiatives
- Supervision of public order enforcement, including liaising with security agencies such as the National Police Service

Guiding the implementation of presidential directives and national government development programs at the grassroots



**Statement by the Cabinet Secretary**

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

During the Financial Year 2024/2025, the State Department for Internal Security and National Administration implemented its budget under three broad programmes, namely: General Administration and Support Services, National Government Administration Field Services, and Policy Coordination Services, all executed under Vote 1026.

Throughout the period, the Ministry has continued to confront and respond to a complex array of security, administrative, and social challenges affecting the country. These include youth-led civil unrest, terrorism threats in border regions, an upsurge in gender-based violence and homicides, rising incidents of cybercrime, and infrastructural and operational gaps within newly created administrative units.

In response, the Ministry has rolled out comprehensive strategies aimed at safeguarding national security, enhancing public administration, and strengthening community resilience. The Ministry operationalized the recommendations of the Maraga Taskforce to reform the Police Service, Prisons Service, and National Youth Service. Additionally, police capabilities have been enhanced through modernization programmes, equipment upgrades, and targeted training initiatives to improve operational readiness. To bolster local administration security functions, the Ministry established the National Government Administrative Police Unit (NGAPU), while also revamping security and intelligence committees across all 47 counties to enhance intelligence gathering, coordination, and rapid response to emerging threats.

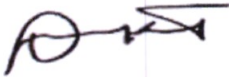
The Ministry has successfully conducted security crackdowns in Elgeyo Marakwet, Nairobi, Samburu, Turkana, Nyandarua, Homabay, Kitui, Baringo, Narok, Lamu, Uasin Gishu, Kajiado, and Nakuru counties, curbing criminal activities and enhancing public safety. Furthermore, the Government Chemist Department presented 1,419 expert witness reports in court to support the prosecution of criminal cases. Oversight and accountability in law enforcement have also been strengthened through collaboration with the Independent Policing Oversight Authority (IPOA) and newly formed investigative units, ensuring professionalism and transparency in security operations.

To support community well-being and address emerging social challenges, the Ministry undertook several empowerment initiatives. A total of 6,408 parents and caregivers were sensitized on positive parenting across 22 counties, including Kajiado, Busia, Kitui, Tana River, Kiambu, Kakamega, Nakuru, Kilifi, Trans Nzoia, Machakos, Marsabit, Nandi, Uasin Gishu, Nairobi, Laikipia, Makeni, West Pokot, Homa Bay, Siaya, and Meru. In addition, 6,785 teachers, learners, and parents were reached with sensitization programmes on the national guidelines for the management of Alcohol and Drug Abuse (ADA) in schools within Narok, Siaya, Makeni, and Nakuru counties.

The Ministry also inspected 48 treatment and rehabilitation facilities in Meru, Kwale, Mombasa, Kajiado, Kilifi, Kiambu, Nyeri, Kakamega, Busia, and Uasin Gishu to ensure compliance with national treatment standards for persons with substance use disorders. At the Kenya School of Adventure and Leadership (KESAL), a total of 1,304 officers underwent leadership training, while 427 officers participated in team-building programmes aimed at improving coordination, cohesion, and service delivery.

In pursuit of effective governance and improved service delivery, the Ministry expanded the digitization of government services, strengthened cybersecurity frameworks, and enhanced oversight mechanisms to promote transparency and accountability. Additionally, the Ministry successfully registered 623 Public Benefit Organizations (PBOs), surpassing the annual target of 450, thereby facilitating civic engagement and fostering development partnerships. Budgetary support was also prioritized to resource peacebuilding efforts, border control operations, public safety measures, and effective service delivery across all counties.

The Ministry continues to work closely with development partners, civil society organizations, faith-based groups, and other stakeholders to promote national cohesion, enforce the rule of law, and safeguard the rights and safety of all citizens.



.....  
Hon. Onesmus Kipchumba Murkomen, EGH  
Cabinet Secretary

**MINISTRY OF INTERIOR AND NATIONAL ADMINISTRATION**





## Statement by the Accounting Officer

## 6. Statement by the Accounting Officer

During the Financial Year 2024/2025, the State Department for Internal Security and National Administration implemented key activities aimed at enhancing national security, promoting peace, strengthening public administration, and improving disaster preparedness. We prioritized coordination of security operations through national government administrative structures, capacity building of field officers, and implementation of peacebuilding and community engagement programs.

Among our key achievements were the revitalization of Security and Intelligence Committees in all counties, enhanced training for administrative officers, Operationalization of Gazzeted National Government Administration Unit, Establishment of National Government Police Unit (NGAPU), Acquisition of modern security equipment and successful coordination of multi-agency efforts in addressing insecurity, violent extremism, and disaster response.

Despite these milestones, The State Department was grappling with a range of challenges impacting national security and social stability. Key issues include rising youth unemployment and inequality, which heighten vulnerability to crime; persistent terrorism threats fuelled by regional instability; and frequent resource-based conflicts, some intensified by climate change. Other concerns involve porous borders, illegal migration, maritime insecurity, cybercrime, and the proliferation of illicit arms. Additionally, banditry, the resurgence of criminal gangs, alcohol and drug abuse, and inadequate ICT infrastructure further strain internal security systems. These constraints affected the timely implementation of some activities.

Financially, the department recorded a high absorption rate for the recurrent budget and a moderate utilization of the development budget, with ongoing efforts to improve efficiency and service delivery.

On matters of budgetary allocation, the State department will work closely with the parliamentary committee on Administration and Internal Affairs as well as the National Treasury to unlock the bottlenecks.

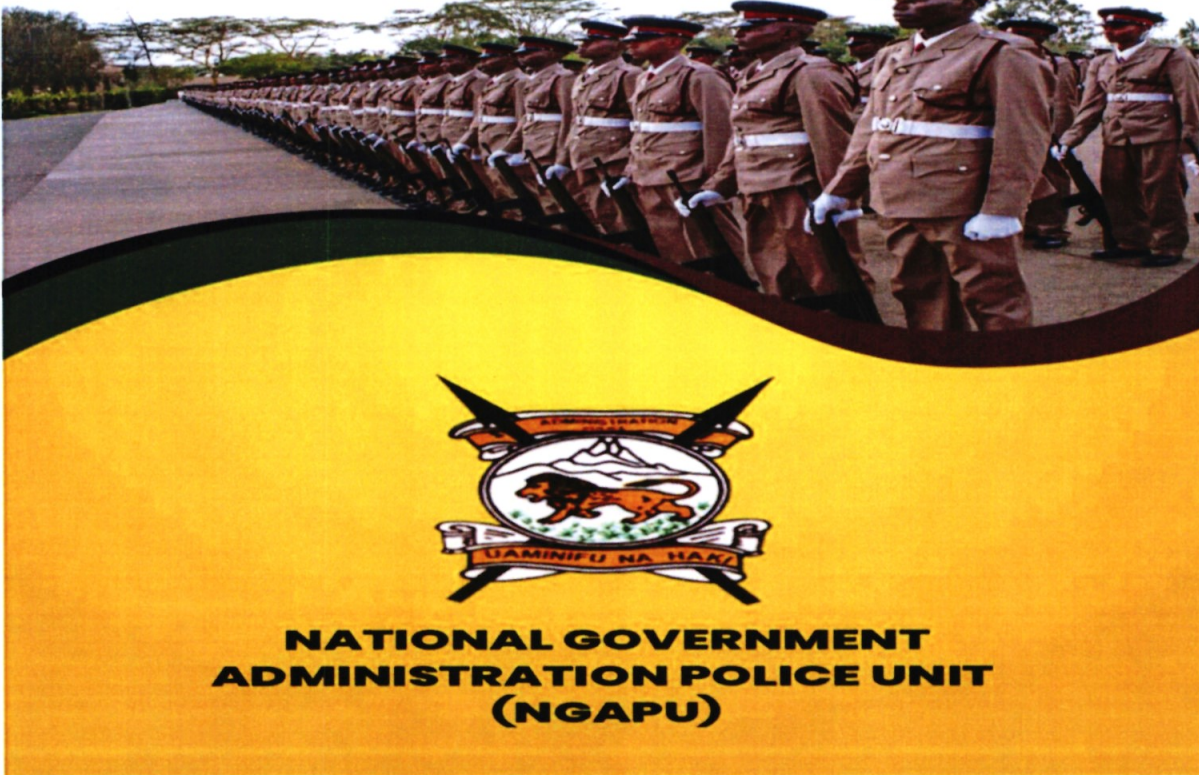
We remain committed to our mandate and will continue to strengthen our institutional capacity, deepen community collaboration, and invest in technologies and systems that enhance national security and administration.



*PS for Internal Security, Dr. Raymond Omollo in a meeting with senior NPS to finalize standing orders of the newly formed National Administration Police unit.*



**MINISTRY OF INTERIOR AND  
NATIONAL ADMINISTRATION**



*Newly established National Government Administration Police Unit (NGAPU)*



*PS Internal Security Dr. Raymond Omollo in a meeting with Dr. Jehangir Khan, Dir. United Nations Counter Terrorism Centre to explore areas of partnership on counter terrorism and prevention of violent extremism.*



*Dr. Raymond Omollo, PS for Internal Security, the local MP and other leaders on an inspection tour of newly constructed Turbo Sub-County office in Uasin Gishu.*



Operationalization of the newly created Seme Sub County Headquarters.



The PS for Internal Security and National Administration Dr. Raymond Omollo engages the National Assembly's Departmental Committee on Administration and Internal Security by on policy matters regarding the implementation and operationalization of newly gazetted administrative units.



The Cabinet Secretary for Interior and National Administration, Hon. Kipchumba Murkomen Commissioning new batch of Mine Resistant Ambush Protected Standard Duty Vehicles (MRAPS) at GSU Headquarters, Ruaraka.





The PS for Internal Security and National Administration Dr. Raymond Omollo during tree planting exercise.



H.E. President Dr. William Samoei Ruto with CS Hon. Kipchumba Murkomen, attending the 5th Graduation Ceremony for Assistant County Commissioners (ACCs) who attained a Diploma in Public Administration in KSG Nairobi.

Dr. Raymond Omollo, PhD, CBS  
Principal Secretary/Accounting Officer

**STATE DEPARTMENT FOR INTERNAL SECURITY & NATIONAL ADMINISTRATION**



**Statement of Performance Against  
Predetermined Objectives for FY2024/25**

## 7. Statement of Performance Against Predetermined Objectives for FY2024/25

The key strategic objectives as per the strategic plan for FY 2023/27 plan are;

- i. To increase efficiency of National Government Administration
- ii. To improve access to government services
- iii. To enhance Government Chemist service delivery
- iv. To reduce alcohol, drug and substances abuse
- v. To strengthen policy, legal and institutional regulation

### Progress on the attainment of Strategic Objectives through Performance Contracting

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

**Table xx1: Programme performance**

Program	Strategic Objective	Outcome	Output	Output indicator	Achievement for the FY			Cumulative Achievement by end of FY			Remarks
					Target	Actual	Variance	Target	Actual	Variance	
General Administration and support services	To improve access to national government services, coordinate security, enhance peace building and conflict management in Kenya	Improved Efficiency of Service Delivery to the People	National Government coordination services	% of security operations coordinated	100	100	-	100	100	-	Target met
				No. of serving officers trained on mandatory courses	8,600	(3926)	4,674	8,600	4,674	(3926)	Target not achieved due to budgetary constraints
				Leadership Training Services	No. of officers trained on leadership	1345	1304	(41)	1345	1304	(41)
				No. of officers trained on team building	1,047	427	(620)	1,047	427	(620)	Funding limitations and cost reduction measures

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			National Cybercrime Coordination Services	% of National Security Operation Centre established	10	-	(10)	10	-	10	NSOC not established due to budgetary constraints
				No. of risks audits and assessments conducted for Critical Information Infrastructure	20	5	(15)	20	5	(15)	Target not achieved due to budgetary constraints
				No of trainings conducted	20	10	(10)	20	10	(10)	Target not achieved due to conflict of partner's schedules
				% of Policy development for guidelines and SOP for National Security Operation Centre	20	10	(9)	20	10	(9)	Target not achieved due to budgetary constraints
			Marine Security Services	% security coverage in Kenya's territorial and inland waters	100	100	-	100	100	-	Target met
				% search and	100	100	-	100	100	-	Target met

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			rescue operations carried out.							
			% Port premises coverage	100	100	-	100	100	-	Target met
		Assorted Security Equipment Services	% of assorted security equipment acquired	100	100	-	100	100	-	Target met
		Disaster Response Coordination Services	No. of counties assessed on disaster Preparedness.	20	4	(16)	20	4	(16)	Target on course
			% of affected entities supported through Post-Disaster Needs Assessment and Recovery Programs	100	90	(10)	100	90	(10)	Target on progress
		National Cohesion Services	No. of public sectors audited	5	1	(4)	5	1	(4)	Target not met. Implementation will continue in the next FY
			No. of Public Resources Audit undertaken	2	-	(2)	2	-	(2)	Target not met due to budgetary constraints
			No. of people trained	2000	2,432	432	2000	2,432	432	Target surpassed
			No. of complaints	500	64	(436)	500	64	(436)	Target not met

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				processe d						tation to continue in the next FY	
				% of hate speech incidence s forwarde d for prosecut ed	20	100	80	20	100	80	Target surpasse d
				No. of publicity and visibility initiatives undertak en	20	20	(5)	20	20	(5)	Target not met due to budgetary constraint s
			Peacefu l Co- existenc e	No. of people sensitize d on climate change related conflicts/ ADR mechani sm	200, 000	55,0 00	(145, 000)	200, 000	55,0 00	(145, 000)	Inadequat e funding prevented the realizatio n of the target.
				% of County Peace structure s revitalize d and fully operation al	100	6	(94)	100	6	(94)	Inadequat e funding prevented the realizatio n of the target.
				No. of counties with functiona l County Peace forums/ Early warning	22	6	(16)	22	6	(16)	Inadequat e funding prevented the realizatio n of the target.

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				hubs							
				No. of county dialogue and mediation forums conducted	22	8	(14)	22	8	(14)	Target not met due time constraints and delays
				No. of National Consultative forums to strengthen coordination of peace stakeholders	10	1	(9)	10	1	(9)	Target not met due time constraints and delays
			Forensic Service	% of scientific reports generated	100	97.8	(2.2)	100	97.8	(2.2)	Target not fully met due to time constraint and delays in supply of consumables.
				% of reports presented in courts	100	100	-	100	100	-	Presented all expert witness reports to court as requested.
				% level ISO 17025/2017 certification	100	95	(5)	100	95	(5)	KENAS gave a proforma invoice, awaiting payment and initial assessment

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<b>Policy Coordination Services</b>	To enhance crime research, society free from alcohol and drug abuse, and regulation of NGOs.	Enhanced crime research, society free from alcohol and drug abuse, and regulation of NGOs.	Public Education and Advocacy Services	No. of teaching staff, learners and parents sensitized on ADA prevention and management guidelines	30,000	40,062	10,062	30,000	40,062	10,062	Target Surpassed	
				No. of parents reached with positive parenting	50,000	53,871	3,871	50,000	53,871	3,871	Target Surpassed	
				Number of Crackdowns to enforce compliance with alcohol and drug control legislation undertaken	80	81	1	80	81	1	Set target Achieved	
				Evidence to inform standards development and licensing provided.	No. of County Multi-Agency forums held	47	47	-	47	47	-	Set target Achieved
					Number of researches on ADA conducted	1	1	-	1	1	-	Set target Achieved
					Number of licenses	180	75	(105)	180	75	(105)	Targeting is demand-

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				issued for importers and exporters of alcoholic drinks.							driven
				Number of rehabilitation centers inspected	229	259	30	229	259	30	Set target Achieved
<b>National Government Administration Field Services</b>	To improve access to national government services, coordinate security, enhance peace building and conflict management in Kenya	Improved Service Delivery to the People at the Field.	Regional coordination services	% of security coordination at the regions	100	100	-	100	100	-	Set target Achieved
				% coordination of national Government programmes, projects and initiatives at the regions	100	100	-	100	100	-	Set target Achieved
			County coordination services	% of security coordination at the counties	100	100	-	100	100	-	Set target Achieved
				No. of offices constructed	20	20	-	20	20	-	Set target Achieved
				No. of offices refurbished	35	3	(32)	35	3	(32)	Target not met due to financial constraint



## Governance Statement

## **8. Governance Statement**

### **Introduction**

The State Department for Internal Security and National Administration plays a central role in the preservation of law and order, coordination of national government functions at the grassroots, and maintenance of public safety in Kenya. Governance within the department is guided by principles of transparency, accountability, rule of law, inclusiveness, and adherence to public sector reforms aimed at enhancing efficiency and service delivery.

### **Leadership and Governance Structure**

The governance structure is headed by the Principal Secretary (PS), who serves as the Accounting Officer and provides strategic leadership and policy direction. The PS reports to the Cabinet Secretary for Interior and National Administration and oversees all operational and administrative functions.

The department operates through directorates, units, and field offices coordinated through Regional, County, and Sub-County Commissioners. Each level of administration is mandated to ensure effective service delivery, implementation of government policies, and maintenance of peace and order.

### **Key governance organs**

The State Department for Internal Security and National Administration (SDISNA), under the Ministry of Interior and National Administration, is mandated with the coordination and supervision of internal security, national government administration, and disaster risk management.

### **Principal Secretary (PS)**

Dr. Raymond Omollo, PhD, is the Principal Secretary. He is the accounting officer and overall head of the State Department. Provides strategic leadership and oversight on internal security, national government coordination, and policy implementation.

### **Secretary, Internal Security**

Provides technical and policy support on matters related to internal security operations including public order, counter-terrorism, and policing strategies. Coordinates with National Police Service, Kenya Defence Forces (in joint operations), and other security agencies.

### **Secretary, National Administration**

Oversees the coordination and supervision of National Government Administration Officers (NGAOs), including:

- ✚ Regional Commissioners
- ✚ County Commissioners
- ✚ Deputy County Commissioners
- ✚ Assistant County Commissioners
- ✚ Chiefs and Assistant Chiefs

Ensures the implementation of national policies, government programs, and service delivery at the grassroots

### **Secretary, Peacebuilding and Conflict Management**

Leads peacebuilding efforts and inter-community conflict resolution mechanisms. Coordinates national cohesion and early warning/early response systems.

### **County and Regional Administration**

Regional Commissioners (RCs): Represent the national government at the regional level and coordinate security and administrative functions.

County Commissioners (CCs): Act as chairpersons of County Security and Intelligence Committees (CSICs).

Sub-county and Ward Administrators: Facilitate public administration at the lower levels.

### Interagency Security Committees

1. Security governance is further strengthened through:
2. National Security Advisory Committee (NSAC)
3. County Security and Intelligence Committees (CSICs)
4. Sub-County and Divisional Security Committees

These bodies facilitate inter-agency coordination in maintaining law and order.

### 3. The Audit Committee and Other Management Committees

In compliance with the Public Financial Management Act, 2012 section 73(5) and Regulation 174 (1) of Public Financial Management Regulations, 2015, The Ministry of Interior and National Administration (MINA) established and operationalized an Audit Committee in May 2021. This marked a milestone for the Ministry in improving and strengthening its governance, Risk Management and financial processes. Pursuant to the a foregoing, the following members were appointed to the Committee: -

#### Audit Committee members

S/No.	Name	Position
1.	Prof. Daniel K. Tarus	Chairperson
2.	James Muigai	Secretary
3.	Dr. James Mwangi	Member
4.	Ms. Sabina W. Maghanga	Member
5.	Mr. Kodeck Makori	Member
6.	Ms. Edwina O. Magoha	The National Treasury Representative

The functions of the audit committee are to:

- Support the Accounting Officer with regard to his responsibilities for issues of risk, control and governance and associated assurance.
- Follow up on the implementation of the recommendations of internal and external auditors.
- Obtain assurance from management that all financial and non-financial internal controls and risk management functions are operating effectively and reliably.
- Provide an independent review of the State Department's reporting functions to ensure the integrity of financial reports.
- Monitor the effectiveness of the State Department's performance management and performance information.
- Provide strong and effective oversight of the State Department's internal audit function.
- Provide effective liaison and facilitate communication between management and external audit.
- Ensure the State Department effectively monitors compliance with legislative and regulatory requirements and promotes a culture committed to lawful and ethical behavior

#### Other key management committees include:

#### Public Finance Management Standing Committee

The Public Finance Management Standing Committee was established to provide strategic guidance on public finance management matters. The Committee membership is as detailed below: -

### Public Finance Management Standing Committee Members

S/NO	NAME	DESG.	SECTION
1.	Dr. Raymond Omollo, PhD, CBS	PS	Chairperson
2.	Ms. Anne Ng'etich, EBS	PAS – Administration	Alternate Chairperson
3.	Mr. John Nyabwari	SCFO	Secretary
4.	Mr. Brono Shioso, OGW	DG – KCGS	Member
5.	Col (Rtd) David Samoei, MBS	Director – NDOC	Member
6.	Mr. Mohamed Barre, OGW	Secretary – Peace Building	Member
7.	Dr. John Mwangi, OGW	Secretary – KESAL	member
8.	Mr. Kennedy Tegeret	Director – Economic Planning	Member
9.	Mr. Josphat M. Kirimi, EBS, HSC	Director- KNFP	Member
10.	Mr. Kennedy Nyaiyo, MBS	Secretary – BMS	Member
11.	Ms. Zipporah W. Mutahi	Director – HRM&D	Member
8.	Mr. Fredrick Muhul	SDAG	Member
9.	Ms. Rose Sikuku	Ag. Government Chemist	Member
10.	Mr. Andrew Nyamwamu	DDSCM	Member

The PFM Standing Committee was generally responsible for: -

- Prioritization on resources allocated for the smooth implementation of the State Departments mission, strategy, goals, risk policy plans and objectives;
- Monitoring budget implementation and advice on the State Departments financial matters;
- Identifying risks and implementation of appropriate measures to manage such risks;
- Monitoring the effectiveness of the corporate governance practices;
- Monitoring timely resolution of audit issues; and
- Any other matter referred to it from time to time by the Cabinet Secretary.

### Budget Implementaton Committee

The BIC is mandated to oversee the budget implementation process and advise the Accounting Officer on the performance of the entire budget during the implementation phase and to oversee production of performance reports. The Committee was established in line with Treasury Circular No.08/2015 dated 10<sup>th</sup> June, 2015.

**The membership of the BIC is as follows:**

S/NO	Name	Designation	Status
1.	Ms. Anne Ng'etich, MBS	Principal Administrative Secretary - Administration	Chairperson
2.	Mr. John Nyabwari	SCFO	Secretary
3.	Mr Kennedy Tegeret	Director Planning	Member
4.	Mr. Fredrick Muhul	Senior Deputy Accountant General	Member
5.	Ms. Zipporah Mutahi	Director – HRM&D	Member
6.	Mr. Bruno Shioso, OGW	Director General - KCGS	Member
7.	Dr. John Mwangi, MBS	Director – KESAL	Member
8.	Mr. Mohammed Barre, MBS	Secretary – Peace Building	Member
9.	Col. (Rtd) David Samoei, MBS	Secretary – NDOC	Member
10.	Mr. Kennedy Nyaiyo, MBS	Secretary – BMS	Member

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11.	Ms. Rose Sikuku	Government Chemist	Member
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### Project Implementation Committee

The Project Implementation Committee is charged with the responsibility of prioritization of projects in line with Government Development Agneda, approval of projects to be implemented based on a set criteria, identification

of related risks and providing guidance on any required changes in project design. In addition, the Committee is responsible for monitoring and evaluating the achievement of programmes/projects outputs and outcomes.

### Members of the Committee

S/NO	Name	Designation	Status
1.	Ms. Anne Ng'etich, EBS	Principal Administrative Secretary	Chairperson
2.	Mr. Kennedy Tegeret	Director Economic Planning	Secretary
3.	Ms. Beverly Opwora, EBS	Secretary National Administration	Member
4.	Mr. Jacob Narengo, EBS	Secretary - Internal Security	Member
5.	Mr. Bruno Shioso, OGW	Director General - KCGS	Member
6.	Mr. John Nyabwari	SCFO	Member
7.	Dr. John Mwangi, MBS	Secretary – KESAL	Member
8.	Mr. Mohamed Barre, MBS	Secretary- Peace Building	Member
9.	Mr. Kodeck Makori	Director Administration	Member
10.	Ms. Rose Sikuku	Ag. Government Chemist	Member

### Ministerial Human Advisory Committee

The Committee's mandate include advisory to Accounting Officer in matters relating to:-

- i) Recruitments promotions, discipline, training, retirements and redesignation, and
- ii) Staff remuneration within the framework of the Government human resource policies and regulations.

### Members of the Committee

S/NO.	Name	Designation	Status
1.	Ms. Bevelry Opwora, CBS	Secretary National Administration	Chairperson
2.	Ms. Zipporah Mutahi	Director – HRM\$D	Secretary
3.	Dr. John K. Mwangi, MBS	Secretary - KESAL	Member
4.	Mr. Kennedy Nyaiyo, MBS	Secretary -Border Management	Member
5.	Mr. Mohamed Barre, MBS	Secretary - Peace Building	Member
6.	Mr. William Munyoki	Government Chemist	Member
7.	Mr. Kodeck Makori	Director Administration	Alternate Chairperson
8.	Mr. John Nyabwari	Senior Chief Finance Officer	Member
9.	Mr. Kennedy Tegeret	Director - Economic Planning	Member

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10.	Mr. Dickson Magotsi	Senior Deputy Secretary	Member
11.	Mr. Julius Mukwe, OGW	Senior Deputy Secretary	Member
12.	Mr. Kepha Onyiso	Chief State Counsel	Member
13.	Mr. Muhul Fredrick	Senior Deputy Accountant General	Member
14.	Mr. Andrew Nyamwamu	Deputy Director - SCM	Member

#### 4. Risk Management Framework

The State Department has adopted a structured Risk Management Policy, aligned with the ISO 31000:2018 framework and guided by National Treasury's risk management guidelines. The policy promotes proactive identification, analysis, and mitigation of risks that could hinder the achievement of departmental objectives.

Key highlights:

- Risk registers are maintained at departmental and field levels
- A designated Risk Management Officer coordinates quarterly risk assessments
- Emerging risks such as terrorism, cyber threats, civil unrest, and budgetary constraints have been prioritized

The Risk Management Committee provides quarterly reports to the PS and the Audit Committee for timely decision-making.

#### 5. Training and Capacity Building

To enhance ethical leadership and governance competence, the department conducted several training initiatives during the year:

- Senior Management Governance Workshop held in March 2025 in Naivasha
- Internal Audit and Risk Training facilitated by the Institute of Internal Auditors Kenya (IIAK)
- Training for field-level administrators on conflict-sensitive governance and disaster preparedness
- Trained 804 Administrative officers on DPA course

#### 6. Public Participation and Stakeholder Engagement

The department embraces public participation as a cornerstone of transparent and inclusive governance. Key activities include:

- Barazas (public forums) held by National Government Administrative Officers (NGAOs) across all counties
- Public consultations on security and development planning under the Nyumba Kumi initiative
- Engagements with stakeholders such as religious leaders, civil society, and community policing units

These activities have enhanced trust, improved service delivery, and contributed to early detection and resolution of security threats.

#### 7. Compliance with Laws and Regulations

The department is committed to upholding the Constitution of Kenya, the Public Finance Management Act, Public Service Commission Regulations, and other statutory provisions.

- Compliance audits confirmed improvements in procurement, staff deployment, and financial management
- A Compliance Unit monitors adherence to legal and procedural guidelines

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The department continues to implement recommendations from audit institutions to strengthen accountability and governance.



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MINISTRY OF INTERIOR  
NATIONAL ADMINIS



NATIONAL GOVERNMENT  
ADMINISTRATION POLICE

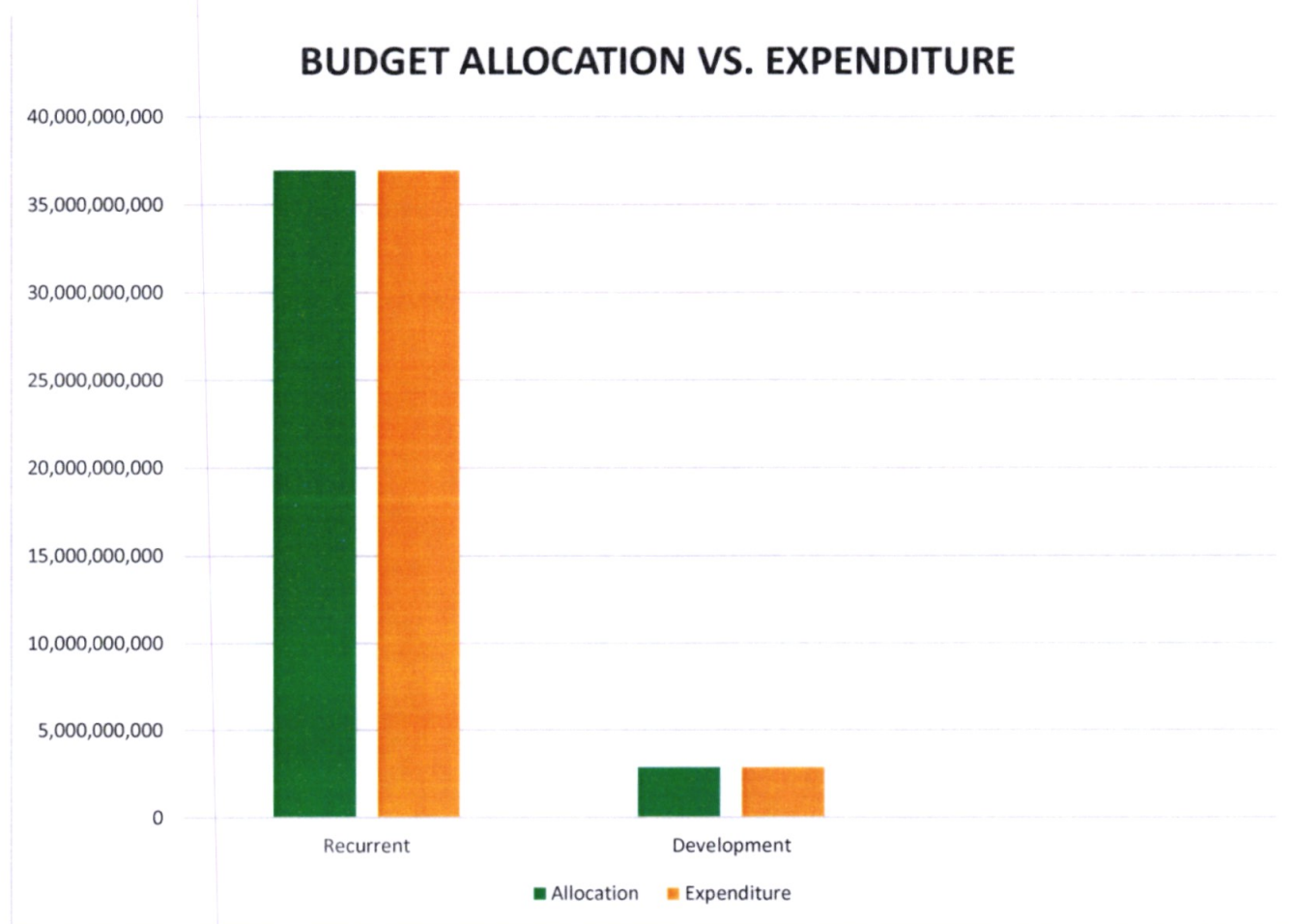
# Management Discussion and Analysis

## 9. Management Discussion and Analysis

During the period, the State Department's budgetary interventions were guided by the mandate to ensure the security of individuals and their property in Kenya, as outlined in the Constitution of Kenya 2010 and aligned with the Vision 2030 agenda for socio-economic transformation.

### 2024/25 FY BUDGET ALLOCATION VS. EXPENDITURE

Description	Budget Allocation	Expenditure
Recurrent	36,941,677,091	36,938,414,083
Development	2,870,200,000	2,868,747,882
<b>Total</b>	<b>39,811,877,091</b>	<b>39,807,161,965</b>



### ANALYSIS OF PROGRAMME APPROVED BUDGET VS ACTUAL EXPENDITURE (KSH. MILLION)

Programme Details	Approved Budget 2024/25	Actual Expenditure 2024/25
Programme 1 : 0629000000	19,895,179,396	19,868,743,025.60
Programme 2: 0630000000	1,448,457,100	1,448,184,299.00
Programme3 :0632000000 - National Government Administration Coordination services	18,468,240,595	18,490,234,640
<b>GRAND TOTAL EXPENDITURE</b>	<b>39,811,877,091</b>	<b>39,807,161,965</b>

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**A Key project implemented or ongoing During**

<b>PROJECT IMPLEMENTATION STATUS FOR QUARTER 4, FY 2024/25</b>									
<b>STATE DEPARTMENT FOR INTERNAL SECURITY AND NATIONAL ADMINISTRATION</b>									
<b>VOTE: 1026</b>									
	PROJECT NAME	Project Commence Date	Expected duration of the project	Source of funds(GoK/ External Resources)	Estimated Value of the project(Kshs.)	Total Funding	Actual Expenditure as of 30th June 2025	Percentage of Completion	Remarks
	P1:GENERAL ADMINISTRATION &SUPPORT SERVICES								
	S.P 1.1 General Administration Services								
<b>1</b>	1026109801 National Police Service Modernization Project	7/1/23	7Yrs	GoK	45,500,000.00	2,500,000.00	2,500,000.00	14%	Presidential directive
	Total P1					2,500,000.00	2,500,000.00		
	P3:NATIONAL GOVERNMENT FIELD ADMINISTRATION SERVICES								
	1026100900 Construction of Regional, County and Sub County offices.								
<b>1</b>	1026100994 Navakholo DCC's Office	7/1/24	6/30/25	GoK	20,000,000	20,000,000	20,000,000	100%	Completed
<b>2</b>	1026109501 Construction of Gathanje DCC's Office	7/1/24	2 Yrs	GoK	40,000,000	20,000,000	20,000,000	100%	Completed
<b>3</b>	Akachiu Sub County Office	7/1/23	2 Yrs	GoK	50,000,000	30,000,000	30,000,000	100%	Completed
<b>4</b>	1026108715 Mutomo DCC's Office	7/1/24	1 Yr	GoK	10,000,000	10,000,000	10,000,000	100%	Completed
<b>5</b>	1026109705 Gitige ACC office	7/1/24	1 Yr	GoK	20,000,000	20,000,000	20,000,000	100%	Completed
<b>6</b>	1026109706 Kisimu-WEST sub county police head quarters	7/1/24	1 Yr	GoK	20,000,000	20,000,000	20,000,000	100%	Completed
<b>7</b>	1026109707 Handaro Division Administrative office	7/1/24	1 Yr	GoK	10,000,000	10,000,000	10,000,000	100%	Completed
<b>8</b>	1026109708 Ombolion Administrative Unit	7/1/24	1 Yr	GoK	20,000,000	20,000,000	20,000,000	100%	Completed
<b>9</b>	1026109709 Sirisia DCC office	7/1/24	1 Yr	GoK	20,000,000	20,000,000	20,000,000	100%	Ongoing
<b>10</b>	1026109710 Moga,charachani,Bogich ora	7/1/24	1 Yr	GoK	15,000,000	15,000,000	15,000,000	100%	Completed

**State Department for Internal Security and National Administration**  
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1	1026109711	Githukini Chief Office	7/1/24	1 Yr	GoK	10,000,000	10,000,000	10,000,000	100%	Completed
1	1026109712	Kiawakara inoi Division acc	7/1/24	1 Yr	GoK	10,000,000	10,000,000	10,000,000	100%	Completed
1	1026109713	Balambala ACC Office	7/1/24	1 Yr	GoK	20,000,000	20,000,000	20,000,000	100%	Completed
1	1026110101	Construction of Sub-County Police Hqs Central Ward	7/1/24	2 Yrs	GoK	10,000,000	10,000,000	10,000,000	100%	Completed
1	1026101018	Refurbishment of Harambee hse( Replacement of Lifts)	7/1/18	14Yrs	GoK	1,007,200,000	25,000,000	25,000,000	100%	Renovation of the offices
1	102610971	Construction of Sub-County Headquarters	7/1/18	7 Yrs	GoK	7,500,000,000	30,000,000	30,000,000	100%	Ongoing
		Sub Total					290,000,000	290,000,000		
		Public Participation Projects								
1	1026109801	Construction of a chief's camp in Obunga	7/1/24	1 Yr	GoK	4,000,000	4,000,000	4,000,000	100%	Completed
2	1026109802	Kainuk to Kaptir Security road	7/1/24	1 Yr	GoK	8,100,000	8,100,000	8,100,000	100%	Completed
3	1026109803	Kakongu Naria mawo to Lwamosing security road	7/1/24	1 Yr	GoK	8,100,000	8,100,000	8,100,000	100%	Completed
4	1026109804	Construction of ACC's office in Gatamaiyu	7/1/24	1 Yr	GoK	20,000,000	20,000,000	20,000,000	100%	Completed
5	1026109805	Construction of Gikui ACC's Office	7/1/24	1 Yr	GoK	20,000,000	20,000,000	20,000,000	100%	Completed
6	1026109806	Meru county commissioners office	7/1/24	1 Yr	GoK	10,000,000	10,000,000	10,000,000	100%	Completed
7	1026109807	Renovation of DCC& Sub county dir. Of Edu.offices in No. 10 Mathare	7/1/24	1 Yr	GoK	10,000,000	10,000,000	10,000,000	100%	Completed
		Sub Total					80,200,000	80,200,000		
		Total P3					370,200,000	370,200,000		
		<b>TOTAL</b>					<b>2,870,200,000</b>	<b>2,870,200,000</b>		

### Compliance with Statutory Requirements

The State Department for Internal Security and National Administration continues to operate within the legal and regulatory frameworks provided by the Constitution of Kenya (2010), the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The Department ensures timely submission of financial reports, adherence to budgetary ceilings and procurement laws, and compliance with internal control mechanisms and government circulars. Regular internal and external audits are conducted to uphold transparency and accountability in financial management and service delivery.

### **Major Risks Facing the Organization**

The Department faces several strategic, operational, and financial risks, including:

**Insecurity and Emerging Threats:** Rising incidences of terrorism, banditry, and cyber threats strain existing security resources.

**Resource Constraints:** Inadequate budget allocations hinder effective implementation of programs.

**Rapid Urbanization and Population Growth:** Increased demand for security services in urban areas stresses personnel and infrastructure.

**Climate-related Risks:** Natural disasters such as floods and droughts affect internal displacement and emergency response operations.

**Political and Ethnic Tensions:** Especially around electoral cycles, these risks can escalate into widespread insecurity.

Mitigation measures include enhanced intelligence-led operations, inter-agency coordination, capacity-building, and risk-based planning.

### **Material Arrears in Statutory and Other Financial Obligations**

As of the end of FY 2024/2025, the Department has no significant arrears in statutory obligations such as PAYE, pension contributions, or supplier payments. However, occasional delays in disbursements and cash flow challenges have led to a buildup of pending bills in non-core areas such as utilities, maintenance, and service contracts. The Department is implementing measures to validate, prioritize, and progressively clear verified pending bills.

### **Review of the Economy and Sector**

The performance of the security sector is closely linked to the broader economic environment. During the reporting period:

The Kenyan economy showed moderate growth amid global inflationary pressures, climate shocks, and geopolitical uncertainties.

Security-related budget allocations remained under pressure due to competing national priorities, including education, health, and debt servicing.

Increased urbanization, cross-border movements, and youth unemployment contributed to the demand for internal security services.

Despite fiscal constraints, the sector remained resilient through strategic resource allocation and multi-agency collaboration.

### **Future Developments**

Looking forward, the State Department aims to:

Leverage technology through digitalization of security operations and national administrative services.

Expand infrastructure through the construction and modernization of National Government administrative offices, and disaster response centers.

Enhance community policing and stakeholder engagement for proactive security management.

Integrate climate risk response into national security planning to strengthen disaster preparedness.

Capacity building for administrative officers and law enforcement personnel will remain a priority to enhance service delivery and professionalism.

**Other Relevant Information**

The Department has embraced performance contracting, ISO standards, and Results-Based Management (RBM) to drive institutional efficiency.

Partnerships with the private sector, regional bodies, and international development partners are being expanded to strengthen capacity, especially in counter-terrorism, border security, and disaster risk reduction.

Gender mainstreaming and youth inclusion continue to be integrated into departmental policies and programs, in alignment with national development goals.



# Environmental and Sustainability Reporting

## 10. Environmental and Sustainability Reporting

### a) Sustainability strategy and profile

The State Department for Internal Security and National Administration remains committed to promoting sustainability and environmental responsibility in the execution of its mandate. Guided by the Constitution of Kenya, Vision 2030, and Kenya's Green Economy Strategy and Implementation Plan (GESIP), the department integrates sustainability considerations into its policy frameworks, operations, and strategic decisions.

The State Department, has embedded sustainable development priorities within key operations, notably in disaster risk reduction, eco-friendly infrastructure development, and stakeholder engagement. Political and macroeconomic trends—such as increased climate-related security threats, urbanization, and the evolving regulatory environment—have underscored the department's need to align with international best practices, including the UN Sustainable Development Goals (SDGs), particularly SDG 11 (Sustainable Cities and Communities), SDG 13 (Climate Action), and SDG 16 (Peace, Justice and Strong Institutions).

Key achievements include the adoption of energy-efficient measures in select administrative buildings and incorporation of environmental risk assessments in disaster management protocols. However, challenges remain, especially in fully integrating green practices across all county and sub-county offices due to limited budgetary allocations and infrastructure constraints.

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

The State Department is guided by the National Environmental Policy (2013), Climate Change Act (2016), and Disaster Risk Management Policy. Environmental sustainability is integrated into emergency response planning, especially in addressing climate-related hazards such as floods, droughts, and wildfires.

The Department has:

- Strengthened coordination with the National Disaster Operations Centre and relevant county-level disaster committees.
- Enhanced early warning systems and community sensitization on climate-induced hazards.
- Promoted tree planting initiatives in collaboration with Nyumba Kumi and community policing forums.
- Initiated waste management campaigns in administrative offices to promote paperless operations and eco-friendly disposal.

Despite these strides, challenges persist in waste segregation, monitoring of carbon footprints, and integration of renewable energy in field offices. The State Department continues to explore partnerships with environmental bodies to implement sustainable practices and preserve biodiversity in operational areas, particularly those affected by security operations.

### c) Employee Welfare

The State Department is committed to fair labour practices, non-discrimination, and gender mainstreaming in recruitment and workforce management. Hiring policies adhere to the Public Service Commission guidelines, ensuring merit-based selection, gender parity, and inclusivity. Special attention is given to achieving a balanced gender ratio and representation from marginalized groups.

Performance management systems, including regular appraisals and structured career development plans, are implemented across directorates. Training and development opportunities—such as leadership development programs, paramilitary training, and specialized security courses—are regularly offered to staff.

*State Department for Internal Security and National Administration*  
*Annual Report and Financial Statements for the year ended 30th June 2025*

Employee welfare is further reinforced through the Department's commitment to occupational safety and health. The Department complies with the Occupational Safety and Health Act (OSHA) 2007, with safety audits,

emergency preparedness drills, and health & wellness programs conducted annually. In partnership with the Ministry of Health, periodic medical camps and psychosocial support initiatives are availed to officers, especially those in hardship areas.

**d) Operational practices**

The State Department upholds ethical and responsible supply chain practices. Procurement follows the Public Procurement and Asset Disposal Act (PPADA) and is managed with transparency, fairness, and value-for-money principles.

Suppliers are selected based on competitive bidding and are regularly evaluated for compliance and delivery performance. The Department honours contractual obligations and maintains timely payment schedules, promoting trust and accountability with vendors. Preference is given to youth, women, and PWD-owned enterprises as part of the Access to Government Procurement Opportunities (AGPO) program.

Efforts are ongoing to digitize procurement systems to reduce paperwork and enhance transparency and efficiency in supply chain management.

**e) Community Engagements-**

The State Department actively engages in Community Social Responsibility (CSR) through various programs aligned with its mandate of fostering peaceful and cohesive communities. During the FY 2024/2025, the Department undertook the following CSR and community initiatives:

- **Peacebuilding Forums:** Conducted in over 30 counties in conflict-prone areas, focusing on ethnic cohesion, border harmony, and countering violent extremism.
- **Education Support:** Donation of school supplies and infrastructural support in hardship areas, especially in ASAL counties.
- **Sanitation and Health:** Support for public hygiene campaigns and clean-up exercises in collaboration with county governments and National Youth Service (NYS).
- **Youth Empowerment:** Engagement of youth in security forums and mentorship programs, including training in community policing strategies.
- **Charitable Giving:** Donations of food, clothing, and emergency relief materials to vulnerable groups affected by floods, fire outbreaks, or displacement.

These efforts have significantly enhanced the department's public image, fostered citizen trust, and contributed to national peace and stability.



## Statement of Management Responsibilities

## **11. Statement of Management Responsibilities**

Section 81 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer for a National Government MDA shall prepare financial statements in respect of that MDA. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed the Public Sector Accounting Standards Board of Kenya from time to time. The Accounting Officer in charge of the State Department for Internal Security and National Administration is responsible for the preparation and presentation of the MDA's financial statements, which give a true and fair view of the state of affairs of the MDA for and as at the end of the financial year (period) ended on June 30, 2025. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the MDA, (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 MDA; (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.

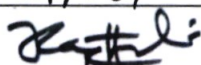
The Accounting Officer in charge of the State Department for Internal Security and National Administration accepts responsibility for the MDA's financial statements, which have been prepared on the Accrual Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International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

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

### **Approval of the financial statements**

The State Department for Internal Security and National Administration financial statements were approved on

29/08/ 2025 and signed by:



Dr. Raymond Omollo, PhD, CBS

**Principal Secretary**

# REPUBLIC OF KENYA

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Monrovia Street  
P.O. Box 30084-00100  
NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON STATE DEPARTMENT FOR INTERNAL SECURITY AND NATIONAL ADMINISTRATION FOR THE YEAR ENDED 30 JUNE, 2025**

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### **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 Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose; and,
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, 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 is issued when the Auditor-General concludes that the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management, and Governance.

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

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Opinion**

I have audited the accompanying transitional IPSAS financial statements of State Department for Internal Security and National Administration set out on pages 1 to 46, which comprise of the statement of financial position as at 30 June, 2025, and the

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*Report of the Auditor-General on State Department for Internal Security and National Administration for the year ended 30 June, 2025*

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

In my opinion, the transitional IPSAS financial statements present fairly, in all material respects, the financial position of the State Department for Internal Security and National Administration and the financial performance for the year then ended, in accordance with International Public Sector Accounting Standards Accrual Basis (including the transitional provisions permitted under IPSAS 33) and comply with the Public Finance Management Act, 2012 and The National Treasury and Economic Planning Circular No.3 of 14 April, 2025.

### **Basis for Opinion**

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

### **Emphasis of Matter**

#### **Long Outstanding Trade and Other Payables**

The statement of financial position reflects trade and other payables balance of Kshs.3,127,122,934 as disclosed in Note 16 to the financial statements. However, review of ageing analysis provided for audit revealed that a balance of Kshs.646,713,808 representing approximately 21% of the total outstanding payables have remained unpaid for over one year.

Further, the payables were not settled during the year under review but were instead carried forward to the financial year 2025/2026. Failure to settle the payables during the year in which they relate adversely affects the budgetary provisions for the subsequent year as they form a first charge.

My opinion is not modified in respect of this matter.

### **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

### Unresolved Prior Year Matters

In the prior year audit report, several issues were raised under the Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. Review of the status during audit of the State Department in 2024/2025 revealed that the following seven (7) issues remained unresolved:

No.	Financial Year	Audit Issue
1	2023/2024	Non-compliance with one-third of basic salary rule
2	2023/2024	Stalled development projects
3	2023/2024	Unpaid claims under Work Injury Benefits Act (WIBA) and Group Personal Accident Cover (GPA)
4	2023/2024	Lack of land ownership documents
5	2023/2024	Pending accounts payable
6	2023/2024	Ineffective maintenance of elevators
7	2023/2024	Enhancement of governance systems for security related expenditures

### Other Information

The Management is responsible for the other information set out on page v to li which comprise of Key MDA Information and Management, Profile of the Cabinet Secretary, Profiles of Accounting Officer and Key Management, Statement by the Cabinet Secretary, Statement by the Accounting Officer, Statement of Performance Against Predetermined Objectives, Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, and Statement of Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

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

# REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

## **Conclusion**

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

## **Basis for Conclusion**

### **1. Legal Matters**

#### **1.1. Delayed Settlement of Court Awards**

The statement of financial position reflects trade and other payables of Kshs.3,127,122,934. Review of records revealed that a balance of Kshs.799,257,132 relate to court awards issued during the year that remain unsettled.

The delayed settlement of the court awards implies contempt of court and may result to unplanned expenditures in form of penalties and interest and additional litigation costs.

#### **1.2. Avoidable Expenditure on Court Award**

The statement of financial performance reflects an expenditure of Kshs.18,943,658,111 under use of goods and services which, as disclosed in Note 10 to the financial statements, includes an amount of Kshs.15,341,164,337 in respect of other operating expenses. The expenditure of Kshs.15,341,164,337 includes legal expenses of Kshs.662,416,019 out of which an amount of Kshs.365,116,120 was paid to the State Law Office. Review of legal files revealed that the payment relates to Constitutional Petition No.2 where a judgement was issued for release of two impounded motor vehicles as well as a sugar parking machine by the Directorate of Criminal Investigations (DCI) to the petitioner forthwith. However, this order was not complied with and on 22 November, 2024, through judicial review on civil application No. E004 OF 2021, an order was issued against the DCI to pay Kshs.482,670,000 for failure to comply with the Court orders issued on 17 December, 2019.

The Attorney General on 15 January, 2024 through a letter referenced AG/CPT/1G/181/18 and AG/EMB/INJ/JR/R/6/2 advised the Ministry that a consent had been entered with the plaintiff on 11 December, 2023, to pay the decretal sum of Kshs.482,670,000 together with interest calculated at 14% from 02 December, 2019 to 31 November, 2023 totalling Kshs. 747,411,189. In addition, the State Department has continued to disregard this order since the full payment has not been transferred to the Attorney General.

Failure to comply with Court order issued on 17 December, 2019 resulted to incurrence of avoidable expenditure amounting to Kshs.264,741,189 had the earlier order been complied with in a timely manner.

### **1.3. Delay in Payment of Decretal Sum in the Acquisition of General Service Unit (GSU) Land**

Review of legal records revealed that in the year 1988 the former Ministry for State for Provincial Administration and Internal Security purchased 196 housing units from the defunct Kenya Post and Telecommunication Corporation (KPTC) on a 17.8-acre parcel, L.R. 7879/24, in Drive-In Estate, Nairobi, for Kshs.64,680,000.

In the year 2006, the then commandant of General Service Unit hived off an additional 19.6 acres from the land and fenced it off. This resulted in a civil suit HCCC no. 617 of 2012 against the Attorney General for trespass. A judgement on this matter was delivered on 12 February, 2013, against the Attorney General for the decretal sum of Kshs.4,086,883,330. By a consent dated 02 April, 2013, the parties mutually agreed to reduce the decretal amount to Kshs.2,400,000,000. It was also agreed that the Government will pay a further sum of Kshs.150,000,000 for Continental Finance Limited (In Liquidation) which had a registered charge on the property.

However, review of records provided for audit revealed the following anomalies;

- i) As at 30 June, 2025, the State Department had made payments totalling Kshs.1,878,339,170 to the plaintiff resulting to a balance of Kshs.521,660,830 that was yet to be settled resulting to a breach of the court ruling dated 12 February, 2013.
- ii) Included in the total amount paid Kshs.1,878,339,170 is an advance interest capping charge of Kshs.600,000,000, settled on 20 April, 2015 under a consent dated 25 March, 2015. This resulted in incurrance of avoidable expenditure had the order been complied with in a timely manner.
- iii) Although the Court had ordered payment of Kshs.150,000,000 to facilitate discharge of the charge, review of land search records for L.R. 7879/24 indicated that the property remains encumbered by a registered charge in favor of Continental Credit Finance Limited (In Liquidation). There was no evidence to indicate that the payments made through the State Law Office was used to facilitate the discharge since the land remained encumbered.
- iv) There has been unreasonably long delay of about twelve (12) years in payment of the full amount by the Government. The Government has not therefore, obtained the property title despite having paid a considerable amount of the decretal sum.

In the circumstances, value for money on expenditure of Kshs.1,878,339,170 could not be confirmed.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements 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 effect of the matters described in the Basis for Conclusion on the 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

### 1. Ineffective Maintenance of Elevators

Review of records for maintenance of elevators at Nyayo house, Uhuru na Kazi and Harambee House Building offices revealed that the State Department entered into a framework contract for monthly maintenance of lifts on 14 August, 2023 for a period of two years at a contract sum of Kshs.8,978,000. However, after expiry of the contract on 13 August, 2025, Management did not enter into a service level agreement for maintenance of the elevators to ensure continued maintenance.

Audit inspection carried out in November 2025 revealed that only three (3) of eight (8) elevators in Nyayo House and two (2) of three (3) in Harambee House were operational. The functioning lifts in Nyayo House also experienced frequent breakdowns, causing long queues resulting to delays in service delivery and occupational and safety risks. Further, Management decision to transfer the Foreign Service Management Services from the Ground Floor to the 17<sup>th</sup> Floor of the building during year under audit resulted to excess traffic and inconvenience to elderly foreign citizens who were forced to take the stairs when the lifts were out of service. In addition, several lift lobbies areas had been converted to office spaces in disregard of the building design and safety measures.

Further, review of the technical assessment report of elevators at Uhuru na Kazi building in Mombasa revealed that only one (1) lift of three (3) was functioning with recurring breakdown.

In the circumstances, the existence of effective internal controls and risk management practices for management of the elevators could not be confirmed.

### 2. Enhancement of Governance Systems for Security Related Expenditures

During the year under review, the State Department for Internal Security and National Administration incurred some expenditures on confidential security operations. Certificates of confidential expenditure were issued, supported by declarations from the Accounting Officer affirming proper use of funds in compliance with Regulation 101(5) of the Public Finance Management (National Government) Regulations, 2015.

As previously reported, there is need to enhance accountability of confidential expenditures, which has increased over the years, through review of the Regulations to

clearly define entities eligible for confidential security related expenditures and to specify what constitutes security related operations. Further, entities should establish internal oversight mechanisms and processes that include detailed budget projections and post-operation financial summaries to address risks and ensure responsible use and accountability of the funds, beyond the certificate.

The measures are aimed at strengthening governance, fostering trust, and ensuring funds are utilised responsibly without compromising State security. However, as at the time of audit in November 2025, no action had been taken to implement the audit recommendations.

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

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

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

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

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

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

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

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

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015.

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

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

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

**Nairobi**

**16 December, 2025**

*State Department for Internal Security and National Administration  
Annual Report and Financial Statements for the year ended 30th June 2025*


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

	Notes	Period Ended June 2025
		Kshs
<b>Revenue from non-exchange transactions</b>		
Transfers from Exchequer	6	39,679,643,966
<b>Total</b>		<b>39,679,643,966</b>
<b>Revenue from exchange transactions</b>		
Rendering of services	7	18,057,550
Miscellaneous income	8	110,827,200
<b>Total</b>		<b>128,884,750</b>
<b>Total revenue</b>		<b>39,808,528,716</b>
<b>Expenses</b>		
Employee costs	9	16,388,218,515
Use of goods and services	10	18,943,658,111
Transfers to other Government Entities	11	2,296,817,299
Depreciation and amortization expense	12	331,412,562
Other Grants and Subsidies	13	25,559,999
<b>Total expenses</b>		<b>37,985,666,486</b>
<b>Surplus for the year</b>		<b>1,822,862,229</b>

The Financial Statements set out were signed by:



.....  
Dr. Raymond Omollo, PhD, CBS  
Principal Secretary



.....  
Fredrick Muhul Raongo  
Head of Accounting Unit  
ICPAK M/NO.6591



14 Statement of Financial Position as at 30 June 2025

	Notes	2024-2025	Opening Statement
			1st July 2024
		Kshs	Kshs
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash equivalents	14	398,522,841	286,751,386
<b>Total Current Assets</b>		<b>398,522,841</b>	<b>286,751,386</b>
<b>Non-Current Assets</b>			
Property, Plant, and Equipment	15	2,665,087,937	-
<b>Total Non-Current Assets</b>		<b>2,665,087,937</b>	<b>-</b>
<b>Total Assets (A)</b>		<b>3,063,610,778</b>	<b>286,751,386</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and Other Payables	16	3,127,122,934	2,301,893,726
Refundable Deposits	17	370,811,099	286,050,884
Deferred Income	18	25,856,280	-
Current Provision	19	18,363,250	-
<b>Total Current Liabilities</b>		<b>3,542,153,563</b>	<b>2,587,944,610</b>
<b>Total Liabilities (B)</b>		<b>3,542,153,563</b>	<b>2,587,944,610</b>
<b>Net Assets (A-B)</b>		<b>(478,542,786)</b>	<b>(2,301,193,224)</b>
<b>Represented By:</b>			
Accumulated Surplus		(478,542,786)	(2,301,193,224)
<b>Net Assets</b>		<b>(478,542,786)</b>	<b>(2,301,193,224)</b>

The financial statements set out on pages 1 to 5 were signed by:



.....  
Dr. Raymond Omollo, PhD,CBS  
Principal Secretary



.....  
Fredrick Muhul Raongo  
Head of Accounting Unit  
ICPAK M/NO.6591

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

Description	Accumulated Surplus	Total
	kshs	kshs
<b>As at 30th June 2024 (cash basis)</b>	700,502	700,502
<b>Adjustments: (to recognize assets and liabilities)</b>		
<b>Liabilities</b>	(2,301,893,726)	(2,301,893,726)
<b>As at July 1, 2024</b>	<b>(2,301,193,224)</b>	<b>(2,301,193,224)</b>
<b>Surplus/ deficit for the period</b>	1,822,862,229	1,822,862,229
<b>Returns to exchequer</b>	(211,791)	(211,791)
<b>As at 30<sup>th</sup> Jun, 2025</b>	<b>(478,542,786)</b>	<b>(478,542,786)</b>

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

		Period Ended Jun 2025
	Notes	Kshs
<b>Cash flows from operating activities</b>		
<b>Receipts</b>		
Transfers from exchequer		39,679,643,966
Rendering of services		18,057,550
Other income		110,827,200
Other receipts (deposits)		110,616,495
<b>Total receipts</b>		<b>39,919,145,211</b>
<b>Payments</b>		
Employee costs		16,369,855,265
Use of goods and services		18,118,428,903
Transfers to other Government Entities		2,296,817,299
Other Grants and Subsidies		25,559,999
<b>Total payments</b>		<b>36,810,661,466</b>
<b>Net cash flows from/(used in) operating activities</b>		<b>3,108,483,745</b>
<b>Cash flows from investing activities</b>		
Purchase of PPE		(2,996,500,499)
<b>Net cash flows from/(used in) investing activities</b>		<b>(2,996,500,499)</b>
<b>Cash flows from financing activities</b>		
Return to Exchequer		(211,791)
<b>Net cash flows from financing Activities</b>		<b>(211,791)</b>
<b>Net increase/(decrease) in cash &amp; Cash equivalents</b>		<b>111,771,455</b>
<b>Cash and cash equivalents at the start of the period</b>	<b>13</b>	<b>286,751,386</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>13</b>	<b>398,522,841</b>

(PSASB has prescribed the use of direct method for cashflow preparation)

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

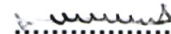
**17(a) Recurrent and Development Combined**

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Budget difference	utilization	% of utilization
	A	B	C=a+b	D	E=c-d	F=d/c	%
<b>Revenue</b>							
Transfers from exchequer	35,784,194,720	3,895,449,371	39,679,644,091	39,679,643,966		125	100%
Rendering of services	11,133,000	7,000,000	18,133,000	18,057,550		75,450	100%
Other income	81,787,000	32,313,000	114,100,000	110,827,200		3,272,800	97%
<b>Total revenue</b>	<b>35,877,114,720</b>	<b>3,934,762,371</b>	<b>39,811,877,091</b>	<b>39,808,528,716</b>		<b>3,348,375</b>	<b>100%</b>
<b>Expenses</b>							
Employees Costs	16,054,131,648	307,929,136	16,362,060,784	16,362,055,276		5,508	100%
Use of goods and services	10,013,364,097	8,109,501,393	18,122,865,490	18,118,428,903		4,436,587	100%
Transfers to other government units	2,161,990,100	135,100,000	2,297,090,100	2,296,817,299		272,801	100%
Other grants and transfers	25,560,000	-	25,560,000	25,559,999		1	100%
Social benefits	7,800,000	-	7,800,000	7,799,988		12	100%
<b>Total recurrent expenses</b>	<b>28,262,845,845</b>	<b>8,660,281,246</b>	<b>36,923,127,091</b>	<b>36,918,412,182</b>		<b>4,714,909</b>	<b>100%</b>
Capital items							
Acquisition of PPE	7,614,268,875	(4,617,768,158)	2,996,500,717	2,996,500,499		218	100%
<b>Total expensesCapital</b>	<b>7,614,268,875</b>	<b>(4,617,768,158)</b>	<b>2,996,500,717</b>	<b>2,996,500,499</b>		<b>218</b>	<b>100%</b>
<b>Total expenses</b>	<b>35,877,114,720</b>	<b>3,934,762,371</b>	<b>39,811,877,091</b>	<b>39,807,161,964</b>		<b>4,715,127</b>	<b>100%</b>
<b>Surplus/ deficit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,366,752</b>		<b>(1,366,752)</b>	

The entity financial statements were approved on 29/08 2025 and signed by:



.....  
Dr. Raymond Omollo, PhD,CBS  
**Principal Secretary**



.....  
Fredrick Muhul Raongo  
**Head of Accounting Unit**  
**ICPAK M/NO.6591**

**Budget Reconciliation to the Statement of Cash Flows**

		Amount in
Description of Particulars		Kshs
	Actual Surplus Amounts as per the statement of Budget	1,366,752
	Opening cash and cash equivalent	286,751,386
<b>1</b>	<b>Reason for differences</b>	
<b>2</b>	Reason for differences- Entity difference – Return to exchequer	(211,791)
<b>3</b>	Reason for differences- Timing difference	84,760,215
<b>4</b>	Reason for difference deferred income	25,856,280
	Reason for difference deposits	
	<b>Closing Cash and Cash Equivalent as per the statement of Cash flows</b>	<b>398,522,841</b>

**Budget Notes**

(a) *Adjustments within the year: The changes between the original and final budget are as a result of supplementary budget*

**17 b) Budget Execution by Programmes and Sub-Programmes for FY2024-25**

Programme 1	Sub-programme	Final Budget	Actual on comparable basis	Budget utilization difference
		Kshs	Kshs	Kshs
<b>629000000</b>		19,895,179,396	19,868,743,026	26,436,370
	629010000	18,772,793,445	18,746,437,550	26,355,895
	629020000	-	-	-
	629030000	40,699,153	40,695,073	4,080
	629040000	567,980,000	567,980,000	-
	629050000	513,706,798	513,630,402	76,396
<b>630000000</b>		1,448,457,100	1,448,184,299	272,801
	630010000	968,060,000	968,060,000	-
	630020000	298,075,600	297,802,800	272,800
	630030000	182,321,500	182,321,499	1
<b>632000000</b>		18,468,240,595	18,490,234,640	(21,994,045)
	632010000	18,468,240,595	18,490,234,640	(21,994,045)
		<b>39,811,877,091</b>	<b>39,807,161,965</b>	<b>4,715,126</b>

## 18. Notes to the Financial Statements

### 1. Establishment

The State department is established by and derives its authority and accountability from Executive Order 2 of 2023. State department is wholly owned by the Government of Kenya and is domiciled in Kenya. The MDA's principal activity is coordination of national administration and internal security.

### 2. Statement of Compliance and Basis of Reporting

#### Statement of compliance

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

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

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

These financial statements were authorized for issue by the Accounting Officer on 31<sup>st</sup> August 2025.

#### Guiding note during the transition period:

The financial statements have been prepared in accordance with the Public Finance Management Act, and International Public Sector Accounting Standards (IPSAS) or the MDA has taken advantage of the transitional provisions under IPSAS 33 and therefore these 1<sup>st</sup> year financial statements are transitional financial statements and PPE, inventories, Investment property, Intangible Assets, Segment information, Unverified Liabilities, & Biological Assets have not been recognised as the MDA has taken advantage of the transition provisions outlined in IPSAS 33. A Summary of elements still in transition are as below

IPSAS Standard / Area	Transitional Relief / Exemption	Requirement under IPSAS 33	Status on First Adoption	Timeline for Full Compliance
IPSAS 17/45 – Property, Plant and Equipment (PPE)	Entity may elect to recognize PPE prospectively from the transition date instead of full retrospective restatement.	Measurement at cost or fair value required.	PPE not yet fully recognized; opening balances carried at deemed cost.	To be completed within 3 years.

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Annual Report and Financial Statements for the year ended 30th June 2025*

<b>IPSAS Standard / Area</b>	<b>Transitional Relief / Exemption</b>	<b>Requirement under IPSAS 33</b>	<b>Status on First Adoption</b>	<b>Timeline for Full Compliance</b>
<b>IPSAS 31 – Intangible Assets</b>	Recognition of intangibles not required at transition if information is not available without undue cost/effort.	Intangibles recognized if meet definition/criteria.	Deferred recognition of certain internally developed software.	Within 3 years.
<b>IPSAS 25 / IPSAS 39 – Employee Benefits</b>	Recognition of liabilities (e.g., pensions, gratuity) may be deferred.	Must recognize actuarial valuations of obligations.	Provision not yet established; disclosure only.	Actuarial valuation to be completed in 3 years.
<b>IPSAS 19 – Provisions, Contingent Liabilities and Contingent Assets</b>	Initial recognition can be postponed.	Must recognize provisions that meet criteria.	Disclosures provided, but provisions not recognized.	Recognition phased in over 3 years.
<b>IPSAS 23 – Revenue from Non-Exchange Transactions</b>	Recognition of certain tax revenues and transfers may be deferred.	Full recognition required.	Only cash-basis revenue recorded.	Within 3 years.
<b>IPSAS 12 – Inventories</b>	Recognition of opening inventories may be deferred.	Inventories measured at lower of cost or NRV.	Stock balances not fully recognized.	Within 2 years.
<b>IPSAS 1 – Presentation of Financial Statements</b>	Full compliance required immediately.	Statement of financial position, financial performance, changes in net assets/equity, and cash flows required.	Fully complied.	Immediate.
<b>IPSAS 33 Disclosure</b>	Entity must disclose transitional exemptions applied.	Notes should include exemptions and timelines.	Initial disclosures provided and areas of	Ongoing until full compliance.
<b>IPSAS 43 Leases</b>	Requires recognizing a right-of-use asset and a lease liability on the balance sheet, and providing public sector entities with three years to prepare for the changes	Entity will apply IPSAS 43 for any leases it enters into during and after its transition period	OPCS has consolidated and documented all existing leases in readiness for the adoption of IPSAS 43 for leases held	Ongoing until full compliance.

**Reporting period**

The reporting period for these financial statements is for the period ended 30June 2025

### **Basis of preparation**

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

### **Critical accounting judgements**

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

#### Recognition of revenue

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

#### Recognition of non-exchange expenses and liabilities

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

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

#### Purpose and nature of financial instruments

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

Climate change obligations

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

Physical assets

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

**Notes to the Financial Statements (Continued)**

**3. Adoption of New and Revised Standards**

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

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

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

Standard	Effective date and impact:
IPSAS 43	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an MDA.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>
IPSAS 45-Property Plant and Equipment	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p>
IPSAS 46 Measurement	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p>

		<ul style="list-style-type: none"> <li>i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.</li> <li>ii. Clarifying transaction costs guidance to enhance consistency across IPSAS;</li> <li>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</li> </ul> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
IPSAS 47- Revenue		<p><b>Applicable 1<sup>st</sup> January 2026</b></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an MDA shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
IPSAS 48- Transfer Expenses		<p><b>Applicable 1<sup>st</sup> January 2026</b></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p>
IPSAS 49- Retirement Benefit Plans		<p><b>Applicable 1<sup>st</sup> January 2026</b></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p>
IPSAS 50: Exploration For & Evaluation of Mineral Resources		<p><b>Applicable 1<sup>st</sup> January 2027</b></p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ul style="list-style-type: none"> <li>i. Limited improvements to existing accounting practices for exploration and evaluation expenditures.</li> <li>ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26.</li> <li>iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources</li> <li>iv. and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.</li> </ul>

**iii) Early adoption of standards**

The MDA did not early – adopt any new or amended standards in the financial year or *the MDA adopted the following standards early (state the standards, reason for early adoption and impact on MDA's financial statements.)*

#### **4. Summary of Significant Accounting Policies**

##### **a) Revenue recognition**

##### **i) Revenue from non-exchange transactions**

###### **Fees, taxes and fines**

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

###### **Transfers from other government entities**

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

##### **ii) Revenue from exchange transactions**

###### **Rendering of services**

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

###### **Interest income**

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

###### **Rental income**

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

**b) Budget information**

The original budget for FY 2024/25 was approved by the National Assembly on *July 2024*. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the MDA upon receiving the respective approvals in order to conclude the final budget. Accordingly, the MDA recorded additional appropriations of Ksh. 9,278,402,124 on 2024/25 budget following the governing body's approval. The MDA's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of cash flows has been presented under note 17 of these financial statements.

**c) Investment property**

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

**d) Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the MDA recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as

incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

**e) Right of use asset**

The right-of-use assets comprises the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the MDA incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IPSAS 21 or IPSAS 26. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the MDA expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the statement of financial position.

**Notes to the Financial Statements (Continued)**

**f) Tangible Natural Resources**

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

**g) Leases**

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

## Notes to the Financial Statements (Continued)

### h) Intangible assets

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

#### i) Research and development costs

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

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

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

#### j) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *The MDA does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. (amend as appropriate).* A financial instrument is any contract that gives rise to a financial asset of one MDA and a financial liability or equity instrument of another MDA. At initial recognition, the MDA measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**a) Financial assets**

**Classification of financial assets**

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

**Subsequent measurement**

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

**Amortized cost**

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

**Notes to the Financial Statements (Continued)**

**Fair value through net assets/ equity**

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

**Trade and other receivables**

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

**Fair value through surplus or deficit**

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

**Impairment**

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

**b) Financial liabilities**

**Classification**

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

## Notes to the Financial Statements (Continued)

### k) Inventories

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

- i) Raw materials: purchase cost using the weighted average cost method.
- ii) Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

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

### l) Provisions

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

**Notes to the Financial Statements (Continued)**

**m) Social Benefits**

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

**n) Contingent liabilities**

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

**o) Contingent assets**

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

**p) Nature and purpose of reserves**

The MDA creates and maintains reserves in terms of specific requirements. The state department maintains an accumulated surplus as a revenue reserve

**q) Changes in accounting policies and estimates**

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

## Notes to the Financial Statements (Continued)

### Summary of Significant Accounting Policies (Continued)

#### r) Employee benefits

##### Retirement benefit plans

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

#### s) Foreign currency transactions

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

#### t) Borrowing costs

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

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

#### u) Related parties

The MDA regards a related party as a person or an MDA with the ability to exert control individually or jointly, or to exercise significant influence over the MDA, or vice versa. Members of key management are regarded as related parties and comprise *the directors, the CEO and senior managers*.

**v) Service concession arrangements**

The *MDA* analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the *MDA* recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the *MDA* also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**w) Cash and cash equivalents**

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

**x) Comparative figures**

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

**y) Subsequent events**

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

## 5. Significant Judgments and Sources of Estimation Uncertainty

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

### Estimates and assumptions

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

### Useful lives and residual value

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

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

### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 19.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

*(include provisions applicable for your organisation e.g. provision for bad debts, provisions of obsolete stocks and how management estimates these provisions).*

**6. Transfers from Exchequer**

Nature of transfer	Amount recognized to Statement of Financial performance	Amount deferred under deferred income	Total transfers
	Kshs	Kshs	Period ended June 2025 Kshs
Recurrent	36,809,443,966		36,809,443,966
Development	2,870,200,000		2,870,200,000
<b>Total</b>	<b>39,679,643,966</b>	<b>-</b>	<b>39,679,643,966</b>

**7. Rendering Of Services**

Description	Period ended June 2025
	KShs
Receipts from the Sale of Inventories, Stocks and Commodities	18,057,550
<b>Total Rendering of Services</b>	<b>18,057,550</b>

**8. Miscellaneous Incomes**

Description	Period ended June 2025
	Kshs
Administrative fees and charges	59,827,200
Administrative Fees and Charges collected as AIA	51,000,000
<b>Total Miscellaneous Incomes</b>	<b>110,827,200</b>

**9. Employee Costs**

Description	Period ended June 2025
	Kshs
Basic Salaries - Permanent Employees	9,262,894,193
Personal Allowances paid as part of Salary	6,720,550,675
Employer Contributions to Compulsory National Social Security Schemes	378,610,409
Government Pension and Retirement Benefits	7,799,988
Gratuity Provision for the period	18,363,250
<b>Total Employee costs</b>	<b>16,388,218,515</b>

10. Use of Goods and Services

Description	Period ended June 2025
	Kshs
Utilities, Supplies and Services	233,579,090
Communication, Supplies and Services	8,457,337
Domestic Travel and Subsistence, and Other Transportation Costs	1,864,574,044
Printing , Advertising and Information Supplies and Services	1,263,905
Rentals of Produced Assets	56,198,869
Training Expenses	34,171,198
Hospitality Supplies and Servi	494,852,666
Specialised Materials and Supp	415,319,430
Office and General Supplies and Services	9,676,521
Fuel Oil and Lubricants	288,245,130
Other Operating Expenses	15,341,164,337
Routine Maintenance – Vehicles	118,462,224
Routine Maintenance - Other Assets	74,193,455
Overhaul of Vehicles and Other Transport Equipment	3,499,905
<b>Total Use of Goods and Services</b>	<b>18,943,658,111</b>

10 a) Use of Goods and Services

Description	Period ended June 2025
	Kshs
<b>Total Use of Goods and Services</b>	<b>18,943,658,111</b>
<b>Adjusted for</b>	
pending bills for the year	(2,480,409,126)
outstanding payables paid	1,655,179,918
<b>Total cash flows on use of goods &amp; services</b>	<b>18,118,428,903</b>

11. Transfers to Other Government Entities

Description	Period ended June 2025
	Kshs
Transfers to national govt entities- SAGAs & SC	2,296,817,299
<b>Total Transfers to Other Government Entities</b>	<b>2,296,817,299</b>

**12. Depreciation and Amortization Expense**

Description	Period ended June 2025	
	Kshs	
Property, plant and equipment	331,412,562	
<b>Total Depreciation and Amortization Expense</b>	<b>331,412,562</b>	

**13. Other Grants and Subsidies**

Description	Period ended June 2025	
	Kshs	
Emergency relief and refugee assistance	25,559,999	
<b>Total Grants and Subsidies</b>	<b>25,559,999</b>	

**14. Cash and Cash Equivalents**

Description	FY 2024/2025	Opening statement
	June 2025	1st July 2024
	Kshs	Kshs
Recurrent Account	1,696,848	690,791
Development Account	158,004	-
Deposits Account	370,811,099	286,050,884
Other Accounts	25,856,280	
Cash on Hand	609	9,711
<b>Total</b>	<b>398,522,841</b>	<b>286,751,386</b>

**14 a) Cash and Cash Equivalents**

Financial Institution	Acc Number	Period ended	Opening statement
		June 2025	1st July 2024
		Kshs	Kshs
Recurrent Account			
<b>CBK001</b>	<b>1000699531</b>	1,696,848	690,791
Development Accounts			
<b>CBK002</b>	<b>1000699547</b>	158,004	-
Deposits Accounts	<b>1000699558</b>	370,811,099	286,050,884
Cash on Hand	-	609	9,711
<b>Sub- Total</b>		<b>370,811,708</b>	<b>286,060,595</b>
Other Accounts			
National Disaster Operation Center account	<b>1000761962</b>	25,856,280	-
<b>Grand Total</b>		<b>398,522,841</b>	<b>286,751,386</b>

15. Property, Plant and Equipment

Description	Motor vehicles	Furniture and fittings	Other Equipment	Capital Work in progress	Total
Depreciation Rate	12.50%	12.50%	12.50%		
Cost	Kshs	Kshs	Kshs	Kshs	Kshs
Opening Bal as 1 <sup>st</sup> July 2024					-
Additions	47,234,358	64,016,264	2,540,049,877	345,200,000	2,996,500,499
Disposals					-
Transfer/Adjustments					-
As At Jun 2025	47,234,358	64,016,264	2,540,049,877	345,200,000	2,996,500,499
Depreciation And Impairment					-
Depreciation	5,904,295	8,002,033	317,506,235	-	331,412,562
Disposals					-
As At 30 Jun 2025	5,904,295	8,002,033	317,506,235	-	331,412,562
Net Book Values					
Opening Bal as at 1 July 2025	-	-	-	-	-
As At 30, Jun 2025	41,330,063	56,014,231	2,222,543,642	345,200,000	2,665,087,937

15 (a) Property, Plant and Equipment

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Plant And Machinery	2,540,049,877	345,200,000	2,222,543,642
Motor Vehicles, Including Motorcycles	47,234,358	5,904,295	41,330,063
Office Equipment, Furniture, And Fittings	64,016,264	8,002,033	56,014,231
Work in progress	345,200,000	-	345,200,000
<b>Total</b>	<b>2,996,500,499</b>	<b>331,412,562</b>	<b>2,665,087,937</b>

16. Trade and Other Payables

Description	Period ended June 2025 Kshs	Opening Statement 1st July 2024 Kshs
Trade payables	3,127,122,934	2,301,893,726
<b>Total trade and other payables</b>	<b>3,127,122,934</b>	<b>2,301,893,726</b>

Ageing analysis:	FY2024/2025	% of the Total	FY2023/2024	% of the Total
Under one year	2,480,409,126	74%	-	-%
1-2 years	646,713,808	26%	2,301,893,725.93	100%
<b>Total</b>	<b>3,127,122,934</b>	<b>100%</b>	<b>2,301,893,726</b>	<b>100%</b>

### 17. Refundable Deposits and Prepayments

Description	Period ended June 2025	Opening Statement 1st July 2024
	Kshs	Kshs
Customer deposits	370,811,099	286,050,884
<b>Total deposits</b>	<b>370,811,099</b>	<b>286,050,884</b>

Ageing analysis:	FY2024/2025	% of the Total	FY2023/2024	% of the Total
Under one year	84,760,215	77%	-	-%
1-2 years	286,050,884	23%	286,050,884	100%
<b>Total</b>	<b>370,811,099</b>	<b>100%</b>	<b>286,050,884</b>	<b>100%</b>

### 18. Deferred Income

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
National Government		
International Funders	25,856,280	
Public Contributions and Donations		
<b>Total Deferred Income</b>	<b>25,856,280</b>	<b>-</b>

#### Analysed as:

Description	Amount
18 a) Current	25,856,280
18 b) Non- Current	-
<b>Total</b>	<b>25,856,280</b>

### 19. Provisions

Description	Gratuity Provision
	Kshs
Opening balance 1 <sup>st</sup> July	-
Additional provisions	18,363,250
Provision utilised	-
<b>Total provisions period end</b>	<b>18,363,250</b>
18 a) Current Provisions	18,363,250
18 b) Non-current Provisions	-
<b>Total provisions period end</b>	<b>18,363,250</b>

20. Cash Generated from Operations

		Period ended June 2025
		Kshs
<b>Surplus for the period before tax</b>		<b>1,822,862,229</b>
<b>Adjusted for:</b>		
Depreciation		331,412,562
Contribution to provisions		18,363,250
<b>Working capital adjustments</b>		
Changes in payables		825,229,208
Changes in deposits		84,760,215
Changes in deferred income		25,856,280
<b>Net cash flow from operating activities</b>		<b>3,108,483,745</b>

## **21. Financial Risk Management**

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

The MDA's financial risk management objectives and policies are detailed below:

### **i) Credit risk**

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

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

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the MDA

has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The MDA has significant concentration of credit risk on amounts due from commercial bank account. The board of directors sets the MDA's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

### **ii) Liquidity risk management**

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

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

**iii) Market risk**

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the MDA's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The MDA's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management

Committee) and for the day-to-day implementation of those policies. There has been no change to the MDA's exposure to market risks or the manner in which it manages and measures the risk.

**a) Foreign currency risk**

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

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

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

	Change in currency rate	Effect on Profit before tax	Effect on Equity/Net assets
	Kshs	Kshs	Kshs
<b>2025</b>			
<b>Euro</b>	10%	-	-
<b>USD</b>	10%	-	-

**b) Interest rate risk**

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

**Management of interest rate risk**

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

**Financial Risk Management**

**Sensitivity analysis**

The MDA analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year. Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs (2025: KShs ). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs (2025 – KShs

**Fair value of financial assets and liabilities**

**a) Financial instruments measured at fair value.**

**Determination of fair value and fair values hierarchy**

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

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

The following table shows an analysis of financial and non- financial instruments recorded at fair value by level of the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
	Kshs	Kshs	Kshs	Kshs
<b>As At 30 June 2025</b>				
<b>Financial Assets</b>				
<b>Quoted Equity Investments</b>	-	-	-	-
<b>Non- Financial Assets</b>				
<b>Investment Property</b>	-	-	-	-
<b>Land And Buildings</b>	-	-	-	-
	-	-	-	-

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

**Notes to the Financial Statements (Continued)**

**iv) Capital Risk Management**

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

	<i>Insert Current FY</i>
	<b>Kshs</b>
<b>Revaluation Reserve</b>	-
<b>Retained Earnings</b>	-
<b>Capital Reserve</b>	-
<b>Total Funds</b>	-
<b>Total Borrowings</b>	-
<b>Less: Cash And Bank Balances</b>	(-)
<b>Net Debt/(Excess Cash And Cash Equivalents)</b>	-
<b>Gearing</b>	-%

**22. Related Party Disclosures**

**Nature of related party relationships**

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

**Government of Kenya**

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

**Other related parties include:**

- i) The Parent Ministry.
- ii) County Governments
- iii) Other SCs and SAGAs
- iv) Key management.
- v) Board of directors.

Notes to the Financial Statements (Continued)

	<i>Insert Current FY</i>
	<b>Kshs</b>
<b>Transactions with related parties</b>	
<b>a) Sales to related parties</b>	
Sales of electricity to govt agencies KPLC	205,274,056.25
Rent income from govt. Agencies	-
Water sales to govt. Agencies	-
Others (specify) e.g. interest and bank charges	-
<b>Total</b>	<b>205,274,056.25</b>
<b>B) purchases from related parties</b>	
Purchases of electricity from KPLC	-
Purchase of water from govt service providers	-
Rent expenses paid to govt agencies	-
Training and conference fees paid to govt. Agencies	-
Kenya School of Government (KSG)	176,840,015.55
<b>Total</b>	<b>176,840,015.55</b>
<b>b) Grants /transfers from the government</b>	
Grants from national govt	-
Grants from county government	-
Donations in kind	-
<b>Total</b>	<b>-</b>
<b>c) Expenses incurred on behalf of related party</b>	
Payments of salaries and wages for employees	-
Payments for goods and services	-
<b>Total</b>	<b>-</b>
<b>d) Key management compensation</b>	
Directors' emoluments	
Compensation to key management	
<b>Total</b>	<b>382,114,071.80</b>

**23. Segment Information**

*The state department did not include segment information in these transitional financial statements*

Notes to the Financial Statements (Continued)

**24. Contingent Assets and Contingent Liabilities**

**Contingent Assets**

	<i>Insert Current FY</i>
	<b>Kshs</b>
<b>Contingent Assets</b>	
Insurance Reimbursements	-
Assets Arising from Determination Of Court Cases	-
Reimbursable Indemnities and Guarantees	-
Receivables From Other Government Entities	-
Others (Specify)	-
<b>Total</b>	<b>-</b>

*(Give details)*

**Contingent Liabilities**

	<i>Insert Current FY</i>
	<b>Kshs</b>
<b>Contingent Liabilities</b>	-
Court Case against the SDISNA	9,396,822,959
Bank Guarantees in Favour of Subsidiary	-
Contingent Liabilities arising from Contracts Including PPPs	-
Others (Specify)	-
<b>Total</b>	<b>9,396,822,959</b>

*(Give details)*

**25. Capital Commitments**

<b>Capital Commitments</b>	<i>Insert Current FY</i>
	<b>Kshs</b>
<b>Authorised for</b>	-
<b>Authorised and Contracted for</b>	-
<b>Total</b>	<b>-</b>

*(NB: Capital commitments are commitments to be carried out in the next financial year and are disclosed in accordance with IPSAS 17. Capital commitments may be those that have been authorised by the board but at the end of the year had not been contracted or those already contracted for and ongoing)*

**Notes to the Financial Statements (Continued)**

**26. Program for Results (PforR) Disclosure**

This disclosure note is for entities implementing Programs for Results (PforR). Implementing entities are required to make disclosures in accordance with their respective financing agreements. The disclosure should capture the program's goal and expenditures designated in the expenditure framework.

Name of PforR: xxxxxx		Name of Financing Partners: xxx and xxx				
Expenditure Details*	Opening for Previous FYs		Current FY		Total Cumulative	
	Budget	Cumulative Actual	Budget	Actual	Budget	Actual
Program code						
Sub-program						
Sub-program						
<b>Sub-total</b>						
Program code						
Sub-program						
Sub-program						
<b>Subtotal</b>						
<b>Total</b>	-	-	-	-	-	-

*Expenditure Details\* - Provide the details per your expenditure framework requirements. (Program, sub-program, and or economic Item)*

**27. Events after the Reporting Period**

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

**28. Ultimate And Holding MDA**

The MDA ultimate parent is the Government of Kenya.

**29. Currency**

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

## 19. Appendix

### Appendix 1: Implementation Status of Auditor-General'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: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
308	<p><b>Pending Accounts Payable</b></p> <p>Annex 1b to the financial statements reflects pending bills balance of Kshs. 2,301,893,725 as at 30 June, 2024 which was not settled during the year under review but was carried forward to 2024/2025 financial year. Management had not explained why the bills were not settled during the year when they occurred</p>	<p>It is true the State Department closed the financial year with unsettled pending bills of Kshs. 2,301,893,725. The bills were attributed to inadequate Budget provision under expenditure areas on legal claims and Local Presidential functions in which the State Department has limited control.</p>	Unresolved, awaiting invitation to appear before the Public Accounts Committee (PAC).	
309	<p><b>Non-Compliance with the Minimum Net Salary Rule.</b></p> <p>During the year under review, three thousand eight hundred and fifteen (3,815) employees received a net salary less than one-third (1/3) of their basic salary. This was contrary to Section 19(3) of the Employment Act, 2007 which states that all deductions made by an employer from the wages or salaries of his employees at any one time shall not exceed two thirds (2/3) of such wages or salaries. In the circumstances, management was in breach of the law</p>	<p>It is observed that there were instances where officers were earning less than One Third (1/3) of their basic salary contrary to pay regulations. However, this was as a result of the introduction of Affordable Housing Levy and NSSF statutory deductions which were recently introduced. These new statutory deductions caused officers who were previously compliant to be non-compliant.</p>	Unresolved, awaiting invitation to appear before the Public Accounts Committee (PAC).	
310	<p><b>Lack of Value for Money on Maintenance of Elevators.</b></p> <p>The State Department entered into a framework</p>	<p>i) It is true that the total amount paid exceeded the contract sum for the entire contract period. However, the</p>	Unresolved, awaiting invitation to appear before the Public Accounts	

<p>contract for monthly maintenance of lifts at Nyayo House and Harambee House on 14 August, 2023 for a period of two years at a contract sum of Kshs.8,978,000. During the year under review, the State Department for Internal Security and National Administration, the State Department for Immigration and Citizen services and the Nairobi Regional Commissioner made payments amounting to Kshs.10,588,260, Kshs.4,859,099 and Kshs.1,320,000 respectively, all totaling Kshs.16,767,359 to the contractor on maintenance of lifts using the same contract. However, job cards for maintenance of the elevators were not provided for audit.</p> <p>Further, a physical verification carried out in September 2024 revealed that two (2) lifts at Harambee House and two (2) lifts at Nyayo House were Not functioning. In addition, Management did not provide evidence that a Contract Implementation Committee was put in place to monitor delivery of the contract as per the provisions of Section 151(2) of the Public Procurement and Asset Disposal Act, 2015 on management of specialized and complex contracts.</p> <p>In the circumstances, value for money on the expenditure incurred on the repair, service and maintenance of lifts may not been realized. Further, the prolonged continuous breakdown of the lifts paused danger and inconvenience to staff and visitors accessing the two buildings.</p>	<p>additional expenditure is for supply of spare parts and is in accordance with the contract.</p> <p>ii) It is also true that there were records with two invoices generated on 6<sup>th</sup> March, 2024 in respect to spares for same elevator. However, only one LPO for Ksh. 808,000 was processed under LPO No. 814.</p> <p>iii) It is also true that the lifts were not functioning on verification date. During the period, the lifts had been immobile for major maintenance and servicing but are now operational. Further, the project manager appointed by the technical department of Ministry of Public Works assists in monitoring the progress of the works.</p>	<p>Committee (PAC).</p>	
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311	<p><b>Stalled Development Projects.</b> Physical verification of works and review of project documents revealed that the State Department had eight (8) stalled development projects at various levels of completion and payment as per schedule provided in the main report.</p>	<p>The projects have stalled primarily due to inadequate funding and budget cuts; however, funds have been allocated in the FY 2025/26 budget and the Medium-Term Expenditure Framework (MTEF) period to ensure their completion.</p>	<p>Unresolved, awaiting invitation to appear before the Public Accounts Committee (PAC).</p>
312	<p><b>Unpaid Claims Under Work Injury Benefits Act and Group Personal Accident Cover</b> Review of Work Injury and Group Personal Accident Cover records and claims revealed that the State Department had ten (10) claims relating to Work Injury and Group Personal Accident Cover amounting to Kshs.18,739,285. The claims had not been settled by the National Hospital Insurance Fund (NHIF) because they were outside the contract period for civil servant's cover. Further, the State Department had ten (10) claims for Work Injury and Group Personal Accident Cover amounting to Kshs.8,855,913 which were returned by NHIF due to incomplete records by the claimants. At the time of the audit in November, 2024, the claims were still pending because the claimants could not be traced. In addition, the State Department had one hundred and fifty-four (154) cases of reported claims for Work Injury benefit claims and Group personal Accident cover which were to be settled through The National Treasury before the cover was transferred to NHIF with effect from 01 January, 2012. However,</p>	<p><b>WIBA</b> The Work Injury claims were processed at the Ministry Headquarters and submitted to the Director, Occupational Safety and Health Services for verification and subsequently a Medical Board is constituted to evaluate the injured officers to determine the degree of injury. On evaluation of the injured officers the claims are computed and returned to the respective Departments for onward transmission to the National Insurance Fund for settlement. However, refund has returned claims for officers who are injured outside the timelines of the contract on Group Life Medical Cover. The Ministries/Departments do not have the allocation for settlement of injury claims. It is noted that GPA section at the National Treasury was mandated with the responsibility of settling injury claims till they transferred the function to the National Health Insurance Fund under the Medical Group Life Cover. As a result, all the computed WIBA claims were forwarded to the Fund for settlement. Consequently, the burden of prove of payment can</p>	<p>Unresolved, awaiting invitation to appear before the Public Accounts Committee (PAC).</p>

The National Treasury returned the claims to Ministries on 29 September, 2022 due to missing details/documents. The audit established that there was undue delay in processing the claims with some claims dating back to the year 2003. Some of the claims had not been evaluated and efforts to trace the beneficiaries were difficult and sometimes futile since the files had no contacts for the claimants and beneficiaries. In the circumstances, Management did not adequately monitor the implementation of the contract to ensure that the contract terms were complied with and value for money from the contract was not achieved.

be adduced by the NHIF. In the circumstances therefore, a policy guideline is required on the future management of the injury claims to enable timely compensation of injuries sustained by officers

**GPA**

The Group Personal Accident claims were usually processed at the line Ministries and forwarded to the National Treasury GPA section for verification.

The Group Personal Accident section at the National Treasury in liaison with Director Medical Services, Ministry of Health were required to convene a Medical Board to evaluate officers who had sustained injuries to determine the degree of incapacities suffered.

On determination of the degree of injuries the reports were forwarded to the GPA section, at the National Treasury by Director Medical Services for computation and settlement.

The payment of Group Personal Accident claims was the function of the National Treasury but not the line Ministries /Departments. However, National Treasury returned to the Ministries/Departments injury claims that had not been settled for many years and cited that the same were not fully documented. The GPA section had the custody of the claims for decades.

It is noted that the injured officers were either transferred, retired, dead or dismissed from the service and therefore,

		tracing them/next of kin bore no fruits.	
313	<p><b>Lack of Land Ownership Documents</b></p> <p>Review of land register provided for audit revealed that the State Department owned four thousand one hundred and fifty-one (4,151) parcels of land in various parts of the Country. Although Management indicated that it was in the process of acquiring the ownership documents, no evidence was provided on the progress made and title deeds for the parcels of land were not provided for audit.</p> <p>Further, some parcels of land owned and developed by the State Department lacked proper survey plans, making it difficult to accurately determine and demarcate their boundaries. In addition, the land register provided for audit was incomplete and most of the required information in the register were blank. Further parcels of land on which Nyayo House and Harambee House buildings stand could not be Traced In the register.</p> <p>In the circumstances, the existence of an effective control system to safeguard the State Departments land could not be confirmed.</p>	It is true that some parcels of land have no title deeds. However, the management is in the process of acquiring the ownership documents as the land where most offices sit is surveyed public land.	Unresolved, awaiting invitation to appear before the Public Accounts Committee (PAC).
314	<p><b>Enhancement of Governance Systems for Security Related Expenditures.</b></p> <p>During the year under review, the State Department (for Internal Security and National Administration incurred</p>	We note that there is need to enhance governance systems and related accountability of confidence expenditure. However, Regulations no. 101 (6 & 7) of the Public Finance Management (National Government) 2012, provides for more	Unresolved, awaiting invitation to appear before the Public Accounts Committee (PAC).

<p>some expenditures on confidential security operations. Certificates of confidential expenditure were issued, supported by declarations from the Accounting Officer affirming proper use of funds in compliance with Regulation 101(5) of the Public Finance Management (National Government) Regulations, 2015.</p> <p>There is need, however, to enhance accountability of confidential expenditures through review of the Regulations to clearly define entities eligible for confidential security related expenditures and to specify what constitutes security related operations. Further, entities should establish internal oversight mechanisms and processes that include detailed budget projections and post-operation financial summaries to address risks and ensure responsible use and accountability of the funds, beyond the certificate.</p> <p>The measures will strengthen governance, foster trust, and ensure funds are utilized responsibly without compromising State security</p>	<p>disclosure and accountability on how the funds may be utilized.</p>		
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Dr. Raymond Omollo, PhD, CBS  
**Principal Secretary**

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Fredrick Muhul Raongo  
**Head of Accounting Unit**  
**ICPAK M/NO.6591**



Appendix II: Projects implemented by The state Department of Internal Security and National Administration

STATUS OF PROJECT COMPLETION							
	PROJECT NAME	Estimated Value of the project (Kshs.)	Total expended to date	Completion % to date	Budget	Actual	Source of funds
1	1026109801 National Police Service Modernization Project	45,500,000,000	9,000,000,000	20%	2,500,000,000	2,500,000,000	GoK
2	1026100994 Navakholo DCC's Office	35,000,000	35,000,000	100%	20,000,000	20,000,000	GoK
3	1026109501 Construction of Gathanje DCC's Office	46,978,460	40,000,000	67%	20,000,000	20,000,000	GoK
4	Akachiu Sub County Office	54,000,000	50,000,000	93%	30,000,000	30,000,000	GoK
5	1026108715 Mutomo DCC's Office	10,000,000	10,000,000	100%	10,000,000	10,000,000	GoK
6	1026109705 Gitige ACC office	20,000,000	20,000,000	50%	20,000,000	20,000,000	GoK
7	1026109706 Kisimu-WEST sub county police head quarters	20,000,000	20,000,000	100%	20,000,000	20,000,000	GoK
8	1026109707 Handaro Division Administrative office	10,000,000	10,000,000	100%	10,000,000	10,000,000	GoK
9	1026109708 Ombolion Administrative Unit	20,000,000	20,000,000	60%	20,000,000	20000000	GoK
10	1026109709 Sirisia DCC office	52,833,441	35,393,015	82%	20,000,000	20000000	GoK

STATUS OF PROJECT COMPLETION							
	PROJECT NAME	Estimated Value of the project (Kshs.)	Total expended to date	Completion % to date	Budget	Actual	Source of funds
11	1026109710 Moga,charachani,Bogichora	15,000,000	15,000,000	100%	15,000,000	15,000,000	GoK
12	1026109711 Githukini Chief Office	10,000,000	10,000,000	100%	10,000,000	10,000,000	GoK
13	1026109712 Kiawakara inoi Division acc	10,000,000	10,000,000	100%	10,000,000	10,000,000	GoK
14	1026109713 Balambala ACC Office	20,000,000	20,000,000	100%	20,000,000	20,000,000	GoK
15	1026110101 Construction of Sub-County Police Hqs Central Ward	10,000,000	10,000,000	100%	10,000,000	10,000,000	GoK
16	1026101018 Refurbishment of Harambee hse( Replacement of Lifts)	1,007,200,000	455,976,429	45%	25,000,000	25,000,000	GoK
17	1026100971 Construction of Sub- County Headquarters	7,500,000,000	1,964,236,981	26%	30,000,000	30,000,000	GoK
18	1026109801 Construction of a chief's camp in Obunga	4,000,000	4,000,000	100%	4,000,000	4,000,000	GoK
19	1026109802 Kainuk to Kaptir Security road	8,100,000	8,100,000	100%	8,100,000	8,100,000	GoK
20	1026109803 Kakongu Naria mawo to Lwamosing security road	8,100,000	8,100,000	100%	8,100,000	8,100,000	GoK
21	1026109804 Construction of ACC's office in Gatamaiyu	20,000,000	20,000,000	100%	20,000,000	20,000,000	GoK
22	1026109805 Construction of Gikui ACC's Office	20,000,000	20,000,000	100%	20,000,000	20,000,000	GoK

STATUS OF PROJECT COMPLETION							
	PROJECT NAME	Estimated Value of the project (Kshs.)	Total expended to date	Completion % to date	Budget	Actual	Source of funds
23	1026109806 Meru county commissioners office	10,000,000	10,000,000	100%	10,000,000	10,000,000	GoK
24	1026109807 Renovation of DCC& Sub county dir. Of Edu.offices in No. 10 Mathare	10,000,000	10,000,000	100%	10,000,000	10,000,000	GoK
	<b>TOTAL</b>				<b>2,870,200,000</b>	<b>2,870,200,000</b>	

**Appendix III: Fixed Asset Register**

<b>Asset class</b>	<b>Historical Cost b/f (Kshs) Previous Year</b>	<b>Additions during the year (Kshs)</b>	<b>Disposals during the year (Kshs)</b>	<b>Transfers in/(out) during the year</b>	<b>Historical Cost c/f (Kshs) Current Year</b>
Land					
Buildings and structures					
Transport equipment					
Office equipment, furniture and fittings					
ICT Equipment					
Machinery and Equipment					
Biological assets					
Infrastructure Assets- Roads, Rails					
Heritage and cultural assets					
Intangible assets					
Work in Progress					
<b>Total</b>					

**Appendix IV: Transfers from Other Government Entities**

Name of the MDA/Donor	Date received as per bank statement	Nature: Recurrent/Development/ Others	Where Recorded/recognized						
			Total Amount - KES	Statement of Financial Performance	Deferred Income	Receivables	Others - must be specific	Total Transfers during the Year	

**Appendix VI: Reporting of Climate Relevant Expenditures**

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

**Appendix VII: Disaster Expenditure Reporting Template**

Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
<b>Program me</b>	Sub-program me	Disast er Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/prep aredness)	Expendit ure item	Amou nt (Kshs. )	Comme nts

**Appendix VIII: Contingent Liabilities**

**Appendix IX: Bank Account Details**