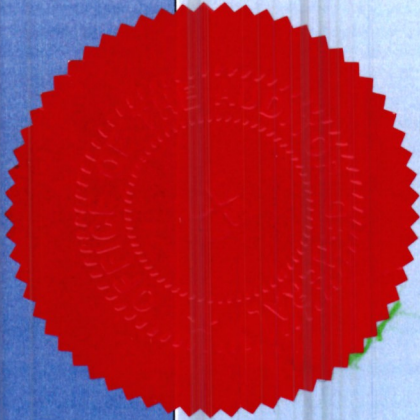
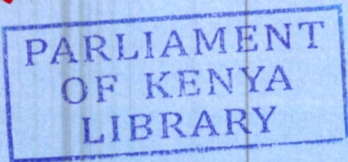


*Papers laid by the
Hon. W. Njiru on
Tuesday 3/5/2018
m/j*

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



REPORT

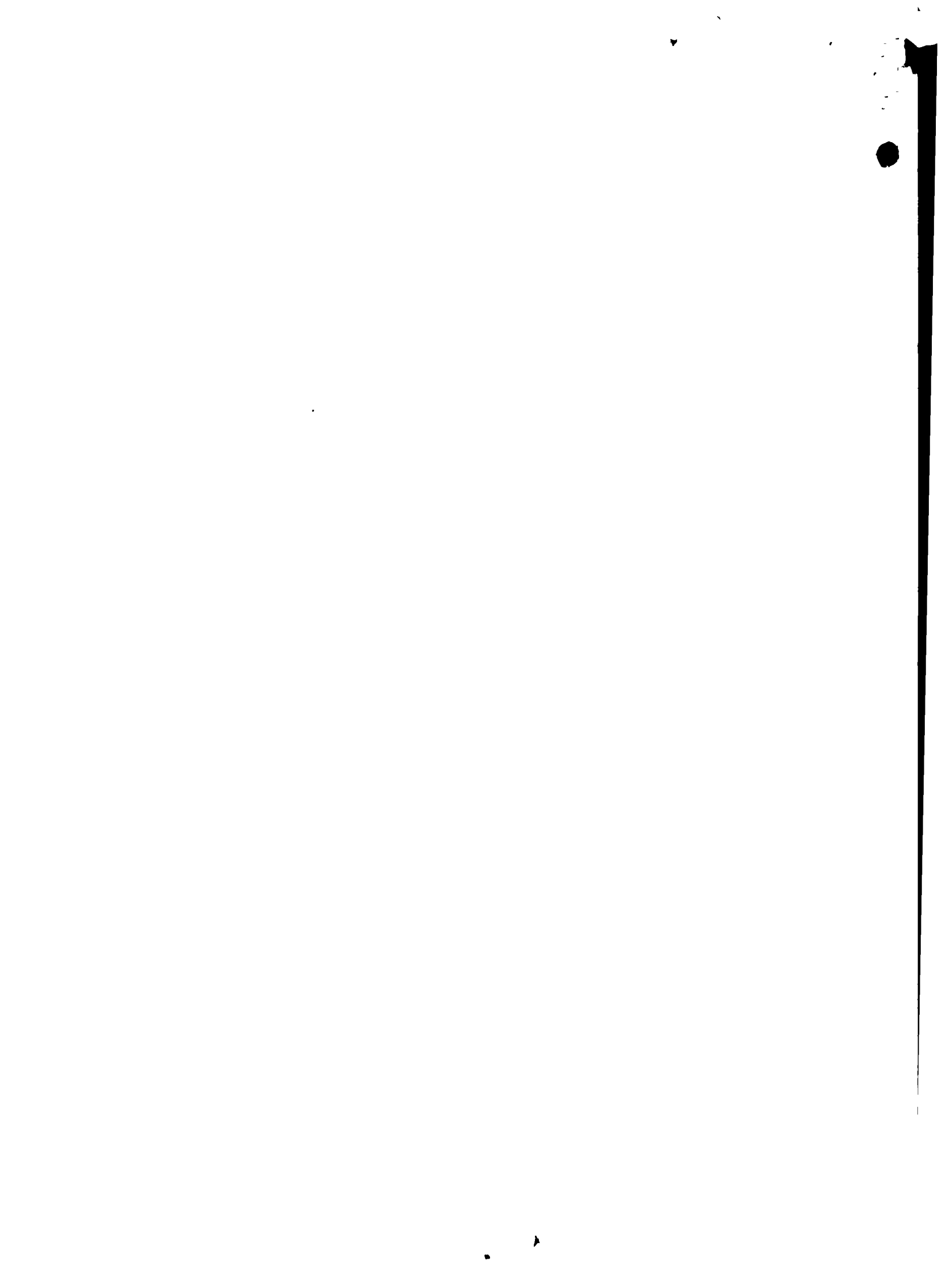
OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
THE STATE DEPARTMENT OF SPECIAL
PROGRAMMES**

**FOR THE YEAR ENDED
30 JUNE 2017**





NATIONAL GOVERNMENT ENTITY
Ministry of Devolution and Planning
State department for special programmes

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2017

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

STATE DEPARTMENT FOR SPECIAL PROGRAMMES

Reports and Financial Statements

For the year ended June 30, 2017

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STATE DEPARTMENT FOR SPECIAL PROGRAMMES

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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background Information

The Ministry of Devolution and Planning was formed through Presidential Executive Order No. 2/2013.

The Ministry is headed by the Cabinet Secretary Hon Mwangi Kiunjuri EGH, MGH who is responsible for the general policy and strategic direction of the entity.

The Ministry further consists of three State Departments each administered by a Principal Secretary.

The State Departments under Ministry of Devolution and Planning are;

- (i) The State Department Devolution administered by Mr. Micah Pkopus Powon.
- (ii) The State Department for Special Programme administered by Madam Josephta Mukobe.
- (iii) The State Department for Planning and statistics administered by Mr Wilson Irungu Nyakera CBS

The accompanying financial statements constitute the financial statements for the State Department for Special Programme.

The vision, mission, core values and core function of the State Department for Special Programme under **Ministry of Devolution and Planning** include: -

1.1 Vision

To have a secure, just and resilient society where people achieve their full potential and enjoy high quality of life.

1.2 Mission

To improve quality of life for vulnerable groups through promotion of social economic development, community mobilization, relief, recovery, rehabilitation, reintegration, and implementation of special projects and programmes for the ASALs.

1.3 Core Values

- a. **Accountability and Transparency:** The Ministry shall conduct its business and lend services to its stakeholders in a transparent and accountable manner.
- b. **Equity and Equality:** The Ministry will promote fairness and equal distribution of resources and services at the national and county levels.
- c. **Professionalism and ethical practices:** All staff shall uphold highest moral standards and professional competence in their service delivery.
- d. **Teamwork and Passion for Results:** The Ministry will relentlessly pursue timely attainment of targeted results at all levels through high level of coordination, networking and collaboration within its staff.

STATE DEPARTMENT FOR SPECIAL PROGRAMMES

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For the year ended June 30, 2017

- e. **Honesty and Integrity:** The Ministry shall promote openness, uprightness and reliability while executing its mandate.
- f. **Innovativeness and Creativity:** The Ministry is committed to innovativeness, inventiveness, resourcefulness and visionary planning and service delivery.
- g. **Efficiency and effectiveness:** The Ministry will promote high productivity, competence and usefulness of resources at the national and county level.
- h. **Patriotism:** The Ministry will promote nationalism and ownership of services by the public at all levels of government.
- i. **Customer Centred service:** The Ministry is committed to uphold customer driven and focused service delivery.
- j. **Mutual respect, Participatory Approach and Inclusiveness:** The Ministry is committed to consultations, joint and comprehensive partnership in all its affairs.

1.4 Core Functions

The core functions of the State Department for Special Programmes as per the Executive Order No.1 of May 2016 include:

- a. Special Programmes for promotion of socio-economic development.
- b. Community mobilization
- c. Food relief management
- d. Implementation of special programmes for development of northern Kenya and other arid lands; and
- e. National Drought Management Authority (NDMA).

(b) Key Management

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

State Department for Special Programmes;

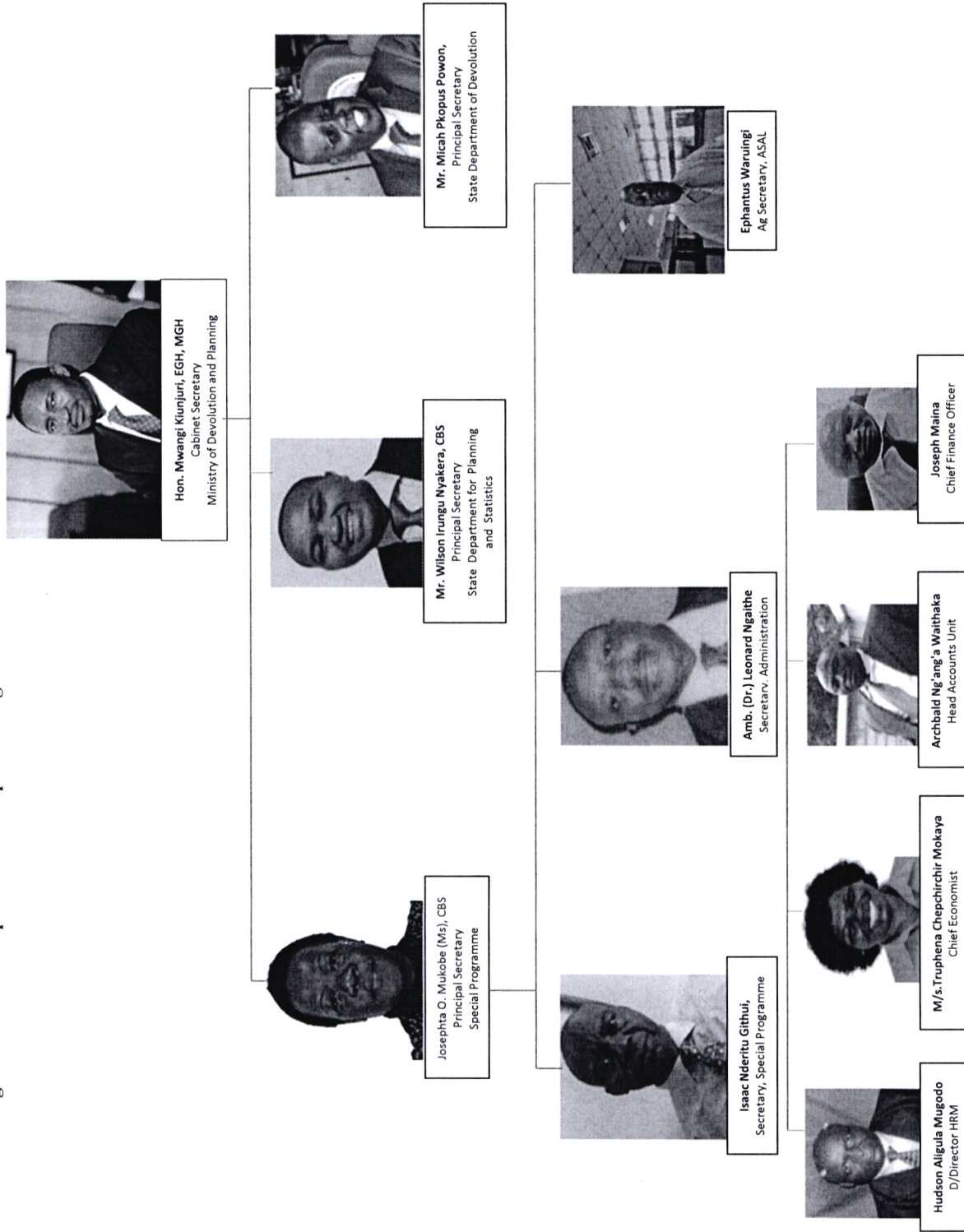
- Secretary Special Programmes
- Director of Administration Services
- Directorate of Planning and Economic Coordination
- Directorate of Human Resource Management and development
- Directorate of ASALs Development

STATE DEPARTMENT FOR SPECIAL PROGRAMMES**Reports and Financial Statements****For the year ended June 30, 2017****I. KEY ENTITY INFORMATION AND MANAGEMENT (CONTINUED)****(c) Fiduciary Management**

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

No	Designation	Name
1.	Cabinet Secretary, Ministry Devolution and Planning	Hon. Mwangi Kiunjuri, EGh, MGH
2.	Principal Secretary, State Department for Special Programme	Josephtha O. Mukobe (MS), CBS
3.	Secretary Special programmes	Isaac Nderitu Githui,
4.	Director Administration services	Amb(DR.) Leonard Ngaithe
5.	Directorate of Planning and Economic Coordination and development	M/s.Truphena Chepchirchir Mokaya
6.	Principal Accountant, Head of Accounting	Archbald N. Waithaka
7.	Chief Finance Officer	Joseph Maina

STATE DEPARTMENT FOR SPECIAL PROGRAMMES
Reports and Financial Statements
For the year ended June 30, 2017
Senior Management – State Department for Special Programme



STATE DEPARTMENT FOR SPECIAL PROGRAMMES

Reports and Financial Statements

For the year ended June 30, 2017

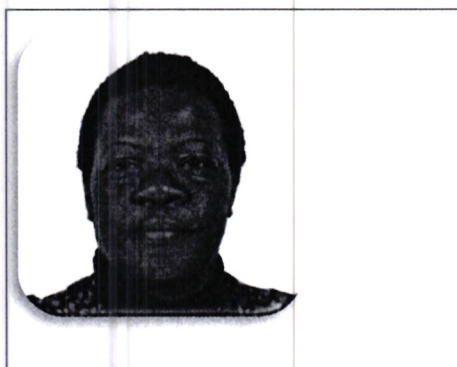
I. KEY ENTITY INFORMATION AND MANAGEMENT (CONTINUED)

Senior Management – State Department for Special Programme (continued)



Hon. Mwangi Kiunjuri is the Cabinet Secretary of the Ministry of Devolution and Planning.

He previously served as an Assistant Minister in the Ministry of water and irrigation, the Ministry of Energy and also the Ministry of Public works. In his portfolio, Hon Mwangi Kiunjuri is charged with formulating and ensuring implementation of policies gearing towards devolution.



Madam Josephtha Mukobe assumed the position of Principal Secretary, State Department for Special programmes in January 2016 following a reshuffle of principal secretaries by His Excellency President Uhuru Kenyatta. Prior to this she was the Principal Secretary, State Department of Coordination. Madam Josephtha is the Accounting Officer for the State Department and is instrumental in coordinating the formulation of legislation in implementing policies. She holds a Masters in Science from Manchester University (UK) and a Bachelor's of ART degree from Nairobi University.



Mr Wilson Irungu Nyakera, CBS, Principal Secretary, State Department for Planning and Statistics following a reshuffle of Principal Secretaries by His Excellency President Uhuru Kenyatta. Prior to this, he was the Principal Secretary State Department for Transport, Ministry of Transport, Infrastructure, and Housing and Urban Development. He holds a Masters in Computer Science, Physics and French from Deerfield Academy, MA, USA and a Bachelor of Science, Management Science and Engineering.









Mr. Micah Pkopus Powon, CBS is currently the Principal Secretary, Ministry of Devolution and Planning, State Department for Devolution. A position he was appointed in April 2017 after serving as Principal Secretary, State Department for Correctional Services by H.E. the President in November 2015. Powon holds a Bachelor of Science in Agriculture and Master of Science in Horticulture from University of Nairobi and Egerton University respectively.

STATE DEPARTMENT FOR SPECIAL PROGRAMMES

Reports and Financial Statements

For the year ended June 30, 2017

	<p>Ambassador (Dr.) Leonard N. Ngaithe assumed the position of Director of Administration in 2016. Formely he was the Director of administration Ministry of Trade and Tourism.He holds a PHD in Business Administration from USIU Nairobi, Masters of Business Administration from USIU and Columbia Business School, Post Graduate diploma in International Relations, BA Honours(Government, Economics, Sociology) from University of Nairobi</p>
	<p>Mr.Isaac Nderitu Githui assumed the position Secretary Special Programmes in 2017. Formerly he was the Coordinator Socio Economic Infrastructure Services(Cabinet Office). He is in charge of Relief and Logistics Management. He holds an MBA in accounting and Bachelors degree in accounting and finance from University of Nairobi.</p>
	<p>Mr Hudson Mugodo assumed the position of Director Human Resource and Development Education in February 2017. He is in charge of tracking development policies and programmes that would aid in training, capacity building and enhanced competencies among staff so as to improve public service delivery. He holds a Masters of Philosophy and Bachelors degree in Education both from Moi university.</p>
	<p>Mrs Truphena Mokaya is the head Central planning and Project Monitoring Unit. She joined the Department in 2006 following her promotion to Deputy Chief Economist. She is responsible to the Principal secretary on matters of economic analysis and strategic planning. Her duties include performance contract designing, and negotiations, monitoring its implementation and evaluation. She holds a master's degree in Economics from Nagpur University, India. She attended various short courses in Macroeconomic policy management, Tax analysis and Revenue forecasting.</p>
	<p>Mr Archbald N. Waithaka assumed the position of Head of Accounting Unit in May 2016. He is in charge of accounting and financial reporting as well as designing, implementing and monitoring internal control relevant to the preparation and fair presentation of financial statements. He is a Certified Public Accountant in Kenya.</p>
	<p>Mr Joseph Maina assumed the position of Chief Finance Office in July 2016. He is in charge of monitoring the planning and execution of budgets so as to ensure efficient utilisation of funds in implementing the programmes and sub-programmes within the State Department. He holds a Master's degree in finance and Bachelor of commerce (accounting option) from University of Nairobi and is a Certified Public Accountant in Kenya.</p>

STATE DEPARTMENT FOR SPECIAL PROGRAMMES

Reports and Financial Statements

For the year ended June 30, 2017

I. KEY ENTITY INFORMATION AND MANAGEMENT (CONTINUED)

(d) Fiduciary Oversight Arrangements

Composition of the Committee Members

The various committee members within the State Department are drawn from various sections of the department and have a wide range of skills and experience and each contributes independently judgement and knowledge of the committee discussions.

On appointment each committee member is provided with a comprehensive and tailored induction processes covering the State Department's business and operations and provided with information relating to their legal and regulatory obligations.

i) Budget Implementation Committee

This committee is composed of the following members:

1. Mr. Joseph Maina (Chairman)
2. Mr. Archbald Waithaka (Secretary)
3. Dr. Florence Bett
4. Mr. Simon Munyiri
5. Mr. Douglas Njeru
6. Mr. Robert Njogu
7. Mr. Yusuf Bagaja
8. M/s. Colleta Maweu
9. Mrs. Truphena Mokaya
10. Mr. Samson Wangusi

ii) Budget Implementation committee

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

- To review and consider the cash flow plans
- To review the utilization of the cash limits and consider any changes as may be required;
- To review the utilization of the donor funds voted for the State Department.
- To advice the accounting officer on the challenges related to the budget implementation
- To review and recommend the reallocation of expenditures.
- To review and approve the submission of the expenditure returns, payroll IPPDs, pending bills and A-i-A returns for the State Department and recommend actions to be taken
- To participate in sector working groups
- To review budgets, supplementary estimates and performance of budget against actual for the State Department in consultation with the Heads of Department.

STATE DEPARTMENT FOR SPECIAL PROGRAMMES
Reports and Financial Statements
For the year ended June 30, 2017

Attendance of the budget committee members

Committee attendance for the year ended 30 th June 2017	Budget Committee Meetings			Total Attendance
	28/07/16	19/10/2016	29/11/2016	
Amb. Leonard N.Ngaithe	p	X	p	2
Mr. Joseph Maina	p	P	p	3
Mr. Archbald Waithaka	p	P	p	3
Mrs. Truphena Mokaya	x	X	p	1
Mr. Douglas Njeru	p	X	p	2
Dr. Florence Bett	p	P	x	2
Mr. Simon Munyiri	p	P	p	3
M/s. Colleta Maweu	P	P	x	2
Mr. Yusuf Bagaja	P	P	x	2
Mr. Samson Wangusi	P	X	x	1
Mr. Robert Njogu	p	P	p	2

The above table shows the number of budget committee meetings held during the year and the attendance of individual members.

P - Attended X - Absent with apology

ii) Human Resources Management Advisory Committee Activities

This committee is composed of the following members drawn from various sectors of the department.

1. Josephtha Mukobe (Principal secretary)
2. Amb.Leonard Ngaithe
3. Julius Mathenge
4. Maina Waruingi
5. Naftal Wambugu
6. Truphena Mokaya
7. Robert Njogu
8. Hudson Mugodu (secretary)
9. Vincent Matioli
10. Martha Wamukoya

This is the committee charged with the responsibilities of taking care of human resources needs.

STATE DEPARTMENT FOR SPECIAL PROGRAMMES

Reports and Financial Statements

For the year ended June 30, 2017

Human Resources Management Advisory Committee Activities

Their duties include:

- Review of promotions of officers in Job Group A-P
- Review of confirmations in appointment
- Review of disciplinary matters
- Review of re-designation of officers from one cadre to another and
- Confirmation of surcharge of officers found to have misused government resources.

Attendance of the human resource management advisory committee members

The following shows the number of human resource management advisory committee meetings held during the year and the attendance of individual members.

Committee attendance for the year ended 30 th June 2017	Human Resource Management Advisory Committee Meetings						Total Attendance
	08/09/2016	23/09/2016	10/01/2017	23/02/2017	23/03/2017	31/05/2017	
Josephtha Mukobe	p	P	P	P	X	P	5
Robert Njogu	p	P	X	P	P	P	5
Naftal Wambugu	p	P	P	P	P	P	6
Truphena Mokaya	p	P	X	P	P	P	5
Vincent Matioli	p	P	X	X	X	X	2
Martha Wamukoya	X	P	X	P	X	X	2
Julius Mathenge	X	X	P	P	P	P	4
Douglas Njeru	P	P	P	P	P	p	6
Leonard Ngaithe	x	x	p	P	P	P	4

P - Attended

X - Absent with apology

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STATE DEPARTMENT FOR SPECIAL PROGRAMMES

Reports and Financial Statements

For the year ended June 30, 2017

(e) State Department for Special Programme Headquarters

P.O. Box 40213-00100
Extelcoms Building
Haile Sellasie Avenue
Nairobi, KENYA

(f) Entity Contacts

Telephone: (254) 020 – 317641/ 7
mail:ps@devolutionplanning.go.ke
Website:www.devolutionplanning.go.ke

(g) Entity Bankers

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

(h) Independent Auditors

Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya

(i) Principal Legal Adviser

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

II. COMMENTARY BY THE CABINET SECRETARY



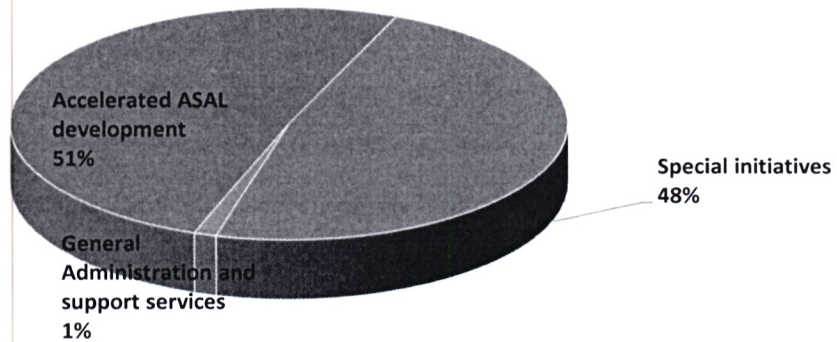
The Ministry is mandated to provide effective leadership and coordination in planning, policy formulation and tracking results for a globally competitive and prosperous nation. The Sub Sector is charged with Accelerated ASAL Development which entails ASAL development and Drought management. Special initiatives which entails Relief and Rehabilitation, family protection. General administration and support services.

BUDGET ALLOCATION

In the financial year 2016/17 the State Department for Special Programme had a gross budget of **KShs. 15,790,906,734** which was made up of **KShs. 8,331,361,404** and **KShs. 7,459,545,330** for recurrent and development vote respectively.

The State Department was to expend the gross budget of **KShs. 15,790,906,734** under the following three programmes:

BUDGET ALLOCATION BY PROGRAMMES



STATE DEPARTMENT FOR SPECIAL PROGRAMMES

Reports and Financial Statements

For the year ended June 30, 2017

II, COMMENTARY BY THE CABINET SECRETARY (CONTINUED)

I. Programme 1: Accelerated ASAL Development

The objective of this programme is to ensure accelerated and sustained socio-economic development in the ASALs, build community resilience and drought emergencies in Kenya. This programme was allocated **KShs 8,020,173,801** representing **51%** of the budget. A total of **KShs7,648,271,833** was spent under the following sub programmes:

- a. Sub-programme 1.1: ASAL Development **Kshs.166, 360,411**
- b. Sub-programme 1.2: Drought Management **Kshs.7,481,911,422**

II. Programme 2: Special Initiatives

The objective of this programme is to strengthen humanitarian response and improve resilience of vulnerable groups and communities. It also involves family protection by rehabilitating street children. This programme was allocated **KShs7, 565,595,215** representing **48%** of the budget. A total of **KShs. 7,560,439,546** was spent under the following sub programme:

- a. Sub-programme 2.1: Relief and Rehabilitation **kshs7,295,799,946**
- b. Sub-programme 2.2 Family protection **kshs 264,639,600**

III. Programme 3: General Administration and support services

The objective of this programme is to provide for efficient support services for effective execution of technical mandate of the state department. This programme was allocated **KShs. 205,137,718** representing **1%** of the budget. A total of **KShs 198,546,100** was spent under the following sub programme:

- a. Sub-programme 3.1: Administrative services **Kshs. 165,843,863**
- b. Sub-programme 3.2: Information, communication and technology **Kshs.9, 629,938**
- c. Sub-programme 3.3 Finance and planning services **Kshs.23,072,299**

STATE DEPARTMENT FOR SPECIAL PROGRAMMES

Reports and Financial Statements

For the year ended June 30, 2017

II. COMMENTARY BY THE CABINET SECRETARY (CONTINUED)

Key Performance Highlights

Below is an overview of the financial performance for the year ended 30th June 2017 as reported in the detailed financial statements.

Financial Performance Summary

Actual Performance against Budget for Year to 30th June 2017

Financial Performance	Printed Estimates	Actual	Variance	%
	KShs	KShs	KShs	Utilisation Variance
Total Receipts	15,790,906,734	15,434,078,352	356,828,382	(98%)
Total Payments	15,790,906,734	15,407,257,479	383,649,255	(98%)
Surplus for the Year	0	26,820,873	26,820,873	>98%

Actual receipts by the MDAs stood at 98% of the budget while actual payments were 98% of the budget. This shows that the budget was well utilised.

Budget Utilisation

The State Department spent **KShs. 15,407,257,479** against an approved budget of **KShs. 15,790,906,734** representing absorption of **98%**. Utilisation of the budget was carried out through various activities (economic classifications) as shown in the table below:

	Approved Budget Allocation	Actual Payments	Variance
	KShs	KShs	KShs
Compensation of Employees	137,898,418	139,740,717	(1,842,299)
Use of goods and services	749,541,589	739,872,952	9,668,637
Transfers to Other Government Units	7,648,844,828.00	7,391,223,348	132,621,480
Other grants and transfers	7,316,561,899	7,097,995,969	218,565,930
Acquisition of Assets	63,060,000	38,424,493	24,635,508
Total Payments	15,790,906,734	15,407,257,479	383,649,255

STATE DEPARTMENT FOR SPECIAL PROGRAMMES

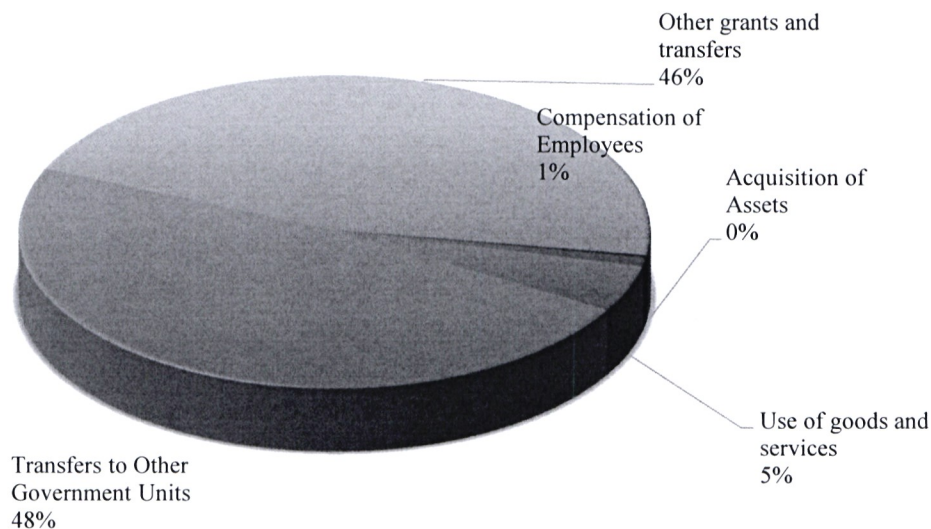
Reports and Financial Statements

For the year ended June 30, 2017

II. COMMENTARY BY THE CABINET SECRETARY (CONTINUED)

Key Performance Highlights (Continued)

Budget Utilisation as Per Economic Items



It is noted that **48%** of the State Department’s budget was used in Transfers to Other Government entities i.e. Semi-Autonomous Government Agencies (SAGAs) and Sub County Governments. **1%** of the budget was utilised on employee compensation while **46%** was utilised in other grants and transfers which is emergency relief to hunger stricken areas and an insignificant amount was used in acquisition of assets hence **0%**..Use of goods and services was **5%** of the budget allocation.

Current Year Performance against prior year

Financial Performance	Year to	Year to	Change	% Change
	30 th June 2017	30 th June 2016		
	KShs	KShs	KShs	
Total Receipts	15,434,078,352	-	-	-
Total Payments	15,407,257,479	-	-	-
Surplus/(Deficit) for the Year	26,820,873	--	-	-

State department for special programmes is a new entity which was formed in the year 2016 hence has no prior year for comparison.

STATE DEPARTMENT FOR SPECIAL PROGRAMMES**Reports and Financial Statements**

For the year ended June 30, 2017

II. COMMENTARY BY THE CABINET SECRETARY (CONTINUED)**Receipts**

The State Department's receipts mainly comprise of exchequer releases from the National Treasury. Other receipt sources include external grants from international organizations and sale of tender documents.

Total Receipts Breakdown

	Year to 30 th June 2017	Year to 30 th June 2015	Change	%
Receipts	KShs	KShs	KShs	Change
Proceeds from Domestic and Foreign Grants	2,316,036,352	-	-	-
Transfers from National Treasury	13,711,900,000	-	-	-
Other Receipts	142,000	-	-	-
Total Receipts	15,434,078,352	-	-	-

The state department received **kshs 13,117,900,000** as exchequer transfers from treasury and **kshs. 2,316,036,352** as grants from international organizations in form of A.I.A. **Kshs. 142,000** was from sale of tender documents.

Payments

The State Department's payments mainly comprise of Transfers to Other Government entities i.e. Semi-Autonomous Government Agencies (SAGAs) and Sub County Governments, emergency relief, employee compensation and acquisition of assets.

Total Payment Breakdown

Payment Description	Year to 30 th June 2017 KShs.	Year to 30 th June 2016	Change (Ksh)	% Change
Compensation of Employees	139,740,717			
Use of goods and services	739,872,952			
Transfers to Other Government Units	7,391,223,348			
Other grants and transfers	7,097,995,969			
Acquisition of Assets	38,424,493			
Total Payments	15,407,257,479			

From the table above it shows the biggest percentage of the payments goes to transfers to other government units and other grants and transfers.

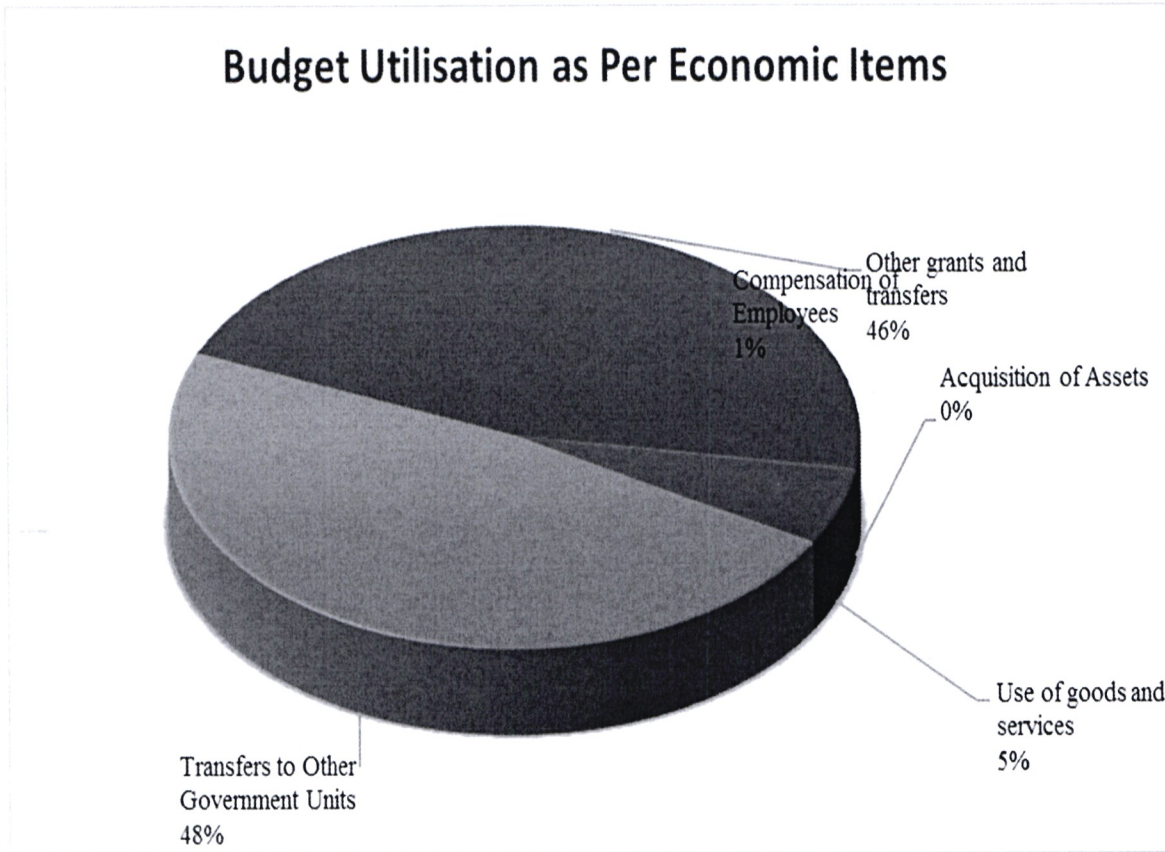
STATE DEPARTMENT FOR SPECIAL PROGRAMMES

Reports and Financial Statements

For the year ended June 30, 2017

II. COMMENTARY BY THE CABINET SECRETARY (CONTINUED)

The diagram below depicts the share of major categories of payments for the fiscal year ended 30th June 2017.



Financial Assets

Financial Assets	As at	As at	Change	%
	30 th June 2017	30 th June 2016		
	KShs	KShs,	KShs,	Change
Bank Balances	44,152,241	-	-	-
Cash Balances	70,432	-	-	-
Total Financial Assets	44,222,673	-	-	-

Bank balances comprises of kshs 7,192,891 for recurrent, kshs 19,557,550 for development. This was unspent balances as at 30th June, 2017. The deposit balance was kshs 17,401,800 and this is retention money which is due to contractors. This being a new entity there were no balances brought forward.

There were no outstanding imprests as all the standing and temporary imprests were surrendered.

STATE DEPARTMENT FOR SPECIAL PROGRAMMES

Reports and Financial Statements

For the year ended June 30, 2017

II. COMMENTARY BY THE CABINET SECRETARY (CONTINUED)

Cash Flows and Cash Position

The cash and bank balances held by the state department for special programmes as at 30th June 2017 was **Kshs. 44,222,673.**

The breakdown for the cash is as summarized in the table below.

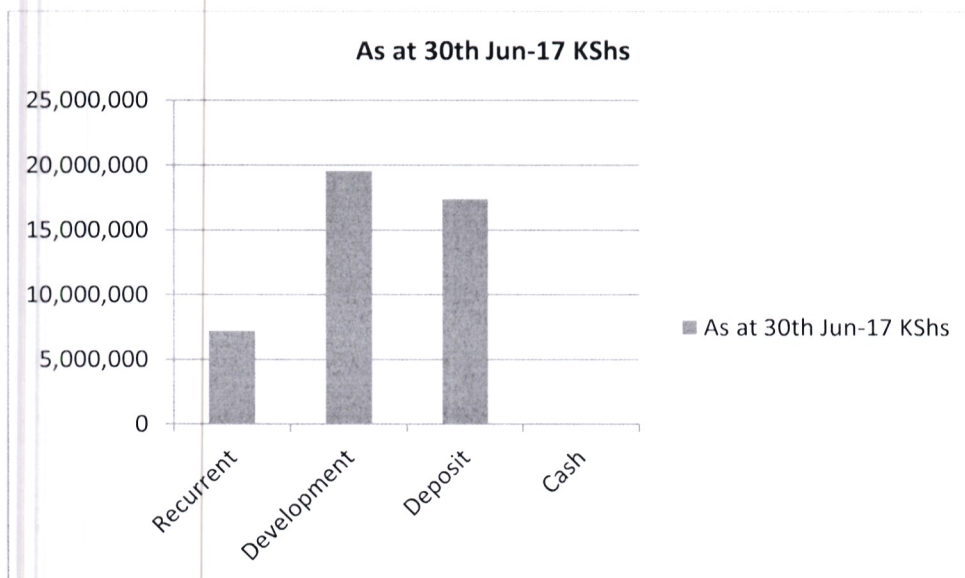
Cash and Bank Balance

Cash and Bank balances	As at 30 th June 2017 KShs	As at 30 th June 2016 KShs	Change KShs	% Change
Bank Balances	44,152,241	-	-	-
Cash Balances	70,432	-	-	-
Total	44,222,673	-	-	-

Bank and Cash Balances is analysed below as per the different bank accounts

	As at 30 th June 2017 KShs	As at 30 th June 2016 KShs	Change KShs	% Change
Recurrent	7,192,891	-	-	-
Development	19,557,550	-	-	-
Deposit	17,401,800	-	-	-
Cash	70,432	-	-	-
Total	44,222,673.00	-	-	-

Total Financial Assets

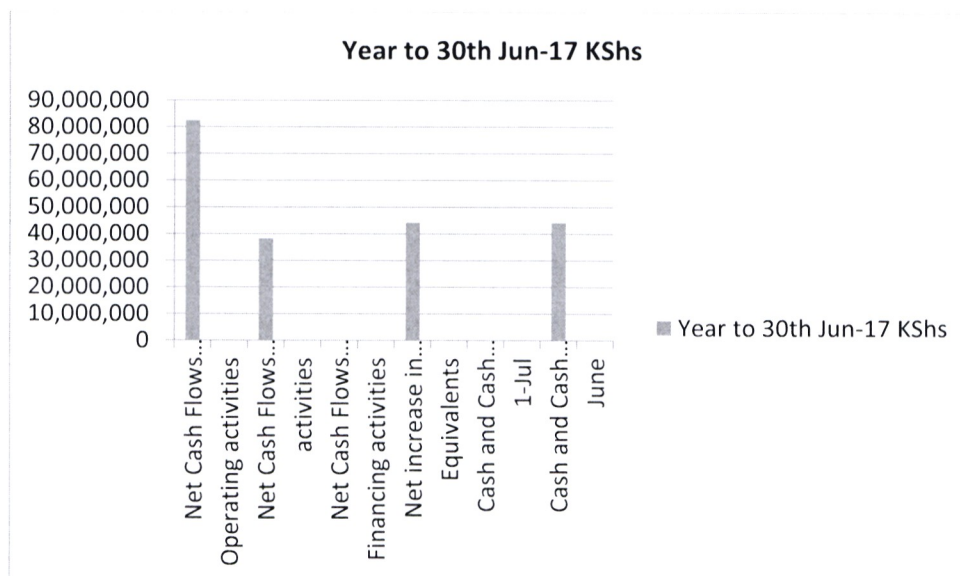


STATE DEPARTMENT FOR SPECIAL PROGRAMMES
 Reports and Financial Statements
 For the year ended June 30, 2017

Cash Flow Activities

The table below summarizes cash flows generated and used from various activities.

Cash Flow Activities	Year to 30 th June 2017 KShs	Year to 30 th June 2016 KShs	Change KShs	% Change
Net Cash Flows generated from Operating activities	82,647,166	-	-	-
Net Cash Flows used in Investing activities	(38,424,493)	-	-	-
Net Cash Flows generated in Financing activities	0	-	-	-
Net increase in Cash and Cash Equivalents	44,222,673	-	-	-
Cash and Cash Equivalents at 1 July	0	-	-	-
Cash and Cash Equivalents at 30 June	44,222,673	--	-	-

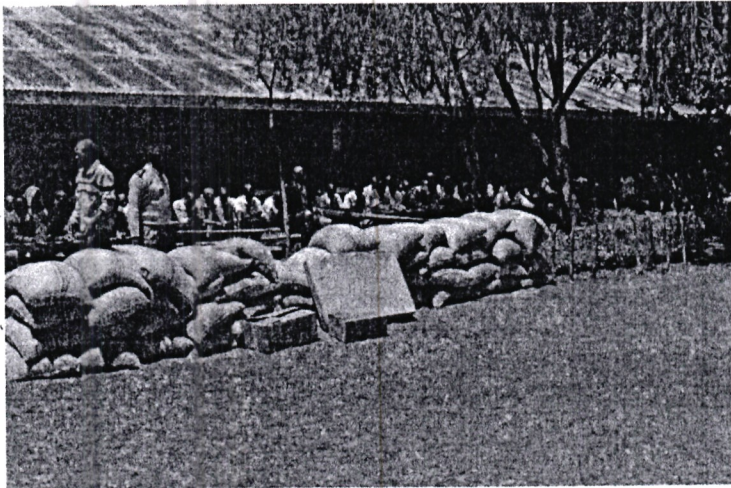


STATE DEPARTMENT FOR SPECIAL PROGRAMMES
Reports and Financial Statements
For the year ended June 30, 2017
COMMENTARY BY THE CABINET SECRETARY (CONTINUED)

Key Achievements of the State Department in the FY 2016/17

The state department applied the resources provided on its sub-programmes to implement various project activities. A wide range of outputs were realized key among them are;

- Provided food relief to cover the drought affected 3.5 million vulnerable persons in the country.



- Finalized the National Policy For Development of Arid and Semi-Arid Lands.
- The state department coordinated National Food Security assessments which were conducted through NDMA with financial support from the government and development partners.
- 33 Sub-catchment Management Plans developed.
- Wajir and Garissa counties ground water potential areas in ASALs Counties assessed. .
- Facilitated one National Stakeholders Forum and 5ncounty stakeholders Fora.
- 480 street families rescued and rehabilitated while 300 rescued and rehabilitated street families were reintegrated with their families.

Emerging Issues

- Reorganization of Government in 2013 expanded the State Department's mandate to cover community mobilization. The new mandate implementation required funding for staffing and to undertake planned activities. National Treasury was unable to allocate funds for this mandate while the State Department on the other fund could not allocate funds from other programmes due to the constraint budget.
- The State Department was faced with increased demand for relief food to vulnerable persons affected by the prolonged drought and poor harvest especially for the maize crop. As a result, the initial budget of approximately **Kshs 6,517,156,577** had to be raised to **Kshs. 15,790,906,734** to cater for the 3.5 million people requiring food relief.

STATE DEPARTMENT FOR SPECIAL PROGRAMMES

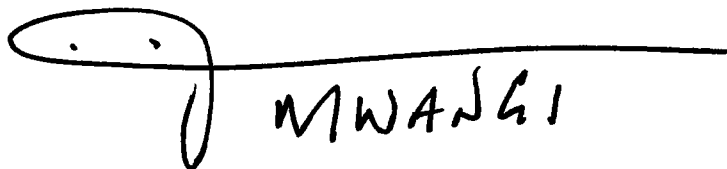
Reports and Financial Statements

For the year ended June 30, 2017

• **Challenges**

The following challenges weighed heavily on the Ministry's effort to effectively deliver on its mandate;

- Budgetary constraints; Low budgetary allocations across all programmes due to meagre resources allocated right from the sector level, this situation has been worsened by constant budget cuts in the middle of the financial year leading to non-achievement of some of the set targets.
- Inadequate monitoring and evaluation of the programme activities due to lack of funds.
- Insecurity in the project areas such as Garissa, Wajir, Mandera, Turkana, Marsabit among other affected implementation of project areas.
- Huge pending bills generated in the previous regimes have negatively affected implementation of key programmes due to the requirement that pending bills form the first charge every year.
- Cash transfers under the hunger safety network were affected by lack of vital documents including ID documents from beneficiaries.
- Numerous requests for relief food from counties against insufficient funds.
- Prolonged drought situation calling for continuous assistance.
- Failure by counties to budget for relief food and distribute to vulnerable groups within their counties.

A handwritten signature in black ink, consisting of a large, stylized initial 'M' followed by the name 'MWANGI' in capital letters.

Hon. Mwangi Kiunjuri, EGh, MGH
Cabinet Secretary,
Ministry Of Devolution and Planning,

REPUBLIC OF KENYA

Telephone: +254-20-342330
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P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of the State Department of Special Programmes set out on pages 1 to 25, which comprise the statement of financial assets and liabilities as at 30 June 2017, and the statement of receipts and payments, statement of cash flows and summary statements of appropriation: recurrent, development combined for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

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

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

Basis for Qualified Opinion

1. Pending Bills

The State Department of Special Programmes reported pending bills totalling Kshs.118,865,458 as at 30 June 2017 out of which bills amounting to Kshs.116,113,212 or about 98% had been brought forward from the year 2015/2016. Failure to settle pending bills during the year to which they relate distorts the financial statements for the year and adversely affects the provisions of the subsequent year to which they have to be charged. Had the pending bills of Kshs.118,865,458 been paid in 2016/2017 and the expenditure charged to the accounts for that financial year, the statement of receipts and

Report of the Auditor-General on the Financial Statements of State Department of Special Programmes for the year ended 30 June 2017

payments would have reflected a deficit of Kshs.92,044,585 instead of the surplus of Kshs.26,820,873 now shown.

2. Acquisition of Assets

The expenditure of Kshs.38,424,433 on acquisition of assets as disclosed in Note 8 to the financial statements includes an amount of Kshs.32,182,850 incurred in respect of Wajir Sewerage Project which stalled in the year 2013. The following matters were noted with regard to payment for the Wajir Sewerage Project:

- (i) The amount was paid on the strength of advice from the Attorney General on a claim that had been filed by the Contractor. However, the advice was that, part of the claim was payable but only to the extent that a certificate of work done had been issued.
- (ii) Certificate No. 01 was issued on 6 June 2013 by the Resident Engineer for an amount of Kshs.32,182,850. However, the minutes for the progress meeting held on the 3 June 2013 indicated that the contractor had done 5% of the work, equivalent to Kshs.15,446,878 of the contract sum of Kshs.308,937,558. The contractor was, therefore, overpaid by an amount of Kshs.16,735,972.
- (iii) The contractor was paid the entire amount on the certificate without retaining the necessary retention money as is the case with payments for construction contracts.
- (iv) Although the project stalled in 2013 and the contractor ought to have been issued with a formal contract termination letter and surcharged for breach of the contract, this was never done.
- (v) The project remains incomplete to date and there are no activities going on at the site. This therefore casts doubt on the value for money received on use of public funds for the payment of Kshs. 32,182,850.

3. Motor Vehicles

The summary of fixed assets register which is attached as Annex 2 to the financial statements does not reflect transport equipment (motor vehicles). Available information, however, indicate that the State Department of Special Programmes was handed over thirteen motor vehicles by the defunct Western Kenya Community Development Project, which are claimed to be grounded at various locations in Western Kenya. Further, eleven motor vehicles identified for boarding have not been disposed-off so far. Another motor vehicle registration KBJ 936E (GKB 320D) Toyota Hilux double cabin had been reported lost. From the foregoing, the total cost of fixed assets of Kshs. 87,980,743 reported is apparently not accurate.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of State Department of Special Programmes in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

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

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

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

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

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

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

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

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. 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.

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

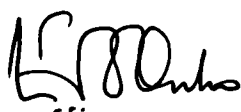
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve

collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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



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

Nairobi

13 April 2018

STATE DEPARTMENT FOR SPECIAL PROGRAMMES**Reports and Financial Statements**

For the year ended June 30, 2017

V. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2016-2017	2015-2016
		KShs	KShs
RECEIPTS			
Proceeds from Domestic and Foreign Grants	1	2,316,036,352	
Transfers from National Treasury	2	13,117,900,000	
Other Receipts	3	142,000	
TOTAL RECEIPTS		15,434,078,352	
PAYMENTS			
Compensation of Employees	4	139,740,717	
Use of Goods and Services	5	739,872,952	
Transfers to Other Government Units	6	7,391,223,348	
Other Grants and Transfers	7	7,097,995,969	
Acquisition of Assets	8	38,424,493	
TOTAL PAYMENTS		15,407,257,479	
SURPLUS/DEFICIT		26,820,873	

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements.

The entity financial statements were approved on 30th September 2017 and signed by:



Principal Secretary

Name: Josephtha O. Mukobe (Ms), CBS



Principal Accounts Controller

Name: Mr Archbald N. Waithaka

ICPAK: Member 5597

STATE DEPARTMENT FOR SPECIAL PROGRAMMES

Reports and Financial Statements

For the year ended June 30, 2017

VI. STATEMENT OF ASSETS AND LIABILITIES

	Note	2016-2017	2015-2016
		KShs	KShs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	9A	44,152,241	
Cash Balances	9B	70,432	
Total Cash And Cash Equivalents		44,222,673	
Accounts Receivables - Outstanding Imprest and Clearance Accounts		-	
TOTAL FINANCIAL ASSETS		44,222,673	
LESS:			
FINANCIAL LIABILITIES			
Accounts Payables - Deposits	10	17,401,800	
NET FINANCIAL ASSETS		26,820,873	
REPRESENTED BY			
Fund balance b/fwd			
Prior year adjustments			
Surplus/Deficit for the year		26,820,873	
NET FINANCIAL POSITION		26,820,873	

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30th September 2017 and signed by:

Principal Secretary
Name: Josephtha O. Mukobe (Ms.), CBS

Principal Accounts Controller
Name: Archbald N. Waithaka
ICPAK Member 5597:

STATE DEPARTMENT FOR SPECIAL PROGRAMMES

Reports and Financial Statements

For the year ended June 30, 2017

VII. STATEMENT OF CASH FLOWS

	Note	2016-2017	2015-2016
		KShs	KShs
CASH FLOW FROM OPERATING ACTIVITIES			
Proceeds from Domestic and Foreign Grants	1	2,316,036,352	-
Transfers from National Treasury	2	13,117,900,000	-
Other Receipts	3	142,000	
		15,434,078,352	
Payments for operating expenses			
Compensation of Employees	4	139,740,717	
Use of goods and services	5	739,872,952	
Transfers to Other Government Units	6	7,391,223,348	
Other grants and transfers	7	7,097,995,969	
Other Payments			
		15,368,832,986	
Adjusted for:			
Changes in receivables			
Changes in payables	10	17,401,800	-
Adjustments during the year			
Net cash flow from operating activities		82,647,166	
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets			
Acquisition of Assets	8	38,424,493	
Net cash flows from Investing Activities		(38,424,493)	

STATE DEPARTMENT FOR SPECIAL PROGRAMMES
Reports and Financial Statements
For the year ended June 30, 2017

CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Domestic Borrowings			
Proceeds from Foreign Borrowings			
Repayment of principal on Domestic and Foreign borrowing			
Net cash flow from financing activities			
NET INCREASE IN CASH AND CASH EQUIVALENT			
Cash and cash equivalent at BEGINNING of the year		44,222,673	
Cash and cash equivalent at END of the year		44,222,673	

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30th September 2017 and signed by:

Principal Secretary
Name: Josephtha O. Mukobe (Ms), CBS

Principal Accounts Controller
Name: Mr Archbald N. Waithaka
ICPAK: Member No. 5597

STATE DEPARTMENT FOR SPECIAL PROGRAMMES
 Reports and Financial Statements
 For the year ended June 30, 2017

VIII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT
 COMBINED

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Proceeds from Domestic and Foreign Grants (A.I.A)	2,433,345,330	238,200,000	2,671,545,330	2,316,036,352	355,508,978	87%
Exchequer releases	4,083,811,247	9,035,400,157	13,119,211,404	13,117,900,000	1,311,404	100%
Other Receipts		150,000	150,000	142,000	8,000	95%
Total Receipts	6,517,156,577	9,273,750,157	15,790,906,734	15,434,078,352	356,828,382	95%
PAYMENTS						
Compensation of Employees	146,338,418	(8,440,000)	137,898,418	139,740,717	(1,842,299)	101%
Use of goods and services	293,995,658	455,545,931	749,541,589	739,872,952	9,668,637	99%
Transfers to Other Government Units	5,374,827,171	2,149,017,657	7,523,844,828	7,391,223,348	132,621,480	98%
Other grants and transfers	640,545,330	6,676,016,569	7,316,561,899	7,097,995,969	218,565,930	97%
Acquisition of Assets	61,450,000	1,610,000	63,060,000	38,424,493	24,635,508	61%
Total Payments	6,517,156,577	9,273,750,157	15,790,906,734	15,407,257,479	383,649,255	98%
Surplus/ Deficit				26,820,873	(26,820,873)	


VIII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED (CONTINUED)

Notes

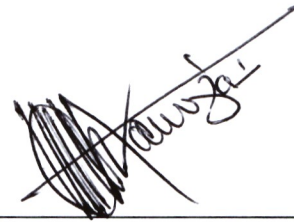
- i. Underutilisation in proceeds from domestic and foreign grants was as a result of donors delaying in funding.
- ii. Overutilization of 101% in compensation of employees was as a result of adjustments in the budget by reallocating funds which had already been utilized.
- iii. Underutilization of 61% in acquisition of assets was due to long procurement procedures.

The changes between the original and final budget are as a result of additional funding in the supplementary budget to mitigate drought effects in the country. There was also re allocation of funds from one economic item to another.

The entity financial statements were approved on 30th September 2017 and signed by:-



Principal Secretary
Name: Josephtha O. Mukobe (Ms), CBS



Principal Accounts Controller
Name: Mr. Archbald N. Waithaka
ICPAK: Member No. 5597

STATE DEPARTMENT FOR SPECIAL PROGRAMMES
 Reports and Financial Statements
 For the year ended June 30, 2017

IX. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT

Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
RECEIPTS						
Exchequer releases	1,405,811,247	6,925,400,157	8,331,211,404	8,330,700,000	511,404	100%
Other Receipts		150,000	150,000	142,000	8,000	95%
Total Receipts	1,405,811,247	6,925,550,157	8,331,361,404	8,330,842,000	519,404	100%
PAYMENTS						
Compensation of Employees	146,338,418	(8,440,000)	137,898,418	139,740,717	(1,842,299)	101%
Use of goods and services	278,995,658	460,545,931	739,541,589	727,413,352	12,128,237	98%
Transfers to Other Government Units	848,827,171	1,899,017,657	2,747,844,828	2,872,532,327	(124,687,499)	105%
Other grants and transfers	120,200,000	4,577,816,569	4,698,016,569	4,577,650,639	120,365,930	97%
Acquisition of Assets	11,450,000	3,390,000	8,060,000	6,241,643	1,818,358	77%
Totals	1,405,811,247	6,925,550,157	8,331,361,404	8,323,578,677	7,782,727	100%
Surplus/Deficit	0	0	0	7,263,323	(7,263,323)	

STATE DEPARTMENT FOR SPECIAL PROGRAMMES
Reports and Financial Statements
For the year ended June 30, 2017

IX. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT (CONTINUED)

Notes

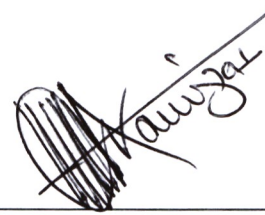
- i. Over Utilisation of 101% in compensation of employees was as a result of adjustment of the budget by reducing the budget and the money had already been utilized.
- ii. Over Utilisation of 105% in transfers to other government units was as a result of adjustments in the budget by reallocating of the funds which had already been utilized.
- iii. Underutilisation of 77% in acquisition of assets was as a result of long procurement process.

The changes between the original and final budget is as a result of additional funding in the supplementary budget and re allocation of funds.

The entity financial statements were approved on 30th September 2017 and signed by:



Principal Secretary
Name: Josephtha O. Mukobe (Ms), CBS



Principal Accounts Controller
Name: Mr. Archbald N. Waithaka
ICPAK Member No. 5597

STATE DEPARTMENT FOR SPECIAL PROGRAMMES

Reports and Financial Statements

For the year ended June 30, 2017

X. SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Proceeds from Domestic and Foreign Grants (A.I.A)	2,433,345,330	238,200,000	2,671,545,330	2,316,036,352	355,508,978	87%
Exchequer releases	2,678,000,000	2,110,000,000	4,788,000,000	4,787,200,000	800,000	100%
Total Receipts	5,111,345,330	2,348,200,000	7,459,545,330	7,103,236,352	356,308,978	95%
PAYMENTS						
Use of goods and services	15,000,000	(5,000,000)	10,000,000	12,459,600	(2,459,600)	125%
Subsidies						
Transfers to Other Government Units	4,526,000,000	250,000,000	4,776,000,000	4,518,691,022	257,308,978	95%
Other grants and transfers	520,345,330	2,098,200,000	2,618,545,330	2,520,345,330	98,200,000	96%
Social Security Benefits						
Acquisition of Assets	50,000,000	5,000,000	55,000,000	32,182,850	22,817,150	59%
Totals	5,111,345,330	2,348,200,000	7,459,545,330	7,083,678,802	375,866,528	95%
Surplus/Deficit	0	0	0	19,557,550	(19,557,550)	


X. SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT (CONTINUED)

Notes

- i. Underutilisation in Proceeds from domestic and foreign grants of 87% was as a result in delay of transfer of donor funds.
- ii. Over Utilisation of 125% in use of goods and services was as a result of budget adjustment for the supplementary budget and the funds had already been utilized.
- iii. Underutilisation in Acquisition of Assets of 59% was as a result of long procurement process

The changes between the original and final budget are as a result of additional funding in th supplementary budget to mitigate on drought.

The entity financial statements were approved on 30th September 2017 and signed by:



Principal Secretary

Name: Josephtha O. Mukobe (Ms), CBS



Principal Accounts Controller

Name: Mr. Archbald N. Waithaka
ICPAK: Member 5597:

STATE DEPARTMENT FOR SPECIAL PROGRAMMES
Reports and Financial Statements
For the year ended June 30, 2017

XI. BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES

Programme/Sub-programme	Original Budget	Adjustments	Final Budget 2017	Actual on comparable basis 30-JUN-2017	Budget utilization difference
Prog1: Accelerated ASAL Development			0		0
Sub-programme 1: Asal Development	189,738,490	(28,985,090)	160,753,400	166,360,411	(5,607,011)
Sub-programme 2: Drought Management	5,715,220,401	2,144,200,000	7,859,420,401	7,481,911,422	377,508,979
Prog 2: Special Initiatives					
Sub-programme 1: Relief and Rehabilitation	363,001,868	6,937,641,247	7,300,643,115	7,295,799,946	4,843,169
Sub-programme 2: Family protection	264,952,100	0	264,952,100	264,639,600	312,500
Prog 3: General Administration and support Services					
Sub-programme 1: Administrative services	189,593,718	(18,716,000)	170,877,718	165,843,863	5,033,854
Sub-programme 2: Information, Communication and Technology	13,550,000	(2,215,000)	11,335,000	9,629,938	1,705,062
Sub-programme 3: Finance and planning services	31,100,000	(8,175,000)	22,925,000	23,072,299	(147,299)
TOTAL	6,767,156,577	9,023,750,157	15,790,906,734	15,407,257,479	383,649,255

NB: This statement is a disclosure statement indicating the utilisation in the same format at the Entity's budgets which are programme based.)

STATE DEPARTMENT FOR SPECIAL PROGRAMMES

Reports and Financial Statements

For the year ended June 30, 2017

XII. SIGNIFICANT ACCOUNTING POLICIES

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

1. Statement of compliance and basis of preparation

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

This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions. The receivables and payables are disclosed in the Statement of Assets and Liabilities. The Statement of Assets and Liabilities is not mandatory statement under the IPSAS Cash basis but is encouraged in order to disclose information on assets and liabilities.

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

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

2. Reporting entity

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

- i. Community Empowerment Project

3. Recognition of receipts and payments

a) Recognition of receipts

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

Tax receipts

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

STATE DEPARTMENT FOR SPECIAL PROGRAMMES

Reports and Financial Statements

For the year ended June 30, 2017

XII. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Transfers from the Exchequer

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

External Assistance

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

Donations and grants

Grants and donations shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary. In case of grant/donation in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice.

Proceeds from borrowing

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

Undrawn external assistance

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

Other receipts

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

b) Recognition of payments

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

Compensation of employees

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

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XII. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of goods and services

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

Interest on borrowing

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

Repayment of borrowing (principal amount)

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

Acquisition of fixed assets

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

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

4. In-kind contributions

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

5. Cash and cash equivalents

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

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XII. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restriction on cash

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

Amounts maintained in deposit bank accounts are restricted for use in refunding third party deposits. There were no other restrictions on cash during the year

6. Accounts Receivable

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

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XIII. NOTES TO THE FINANCIAL STATEMENTS

MINISTRY OF DEVOLUTION AND PLANNING

1. PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

The following grants were received from development partners as A.I.A.

Name of Donor	Date received	Amount in foreign currency	2016-2017 Kshs.	2015-2016 Kshs
Grants Received from Bilateral Donors (Foreign Governments)				
IDA			2,316,036,352	-
TOTAL			2,316,036,352	-

The above grants were transferred to National Disaster Management Authority fund as A.I.A.

TRANSFERS FROM NATIONAL TREASURY

The following are the amounts transferred from the exchequer to the ministry on a quarterly basis:

Description	2016-2017 Kshs	2015-2016 Kshs
Total Exchequer Releases for quarter 1	924,700,000	-
Total Exchequer Releases for quarter 2	1,603,455,901	-
Total Exchequer Releases for quarter 3	1,533,400,000	-
Total Exchequer Releases for quarter 4	9,056,344,099	-
Total	13,117,900,000	

During the year the ministry was to receive **KShs 13,119,211,404**, however, it received **kshs13, 117,900,000** falling short by **KShs 1,311,404**.

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XIII NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. OTHER RECEIPTS

Description	2016-2017	2015-2016
	Kshs	Kshs
Other Receipts Not Classified Elsewhere	142,000	
Total	142,000	

Other receipts not classified elsewhere relates to sale of tender documents during the procurement process.

4. COMPENSATION OF EMPLOYEES

Compensation of employees comprise of remuneration paid to employees in return for the work done. It includes sound contributions made by the State Department on behalf of its employees. Salary paid was for eleven months i.e. from August 2016 to June 2017 since this was a new entity and operations had not started hence July 2016 salary was paid from state department for devolution.

Description	2016-2017	2015-2016
	Kshs	Kshs
Basic salaries of permanent employees	90,028,163	
Basic wages of temporary employees		
Personal allowances paid as part of salary	49,712,554	
Personal allowances paid as reimbursements		
Personal allowances provided in kind		
Pension and other social security contributions		
Employer Contributions Compulsory national social security schemes		
Employer Contributions Compulsory national health insurance schemes		
Total	139,740,717	

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XIII NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. USE OF GOODS AND SERVICES

These comprise the total value of goods and services consumed.

Description	2016-2017	2015-2016
	Kshs	Kshs
Utilities, supplies and services	2,488,948	
Communication, supplies and services	8,808,559	
Domestic travel and subsistence	23,978,540	
Foreign travel and subsistence	6,376,949	
Printing, advertising and information supplies & services	2,532,083	
Rentals of produced assets	77,000,000	
Training expenses	12,751,390	
Hospitality supplies and services	17,835,458	
Specialized materials and services	1,231,545	
Office and general supplies and services	8,541,306	
Other operating expenses	562,492,800	
Routine maintenance -vehicles and other transport equipment	6,072,252	
Routine maintenance – other assets	3,047,183	
Fuel oil and lubricants	6,715,939	
Total	739,872,952	

6. GRANTS AND TRANSFERS TO OTHER GOVERNMENT ENTITIES

These are the amounts transferred to Other Government entities;

Description	2016-2017	2015-2016
	Kshs	Kshs
Transfers to National Government entities (SCOA Codes 2630100, 2630200, 2640400, 2640500,)		
See attached list		
Current grants to Semi-autonomous government Agencies(2630100)	872,514,670	-
Capital grants to Government Agencies and other levels of Government (2630200)	279,999,999	-
Other capital grants and transfer(2640500)	6,238,708,679	-
TOTAL	7,391,223,348	

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

Description	Recurrent	Development	TOTAL
	KShs	KShs	2016-2017 KShs
Transfers to SAGAs and			-
Street Families Rehabilitation Fund	264,664,600		264,664,600
National Drought Management Authority	607,875,069	7,039,036,352	7,646,911,420
Cash Relief Transfer Fund	2,000,017,657	-	2,000,017,657
TOTAL	2,872,557,326	7,039,036,352	9,911,593,677

The figure above **kshs 9,911,593,677** includes and **kshs 7,391,223,348** which was charged under grants and transfers to other government entities and **kshs 2,520,370,329** which was charged from other grants and transfers as per the budget and was transferred to semi-autonomous government agencies. The amount **kshs 7,391,223,348** includes **kshs 1,992,691,021** for AIA.

The government entities listed above are self-reporting entities. Out of the total transfers of **Kshs 9,911,593,677** to the entities **kshs 7,595,557,325** was paid through the exchequer. **Kshs 2,316,036,352** was transferred directly from the donor to National Drought Management Authority as A.I.A. We have confirmed these amounts with the recipient entities and attached these confirmations as an Appendix to this financial statements

7. OTHER GRANTS AND TRANSFERS

Description	2016-2017	2015-2016
	Kshs	Kshs
Membership dues and subscriptions to international organizations	602,610	
Scholarships and other educational benefits		
Emergency relief and refugee assistance	7,097,393,359	
Total	7,097,995,969	

Other grants and transfers relate mostly to purchase of emergency relief food and refugee assistance given to areas stricken by droughts. Though the figure **kshs.7, 097,393,359** includes transfers done to NDMA amounting to **kshs 2,520,370,329**.

8. ACQUISITION OF ASSETS

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

Non-Financial Assets	2016-2017	2015-2016
	KShs	KShs
Construction and Civil Works	32,182,850	
Purchase of Office Furniture and General Equipment	2,439,666	30,043,500
Purchase of ICT Equipment, Software and Other ICT Assets	3,801,977	18,231,250
Other Machinery and Equipment	0	1,281,500
Total	38,424,493	49,556,250

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XIII. NOTES TO THE FINANCIAL STATEMENTS (Continued)

9A: Bank Accounts

Name of Bank, Account No. & currency	Amount in bank account currency	Indicate whether recurrent, Development, deposit e.t.c	2016-2017	2015-2016
			Kshs	Kshs
Central Bank of Kenya, 1000302108,,KShs	7,192,891	Recurrent	7,192,891	-
Central Bank of Kenya, 1000302143,KShs	19,557,550	Development	19,557,550	-
Central Bank of Kenya, 1000302167,KShs	17,401,800	Deposits	17,401,800	-
Total	44,152,241		44,152,241	-

9B: CASH IN HAND

	2016-2017	2015-2016
	Kshs	Kshs
Cash in Hand – Held in domestic currency	70,432	-
Total	70,432	-

Cash in hand is also be analysed as follows:

	2016-2017	2015-2016
	Kshs	Kshs
Headquarters, Extelcoms Building, Main Cash office	70,432	-
Total	70,432	-

Cash count certificates for the above amount has been provided as an attachment to the financial statement.

III NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. ACCOUNTS PAYABLES

Description	2016-2017	2015-2016
	Kshs	Kshs
Deposits	17,401,800	-
Total	17,401,800	-

These are retention money that is retained by the State Department on behalf of third parties that offer services to the State Department.

11. ACCOUNTS RECEIVABLE – OUTSTANDING IMPRESTS

All the standing and temporary imprests were accounted for in full.

12. RELATED PARTY DISCLOSURES

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

The following comprise of related parties to the **State Department for Special Programme**

- Key management personnel that include the Cabinet Secretaries, Accounting Officers, Director Generals and various committee members within the State Department.
- Other Ministries Departments and Agencies and Development Projects;
- County Governments; and
- State Corporations and Semi-Autonomous Government Agencies.

Related party transactions:

Description	2016-2017	2015-2016
	Kshs	KShs
Key Management compensation	-	-
Transfers to other State Corporations and Semi-Autonomous Government Agencies	9,911,593,677	-
Transfers to Counties	-	-

XIII NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. OTHER IMPORTANT DISCLOSURES

13.1: PENDING ACCOUNTS PAYABLE (See Annex 1)

Description	2016 – 2017	2015 – 2016
	Kshs	Kshs
Supply of goods	73,256,507.00	-
Supply of services	45,608,950.50	-
Total	118,865,457.50	-

13.2 PENDING STAFF PAYABLES

There were No pending staff payables.

XIII NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The State Department came into being through **Executive Order No 1 of May 2016**, thus did not have any pending issues from the prior year having been created during the financial year under review.

Principal Secretary
 Name: Josephtha O. Mukobe (Ms), CBS

Principal Accounts Controller
 Name: Mr. Archbald N. Waithaka
 CPAK: Member 5597:

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ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

The state department received some pending bills from state Department of Devolution belatedly thus some remaining un cleared by closure of the financial year 2016/2017. The claims have been analysed on a case by case basis and being cleared

Supplier of Goods or Services	Date Contracted	Amount Paid To-Date	Amount Paid To-Date	Outstanding Balance 30/06/2017	Outstanding Balance 30/06/2016	Comments
SUPPLY OF GOODS	a	b	c	d=a-c	e	
PISU & Co.	6,875,000.00	06/01/2016	0	6,875,000.00	6,875,000.00	Insufficient Funds
National Cereals & Produce Board	22,040,075.50	29/06/2016	0	22,040,075.50	22,040,075.50	Insufficient Funds
National Cereals & Produce Board	44,021,931.50	25/09/2015	0	44,021,931.50	44,021,931.50	Insufficient Funds
Zimma Stationers	90,000.00	28/05/2016	0	90,000.00	90,000.00	Insufficient Funds
Vendours System	229,500.00	29/06/2016	0	229,500.00	229,500.00	Insufficient Funds
Sub-Total	73,256,507.00			73,256,507.00	73,256,507.00	
SUPPLY OF SERVICES						
High Point Agencies	3,998,000.00	06/06/2016	0	3,998,000.00	3,998,000.00	Insufficient Funds
National Cereals & Produce Board	6,035,261.70	31/12/2015	0	6,035,261.70	6,035,261.70	Insufficient Funds
National Cereals & Produce Board	29,019,826.60	13/01/2016	0	29,019,826.60	29,019,826.60	Insufficient Funds
National Cereals & Produce Board	1,000,000.00	12/01/2016	0	1,000,000.00	1,000,000.00	Insufficient Funds
Wajir Vegetable Supply Ltd.	887,229.00	03/05/2016	0	887,229.00	887,229.00	Insufficient Funds
Wajir Vegetable Supply Ltd.	1,829,388.20	11/05/2016	0	1,829,388.20	1,829,388.20	Insufficient Funds
Kenyatta International Conventional Centre	2,752,245.00	08/06/2017	0	2,752,245.00	0	Insufficient Funds
Chrome Express Innovations	87,000.00	03/05/2016	0	87,000.00	87,000.00	Insufficient Funds
Sub-Total	45,608,950.50			45,608,950.50	42,856,705.50	

ANNEX 2 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Additions during the year (KShs)	Disposals during the year	Historical Cost c/f (KShs) 2016/2017
		(KShs)	
Land			
Buildings and structures	32,182,850		32,182,850
Transport equipment			
Office equipment, furniture and fittings	2,439,666		2,483,166
ICT Equipment, Software and Other ICT Assets	3,801,977		3,801,977
Other Machinery and Equipment	-	-	-
Heritage and cultural assets	-	--	-
Intangible assets	-	-	-
Total	38,424,493	-	38,424,493

NB: The balance as at the end of the year is the cumulative cost of all assets bought and inherited by the Ministry, Department or Agency. Additions during the year should tie to **Note 8** on acquisition of assets during the year.

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ANNEX 3 – LIST OF SCs, SAGAs AND PUBLIC FUNDS UNDER THE
 STATE DEPARTMENT FOR SPECIAL PROGRAMME

Ref	SC, SAGA or Public Fund's name	Principal activity of entity	Accounting Officer	Amount transferred during the year	Inter-entity Reconciliations done?(yes/no)
1.	National Drought Management Authority	Dissemination of information on Drought situation and mitigate on drought affected areas	Mr. James Oduor	7,646,911,420	Yes
2.	Street Families Rehabilitation fund	Street children Rescue, rehabilitation and Integration to the society	Josephtha O. Mukobe (Ms), CBS	264,664,600	Yes
3.	Cash Relief Transfer Fund	Relief Cash transfer in lieu of food	Josephtha O. Mukobe (Ms), CBS	2,000,017,657	Yes