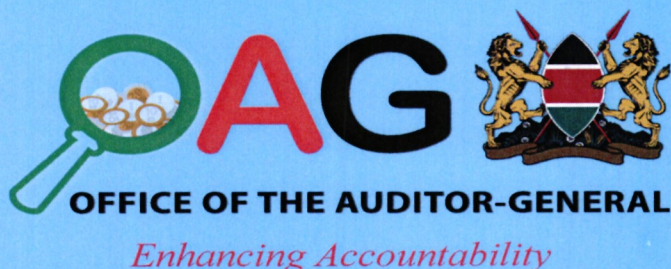


REPUBLIC OF KENYA



THE NATIONAL ASSEMBLY
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DATE: 13 APR 2023 DAY: THURSDAY

FILED BY: THE LEADER OF THE MAJORITY PARTY (Hon. Kimani Ichungu)

CHECKED BY: Joyce Lemereke

REPORT

OF

THE AUDITOR-GENERAL

ON

STATE DEPARTMENT FOR DEVELOPMENT OF
THE ARID AND SEMI-ARID LANDS (ASALs)

FOR THE YEAR
ENDED 30 JUNE, 2022



MINISTRY OF PUBLIC SERVICE, SENIOR CITIZEN AFFAIRS AND SPECIAL PROGRAMMES

STATE DEPARTMENT FOR DEVELOPMENT OF ARID AND SEMI -ARID LANDS

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED JUNE 30TH, 2022

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

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1. Key Entity Information and Management

(a) Background information

The State Department for Development of the Semi-Arid Lands was established under the Ministry of Public Service, Gender, Senior Citizen Affairs and Special Programmes and ASALs through Executive Order No.1/3028 (Revised) of June 2018. Following the reorganization of Government. Its precursor, the Ministry of State for the Development of Northern Kenya and Other Arid Lands was established in 2008 in conformity with Agenda 4 of the National Accord and Reconciliation Act. The SDDA is a special vehicle for affirmative action, mainstreaming development issues of Arid and Semi-Arid Lands (ASALS), coordinating, implementing and fast-tracking investment for long-term sustainable development. The State Department represented by the Cabinet Secretary for Ministry of Ministry of Public Service, Gender, Senior Citizen Affairs and Special Programmes and ASALs who is responsible for the general policy and strategic direction of the Arid and Semi-Arid Lands.

Vision

Prosperous and resilient communities with sustainable livelihood systems in ASALS

Mission

To coordinate for formulation and implementation of policies and Strategies to enhance social economic development and sustainable livelihoods in the ASALS.

Mandate

The mandate of the State Department is to formulate and implement policies and strategies that fast-track development of ASAL areas to reduce inequalities and vulnerabilities.

Core Values

The State Department upholds the following core values

Inclusivity

Equity and equality

Innovativeness and creativity

Integrity

Key Function

- Arid and Semi-Arid Lands Policy
- Coordination of Planning, and Development for Arid and Semi-Arid Lands
- Implementation of Special Programmes for Development of Arid and Semi-Arid Areas
- Implementation of Arid and Semi-Arid Lands Programmes.
- Co-coordinating Research for sustainable Arid and Semi-Arid Lands Resource Management Development and Livelihoods.
- Promotion of Livestock Development and Value addition of Resources within Arid and Semi-Arid Areas.
- Enhancing Livelihood Resilience of Pastoral and Agro Pastoral Communities
- Co-coordinating Responses Against Drought and Desertification
- Peace Building and Conflict Management within Arid and Semi-Arid Areas
- Development Response to Displacement Impact.
- Management and Promotion of Integrated Cross Border Activities in identified ASAL Counties

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SENIOR MANAGEMENT – STATE DEPARTMENT FOR DEVELOPMENT OF ASALS

(b) Key Management

- Cabinet Secretary
- Accounting Officer (Principal Secretary)
- Directorate of Administration
- Finance Department
- Accounts Department
- Central Planning and Monitoring Unit
- Directorate of Arid Resource Management
- Directorate of Human Resource Management

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2022 and who had direct fiduciary responsibility were:

No.	Designation	Name
1	Accounting Officer	Mr. Micah Pkopus Powon, CBS
2	Senior Deputy Accountant General	CPA Rose Baraza
3	Secretary Administration	Keneth Kimuyu
4	Chief Finance Officer	Mr Paul Masinde
5	Principal Economist	Dorothy K. Mwera
6	Secretary ASALs	Ms Maria Cherono
7	Director for Human Resource Management	Ann Karithii

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Professor Margaret Kobia is the Cabinet Minister in Kenya Government in the Ministry of Public Service, Gender, Senior Citizens, Social Protection and Special Program. She is a full Professor of Management and Entrepreneurship of Kenya School of Government. Professor Kobia Holds a PhD Degree in Human Resource Education of the University of Illinois, M.Ed. of Kenyatta University and B.Ed. of the University of Nairobi. She is charged with formulating and ensuring implementation of policies in the Ministry.



Mr. Micah Pkopus Powon, CBS is currently the Principal Secretary, Ministry of Public Service, Gender, Senior Citizens, Social Protection and Special Program, State Department for Development of Arid and Semi –Arid Lands. Micah Pkopus Powon holds a Bachelor of Science in Agriculture and Master of Science in Horticulture from University of Nairobi and Egerton University Respectively.



Mr. Kennedy K Kimuyu assumed the Position of Director of Administration in May 2021. Formerly he was the Director of Corporate services at the office of The Director of Public Prosecutions. He holds a Masters of Business Administration from Kenyatta University, B.A Honors (Government) from the University of Nairobi, as well as Post graduate Diploma in Public Administration from GIMI-Israel.

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Anne W. Kariithi is the Director HRMD in the State Department for Development of Arid and Semi-Arid Lands, with effect from 1st December 2021. She holds a Masters in Educational Psychology, Bachelor's degree in Education both from Kenyatta University. She also holds a Diploma in HRM from Kenya Institute of Management, and a member of IHRM.



Ms. Dorothy Katumika Mwera is the Head of Central Planning and Project Monitoring Unit. She holds a Bachelors and Master's degree in Economics from the University of Nairobi. She also holds professional qualifications in Project Planning and Management, Monitoring and Evaluation, Strategic Environmental Assessment (SEA) and Strategic Leadership. Ms. Mwera, has a public service career of over 10 years, having joined the Economics profession under the then Ministry of National Planning and Kenya Vision 2030. She has worked in the Ministries of Environment and Forestry, Ministry of Tourism and Wildlife and now currently at the State Department of Arid and Semi-Arid Lands.

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MS. Rose Baraza assumed responsibility as Head of Accounts in May 2022. She has over 20 years' experience in various offices including Cabinet office, Director of Public Prosecutions and state department for irrigation among others. She is a holder of Bachelor of Commerce (Finance) and Masters (Finance) both From Catholic University of East Africa, and a CPA-K holder from Strathmore College.



Mr. Paul Masinde is the Chief Finance Officer heading Finance Department in the State Department For Development of Arid and Semi-Arid Lands. He has worked in various government Ministries and departments. He is a holder of a Master's degree in Business Administration, B.Com degree in Accounting option. He is a Certified Public Accountant CPA (K) and Certified Public Secretary CPS (K).

(d) Fiduciary Oversight Arrangements

Here, provide a high-level description of the key fiduciary oversight arrangements covering (say):

- i. Budget Implementation Committee
- ii. HR Management Advisory Committee
- iii. Audit committee

i. Budget Implementation Committee

This committee is composed of the following members:

- 1. Kennedy Kimuyu(**Chairman**)
- 2. .Ms. Rose Baraza(**Secretary**)
- 3. Ms. Maria Cherono
- 4. Mr. Bernard Kiinga
- 5. .Ms. Ann Kariithi
- 6. Ms. Dorothy Mwera
- 7. Ms. Colleta Maweu
- 8. Mr. Paul Masinde
- 9. Dr. Florence Bett
- 10. Dr. Monica Kinuthia

a) Budget Implementation Committee Mandates

- 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 points
- To review the utilization of the Cash limits and consider any changes as may be required

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- 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 Re allocation of expenditures
- To review and approve the submission of the expenditure returns, payroll IPPDs, pending bills and AIA 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 he Heads of Department

Committee attendance for the year ended 30 th June 2020	Budget Committee Meetings			Total Attendance
	07/07/21	24/08/21	08/04/22	
Mr.Kennedy Kimuyu		P	P	2
Ms Maria Cheronu		P	P	2
Ms.Anne Kareithi		X	P	1
Ms. Irene Mbogo		P	P	2
Mr. Paul Masinde		P	P	2
Mr. Bernard Kiinga		X	X	0
Mr. Justus Omuga		P	X	1
M/s Colleta Maweu		P	X	1
Ms.Dorothy Mwera		X	P	1
Mr. George Ngige		X	X	0
Dr Florence Bett		P	P	2
Dr. Monicah Kinuthia		P	P	2

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

P – Attendance

X – Absent with apology

ii. Human Resource Management Advisory Committee

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

- 1) Micah Pkopus Powon, CBS (**Chairman**)
- 2) Kennedy Kimuyu (**Alt. Chair**)
- 3) Maria Cherono
- 4) Naftali Wambugu
- 5) Dorothy Mwera
- 6) Dr. Florence Bett
- 7) Colleta Maweu
- 8) Rose Baraza
- 9) Ann Kareithi (**Secretary**)

This is the committee charged with the responsibility of taking care of human resource needs of the State Department.

b) Human Resources Management Advisory Committee Activities

Their duties include

- Review of promotion 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.

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Attendance of the Human Resource Management Advisory Committee Members

The following shows the number of human resources management advisory committee meetings
Held during the year and the attendance of individual members

HRMAC ATTENDANCE LIST FY-2021/22

NAME	28 th July, 2021	Aug.2 021 (No meeti ng was held)	Sep. 2021 (No meeti ng was held)	7 th Oct.2 021	Nov. 2021	Dec.20 21 (No meetin g held)	27 th Jan.2022	17 th Feb.2 022	23 rd Mar ch,2 022	April,2022 (No meeting held)	31 st May,2 022	14 th June.2 022
Principal Secretary	X	-	-	X	X	-	X	X	X	-	X	X
Mr. Kennedy Kimuyu	P	-	-	X	P	-	P	P	P	-	P	P
Ms. Maria Cherono	X	-	-	P	X	-	P	P	P	-	P	P
Mr. Wilfred Omari	P	-	-	P	P	-	X	X	X	-	X	P
Dr. Naftali Wambugu	P	-	-	P	P	-	P	P	P	-	P	P
Dr. Florence Bett	X	-	-	P	P	-	X	X	P	-	P	X
Dr. Monica Kinuthia	P	-	-	P	P	-	P	X	X	-	P	P
Mr. Hudson Mugodo	P			P	P	Transfe rred to another Ministr y	Transferr ed to another Ministry			-		
Ms. Anne Kariithi	-	-	-	-	-	-	P	P	P	-	P	P
Ms. Colletta Maweu	P	-	-	P	P	-	P	X	P	-	X	P
Ms. Irene Mbogo	P	-	-	P	P	-	X	P	X	-		
Mr. Paul Masinde	Not a mem ber by then	Not a mem ber by then	Not a mem ber by then	-	P	-	P	P	P	-	P	P

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Mr. Benard Kiinga	Not a member by then	Not a member by then	Not a member by then	Not a member by then	Not a member by then	-	Not a member by then	Not a member by then	P	-	P	P
Ms. Mary Miring'u	Not a member by then	Not a member by then	Not a member by then	Not a member by then	Not a member by then	Not a member by then	P	P	P	-	P	P
Mr. Stephen Githii	P	-	-	P	P	-	P	P	P	-	X	P
Ms. Sarah Aloo	P	-	-	P	P	-	P	P	P	-	P	P

P-Attended

X-Absent With Apology

iii. Audit committee

1. Mr. Pius Nduatih	-Chairperson
2. Mr. Ambrose Ageng'a	- Member
3. Mr. Abdi S. Ali	- Member
4. Mr. John Ogwel	- Secretary/Head, Internal Audit
5. Mr. Joshua Saidimu Molio	-Member
6. Ms. Isabella Kogei	-Member
7. Peter Mwaniki	- Internal Auditor (ASAL)
8. Ms Florence Nyende	- Secretariat (SDPS)
9. Mr. Daniel Musau	- Secretariat (SDPS)
10. Ms. Domitila Sakagwa	- Secretariat (SDPS)
11. Mr. Duncan Muraguri	- Internal Auditor (Gender)
12. Ms Alice Ndung'u	- Internal Auditor (Social Protection)
13. Nicholas Amon	- Internal Auditor (Gender)
14. Sharon Jepchirchir	- Internal Auditor (Gender)

This is the committee charged with the responsibility of taking care of human resource needs of the State Department.

c) Audit committee Activities

Their duties include;

- Overseeing the financial reporting and disclosure process.
- Monitoring choice of accounting policies and principles.
- Overseeing hiring, performance and independence of the external auditors.
- Oversight of regulatory compliance, ethics, and whistleblower hotlines.

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AUDIT COMMITTEE ATTENDANCE LIST FY-2021/22

NAME	28 th July, 2021	Aug.2 021 (No meeti ng was held)	Sep. 2021 (No meeti ng was held)	7 th Oct.20 21	Nov. 2021	Dec.2 021 (No meeti ng held)	27 th Jan.2022	17 th Feb.20 22	23 rd March,2 022	April, 2022 (No meetin g held)	31 st May,2 022	14 th June.2 022
Mr. Pius Nduatih	X	-	-	X	X	-	X	X	X	-	X	X
Mr. John Ogwel	P	-	-	X	P	-	P	P	P	-	P	P
Peter Mwaniki	X	-	-	P	X	-	P	P	P	-	P	P
Mr. Duncan Muraguri	P	-	-	P	P	-	X	X	X	-	X	P
Ms Alice Ndung'u	P	-	-	P	P	-	P	P	P	-	P	P
Nicholas Amon	X	-	-	P	P	-	X	X	P	-	P	X
Sharon Jepchirchir	P	-	-	P	P	-	P	X	X	-	P	P
Mr. Ambrose Ageng'a	X	-	-	P	P	-	X	X	P	-	P	X
Mr. Abdi S. Ali	X	-	-	X	X	-	X	X	X	-	P	P
Ms Florence Nyende	P	-	-	X	P	-	P	P	P	-	X	P
Mr. Daniel Musau	X	-	-	P	-	P	P	-	P	P	-	
Ms. Domitila Sakagwa	P	-	-	P	-	P	P	-	X	X	-	P
Ms. Isabella Kogei	P	-	-	P	-	P	P	-	P	X	-	P
Mr. Joshua Saidimu Molio	X	-	-	P	-	P	P	-	X	X	-	P

P-Attended

X-Absent with Apology

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(e) Entity Headquarters

P.O. Box 40213-00100
Extelcoms Building/House/Plaza
Haile Selassie Avenue/Road/Highway
NAIROBI, KENYA

Entity Contacts

Telephone : (254) 20331764`
E-mail: ps@ASALs.go.ke
Website: www.go.ke

(f) Entity Bankers (all banks)

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

(g) Independent Auditors

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

(h) Principal Legal Adviser

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

2. Statement by the Cabinet Secretary

FORWARD BY THE CABINET SECRETARY

The Government recognizes the need to address inequalities and vulnerabilities in Arid and Semi-Arid Lands (ASALs). In a bold move towards realization of this, the Government, through Executive Order No. 1 of June 2018 (Revised), established the State Department for Development of the ASALS (SDDA) to coordinate overall planning and development of policies for arid and semi-arid lands.

The creation of SDDA demonstrates the Government's commitment to accelerate development of the regions

The State Department envisions a prosperous and resilient communities with sustainable livelihood systems in the ASALs. To realize this, the State Department has prioritized four (4) key strategic objectives namely: To co-ordinate, the formulation and implementation of policies and strategies for development of the ASALs; to build resilience in ASALs through economic and social development interventions; to facilitate social and cultural integration of communities in ASALs and cross border areas; and to strengthen institutional leadership of the State Department

The ASALs make up to 89% of the Country's land mass with approximately 38% of Kenya's Population. These regions are home to more than 90% of the wildlife that supports the tourism industry, contributing 12% of Kenya's Gross Domestic Product (GDP). The annual rainfall in the arid areas ranges between 150 mm and 550 mm while in semi-arid areas, it ranges between 550mm and 850mm per year. Temperatures are high throughout the year, with high rates of evapo-transpiration. The ASAL regions host 70% of the National Livestock herd with an estimated value of Ksh.70 billion. Further, they have enormous potential for renewable energy (both solar and wind) and other natural resources and are as well strategically positioned for cross-border trade and social cultural interaction with Ethiopia, Uganda, Tanzania, South Sudan and Somalia.

Potential in the ASALs

The ASAL regions have great potential for development and contribution to the national economy.

This potential includes :

- Strategic position;
- Water resources;
- Livestock development;
- Irrigated agriculture;
- Renewable energy;
- Mineral wealth;
- Infrastructure projects (LAPSSET corridor);
- Trade; and
- Tourism.

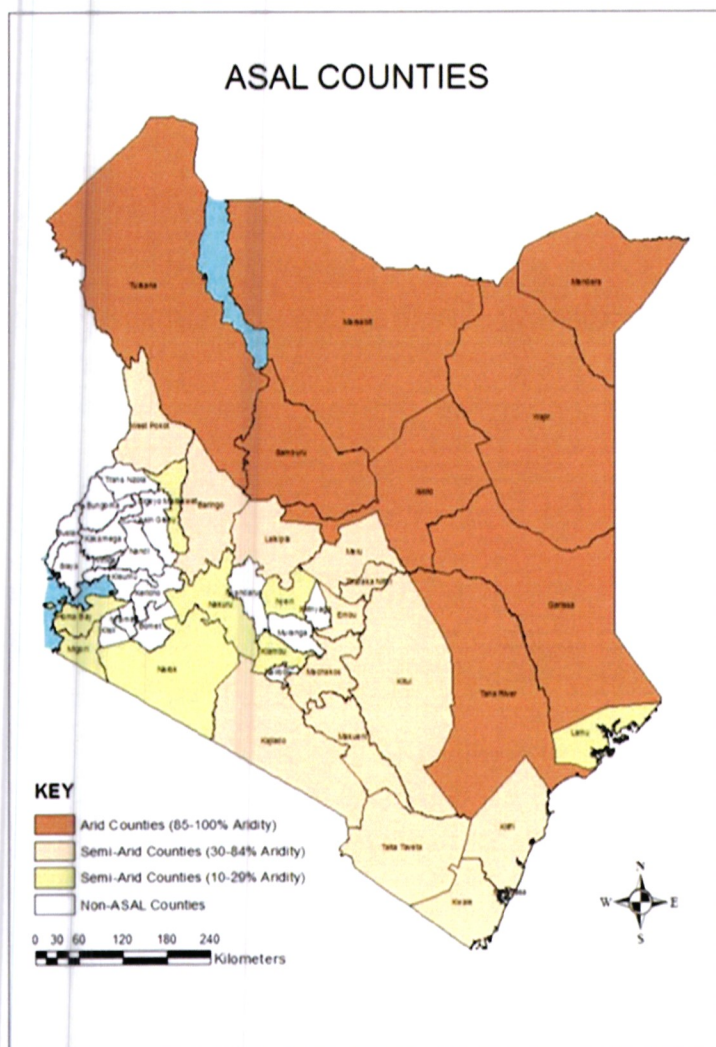
Challenges in the ASALs

The ASALs have unique challenges some of which are highlighted below:

- Drought and climate change;
- Inadequate Social Services;
- Poor Physical Infrastructure;
- Insecure Land Tenure System and Poor Land Use management;
- Dispersed Human Settlements;
- Internal displacements and refugees; and
- Gender bias and negative cultural practices.

ASAL Counties

The ASALs in Kenya are spread across 29 counties with varying degrees of aridity. These extreme climatic conditions have had devastating effects on the environment and livelihoods of communities with spiralling vulnerabilities.



In spite of these advantages, the ASAL regions have the lowest development indicators in the country. The Government of Kenya recognizes the potential contribution of ASALs towards achievement of Vision 2030 Strategy and the Big 4 Agenda.

The following are the four strategic focus areas of the Department during the 2018-2022 planning period.

1. Coordination of development for ASALs

The State Department will coordinate the formulation of policies and implementation of strategies for the development of ASALS. This will be done through overseeing

planning and development of programmes and projects for the ASALS; coordination of research for sustainable resource management; strengthening knowledge management; collaboration with other development partners for accelerated ASALS development; and strengthening the National Drought Management Authority to coordinate and implement drought risk management. In addition, the State Department will develop requisite legal frameworks for development of the ASALS.

2. Resilience Building

Social development indicators in ASALs are low compared to the rest of the country due to various factors. ASALs communities, therefore, have characteristically low capacity to withstand social, economic and environmental shocks arising from droughts, conflicts and climate change. It is, therefore, the strategic focus of the SDDA to develop such programmes that will fill the social, economic and environmental gaps to increase the ability of ASALS communities to withstand such shocks. These programmes include strengthening the ending drought emergencies (EDE) interventions at national and county levels; strengthening investments that support communities to respond to slow onset and predictable hazards. In addition, the Department will coordinate strategies to address poverty reduction, wealth creation and economic growth; and facilitate private investment in the ASALs.

3. Social and Cultural Integration

Social and cultural integration programmes will focus on promoting affirmative action-based programmes for ASALS communities in education, training, health, employment, gender and social inclusion of women, youth, persons with disabilities (PWDs), elderly, marginalised and minorities. Further, frameworks for management and resolution of cultural and resource-based conflicts; social integration; inter-county collaboration and cross-border initiatives in identified ASAL counties will be developed. The Department will also work in collaboration with other stakeholders on the control of human-wildlife and other land use related conflicts in the ASALs.

4. Governance (Institutional Strengthening)

The Department will take up its leadership role for coordinating players in the ASALs development agenda by putting measures in place to strengthen accountability and leadership systems, promote national values, enhance staff competency and develop risk management frameworks.

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5. Risk Management

The state Department identified the risks anticipated and developed mitigation strategies as per the given table below:-

RISK	MITIGATION STRATEGIES
Implementation of some programmes/activities may experience challenges during implementation due to overlaps in mandates	Carry out appropriate consultation with relevant stakeholders
Inadequate ICT equipment and technologies	Acquire modern equipment and technologies
Insecurity in ASAL regions	Establish peace and conflict resolution initiatives
Heightened expectation of the Department to solve all development challenges due to its extended mandate	Continuous information dissemination and communication
Inadequate capacity and skills amongst staff	Recruit more staff, and train and develop current staff

.....
CABINET SECRETARY

**MINISTRY OF PUBLIC SERVICE, GENDER SENIOR CITIZEN AFFAIRS AND
SPECIAL PROGRAMMES.**

3. Statement by the Principal Secretary / Accounting Officer

The State Department for Development of the ASALs was created with the objective to ensure accelerated and sustained socio-economic development in the ASALs, build community resilience and end drought emergencies in Kenya. To achieve this objective, the sub-sector: Co-ordinates the formulation of policies and implementation of strategies for development of the ASALs; builds resilience of the ASAL communities through social, economic and environmental programmes; facilitates social-cultural integration of communities in ASALs and cross border areas; and strengthens institutional leadership of the State Department.

The State Department had an approved budget of Kshs. 1.074 in FY 2021/22 under the recurrent budget against an actual expenditure of Kshs. 1.066 billion. This reflect absorption rate of 99.2%. Under development, it had approved budget of Kshs. 9.88 billion in the same year against an actual expenditure of Kshs. 9.29 billion. This reflect absorption rate of 94.12%.

During the period under review, the State Department for Development of the ASALs had one programmes namely accelerated ASALs Development which had four sub-programmes; ASALs Development, Drought Management, General Administration and Support Services and Peace Building and Conflict Management. In FY 2021/22 the Department actual expenditure amounted to Kshs. 10.365 billion against an approved budget of Kshs. 10.954 billion representing an absorption rate of 94.6 percent. In the four sub-programmes namely: ASALs Development, Drought Management, General Administration and Support Services and Peace Building and Conflict Management, the actual expenditure amounted to Kshs. 222.1 million, Kshs. 6,071.42 million, Kshs. 172.24 million and Kshs. 3,899.47 million respectively against an approved budget of Kshs. 281.25 million, Kshs. 6,432.34 million, Kshs. 197.02 million and Kshs. 4,043.94 million respectively.

In terms of economic classification, that is, compensation of employees, use of goods and services, grants and other transfers, acquisition of non-financial assets, capital grants and transfers to other levels of government and other development the actual expenditure amounted to Kshs. 204.33 million, Kshs. 169.58 million, Kshs. 692.34 million, Kshs. 1,463.39 million, Kshs. 6,443.27 million, Kshs. 1,392.32 million against an approved budget of Kshs. 207.08 million, Kshs. 174.96 million, Kshs. 692.34 million, Kshs. 1,548.98 million, Kshs. 6,857.50 million, Kshs. 1,473.95 million respectively.

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During the period under review, the following achievements were realized:

- i) Diversified livelihoods in the ASALs by: Establishing 9 livelihood enterprises; developing 23 small scale vegetables production demo sites; implementing supplemental lunch programme in 6 primary schools; implementing agriculture homework dairy programme in 7 primary schools; enrolling 11 communities in Agro-nutrition work; and training 10 farmer groups on livelihood diversification.
- ii) Developed rangeland and water resources through: Developing 23 fodder cultivation and reseeding demonstration plots; solarizing 3 boreholes; improving 1 water conservation structure (water pan);
- iii) Provided information on integrated ASAL Development by: Operationalized the knowledge management system and linked 23 partners to ASAL GIS; uploading 21 new datasets and updating existing datasets in the GIS; holding 1 ASALs consultative forums to gather ASALs development information; and created 3 inter agency linkages to the system
- iv) Provided drought and food security information through: Production and dissemination of 276 drought early warning bulletins and at least 46 food security assessment reports annually; enabling 23 county governments to adopt web-based drought early warning system;
- v) Cushioned up to 100,538 poorest households in Turkana, Mandera, Wajir and Marsabit counties against extreme hunger and effects of drought through provision of regular cash transfers and additional 67,069 households during emergency scale up which was escalated beyond the target in FY 2021/22;
- vi) Supported drought preparedness and response interventions by: Supporting 23 counties with finances to mitigate the effects of drought; reviewing 79 ward and 23 county drought contingency plans in ASAL counties; implementing 313 sector specific drought response interventions; implementing 614 community based small micro-projects in 23 ASAL counties; engaging 1,076 youths in alternative economic activities; supporting 116,000 people through cash/food for assets; holding up to 345 EDE /drought coordination forums at national/county level;
- vii) Implemented EDE strategy by: Operationalizing 30 EDE coordination structures at national and county levels; and implementing 30 drought preparedness projects;

- viii) Enhanced climate adaptation and resilience by: establishing two more county climate change fund mechanisms; funding 24 community county climate change fund assets;
- ix) Implemented 11 inter-county and cross border peace dividend projects in Turkana, West Pokot, Marsabit and Tana River counties; sensitizing 60 youth/women groups on conflict prevention and resolution under cross border programme
- x) Supported social and economic amenities for refugee host communities by: Developing 293 WASH facilities; developing 183 health facilities; rehabilitating 101 kilometres of roads; developing 190 school facilities; developing 48 market facilities; training 773 community project management committees;
- xi) Restored environment and natural resources by: Rehabilitating 508 hectares of land; funding 10,433 households to access improved energy saving devices; and training 1,221 beneficiaries on other alternative energy sources; and
- xii) Supported alternative livelihoods by training and funding 3,729 community groups to undertake livelihood activities.

The State Department faced several challenges during implementation of programmes and budget execution namely:

- i) Covid-19 pandemic which was first reported in Kenya in the last quarter of 2019/20 and persisted in the subsequent years affected implementation of various projects and programmes;
- ii) Low budgetary allocations across all programmes due to reallocation of resources to fund COVID 19 containment measures; and
- iii) Increased severity of drought situations.

To overcome the above challenges, the State Department proposed the following activities as a way forward:

- i) Developed a partnership coordination framework with support from the World Food Programme (WFP) to coordinate all development issues in the ASALs;

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- ii) On frequent prolonged drought situation, the State Department is building the resilience of affected communities by implementing community based micro-projects; and

Automation of service delivery-the use of ICT in delivery of services and for interaction with the community in development of ASALs, as resource allocation to the sector continues to decline, ways of rendering services online will be explored as it is efficient and effective. One such innovation is the use of mobile phone technology in data collection and transmission.



.....
PRINCIPAL SECRETARY

STATE DEPARTMENT FOR DEVELOPMENT OF ASALS

4. Statement of Performance Against Predetermined Objectives for FY 2021/22

Guidance

The ASAL subsector works closely with other ministries and departments as well as county governments to ensure effective co-ordination of planning and development of Arid and Semi-arid Lands, implementation of Special Programmes for Development of Arid and Semi-Arid Areas; among others.

Introduction

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer when preparing financial statements of each National Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the national government entity's performance against predetermined objectives.

The key strategic objectives as per the strategic plan for FY 2021/2022(*state the year of the strategic document*) plan are to:

- a) To coordinate the formulation of policies and implementation of strategies for development of ASALs.
- b) To build resilience of the ASAL communities through social, economic and environmental programmes.
- c) To facilitate social cultural integration of communities in ASALs.
- d) To enhance livelihood resilience of pastoral and agro pastoral communities
- e) To manage and promote integration of cross border activities in identified ASAL counties

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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:

Program	Strategic Objective	Outcome	Indicator	Performance	Comments
ASALs Development	Alternative livelihood in the ASALs	No. of livelihood enterprises established.	4	3	There was high uptake by the community in 2019/20 and 2021/22
		No. of schools targeted for “supplemental school lunch programme”	4	3	Implementation was delayed by the long closure of schools due to Covid-19 pandemic.
		No. of communities enrolled in Agro-Nutrition work	6	7	Target achieved as planned
		No. of farmer groups trained on livelihood diversification	4	7	Target achieved as planned

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	Rangeland and Water resources developed	No. of fodder cultivation and reseeded demonstration plots developed	10	10	High uptake rate in the period under review 2021/2022
		No. of boreholes developed based on the strategic sites selected	10	2	2 Boreholes were solarized out of the 10 boreholes drilled. Water was fit for consumption in the solarized boreholes
	Information on integrated ASAL Development	New datasets uploaded to the GIS under existing categories	5	5	Only one additional dataset was added due to major budget cut
		Percentage of water resources refined in GIS database	100	100	The activity was completed
		No. of operational knowledge management system.	1		The GIS system was upgraded and the portal operationalized
	ASALs' policies, strategies and guidelines	Number of resilience programming framework developed	1	1	The draft resilience programming framework is finalized awaiting

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					COG and Cabinet approval
Drought Management	Drought and food security information	No. of Drought Early warning bulletins disseminated	276	276	Targets achieved as monthly bulletins as planned
	Vulnerable and drought effected households supported through cash transfers	No. of beneficiary households under hunger safety net programme	101,800	94,684	The slight drop in the number of beneficiaries receiving cash transfers due to payroll cleansing.
	No. of counties benefiting from HSNP		4	4	Registration and targeting of beneficiaries in additional HSNP Counties was completed
General Administration and Support Services	Administrative support services provided	No. of budget reports prepared	5	5	Target achieved
		No. of training needs assessments	1	1	Target achieved
Peace Building and Conflict Management	Cross border Activity	Peace dividend Projects in Turkana, West Pokot and Marsabit	3	3	Targets achieved

5. Environmental and Sustainability Reporting

Kenya has had a strong legal and policy framework geared toward environmental preservation and restoration of degraded lands. Article 42 of the Constitution of Kenya (2010) enshrines the right to a clean and healthy environment for every person as a fundamental right within Kenya.

Furthermore Article 69 of the Constitution also places obligations on the state with respect to the environment, including sustainable management of natural resources, maintaining a minimum tree cover and protecting diversity.

a) Sustainability strategy and profile

The protection of indigenous people in ASALs continues to be a key area of focus for the ministry. Many projects that have a land component create indigenous people plans or community driven development plans that ensure local community obtains culturally relevant social and economic advantages.

b) Employee welfare

Give account of the policies guiding the hiring process and whether they consider the gender ratio, whether they take in stakeholder engagements and how often they are improved. Explain efforts made in improving skills and managing careers, appraisal, and reward systems. The organisation should also disclose their policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA).

c) Operational practices

The organisation should outline its efforts to:

i. Responsible Supply chain and supplier relations

The State Department has rolled out and is actively championing incentives to the identified vulnerable groups including AGPO, PWDs and Youth by earmarking percentage of procurement to be assigned to these groups which translates to economic empowerment. Further the supply chain is fully automated and has progressively offered suppliers enabling environment in which to bid in a transparent and responsive way. This has led to knowledge of and access to best practices on information available in the government supplier portals.

The State Department has paid pending bills and the amounts outstanding reduced drastically from last financial year.

d) Community Engagements-

The State Department through the various Projects funded jointly by Donors and GOK have impacted communities in ASALs areas through construction and maintenance of water pans in Turkana, Wajir and Garissa among others. Communities participate wholly through stakeholder engagement and active engagement in capital projects through Labour Intensive Public Works LIPW Programs. Solarisation of boreholes is being implemented in areas where electricity has not been connected ensuring functionality of the boreholes. Equipping of hospitals, construction of Schools, hospitals and markets to uplift and give access to social amenities is some of the key highlights done by the State Department.

6. Statement of Management Responsibilities

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

The Accounting Officer in charge of the (*State Department for Development of ASALs*) is responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the Year ended on June 30, 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity, (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 entity; (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 Development Of ASALs*) accepts responsibility for the entity's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the *entity's* financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2022, and of the entity's financial position as at that date. The Accounting Officer in charge of the (*State Department for Development of ASALs*) further confirms the completeness of the accounting records maintained for the *entity*, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

STATE DEPARTMENT FOR DEVELOPMENT OF THE ASALS
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The Accounting Officer in-charge of the (*State Department for Development of ASALs*) confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the entity'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 entity'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.

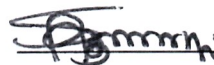
Approval of the financial statements

The State Department for Development of ASALs financial statements were approved and signed by the Accounting Officer on 13th Dec 2022.



Principal Secretary

Name: Micah Pkopus Powon, CBS



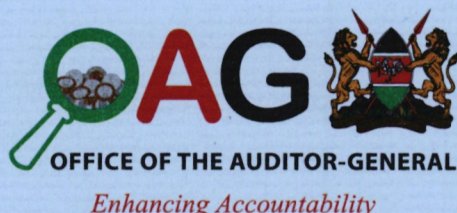
Principal Accounts Controller

Name: CPA Rose Baraza

ICPAK Member Number: 5586

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON STATE DEPARTMENT FOR DEVELOPMENT OF THE ARID AND SEMI-ARID LANDS (ASALs) FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of State Department for Development of the Arid and Semi-Arid Lands set out on pages 1 to 38, which comprise of the statement of assets and liabilities as at 30 June, 2022, and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of State Department for Development of the Arid and Semi-Arid Lands as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unsupported Expenditure

The statement of receipts and payments and as disclosed in Note 3 to the financial statements reflects use of goods and services expenditure of Kshs.1,118,267,287. The expenditure includes the amounts of Kshs.28,493,878, Kshs.157,539,125 and Kshs.2,626,886 for routine maintenance-vehicles and other transport equipment, routine maintenance-other assets and printing and advertising respectively totalling to Kshs.188,659,889 which were not supported with adequate relevant documents.

In the circumstances, the accuracy and completeness of the expenditure of Kshs.188,659,889 on use of goods and services for the year ended 30 June, 2022 could not be confirmed.

2. Unsupported Accounts Payables

The statement of assets and liabilities and Note 7 to the financial statements reflects accounts payables retention balance of Kshs.7,714,520 as at 30 June, 2022 relating to retention for construction contracts. However, details of the constructions undertaken and their contracts that form the basis of the balance were not provided for audit. Further, no explanation was provided for the delay in refund of outstanding balances with some dating back to March, 2014.

In the circumstances, the accuracy, completeness and validity of the accounts payable balance of Kshs.7,714,520 could not be confirmed.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were key audit matters to report in the year under review.

Other Matter

1. Pending Accounts Payable

Note 12.1 to the financial statements reflects pending accounts payables of Kshs.30,632,211 and other pending payables of Kshs.7,714,520 both totalling Kshs.38,346,731 as at 30 June, 2022 which were not settled during the year but instead carried forward to 2022/2023 financial year. Management has not explained why the bills were not settled during the year when they occurred. Further, pending bills reflected in Note 12.1 to the financial statements is at variance with Annex 1 to the financial statements which reflects pending accounts payable amount of Kshs.29,703,310. The variance of Kshs.8,643,421 has not been explained.

Failure to settle bills during the year in which they relate to distorts the financial statements and adversely affects the budgetary provisions for the subsequent year as they form a first charge.

2. Unresolved Prior Year Matters

Various prior year audit issues remained unresolved as at 30 June, 2022. Management has not provided reasons for the delay in resolving prior year audit issues.

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, I confirm that, nothing 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

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the

financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on 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

Lack of an Effective Internal Audit Function

The State Department does not have an effective internal audit function and an active Audit Committee contrary to the provisions of Section 73(1) and (5) of the Public Finance Management Act, 2012 which requires every public entity to have arrangements in place for internal audit function and Audit Committee for the purpose of carrying out in depth reviews of Management operations and internal controls.

In the circumstances, the State Department did not benefit from the assurance and advisory services from the internal audit function as well as oversight from the Audit Committee.

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

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

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

Management is aware of the intention to terminate the State Department or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in

which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal 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 applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the State Department's ability to 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 the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the State Department to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

19 December, 2022

STATE DEPARTMENT FOR DEVELOPMENT OF THE ASALS
Annual Report and Financial Statements for the year ended 30th June 2022

8. Statement of receipts and payments for the year ended 30th June 2022

	Note	2021- 2022	2020-2021
		Kshs	Kshs
RECEIPTS			
Transfers from National Treasury	1	10,168,921,020	7,797,801,776
TOTAL REVENUES		10,168,921,020	7,797,801,776
PAYMENTS			
Compensation of Employees	2	517,458,180	561,080,825
Use of goods and services	3	1,118,267,287	828,747,586
Transfers to Other Government Units	4	7,115,632,531	5,067,335,409
Acquisition of Assets	5	1,417,512,691	1,340,187,818
TOTAL PAYMENTS		10,168,870,688	7,797,351,638
SURPLUS/DEFICIT		50,332	450,138

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 13th Dec 2022 and signed by:



Principal Secretary

Name: Micah Pkopus Powon, CBS



Principal Accounts Controller

Name: CPA Rose Baraza

ICPAK Member Number: 5586

STATE DEPARTMENT FOR DEVELOPMENT OF THE ASALS
Annual Report and Financial Statements for the year ended 30th June 2022

9. Statement of assets and liabilities as at 30th June 2022

	Note	2021- 2022	2020-2021
		Kshs	Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	6A	7,764,852	10,893,316
Cash Balances	6B	-	211,752
Total Cash And Cash Equivalents		7,764,852	11,105,068
TOTAL FINANCIAL ASSETS		7,764,852	11,105,068
LESS: FINANCIAL LIABILITIES			
Accounts Payables - Deposits	7	(7,714,520)	(10,654,930)
NET FINANCIAL ASSETS		50,332	450,138
REPRESENTED BY			
Fund balance b/fwd	8	450,138	3,350,662
Prior year adjustments	9	(450,138)	(3,350,662)
Surplus/Deficit for the year		50,332	450,138
NET FINANCIAL POSITION		50,332	450,138

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 13th Dec 2022 and signed by:


 Principal Secretary
 Name: Micah Pkopus Powon, CBS


 Principal Accounts Controller
 Name: CPA Rose Baraza
 ICPAK Member Number: 5586

STATE DEPARTMENT FOR DEVELOPMENT OF THE ASALS
Annual Report and Financial Statements for the year ended 30th June 2022

10. Statement of cash flows for the year ended 30th June 2022

	Note	2021- 2022	2020-2021
		Kshs	Kshs
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts for operating income			
Transfers from National Treasury	1	10,168,921,020	7,797,801,776
		10,168,921,020	7,797,801,776
Payments for operating expenses			
Compensation of Employees	2	517,458,180	561,080,825
Use of goods and services	3	1,118,267,287	828,747,586
Transfers to Other Government Units	4	7,115,632,531	5,067,335,409
		8,751,357,998	6,457,163,820
Adjusted for:			
Prior Year Adjustments	9	(450,138)	(3,350,662)
Increase/(Decrease) in Accounts Payable: (deposits and retention)	10	(2,940,410)	480,543
		1,414,172,474	1,337,767,837
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	5	(1,417,512,691)	(1,340,187,818)
Net cash flows from Investing Activities		(1,417,512,691)	(1,340,187,818)
CASHFLOW FROM BORROWING ACTIVITIES			
NET INCREASE IN CASH AND CASH EQUIVALENT		(3,340,216)	(2,419,981)
Cash and cash equivalent at BEGINNING of the year	6A+B	11,105,068	13,525,049
Cash and cash equivalent at END of the year	6A+B	7,764,852	11,105,068

STATE DEPARTMENT FOR DEVELOPMENT OF THE ASALS
Annual Report and Financial Statements for the year ended 30th June 2022

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 13th Dec 2022 and signed by:



Principal Secretary

Name: Micah Pkopus Powon, CBS



Principal Accounts Controller

Name: CPA Rose Baraza

ICPAK Member Number: 5586

STATE DEPARTMENT FOR DEVELOPMENT OF THE ASALS
Annual Report and Financial Statements for the year ended 30th June 2022

11. Statement of Comparison of budget and Actual Amounts for FY2021/22

Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation Difference to Final Budget
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Proceeds from Domestic and Foreign Grants	122,000,000	(112,000,000)	10,000,000	-	10,000,000	0%
Exchequer releases	10,019,216,463	925,591,779	10,944,808,242	10,168,921,020	775,887,222	93%
Total Receipts	10,141,216,463	813,591,779	10,954,808,242	10,168,921,020	785,887,222	93%
Payments						
Compensation of Employees	641,340,000	(95,807,812)	545,532,188	517,458,180	28,074,008	95%
Use of goods and services	999,964,539	296,398,434	1,296,362,973	1,118,267,287	178,095,686	86%
Transfers to Other Government Units	6,825,211,416	714,628,584	7,539,840,000	7,115,632,531	424,207,469	94%
Other grants and transfers	122,000,000	(112,000,000)	10,000,000	-	10,000,000	0%
Acquisition of Assets	1,552,700,508	10,372,573	1,563,073,081	1,417,512,691	145,560,390	91%
Grand Total	10,141,216,463	813,591,779	10,954,808,242	10,168,870,689	785,937,553	93%
Surplus/Deficit	-	-	-	50,332	(50,332)	-

(a) *Variance analysis:* [Provide below a commentary on significant underutilization (below 90% of utilization) and any overutilization (above 100%)]

Use of goods and services was underutilized by 14% represented by the pending bills which was unpaid by end of the financial year 30th June 2022. The merchants voucher were delayed in processing as a result of the e procurement module being inactive for the better part of the financial year subsequently leading to late exchequer requisition.

(b) *Reallocations within the year:* (Explain whether the changes between the original and final budget are as a result of reallocations within the budget or other causes as per IPSAS 1.7.23.) The actual on a comparable basis in the Summary

Statement of Appropriation: Recurrent and Development Combined should agree to the amounts reported in the Statement of Receipts and Payments.

STATE DEPARTMENT FOR DEVELOPMENT OF THE ASALS
Annual Report and Financial Statements for the year ended 30th June 2022

The entity financial statements were approved on 13th Dec 2022 and signed by:



Principal Secretary
Name: Micah Pkopus Powon, CBS



Principal Accounts Controller
Name: CPA Rose Baraza
ICPAK Member Number: 5586

STATE DEPARTMENT FOR DEVELOPMENT OF THE ASALS
Annual Report and Financial Statements for the year ended 30th June 2022

12. (a) Summary Statement of Appropriation: Recurrent for FY 2021/2022

Revenue/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilisation Difference e=d-c	% of Utilisation Difference to Final Budget f=d/c %
RECEIPTS						
Exchequer releases	1,061,151,347	13,224,058	1,074,375,405	1,074,360,331	15,074	100%
Total Receipts	1,061,151,347	13,224,058	1,074,375,405	1,074,360,331	15,074	100%
PAYMENTS						
Compensation of Employees	203,580,000	3,500,000	207,080,000	180,009,143	27,070,857	87%
Use of goods and services	150,314,539	10,551,485	160,866,024	151,416,956	9,449,068	94%
Transfers to Other Government Units	692,340,000	-	692,340,000	692,340,000	-	100%
Acquisition of Assets	14,916,808	(827,427)	14,089,381	13,349,259	740,122	95%
Grand Total	1,061,151,347	13,224,058	1,074,375,405	1,037,115,358	37,260,047	97%
Surplus/Deficit	-	-	-	37,244,973	(37,244,973)	

STATE DEPARTMENT FOR DEVELOPMENT OF THE ASALS
Annual Report and Financial Statements for the year ended 30th June 2022

Notes

(a) **Variance analysis:** [Provide below a commentary on significant underutilization (below 90% of utilization) and any overutilization (above 100%)]

(b) **Reallocations within the year:** (Explain whether the changes between the original and final budget are as a result of reallocations within the budget or other causes as per IPSAS 1.7.23.) The actual on a comparable basis in the Summary Statement of Appropriation: Recurrent and Development Combined should agree to the amounts reported in the Statement of Receipts and Payments.

The entity financial statements were approved on 13th Dec 2022 and signed by:



Principal Secretary

Name: Micah Pkopus Powon, CBS



Principal Accounts Controller

Name: CPA Rose Baraza

ICPAK Member Number: 5586

STATE DEPARTMENT FOR DEVELOPMENT OF THE ASALS
Annual Report and Financial Statements for the year ended 30th June 2022

13. (b) Summary Statement of Appropriation: Development for FY 2021/2022

Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Proceeds from Domestic and Foreign Grants	122,000,000	(112,000,000)	10,000,000.00		10,000,000	-
Exchequer releases	8,958,065,116	912,367,721	9,870,432,837	9,094,560,689	775,872,148	92%
Total Receipts	9,080,065,116	800,367,721	9,880,432,837	9,094,560,689	785,872,148	92%
Payments						
Compensation of Employees	437,760,000	(99,307,812)	338,452,188	337,449,037	1,003,151	100%
Use of goods and services	849,650,000	285,846,949	1,135,496,949	966,850,331	168,646,618	85%
Transfers to Other Government Units	6,132,871,416	714,628,584	6,847,500,000	6,423,292,531	424,207,469	94%
Other grants and transfers	122,000,000	(112,000,000)	10,000,000		10,000,000	0%
Acquisition of Assets	1,537,783,700	11,200,000	1,548,983,700	1,404,163,432	144,820,268	91%
Grand Total	9,080,065,116	800,367,721	9,880,432,837	9,131,755,331	748,677,506	92%
Surplus/Deficit	-	-	-	(37,194,642)	37,194,642	-

STATE DEPARTMENT FOR DEVELOPMENT OF THE ASALS
Annual Report and Financial Statements for the year ended 30th June 2022

(a) **Variance analysis:** [Provide below a commentary on significant underutilization (below 90% of utilization) and any overutilization (above 100%)]

(b) **Reallocations within the year:** The actual on a comparable basis in the Summary Statement of Appropriation: Recurrent and Development Combined should agree to the amounts reported in the Statement of Receipts and Payments.

The entity financial statements were approved on 13th Dec 2022 and signed by:



Principal Secretary

Name: Micah Pkopus Powon, CBS



Principal Accounts Controller

Name: CPA Rose Baraza

ICPAK Member Number: 5586

STATE DEPARTMENT FOR DEVELOPMENT OF THE ASALS
Annual Report and Financial Statements for the year ended 30th June 2022

14. (c) Budget Execution by Programmes and Sub-Programmes for FY 2021/2022

Programme/Sub-programme	Final Budget	Indicators	Outcomes	Actual on comparable basis	Budget difference	utilization
	2022			2022		
	Kshs			Kshs	Kshs	
Programme 1 733000000	10,954,808,242			10,168,851,339		785,956,903
Sub-programme 1:733010000	281,249,472			230,519,481		50,729,991
Sub-programme 2:733020000	6,432,340,000			6,071,422,668		360,917,332
Sub-programme 3:733030000	197,268,220			173,046,796		24,221,424
Sub-programme 4:733040000	4,043,950,550			3,693,862,394		350,088,156
Total	10,954,808,242			10,168,851,339		785,956,903

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

15. Notes to the Financial Statement

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

1. Statement of Compliance and Basis of Preparation

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

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

2. Reporting Entity

The financial statements are for the *State Department for Development of ASALs*. 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. Kenya Development Response To Displacement Impact Programme*
- ii. ASALs Geospatial Information System And Knowledge Centre*
- iii. Sustainable Food System and Resilience Livelihood Activities GOK & WFP*
- iv. ECORAD II.*

3. Reporting Currency

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

Significant Accounting Policies (Continued)

4. Significant Accounting Policies

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

a) Recognition of Receipts

The *State Department for Development of ASALs* recognises all receipts from the various sources when the event occurs, and the related cash has been received by the *State Department*.

(i) Transfers from the Exchequer

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

(ii) External Assistance

External assistance is received through grants and loans from multilateral and bilateral development partners. Grants and loans shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary. In case of grant/loan in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice. A similar recognition criterion is applied for loans received in the form of a direct payment.

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

Significant Accounting Policies (Continued)

(iii) 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 payments when the event occurs, and the related cash has been paid out by the *State Department*.

i) Compensation of Employees

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

ii) Use of Goods and Services

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

iii) Interest on Borrowing

Borrowing costs that include interest are recognized as payment in the period in which they are paid for. (*State Department for Development of ASALs*)

iv) Principal on borrowing

The repayment of principal amount of borrowing is recognized as payment in the period in which the repayment is made. (*State Department for Development of ASALs*).

Significant Accounting Policies (Continued)

v) Acquisition of Fixed Assets

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

A fixed asset register is maintained and a summary provided for purposes of consolidation. *This summary is disclosed as an **Annex 2** to the financial statements.*

vi) In-kind contributions

In-kind contributions are donations that are made to the Entity 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 for Development of ASALs* includes such value in the statement of receipts and payments both as receipts and as payments in equal and opposite amounts; otherwise, the contribution is not recorded.

vii) Third Party Payments

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

Significant Accounting Policies (Continued)

c) 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.

A bank account register is maintained and a summary provided for purposes of consolidation. *This summary is disclosed as Note 6A to the financial statements.*

Restriction on Cash

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

Amounts maintained in deposit bank accounts are restricted for use in refunding third party deposits. *As at 30th June 2022, this amounted to Kshs 7,714,520 compared to Kshs 10,654,930 in prior period as indicated on note there were no other restrictions on cash during the year.*

d) Imprests and advances

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 Authority to Incur Expenditure (AIE) holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

Significant Accounting Policies (Continued)

e) Third party deposits and retention

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

Other liabilities including pending bills are disclosed in the financial statements.

f) Pending Bills

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

g) Budget

The budget is developed on a comparable accounting basis (cash basis except for imprest and deposits and retentions, which are accounted for on an accrual basis), the same accounts classification basis, and for the same period as the financial statements. The original budget was approved by Parliament in *June 2021 for the period 1st July 2021 to 30th June 2022* as required by Law and there were 2 number of supplementary adjustments to the original budget during the year.

A comparison of the actual performance against the comparable budget for the financial year under review has been included in the financial statements. Government Development Projects are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognised as inter-entity transfers.

Significant Accounting Policies (Continued)

h) Comparative Figures

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

i) Subsequent Events

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

j) Prior Period Adjustment

During the year, errors that have been corrected are disclosed *under note 26* explaining the nature and amounts.

k) Related Party Transactions

Related party means parties are related if one party has the ability to:

- a) Control the other party or
- b) Exercise significant influence over the other party in making financial and operational decisions, or if the related party entity and another entity are subject to common control.

Related party transaction is a transfer of resources or obligations between related parties regardless of whether a price is charged.

Significant Accounting Policies (Continued)

l) Contingent Liabilities

A contingent liability is:

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

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

STATE DEPARTMENT FOR DEVELOPMENT OF THE ASALS
Annual Report and Financial Statements for the year ended 30th June 2022

Notes to the Financial Statements(Continued)

1 Exchequer releases

Description	2021-2022	2020-2021
	Kshs	Kshs
Total Exchequer releases for quarter 1	2,868,648,633	1,489,733,841
Total Exchequer releases for quarter 2	1,693,083,673	1,882,726,943
Total Exchequer releases for quarter 3	575,350,043	954,730,392
Total Exchequer releases for quarter 4	5,031,838,672	3,470,610,600
Total	10,168,921,020	7,797,801,776

2 Compensation to Employees

Description	2021-2022	2020-2021
	Kshs	Kshs
Basic salaries of permanent employees	120,297,027	107,480,042
Basic wages of temporary employees	337,449,037	390,982,189
Personal allowances paid as part of salary	59,712,116	62,618,594
Total	517,458,180	561,080,825

3 Use of Goods and Services

Description	2021-2022	2020-2021
	Kshs	Kshs
Utilities, supplies and services	1,413,141	1,499,579
Communication, supplies and services	7,930,847	7,333,054
Domestic travel and subsistence	152,414,212	117,362,208
Foreign travel and subsistence	5,913,772	1,908,414
Printing, advertising and information supplies & services	2,626,886	6,977,480
Rentals of produced assets	103,620,810	49,408,220
Training expenses	10,670,562	2,631,535
Hospitality supplies and services	61,023,744	31,436,986
Specialized materials and services	178,051,194	159,126,530
Office and general supplies and services	13,395,213	11,012,496
Fuel Oil and Lubricants	57,683,749	19,487,942

STATE DEPARTMENT FOR DEVELOPMENT OF THE ASALS
Annual Report and Financial Statements for the year ended 30th June 2022

Notes to the Financial Statements (Continued)

Description	2021-2022	2020-2021
	Kshs.	Kshs
Other operating expenses	337,490,155	154,643,763
Routine maintenance – vehicles and other transport equipment	28,493,878	3,765,974
Routine maintenance – other assets	157,539,125	262,153,405
Total	1,118,267,287	828,747,586

4 Grants and Transfers to other Government Entities

Description	2021-2022	2020-2021
	Kshs	Kshs
Transfers to National Government entities		
Current grants to government agencies and other level of government-NDMA	692,340,000	646,940,000
Capital grants to government agencies and other level of government- NDMA & KDRDIP	2,323,192,531	1,662,604,388
Other Capital grants and transfers- NDMA	4,100,100,000	2,757,791,021
Total	7,115,632,531	5,067,335,409

STATE DEPARTMENT FOR DEVELOPMENT OF THE ASALS
Annual Report and Financial Statements for the year ended 30th June 2022

Notes to the Financial Statements (Continued)

13: Transfers to self – reporting entities in the year

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

Description	Recurrent	Development	2021-2022
	Kshs	Kshs	Kshs
Transfers to SAGAs and SCs			
National Drought Management Authority	692,340,000	5,476,773,999	6,169,113,999
Transfers to Projects-GoK counterpart funding			
Community groups GARISSA KDRDIP		425,000,000	425,000,000
Community groups WAJIR KDRDIP		207,500,000	207,500,000
Community groups TURKANA KDRDIP		314,018,532	314,018,532
Total	692,340,000	6,423,292,531	7,115,632,531

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

5 Acquisition of Assets

Non -Financial Assets	2021-2022	2020-2021
	Kshs	Kshs
Construction of Buildings	315,892,829	517,405,829
Purchase of Vehicles and other Transport Equipment	-	24,365,001
Purchase of Office Furniture and General Equipment	4,134,143	4,807,139
Purchase of Specialized Plant, Equipment and Machinery	107,913,581	3,760,000
Purchase of Certified Seeds, Breeding Stock and Live Animals	96,041,333	56,842,872
Research, Studies, Project Preparation, Design & Supervision	45,563,016	19,090,222
Rehabilitation of Civil Works	847,967,789	713,916,755
Total	1,417,512,691	1,340,187,818

STATE DEPARTMENT FOR DEVELOPMENT OF THE ASALS
Annual Report and Financial Statements for the year ended 30th June 2022

Notes to the Financial Statements (Continued)

6. Cash and Bank Accounts

6A: Bank Accounts

Name of Bank, Account No. & currency	Amount in bank account currency	Indicate whether recurrent, Development, deposit etc.	Excrate (if in foreign currency)	2021-2022	2020-2021
				Kshs	Kshs
REC-State Department For Development The ASAL CBK A/C 1000384228		Recurrent		49,480	238,386
DEV-State Department For Development Of The ASALS A/C 1000384249		Development		852	-
DEP-State Department For Development Of The ASALS A/C 1000384247		Deposit		7,714,520	10,654,930
Total				7,764,852	10,893,316

6B: Cash on hand

Description	2021-2022	2020-2021
	Kshs	Kshs
Cash in hand – Held in domestic currency	-	211,752
Cash in hand – Held in foreign currency	-	-
Total	-	211,752

Detailed Cash is as follows:

Description	2021-2022	2020-2021
	Kshs	Kshs
Headquarters, National Treasury Building, Cash office	-	211,752
Total	-	211,752

STATE DEPARTMENT FOR DEVELOPMENT OF THE ASALS
Annual Report and Financial Statements for the year ended 30th June 2022

Notes to the Financial Statements (Continued)

7 Accounts Payables

Description	2021-2022	2020-2021
	Kshs	Kshs
Retention	7,714,520	10,654,930
Total	7,714,520	10,654,930

See Annex 10 Reports Generated from IFMIS

8 Fund Balance Brought Forward

Description	2021-2022	2020-2021
	Kshs	Kshs
Bank Accounts	10,893,316	13,525,049
Cash in hand	211,752	
Accounts Receivables		
Accounts Payables	(10,654,930)	(10,174,387)
Total	450,138	3,350,662

STATE DEPARTMENT FOR DEVELOPMENT OF THE ASALS
Annual Report and Financial Statements for the year ended 30th June 2022

Notes to the Financial Statements (Continued)

9 Prior Year Adjustments

	Balance b/f FY 2020/2021 as per audited financial statements	Adjustments during the year relating to prior periods	Adjusted ** Balance b/f FY 2020/2021
Description of the error	Kshs	Kshs	Kshs
Bank Account Balances	10,893,316	(238,386)	10,654,930
Cash In Hand	211,752	(211,752)	-
Accounts Payables	(10,654,930)	-	(10,654,930)
	450,138	(450,138)	-

The prior year adjustments relate to unspent balances as at 30th June 2021 totalling Kshs 450,138. Cash in hand of Kshs 211,752 was expensed and the balance of Kshs 238,386 was transferred back To National Treasury Exchequer Account vide bank transfer.

10 Increase/ (Decrease) in Retention and Third-Party Deposits

Description	2021-2022	2020-2021
	Kshs	Kshs
Payables As At 1 st July	10,654,930	10,174,387
Payables As At 30 th June	7,714,520	10,654,930
Increase/ (Decrease) In Payables	(2,940,410)	480,543

11 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 Development of ASALs*)

- i. Key management personnel that include the Cabinet Secretaries and Accounting Officers
- ii. Kenya Development Response To Displacement Impact Programme
- iii. ASALs Geospatial Information System And Knowledge Centre
- iv. Sustainable Food System and Resilience Livelihood Activities GOK & WFP
- v. ECORAD II.
- vi. National Drought Management Authority
- vii. National Treasury

STATE DEPARTMENT FOR DEVELOPMENT OF THE ASALS
Annual Report and Financial Statements for the year ended 30th June 2022

16. Other Important Disclosures

11.1 Related party transactions:

Description	2021-2022	2020-2021
	Kshs	Kshs
Key Management Compensation	-	-
Transfers to Related Parties	-	-
Transfers to SCs and SAGAs	7,115,632,531	5,067,335,408
Transfers to Development Project	-	-
Total Transfers to Related Parties	7,115,632,531	5,067,335,408
Transfers from the Exchequer	10,168,921,020	7,797,801,775
Transfers from other MDAs	-	-
(Insert any other Transfers Received from Govt.)	-	-
Total Transfers from Related Parties	10,168,921,020	7,797,801,775

12.1: Pending Accounts Payable (See Annex 1)

	Balance b/f FY 2020/2021	Additions for the period	Paid during the year	Balance c/f FY 2021/2022
Description	Kshs	Kshs	Kshs	Kshs
Construction of Buildings				
Construction of Civil Works	4,995,406	-	-	4,995,406
Supply of Goods	29,258,465	23,659,289	27,280,949	25,636,805
Supply of Services	-	-	-	-
Total	34,253,871	23,659,289	27,280,949	30,632,211

STATE DEPARTMENT FOR DEVELOPMENT OF THE ASALS
Annual Report and Financial Statements for the year ended 30th June 2022

Notes to the Financial Statements (Continued)

12.3: Other Pending Payables (See Annex 2)

	Balance b/f FY 2020/2021	Additions for the period	Paid during the year	Balance c/f FY 2021/2022
Description	Kshs	Kshs	Kshs	Kshs
Amounts due to National Government Entities	-	-	-	-
Amounts due to County Government Entities	-	-	-	-
Amounts due to Third Parties	10,654,930	722,180	(3,662,589)	7,714,520
Total	10,654,930	722,180	(3,662,589)	7,714,520

12.4 External assistance relating loans and grants

	FY 2021/2022	FY 2020/2021
Description	Kshs	Kshs
External Assistance received as Loans - KDRDIP	3,403,403,059	3,308,061,239
External Assistance received as Grants- KDRDIP	142,927,810	-
Total	3,546,330,869	3,308,061,239

STATE DEPARTMENT FOR DEVELOPMENT OF THE ASALS
Annual Report and Financial Statements for the year ended 30th June 2022

Notes to the Financial Statements (Continued)

a) Classification by Source

	FY 2021/2022	FY 2020/2021
Description	Kshs	Kshs
National government	-	-
Multilateral donors	-	-
Bilateral donors	-	-
International assistance organization	3,403,403,059	3,308,061,239
NGOs	-	-
National Assistance Organization	-	-
Total	3,403,403,059	3,308,061,239

Notes to the Financial Statements (Continued)

12.7 Progress on follow up of Prior Years Auditor-General's recommendations

The following is the summary of issues raised by the Auditor-General during the prior year and management comments that were provided.

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)
360.2 (1407)	Discrepancies in relief foodstuffs, receipts and distribution to beneficiaries	The programme of Relief Food was moved to State Department for Devolution in FY 2018/2019 which has the beneficiary distribution records	Not Resolved	FY 2022/2023
359 (1391)	Pending Bills	Pending Bills of Kshs 27,683,850 as at 30 th June 2021 was paid in the FY 2021/2022 under first charge rule	Not Resolved	FY 2022/2023

STATE DEPARTMENT FOR DEVELOPMENT OF THE ASALS
Annual Report and Financial Statements for the year ended 30th June 2022



Principal Secretary

Name: Micah Pkopus Powon, CBS



Principal Accounts Controller

Name: CPA Rose Baraza

ICPAK Member Number: 5586

STATE DEPARTMENT FOR DEVELOPMENT OF THE ASALS
Annual Report and Financial Statements for the year ended 30th June 2022

17. Annexes

Annex 1 - Analysis of Pending Accounts Payable

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2021/22	Outstanding Balance 2020/21	Comments
	A	B	C	D=A-C		
Construction of buildings	-					
Sub-Total						
Construction of civil works	4,995,406					
Sub-Total						
Supply of goods						
Unicomm Technologies Enterprise	2,175,000					
Annay Agencies software's Ltd	418,619					
Graphies Investments Ltd	325,000					
Kerio Valley Development Authority	375,000					
Regional Centre for Mapping	3,300,000					
Restline Systems K. Limited	2,149,260					
Jaypa Enterprises	2,030,000					
Gelian Investment Ltd	105,000					
Oakar Services Limited	1,416,940					
Unicon Technologies Enterprise	1,054,900					
Trenchmax Solutions	1,406,500					
Simlaw Seeds Company	1,796,000					
Trawell Company Ltd	165,600					
Trawell Company Ltd	24,990					
Attic Tours & Travel Ltd	52,900					
Ventag Enterprise Limited	834,075					
Alkeb Tour & Travel	142,000					

STATE DEPARTMENT FOR DEVELOPMENT OF THE ASALS
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Sub-Total	17,771,784								
Supply of services									
Raigways tyres & Automart	192,250								
Credos Supplies Ltd	574,750								
PS Broadcasting & Telecom	212,115								
Telecommunication Today Ltd	576,874								
Staing Enterprises Ltd	486,300								
Avindo Enterprises	308,580								
Maflex Limited	283,825								
Kentriah Enterprises	418,500								
Davil Traders	357,000								
Sharosen Enterprises	145,000								
Sweet Lake Resort	836,500								
Alkab tour & travel	88,800								
TRawell Company Ltd	57,400								
Intermass Stationers	499,361								
Rubets Investments	380,400								
Attic Tours & Travel Ltd	65,000								
Trawell Company Ltd	213,340								
Attic Tours & Travel Ltd	156,600								
Attic Tours & Travel Ltd	50,500								
Attic Tours & Travel Ltd	190,400								
Attic Tours & Travel Ltd	175,000								
Attic Tours & Travel Ltd	13,790								
Shodsam Motors	25,636								
Kenya School of government Mombasa	243,600								
Kenya School of Revenue Administration	185,600								
Trawell Company Ltd	47,800								
Attic Tours & Travel Ltd	151,200								
Sub Total	6,936,121								
Grand Total	29,703,310								

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Annex 2 – Summary of Fixed Asset Register

Asset class	Historical Cost b/f (Kshs) 2020/2021	Additions during the year (Kshs)	Disposals during the year (Kshs)	Transfers in/(out) during the year	Historical Cost c/f (Kshs) 2021/22
Land	-	-	-	-	-
Buildings and structures	1,231,322,584	1,163,860,618	-	-	2,395,183,202
Transport equipment	24,365,001	-	-	-	24,365,001
Office equipment, furniture and fittings	8,991,056	4,134,143	-	-	13,125,199
ICT Equipment	3,760,000	-	-	-	3,760,000
Machinery and Equipment	1,882,000	107,913,581	-	-	109,795,581
Heritage and cultural assets	58,815,672	96,041,333	-	-	154,857,005
Intangible assets	81,189,645	45,563,016	-	-	126,752,661
Total	1,410,325,958	1,417,512,691	-	-	2,827,838,649

(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 18 on acquisition of assets during the year. Ensure this section is complete and covers all the entity's assets. Ensure the complete fixed asset register is separately prepared as per circular number 5/2020 and follow up reminder of circular No.23/2020 of The National Treasury)

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Annex 3 – List of Projects implemented by State Department for Development of the ASALS

Ref	Project Name	Principal activity of the project	Accounting Officer	Project consolidated in these financial statements(yes/no)
1	Kenya Displacement Response to Displacement Impact Project	Address Social, economic and environmental impacts due to the presence of refugee host community	Micah Pkopus Powon, CBS, Principal Secretary	Yes
2	ASALs Geospatial Information System And Knowledge Centre	Development of datasets uploading in GIS defined categories	Micah Pkopus Powon, CBS, Principal Secretary	No
3	Sustainable Food System and Resilience Livelihood Activities GOK & WFP	Enhance the Community's resilience against drought	Micah Pkopus Powon, CBS, Principal Secretary	No
4	ECORAD II	Enhance the Community's resilience against drought	Micah Pkopus Powon, CBS, Principal Secretary	No

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Annex 4 – List of SCs, Sagas and Public Funds under State Department for Development of the ASALS

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 Disaster Management Authority	To reduce risk and build resilience by investing in sustainable development in drought prone areas and by mainstreaming risk reduction into processes of development, planning and resource allocation	Hared Hassan Adan Lt Col (Rtd)	6,169,113,999	Yes

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Annex 5- Reports Generated from IFMIS

The following financial reports generated from IFMIS should be attached as appendices to these financial statements.

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