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THE AUDITOR-GENERAL

ON

STATE DEPARTMENT FOR ARID AND SEMI-ARID LANDS AND REGIONAL DEVELOPMENT

FOR THE YEAR ENDED
30 JUNE, 2025

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P.O. DEPARTMENT FOR THE ASALS AND REGIONAL DEVELOPMENT
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STATE DEPARTMENT FOR THE ASALS AND REGIONAL DEVELOPMENT

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2025**

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

State Department for the ASALS and Regional Development
Annual Report and Financial Statements for the year ended June 30, 2025.

**State Department for the ASALS and Regional Development
Annual Report and Financial Statements for the year ended June 30, 2025.**

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1. Acronyms and Definition of Key Terms

A: Acronyms and Abbreviations

AGPO	Access to Government Opportunities
ASALS	Arid and Semi-Arid Lands
BETA	Bottom-up Economic Transformation Agenda
BIC	Budget Implementation Committee
CDA	Coast Development Authority
CS	Cabinet Secretary
ENSDA	Ewaso Ng'iro South Development Authority
ENNDA	Ewaso Ng'iro North Development Authority
EDE	Ending Drought Emergencies
GOK	Government of Kenya
IPSAS	International Public Sector Accounting Standards
KDRDIP	Kenya Development Response to Displacement Impacts Project
KVDA	Kerio Valley Development Authority
LBDA	Lake Basin Development Authority
LIPW	Labour Intensive public Works
OSHA	Occupational Safety and Health Act
PFM	Public Finance Management
PS	Permanent Secretary
PSASB	Public Sector Accounting Standards Board
RDA'S	Regional Development Authorities
SDARD	State Department for the ASALs and Regional Development
SAGAs	Semi-Autonomous Government Agencies
TNT	The National Treasury

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B: Definition of Key Terms

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

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2. Key MDA Information and Management

(a) Background information

The State Department for the ASALS and Regional Development (SDARD) was established under the Ministry of East African Community Affairs, the ASALS and Regional Development through Executive Order No. 2/2023 of November 2023 which was later revised through Executive Order No. 1 of 2025 dated 1 June 2025.

The SDARD is a special vehicle for affirmative action, mainstreaming Regional Development, Issues of arid and semi-arid lands (ASALS), response to displacement impacts, and coordinating, implementing and fast-tracking investments for long-term sustainable development.

The State Department is represented by the Cabinet Secretary for the Ministry of East African Community (EAC), the ASALS and Regional Development who is responsible for the general policy and strategic direction and the Principal Secretary State Department for the ASALS and Regional Development as the Accounting Officer and administrator of day to day running and implementation of projects and programmes.

(b) Mandate

The mandate of SDARD is to initiate, formulate, coordinate and implement policies, strategies, projects, and programmes to fast-track the development of ASALS and the basin-based regions to build resilience and improve livelihood.

Vision

Transformed and sustained lives and livelihoods

Mission

To coordinate planning and development in ASALS and basin-based regions for inclusive, resilient and sustainable livelihoods.

Core Values

The State Department for ASALS and Regional development upholds the following core values.

- i. Innovativeness and creativity
- ii. Inclusivity
- iii. Integrity
- iv. Professionalism

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Functions

- (a) Coordinate and implement policies, policies and interventions aimed at sustainable development of Arid and Semi-Arid Lands.
- (b) In liason with the National Treasury, support in the oversight of the implementation of programmes funded through Equalization Fund.
- (c) Administer legacy national government programmes and projects transferred from the six regional developments earmarked for restructuring
- (d) Implementation of ASALs regions Programmes, including:
 - Infrastructural development,
 - Planning and encouragement of townships along the main transport corridor,
 - Livestock development,
 - Livestock industries,
 - Water supply and irrigation development,
 - Natural resources management,
 - Mineral Resources Exploitation and development,
 - Human Resource Development,
 - Tapping of Solar and Wind Energy,
 - Adult education
 - Climate smart initiatives, including afforestation and water harvesting.
- (e) Promote resilience, inclusive growth and social economic transformation in ASALS through other targeted investments in livelihoods and basic services.
- (f) Enhance inter-governmental collaboration between national and county governments to ensure equitable resource allocation and service delivery in ASALS
- (g) Mainstream ASALs considerations in national planning and development agendas
- (h) In collaboration with other stakeholders, mobilize domestic and international funding for ASALs infrastructure, water, agriculture and climate adaptation programmes
- (i) Coordinate interventions to promote the implementation of climate-smart initiatives including afforestation and water harvesting
- (j) Coordination and Implementation of Integrated Land reclamation for ASALs development and Climate Resilience
- (k) Implementation of Integrated Rangeland Management and Feedlot Systems in the ASALs counties
- (l) Administer the delivery of basic and tertiary education, health and social protection programmes tailored for the ASALs region considering women, the protection of the girl child, persons with disability and senior citizens

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(m) In liaison with the National Government Administration undertake the sensitization of ASALs communities on government programmes.

(c) Key Management

The State Department for the ASALs and Regional Development day-to-day management is under the following key organs:

- Cabinet Secretary
- Accounting Officer (Principal Secretary)
- Directorate of Administration
- Directorate of Human Resource Management and Development
- Finance Section
- Accounting Unit
- Central Planning and Project Monitoring Department and
- Directorate of ASALs
- Directorate of Regional Development
- Directorate of Special Programmes

(d) Fiduciary Management

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

No	Designation	Name
1	Accounting Officer	Kello Harsama
2	Secretary Administration	Paul Muraya
3	Secretary ASALs	Maria Cheron
4.	Regional Development Secretary	Wanjiku Manyatta
5.	Secretary of Special Programmes	Philip Tarus
6.	Finance Section	Ndungu Kiarie
7.	Accounting Unit	Henry Mayabi
8.	CPPMD	Lore Ambrose
9.	Department of Human Resource Management	Mary Kamau

(e) Fiduciary Oversight Arrangements

Audit committee activities

The State Department's Internal Auditor is a member of the Ministerial Audit Committee, which meets to assess the performance and evaluate risk levels

Public Finance Management Committee

The Budget Implementation Committee meets to assess the performance of the State Department and the interventions required

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Senior Management Committee

The senior management committee sits regularly to evaluate the changing economic and social environment and evaluates the ideal solutions.

Other oversight activities

The Human Resource Management Advisory Committee meets to consider staff welfare and discipline within the State Department

(f) MDA Headquarters

P.O. Box 40213-00100
Hazina Trade Centre
Moktar Daddah Street

(g) MDA Contacts

Telephone: (254) 203317641/2/3
E-mail: Ps@asals.go.ke
Website: <http://www.asals.go.ke>

(h) MDA Bankers

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

(i) Independent Auditors

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

(j) Principal Legal Adviser

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

3. Profile of Cabinet Secretary/Commissioners/Speaker/Chief Justice



Hon. Beatrice Askul Moe
Cabinet Secretary
Ministry of East African Community, the Arid and Semi-Arid Lands, and Regional Development

Hon. Beatrice Askul Moe is the Cabinet Secretary for the Ministry of East African Community (EAC), the Arid and Semi-Arid Lands (ASALs), and Regional Development. She also serves as Chairperson of the EAC Council of Ministers and an Ex-Officio Member of the East African Legislative Assembly (EALA).

Prior to her appointment, she was the County Executive Committee Member for Water, Irrigation, Agriculture, and Land Reclamation in the County Government of Turkana. She has also held governance and oversight roles as a Board Member and Chairperson of the Audit and Technical Committees of the Rift Valley Water Services Board.

Her professional background includes service as a Project Officer with AMREF Kenya and as a Relief Officer for Oxfam's Turkana Program, where she contributed to humanitarian and community development initiatives. She is notably the first woman from Turkana County to be appointed Cabinet Secretary.

Hon. Moe holds a master's degree in governance and Ethics from Mount Kenya University and a Bachelor of Arts in Social Sciences (Social Work) from the Catholic University of Eastern Africa.

4. Profiles of Accounting Officer

Accounting Officer and Key Management



Kello Harsama, CBS
Principal Secretary
State Department for the ASALS and Regional Development

Kello Harsama, CBS, serves as the Principal Secretary and Accounting Officer for the State Department for the Arid and Semi-Arid Lands (ASALs) and Regional Development.

He holds a master's degree in public administration and policy, as well as a bachelor's degree in education.

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5. Statement by the Cabinet Secretary

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

The Government recognizes the need to address inequalities and vulnerabilities in Arid and Semi-Arid Lands (ASALs) and Cross-border Lands. To realize this, the Government through Executive Order No. 1 of June 2025, established the State Department for the ASALs and Regional Development (SDARD) to coordinate the ASALs and river basin-based development for sustainable livelihoods. The creation of SDARD demonstrates the Government's commitment to fast-track development of these regions.

The State Department envisions Transformed and sustained lives and livelihoods. To realize this, the State Department has prioritized fourteen (14) key strategic objectives namely:

1. To protect and conserve ecosystem and catchment areas
2. To enhance disaster resilience capacity and response measures
3. To coordinate, absorptive and adaptive mitigation measures
4. To coordinate and manage humanitarian interventions
5. To save lives and livelihoods
6. To promote socio cultural integration of communities and cross border areas
7. To build resilience through integrated economic and social interventions
8. To promote sustainable utilization and management of basin-based resources
9. To harness resources and strengthen implementation of programmes and projects in ASALs
10. To strengthen partnerships and collaborations
11. To enhance engagement with TNT and Parliament
12. To promote research and access to information uptake and knowledge sharing
13. To enhance institutional visibility
14. To enhance good governance and strengthen institutional capacity

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Potential in the ASALs

The ASAL areas have great potential for development and contribution to the National economy. This potential includes:

Strategic position for international trade.

1. Blue Economy
2. Livestock development
3. Irrigated agriculture.
4. Renewable energy (Wind & Solar)
5. Extractives (Mineral and petroleum deposits)
6. Infrastructure projects (LAPSSET corridor); and
7. Tourism

Challenges in the ASALs

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

1. Drought and floods due to climate change.
2. Inadequate Social Services.
3. Poor Physical Infrastructure.
4. Insecure Land Tenure System and Poor Land Use Management.
5. Resources-based conflicts
6. Dispersed Human Settlements.
7. Internal displacements and refugees.
8. Pests and diseases; and
9. Gender bias and negative cultural practices.

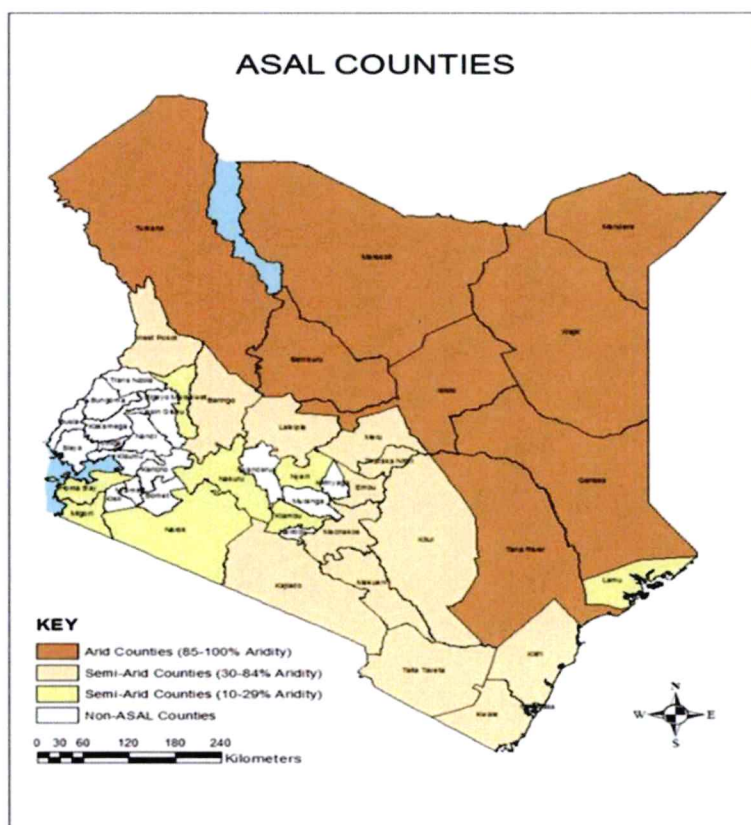
The seven strategic focus areas of the Department during the 2023-2027 planning period are:

- Climate change and disaster effects,
- Social cultural and resource-based conflict
- Food and nutrition security, Oversight
- management and coordination
- financial sustainability
- Knowledge management
- Institutional capacity

THE ASALS COUNTIES

The ASALs in Kenya are spread across at least 31 counties with varying degrees of aridity. These extreme climatic conditions have had devastating effects on the environment and livelihoods of communities with spiralling vulnerabilities.

The ASAL regions have the lowest development indicators in the country. The Government of Kenya recognizes the potential contribution of ASALs towards the achievement of the Vision 2030 Strategy and the **Bottom-up Economic Transformation Agenda (BETA)**



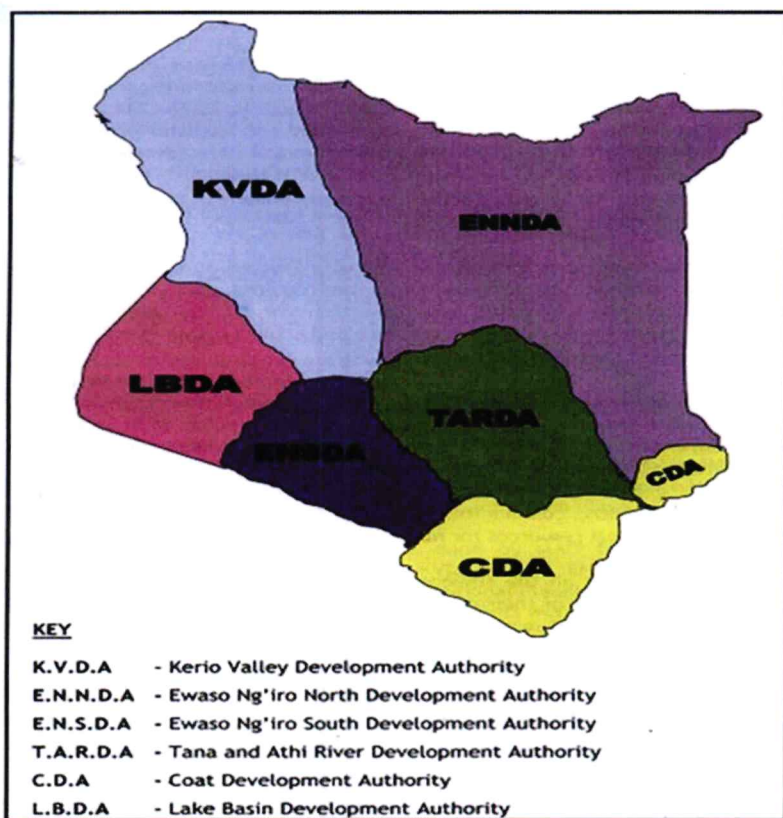
REGIONAL DEVELOPMENT

Regional Development has six (6) Semi-Autonomous Government Agencies that were established between the early 1970s and the early 1990s (Figure 1). These RDAs are as follows.

- Tana and Athi Rivers Development Authority (TARDA) through Cap 443 of 1974.
- Kerio Valley Development Authority (KVDA) through Cap 441 of 1979.
- Lake Basin Development Authority (LBDA) through Cap 442 of 1979.
- Ewaso Ng'iro North River Basin Development Authority (ENNDA) through Cap 448 of 1989.
- Ewaso Ng'iro South Development Authority (ENSDA) through Cap 447 of 1989.
- Coast Development Authority (CDA) through Cap 449 of 1990.

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The Regional Development Authorities are defined along the major river basins and water bodies. They are tasked with a unique mandate of managing and utilizing the basin-based natural resources by fostering integrated economic planning and development with a view of empowering the local communities. The mandate of the Regional Development Authorities (RDAs) is to initiate, plan, coordinate and implement integrated multi-sectoral and Multipurpose programs and projects for sustainable utilization and management of basin-based resources to foster social-economic development and empowerment of the communities. The basin-based resources transcend more than one county as opposed to being aligned to administrative boundaries. This makes the regional development approach very ideal for the utilization and management of these resources.



*Hon. Beatrice Askul Moe
Cabinet Secretary Ministry of East African Community, ASALs and Regional Development*

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6. Statement by the Accounting Officer

The State Department for the ASALS and Regional Development was created to initiate, formulate, coordinate and implement policies, strategies, projects, and programmes to fast-track the development of ASALS and the basin-based regions to build resilience and improve livelihoods.

The State Department had an approved budget of Kshs. 14,854,566,239 in the Financial Year 2024/2025 against an actual expenditure of Kshs. 14,193,284,328 which results to an absorption rate of 95%. Gross Exchequer releases to the State Department amounted to Kshs. 14,045,896,861 of which Kshs.250,000,000 originally budgeted and disbursed to NDMA for the school feeding programme was shifted to Ministry of education during supplementary I and the same amount was returned to the National Treasury resulting to the total Net Exchequer releases of Kshs. 13,795,896,861. In the year 2024/2025 the amount recorded in the books as A.I.A was kshs 397,387,467, of which kshs394,145,467 was collected and spent by the SAGAs and kshs3,242,000 was collected and spent at the head office.

During the period under review, the State Department had three programmes namely Accelerated ASALS Development, Integrated Regional Development and general Administration and Support Services and five sub-programmes. The approved budget versus Actual Expenditure by programme is as follows:

The Table Below Summarizes the Budget Allocations and Actual Expenditures Per Programme.

Name of the Programme	Approved Budget	Actual Expenditure
	(Kshs)	(Kshs)
	Amount	Amount
Accelerated ASAL Development	9,097,988,826	8,719,912,009
Integrated Regional Development	511,967,619	428,695,401
General Administration Planning & Support Services	5,244,609,794	5,044,676,918
Gross Total	14,854,566,239	14,193,284,328

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

- i. 10 Primary schools/ECD were facilitated with assorted vegetable seedlings to participate in the school vegetable lunch programme.
- ii. Diversified livelihoods in the ASALS by Establishing 9 livelihoods enterprises, developing 23 small-scale vegetable production demo sites; implementing supplemental lunch programme in 6 primary schools; implementing agriculture homework dairy programmes in 7 primary schools; enrolling 11 communities in Agro-nutrition work; and training 10 farmer groups on livelihood diversification.
- iii. Provided information on Integrated ASAL Development by Operationalized the knowledge management system and linking 23 partners to ASAL Geographical Information System

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(GIS); uploading 21 new datasets and updating existing datasets in the GIS; holding 1 ASALs consultative forum to gather ASALs development information; and creating 3 inter-agency linkages to the system.


- iv. Provided drought and food security information through the Production and dissemination of 276 drought early warning bulletins and at 46 food security assessment reports annually: enabling 23 county governments to adopt web-based drought early warning systems.
- v. Cushioned up to 100,538 poorest households in Turkana, Mandera, Wajir and Marsabit counties against extreme hunger and effects of drought through the provision of regular cash transfers and additional 67,069 households during emergency scale which was escalated beyond the target in the Financial Year 2021/22.
- vi. Implemented 11 inter-county and cross-border peace dividend projects in Turkana, West Pokot, Marsabit and Tana River Counties; sensitized 60 youth/women groups on conflict prevention and resolution under cross border programme.
- vii. Restored environment and natural resources by Rehabilitating 508 hectares of land; funding 10,433 households to access improved energy-saving devices, and training 1,2221 beneficiaries on other alternative energy sources; and
- viii. Supported alternative livelihoods by training and funding 3,729 community groups to undertake livelihood activities.

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

- i. Low budgetary allocation across all programmes due to the reallocation of resources to fund drought containment measures: and
- ii. Increased severity of drought situation.

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

- i. In frequent prolonged drought situations, the State Department is building the resilience of affected communities by implementing community-based micro-projects
- ii. Automation of service delivery – the use of ICT in the delivery of services and for interaction with the community in the 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.


.....
Kello Harsama, CBS
Accounting Officer

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7. Statement of Performance Against Predetermined Objectives for FY2024/2025

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer presents a statement of performance against predetermined objectives of the MDA.

The key strategic objectives as per the State Department for the ASALS and Regional Development strategic plan 2023-2027 are:

- To protect and conserve ecosystem and catchment areas
- To enhance disaster resilience capacity and response measures
- To coordinate, absorptive and adaptive mitigation measures
- To coordinate and manage humanitarian interventions
- To save lives and livelihoods
- To promote socio cultural integration of communities and cross border areas
- To build resilience through integrated economic and social interventions
- To promote sustainable utilization and management of basin-based resources
- To harness resources and strengthen implementation of programmes and projects in ASALs
- To strengthen partnerships and collaborations
- To enhance engagement with TNT and Parliament
- To promote research and access to information uptake and knowledge sharing
- To enhance institutional visibility
- To enhance good governance and strengthen institutional capacity.

Expenditure in the FY should be geared toward to realization of the strategic objectives as captured in the Strategic plan for FY 2023 to 2027. Linked to these objectives are specific programmes outcomes and outputs and performance indicators. The implemented programmes should be tabulated against actual achievements in the format presented in the table below, on programme performance, to demonstrate the progress towards achievement of the predetermined objectives.

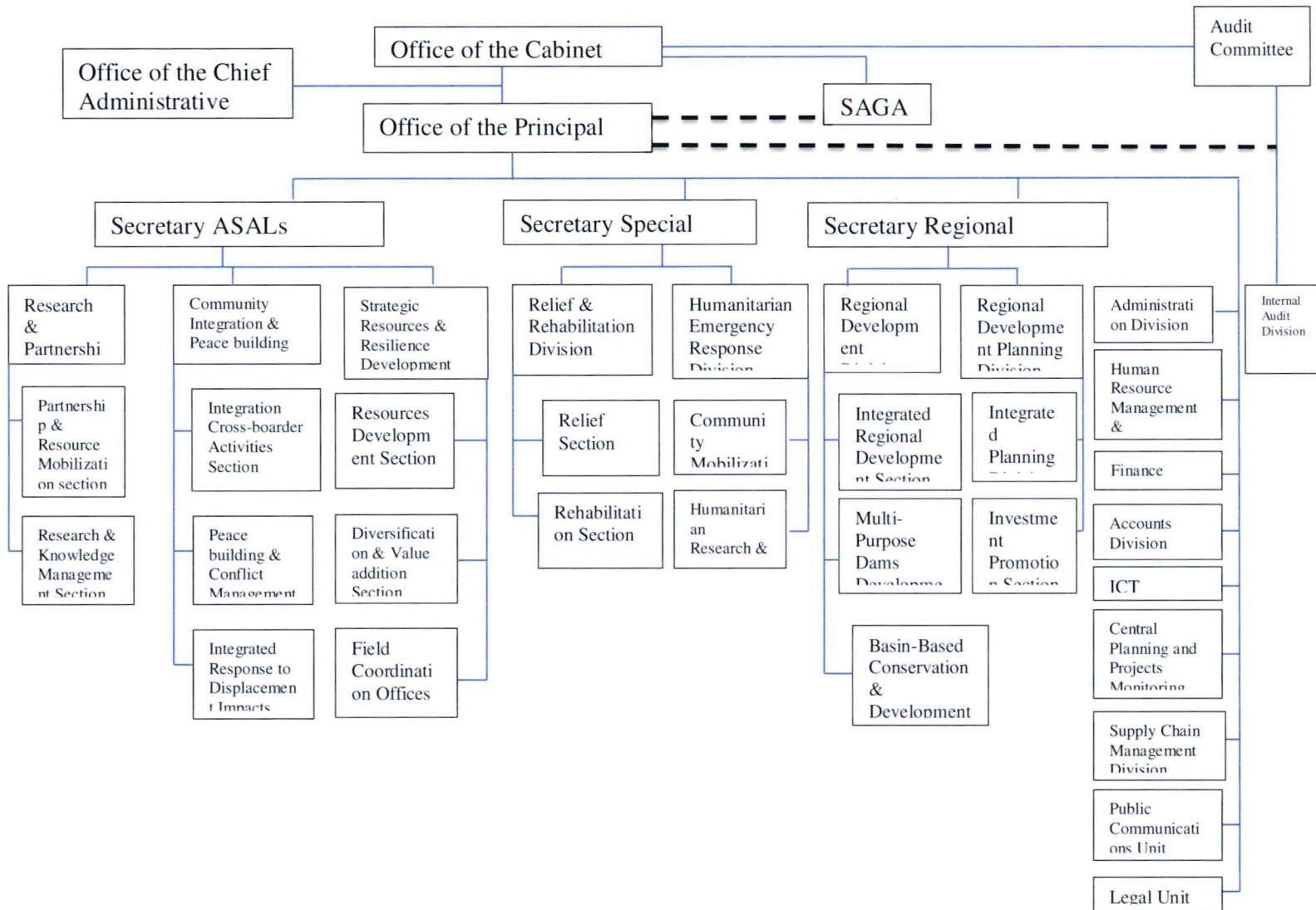
Program	Strategic Objective	Indicator	Target	Performance	Comments
ASALs Development	Alternative Livelihood the ASALs	No. livelihood enterprises established	4	3	There was high uptake by the community in 2019/20 and 2021/22
		No. of schools targeted for “supplemental school lunch Programme”	4	3	Implementation was delayed by the long closure of schools due to Covid -19 pandemic

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Program	Strategic Objective	Indicator	Target	Performance	Comments	
		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	
	Rangeland and Water Resources	No. of fodder cultivation and reseeded demonstration plots developed	10	10	High uptake rate in the period under	
		No. 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 a major budget cut	
		Percentage of water resources refined in GIS database	100	100	The Activity was completed	
		No. of the operational knowledge management system	1		The GIS system was upgraded, and the portal operationalized	
	ASALs policies, strategies and guidelines	Several resilience programming frameworks developed	1	1	The draft resilience programming framework is finalized and awaiting 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-affected households supported through cash transfers	No. of beneficiary households under the hunger safety net programme	101,800	94,684	The slight drop in the number of beneficiaries receiving cash transfers due to payroll cleansing
No counties benefiting from HSNP			4	4	Registration and targeting of beneficiaries in additional HSNP Counties were completed	
General Administration and Support Services	Administrative Support Services provided	No. of budget reports prepared	5	5	Targets Achieved	
		No. training needs assessments	1	1	Targets achieved	
Peace Building and Conflict Management	Cross border Activity	Peace divided projects in Turkana, West Pokot and Marsabit	3	3	Targets Achieved	

8. Governance Statement

8.1 Organization Structure



8.2 Management committees.

Public finance standing committee

This committee provides strategic guidance to the state Department on public finance management matters and comprises of the accounting officer as the chairman, head of finance as the secretary and all heads of administrative units as members.

Roles

- Prioritization on resources allocated to the state Department for smooth implementation of the entities mission, strategy, goals, risk policy plans and objectives.
- Regularly review, monitor budget implementation and advice on major capital expenditure and performance.
- Reviewing on regular basis the adequacy and integrity of the entity's internal control and management and management information systems including compliance.
- Identifying risks and implementation of appropriate measures to manage such risks.
- Monitoring timely resolution of audit issues
- Monitoring the effectiveness of the corporate governance practices under which the state Department operates and proposes revision as may be required.
- Any other matter referred to it from time to time by the Cabinet Secretary or responsible offices

The committee meets once every quarter and met four times in the year under review.

The Human Resource Management Advisory Committee comprises nine (9) members and meets monthly to deliberate on human resource management and advisory matters

8.3 Audit Committee

The State Department for the ASALs and Regional Development has an Audit Committee in place. The Committee's term was renewed in July 2024 by the appointing authority for a further period of three (3) years.

Role

- Support the accounting officer with regard to their responsibilities on issues of risk, control and governance and associated assurance.
- Follow up on implementation of the recommendations of internal and external auditors.
- Performing an independent review of the financial statements to ensure the integrity and transparency of the financial reporting process.

During the year under review the audit committee held three meetings on 20th January 2025, 4th February 2025 and 27th February 2025.

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8.4 Risk management, compliance, conflict of interest

The State Department has appointed a Monitoring and Evaluation Committee to oversee the evaluation of all projects and programmes implemented during the financial year. This Committee supports accountability by ensuring compliance, assessing risks, and addressing conflict of interest matters in project and programme execution.

8.5 Risk management policies

The State Department previously had a Risk Management Policy in place. Following the reorganization of government functions, it has embarked on developing a new policy, with a draft already prepared. Once finalized, the policy will guide risk identification, mitigation, and monitoring.

8.6 Report on recent training and development on governance for those in key leadership.

During the financial year 2024/2025, the State Department trained 58 staff members on different courses.

8.7 Public participation activities

Role of Sub-Sector Stakeholders

The matrix below maps out the sub-sector stakeholders and the role they play in implementation of programmes and projects of the sub-sector. Specific collaboration has been achieved with various MDAs, County Governments, Development Partners, Intergovernmental Authority on Development (IGAD), Non-State Actors (NSAs), research institutions, Universities, ASAL Stakeholders Forum, Regional Development Authorities (RDAs), Parliamentary Committee on Regional Development, and the Pastoralists' Parliamentary Group (PPG).

Stakeholders	Role
The Presidency	<ul style="list-style-type: none"> • Provide overall leadership and political goodwill
The Cabinet	<ul style="list-style-type: none"> • Prepare Cabinet memos and briefs, draft policies and bills
National Drought Management Authority	<ul style="list-style-type: none"> • Coordinate drought-related activities • Lead and coordinate drought risk management aspects
Kerio Valley Development Authority	<ul style="list-style-type: none"> • Manage and develop Kerio Valley region • Implement integrated development, improving per capita income in the region
Tana and Athi Rivers Development Authority	<ul style="list-style-type: none"> • Manage and develop Tana and Athi Rivers
Lake Basin Development Authority	<ul style="list-style-type: none"> • Manage and develop the Lake Basin region
Ewaso Ng'iro South River Basin Development Authority	<ul style="list-style-type: none"> • Manage and develop Ewaso Ng'iro South River Basin

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Coast Development Authority	<ul style="list-style-type: none"> • Manage and develop the Coast region
Ewaso Ng'iro North River Basin Development Authority	<ul style="list-style-type: none"> • Manage and develop Ewaso Ng'iro North River Basin
Line Ministries and Departments	<ul style="list-style-type: none"> • Facilitate timely programme execution • Provide technical support • Foster synergy in development
National Treasury	<ul style="list-style-type: none"> • Ensure prudent resource utilization • Provide timely financial reports • Prioritize programme initiatives
County Governments	<ul style="list-style-type: none"> • Offer technical support • Engage in partnerships for implementation • Facilitate programme coordination
Development Partners	<ul style="list-style-type: none"> • Ensure prudent resource utilization • Establish joint partnerships • Ensure timely implementation
Citizens/local communities	<ul style="list-style-type: none"> • Prioritize initiatives • Uphold good governance • Provide technical support
Project Affected Persons (PAPs)	<ul style="list-style-type: none"> • Adherent to laws • Disseminate programme information • Ensure accountability
General public	<ul style="list-style-type: none"> • Foster accountability • Provide information • Champion development
Civil Society Organizations	<ul style="list-style-type: none"> • Enhance accountability • Conduct Environmental Impact Assessments (EIA) • Establish legal and institutional frameworks
Contractors and suppliers	<ul style="list-style-type: none"> • Honor contractual obligations • Maintain transparent procurement process
Legislature	<ul style="list-style-type: none"> • Adherence to laws • Ensure prudent resource use
Private sector	<ul style="list-style-type: none"> • Create an enabling policy environment • Adherent to laws • Uphold accountability
Trade unions	<ul style="list-style-type: none"> • Create an enabling policy environment • Adherent to laws • Uphold accountability
Media	<ul style="list-style-type: none"> • Create an enabling policy environment • Adherent to laws • Uphold accountability
Academia and research institutions	<ul style="list-style-type: none"> • Provide data • Engage in research partnership
Public servants	<ul style="list-style-type: none"> • Adherence to laws

**State Department for the ASALS and Regional Development
Annual Report and Financial Statements for the year ended June 30, 2025.**

	<ul style="list-style-type: none"> • Maintain integrity in human resource management
Commercial banks	<ul style="list-style-type: none"> • Create enabling policy environment • Adherent to laws and regulations • Promote transparency
IGAD	<ul style="list-style-type: none"> • Honor of obligations
Pastoralists' Parliamentary Group	<ul style="list-style-type: none"> • Lobby for development agenda and bills to parliament for approval and funding
ASALs stakeholder forum	<ul style="list-style-type: none"> • Convene all ASALs stakeholders to discuss ASALs development

8.8 Compliance with laws and regulations among others.

The State Department has established an Affirmative Action in Procurement and Asset Management Committee. The Committee coordinates implementation of the policy that ensures at least 30% of the procurement budget is awarded to youth, women, and persons with disabilities.

9. Management Discussion and Analysis

9.1 Key Programs/Projects Implemented or Ongoing, and Review of the Economy and Sector

During the year under review, the State Department implemented a wide range of projects and programmes across the ASALs and regional development sector.

- **Rangeland and Water Resources Development and Management:** Maintained 185 water sources with elevated hand pumps; developed 23 pasture reseeding and rehabilitation sites; and trained 14 community groups in pasture, vegetable production, and consumption.
- **Data Collection:** Uploaded data from five ASAL counties (Baringo, Kitui, Meru, Narok, and Tana River) into the GIS system.
- **Policy Alignment and Partnerships:** Aligned five policies to the Partnership Coordination Framework, including the Resilience Programming Framework, Resilience Investment Measurement System, National Shelter Strategy, and Economic Development Master Plan. Developed regional and relief policies, signed partnership agreements with five organizations (USAID/Strathmore, Free Pentecostal Fellowship of Kenya, IMPACT, IOM, and Gift Power), and concluded four MOUs (Kenya–Somalia, Kenya–Ethiopia, Kenya–Uganda, Kenya–Tanzania).
- **Distribution of Assistance:** Provided food and non-food items to 818,370 people affected by El Niño and floods during the October–December 2023 short rains and March–May 2024 long rains.
- **Peace Initiatives:** Convened six peace forums in conflict-prone counties, held four cultural peace events in Samburu, Marsabit, Laikipia, and Nyandarua, and supported youth and women’s groups in conflict prevention and resolution.
- **Regional Development and Environmental Initiatives:** Prepared a zero draft Integrated Regional Development Master Plan aligned to the BETA Agenda. Planted 850,000 trees in Meru, Embu, and Busia, and undertook feasibility studies for Kimwarer, Aror, and Turkwel multi-purpose dams.
- **Drought and Food Security Information:** Produced 12 additional national early warning bulletins, 276 county bulletins, and national bi-annual food assessment reports.
- **Support to Vulnerable Households:** Provided cash transfers and case management to drought-affected households, ensuring account activity and fund receipt.
- **Climate Adaptation and Resilience in ASALs:** Implemented climate information systems in 11 counties, established landscape management mechanisms, and developed ward-level rangeland restoration plans.
- **Irrigation and Agricultural Projects:** Achieved 95% completion of Wei Wei Phase III and 96% of Napuu irrigation projects. Raised 1.9 million mango seedlings, procured 125.9 tons of mango fruits, processed 42,500 litres of juice, and trained 125 farmers on modern farming practices.
- **Drought Mitigation (Water Infrastructure):** Constructed 15 water pans with a total capacity of 300,000m³, benefiting 30,000 people and 100,000 livestock.

**State Department for the ASALS and Regional Development
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- **Catchment Conservation:** Planted 1.5 million seedlings under the Cherangany Catchment Project, irrigated 100 acres at Kamsiwet, and trained 130 farmers in best practices.
- **Irrigation Expansion:** Developed irrigation on 100 acres each at Kieni and Lower Murang'a projects and expanded rice production to 500 acres.
- **Clean Energy and Smart Agriculture:** Drilled and equipped five boreholes, introduced solar-powered irrigation on 150 acres, and trained 20 farmers in modern agricultural technology. Managed 3,317 acres under catchment conservation.
- **Solar Irrigation Projects:** Installed irrigation infrastructure on 30 acres under Lichota, Muhoroni, and Alupe projects, and drilled a borehole at Sang'alo ITTC.
- **Farmer Training:** Trained 530 farmers in operations and maintenance of irrigation infrastructure under the Kimira Oluch Project.
- **Social Health Development Programme:** Achieved 60% completion of the CDA Malindi office and 62% completion of the ICU at Malindi Sub-County Hospital.
- **Tomato Value Addition:** Supported five farmer groups in the tomato value chain.
- **Tree Seedling Production:** Produced 3.5 million seedlings under the Ewaso Ng'iro South Basin Programme and distributed 500,000 to communities.
- **Ewaso Ng'iro North Catchment Conservation:** Planted 1.5 million seedlings and distributed 9,070 seedlings to schools and communities.

9.2 MDA's Compliance with Statutory Requirements

Major Risks Facing the Organisation

S/No.	Risks	Mitigation Measure(s)
1	Operational - inadequate relief and humanitarian assistance delivery	(i) Establish clear protocols and guidelines for emergency response (ii) Conduct regular drills and simulations to enhance response readiness (iii) Collaborate with humanitarian agencies for improved coordination and resource allocation
2	Financial - insufficient funding for programmes and projects	(i) Diversify funding sources through grants, partnerships, and donor funding (ii) Develop a prioritization criterion (iii) Develop a phased-out approach (iv) Implement financial planning and budgeting processes (v) Explore cost-sharing opportunities with other government agencies and organizations (vi) Develop a resource mobilization strategy
3	Technological- limited technology uptake and integration	(i) Invest in staff training and capacity building for technology adoption (ii) Engage with technology experts and providers for tailored solutions

**State Department for the ASALS and Regional Development
Annual Report and Financial Statements for the year ended June 30, 2025.**

S/No.	Risks	Mitigation Measure(s)
		(iii) Implement management strategies to ensure smooth transition and adoption
	Technological - threats associated with cyber security	(i) Complying with regulatory framework for use of ICT services and data (ii) Improved compliance with ICT
	Technology - rapidly evolving technology	(i) Investing in ICT related facilities and equipment (ii) Continuously updating to conform to rapid changes (iii) Capacity building of staff on new technological advancement
4	Social-cultural - conflict arising from cultural differences and resource disputes	(i) Facilitate community dialogues and mediation sessions to address grievances and foster understanding (ii) Establish community-based conflict resolution mechanisms (iii) Implement cultural sensitivity training for staff and stakeholders
5	Institutional - limited capacity to implement the strategy	(i) Provide targeted training and professional development opportunities for staff (ii) Strengthening collaboration with external partners and experts (iii) Implement robust performance management systems
6	Oversight – limited oversight and coordination mechanisms	(i) Establish clear roles and responsibilities for oversight bodies and committees (ii) Implement regular performance reviews and evaluations for oversight mechanisms (iii) Enhance communication channels and information-sharing platforms
7	Political - changes in government policies	(i) Foster strong relationships with key government officials and stakeholders (ii) Continuously monitor political developments and adapt strategies accordingly (iii) Advocate for policy continuity and engage in proactive policy dialogue

9.3 Major Risks Facing the Organization

The State Department faces various operational, financial, technological, social, institutional, oversight, and political risks. Key risks and mitigation measures include:

**State Department for the ASALS and Regional Development
Annual Report and Financial Statements for the year ended June 30, 2025.**

S/No.	Risk	Mitigation Measures
1	Operational – inadequate relief delivery	Establish protocols, conduct drills, and coordinate with agencies
2	Financial – insufficient funding	Diversify funding, prioritise projects, adopt phased approaches, mobilise resources
3	Technological – low uptake and cyber threats	Train staff, invest in ICT, comply with data regulations
4	Social-cultural – resource-based conflicts	Promote community dialogue, mediation, and cultural sensitivity training
5	Institutional – limited capacity	Staff training, strengthen partnerships, performance management
6	Oversight – weak coordination	Clarify roles, conduct reviews, enhance communication
7	Political – policy changes	Build stakeholder relations, monitor developments, advocate for continuity

9.4 Material Arrears in statutory and other financial obligation

During the review period, challenges were experienced due to late release of exchequer funding and budget rationalization

9.5 Review of the economy and sector

The ASALs continue to face unique challenges, including droughts and floods driven by climate change, inadequate social services, poor infrastructure, insecure land tenure, dispersed settlements, pests and diseases, and resource-based conflicts. Funding shortfalls, understaffing in technical departments, and insecurity along border areas also affected implementation of programmes.

9.6 Future developments not included

The State Department plans to strengthen drought and flood preparedness, expand irrigation, promote renewable energy solutions in agriculture, and finalize the Integrated Regional Development Master Plan. It will also enhance partnerships with development actors and mobilize additional resources to bridge funding gaps.

9.7 Any other Information considered relevant to the users of the financial statement

The Department remains committed to improving service delivery, promoting peace and security, enhancing resilience to climate change, and advancing socio-economic development in ASAL and regional areas.

10. Environmental and Sustainability Reporting

Kenya has a strong legal and policy framework for environmental preservation and restoration of degraded lands. Article 42 of the Constitution of Kenya (2010) guarantees every person the right to a clean and healthy environment. Article 69 further obligates the State to ensure sustainable management of natural resources, maintain a minimum tree cover, and protect biodiversity.

(a) Sustainability Strategy and Profile

The protection of indigenous peoples in ASALs remains a priority. Projects with land-related components incorporate indigenous peoples' plans to ensure culturally relevant social and economic benefits.

(b) Environmental Performance, Climate Change and Disaster Risk Management

Environmental performance is monitored through the Environmental Performance Index (EPI), which measures progress towards international sustainability targets. Disaster risk management is addressed through preparedness, relief, rehabilitation, mitigation, and prevention, guided by the National Policy for Disaster Management. This framework seeks to build resilience among vulnerable communities through livelihood diversification and adaptive coping mechanisms.

(c) Employee Welfare

The State Department adheres to Public Service Commission guidelines in recruitment and promotion, ensuring compliance with gender and disability inclusion policies. The Department also complies with the Occupational Safety and Health Act (2007) to safeguard staff welfare and workplace safety.

(d) Operational Practices and Supply Chain Management

The Department actively implements affirmative action in procurement, earmarking a share of contracts for youth, women, and persons with disabilities under AGPO.

(e) Community Engagement

Through projects jointly funded by the Government of Kenya and development partners, communities in ASAL areas have benefitted from the construction and maintenance of water pans, solarization of boreholes, and Labour-Intensive Public Works (LIPW) programmes. Further investments have supported the equipping of hospitals, and the construction of schools, health facilities, and markets, thereby improving access to essential social amenities.

**State Department for the ASALS and Regional Development
Annual Report and Financial Statements for the year ended June 30, 2025.**

11. Statement of Management Responsibilities

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

The Accounting Officer in charge of the State Department for the ASALs and Regional Development is responsible for the preparation and presentation of the State Department for the ASALs and Regional Development financial statements, which give a true and fair view of the state of affairs of the State Department for and as at the end of the financial year ended on June 30, 2025. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the State Department, (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of the State Department (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 the ASALs and Regional Development accepts responsibility for the State Department's financial statements, which have prepared in accordance with the Accrual Basis of Accounting under the Transitional International Public Sector Accounting Standards (IPSAS) using appropriate accounting policies in accordance with the International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the State Department's financial statements give a true and fair view of the State Department's transactions during the financial year ended June 30, 2025, and of the State Department's financial position as at that date. The Accounting Officer further confirms the completeness of the accounting records maintained for the State Department, which have been relied upon in the preparation of the State Department's financial statements as well as the adequacy of the system of internal controls.

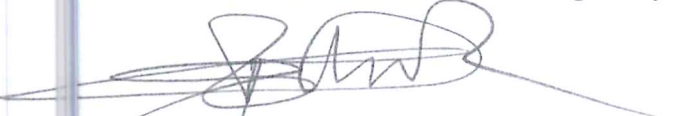
The Accounting Officer in charge of the State Department for the ASALs and Regional Development confirms that the State Department has complied fully with applicable Government Regulations and the terms of external financing covenants and that the State Department's funds received during the

State Department for the ASALS and Regional Development
Annual Report and Financial Statements for the year ended June 30, 2025.

year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the State Department'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 the ASALS and Regional Development's financial statements were approved on 18, AUGUST 2025 and signed by:



Kello Harsama, CBS
Accounting Officer

REPUBLIC OF KENYA



HEADQUARTERS
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REPORT OF THE AUDITOR-GENERAL ON STATE DEPARTMENT FOR THE ARID AND SEMI-ARID LANDS AND REGIONAL DEVELOPMENT FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

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

- A. Report on 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 the 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 the Government achieves value for money and that such funds are applied for the intended purpose; and,
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An Unmodified Opinion is issued when the Auditor-General concludes that the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management, and Governance.

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying transitional IPSAS financial statements of State Department for Arid and Semi-Arid Lands (ASALs) and Regional Development set out on pages 1 to 40, which comprise of the statement of financial position as at 30 June, 2025, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts

Report of the Auditor-General on State Department for the Arid and Semi-Arid Lands and Regional Development for the year ended 30 June, 2024

for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the transitional IPSAS financial statements present fairly, in all material respects, the financial position of the State Department for the ASALs and Regional Development as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards Accrual Basis (including the transitional provisions permitted under IPSAS 33) and comply with the Public Finance Management Act, 2012 and The National Treasury and Economic Planning Circular No.3 of 14 April, 2025.

Basis for Opinion

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

Emphasis of Matter

1. Long Outstanding Trade and Other Payables

The statement of financial position reflects a balance of Kshs.74,748,283 in respect of trade and other payables due to suppliers, service providers, and other third-party obligations. Out of the balance, an amount of Kshs.14,324,389 remained outstanding for more than one year.

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

2. Undisclosed Contingent Liabilities

Note 24 to the financial statements indicates that the State Department had contingent liabilities amounting to Kshs.2,428,746,025 as at 30 June, 2025 relating to pending bills with the Pending Bills Verification Committee. However, Annex VI to the financial statements indicates that there were twelve (12) active litigation matters which had not been determined and whose outcome and likely liabilities was uncertain.

In the circumstances, the likely effect and contingent liabilities arising from the outcome of the court cases could not be confirmed.

My opinion is not modified in respect of these matters.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the prior year audit report, the issue of non-compliance with one third basic salary rule was raised under the Report on Lawfulness and Effectiveness in Use of Public Resources while the issue of lack of a Risk Management Policy was raised under the Report on Effectiveness of Internal Controls, Risk Management and Governance. Review of the status during audit of the State Department in 2024/2025 revealed that the matters remained unresolved.

Other Information

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

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Non-Compliance with the Law on Affirmative Action

Review of the payroll records as at 30 June, 2025 revealed that 21% of employees were aged below 35 years, 40% were between 36 and 49 years, while 39% were aged 50 years and above. This composition indicates uneven youth representation within the workforce compared to the national demographic profile, which is predominantly youthful. Although staff recruitment was undertaken in line with Public Service Commission procedures, the overall staffing pattern reflects an aging workforce with no deliberate framework to attract, develop, and retain young professionals. This was contrary to Article 232(1)(h) of the Constitution of Kenya, 2010 and Section B.4(1) of the Human Resource Policies and Procedures Manual for the Public Service (2016), which require fairness, inclusivity, and age diversity in public service recruitment and staffing.

In the circumstances, Management was in breach of the law.

2. Lack of an Approved Staff Establishment

Review of employee records and the staffing structure revealed that the State Department did not have a current approved staff establishment. Instead, it continued to operate under the staff establishment approved in 2020, which has not been updated to reflect changes in organizational functions, growth, or staffing needs. Although a draft revised staff establishment had been prepared, it had not been approved and operationalized by the relevant authorities. This was contrary to Section B.5 of the Public Service Commission Human Resource Policies and Procedures Manual for the Public Service (2016), which requires every public service organization to maintain an approved and regularly reviewed staff establishment aligned to its mandate and strategic objectives.

In the circumstances, Management was in breach of the manual.

3. Asset Management

Review of fleet and asset management practices revealed weaknesses in the control and safeguarding of public assets. The State Department owns thirty-three (33) motor vehicles. However, logbooks for seventeen (17) motor vehicles were not provided for audit review, while eleven (11) motor vehicles were serviceable but grounded, indicating underutilization of available transport resources. In addition, fifteen (15) computers donated by a Development Authority during the financial year 2023/2024 were not tagged for identification. Further, physical verification revealed that office furniture and fittings of undisclosed value including both newly procured and long-held items, were not tagged, making it difficult to track, verify, and account for them. This was contrary to Section 79 of the Public Finance Management Act, 2012 and Regulation 139(1) of the Public Finance Management (National Government) Regulations, 2015, which require Accounting Officers to ensure proper control, custody, and safeguarding of public assets.

In the circumstance, Management was in breach of the law.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply 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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Lack of a Formal Policy Framework Guiding Relief Food Operations

Review of processes at the State Department revealed that the Directorate for Special Programmes, which oversees national relief food operations, does not have a formally approved and published policy framework to guide the end-to-end management of relief food and non-food item distribution. As a result, key operational areas such as beneficiary identification and targeting, composition and mandate of distribution committees, documentation of stock movements and field returns, oversight and reporting responsibilities, training of field-level officers, and criteria for activating emergency response remain undefined. The absence of these standardized procedures has led to inconsistencies in county-level implementation, disputes over roles, weak documentation, and inadequate accountability for distributed relief items.

In the circumstance, the effectiveness, transparency, and accountability of relief food operations could not be assured.

2. Lack of Monitoring and Evaluation Framework for Relief Food and Non-Food Items

Review of relief distribution processes and inquiries from departmental staff revealed that the State Department lacked a structured Monitoring and Evaluation (M&E) framework to assess the impact of relief food and non-food item distribution. There were no documented Key Performance Indicators (KPIs), baseline targets, or outcome-oriented evaluation tools to determine the reach, effectiveness, or timeliness of interventions. Consequently, relief assistance was distributed without measurable objectives or mechanisms to assess whether the interventions effectively addressed food insecurity, drought vulnerability, or beneficiary needs.

Further, the State Department had not developed or implemented feedback mechanisms such as post-distribution surveys, complaints handling systems, or

community validation processes to gauge beneficiary satisfaction or identify targeting errors. As a result, field operations were implemented with minimal accountability to beneficiaries and limited institutional learning for future interventions.

In the circumstances, it was not possible to confirm whether the relief interventions achieved their intended objectives.

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 the 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 (Accrual Basis) and for maintaining effective internal controls 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 controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the State Department's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention 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 comply with the authorities which govern them and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

25 November, 2025

State Department for the ASALS and Regional Development
Annual Report and Financial Statements for the year ended June 30, 2025.

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

	Notes	2024/2025
		Kshs
Revenue from non-exchange transactions		
Transfers from Exchequer	6	14,045,896,861
Total		14,045,896,861
Revenue from exchange transactions		
Other income	7	397,387,467
Total		397,387,467
Total revenue		14,443,284,328
Expenses		
Employee costs	8	254,817,852
Use of goods and services	9	720,381,700
Transfers to other Government Entities	10	8,687,085,998
Depreciation and amortization expense	11	1,988,665
Other Grants and Subsidies	12	3,575,139,968
Total expenses		13,239,414,184
Other gains/(losses)		
Surplus/Deficit for the year		1,203,870,144
Net Surplus/Deficit		1,203,870,144

The Financial Statements set out on pages 1 to 59 were signed by:

.....
Name
Accounting Officer

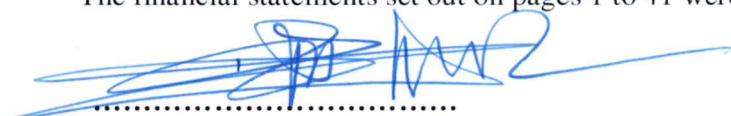
.....
Name *Henry Mayabi*
Head of Accounting Unit
ICPAK M/No...*7570*.....

**State Department for the ASALS and Regional Development
Annual Report and Financial Statements for the year ended June 30, 2025.**


14. Statement of Financial Position as at 30 June 2025

	Notes	2024/2025	Opening Statement
		Kshs	1 st July 2024
			Kshs
Assets			
Current Assets			
Cash and Cash equivalents	13	7,219,063	25,552,872
Receivables from Non-Exchange Transactions	14	58,584,604	84,589,019
Total Current Assets		65,803,667	110,141,891
Non-Current Assets			
Property, Plant, and Equipment	15	50,188,743	11,243,050
Total Non-Current Assets		50,188,743	11,243,050
Total Assets (A)		115,992,410	121,384,941
Liabilities			
Current Liabilities			
Trade and Other Payables	16	74,748,283	1,241,595,634
Refundable Deposits	17	4,600,224	9,295,917
Current Provision-Gratuity	18	1,922,904	3,009,552
Total Current Liabilities		81,271,411	1,253,901,103
Non-Current Liabilities			
Non-Current Provisions	18	3,009,552	
Total Non-Current Liabilities		3,009,552	
Total Liabilities (B)		84,280,963	1,253,901,103
Net Assets (A-B)		31,711,448	- 1,132,516,163
Represented By:			
Reserves			
Accumulated Surplus		31,711,448	- 1,132,516,163
Net Assets		31,711,448	- 1,132,516,163

The financial statements set out on pages 1 to 41 were signed by:



Name
Accounting Officer



Name Henry Mung'ali
Head of Accounting Unit
ICPAK M/No. 7570

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

Description	Accumulated Surplus	Reserves	Capital Fund	Total
	Kshs	Kshs	Kshs	Kshs
As at 30 th June 2024 (cash basis)	37,061,363	-	-	37,061,363
Adjustments: (to recognize assets and liabilities)	(1,169,577,526)	-	-	(1,169,577,526)
As at July 1, 2024	(1,132,516,163)	-	-	(1,132,516,163)
Surplus/ deficit for the period	1,203,870,144	-	-	1,203,870,144
Returns to exchequer	(2,777,366)	-	-	(2,777,366)
Other changes -Project Funds returned to WB	(36,865,167)	-	-	(36,865,167)
Transfer from the Contingency fund	2,883,571,048	-	-	2,883,571,048
Returns to Contingency Fund	(2,883,571,048)	-	-	(2,883,571,048)
Refund from NDMA	250,000,000	-	-	250,000,000
Transfer to National Treasury	(250,000,000)	-	-	(250,000,000)
As at 30 June, 2025	31,711,448			31,711,448

- Adjustments of Accumulated Surplus as at 30 June 2024 to the balance as at 1 July 2024 are as shown in the table below:

Description	30-Jun-24 Kshs	Adjustments Kshs	01- Jul-24 Kshs
Current Assets			
Cash and Cash equivalents	25,552,871		25,552,871
Receivables from Non-Exchange Transactions	20,804,409	63,784,610	84,589,019
Total Current Assets	46,357,280	63,784,610	110,141,890
Non-Current Assets			
Property, Plant, and Equipment		11,243,050	11,243,050
Total Non-Current Assets	-	11,243,050	11,243,050
Total Assets (A)	46,357,280	75,027,660	121,384,940
Current Liabilities			
Trade and Other Payables	-	1,241,595,634	1,241,595,634
Refundable Deposits	9,295,918	-	9,295,918
Non-Current Provision-Gratuity	-	3,009,552	3,009,552
Total Current Liabilities(B)	9,295,918	1,244,605,186	1,253,901,104
Net Assets (A-B)	37,061,362	(1,169,577,526)	(1,132,516,160)
Represented By:			
Accumulated Surplus	37,061,366	(1,169,577,526)	(1,132,516,160)
Net Assets	37,061,366	(1,169,577,526)	(1,132,516,160)

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1. The accumulated surplus balances as at 30 June 2024 of Kshs. 37,061,366 have been adjusted to Kshs. 1,132,516,163 as at 1 July 2024. The adjustments are as a result of:
 - a. The pending bill amounts to Kshs. 1,241,595,634.
 - b. An error was identified in prior year receivables relating to unspent AIEs. The balance was initially reported as Kshs. 20,804,409 instead of the correct figure of Kshs. 84,589,022, resulting in a misstatement of Kshs. 63,784,613. The error has since been adjusted.
2. The accumulated surplus during the year ended 30 June 2025 has been adjusted for transfers to the Exchequer of Kshs.39,642,533.
3. During the Year, the entity erroneously Transferred Kshs. 250,000,000 to the National Drought Management Authority (NDMA). The transfers related to the School Feeding Programme. NDMA refunded the funds back to State Department for ASALs which subsequently transferred the funds to the National Treasury.
4. During the year, the State Department borrowed Kshs. 2,883,571,048 from the contingency fund which was later repaid back

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

		2024/2025
	Notes	Kshs
Cash flows from operating activities		
Receipts		
Transfers from exchequer		14,045,896,861
Refunds from KDRDIP Project Executing Entities		87,207,861
Other Income		3,242,000
Total receipts		14,136,346,722
Payments		
Employee costs		252,756,210
Use of goods and services		897,926,232
Transfers to other Government Entities		8,292,940,536
Other Grants and Subsidies		4,550,780,025
Transfers to KDRDIP Turkana County		61,203,443
Total payments		14,055,606,446
Net cash flows from/(used in) operating activities	19	80,740,276
Cash flows from investing activities		
Purchase of PPE		(59,431,551)
Net cash flows from/ (used in) investing activities		(59,431,551)
Cash flows from financing activities		
Return to Exchequer		(39,642,533)
Borrowing from Contingency Fund		2,883,571,048
Return to Contingency Fund		(2,883,571,048)
Return to the National Treasury		(250,000,000)
Refund from NDMA		250,000,000
Net cash flows from financing Activities		(39,642,533)
Net increase/(decrease) in Cash & Cash equivalents		18,333,808
Cash and cash equivalents at the start of the period	13	25,552,872
Cash and cash equivalents at the end of the period		7,219,064

Notes:

- The cash flows from operating activities have been presented in accordance with the direct method, as stipulated by IPAS 2, Cash Flow Statement.
- Transfer of Kshs. 87,207,861 from KDRDIP Commercial bank accounts to the KDRDIP Central Bank Project Account relating to the project executing entities (Three Counties) unspent prior year balances.
- Transfer of Kshs. 61,203,443 to KDRDIP Commercial bank accounts from the KDRDIP Central Bank Project Account relating to KDRDIP Turkana County project executing entity.

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- Other Income amount of Kshs. 397,387,467 (Note 7) includes cash receipts of Kshs 3,242,000 relating to Receipt from sale of motor vehicle and ICT equipment's and non-cash receipts of Kshs. 394,145,467 relating to collections by SAGA's. However, the state department did not have control over those collections as they were not banked in the department's bank accounts.
- Transfers to other government entities reflect an amount of Kshs.8,292,940,536 which differs from the amount disclosed in the statement of budget and actual amounts of Kshs.8,687,085,998 resulting to a variance of Kshs.394,387,467 which is a non-cash receipt relating to collections from the SAGAs.
- Use of goods and services amount of Kshs. 897,926,232 excludes Kshs. 9,040,000 which relating to purchase of ICT Equipment's that was charged to use of goods and services (Other Operating Expenses) as shown in the statement of comparison of budget and actual amounts. The amount has been accounted for under Acquisition of Assets in the Cash flow Statement.
- Purchase of Property, Plant and Equipment (PPE) of Kshs. 59,431,551 is as summarized below:

Item	Amount Kshs
Purchase of Motor Vehicles	40,934,358
Payment of Prior Year Pending bills – Office Furniture	4,761,500
ICT Equipment's	9,040,000
Payment of Retention Monies	4,695,693
Total	59,431,551

- The cash flows from financing activities include:
 - Transfers to the Exchequer account of Kshs. 39,642,533.
 - Borrowings and repayments to the Contingency fund of Kshs. 2,883,571,048.
 - Refunds from the National Drought Management Authority and subsequent repayment of the refunded amounts to the National Treasury of Kshs. 250,000,000.

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

Recurrent and Development Combined

Description	Original budget	Adjustments	Final budget	Actual on a comparable basis	Budget utilization difference	% of utilization
	A	B	C=a+b	D	E=c-d	F=d/c %
Revenue						
Transfers from exchequer	11,765,327,586	2,593,493,653	14,358,821,239	14,045,896,861	312,924,378	98%
Proceeds from Domestic and Foreign Grants	96,560,000	(96,560,000)	-	-	-	0%
Proceeds from Foreign Borrowings	200,000,000	(190,000,000)	10,000,000	-	10,000,000	0%
Proceeds from sale of Assets	17,500,000	3,245,000	20,745,000	-	20,745,000	0%
Other Income (A.I.A)	461,000,000	4,000,000	465,000,000	397,387,467	67,612,533	85%
Total revenue	12,540,387,586	2,314,178,653	14,854,566,239	14,443,284,328	411,281,911	97%
Expenses						
Employees Costs	342,400,000	(85,200,000)	257,200,000	252,756,210	4,443,790	98%
Use of goods and services	393,649,249	629,712,674	1,023,361,923	906,966,232	116,395,691	89%
Transfers to other government units	11,521,854,000	(2,652,589,272)	8,869,264,728	8,687,085,999	182,178,729	98%
Other grants and transfers	245,000,000	4,359,800,000	4,604,800,000	4,550,780,025	54,019,975	99%
Social benefits	1,500,000	(1,500,000)	-	-	-	0%
Total recurrent expenses	12,504,403,249	2,250,223,402	14,754,626,651	14,397,588,470	357,176,917	98%
Capital items						
Acquisition of PPE	35,984,337	63,955,251	99,939,588	45,695,858	54,243,730	46%
Total Capital expenses	35,984,337	63,955,251	99,939,588	45,695,858	54,243,730	46%
Total expenses	12,540,387,586	2,314,178,653	14,854,566,239	14,443,284,324	411,281,915	97%
Surplus/ deficit	-	-	-	4	-	-

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Notes:

Variance analysis:

- The original budget was Kshs. 12,540,387,586 while the final budget was Kshs. 14,854,566,239 resulting to adjustments of Kshs. 2,314,178,653 which is explained by Supplementary Budget No. III of June 2025.
- Proceeds from domestic and foreign grant were funds budgeted for integrated resilience for sustainable food systems under Kerio Valley Development Authority to be provided by USAID but were not forthcoming due to change in policy by the new government in the USA.
- Proceeds from foreign borrowing had been budgeted under Kerio Valley Development Authority, however they requested the same to be removed from the budget after realizing that it was not forthcoming.
- The social security benefits relate to amounts budgeted for payment of gratuity, however during the year under review the contract period for personnel under contract had not expired.
- **Acquisition of PPE:** The supplementary budget for acquisition of PPE was approved towards the last quarter of the financial year 2024/2025. Therefore, the State Department could not spend the funds due to the stringent timelines required to complete procurement processes.

Other Explanations

- The use of Goods actual payments of Kshs. 906,966,232 differs from the Cash flow figure of 897,926,233 resulting to a variance of Kshs. 9,040,000. The variance is explained by acquisition of ICT equipment that was itemized/budgeted under use of goods and services rather than acquisition of PPE.
- The budget reconciliation to the statement of cash flows is as summarized below:

Budget Reconciliation to the Statement of Cash Flow

	Operating	Financing	Investing	Total
Actual amounts on comparable basis presented in the budget and actual comparative statement	45,695,858	-	(45,695,858)	4
Opening bank balances		25,552,872		25,552,872
Refund to National Treasury		(39,642,533)		(39,642,533)
Net receipts- KDRDIP	26,004,415			26,004,415
Retention Payments			(4,695,693)	(4,695,693)
Actual in the statement of cashflows				7,219,064


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Budget Execution by Programmes and Sub-Programmes for FY2024/2025

Programme/Sub-programme	code	Approved Final Budget	Actual on comparable basis	Budget utilization difference
		Kshs	Kshs	Kshs
Accelerated ASALs Development	0733000	9,097,988,826	8,719,192,009	378,796,817
• Asals Development	0733010	124,315,731	113,115,754	11,199,977
• Drought Management	0733020	8,958,509,847	8,592,212,289	366,297,558
• Peace and Conflict Management	0733040	15,163,248	13,863,966	1,299,282
General Administration, Planning and support Services	0743000	511,967,619	428,695,401	83,272,218
• Administration services	0743010	508,788,816	418,623,584	90,165,232
• Financial Management	0743020	3,178,803	10,071,817	(6,893,014)
Integrated Regional Development	1013000	5,244,609,794	5,045,369,918	199,212,876
• Integrated Basin Based Development	1013010	5,244,609,794	5,045,369,918	199,212,876
Total		14,854,566,239	14,193,284,328	661,281,911

The entity's financial statements were approved on 18, AUGUST, 2025 and signed by:



Name
Accounting Officer



Name Henry Mageri
Head of Accounting Unit
ICPAK M/No. 7570

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18. Notes to the Financial Statements

1. Establishment

The State Department for the ASALS and Regional Development is established by the Executive Order No. 2 of 2023 dated 1 November 2023 and derives its authority and accountability from the same Executive Order. The State Department is wholly owned by the Government of Kenya and is domiciled in Kenya. The State Department's principal activities are as follows:

- Arid and Semi-Arid Lands Policy.
- Co-ordination 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.
- Coordinating Research for sustainable Arid and Semi-Arid Lands Resource Management, Development and Livelihoods.
- Promotion of Livestock Development, Marketing and Value addition of Resources within Arid and Semi-Arid Areas.
- Enhancing Livelihood Resilience of Pastoral and Agro-Pastoral Communities.
- Coordinating Responses Against Drought and Desertification.
- Special Programmes.
- Food Relief Management and Humanitarian Emergency Response.
- Peace Building and Conflict Management within Arid and Semi-Arid Areas.
- Management and Promotion of Integrated Cross Border Activities in identified ASAL Counties.
- Regional Development Policy Implementation, oversight and management.
- Coordination of Regional Development Authorities; and
- Projects in Response to Displacement Impacts

2. Statement of Compliance and Basis of Reporting

Statement of compliance

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

For the purpose of these financial statements, the State Department has been categorized as a Schedule 1 national government MDA in line with Section 4 of the Public Finance Management Act, 2012 read together with Regulation 211 (2) of the Public Finance Management (National Government) Regulations, 2015. Schedule 1 national government entities include Ministries, Departments, Agencies, constitutional

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Institutions and independent offices. MDAs are reporting entities whose primary objective is to provide policy and coordination of government services.

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

These financial statements were authorized for issue by the Accounting Officer on 27 August 2025. The financial statements have been prepared in accordance with Transitional IPSAS under the International Public Sector Accounting Standards (IPSAS). The MDA has taken advantage of the transitional provisions under IPSAS 33 and therefore these 1st/ 2nd/ 3rd/year financial statements are transitional financial statements. Therefore, inventory and unidentifiable PPE of the entity have not been recognised as the MDA has taken advantage of the transition provisions outlined in IPSAS 33. (MDA to state the transitional provisions it has applied and the steps being towards full compliance with IPSAS Accrual).

Reporting period

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

Basis of preparation

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

Critical accounting judgements

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

Recognition of revenue

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

Recognition of non-exchange expenses and liabilities

A liability is a present obligation of *MDA* for an outflow of resources that results from a past event. Expenses (and other liabilities) are recognized when there is a present obligation (legal or constructive) as a result of

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a past event. An outflow of resources embodying economic benefits will probably be required to settle the obligation and a reliable estimate of the obligation can be made. Judgement is required in assessing each of these conditions and therefore reporting if an expense and a present obligation should be reported.

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

Purpose and nature of financial instruments

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

Climate change obligations

Kenya's current National Determined Contribution (NDC) to deliver on the goals of the Paris Agreement sets a headline target of a 32 per cent emission reduction by 2030 relative to the business-as-usual scenario of 143 MtCO₂eq. MDAs commitment to climate change action does not constitute a present obligation on the balance sheet but are disclosed separately.

Physical assets

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

3. Adoption of New and Revised Standards

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

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

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

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

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

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Standard	Effective date and impact:
	<ul style="list-style-type: none"> ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.

iii) Early adoption of standards

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

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

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

Transfers from other government entities

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

ii) Revenue from exchange transactions

Rendering of services

The MDA recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours. Where the contract

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outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Interest income

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

Rental income

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

b) Budget information

The original budget for FY 2024/2025 was approved by the National Assembly in June 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the MDA upon receiving the respective approvals in order to conclude the final budget. Accordingly, the MDA recorded additional appropriations of 2,314,178,653 on the 2024/2025 budget following the governing body's approval. The MDA's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis.

The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of cash flows has been presented under Section 17 of these financial statements.

c) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost

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model and are depreciated over the useful life of the asset. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of derecognition. Transfers are made to or from investment property only when there is a change in use.

d) Property, plant and equipment

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

e) Right of use asset

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

f) Tangible Natural Resources

The MDA recognises a tangible natural resource recognized if, and only if: It is probable that service potential associated with the natural resource will flow to the MDA; the MDA controls the tangible natural resource because of past events; and the tangible natural resource can be measured reliably. Where this criteria is not met, the MDA discloses the tangible natural resource in the notes to the financial statements. Where a tangible natural resource is recognized as an asset as the result of an event that is not a transaction

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in an orderly market, including non-exchange transactions, the asset shall be measured initially at its deemed cost. An MDA shall apply IPSAS 46, Measurement, when measuring the deemed cost of such a recognized tangible natural resource. A recognized tangible natural resource acquired through an exchange transaction shall be measured at its cost. Historical cost model is applied after initial recognition less any depreciation and impairment losses.

g) Leases

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

h) Intangible assets

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

i) Research and development costs

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

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

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

Financial instruments

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

a) Financial assets

Classification of financial assets

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

Subsequent measurement

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

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Amortized cost

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

Fair value through net assets/ equity

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

Trade and other receivables

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

Fair value through surplus or deficit

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

Impairment

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

b) Financial liabilities

Classification

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

Notes to the Financial Statements (Continued)

l) Inventories

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

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

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

l) Provisions

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

l) Social Benefits

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

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n) Contingent liabilities

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

o) Contingent assets

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

p) Changes in accounting policies and estimates

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

q) Employee benefits

Retirement benefit plans

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

r) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. At each reporting date, foreign currency monetary items are translated using the closing rate. Non-monetary items measured in historical cost are translated using the exchange rate at the date of the transaction, and those measured at fair value are translated using the exchange rates at the date when the fair value was determined.

) Borrowing costs

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

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

) Related parties

The *MDA* regards a related party as a person or an *MDA* with the ability to exert control individually or jointly, or to exercise significant influence over the *MDA*, or vice versa. Members of key management are regarded as related parties and comprises the Cabinet secretary and the Permanent Secretary of the State Department.

) Service concession arrangements

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

) 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.

) Comparative figures

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

) Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions

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

Useful lives and residual value

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 40.

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

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Notes to the Financial Statements (Continued)

6. Transfers from Exchequer

Nature of transfer	Amount recognized to Statement of Financial performance	Amount deferred under deferred income	Total transfers
	Kshs	Kshs	Kshs
Recurrent	10,716,956,511	-	10,716,956,511
Development	3,328,940,350	-	3,328,940,350
Total	14,045,896,861	-	14,045,896,861

- The state Department received total exchequer of ksh10,716,956,511 under recurrent for the financial year 2024/2025. However an amount of kshs250,000,000 relating to school feeding programme was returned to the National treasury due to the programme being moved to ministry of Education during supplementary I. Therefore, the state department received net exchequer of ksh10,466,956,511 under recurrent.

7. Other income

Description	2024/2025
	Kshs
Other Property Income collected as AIA	117,550,000
Administrative Fees and Charges collected as AIA	4,366,789
Incidental Sales by Non-Market Establishments Collected as AIA	170,078,247
Receipts Not Classified Elsewhere	8,465,0431
Receipt from sale of inventories, stock and commodities	3,242,000
Receipts from Sale of Certified Seeds and Breeding Stock - Paid to Exchequer	17,500,000
Total other income	397,387,467

- Included in the Other Income amount of Kshs. 397,387,467, is Kshs. 394,145,467 which relates to Appropriation in Aid Collected by SAGA's.

8. Employee Costs

Description	2024/2025
	Kshs
Basic salaries of permanent employees	175,372,159
Personal allowances – part of salary	77,384,051
Provision for gratuity	1,922,904
ADD-salary Deductions payable	138,738
Total Employee costs	254,817,852

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9. Use of Goods and Services

Description	Period ended June 2025	Adjustment	Net Expense as at June 2024/2025
	Kshs	Kshs	Kshs
Utilities, supplies and services	32,016		32,016
Communication, supplies and services	3,128,388	(864,654)	2,263,734
Domestic travel and subsistence	99,961,596	(363,155)	99,598,441
Foreign travel and subsistence	134,172		134,172
Printing, advertising, and information supplies & services	1,124,894	(233,811)	891,083
Rentals of produced assets	91,640,441		91,640,441
Training expenses	29,860,834	(1,978,287)	27,882,547
Hospitality supplies and services	31,732,562	(3,089,056)	28,643,506
Specialized materials and services	68,404		68,404
Office and general supplies and services	11,297,889	(7,117,960)	4,179,929
Fuel Oil and Lubricants	8,786,346		8,786,346
Routine maintenance – vehicles and other transport equipment	5,600,795	(2,327,832)	3,272,963
Routine maintenance – other assets	1,987,768	(1,370,000)	617,768
Other operating expenses	612,570,128	(160,199,777)	452,370,351
Total Use of Goods and Services	897,926,232	(177,544,532)	720,381,700

Note

Total expenditure incurred on use of goods and services is	Kshs 897,926,233
LESS: Payables/pending bills for 2023/2024	Kshs (180,673,317)
ADD: Payables /pending bills for 2024/2025	<u>Kshs 3,128,785</u>
Net expenditure goods and services for the year 2024/2025	<u>Kshs 720,381,700</u>

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10. Transfers to Other Government Entities

Description	2024/2025
	Kshs
Others current transfers, Grants and subsidies	4,701,783,710
Current Grants to Government Agencies and other levels of Government	3,303,824,046
Capital Grants to other Government Agencies	431,478,242
Refund to National Treasury-School feeding programme	250,000,000
Total Transfers to Other Government Entities	8,687,085,998

- Transfers to Other Government entities relates to Transfers to SAGA's.

11. Depreciation and Amortization Expense

Description	2024/2025
	Kshs
Property, plant and equipment	1,988,665
Total	1,988,665

- Depreciation is calculated on a straight-line basis.

12. Other Grants and Subsidies

Description	Period ended 30th June 2025
	Kshs
Emergency relief and refugee assistance	4,550,780,025
Add-Emergency Reliefs Payable	57,156,370
LESS: Payables b/f	- 1,032,796,427
Total Grants and Subsidies	3,575,139,968

- The payables B/F of Kshs. 1,032,796,427 relates to prior year pending bills paid in the year under review. The same have been adjusted to arrive at the actual expenditure on emergency and Relief for the year under review.

13. Cash and Cash Equivalents

Description	2024/2025	Opening statement 1 st July 2024
	Kshs	Kshs
Recurrent Account	-	6,716
Development Account	-	2,770,650
Deposit Account	4,600,224	9,295,918
KDRDIP Project Loan	2,618,839	13,479,587
Total	7,219,063	25,552,872

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13 (a) Detailed Analysis of the Cash and Cash Equivalents

Financial Institution	Account number	2024/2025	Opening statement 1 July 2024
		Kshs	Kshs
Recurrent Account	1000733535	-	6,716
Development Accounts	1000733578	-	2,770,650
Deposits Accounts	1000733632	4,600,224	9,295,918
KDRDIP Project Loan	1000737905	2,618,839	13,479,587
Grand Total		7,219,063	25,552,872

14. Receivables from Non-Exchange Transactions

Description	2024/2025		Opening Statement 1 st July 2024	
	Kshs		Kshs	
KDRDIP Unspent AIE - Turkana County	58,584,604		84,589,019	
Total receivables from non- exchange transactions	58,584,604		84,589,019	
Ageing Analysis- Receivables from non- exchange transactions	Current FY	% of the total	Opening Statement 1 st July 2024	% of the total
Less than 1 year	58,584,604	100%	84,589,019	100%
Total	58,584,604	100%	84,589,019	100%

The receivables of Kshs. 58,584,604 relates to KDRDIP project funds transferred to the project executing entity in Turkana County for settlement of unpaid works. However, the entity did not submit expenditure returns to the State Department. As a result, the funds remain classified as receivables until returns are submitted, and the final project accounts are issued.

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Notes to the Financial Statements (Continued)

15. Property, Plant, and Equipment

Description	Land	Buildings	Motor vehicles	Furniture and fittings	Computers & ICT Equipment	Capital Work in progress	Total
Depreciation Rate		2%	16.67%	12.50%	30%		
Cost	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Opening Bal as 1st July 2024				9,040,000	4,761,500		13,801,500
Additions			40,934,358				40,934,358
Disposals							-
Transfer/Adjustments							-
As At Jun 2025			40,934,358	9,040,000	4,761,500	-	54,735,858
Depreciation And Impairment							-
Opening Bal as 1st July 2024			-	1,130,000	1,428,450	-	2,558,450
Depreciation				988,750	999,915	-	1,988,665
As At Jun 2025			-	2,118,750	2,428,365		4,547,115
Net Book Values							
Opening Bal as at 1st July 2025			-	7,910,000	3,333,050	-	11,243,050
As At June,2025			40,934,358	6,921,250	2,333,135		50,188,743

Notes:

- Motor vehicles are not depreciated as they were delivered on 30 June 2025.
- Furniture and fittings costing Kshs. 9,040,000 as well as computers & ICT Equipment valued at Kshs. 4,761,500 relate to identifiable assets acquired in the prior years that were included in the prior year payables.
- The cost initially recognised as at 1 July 2024 is the deemed cost as required by IPSAS 33, First Time Adoption of IPSAS Accrual.

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Notes to the Financial Statements (Continued)

Valuation

Items of PPE are valued at Historical cost at the point of recognition in the financial statements. Identifiable historical assets have been recognised at Deemed cost. Where historical cost is not available or the item has been acquired as a grant, PPE has been valued at the current operational value which is the amount the state Department would pay for the remaining service potential of an asset at the measurement date.

16. Trade and Other Payables

Description	2024/2025	Opening Statement 1st July 2024
	Kshs	Kshs
Trade payables - supply of goods & services	74,609,545	1,227,794,134
Trade payables- purchase of assets		13,801,500
Employee payables	138,738	
Total trade and other payables	74,748,283	1,241,595,634

Note:

The total pending bills as at 1st July,2024 amounted to Kshs.3,682,608,355, consisting of kshs.2,428,746,025 for the then state Department for Regional and Northern Corridors which were submitted to the Pending bills presidential verification committee and kshs.1,241,595,634 for ASALS and Regional Development. During the year 2024/2025 prior year pending bills amounting to kshs.1,227,271,234 were paid leaving a balance of kshs.14,324,400. Pending bills originating from the year 2024/2025 amounted to kshs.60,285,145. This therefore gives a total of Kshs.74,609,545 as payable for the year ended 30th June 2025.

The obligation of Kshs.2,428,746,025 with the presidential committee has been accounted for as contingent liabilities because, as Per IPSAS 19, there is a probable obligation, but the possibility of cash outflow is remote. The cash outflow is based on the recommendations of the Presidential Pending bills committee.

16b.Trade and Other Payables

Ageing analysis: (Trade and other payables)	Current FY	% of the Total	1 st July 2024	% of the Total
Under one year	60,423,894	81%	-	-
1-2 years	14,324,389	19%	1,241,595,634	34%
2-3 years	-	-	-	-
Over 3 years	-	-	2,428,746,025	66%
Total (tie to above total)	74,748,283	100%	3,682,608,355	100%

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17. Refundable Deposits

Description	2024/2025		Opening Statement 1 st July 2024	
	Kshs		Kshs	
Total deposits	4,600,224		9,295,918	
Ageing analysis: (Refundable deposits)	Current FY	% of the Total	1st July 2024	% of the Total
Under one year	4,600,224	100%	9,295,917	100%
1-2 years	-	0%	-	0%
Total	4,600,224	100%	9,295,917	100%

18. Provisions

Description	Gratuity Provision
	Kshs
Opening balance 1st July 24	3,009,552
Additional provisions	1,922,904
Total provisions period end	4,932,456
Current Provisions	1,922,904
Non-current Provisions	3,009,552
Total provisions period end	4,932,456

19. Cash Generated from Operations

	2024/2025
	Kshs
Surplus for the period before tax	1,203,870,144
Adjusted for:	
Depreciation	1,988,665
Contribution to provisions	1,922,904
Working capital adjustments	
Increase in receivables	26,004,414
Increase in payables/(decrease)	- 1,153,045,851
Net cash flow from operating activities	80,740,276

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Note: The figure of kshs1,153,045,851 is the difference between kshs1,227,794,134(Trade payables-supply of goods and services) as at 1st July,2024 and ksh74,748,283 as at 30th June,2025. (note 11)

20. Financial Risk Management

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

The state Departments financial risk management objectives and policies are detailed below:

i) Credit risk

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

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

	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
As at June, 2025				
Receivables from non-exchange transactions	58,584,604	58,584,604	Nine (9) months	-
Bank balances	7,219,063	25,552,893		-
Total	65,803,667	84,137,497		

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The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the State Department has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The State Department has significant concentration of credit risk on amounts due from the KDRDIP Project Executing entity in Turkana County.

ii) Liquidity risk management

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

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

	Less than 1 Year	Over 1 year	Total
	Kshs	Kshs	Kshs
As at 30 June 2025			
Trade payables	60,423,894	14,324,389	74,748,283
Current portion of borrowings	-	-	-
Provisions	-	-	-
Deferred income	-	-	-
Employee benefit obligation	-	-	-
Total	60,423,894	14,324,389	74,748,283

iii) Market risk

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the State Departments income or the value of its holding of financial instruments. The objective of market risk management is to manage and

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control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The State Department's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. The MDA's market risk exposure and its management approach remain unchanged.

a) Foreign currency risk

The State Department doesn't have transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate. The State Department manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

b) Interest rate risk

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

Management of interest rate risk

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

21. Financial Risk Management

Fair value of financial assets and liabilities

a) Financial instruments measured at fair value.

Determination of fair value and fair values hierarchy

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

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

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

	Level 1	Level 2	Level 3	Total
	Kshs	Kshs	Kshs	Kshs
As At 30 June 20xx				
Financial Assets				
Quoted Equity Investments	-	-	-	-
Non- Financial Assets				
Investment Property	-	-	-	-
Land And Buildings	-	-	-	-
	-	-	-	-

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

iv) Capital Risk Management

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

	2024/2025
	Kshs
Revaluation Reserve	-
Accumulated Surplus/(Deficit)	31,711,448
Capital Reserve	-
Total Funds	

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Total Borrowings	-
Less: Cash And Bank Balances	(7,219,063)
Net Debt/(Excess Cash and Cash Equivalents)	24,492,385
Gearing	

22. Related Party Disclosures

Nature of related party relationships

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

Government of Kenya

The Government of Kenya is the controlling entity. The Government of Kenya has provided full guarantees to all long-term lenders of the MDA, both domestic and external.

Other related parties include:

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

	2024/2025
	Kshs
Transactions with related parties	
a) Sales to related parties	
Others (specify) e.g. interest and bank charges	-
Total	
B) purchases from related parties	
Rent expenses paid to govt agencies	91,640,441
Training and conference fees paid to govt. Agencies	29,860,834
Total	121,501,275
b) Grants /transfers from the government	
Grants from national govt	14,045,896,861
Net Borrowings from the Contingency fund	-
Donations in kind	
Total	14,045,896,861
c) Expenses incurred on behalf of related party	

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	2024/2025
	Kshs
Payments of salaries and wages for other employees	-
Total	
d) Key management compensation	
Compensation to key management	-

23. Segment Information

Where an organisation operates in different geographical regions or in departments, IPSAS 18 on segmental reporting requires an MDA to present segmental information of each geographic region or department to enable users understand the MDA's performance and allocation of resources to different segments

24. Contingent Liabilities

	2024/2025
	Kshs
Contingent Liabilities	
Court Case against the MDA (See Annex VIII)	-
Bank Guarantees in Favour of Subsidiary	-
Contingent Liabilities arising from Contracts Including PPPs	-
Others-Pending bills with the presidential verification committee.	2,428,746,025
Total	2,428,746,025

25. Program for Results (PforR) Disclosure

Name of PforR: None			Name of Financing Partners: None			
Expenditure Details*	Opening Cumulative for Previous FYs		Current FY		Total Cumulative	
	Budget	Actual	Budget	Actual	Budget	Actual
Program code Sub-program Sub-program	-	-	-	-	-	-
Sub-total						
Program code Sub-program Sub-program						
Subtotal						
Total	-	-	-	-	-	-

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- *The entity is not implementing any programme for results*

26. Events after the Reporting Period

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

27. Ultimate And Holding MDA

The MDA ultimate parent is the Government of Kenya.

28. Currency

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

19. Appendix

Appendix 1: Implementation Status of Auditor-General's Recommendations

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe:
344	Pending Accounts Payable Note 21.2 and Annex 1 to the financial statements reflects Pending bills of Kshs. 3,682,608,355 as at 30 June, 2024 for supply of goods and services which were not paid in the year under review. This distorts the financial statement and affect the budgetary provision for subsequent year.	Pending bills amounting to ksh2,428,746,025 of the total pending bills of kshs.3,682,608,355 were forwarded to the presidential verification committee and the state department is waiting for the outcome. The amount that was outstanding out of the balance of kshs1,253,862,330 in the F/Y2024/2025 was ksh14,324,400 which will form the 1 st charge in the year2025/2026	Resolved partially	
345	Undisclosed Contingent Liabilities Note 21.5 reports no contingencies, yet Annex 3 lists nine unresolved litigations with uncertain liabilities.	The litigations relates to SAGAs and have nothing to do with the state Department.	Resolved	
346	Non-Compliance with the One-Third of Basic Salary Rule	With effect from 1st July, 2023, the Government introduced new statutory	Unresolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe:
	IPPD review showed ten officers earned below one-third of salary, breaching HR Manual 2016 and Employment Act 2007 limiting deductions to two-thirds of wages.	deductions namely NSSF and Housing levy. The lack of adherence to 1/3 rule was occasioned by commitments of salary by staff members before the introduction of the said deductions. This therefore is beyond our control as the deductions were informed by the Government policy.		
347	<p>Lack of a Risk Management Policy</p> <p>The entity lacked a Risk Management Policy, with undocumented risks and controls, contrary to PFM (National Government) Regulations 2015.</p>	The entity lacked a risk management policy due to structural reorganizations by the Government but is currently developing and finalizing one. The draft policy frame work is already in place.	Unresolved	



Accounting Officer

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Date

Appendix II: Projects implemented by (The MDA)

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
None						

No project was implemented in the year under review.

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Appendix III: Fixed Asset Register

Asset class	Historical Cost b/f (Kshs) 2023/2024	Additions during the year (Kshs)	Disposals during the year (Kshs)	Transfers in/(out) during the year	Historical Cost c/f (Kshs) Current Year
Land	-	-	-	-	-
Buildings and structures	-	-	-	-	-
Motor vehicle	-	40,934,358	-	-	40,934,358
Office equipment, furniture and fittings	9,040,000	-	-	-	9,040,000
Computers and ICT Equipment	4,761,500	-	-	-	4,761,500
Machinery and Equipment	-	-	-	-	-
Biological assets	-	-	-	-	-
Infrastructure Assets- Roads, Rails	-	-	-	-	-
Heritage and cultural assets	-	-	-	-	-
Intangible assets	-	-	-	-	-
Work in Progress	-	-	-	-	-
Total	13,801,500	40,934,358	-	-	54,735,858

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Appendix IV: Transfers from Other Government Entities

Name of the MDA/Donor Transferring the funds				Total Transfers during the Year
	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount Kshs	
Consolidated Fund	31-Jul-24	Recurrent	554,471,661	554,471,661
Consolidated Fund	9-Sep-24	Recurrent	307,546,349	307,546,349
Consolidated Fund	17-Sep-24	Recurrent	159,800,000	159,800,000
Consolidated Fund	20-Sep-24	Recurrent	33,558,078	33,558,078
Consolidated Fund	11-Oct-24	Recurrent	671,897,289	671,897,289
Consolidated Fund	24-Oct-24	Recurrent	63,222,778	63,222,778
Consolidated Fund	6-Nov-24	Recurrent	399,713,503	399,713,503
Consolidated Fund	21-Nov-24	Recurrent	71,154,559	71,154,559
Consolidated Fund	5-Dec-24	Recurrent	396,256,962	396,256,962
Consolidated Fund	20-Dec-24	Recurrent	52,347,645	52,347,645
Consolidated Fund	31-Dec-24	Recurrent	348,409,901	348,409,901
Consolidated Fund	3-Jan-25	Recurrent	35,786,959	35,786,959
Consolidated Fund	6-Feb-25	Recurrent	39,510,150	39,510,150
Consolidated Fund	12-Feb-25	Recurrent	196,228,699	196,228,699
Consolidated Fund	17-Feb-25	Recurrent	10,360,073	10,360,073
Consolidated Fund	10-Mar-25	Recurrent	37,720,255	37,720,255
Consolidated Fund	2-Apr-25	Recurrent	300,972,955	300,972,955
Consolidated Fund	4-Apr-25	Recurrent	39,351,663	39,351,663
Consolidated Fund	9-Apr-25	Recurrent	1,736,143,495	1,736,143,495
Consolidated Fund	16-Apr-25	Recurrent	97,056,124	97,056,124
Consolidated Fund	17-Apr-25	Recurrent	6,074,852	6,074,852
Consolidated Fund	30-Apr-25	Recurrent	38,698,821	38,698,821

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Name of the MDA/Donor Transferring the funds				Total Transfers during the Year
	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount Kshs	
Consolidated Fund	6-May-25	Recurrent	2,883,571,048	2,883,571,048
Consolidated Fund	22-May-25	Recurrent	122,684,767	122,684,767
Consolidated Fund	27-May-25	Recurrent	40,017,431	40,017,431
Consolidated Fund	16-Jun-25	Recurrent	228,764,629	228,764,629
Consolidated Fund	24-Jun-25	Recurrent	108,672,878	108,672,878
Consolidated Fund	27-Jun-25	Recurrent	93,594,850	93,594,850
Consolidated Fund	3-Jul-25	Recurrent	48,684,444	48,684,444
Consolidated Fund	4-Jul-25	Recurrent	800,000,000	800,000,000
Consolidated Fund	9-Jul-25	Recurrent	794,683,694	794,683,694
Consolidated Fund	25-Oct-24	Development	93,540,065	93,540,065
Consolidated Fund	15-Nov-24	Development	634,467,500	634,467,500
Consolidated Fund	21-Nov-24	Development	4,179,500	4,179,500
Consolidated Fund	20-Dec-24	Development	152,650,000	152,650,000
Consolidated Fund	13-Jan-25	Development	502,665,000	502,665,000
Consolidated Fund	23-Jan-25	Development	118,800,000	118,800,000
Consolidated Fund	17-Feb-25	Development	3,408,800	3,408,800
Consolidated Fund	9-Apr-25	Development	147,083,697	147,083,697
Consolidated Fund	16-Apr-25	Development	231,293,548	231,293,548
Consolidated Fund	21-May-25	Development	1,293,456,168	1,293,456,168
Consolidated Fund	27-May-25	Development	147,396,072	147,396,072
Total Amount			14,045,896,862	14,045,896,862

Appendix V: Disaster Expenditure Reporting Template

Programme	Sub-programme	Disaster Type	Disaster Category	Expenditure item	Amount (Kshs.)	Comments
Emergency Relief			Responses	Emergency Relief	4,607,936,385	Total Payments of Kshs. 4,550,780,025 plus payables of Kshs. 57,156,360 during the financial year 2024/2025, resulting to total Expenditure of Kshs. 4,607,936,385.

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Appendix VI: Status Of Litigation Matters as at 29th October 2024

No	Case Details	Status	Resolved/ Unresolved
1.	Garissa High Court Civil Suit No. E002 of 2023 Metamed Suppliers Ltd and 4 Others Vs Habaswein Sub-County Hospital Project Committee and 2 Others	Matter pending hearing	Unresolved
2.	HC Garissa Constitutional Petition No. E004 of 2024 Garissa County Project Coordinator & 2 Others	Matter still pending in court	Unresolved
3.	Garissa CMCC No. E006 of 2024: Ahmed Salai & Another vs. the County Coordinator for KDRDIP	This is a new matter. KDRDIP is enjoined as an interested party	Unresolved
4.	Eldoret CMCC No. 650 of 2020 Mark Waswa Nwabwa vs Office of the President, Cabinet Office, Dominic Ekai and the Attorney General	This was a road accident. It was concluded with Judgment issues for the Plaintiff 70:30. KDRDIP paid the decretal sum to the tune of Kshs.1m, Kshs29,600 is remaining	Partly resolved
5.	PPARB Application No. 107 of 2024 Almarai Dairy Limited Vs Ministry of East Africa Community, the ASALS and Regional Development (SDARD) & 13 others	This is a matter where the State Department's tender award has been challenged at PPARB. The matter is coming up for hearing on 31 st October 2024, and I am on record for the State Department. We were successful at the Board with the matter being dismissed for want of jurisdiction, but the Applicant has proceeded to the High Court for JR. However, before the matter could be heard he withdrew the matter and proceeded to EACC. The same is pending finalization.	Unresolved
6.	Nairobi HCCC No. 129 of 2015 Chester House Ltd vs AG and Another	This is a claim resulting from a pending claim from the former Ministry of Regional Development Authority (RDA) in regard to unpaid rent to the plaintiff. We are currently engaged in out-of-court negotiations and have so far held three meetings with the plaintiffs. The matter	Unresolved

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No	Case Details	Status	Resolved/ Unresolved
		is coming up to court for mention on 25 th February 2025. Negotiations are still ongoing.	
7.	NRB ELC Cause E376/24 Bracken Agricultural Ltd T/A Gamba Rice Company Ltd vs TARDA	This matter relates to termination of a special use license agreement by the respondent. We had issued an advisory on the same earlier, but the respondent (TARDA) went ahead and terminated the said agreements. TARDA has sought legal representation by the AG and the same was taken up by the AGs office in Malindi. The Court has referred the matter to Court Annexed Mediation	Unresolved
8.	Kwale CMCC No. E099 OF 2022 Joseph Thuo Kimani vs NDMA	This is a road traffic accident case where NDMA's vehicle was involved in an accident. The matter is being handled by AG Counsel in Mombasa. The same is coming up for hearing in May 2025. The matter was taken out as counsel was indisposed. The AG has advised that out of court settlement be pursued.	Unresolved
9.	Milimani JR Misc Application E025 of 2021 Republic vs Ministry of EAC and Regional Development & Others ex parte SMEC International PTY Ltd	This matter relates to a historical pending claim. The matter was determined and judgment issued against the then Ministry of RDA. This matter is pending before the Pending Bills Verification Committee	Unresolved
10.	Milimani Commercial Case No. E844 of 2021 Consultation Engineering Services India Private Ltd vs the AG and the PS, MEAC	This matter relates to a claim for breach of contract (design of the Mwache Multipurpose Dam and has a historical pending bill of USD 3,017,908 plus interests. The contract is not disputed, and the Ministry has been seeking budgetary allocation. The National Treasury in 2020 reviewed the request for funds to settle the same, after the ministerial PBVC appointed on 17 th January 2020 verified this claim and recommended that the same be settled from the supplementary estimates for FY	Unresolved

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No	Case Details	Status	Resolved/ Unresolved
		2020/2021. This was not done, and the matter is pending in court	
11.	Nairobi Misc Application Nos 472/2012 and 196 of 2019 NK BROTHERS LIMITED VS MINISTRY OF REGIONAL DEVELOPMENT	This matter relates to a historical pending claim. The matter was determined and judgment issued against the then Ministry of RDA. This matter is pending before the Pending Bills Verification Committee	Unresolved
12.	High Court of Kenya at Nairobi Judicial Review Application No. 148 of 2024. Republic vs Ministry of East African Community and Regional Development - State Department for the ASALs and Regional Development; PS, State Department for the ASALs and Regional Development & 2 Others ex parte Al Marai Dairy Limited	This matter relates to a Public Procurement matter where the ex parte applicant seeks orders of certiorari against the State Department alleging that the tender process was flawed. The Ex parte applicant was among the 13 awardees who include two 2 respondents. At the PPARB, he was not successful hence he went to the high court for JR. The matter is being handled at the AG's Office. It is coming up for mention on 26 th March 2025. Before the matter could proceed, the ex-parte applicant withdrew the matter on 10 th March 2025. However, he proceeded to launch a complaint at the EACC, and the matter is pending finalization there.	Partly resolved