

REPUBLIC OF KENYA



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REPORT



OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
MINISTRY OF DEVOLUTION AND PLANNING
STATE DEPARTMENT FOR DEVOLUTION

FOR THE YEAR
ENDED 30 JUNE 2015

REPUBLIC OF KENYA

MINISTRY OF DEVOLUTION AND PLANNING

STATE DEPARTMENT OF DEVOLUTION

REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2015**

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

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STATE DEPARTMENT FOR DEVOLUTION
Reports and Financial Statements
For the year ended June 30, 2015

I. KEY DEPARTMENT INFORMATION AND MANAGEMENT

(a) Background information

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

The State Department of Devolution (SDD) comprises of three Directorates namely: Directorate of Devolution; Directorate of Special Programmes and Directorate of Arid and Semi-Arid Lands. Its mandate as outlined in the Executive Order No.2 of May 2013 is:-

- Management of Devolution Affairs
- Inter-governmental Relations
- Capacity building and Technical Assistance to Counties
- Family Protection
- Coordination of Inter-governmental Relations
- Implementation of Special Programmes and Initiatives
- IDP policy
- Food Relief Management
- Northern Kenya and other Arid Lands Development Policy

1.2 VISION

To be a centre of excellence in devolution, Humanitarian response and ASAL development and for high quality of life for all Kenyans.

1.3 MISSION

To provide leadership in the management of devolution and intergovernmental affairs, coordination of development in ASALs and mitigation of humanitarian effects

1.4 CORE VALUES

The SDD upholds the following core values:

- (i) Accountability and transparency
- (ii) Equity and equality
- (iii) Professionalism and ethical practices
- (iv) Teamwork and passion for results
- (v) Honesty and integrity
- (vi) Innovativeness and creativity
- (vii) Efficiency and effectiveness
- (viii) Patriotism
- (ix) Customer centred service
- (x) Mutual respect, participatory approach and respect.

Strategic objectives

- (i) To strengthen capacities of County Governments to implement devolved system of governance.
- (ii) To strengthen Intergovernmental Relations
- (iii) To ensure effective management of devolution affairs
- (iv) To ensure accelerated socio-economic and sustainable development in the ASALs
- (v) To promote affirmative action to address marginalization of people in the ASAL regions
- (vi) To formulate and implement policies and programmes for prevention and management of internal displacement
- (vii) To improve livelihoods of the vulnerable groups
- (viii) To develop and implement strategies for the prevention, protection and Assistance to the Internally Displaced Persons (IDPs) and affected Communities.
- (ix) To enhance street families rescue, rehabilitation and re-integration

(b) Key Management

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

- Directorate of Devolution
- Directorate of ASALs
- Directorate of Special Programmes

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2015 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Accounting Officer	Mwanamaka Amani Mabruki
2.	Secretary, Devolution Affairs	Amb. P. R. O. Owade
3.	Secretary, Special Programmes	Salim Molla
4.	Secretary, ASAL	Amb. Felistus Khayumbi
5.	Director, Administration	Albert Kobia

(d) Fiduciary Oversight Arrangements

Budget Implementation Committee (BIC)

Each of the State Departments has a Budget Implementation Committee. The committee is charged with the responsibility of implementation of the budget and its prudent management. The duties of the committee include:

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

Ministerial Human Management Advisory Committee

This is the committee charged with responsibilities of taking care of Human Resources needs.

The duties include:

- (i) Promotions of officers in Job Groups A-P.
- (ii) Confirmation in appointment.
- (iii) Disciplinary matters.
- (iv) Re-designation of officers from one cadre to another.
- (v) Surcharge of officers found to have misused Government resources.

Ministerial Training Committee

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

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

(e) Ministry Headquarters

PO Box 30005-00100

Treasury Building

Harambee Avenue

Nairobi, Kenya.

Or

PO Box 30004-00100

Teleposta Building (1st and 6th floors).

Nairobi, Kenya

STATE DEPARTMENT FOR DEVOLUTION
Reports and Financial Statements
For the year ended June 30, 2015

(f) Ministry Contacts

Telephone: (254) – (0)20-218475

Email: psplanning@devolutionplanning.go.ke

Website: www.devolutionplanning.go.ke

(g) Ministry Bankers

Central Bank of Kenya

Haile Selassie Avenue

PO Box 60000

City Square 00200

Nairobi, Kenya

(h) Independent Auditors

Auditor General

Kenya National Audit Office

Anniversary Towers, University Way

PO Box 30084

GPO 00100

Nairobi, Kenya

(i) Principal Legal Adviser

The Attorney General

State Law Office

Harambee Avenue

PO Box 40112

City Square 00200

Nairobi, Kenya

II. FOREWARD BY THE CABINET SECRETARY

The State Department of Devolution is one of the two State Departments of the Ministry of Devolution and Planning. The other department is State Department of Planning.

In the financial year 2014/15, the Ministry had an approved gross budget of Kshs.10.13 billion which was made up of Kshs.4.46 billion and Kshs.5.67 billion for recurrent and development vote respectively. Out of the above allocation, the Development Vote is comprised of Kshs.1.58 billion GOK component Kshs 2.51 being donor component and Kshs 1.58 being donor AIA. The net estimate for the Ministry in both Development and Recurrent Vote is Kshs.9.8 billion. Out of the net allocation of Kshs. 9.8 billion, the Ministry has spent Kshs.7.9 billion representing an absorption of 90%.

The Department expended the above resources under the following programmes:

- (i) Supported implementation of devolved governance programmes at national and county levels
- (ii) Carried out Civic Education and other capacity building activities on devolution at national and county levels
- (iii) Facilitated establishment of the Intergovernmental Technical Committee of the Summit and its secretariat
- (iv) Continued to provide protection and resettle Internally Displaced Persons
- (v) The National Consultative Coordination Committee (NCCC) and its secretariat were established and are now operational – the NCCC has started to spearhead implementation of the IDP Act
- (vi) Continued to offer relief food and non-food items to drought stricken people in 29 ASAL counties
- (vii) Developed draft devolution sector policy for use in operationalizing the various devolution legislations and the constitution of Kenya 2010
- (viii) Developed an ASAL policy for use in promoting accelerated development in Northern Kenya and Other ASAL regions
- (ix) Implemented Hunger Safety Net Programmes in the four ASAL counties Mandera, Marsabit, Turkana, and Wajir.

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The above mentioned programmes have led to enhanced delivery of public services at national and county levels, improved livelihoods for people living in ASALs and other parts of the country, and generally a better environment for realization of the ideals of a devolved system of governance in Kenya.

ANNE WAIGURU
CABINET SECRETARY
MINISTRY OF DEVOLUTION AND PLANNING

III. STATEMENT OF THE PRINCIPAL SECRETARY

In the FY 2014/15 the State Department of Devolution implemented activities in the area, of Devolution, Special Programmes, and ASALs in line with its mandate and the Medium Term Plan of Kenya Vision 2030.

Key achievements of the department include:

- i) Developed a Civic Education Curriculum and Conducted Civic Education activities in 25 counties
- ii) Implementation of devolution programmes was tracked and a report prepared which indicated that in spite of the challenges faced the devolved system of governance is being glorified by citizens and as such is very useful in fostering development
- iii) Review of devolution policy conducted and a new draft policy developed to be finalized in 2015/16
- iv) Eight (8) intergovernmental forums were launched and operationalized. They include: Education; Sports; Culture and Arts; Tourism and East African affairs; National Treasury; ICT; Mining; Labour; Social security and services
- v) Inter-governmental relations guidelines were consultatively developed and are awaiting dissemination in 2015/16
- vi) Inter-governmental technical committee and the Secretariat for the Summit were established and are being progressively operationalized
- vii) Provided relief food to 1.6 million people in 23 ASAL counties and non-food items to disaster stricken areas including Baringo, Lamu, among others
- viii) Facilitated Cash Transfers to 76,069 people through the Hunger Safety Net programme (HSNP)
- ix) Conducted field surveys for a 36 IDP farms, constructed 600 houses across the seven (7) camps at Turkana, and provided relief food to all deserving IDPs in various camps across the country
- x) Created community resilience against drought in Turkana County by: drilling 15 boreholes; construction of three (3) water pans; installation of three (3) solar water pumping systems; and construction of one (1) livestock market infrastructure.
- xi) 15 Sub-Catchment Management Plans (SCAMPS) were prepared at Garissa, Lamu, Marsabit, Wajir, Tana River and Isiolo Counties

- xii) Five (5) MTAP ASAL (Kilifi, Turkana, Narok, Isiolo and Samburu) counties supported to launch ASAL stakeholders forums on October 15, 2014.
- xiii) Draft ASAL policy prepared to provide direction and leadership for sustainable development of Arid and Semi-Arid Lands (ASALs) and devolved system of governance in those areas.

Emerging Issues and Challenges

- Inadequate financial and other resources for various activities in SDD
- Large demand for civic education
- Inadequate guidance of counties on public participation
- Delays in obtaining funds from the Consolidated Fund for relief food and non food items
- Inadequate monitoring and evaluation of the programme activities due to inadequate of funds
- Numerous requests for relief food from Counties against insufficient funds
- Prolonged drought situation calling for continuous assistance in ASAL regions
- Failure by Counties to play their role as first line responders to emergencies
- Lack of coordination among many stakeholders in the devolution process, i.e. MOA, donors, Private Sectors, County Governments etc.
- Lack of clear communication between MDAs and county governments.
- Conflicts between National Government and County Governments, Senate and Parliament, County Assemblies and Executives, County Government and the Senate.
- Lack of clear policies on taxation, fees and charges, licensing, property rates and transportation levy at county and national government levels
- Inadequate staff, technical skills and facilities which was worsened by the creation of new administrative units which have not been accompanied by recruitment of officers.
- Insufficient/incomplete/ lack of enabling policy and legislative instruments to guide the operations of the sector.
- Inadequate funding on resettlement of IDPs
- The changing needs of IDPs/Forest evictees
- The increasing numbers of those claiming to be IDPs
- Politicization of the IDPs resettlement programme

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- Lack of a clear National Policy to guide on rescue and rehabilitation of Street Families.
- Pending bills and stalled development projects continue to hamper the performance of the sector.
- High unemployment rate and population pressure among the youth has posed a great challenge to the country and hence there is need to design strategies for employment creation
- Poor or non-existent infrastructure in the ASAL region
- Rapid environmental degradation especially in ASALs
- The increasing frequency and severity of drought ASALs
- Conflicts and insecurity in ASAL Counties
- Reality of climate change and the need for poor communities to adapt to the changes are threatening development of the fragile arid lands. Climate variability and change threaten to undermine poverty reduction efforts and economic growth in the ASALs by exacerbating existing vulnerability
- Realization of the need for equity in development in all regions, particularly the ASALs which face unique challenges that are multiple, entrenched and inter-related. The persistent imbalance in socio-economic development in some of these regions make the communities still feel marginalized.
- Drug and Substance Abuse (DSA) and trafficking presents a new and rapidly growing emerging issue among the young population. Availability of illicit drugs and alcohol in the market presents a major problem to the youth especially the unemployed.

An appreciable level of success was realized in 2014/15 especially in matters of devolved system of governance, and the preparation of key policies to guide devolution and accelerated ASAL development work. Much more would have been achieved were it not for the inadequacy of financial and other resources. We look forward to better performance in 2015/16 and subsequent years.



MWANAMAKA A. MABRUKI
PRINCIPAL SECRETARY
STATE DEPARTMENT OF DEVOLUTION

IV. 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 Department shall prepare financial statements in respect of that Department. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed the Public Sector Accounting Standards Board of Kenya from time to time.

The Accounting Officer in charge of the State Department of Devolution is responsible for the preparation and presentation of the Department's financial statements, which give a true and fair view of the state of affairs of the Department for and as at the end of the financial year 2014-2015 ended on June 30, 2015. 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 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 Department; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

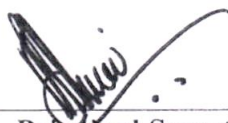
The Accounting Officer in charge of the State Department of Devolution accepts responsibility for the Department's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the Department's financial statements give a true and fair view of the state of Department's transactions during the financial year ended June 30, 2015, and of the Department's financial position as at that date. The Accounting Officer in charge of the State Department for Devolution further confirms the completeness of the accounting records maintained for the Department, which have been relied upon in the preparation of the Department's financial statements as well as the adequacy of the systems of internal financial control.

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The Accounting Officer in charge of the State Department of Devolution confirms that the Department has complied fully with relevant Government Regulations and the terms of external financing covenants (where applicable), and that the Department's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the 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 of Devolution financial statements were approved and signed by the Accounting Officer on 30th Sept 2015.



Principal Secretary

REPUBLIC OF KENYA

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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON MINISTRY OF DEVOLUTION AND PLANNING – STATE DEPARTMENT FOR DEVOLUTION FOR THE YEAR ENDED 30 JUNE 2015

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of the Ministry of Devolution and Planning - State Department for Devolution set out on pages 1 to 17, which comprise the statement of financial position as at 30 June 2015, the statement of receipts and payments, statement of cash flows, statement of comparative budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 8 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

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

Auditor-General's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk

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assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

1. Pending Bills

The State Department for Devolution as at 30 June 2015, reported pending bills amounting to Kshs.3,028,638,103 comprising of Kshs.109,805,779.00 for supply of goods and services of which Kshs.86,084,672 has been paid leaving a balance of Kshs.23,721,107, and Kshs.105,000,000 for land acquired by the former Ministry of Local Government from Kenya Railways for construction of Muthurwa market and Kshs.2,813,832,324 for contribution in lieu of rates (CILOR) for the former local authorities. The Department did not provide measures to be taken on how to clear these bills. Further, had the bills been paid and the expenditure charged to the accounts for 2014/2015 the statement of receipts and payments for the year would have reflected an excess vote (deficit) of Kshs.2,929,909,333 instead of the Kshs.98,728,770 surplus now shown. Failure to settle pending bills during the year to which they relate distorts the financial statements for the year and adversely affects the provisions of the subsequent year to which they have been charged.

2. Outstanding Imprests – Staff Imprests

As reflected in the financial statement as at 30 June 2015, and as disclosed under note 12 to the accounts, is an outstanding staff imprests of Kshs.2,369,962.00 which ought to have been cleared or surrendered on or before 30 June 2015. Some of the employees have been issued with more than one imprest, while others have been outstanding since 2011, 2009 and 2008. As at the time of audit The State Department of Devolution had not recovered the same. This is contrary to financial regulations in place.

3. Cash and Cash Equivalents

The deposits bank reconciliation statements as at 30 June 2015 reflect receipts in bank statements not in cash book of Kshs.767,624.05. Similarly, the recurrent bank reconciliation reflects receipts in bank and not in cash book of Kshs.129,524.90 and payments in bank not in cash book of Kshs.1,129,129,031.00. Some of these payments were for periods over six months. No reason has been provided for failure to update the cashbook with these reconciling amounts.

Consequently the accuracy of the cash & cash equivalents balance of Kshs.300,296,693 as at 30 June 2015 could not be confirmed.

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Department as at 30 June 2015 and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Cash Basis) and complies with Government Financial Regulations and Procedures and the Public Finance Management Act, 2012.

Emphasis of Matter

Other Capital Grants and Transfers

I draw attention to note 7 to the financial statements, an amount of Kshs.2,302,761,682 in respect of other capital grants and transfers could not be confirmed due to the implementing agencies not submitting returns of expenditure and receipts from donor funds that were not captured in IFMIS 100%. My opinion is not qualified in respect of this matter.

Other Matter

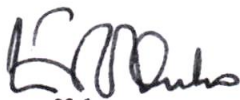
Irregular Expenditure on Project Under Western Community Drive Development and Flood Mitigation Project for the year ended 30 June 2015 – Teso North

Audit inspection at Western Community Driven Development and Flood Mitigation Project in Teso North with respect to the financial year ended 30 June 2015 revealed the following;

Unfunded Authority to Incur Expenditure (AIE) Kshs.24,854,629.00

During the year the project received four Authorities to Incur Expenditure (AIEs) totaling Kshs.144,427,629.00 but revealed by the bank statement made available is an amount of Kshs.119,573,000.00 leaving the difference of Kshs.24,854,629.00 unfunded. The project might not meet its budgetary target due to underfunding.

My opinion is not qualified in respect to these matters.



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

Nairobi

22 June 2016

STATE DEPARTMENT FOR DEVOLUTION
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For the year ended June 30, 2015

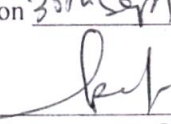
VI. STATEMENT OF FINANCIAL POSITION

	Note	2014-2015 Kshs	2013-2014 Kshs
FINANCIAL ASSETS			
Cash and Bank			
Bank Balances	10	300,188,260	-
Cash Balances	11	<u>108,433</u>	<u>-</u>
TOTAL ASSETS		<u>300,296,693</u>	<u>-</u>
Receivables			
District Imprests	12	3,492,923	-
Outstanding Imprests	12	<u>2,369,962</u>	<u>5,276,747</u>
		<u>(586,138)</u>	<u>5,276,747</u>
TOTAL ASSETS		<u>306,159,578</u>	<u>5,276,747</u>
FINANCIAL LIABILITIES			
Payables			
Deposits	3	<u>202,154,061</u>	<u>-</u>
NET FINANCIAL ASSETS		<u>104,005,517</u>	<u>5,276,747</u>
REPRESENTED BY			
Fund balance b/fwd	14	5,276,747	5,276,747
Surplus		98,728,770	-
NET FINANCIAL POSSITION		<u>104,005,517</u>	<u>5,276,747</u>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Department financial statements were approved on 30th Sep 2015 and signed by:



 Principal Secretary



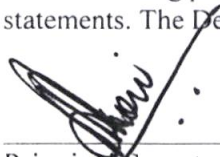
 Principal Accounts Controller

STATE DEPARTMENT FOR DEVOLUTION
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VII. STATEMENT OF CASHFLOW

	Note	2014 - 2015	2013 - 2014
		Kshs	Kshs
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts for operating income			
Proceeds from Domestic and Foreign Grants	1	3,080,163,297	1,769,004,471
Transfers from National Treasury	2	7,934,101,225	9,983,181,267
Payments for operating expenses			
Compensation of Employees	4	(285,642,043)	(1,330,426,466)
Use of goods and services	5	(247,068,568)	(1,512,909,994)
Social Security Benefits	8	-	(7,167,653)
Transfers to Other Government Units	6	(4,776,110,219)	-
Other grants and transfers	7	(5,534,708,175)	(6,614,195,196)
Receivables	12	(586,138)	-
Payables	13	202,154,061	-
Adjusted for:			
Opening balance		-	-
Net cash flow from operating activities		<u>372,303,440</u>	<u>2,287,486,429</u>
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	9	<u>72,006,747</u>	<u>(2,287,486,429)</u>
Net cash flows from Investing Activities		<u>72,006,747</u>	<u>(2,287,486,429)</u>
NET INCREASE IN CASH AND CASH EQUIVALENT			
		300,296,693	
Cash and cash equivalent at beginning of the year		-	-
Cash and cash equivalent at end of the year		<u>300,296,693</u>	-

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Department financial statements were approved on 30th Sept 2015 and signed by:


Principal Secretary


Principal Accounts Controller

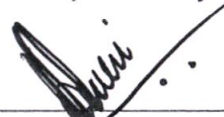
VIII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation Difference to Final Budget
	a	b	c=a+b	d	e=d-c	f=d/c %
Proceeds from Domestic and Foreign Grants	-	-	-	3,080,163,297	-	0%
Exchequer releases	5,687,984,315	4,181,912,200	9,869,896,515	7,934,101,225	(1,935,795,290)	80%
TOTAL	5,687,984,315	4,181,912,200	9,869,896,515	11,014,264,522		
Compensation of Employees	315,692,347	-32,237,800	283,454,547	285,642,043	2,187,496	106%
Use of goods and services	324,354,593	26,000,000	350,354,593	247,068,568	(101,514,423)	76%
Transfers to Other Government Units	3,531,498,098	1,003,600,000	4,604,706,106	4,776,110,219	171,404,113	0%
Other grants and transfers	2,207,188,729	6,223,769,250	8,361,349,971	5,534,708,175	(2,826,641,796)	66%
Social Security Benefits	2,433,527	-	2,433,527	-	(2,433,527)	0%
Acquisition of Assets	888,982,021	-	888,982,021	72,006,747	(816,975,274)	7%
Payment of deposits	-	-	-	-	-	
TOTAL	7,270,149,315	7,221,131,450	14,491,280,765	10,915,535,752	-5,509,768,701	76%

The Grants represents direct aid by DFID, EU, UNDP and others as presented on note 1
 The shortfall in exchequer releases was as a result of lesser releases than expected for the year

With regard to acquisition of assets, some cost centers were retained by planning thus no assets could be acquired under development

The Department financial statements were approved on 3rd Sept 2015 and signed by:



 Principal Secretary



 Principal Accounts Controller

STATE DEPARTMENT FOR DEVOLUTION


Reports and Financial Statements

For the year ended June 30, 2015

IX. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT

Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilisation Difference to Final Budget
	a	b	c=a+b	d	e=d-c	f=d/c %
Exchequer releases	2,171,015,315	2,156,812,200	4,327,827,515	4,288,050,000	39,777,515	99.08%
TOTAL	2,171,015,315	2,156,812,200	4,327,827,515	4,288,050,000	39,777,515	
Compensation of Employees	315,692,347	32,237,800	283,454,547	300,110,515	16,655,968	105.88%
Use of goods and services	324,354,593	26,000,000	350,354,593	265,056,092	(85,298,501)	75.65%
Transfers to Other Government Units	1,140,343,215	-	1,140,343,215	1,140,343,215	-	100.00%
Other grants and transfers	388,799,612	2,163,050,000	2,551,849,612	2,462,054,210	(89,795,402)	96.48%
Social Security Benefits	2,433,527	-	2,433,527	-	(2,433,527)	0.00%
Acquisition of Assets	1,392,021	-	1,392,021	721,992	(670,029)	51.87%
TOTAL	2,173,015,315	2,156,812,200	4,329,827,515	4,168,286,024	(161,541,491)	96.27%

The Department financial statements were approved on 30th Sept 2015 and signed by:

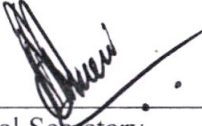

Principal Secretary


Principal Accounts Controller

X. SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT

Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation Difference to Final Budget
	a	b	c=a+b	d	e=d-c	f=d/c %
Proceeds from Domestic and Foreign Grants	-	-	-	3,080,163,297	-	0.00%
Exchequer releases	3,516,969,000	2,025,100,000	5,542,069,000	3,646,051,225	(1,896,017,775)	65.79%
TOTAL	3,516,969,000	2,025,100,000	5,542,069,000	6,726,214,522	1,896,017,775	88.76%
Transfers to Other Government Units	2,391,154,883	1,003,600,000	3,464,362,891	3,544,968,520	(80,605,629)	102.33%
Other grants and transfers	1,818,389,117	4,060,719,250	5,809,500,359	3,210,414,965	(2,599,085,394)	55.26%
Acquisition of Assets	887,590,000	-	887,590,000	65,245,869	(822,344,131)	7.35%
TOTAL	5,097,134,000	5,064,319,250	10,161,453,250	6,820,629,354	(3,340,823,896)	67.12%

The Department financial statements were approved on 30th sept 2015 and signed by:


Principal Secretary


Principal Accounts Controller

STATE DEPARTMENT FOR DEVOLUTION
Reports and Financial Statements
For the year ended June 30, 2015

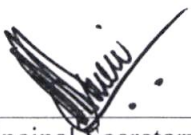
XI. SUMMARY STATEMENT OF PROVISIONINGS

- Details of General Accounts On Vote

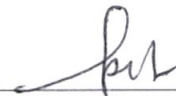
	2014 - 2015 Kshs	2013 - 2014 Kshs
GAV Provisioning account balance	Nil	-
<i>Total</i>	<u>Nil</u>	<u>-</u>

- Details of Exchequer Provisioning

	2014 - 2015 Kshs	2013 - 2014 Kshs
Exchequer Provisioning balance	1,935,795,290	-
<i>Total</i>	<u>1,935,795,290</u>	<u>-</u>



Principal Secretary



Principal Accounts Controller

30-09-2015

Date

30-09-2015

Date

XII. SIGNIFICANT ACCOUNTING POLICIES

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

1. Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting and applicable government legislations and regulations. The financial statements comply with and conform to the form of presentation prescribed by the Public Sector Accounting Standards Board of Kenya.

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

The financial statements have been prepared on the cash basis following the Government's standard chart of accounts.

2. Recognition of revenue and expenses

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

3. In-kind contributions

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

4. Cash and cash equivalents

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

5. Accounts Receivable

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

6. Accounts Payable

For the purposes of these financial statements, deposits and retentions held on behalf of third parties has been recognized as accounts payables. This is in recognition of the government practice of retaining a portion of contracted services and works pending fulfilment of obligations by the contractor and to hold deposits on behalf of third parties. This is an enhancement to the cash accounting policy adopted by National Government Ministries and agencies. Other liabilities including pending bills are disclosed in the financial statements.

7. Non current assets

Non current assets are expensed at the time of acquisition while disposal proceeds are recognized as receipts at the time of disposal. However, the acquisitions and disposals are reflected in the Department fixed asset register a summary of which is provided as a memorandum to these financial statements.

8. Pending bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they are recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the Department at the end of the year. Pending bills form a first charge to the subsequent year budget and when they are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

9. Budget

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

10. Comparative figures

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

11. Subsequent events

Events subsequent to submission of the financial year end financial statements to the National Treasury and other stakeholders with a significant impact on the financial statements may be adjusted with the concurrence of National Treasury.

STATE DEPARTMENT FOR DEVOLUTION
Reports and Financial Statements
For the year ended June 30, 2015

XIII. NOTES TO THE FINANCIAL STATEMENTS

1 PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

Name of Donor	Date received	Amount in foreign currency	2014 - 2015 Kshs	2013 - 2014 Kshs
Grants Received from Bilateral Donors (Foreign Governments)				
MTAP Sub total			53,056,567	35,672,471
DANIDA (Denmark)			53,056,567	-
Grants Received from Multilateral Donors (International Organisations)				
NDMA - Sub total Various as under			3,027,106,730	1,544,093,083
DFID-UK			1,370,730,820,	-
DFID-UK			1,060,000,000	-
UNDP			12,000,000	-
UNDP			5,740,000	-
EDF(European Development Fund)			176,975,000	-
EDF(European Development Fund)			401,571,000	-
Total			<u>3,080,163,297</u>	<u>1,544,093,083</u>

MTAP - Medium Term ASAL Programme ; NDMA - National Drought Management Authority;

2 EXCHEQUER RELEASES

	2014 - 2015 Kshs	2013 - 2014 Kshs
Total Exchequer Releases for quarter 1	763,474,555	-
Total Exchequer Releases for quarter 2	3,172,117,230	-
Total Exchequer Releases for quarter 3	911,774,395	-
Total Exchequer Releases for quarter 4	3,086,735,045	-
Total	<u>7,934,101,225</u>	<u>9,983,181,267</u>

STATE DEPARTMENT FOR DEVOLUTION
Reports and Financial Statements
For the year ended June 30, 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 PROCEEDS FROM RETENTION & DEPOSITS

	2014 - 2015	2013 - 2014
	Kshs	Kshs
Amounts from Min OF Planning & Devolution	419,600,822	-
Amounts paid	(217,466,761)	-
Balance carried forward	<u>202,154,061</u>	-

In the year, the department received the above funds from the Department of Planning in relation to funds specific to State Department of Devolution. There were no additional retentions as there were no capital works. The Department only made payments of amounts previously withheld.

4 COMPENSATION OF EMPLOYEES

	2014 - 2015	2013 - 2014
	Kshs	Kshs
Basic salaries of permanent employees	197,412,604	508,826,388
Basic wages of temporary employees	-	608,895,432
Personal allowances paid as part of salary	<u>88,229,439</u>	<u>212,704,646</u>
Total	<u>285,642,043</u>	<u>1,330,426,466</u>

5 USE OF GOODS AND SERVICES

Utilities, supplies and services	2,372,300	18,280,474
Communication, supplies and services	13,362,742	40,614,926
Domestic travel and subsistence	19,126,181	106,832,432
Foreign travel and subsistence	4,109,264	28,423,418
Printing, advertising and information supplies & services	3,496,299	17,657,661
Rentals of produced assets	86,921,864	169,459,804
Training expenses	7,711,649	186,455,697
Hospitality supplies and services	15,314,418	57,222,613
Insurance costs	-	16,375,565
Specialised materials and services	23,132,962	16,726,552
Office and general supplies and services	8,155,344	47,806,381
Fuel, oil & Lubricants	15,670,240	58,104,250
Other operating expenses	39,202,737	314,246,339
Overhaul & Refurbishment of Construction and Civil Works Total	-	268,836,155
Research, Feasibility Studies, Project Preparation and Design, Project Supervision Total	-	77,314,421
Routine maintenance – vehicles and other transport equipment	5,070,001	59,452,500
Routine maintenance – other assets	<u>3,422,567</u>	<u>29,100,806</u>
Total	<u>247,068,568</u>	<u>1,512,909,994</u>

STATE DEPARTMENT FOR DEVOLUTION
Reports and Financial Statements
For the year ended June 30, 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 GRANTS AND TRANSFERS TO OTHER GOVERNMENT ENTITIES

Description	2014 - 2015 Kshs	2013 - 2014 Kshs
Transfers to National Government entities		
Western Kenya Community Driven Development & Flood Mitigation Project	1,992,462,000	-
National Humanitarian Fund	439,533,607	-
Nairobi Health Management Board	15,222,500	-
Transition Authority	758,000,000	-
Medium Term ASAL Programme	328,511,966	-
National Drought Management Authority	1,119,880,146	-
Council of Governors	<u>122,500,000</u>	-
TOTAL	<u>4,776,110,219</u>	=

7 OTHER GRANTS AND TRANSFERS

	2014 - 2015 Kshs	2013 - 2014 Kshs
Scholarships and other educational benefits		32,187,665
Emergency relief and refugee assistance	2,995,424,305	2,770,679,752
Current Grants to Govt Agencies and other Levels of Govt	236,522,188	996,686,703
Other capital grants and transfers	2,302,761,682	2,814,641,076
Grants to small businesses, cooperatives, and self employed	-	-
Grants to foreign government		
Total	<u>5,534,708,175</u>	<u>6,614,195,196</u>

8 SOCIAL SECURITY BENEFITS

Government pension and retirement benefits	-	<u>7,167,653</u>
Total	<u>-</u>	<u>7,167,653</u>

STATE DEPARTMENT FOR DEVOLUTION
Reports and Financial Statements
For the year ended June 30, 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9 ACQUISITION OF ASSETS

	2014 - 2015 Kshs	2013 - 2014 Kshs
Acquisition of land	-	38,000,000
Construction of Buildings	2,109,679	357,113,389
Refurbishment of Buildings	28,000	3,086,609
Construction of Roads	-	94,930,355
Construction and Civil Works	69,338,966	1,660,373,040
Purchase of Office Furniture and General Equipment	169,190	5,913,612
Purchase of Specialised Plant, Equipment and Machinery	360,912	105,194,862
Purchase of Vehicles & other transport Equipment	-	22,840,562
Rehabilitation and Renovation of Plant, Machinery and Equip.	-	34,000
Total	<u>72,006,747</u>	<u>2,287,486,429</u>

10 BANK ACCOUNTS

Name of Bank, Account No. & currency	Amount in foreign currency	Exchange rate	2014 - 2015 Kshs	2013 - 2014 Kshs
Central Bank of Kenya - Deposits 1000212616			202,154,061	-
Central Bank of Kenya - Development 1000209763			15,226,853	-
Central Bank of Kenya - Recurrent 1000209828			<u>82,807,346</u>	-
Total			<u>300,188,260</u>	

11: CASH IN HAND

Cash in Hand – Held in domestic currency	108,433	-
Cash in Hand – Held in foreign currency	-	-
Total	<u>108,433</u>	<u>-</u>

Cash in hand should also be analysed as follows:

Ministry Headquarters - Cash Office	108,433	-
	-	-
Total	<u>108,433</u>	<u>-</u>

STATE DEPARTMENT FOR DEVOLUTION

Reports and Financial Statements

For the year ended June 30, 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 ACCOUNTS RECEIVABLE - OUTSTANDING IMPRESTS

<i>Description</i>	2014 - 2015 Kshs	2013 - 2014 Kshs
Government Imprests; Districts – Annex 1	3,492,923	-
Clearance accounts – Staff Imprests – Annex 2	<u>2,369,962</u>	<u>5,276,747</u>
Total	<u>(586,138)</u>	<u>5,276,747</u>

13 PAYABLES

	2014-2015 Kshs	2013-2014 Kshs
Balance carried forward	<u>202,154,061</u>	-
Total	<u>202,154,061</u>	

These are mainly retention monies. See Annex 5

14 FUND BALANCE BROUGHT FORWARD

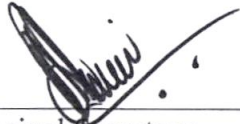
	2014 - 2015 Kshs	2013 - 2014 Kshs
Bank accounts	-	-
Cash in hand	-	-
Accounts Receivables	5,276,747	-
Accounts Payables	-	-
Total	<u>5,276,747</u>	-

These were balances taken over from the combined 2013/2014 financial statements, that related to Department of devolution.

STATE DEPARTMENT FOR DEVOLUTION
 Reports and Financial Statements
 For the year ended June 30, 2015

SUMMARY OF FIXED ASSET REGISTER

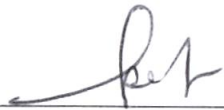
Asset class	Historical Cost (Kshs) 2014/15	Historical Cost (Kshs) 2013/13
Land		
Acquisition of assets	69,366,966	
Transport equipment		
Office equipment, furniture and fittings		
ICT Equipment, Software and Other ICT Assets	530,000	
Other Machinery and Equipment		
Heritage and cultural assets		
Intangible assets	2,109,697	
Total	72,006,747	



Principal Secretary

30/9/15.

Date



Principal Accounts Controller

30-09-2015

Date