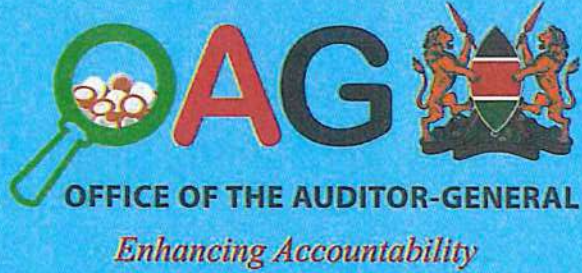


REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

SPECIAL ECONOMIC ZONES AUTHORITY

**FOR THE YEAR ENDED
30 JUNE, 2023**



SPECIAL ECONOMIC ZONES AUTHORITY

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2023**

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

*Special Economic Zones Authority
Annual Report and Financial Statements
For the year ended June 30, 2023*

Table of Contents	Page
1. KEY ENTITY INFORMATION AND MANAGEMENT	ii.
2. THE BOARD OF DIRECTORS.....	iv.
3. MANAGEMENT TEAM.....	xi.
4. CHAIRPERSON'S STATEMENT.....	xii.
5. REPORT OF THE CHIEF EXECUTIVE OFFICER.....	xiii
6. CORPORATE GOVERNANCE STATEMENT.....	xv
7. MANAGEMENT DISCUSSION AND ANALYSIS.....	xvi
8. REPORT OF THE DIRECTORS.....	xvii
9. STATEMENT OF DIRECTORS' RESPONSIBILITIES.....	xviii
10. REPORT OF THE INDEPENDENT AUDITOR	1
11. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022....	2.
12. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022.....	3.
13. STATEMENT OF CHANGES IN NET ASSETS.....	4.
14. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022.....	5.
15. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS	6.
16. NOTES TO THE FINANCIAL STATEMENTS	7
APPENDIX I.....	29.
APPENDIX II.....	30.
APPENDIX IV.....	31.
APPENDIX V.....	33.
APPENDIX VI.....	34.
APPENDIX VII.....	35.

*Special Economic Zones Authority
Annual Report and Financial Statements
For the year ended June 30, 2023*

1. ACRONYMS, ABBREVIATIONS AND GLOSSARY OF TERMS

Acronyms and Abbreviations

CEO	Chief Executive Officer
CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
MD	Managing Director
NT	National Treasury
OCOB	Office of the Controller of Budget
OAG	Office of the Auditor General
PFM	Public Finance Management
PPE	Property, Plant & Equipment
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies
SC	State Corporations
WB	World Bank

B: Glossary of Terms

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

Comparative Year- Means the prior period.

2. KEY AUTHORITY INFORMATION AND MANAGEMENT

a) Background Information

The Special Economic Zones Authority is a statutory body established under the Special Economic Zones Act No.16 of 2015 and is domiciled in Kenya.

b) Principal Activities

The principal activity/mandate of the Authority The principal activity/mandate of Special Economic Zones Authority is to:

- i) Implement the policies and programmes of the government with regard to special economic zones;
- ii) Identify, map and, where necessary, procure or avail to developers and operators the areas of land to be, or which have been, designated as special economic zones;
- iii) Determine investment criteria including investment threshold;
- iv) Undertake or approve the development, operation or maintenance, as well as finance, appropriate infrastructure up to the perimeter of, or within, select special economic zones, as and when deemed necessary;
- v) Review applications and grant licenses to special economic zone developers, operators and enterprises;
- vi) Promote and market special economic zones to potential special economic zone entities;
- vii) Administer "one-stop" Centre for investors;
- viii) Make recommendations to the Cabinet Secretary on all aspects of designation, approval, establishment, operation and regulation of special economic zones.

c) Key Management

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

**Special Economic Zones Authority
Annual Report and Financial Statements
for the year ended June 30, 2023.**

No.	Designation	Name
1.	Board of Directors	
2.	Board Committees	
3.	Chief Executive Officer	Dr. Kenneth Chelule, PhD
4.	Management	

d) Fiduciary Management

The key management personnel who held office during the financial Year ended 30th June 2023 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chief Executive Officer	Dr. Kenneth Chelule, PhD
2.	Technical Manager – Infrastructure Development	Mr. Lewell Njehia
3.	Ag. Technical Manager – Licensing and Compliance	Mr. Francis Gitau
4.	Ag. Head of Finance & Accounts	CPA Benjamin Mutula
5.	Ag. Head of Supply Chain Management	Mr. Joseph Okoche

e) Fiduciary Oversight Arrangements

The Authority has various fiduciary oversight arrangements. To facilitate the smooth running of its affairs, the Board of Directors has established the following Board committees:

- i) Investment and Licensing Committee
- ii) Human Resource, Administration and Governance Committee
- iii) Finance, Planning and Infrastructure Committee
- iv) Audit and Risk Management Committee

f) Authority's Headquarters

14th Floor, UAP Old Mutual Towers
Upper Hill Road
P.O Box 30418 – 00100
Nairobi. Kenya

g) Authority's Contacts

P.O Box 30418 – 00100

Nairobi, Kenya

Telephone: +254(0)20-7863971

Email: info@sezauthority.go.ke

Website: www.sezauthority.go.ke

h) Authority Bankers

(i) Kenya Commercial Bank

Upper Hill Platinum, KCB Towers

P. O. Box 48400-00100

Nairobi, Kenya

(ii) National Bank of Kenya

National Bank of Kenya Building

Harambee Avenue

P.O BOX 72866-00200

Nairobi, Kenya

v) Independent Auditors

Auditor-General

Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084 - 00100

Nairobi, Kenya

vi) Principal Legal Adviser

The Attorney General




State Law Office and Department of Justice

Harambee Avenue



P.O. Box 40112 - 00200

Nairobi, Kenya


3. BOARD OF DIRECTORS

Directors	Details
 <p data-bbox="421 875 657 949">Mr. Fred Muteti, EBS Chairman</p>	<p data-bbox="788 517 983 544">DoB: 25/04/1977</p> <p data-bbox="788 611 1430 819">Mr. Fred Muteti is a university graduate with over 20 years of experience in leadership and project management in both public and private sectors. He has also worked in simultaneous multi-community mobilization initiatives.</p> <p data-bbox="788 887 1359 943">He has previously served as the chairman of the Board of Directors of Sports Kenya Board.</p>
 <p data-bbox="405 1328 667 1402">Mr. Henry A Ongicho, Independent Director</p>	<p data-bbox="788 987 983 1014">DoB: 31/12/1968</p> <p data-bbox="788 1032 1430 1469">Mr. Henry Ongicho holds a Bachelor of Law from the University of Nairobi and a Diploma in Law from the Kenya School of Law. He is an advocate of the High Court of Kenya, a certified member of the Chartered Institute of Arbitrators (CI Arb), an active member of the Law Society of Kenya and one of the founding members of the Continuing Professional Development Program in the Law Society of Kenya organization. He is currently the Managing Partner in A. H. Malik and Company Advocates with over 25 years of practice.</p>
 <p data-bbox="384 1843 683 1917">Mr. Jonathan N. Chifallu, Independent Director</p>	<p data-bbox="788 1491 983 1518">DoB: 12/09/1962</p> <p data-bbox="788 1536 1430 1917">Mr. Jonathan Chifalu holds a Master of Science Degree in International Business Administration and a Master of Science Degree in Organizational Development & Leadership from the United States International University. Mr. Chifallu has previously worked as an Independent Consultant for DAI Global LLC 7600 Wisconsin Avenue, Bethesda, MD 20814 USA, under USAID E.A. as Trade Hub Trade Sector Country Specialist (Kenya) between September 2020 and</p>

	<p>September 2021. He has also worked at the Export Processing Zones Authority rising through various ranks to General Manager, Directorate of Investments & Corporate Communications.</p>
 <p>Mr. Jonathan S. P. Coulson, Independent Director</p>	<p>DoB: 05/02/1966</p> <p>Mr. Jonathan Stewart Philip Coulson is a LLB degree holder. He is a practising Kenyan Advocate and enrolled as an English Solicitor (N.T Practising). He is a partner in Coulson Harney LLP, trappings as Bowmans Kenya. He is the Chairman, Ol Pejeta Conservancy Limited, Chairman Muthaiga Country Club, Director Old Mutual Insurance South Sudan Limited, Director Performing & Visual Arts Centre Limited trading as the Godown Arts Centre and Trustee Old Mutual Foundation. His legal experience spans over 31 years. He has been director at Muthaiga Country Club for 24 years.</p>
 <p>Mr. Anthony Wainaina, Independent Director</p>	<p>DoB: 27/09/1972</p> <p>Mr. Anthony Wainaina holds a MSc in Marketing from University of Glamorgan, UK., B.Ed. Arts (Mathematics & Economics, Economics Major) from Kenyatta University and a Post Graduate Diploma, Chartered Institute of Marketing, UK. He has also done the Global CEO Africa Leadership Course from Strathmore Business School (Kenya).</p> <p>Anthony is a trustee board member of Producers Direct, and also a trustee board member of the Kenya Police Football Club. He has been a Founder and Director of several companies including Ponty Pridd Holdings Ltd, Quatrix Limited, E-fisha among others.</p> <p>He has previously held senior positions in sales, marketing and business development departments in various companies including, KTDA, Kenchic Limited, Diageo UDV Kenya Ltd, and Coca Cola Nairobi Bottlers Ltd.</p>

 <p>Mr. Joseph K. Nguyo Alternate to Principal Secretary, State Department for Investment Promotion</p>	<p>DoB: 05/12/1970</p> <p>Mr. Joseph K. Nguyo is a Senior Deputy Secretary and head of administration in the State Department for Investment Promotion. He holds a Bachelor of Education Degree from Moi University and a Master of Business Administration (Strategic Management) from Dedan Kimathi Memorial University. He has also studied other courses including Strategic Leadership Management and Senior Management course from Kenya School of Government and Strategic Leadership at Greta University in Kenya.</p>
 <p>Mr. Guyo Boru Alternate to Principal Secretary, The National Treasury</p>	<p>DoB: 12/12/1979</p> <p>Mr. Guyo Boru holds a Bachelor of Science (Hons) and MBA-Finance from University of Nairobi, Master of Public Policy and Management from Strathmore University and CPA finalist. He has attended numerous trainings in public finance management, Strategic governance, leadership, among other numerous trainings both locally and internationally. He is currently the Head and Fund Administrator of Equalization Fund at the National Treasury and Planning. He has previously served with the office of controller of Budget, the Co-operative Bank of Kenya and Barclays Bank of Kenya (Absa Bank). He also serves in the Board of Sports, Arts and Social Development Fund as an alternate member to Principal Secretary – The National Treasury. Mr Boru has wealth of experiences with career spanning over 16 years both in Corporate and public sector with a decade of experience in public finance management.</p>

 <p>Hon. Tiyah Galgalo, MBS Alternate to the Chairperson, National Land Commission</p>	<p>DoB: 12/11/1966</p> <p>Hon. Tiyah Galgalo holds a Bachelor of Education from Kenyatta University and a Master of Educational Administration and Planning from the University of Nairobi. She is a Commissioner at the National Land Commission, Kenya. She is a former legislator, a seasoned public administrator, and an educationist. She has previously served as the Women Representative for Isiolo County, a Commissioner at Interim Independent Electoral Commission (IIEC) Kenya, a member of the National Commission on Gender and Development and a County Executive Committee member (CECM), in charge of public service & county administration, Tourism, Wildlife, Investment, Trade and Industry. She has also served as a Commissioner of Poverty Eradication Commission, an Emergency Educational Officer and the Principal, Isiolo Girls High School. She is a founder member of Foundation for Pastoralists Women Association (FOPOWA), an organization that empowers women. In addition she is a champion for Disaster Risk Reduction (DRR), Governance & Gender, Monitoring & Evaluation and Resource Mobilization.</p>
 <p>Alternate to the Commissioner General, Kenya Revenue Authority</p>	<p>DoB: 02/01/1967</p> <p>Mr. David Ontweka holds a Bachelor of Social Legislation, Bachelor of Laws and Diploma in Law from the Kenya School of Law. He is an advocate of the High Court of Kenya, a certified public secretary, commissioner for oaths and notary public.</p> <p>He is a member of the Law Society of Kenya, East Africa Law Society, Institute of Certified Public Secretaries of Kenya and Commonwealth lawyers Association.</p> <p>He is currently the Acting Deputy Commissioner – Policy and International Affairs Division in the Customs and Border Control Department. He has previously served a Regional Manager Customs and Border Control, Head of litigation in tax, customs and excise disputes resolution and assistant commissioner, legal services.</p>

 <p>Dr. Kenneth Chelule Langat, PhD, EBS Chief Executive Officer & Secretary to the Board</p>	<p>DoB: 10/01/1971</p> <p>Dr. Kenneth Chelule holds a PhD and a MSc in Mechanical Engineering from Staffordshire University in the United Kingdom and an Executive MBA from Jomo Kenyatta University of Agriculture and Technology. He is an experienced professional with more than 20 years of expertise in industrial research, technology transfer and MSME support.</p> <p>He is currently the CEO at the Authority and has previously held the positions of Director of Partnership, Strategy, Research, and Resource Mobilization and Chief Research Scientist and Deputy Director at the Kenya Industrial Research and Development Institute (KIRDI). He has also worked for Johnson & Johnson (UK), Summit Medical (UK), and the University of Leeds (UK).</p>

4. KEY MANAGEMENT TEAM

 <p>Dr. Kenneth Chelule, PhD, EBS Chief Executive Officer</p>	<p>Dr. Kenneth Chelule, PhD is the Chief Executive Officer of the Authority. He holds a PhD and a MSc in Mechanical Engineering from Staffordshire University in the United Kingdom and an Executive MBA from Jomo Kenyatta University of Agriculture and Technology. He is an experienced professional with more than 20 years of expertise in industrial research, technology transfer and MSME support. He is currently the CEO at the Authority and has previously held the positions of Director of Partnership, Strategy, Research, and Resource Mobilization and Chief Research Scientist and Deputy Director at the Kenya Industrial Research and Development Institute (KIRDI). He has also worked for Johnson & Johnson (UK), Summit Medical (UK), and the University of Leeds (UK).</p>
 <p>Mr. Lewell Njehia Technical Manager - Infrastructure Development</p>	<p>Mr. Lewell Njehia is the Technical Manager in charge of infrastructure development.</p> <p>He holds a Bachelor of Science Degree in Mathematics (Statistics & Computer Science) from Kenyatta University.</p>
 <p>Mr. Francis Gitau</p>	<p>Mr. Francis Gitau is the Ag. Technical Manager in charge of licencing and compliance.</p> <p>He holds Bachelor of Arts (BA-Honour's) and Masier of Arts in Economics both from the University of Nairobi.</p>

<p>Ag. Technical Manager – Licencing & Compliance</p>	
<div data-bbox="359 459 651 757" data-label="Image"> </div> <p>CPA Benjamin Mutula Manager, Finance & Accounts</p>	

5. CHAIRMAN'S STATEMENT

The preceding year has been a testament to SEZA's enduring significance within Kenya's economic landscape. We observed an extraordinary level of interest from investors in our Dongo Kundu and Naivasha Special Economic Zones, with a remarkable 81 expressions of interest. These expressions collectively represent an estimated investment value of Kshs 460 Billion. This enthusiastic response reaffirms the allure and potential of SEZA's Special Economic Zone program in Kenya.

Despite our successes, it's important to acknowledge the challenges we encountered and the proactive measures we've taken to mitigate them. The past year brought about its fair share of obstacles, including regulatory complexities, infrastructure development delays, and global economic uncertainties. In response, we've intensified our efforts to streamline regulatory processes, enhancing transparency and predictability for investors. We've also redoubled our commitment to overcoming infrastructure challenges, recognizing that robust infrastructure is vital to the success of our SEZs. Furthermore, we've refined our risk management strategies to navigate the dynamic global economic landscape, ensuring that SEZA remains resilient in the face of uncertainty.

Our dedication to infrastructure development has yielded substantial progress. We are pleased to announce the successful completion of the Naivasha SEZ one-stop-shop and the access road, which has enhanced connectivity and accessibility within the zone. While challenges persist, our determination remains steadfast, and we are committed to overcoming these obstacles.

A new era began with the appointment of our CEO, reinforcing our leadership and strategic direction. Additionally, we significantly bolstered our team's capacity through the introduction of secondments and internships.

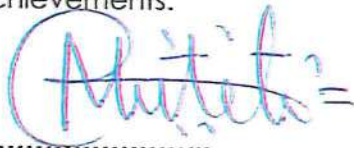
In response to stakeholder input, we proactively revised the SEZA Act to establish a regulatory framework that can adapt to evolving economic dynamics. These

amendments ensure SEZA's preparedness to address critical issues and better serve the needs of our stakeholders.

During this fiscal year, we achieved a noteworthy milestone by licensing 20 enterprises. These licenses attracted a substantial Kshs 200 billion in investments and facilitated the creation of 10,300 jobs. This aligns seamlessly with our mission to not only attract investments but also contribute to job creation and economic growth in Kenya.

As we approach the new fiscal year, SEZA's commitment to facilitating economic growth, fostering innovation, and attracting investments remains unwavering. We are well-positioned to harness the potential of our SEZs to the fullest, with a steadfast focus on job creation, technology transfer, and sustainable development in Kenya.

In conclusion, I extend my sincere gratitude to our outstanding team, dedicated partners, and steadfast stakeholders who have played an essential role in our achievements.



.....
Mr. Fred Mutefi, EBS
Chairman

6. REPORT OF THE CHIEF EXECUTIVE OFFICER

I am pleased to present the Annual Financial Report for SEZA (Special Economic Zones Authority) for the fiscal year 2022/23. It has been a year of significant accomplishments and strategic advancements for the Authority.

Investor Interest in SEZs

One of the highlights of this year was the overwhelming response to our Expression of Interest (EOI) for the Dongo Kundu and Naivasha Special Economic Zones. We received a remarkable 81 expressions of interest from potential investors, collectively indicating an estimated investment value of Kshs 460 Billion. This strong interest underscores the potential and attractiveness of our SEZ program in Kenya.

Infrastructure Development:

During the FY 2022/2023, the completion rate for the Naivasha SEZ one-stop-shop stood at 52%, and we are pleased to report the successful completion of the access road, which is vital for enhancing connectivity and accessibility to the SEZ.

Resettlement Action Plan:

The Authority worked diligently to coordinate with the National Land Commission and Kenya Ports Authority in implementing the Resettlement Action Plan for Project-Affected Persons. Planning, Surveying and beaconing of the land allocated to the PAPs has been completed. The titles are ready and awaiting printing. We are committed to ensuring a smooth transition for all affected individuals and communities.

Progress in Dongo Kundu:

While challenges remain, we achieved a 13% completion rate for the construction of the Dongo Kundu SEZ one-stop-shop. This is a significant step forward, and we are actively addressing the challenges to expedite progress.

Strengthening Leadership:

In line with our commitment to enhancing the strategic direction of the Authority, we successfully completed the recruitment of our Chief Executive Officer (CEO). This strategic appointment will play a pivotal role in steering SEZA towards its goals and ensuring effective leadership in these transformative times.

Capacity Building:

To bolster the capacity of our Human Resources team, we brought in six (6) staff members on secondment during the fiscal year. The Authority also onboarded seven (7) interns from the Public Service Commission internship program. This investment in talent will greatly support the operations of the Authority, ensuring that we have the necessary expertise and resources to efficiently deliver on our mandate.

Amendment of SEZA Act:

In recognition of the need for agility and adaptability in a dynamic economic landscape, the Authority took the proactive step of amending the SEZA Act of 2015. This was occasioned by the Authority's stakeholders' feedback on the SEZ program. These amendments were carefully crafted to address critical issues that posed risks to the operationalization of the SEZ program in Kenya. They pave the way for a more streamlined and effective regulatory framework, better suited to meet the evolving needs of our stakeholders.

Licensing and Job Creation:

I am pleased to report that during this fiscal year, SEZA successfully licensed 20 enterprises within our Special Economic Zones. These enterprises have committed to significant investments, resulting in the creation of 10,300 employment opportunities. The investment value for the on boarded enterprises was Kshs 200 billion. This achievement aligns with our mission of not only attracting investments but also contributing to job creation and economic growth in Kenya.

As we move forward into the new fiscal year, our commitment to facilitating economic growth, fostering innovation, and attracting investments remains unwavering. We are dedicated to harnessing the immense potential of our SEZs, contributing to job creation, technology transfer, and sustainable development in Kenya.

I would like to extend my gratitude to our dedicated team, our partners, and stakeholders who have played a crucial role in our achievements. Together, we are

making strides towards realizing our vision of establishing Kenya as a global economic hub through the development of world-class Special Economic Zones. Thank you for your continued support, and I look forward to another year of impactful progress.



**Dr. Kenneth Chelule, PhD, EBS
Chief Executive Officer**

7. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2022/2023

Under the Bottom-Up Economic Transformation Agenda (BETA), the government has identified key drivers within the manufacturing sector, including textiles and apparels, leather and leather products, agro-processing, and SME development, to act as catalysts for the country's economic transformation.

The Special Economic Zone (SEZ) program is expected to play a pivotal role in increasing the manufacturing sector's contribution to the Gross Domestic Product (GDP), aiming for a growth from 9% in 2022 to 15% by 2027. By the conclusion of this plan period, we anticipate the creation of 1,000,000 job opportunities and a substantial fivefold rise in foreign direct investment. Consequently, the SEZ program is poised to significantly contribute to the achievement of the manufacturing sector's objectives, synergizing with the government's vision.

At the institutional level, the development and finalization of the strategic plan for 2023 – 2027 will serve as a guiding framework for the institution in fulfilling its mandate.

The Special Economic Zone Authority (SEZA) has 10 strategic pillars/ themes/issues and objectives within the current draft Strategic Plan for the FY 2023-27. These strategic pillars/ themes/ issues are as follows:

Strategic Pillar 1: Infrastructure Development

Strategic Pillar 2: Investment Promotion and Facilitation

Strategic Pillar 3: Regulatory Excellence

Strategic Pillar 4: Skill Development and Workforce Enhancement

Strategic Pillar 5: Sustainability and Environmental Stewardship

Strategic Pillar 6: Innovation and Technology Advancement

Strategic Pillar 7: Trade and Export Promotion

Strategic Pillar 8: Governance and Transparency

Strategic Pillar 9: Social and Community Development

Strategic Pillar 10: Monitoring and Evaluation

These strategic pillars, along with their corresponding objectives, can serve as a framework for the SEZ Authority to guide its efforts in developing and managing SEZs effectively.

SEZA develops its annual work plans based on the above 10 pillars/Themes/Issues. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The SEZA achieved its performance targets set for the FY 2022 period for its 2 strategic pillars, as indicated in the table below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Strategic Pillar 1: <i>Infrastructure Development</i> Naivasha SEZ development	To establish world-class infrastructure within SEZs to attract businesses and facilitate their operations.	Land Policy/Lease Agreements/letter of offer and Detailed land use plan developed	Coordinate the development and finalization of land instruments to attract investors by i. Lease Agreements/letter of offer ii. Detailed land use plan	All the documents developed finalized and adopted
		Naivasha SEZ infrastructure developed	Naivasha SEZ by: - i. Construction of administration block boundary wall ii. Construction of access roads 10 kms within the zone iii. Construction of Galley protection/gabions	The development of the administration block is at 56% while the access road is at 90% completion rate
Dongo Kundu SEZ development		Project Affected Persons resettled	Coordinate with the National Lands Commission on the implementation of the Resettlement Action Plan (RAP)	Delay in resettlement of the PAPs occasioned by lack of funds and grievances raised by the PAPs

Special Economic Zones Authority
Annual Report and Financial Statements
for the year ended June 30, 2023.

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
		Dongo Kundu SEZ infrastructure developed	Dongo Kundu SEZ by: - i. Construction of administration block boundary wall ii. Construction of access roads 10 kms within the zone	The construction of the two projects is at 10% due to delays in resettlement exercise
Strategic Pillar 2: <i>Investment Promotion and Facilitation</i>	To attract domestic and foreign investments by offering incentives and providing a conducive environment for business growth.	No of zones gazetted and enterprises licensed	Approve and recommend to the Cabinet Secretary of 10- Sites for declaration and gazettelement. And Process SEZ's 15 licenses	9 sites declared and gazetted by the Cabinet Secretary, While 15 enterprise licenses Processed.
		Market and promote SEZ investments to international investors in 4 investor promotion workshops	Attend International investment promotion conferences and market SEZ programme to potential investors	5 international investment promotion conferences participated in Germany, Belgium, Thailand, Qatar and UK
Strategic Pillar 4: <i>Skill Development and Workforce Enhancement</i>	To operationalize the SEZA by recruiting staff and in education and invest fully in training programs to develop a skilled and adaptable workforce, meeting the	Approved Salary scheme for SEZA by the Salaries and Remuneration Commission (SRC)	Seeking approval to recruit from relevant Authorities	SRC Approved Salary structure for SEZA
		Publication of advertisements of the Authority's vacancies	Advertise for recruitment of staff	Adverts for SEZA vacancies Published in local dailies
		SEZA Staff recruited	Recruitment of SEZA-CEO and initial critical staff	SEZA-CEO recruited

Special Economic Zones Authority
 Annual Report and Financial Statements
 for the year ended June 30, 2023.

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
	specific needs of industries within SEZs.			
Strategic Pillar 10: Monitoring and Evaluation	To establish a robust monitoring and evaluation system to track the performance and impact of SEZs against set targets and objectives.	Quarterly and Annual performance Monitoring and evaluation reports	Undertake quarterly Monitoring and evaluation exercise on all the SEZ projects and draw a report.	4 M&E reports developed

8. CORPORATE GOVERNANCE STATEMENT

Introduction

This Corporate Governance Statement outlines SEZA's commitment to maintaining high standards of corporate governance. The Authority believes that effective governance is fundamental to our success and to the trust our shareholders, employees, and stakeholders place in us.

Board Composition and Structure

Our Board is composed of **10** members, including **5** independent directors and **1** Ex Officio member. The Board is structured to ensure a balance of skills, experience, and diversity, allowing for effective decision-making and oversight.

Board Meetings and Attendance

A schedule of Board and Committee meetings is circulated to the Board in advance of the financial year.

During the year ended 30th June 2022, the Board held meetings as follows; Ten (10) Full Board, Four (4) Human Resource, Administration and Governance committee meetings, Three (3) Finance, Planning, and Infrastructure committee meetings, One (1) Audit and Risk Management committee meeting and Four (4) Investment and Licensing committee meetings.

Individual attendance at these meetings is set out in the table below.

2022/2023 BOARD AND BOARD COMMITTEES MEMBERSHIP AND ATTENDANCE

Director	FB	FPI	IL	ARM	HRAG	Total
Dorothy Kimeu	7					7
Henry Asugah	11	1	4	1		17
Susan Wanjohi	5		2	1		8
George Stanley Njoroge	4					4
Paul Russo						-
Philip Coulson	8	2			4	14
Tiyah Galgalo	6	2	1		2	11

**Special Economic Zones Authority
Annual Report and Financial Statements
for the year ended June 30, 2023.**

Jonathan Chifallu	9	2	4	1	2	18
Guyo Boru	3	1	3		1	8
Kairo Thuo	2					2
Halkano Huqa	1				1	2
Ngemy Biwoft	2	1	1	1	2	7
Joseph K. Nguyo	2	3	3	1	3	12
Kenneth Chelule	3	2	2		2	9
Fred Muteti	2	1				3
Abubakar Hassan	1		1			2
Antony Wainaina	1	1				2

KEY

FB	-	Full Board
FPI	-	Finance, Planning and Infrastructure
IL	-	Investment and Licensing
ARM	-	Audit and Risk Management
HRAG	-	Human Resource Administration and Governance

Board Charter

We have a comprehensive Board Charter that outlines the roles, responsibilities, and expectations of the Board and its members. This Charter serves as a guiding document for the Board's activities and decision-making processes.

Roles and Functions of the Board

The Board is responsible for setting the strategic direction of the Authority, providing oversight, and ensuring compliance with legal and ethical standards. The specific roles and functions of the Board are detailed in our Board Charter.

Induction, Training, and Development

New directors undergo a comprehensive induction process to familiarize themselves with our organization's operations, culture, and governance practices. Continuous training and development opportunities are provided to enhance the skills and knowledge of all directors.

Board and Member Performance

Regular assessments of the Board's and individual directors' performance are conducted to identify areas for improvement and ensure the Board's effectiveness in fulfilling its duties.

Conflict of Interest

Our directors are required to disclose any potential conflicts of interest, and a process is in place to address and manage such conflicts transparently and in the best interest of the Authority.

Ethics and Conduct

SEZA maintains a strong commitment to ethical conduct and integrity. Our Code of Conduct sets clear expectations for directors, officers, and employees, ensuring compliance with legal and ethical standards.

Governance Audit

An annual governance audit is conducted to assess our corporate governance practices and identify areas for improvement. The findings of these audits are used to enhance our governance framework continuously.

In conclusion, SEZA is dedicated to upholding the highest standards of corporate governance. We believe that strong governance practices are essential for achieving our strategic objectives and delivering sustainable value to our shareholders and stakeholders.

This Corporate Governance Statement is reviewed annually to ensure it remains relevant and effective in guiding our governance practices.

9. MANAGEMENT DISCUSSION AND ANALYSIS

a) The Authority's Financial Performance

The Authority's financial report includes four basic financial statements: The Statement of Financial Performance, the Statement of Financial Position, the Statement of Cash Flows and the statement of Comparison of Budget and Actual Amount. These statements focus on the financial performance of the Authority, the changes in financial position, cash flows of the Authority's activities and compliance with the approved budget respectively.

Financial Highlights

The Authority raised a total revenue of **KShs 37,333,912** in the financial year under review. In addition, deferred income of **KShs. 24,107,311** was also recognised from the previous year. Operating expenses during the year were **KShs. 62,191,047** resulting to an operating deficit of **KShs. 749,824**. The Authority's total assets as at the end of the financial year were **KShs. 633,704,534**, with **KShs. 62,083,319** liabilities and **KShs. 571,621,215** net assets. The Authority's cash and cash equivalents as at the end of the year was **KShs 135,077,237** being cash held in the Authority's bank accounts.

b) Authority's Compliance with Statutory Requirements

The Authority complied in all material respect with statutory requirements including remittance of all statutory deductions.

c) The Authority's Financial Probity and Serious Governance Issues

The Authority does not have any major financial improbity reported by the Board Audit and Risk Management Committee, external auditors or any other National Government Agency providing oversight. There are no serious governance issues including conflict of interest among the Board or member of the Board and top management.

d) Major Risks Facing the Authority

The Authority's is exposed to several internal and external risks that may affect achievement of its objectives. Some of the internal risks are and their mitigation measures are highlighted below.

Risk	Mitigation Measures
A shortage of staff leads to adverse impacts on Authority operations and productivity.	The management has requested additional staff from the parent ministry and sister agencies.
The lack of own offices means the Authority can only employ a limited number of staff.	The management has requested budget support to acquire its own premises.
The failure to allocate development budget results in project extension and overruns.	The Authority has requested for budget allocation in the next supplementary

Some of the external risks affecting the Authority include Inadequate budgetary allocation and especially development budget affecting the ability to complete projects in time. Another external risk is the effects of delays in projects being handled by other government agencies which the Authority has no control over and which have direct impact on the performance of the Authority towards achievement of its mandate.

e) The Operational Performance Highlights

Staff Establishment (In post) as at 30th June 2023 was as follows:

During the period under review, the Authority had a staff establishment of 23. Eight of these were seconded from other MDAs, eight are interns from the Public Service Commission, two were on industrial attachment while JICA had deployed three consultants at the Authority. Eight PSC staff have been recalled by the Ministry and will not be available in the FY 2023/2024.

Naivasha SEZ

Construction of regional office consisting of a One Stop Centre and Administration Building, Boundary Wall, Galley protection works and Access Road in Naivasha SEZ

Construction of One Stop Centre and boundary wall was at 52% as at 30th June 2023. Construction of Access Road and gully protection works was at 80% as at 30th June 2023.



Dongo Kundu SEZ.

Construction of One Stop Centre (Administration Building) and Boundary Wall.

During the period under review the construction of one stop centre had not progressed much due to issues related to relocation and compensation of Project Affected Persons (PAPs).



10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

i) Sustainability strategy and profile

Our mission is to undertake industrial research and transfer innovative technologies for socio-economic development. To have an impact on national development it is important for KIRDI to undertake relevant and quality industrial research.

ii) Environmental Performance

SEZA's sustainability strategy centres on its vision and mission for a sustainable future, engaging key stakeholders to set measurable environmental, social, and economic goals. Demonstrating a commitment to environmental responsibility, SEZA tracks and reduces resource consumption and promotes green infrastructure. The Authority prioritizes social sustainability through job creation, skills development, and community engagement, while fostering economic sustainability through investment attraction and local business support. With a commitment to transparency, SEZA regularly reports progress and seeks collaborations for sustainability initiatives. It continuously assesses and adjusts its strategies, communicates achievements transparently, and remains dedicated to evolving sustainability practices.

In response to the evolving economic landscape, we proactively amended the SEZA Act of 2015. These amendments address critical issues that posed risks to the operationalization of the SEZ program in Kenya. The amendments provide a more robust and adaptable regulatory framework.

Notable challenge in implementation of sustainability strategies was reduction in allocated resources which affected implementation of planned activities. As a short-term measure, the management enhanced collaborations with the private sector, development partners and government agencies to ensure service delivery continued unaffected.

iii) Employee welfare

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

iv) Market place practices-

The organisation should outline its efforts to:

a) Responsible competition practice.

SEZA ensured responsible competition practices through:

1. Anti-Corruption Measures:

- **Code of Conduct:** SEZA established a robust code of conduct and ethics that all employees, contractors, and stakeholders are required to adhere to. This code explicitly prohibits corrupt practices such as bribery, embezzlement, and kickbacks.
- **Whistleblower Mechanism:** To encourage reporting of corrupt activities, SEZA has developed and implemented a whistleblower mechanism that allows employees and others to report suspected misconduct confidentially.
- **Training and Awareness:** Regular training and awareness programs was conducted to educate employees about the risks of corruption and how to prevent it. These included training on the organization's policies and legal obligations.
- **Due Diligence:** Prior to engaging with contractors, suppliers, or partners, SEZA conducted due diligence checks to ensure that these entities have a clean track record regarding corruption.

2. Responsible Political Involvement:

Non-Partisanship: SEZA maintained a non-partisan stance and avoid favouring any political party or individual. Its focus would be on advocating for policies that promote fair competition and economic growth.

3. Fair Competition:

- **Competition Policy:** SEZA is in the process of developing a clearly defined competition policy that promotes a level playing field and prohibits anti-competitive practices such as price-fixing, bid-rigging, and market manipulation.
- **Market Monitoring:** Regular monitoring and sounding of markets within its jurisdiction was conducted to detect and prevent any anti-competitive behavior or monopolistic practices.
- **Complaint Mechanism:** SEZA established mechanisms for competitors and stakeholders to file complaints regarding unfair competition practices, and these complaints would be resolved.
- **Public Procurement:** SEZA's procurement processes adhered to fair and transparent practices, ensuring that all qualified suppliers and contractors had an equal opportunity to participate in bids and tenders.

4. Respect for Competitors:

- **Ethical Business Conduct:** SEZA promoted ethical business conduct among its employees and stakeholders, emphasizing the importance of respecting competitors' rights and intellectual property.
- **Non-Discriminatory Practices:** SEZA ensured that its policies and actions do not discriminate against competitors based on factors such as size, nationality, or ownership structure.
- **Dispute Resolution:** In case of disputes with competitors, SEZA would have provided a fair and transparent dispute resolution process to address grievances and conflicts.

These measures ensured responsible competition practices, which were crucial for maintaining a healthy business environment, attracting investment, and fostering economic growth.

b) Responsible Supply chain and supplier relations

SEZA's efforts in maintaining good business practices and treating suppliers responsibly were as follows:

▪ **Transparent Contracting:**

SEZA initiated supplier relationships through transparent and fair contracting processes. All contracts with suppliers were based on clear and mutually agreed-upon terms and conditions, including pricing, delivery schedules, and quality standards.

▪ **Adherence to Contractual Agreements:**

SEZA consistently honoured all contractual agreements with its suppliers. This involved fulfilling its obligations as stipulated in the contracts, such as timely acceptance of goods and services, and compliance with agreed-upon quality standards.

▪ **Timely Payment:**

The Authority recognized the importance of timely payment to its suppliers. Payment terms were established and strictly followed, ensuring that suppliers received payments promptly upon the completion of contractual milestones or delivery of goods and services.

▪ **Effective Communication:**

SEZA maintained open and effective lines of communication with its suppliers. Regular updates on order status, changes in requirements, and any potential delays were provided. Similarly, suppliers were encouraged to communicate any challenges or issues they encountered, ensuring a collaborative approach to problem-solving.

▪ **Dispute Resolution Mechanisms:**

SEZA had a clearly defined dispute resolution mechanism in place. In instances where disputes arose, negotiations, mediation, or arbitration were employed to reach fair and mutually acceptable solutions, allowing for the swift resolution of issues.

▪ **Performance Evaluation:**

Regular evaluations of supplier performance were conducted, allowing SEZA to assess whether suppliers were meeting their contractual obligations. This practice ensured that any issues were identified promptly and addressed, with a focus on continuous improvement.

▪ **Supplier Diversity and Inclusion:**

The Authority actively promoted supplier diversity by seeking out and supporting suppliers from underrepresented groups i.e., PWDs, AGPO. This commitment to inclusivity in the supply chain enhanced SEZA's reputation and contributed to broader social responsibility goals.

▪ **Legal Compliance:**

Throughout FY 2022/23, SEZA maintained strict adherence to all relevant local and international laws and regulations governing supplier relationships. This included compliance with PPRA Act, anti-corruption laws, labor laws, and fair-trade practices.

▪ **Reporting and Accountability:**

SEZA maintained comprehensive records of all supplier transactions and payments. The organization also ensured accountability for its actions and decisions regarding supplier relationships, with transparency in documentation and reporting, including these practices in the annual Financial Report.

c) Responsible marketing and advertisement

The Authority's efforts in maintaining ethical marketing practices were as follows:

▪ **Transparency in Information Sharing:**

SEZA prioritized transparency in all its marketing communications. Information provided to stakeholders, including investors, partners, and the public, is accurate, complete, and not misleading.

▪ **Honesty and Integrity:**

SEZA adhered to the highest standards of honesty and integrity in its marketing practices. All statements, claims, and representations are truthful and reflect the actual capabilities and performance of the organization.

▪ **Compliance with Regulations:**

The Authority complied with all relevant laws and regulations governing marketing and advertising. This includes adhering to consumer protection laws, data privacy regulations, and industry-specific advertising guidelines.

▪ **Protection of Consumer Privacy:**

SEZA respected the privacy of individuals and businesses and ensured that personal and sensitive information were handled in accordance with applicable data protection laws and regulations.

▪ **Responsible Product and Service Promotion:**

SEZA promotes its products and services responsibly, emphasizing the benefits while providing accurate information about potential risks or limitations.

▪ **Feedback and Responsiveness:**

SEZA actively sought and valued feedback from stakeholders and customers. The Authority responds to feedback promptly and uses it to improve its marketing strategies and practices.

▪ **Continuous Monitoring and Improvement:**

Ethical marketing practices are subject to continuous monitoring and improvement. SEZA regularly assesses its marketing efforts to identify areas where ethical standards can be strengthened.

v) **Corporate Social Responsibility / Community Engagements**

At SEZA, we are committed to conducting our business in a socially responsible and ethical manner. The Authority recognizes its responsibility to contribute positively to the community that supports it. Below are a few examples of how the Authority and its staff have shown their commitment to practice responsible corporate behavior.

▪ **Working Environment**

SEZA staff are one of our most important assets. The Authority is proud to provide a work environment where employees are appreciated, valued and given regular feedback. All staff work in an open space, promoting an 'open door' policy for concerns, thoughts and feedback for staff. Staff members are promoted based on

merits and skill and are not discriminated based on age, color, and creed or relationship orientation.

▪ **Customer Service**

SEZA nurtures our relationships with customers based on quality, honesty and service delivery.

▪ **Environment**

The Authority has an environmental policy statement that drives the organization in ensuring that all its activities are friendly to the environment and guarantee sustainability in resource utilization.

▪ **Compliance**

SEZA is conscious of its obligations to comply with all relevant legislation affecting its operations. It has implemented compliance policies, procedures and programs. All other compliance matters are reported to and monitored by the Audit and Risk Management Committee

▪ **Fair Practices**

SEZA ensures proper processes for tendering of services are conducted. Employees are educated about the laws to this end. They are required to deal with stakeholders honestly and at arm's length.

11. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2023, which show the state of the Authority's affairs.

i) Principal Activities

The principal activities of the Authority are:

- To implement policies and programs of Government with respect to special economic zones.
- To grant licenses to special economic zones.
- To approve or undertake the development, operation or maintenance of appropriate infrastructure for public special economic zones.
- To perform all administrative business regulations and services in relation to the designated special economic zones, as and when deemed necessary.
- To establish and enhance inter-agency collaboration among relevant state agencies to ensure compliance with all applicable laws.
- To recommend suspension / cancellation of license's for developers in violation of the Act.
- To regulate, implement, monitor and supervise all aspects of the special economic zones programme.
- To regulate the access of non - licensed service providers from the customs territory as may be required in order to service individual enterprises.

ii) Results

The results of the entity for the year ended June 30, 2023, are set out on page 1 to 6.

iii) Directors

The members of the Board of Directors who served during the year are shown on pages vi to ix.

iv) Surplus remission

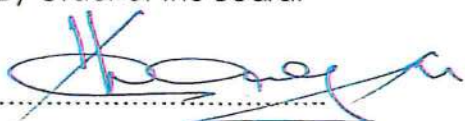
In accordance with Regulation 219 (2) of the Public Financial Management (National Government) Regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year.

The Authority did not make any surplus during the year (FY 2021/2022 KShs Nil) and hence no remittance to the Consolidated Fund.

v) Auditors

The Auditor General is responsible for the statutory audit of the Authority in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board.



Dr. Kenneth Chelule, PhD, EBS

Chief Executive Officer/Secretary to the Board

Date: 22/12/2023.

12. STATEMENT OF DIRECTORS RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 24 of the Special Economic Zones Act No.16 of 2015 require the Directors to prepare financial statements in respect of the Authority, which give a true and fair view of the state of affairs of the Authority at the end of the financial year/period and the operating results of the Authority for that year/period. The Directors are also required to ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy the financial position of the Authority. The Directors are also responsible for safeguarding the assets of the Authority.

The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year (period) ended on June 30, 2023. 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 Authority; (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 Authority (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012, the State Corporations Act and the Special Economic Zones Act No.16 of 2015. The Directors are of the opinion that the Authority's financial statements give a

**Special Economic Zones Authority
Annual Report and Financial Statements
for the year ended June 30, 2023.**

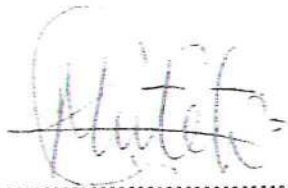
true and fair view of the state of Authority's transactions during the financial year ended June 30, 2023, and of the Authority's financial position as at that date.

The Directors further confirm the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Authority will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

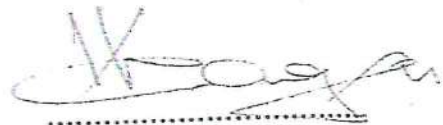
The Authority's financial statements were approved by the Board on 22nd September 2023 and signed on its behalf by:



.....
Mr. Fred Muteti, EBS

Chairman of the Board

Date: 22/12/2023



.....
Dr. Kenneth Chelule, PhD, EBS

Chief Executive Officer

Date: 22/12/2023.....

REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
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HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON SPECIAL ECONOMIC ZONES AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Special Economic Zones Authority set out on pages 1 to 31, which comprise of the statement of financial position as at 30 June, 2023, and statement of financial performance, statement of changes in net

Report of the Auditor-General on Special Economic Zones Authority for the year ended 30 June, 2023

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

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Special Economic Zones Authority as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Special Economic Zones Authority Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Unconfirmed Property, Plant and Equipment (PPE) Balance

The statement of financial position reflects property, plant and equipment balance of Kshs.496,929,797 as disclosed in Note 16 to the financial statements. However, the balance excludes the value of land parcels in Naivasha and Dongo Kundu Industrial parks. Although Management indicated that the title of the parcel of land where Dongo Kundu Special Economic Zone is located is in the name of the Kenya Ports Authority, the ownership documents for the land parcel were not provided for review.

In the circumstances, the accuracy, existence and fair statement of the property, plant and equipment balance of Kshs.496,929,797 could not be confirmed.

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Lawfulness and

Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Delay in Project Completion

Review of the Authority records revealed that Management entered into a contract for the construction of an administration block and a perimeter wall at the Naivasha Industrial Park at a contract sum of Kshs.443,526,087 in 30 October, 2020. However, the actual commencement date for the project was on 20 May, 2021 seven (7) months after the contract date. No explanation was provided for the delay in the commencement of the project. Further, the project progress report dated 14 October, 2022, indicates that, the initial estimated project completion date was 19 May, 2022. Several revisions were however granted with the latest proposed completion date being 14 July, 2023. However, as at the time of physical inspection in August 2023 only 52% of the project works had been completed with the extended contract period having lapsed.

No plausible explanation has been provided by Management for the delay in project completion and the measures being taken to address the same. In addition, the relevant contract clauses have not been invoked to remedy the situation.

Failure to complete the project within the contractual timelines leads to cost escalations, while the citizens do not receive value for money from the investment made so far.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of Internal Controls, risk management and overall governance

were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and the Board of Directors

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 control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Authority's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of its services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Authority or to cease operations.

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

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

The Board of Directors is responsible for overseeing the Authority'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

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities,

financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Authority to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi


15 March, 2024

*Special Economic Zones Authority
Reports and Financial Statements
For the year ended June 30, 2023*


**14. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE
2023**

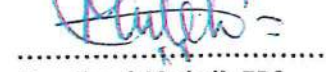
	Notes	2022-2023 KShs	2021/2022 KShs
Revenue from Non-Exchange Transactions			
Transfers from other governments entities	6	19,160,000	20,370,000
Deferred Income	19	24,107,311	-
Total Revenue from Non-Exchange Transactions		43,267,311	20,370,000
Revenue from Exchange Transactions			
Other Income/Licenses and permits	7	18,173,912	33,684,589
Total Revenue from Exchange Transactions		18,173,912	33,684,589
Total Revenue		61,441,223	54,054,589
Expenses			
Employee Costs/Staff Allowances	8	3,900,870	1,930,698
Use of Goods and Services/General Expenses	9	18,379,625	30,285,055
Board Expenses	10	13,752,348	4,377,531
Depreciation	11	957,808	-
Repairs and Maintenance	12	1,093,085	477,531
Consultancy		-	9,756,095
Project Costs/Feasibility	13	24,107,311	13,204,410
Total Expenses		62,191,047	60,031,320
Surplus/(Deficit) for the Year		(749,824)	(5,976,731)

The notes set out on pages 6 to 31 form an integral part of these Financial Statements. The Financial Statements set out on pages 1 to 28 were signed on behalf of the Board of Directors by:


.....
Dr. Kenneth Chelule, PhD, EBS
Chief Executive Officer

Date: 22/12/2023.....


.....
CPA Benjamin Mutula
Ag. Head of Finance
ICPAK M/No: 8913
Date: 22/12/2023.....


.....
Mr. Fred Muteti, EBS
Chairman of the Board
Date: 22/12/23.....

*Special Economic Zones Authority
Annual Reports and Financial Statements
For the year ended June 30, 2023*

15. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Notes	2022/2023	2021/2022 (Restated)	2021/2022
		KShs	KShs	KShs
Assets				
Current Assets				
Cash and Cash Equivalents	14	135,077,237	259,171,312	203,428,726
Receivables	15	1,697,500	-	-
Total Current Assets		136,774,737	259,171,312	203,428,726
Non-Current Assets				
Property, Plant & Equipment/WIP	16	496,929,797	387,288,677	423,357,009
Total Non-Current Assets		496,929,797	387,288,677	423,357,009
Total Assets		633,704,534	646,459,989	626,785,735
Liabilities				
Current Liabilities				
Payables	17	14,982,092	1,304,255	-
Deferred Income	18	-	24,107,311	-
Contractors Retention	19	46,521,227	41,221,316	46,958,628
Provision for Audit Fees	20	580,000	-	-
Total Current Liabilities		62,083,319	66,632,882	46,958,628
Net Assets		571,621,215	579,827,107	579,827,107
Reserves				
Accumulated Surplus		24,967,488	25,717,312	25,717,312
General Fund		546,653,727	554,109,795	554,109,795
Total Reserves		571,621,215	579,827,107	579,827,107

The Financial Statements set out on pages 1 to 31 were signed on behalf of the Board of Directors by:



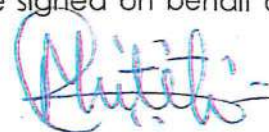
Dr. Kenneth Chelule, PhD, EBS
Chief Executive Officer

Date: 22/12/2023



CPA Benjamin Mutula
Ag. Head of Finance
ICPAK M/No: 8913

Date: 22/12/2023



Mr. Fred Muteti, EBS
Chairman of the Board

Date: 22/12/23

*Special Economic Zones Authority
Annual Reports and Financial Statements
For the year ended June 30, 2023*

16. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2023

Description	Accumulated Surplus	Capital/ Development Grants	Total
	KShs	KShs	KShs
Balance as at July 1,2021	31,694,043	-	31,694,043
Capital/Development grants received during the year	-	466,298,658	466,298,658
Transfer from deferred income to capital fund	-	87,811,137	87,811,137
Surplus/(Deficit) for the year	(5,976,731)		(5,976,731)
Balance as at June 30,2022	25,717,312	554,109,795	579,827,107
Restatement of General Fund balance	-	(7,456,068)	(7,456,068)
Restated Balance as at June 30, 2022	25,717,312	546,653,727	572,371,039
Balance as at July 1,2022	25,717,312	546,653,727	572,371,039
Surplus/(Deficit) for the year	(749,824)	-	(749,824)
Balance as at June 30,2023	24,967,488	546,653,727	571,621,215

*Special Economic Zones Authority
Annual Reports and Financial Statements
For the year ended June 30, 2023*

17. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

		2022-2023	2021-2022 (Restated)	2021-2022
	NOTES	KShs	KShs	KShs
Cash Flows from Operating Activities				
Receipts				
Transfer from Other Government Entities (GoK Recurrent Grants)	6	17,462,500	20,370,000	20,370,000
Receipts from other operating activities - Licenses	7	18,173,912	33,684,589	33,684,589
Total Receipts		35,636,412	54,054,589	54,054,589
Payments				
Employee Costs/Staff Allowances	8	2,415,647	1,930,698	1,930,698
Use of Goods and Services/General Expenses	9	17,799,625	30,285,055	30,285,055
Board Expenses	10	13,563,457	4,377,531	4,377,531
Repairs and Maintenance	12	1,093,085	477,531	477,531
Consultancy		-	9,756,095	9,756,095
Project Costs/Feasibility	13	24,107,311	13,204,410	13,204,410
Total Payments		58,979,125	60,031,320	60,031,320
Net cash flows from operating activities		(23,342,713)	(5,976,731)	(5,976,731)
Cash flow from investing activities		-		-
GoK Development Grants Received		-	466,298,658	466,298,658
Cash used on Non-Current Assets (WIP)	16	(100,751,362)	(266,960,917)	(322,703,503)
Net cash flows from investing activities		(100,751,362)	199,337,741	143,595,155
Net increase/(decrease) in cash and cash equivalents		(124,094,075)	193,361,010	137,618,424
Cash and cash equivalents at 1 JULY 2022	14	259,171,312	65,810,302	65,810,302
Cash and cash equivalents at 30 JUNE 2023	14	135,077,237	259,171,312	203,428,726

Notes

Note 6, Transfer from other government agencies KShs 19,160,000 as per statement of financial performance less KShs 1,697,500 accrued but not received from the state department for industry until July 2023.

Note 8, Employee costs KShs 3,900,870 as per statement of financial performance less KShs 1,485,223 being CEO's accrued salary but not paid by 30th June 2023.

Note 9, Use of goods and services KShs 18,379,625 as per statement of financial performance less KShs 580,000 accrued provision for audit fees.

Note 10, Board expenses KShs 13,752,348 as per statement of financial performance less KShs 188,891 accrued chairman's honoraria for April to June 2023.

*Special Economic Zones Authority
Annual Reports and Financial Statements
For the year ended June 30, 2023*

**18. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS AS AT
30TH JUNE, 2023**

	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Performance Difference	% of Utilization
	KShs	KShs	KShs	KShs	KShs	%
Revenue						
Government Grants and Subsidies	20,360,000	(1,200,000)	19,160,000	19,160,000	-	100%
Other Income – Licenses and Land Lease Fees	20,000,000	5,000,000	25,000,000	18,173,912	(6,826,088)	73%
Deferred Income	-	24,107,311	24,107,311	24,107,311	-	100%
Total Income	40,360,000	27,907,311	68,267,311	61,441,223	(6,826,088)	90%
Expenses						
Employee Costs	3,326,604	-	3,326,604	3,900,870	(574,266)	117%
Use of Goods and Services	31,083,396	(8,944,000)	22,139,396	18,379,625	3,759,771	83%
Board Expenses	4,850,000	10,744,000	15,594,000	13,752,348	1,841,652	88%
Depreciation	-	1,000,000	1,000,000	957,808	42,192	96%
Repairs and Maintenance	1,100,000	1,000,000	2,100,000	1,093,085	1,006,915	52%
Project Costs	-	24,107,311	24,107,311	24,107,311	-	100%
Total Expenditure	40,360,000	27,907,311	68,267,311	62,191,047	6,076,264	91%
Surplus/(Deficit) for the period	-	-	-	(749,824)	(749,824)	

Notes to the Statement of Comparison of Budget and Actual Amount

a. Revenue

- i) The changes between the original and final budget is mainly due to reallocations and recognition of deferred income received in prior periods.
- ii) The repairs and maintenance budget was under-absorbed because the few assets were relatively new and one motor vehicles had been grounded.

19. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Special Economic Zones Authority is established by and derives its authority and accountability from the Special Economic Zones Act, 2015. The Authority is wholly owned by the Government of Kenya and is domiciled in Kenya. The Authority's principal activity is to regulate Special Economic Zones in Kenya.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Authority's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Authority.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. Adoption of New and Revised Standards

- i. ***New and amended standards and interpretations in issue effective in the year ended 30 June 2023.***

Standard	Effective Date and Impact
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. This has no impact in the financial statements.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p>

	<p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows. This has no impact in the financial statements.
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guaranteed contracts which were inadvertently omitted when IPSAS 41 was issued. d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on

*Special Economic Zones Authority
Annual Reports and Financial Statements
For the year ended June 30, 2023*

	<p>initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued. This has no impact in the financial statements.</p>
Other Improvements to IPSAS	<p>Applicable: 1st January 2023</p> <ul style="list-style-type: none"> • IPSAS 22 Disclosure of Financial Information about the General Government Sector. Amendments to refer to the latest System of National Accounts (SNA 2008). • IPSAS 39: Employee Benefits. Now deletes the term composite social security benefits as it is no longer defined in IPSAS. • IPSAS 29: Financial instruments: Recognition and Measurement. Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023. <p>This has no impact in the financial statements.</p>

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.

Standard	Effective Date and Impact
IPSAS 43	<p>Applicable 1st January 2025</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</p>

*Special Economic Zones Authority
Annual Reports and Financial Statements
For the year ended June 30, 2023*

	<p>that leases have on the financial position, financial performance and cashflows of an entity.</p> <p>The new standard requires entities to recognize, measure and present information on right of use of assets and lease liabilities.</p> <p>This has no impact in the financial statements.</p>
<p>IPSAS 44: Non-Current Assets Held for sale and Discontinued Operations.</p>	<p>Applicable 1st January 2025</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> <p>This has no impact in the financial statements.</p>

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in the financial year.

4. Summary of Significant Accounting Policies

a) Revenue Recognition

i) Revenue from Non-Exchange Transactions

Revenue from 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 Authority and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that have been acquired using such funds.

ii) Revenue from Exchange Transactions

License Fees

The entity recognizes revenues from license fees 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 exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

b) Budget information

The original budget for FY 2022/2023 was approved by the Board of Directors on 22/09/2023. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate

*Special Economic Zones Authority
Annual Reports and Financial Statements
For the year ended June 30, 2023*

authorities. The additional appropriations are added to the original budget by the Authority upon receiving the respective approvals in order to conclude the final budget.

The entity'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 financial performance has been presented under No. 11, page 2 of these financial statements.

c) Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized

*Special Economic Zones Authority
Annual Reports and Financial Statements
For the year ended June 30, 2023*

directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

d) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use.

e) 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 entity 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.

f) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Entity. 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 Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity 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. Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to

the Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

g) 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.

h) Research and development costs

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

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

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

i) 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:

- Raw materials: purchase cost using the weighted average cost method.
- 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 Entity.

j) Provisions

Provisions are recognized when the Authority has a present obligation (legal or constructive) as a result of 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 Authority expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating

to any provision is presented- in the statement of financial performance net of any reimbursement.

k) Contingent Liabilities

The Authority 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.

l) Contingent Assets

The Authority 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 Authority 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.

m) Nature and Purpose of Reserves

The Authority creates and maintains reserves in terms of specific requirements.

n) Changes in Accounting Policies and Estimates

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

o) Foreign Currency Transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting

*Special Economic Zones Authority
Annual Reports and Financial Statements
For the year ended June 30, 2023*

date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

p) Related parties

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

q) 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. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

r) Comparative Figures

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

s) 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, 2023.

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Authority'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.

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 Entity 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 Authority. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful Lives and Residual Values

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 Authority.
- 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.

*Special Economic Zones Authority
Annual Reports and Financial Statements
For the year ended June 30, 2023*

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.

6. TRANSFERS FROM OTHER GOVERNMENT AGENCIES

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income (KShs)	Total grant income during the year	2022-2023	2021-2022
			KShs	KShs
State Department for Industry	15,277,500	15,277,500	15,277,500	20,370,000
State Department for Investment Promotion	3,882,500	3,882,500	3,882,500	-
	19,160,000	19,160,000	19,160,000	20,370,000

7. OTHER INCOME/LICENCES & PERMITS

Description	2022-2023	2021-2022
	KShs	KShs
Income from License Fees	12,505,240	33,684,589
Income from Land Lease Fees	5,375,880	-
Foreign Exchange Gain	292,792	-
Total Other Income	18,173,912	33,812,836

8. EMPLOYEE COSTS/STAFF ALLOWANCES

Description	2022-2023	2021-2022
	KShs	KShs
Staff Acting Allowances	594,565	1,930,698
Internship Allowance	125,000	-
CEO Recruitment Expenses	1,696,082	
Accrued CEO's Salary	1,485,223	
Total Employee Costs	3,900,870	1,930,698

*Special Economic Zones Authority
Annual Reports and Financial Statements
For the year ended June 30, 2023*

9. USE OF GOODS AND SERVICES/GENERAL EXPENSES

	2022-2023	2021-2022
	KShs	KShs
General Office Supplies	3,536,405	4,649,801
Fuels and Lubricants	1,487,080	1,249,912
Bank Charges	23,984	20,092
Hospitality Service and Supplies	1,829,175	1,045,920
Training	1,075,588	1,254,800
Travelling and Subsistence Allowance (Local)	5,300,163	10,465,669
Travelling and Subsistence Allowance (Foreign)	2,664,767	5,888,508
Investment Forums	-	3,030,461
Advertising	401,163	-
Communication, Supplies & Services	1,481,300	1,828,869
Insurance	-	271,023
Audit Expenses	580,000	580,000
Total Use of Goods and Services	18,379,625	30,285,055

10. BOARD EXPENSES

Description	2022-2023	2021-2022
	KShs	KShs
Chairperson Honoraria & Telephone Allowance	1,005,557	696,000
Sitting Allowances	5,557,870	3,681,531
Travel and Subsistence Allowances	7,188,921	-
Total Board Expenses	13,752,348	4,377,531

11. DEPRECIATION

Description	2022-2023	2021-2022
	KShs	KShs
Property, Plant and Equipment	957,808	-
Total Depreciation	957,808	-

12. REPAIRS AND MAINTENANCE

Description	2022-2023	2021-2022
	KShs	KShs
Motor Vehicle Repairs and Maintenance	1,093,085	477,531
Total Repairs and Maintenance	1,093,085	477,531

13. PROJECT/FEASIBILITY COSTS

Description	2022-2023	2021-2022
	KShs	KShs
Project related expenses/Feasibility	24,107,311	13,204,410
Total	24,107,311	13,204,410

14. CASH AND CASH EQUIVALENTS

Description	2022-2023	2021-2022 Restated	2021-2022
	KShs	KShs	KShs
Current account	135,077,237	259,171,312	203,428,726
Total cash and cash equivalents	135,077,237	259,171,312	203,428,726

Detailed Analysis of the Cash and Cash Equivalents

Financial institution	Account Number	2022-2023	2021-2022 Restated	2021-2022
		KShs	KShs	KShs
Current account				
Kenya Commercial Bank	1223099725	(2,540,920)	(235,750)	(235,750)
National Bank of Kenya (Dollar)	02071231597300	33,556,932	28,585,996	28,585,996
National Bank of Kenya (Kshs)	01071231597300	104,061,225	230,821,066	175,078,480
Grand Total		135,077,237	259,171,312	203,428,726

*Special Economic Zones Authority
Annual Reports and Financial Statements
For the year ended June 30, 2023*

15. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Description	2022-2023	2021-2022
	KShs	KShs
State Department for Industry	1,697,500	-
Total	1,697,500	-

16. PROPERTY, PLANT AND EQUIPMENT

	Furniture and Fittings	Computers	Work in Progress	Total
Cost	KShs	KShs	KShs	KShs
Balance as at 1 st July 2021			53,694,878	53,694,878
Additions during the period			369,662,131	369,662,131
Balance as at 30th June 2022			423,357,009	423,357,009
Restatement of opening balance	1,519,063	2,303,770	(38,762,486)	(34,939,653)
Balance as at 30th June 2022 Restated	1,519,063	2,303,770	384,594,523	388,417,356
Additions during the period	-	-	110,598,928	110,598,928
As at 30th June 2023	1,519,063	2,303,770	495,193,451	499,016,284
Depreciation				
As at 1 st July 2021	-	-	-	-
Depreciation for the year	-	-	-	-
Balance as at 30th June 2022	-	-	-	-
Restatement of opening balance	(290,286)	(838,394)	-	(1,128,680)
Balance as at 30th June 2022 Restated	(290,286)	(838,394)	-	(1,128,680)
Depreciation for the year	(189,883)	(767,923)	-	(957,806)
As at 30th June 2023	(480,170)	(1,606,317)	-	(2,086,487)
Net Book Value				
As at 30 th June 2023	1,038,893	697,453	495,193,451	496,929,797
As at 30 th June 2022 Restated	1,228,777	1,465,376	384,594,523	387,288,676
As at 30 th June 2022	-	-	423,357,009	423,357,009

Furniture and fittings have been depreciated at 12.5 % straight line method. Computers have been depreciated at 33.33% straight line method. Work in progress

*Special Economic Zones Authority
Annual Reports and Financial Statements
For the year ended June 30, 2023*

comprises of construction works for access road, administration/one-stop centre and boundary wall at the Dongo Kundu and Naivasha Special Economic Zones.

17. PAYABLES

Description	2022-2023	2021-2022 Restated	2021-2022
	KShs	KShs	KShs
Payables	14,982,092	1,304,255	-
Total	14,982,092	1,304,255	-

18. DEFERRED INCOME

Description	2022-2023	2021-2022 Restated	2021-2022
	KShs	KShs	KShs
National Government	-	24,107,311	-
International Funders	-	-	-
Public contributions and donations	-	-	-
Total Deferred Income	-	24,107,311	-

The deferred income movement is as follows:

	National Government	International Funders	Public Contributions and Donations	Total
Balance brought forward	-	-	-	-
Opening Balance Restated	24,107,311	-	-	24,107,311
Additions	-	-	-	-
Transfers to Capital fund	-	-	-	-
Transfers to income statement	(24,107,311)	-	-	(24,107,311)
Other transfers	-	-	-	-
Balance carried forward	-	-	-	-

19. CONTRACTOR'S RETENTION

PROJECT NAME	RETENTION AMOUNT @10%		
	2022-2023	2021-2022 (Restated)	2021-2022
	KShs		KShs
Administration Block, one-stop shop and Boundary wall-Naivasha	25,182,797	25,182,797	25,182,797
Access road, Bridge crossing and River protection-Naivasha	20,137,714	16,038,519	16,038,519
Administration Block, one-stop shop and Boundary wall-Dongo Kundu	1,200,716	-	1,200,716
Total	46,521,227	41,221,316	46,958,628

20. PROVISION FOR AUDIT FEES

Description	2022-2023	2021-2022
	KShs	KShs
Provision for Audit Fees	580,000	-
Total	580,000	-

21. Cash Generated from Operations

	2022-2023	2021-2022
	KShs	KShs
Surplus/(Deficit) for the Year	(749,824)	(5,976,731)
Adjusted for:		
Depreciation	957,808	803,559
Working Capital Adjustments		
Decrease (Increase) in receivables	(1,697,500)	-
Decrease in deferred income	(24,107,311)	-
Increase in Payables	13,677,837	-
Net Cash Flow from Operating Activities	(11,918,990)	(5,173,172)

22. Related Party Disclosures

Nature of related party relationships

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

Government of Kenya

The Government of Kenya is the principal shareholder of the entity, holding 100% of the entity's equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the entity, 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;

The following transactions were carried out with related parties

	2021-2022	2021-2022
	Kshs	Kshs
a) Grants /Transfers from the Government		
Recurrent Grants from National Govt	19,160,000	20,370,000
Development Grants from National Government	-	466,298,658
b) Key management compensation		
Directors' emoluments	13,752,348	6,062,474
Compensation to key management	2,079,788	1,930,698
Total	34,992,136	494,661,830

23. Events after the Reporting Period

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

24. Ultimate And Holding Entity

The entity is a State Corporation under the State Department for Industrialization. Its ultimate parent is the Government of Kenya.

25. Currency

The financial statements are presented in Kenya Shillings (Kshs).

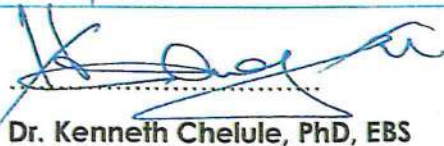
APPENDIX 1: IMPLEMENTATION STATUS OF AUDITOR-GENERAL'S RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	Inaccuracy in Property, Plant and Equipment	PPE has been incorporated in the financial statements.	Resolved	
2.	Uncleared items in Cash and Cash Equivalents	Uncleared items in the cash book were reversed.	Resolved	
3.	Payment for undelivered project vehicles for Naivasha Industrial Park	Management confirmed the undelivered vehicle was not paid for.	Resolved	
4.	Delay in completion of administration Block and Boundary Wall at Naivasha Industrial Park	The State Department for Public Works has done a financial appraisal of the project and issued instructions for alignment of works to contract sum.	Not Resolved	March 2024
5.	Lack of Internal Audit Function	Internal Audit Function has been established and internal auditor recruited.	Resolved	

*Special Economic Zones Authority
Annual Reports and Financial Statements
For the year ended June 30, 2023*

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
6.	Lack of Risk Management Policy	Draft Risk Policy developed	Resolved	
7.	Lack of ICT Policy	Draft ICT Policy developed	Resolved	



Dr. Kenneth Chelule, PhD, EBS
Chief Executive Officer

Date:22/12/2023.....

APPENDIX II: PROJECTS IMPLEMENTED BY SPECIAL ECONOMIC ZONES AUTHORITY

Projects implemented by the Authority funded by development partners and/or the Government.

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)
Development of Naivasha SEZ (Textile Park)	1071109602	GoK		N/A	No	Yes
Development of Dongo Kundu SEZ	1071109601	GoK		N/A	No	Yes

STATUS OF PROJECT COMPLETION

SN	Project	Total Project Cost	Total Expended to Date	Completion % to Date	Budget	Actual	Sources of Funds
1071109602	Naivasha SEZ (Textile Park)	8.938 Billion					GoK
1071109601	Dongo Kundu SEZ	5.000 Billion					GoK

*Special Economic Zones Authority
Annual Reports and Financial Statements
For the year ended June 30, 2023*

APPENDIX IV: TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the Funds	Date Received as per Bank Statement	Nature: Recurrent / Devt' / Others	Total Amount (KShs)	Where Recorded/Recognized					Total Transfers During the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Rec.	Others	
State Department for Industry	19/08/2022	Recurrent	1,697,500	1,697,500					1,697,500
State Department for Industry	30/08/2022	Recurrent	1,697,500	1,697,500					1,697,500
State Department for Industry	20/09/2022	Recurrent	1,697,500	1,697,500					1,697,500
State Department for Industry	01/11/2022	Recurrent	1,697,500	1,697,500					1,697,500
State Department for Industry	02/12/2022	Recurrent	1,697,500	1,697,500					1,697,500
State Department for Industry	28/12/2022	Recurrent	1,697,500	1,697,500					1,697,500
State Department for Industry	03/02/2023	Recurrent	1,697,500	1,697,500					1,697,500
State Department for Industry	14/04/2023	Recurrent	1,697,500	1,697,500					1,697,500
State Department for Investment Promotion	06/06/2023	Recurrent	3,882,500	3,882,500					3,882,500

*Special Economic Zones Authority
Annual Reports and Financial Statements
For the year ended June 30, 2023*

State Department for Industry	13/07/2023	Recurrent	1,697,500	1,697,500					1,697,500
Total			19,160,000	19,160,000					19,160,000

*Special Economic Zones Authority
Annual Reports and Financial Statements
For the year ended June 30, 2023*

APPENDIX V: TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Confirmation of Amounts Received by Special Economic Zones Authority as at 30 th June 2023							
Reference Number	Date Disbursed	Amounts				Amount Received by SEZA (KShs) as at 30 th June 2023	Differences (KShs) F=D-E
		Recurrent A	Devt' B	Inter-Ministerial C	Total D=(A+B+C)		
		19,160,000	-	-	19,160,000	17,462,500	1,697,500
Total		19,160,000	-	-	19,160,000	17,462,500	1,697,500

I confirm that the amounts shown above are correct as of the date indicated.

Head of Accounts and Finance

Name: Benjamin Mutula

Signature: 

Date: 22/12/2023

APPENDIX VI: REPORTING OF CLIMATE RELEVANT EXPENDITURES

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

APPENDIX VII: REPORTING ON DISASTER MANAGEMENT EXPENDITURE

Column I Programme	Column II Sub- Programme	Column III Disaster Type	Column IV Disaster Category (Response/ Recovery/ Mitigation/ Preparedness)	Column V Expenditure Item	Column VI Amount (KShs)	Column VII Comments

