

REPUBLIC OF KENYA



Enhancing Accountability

PARLIAMENT
OF KENYA
LIBRARY

REPORT	
NATIONAL ASSEMBLY PAPERS LAID	
DATE: 30 NOV 2023	DAY: <i>Monday</i>
TABLE OF BY: <i>Don Kimani Ichungwa, CBS MP Leader, majority party</i>	
CLERK-AT THE TABLE: <i>Mwiza Mwale</i>	

THE AUDITOR-GENERAL

ON

**STUDY AND CAPACITY BUILDING FUND
PROJECT (GRANT NUMBERS CKE 6015 01K,
CKE 1043 01F AND CKE 1047 01K)**

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

THE NATIONAL TREASURY

30 SEP 2023

RECEIVED



STUDY AND CAPACITY BUILDING FUND PROJECT

THE NATIONAL TREASURY

(RESOURCE MOBILIZATION DEPARTMENT)

GRANT NUMBER CKE 6015.01. K AFD FRANCE

GRANT NUMBER CKE 1047.01. K AFD FRANCE

GRANT NUMBER CKE 1043.01. F AFD FRANCE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2023

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

1000

1000

1000

1000

Table Contents

Page

1. Acronyms and Glossary of Terms.....	ii
2. Project Information and Overall Performance.....	iii
3. Statement of Performance against Project's Predetermined Objectives.....	ix
4. Environmental and Sustainability reporting	x
5. Statement of Project Management responsibilities	xi
6. Report of Auditor General on Financial Statements for Study and Capacity Building Fund Project	xiii
7. Statement of Receipts and Payments for the year ended 30 June 2023	1
8. Statement of Financial Assets as at 30 June 2023	2
9. Statement of Cashflow for the year ended 30 June 2023.....	3
10. Statement of Comparison of Budget and Actual amounts for year ended 30 June 2023.....	4
11. Significant Accounting Policies	5
12. Notes to the Financial Statements	12
13. Annexes.....	14

1. Acronyms and Glossary of Terms

CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
TNT	The National Treasury
WB	World Bank

2. Project Information and Overall Performance

2.1 Name and registered office

The project's official name is Study and Capacity Building Fund.

Objective

The key objective of the project is Financing of Feasibility studies for projects to be financed by AFD and to build capacity of implementing Ministries and Departments.

Address

The project headquarters location and contacts is as below;

The National Treasury Headquarters

P.O. Box 30007-00100

Treasury Building

Harambee Avenue

Nairobi, Kenya

Telephone: (254) 020-2252299

E-mail: info@treasury.go.ke

Website: www.treasury.go.ke

2.2 Project Information

Project Start Date:	a) CKE6015.01.K project start date is 21.09.07 b) CKE1047.01.K project start date is 25.09.09 c) CKE1043.01.F project start date is 21.10.11
Project End Date:	a) CKE6015.01.K,End date: 30.04.12, Extension up to 30.04.14, Additional Extension 31.12.2024. b) CKE1047.01.K,End date: 31.12.14, Extension up to 30.06.19, Additional Extension 31.12.2024. c) CKE1043.01.F,End date: 31.12.16, Extension up to 30.06.20; Additional Extension to 30th June 2023.
Project Manager:	The Project Manager is Mr. David Komen Ag. Director Resource Mobilization Department/The National Treasury
Project Sponsor:	The project sponsor is Agence Française de Development (AFD)

Project information and overall performance (continued)

2.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the Resource Mobilization Department of The National Treasury.
Project number	The Project has three signed agreements: i. CKE6015.01.K ii. CKE1047.01.K iii. CKE1043.01.F
Strategic goals of the project	The strategic goals of the project are as follows: (i) To facilitate studies and preparation for projects that AFD intend to finance: (ii) To build capacity of the beneficiary Ministries, Departments and sometimes the communities where the project is to be implemented.
Summary of Project Strategies for achievement of strategic goals	The project management aims to achieve the goals through the following means: (i) Ensuring projects are properly planned before implementation (ii) Ensuring the beneficiaries have enough capacity
Other important background information of the project	The project grant will enable to finance in priority development studies and project's feasibility studies, as well as technical assistance supports to help preparing AFD's future intervention in both the concentration sectors defined in the Partnership Framework Agreement and other sectors like urban development.
Areas that the project was formed to intervene	The project was formed to intervene in the following areas: (i) In the light of the requirements for new projects as outlined in the Treasury circular 16/2019, the project supports feasibility studies. (ii) The project has facilitated training of the Government of Kenya officers in various skills and competencies related to resource mobilization.

Project duration	<p>The project started on various dates as follows:</p> <ul style="list-style-type: none"> i. CKE6015.01.K, start date: 21st September, 2007 ii. CKE1047.01.K, start date: 25th September, 2009 iii. CKE1043.01.F, start date: 21st October, 2011 <p>To run until as indicate below:</p> <ul style="list-style-type: none"> i. CKE6015.01.K, with an end date of 30th April, 2012, Extension up to 30th April, 2014 Additional Extension 31st December 2024. ii. CKE1047.01.K, with an end date of 31st December, 2014, Extension up to 30th June, 2019 Additional Extension 31st December 2024. iii. CKE1043.01.F, with an end date of 31st December, 2016, Extension up to 30th June, 2020: Additional Extension to 30th June 2023
------------------	--

2.4 Bankers

The Project does not have a bank account as all payments are done directly by the donor in the form of A.I.A after approval from The National Treasury

2.5 Independent Auditor

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

2.6 Roles and Responsibilities

	Position	Qualification	Responsibilities
Dr. Chris Kiptoo, CBS	Principal Secretary	Accounting Officer	Accounting Officer
David Komen	Director Resource Mobilization	Ag. Director	Project Manager
Christine Dambya	Principal Accountant	Accountant	Project Accountant

Project Information and Overall Performance (Continued)

2.7 Funding summary

The Project has three Grant Agreements as follows:

Project No.	Amount (Euro)	Project Start date	Project end date
CKE 6015.01.K	1,500,000	21 st September, 2007	31 st December, 2024
CKE 1047.01.K	500,000	25 th September, 2009	31 st December, 2024
CKE 1043.01.F	800,000	21 st October, 2011	30 th June, 2023
Total	2,800,000		

Project information and overall performance (continued)

Below is the funding summary:

A. Source of Funds

(i) Grant	Amount received to date (June 2023)	Unutilised balance to date (June 2023)	Total
Agence Francaise de Development (AFD)	2,800,000	338,800,000	1,925,116
Total	2,800,000	338,800,000	1,925,116
		227,630,556	874,884
		227,630,556	874,884
			111,169,444
			111,169,444

B. Application of Funds

(i) Grant	Amount received to date (June 2023)	Unutilised balance to date (June 2023)	Total
Agence Francaise de Development (AFD)	1,925,116	227,630,556	1,925,116
Total	1,925,116	227,630,556	1,925,116
			-
			-

Project information and overall performance (continued)

2.8 Summary of Overall Project Performance:

- i) Budget performance against actual amounts for current year and for cumulative to-date,*

Study and Capacity Building project was allocated Kshs.10,740,000.00 during FY 2022-23 and attained an actual expenditure of Kshs.10,540,168.00. The cumulative payments to date total Kshs.227,630,556.00

- ii) Physical progress based on outputs, outcomes, and impacts since project commencement,*

- iii) Indicate the absorption rate for each year since the commencement of the project.*

FINANCIAL YEAR	ABSORPTION RATE
2016-2017	26%
2017-2018	35%
2018-2019	89%
2019-2020	37%
2020-2021	49%
2021-2022	72%
2022-2023	98%

- iv) List the implementation challenges and recommended next steps.*

The project did not have any challenge

2.9 Summary of Project Compliance:

- i) The project has complied to all applicable laws and regulations.*
- ii) There have never been any consequences which the project has suffered since all the rules and regulations have been complied.*
- iii) The mitigation measures taken are sensitization of the staff on the applicable laws and indicating the consequences they can face in not abiding to the regulations.*

3. Statement of Performance against Project's Predetermined Objectives

Introduction

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

The key development objectives of the project's agreement/ plan are to;

- a) Finance studies or expertise for project identification, project feasibility studies in different sectors or institutional studies, prior to the approval of new AFD financing;
- b) Finance Resident Technical assistance responsible for identification or preparation of AFD financing in the priority sectors of intervention of the Partnership Framework Document (PFD);
- c) Under exceptional circumstances, finance ad hoc studies and resident technical assistance in other areas.
- d) Provide the Government with an easy-to-use tool which focuses on the financing of jointly identified development studies and selective technical assistances and consultancies; and
- e) Support the Government in the preparation of projects that might be financed by the Agency in particular in the Agency's usual sectors of activity in Kenya.

Progress on attainment of strategic development objectives

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement:

THE NATIONAL TREASURY

Study and Capacity Building Fund Project

Annual Report and Financial Statements for the financial year ended June 30, 2023

Below we provide the progress on attaining the stated objectives:

	Objective	Indicator	Performance	
Study and Capacity Building Fund	To finance feasibility studies and strengthen capacities of Ministries, Department and Agencies (MDs)	Appraised projects are economically viable and demonstrate value for money.	Number of projects appraised.	A feasibility study on 'Kenya Parks Project' was undertaken in FY 2021/2022

4. Environmental and Sustainability reporting

Study and Capacity Building Fund Project did not take part in Corporate Social Responsibility activities during the year.

5. Statement of Project Management responsibilities

The Principal Secretary for the National Treasury and the Project Manager for Study and Capacity Building Project are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year (period) ended on June 30, 2023.

This responsibility includes (i) Maintaining adequate financial management arrangement 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 project; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the project; (v) Selecting and applying appropriate accounting policies; and (v) Making accounting estimates that are reasonable in the circumstances.

The Principal Secretary for the National Treasury and the Project Manager for Study and Capacity Building Project accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The Principal Secretary for the National Treasury and the Project Manager for Study and Capacity Building Project are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year/period ended June 30, 2023, and of the Project's financial position as at that date. The Principal Secretary for the National Treasury and the Project Manager for Study and Capacity Building Project further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

The Principal Secretary for the National Treasury and the Project Manager for Study and Capacity Building Project confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during

The National Treasury
Study and Capacity Building Fund Project
Annual Report and Financial Statements for the financial year ended June 30, 2023

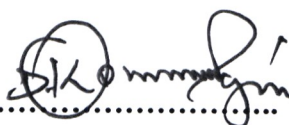
the financial year/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project financial statements

The Project financial statements were approved by The Principal Secretary for the National Treasury, the Project Manager, and Project Accountant for Study and Capacity Building Fund Project on 27/9/ 2023 and signed by them.



.....
Dr. Chris Kiptoo, CBS
Principal Secretary
The National Treasury



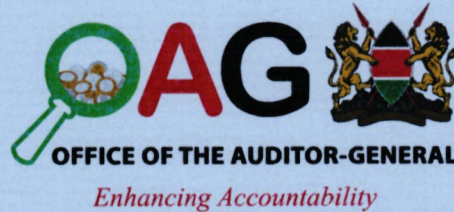
.....
David Komen
Project Coordinator



.....
Christine Dambya
Project Accountant
ICPAK Member No:13329

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON STUDY AND CAPACITY BUILDING FUND PROJECT (GRANT NUMBERS CKE 6015 01K, CKE 1043 01F AND CKE 1047 01K) FOR THE YEAR ENDED 30 JUNE, 2023 - THE NATIONAL TREASURY

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

An unmodified opinion 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 Study and Capacity Building Fund Project set out on pages 1 to 17, which comprise of the statement of financial assets as at 30 June, 2023, and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in

Report of the Auditor-General on Study and Capacity Building Fund Project (Grant Numbers CKE 6015 01K, CKE 1043 01F and CKE 1047 01K) for the year ended 30 June, 2023 - The National Treasury

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 Study and Capacity Building Fund Project 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 (Cash Basis) and comply with the Financing Agreements Nos. CKE 6015 01K, CKE 1047 01K and CKE 1043 01F between the Agence Francaise De Development (AFD) and the Government of Kenya dated 21 September, 2007, 25 September, 2009 and 21 October, 2011 respectively, and subsequently extended through letters of amendments on 10 July, 2020, 13 August, 2021 and 10 July, 2020 respectively, and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Inaccurate Payments on Goods and Services

The statement of receipts and payments and Note 2 to the financial statements reflects prior year payments totalling to Kshs.15,827,126 in respect of consultancy services and Nil payments on training. However, the payments vary with Kshs.8,785,538 and Kshs.7,041,588 disclosed in the audited prior year financial statements. In addition, the statement of comparison of budget and actual amounts reflects Kshs.547,120 in respect of budget utilization difference on proceeds from domestic and foreign grants and payments in respect of goods and services. However, re-computation of the payments gives a total of Kshs.199,832 resulting to un-explained and unreconciled variance of Kshs.347,288.

In the circumstances, the accuracy of the comparative payments of Kshs.15,827,126 and the Nil balance in respect of consultancy services and training respectively, could not be confirmed.

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

Key Audit Matters

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

Other Matter

1.0 Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.10,740,000 and Kshs.10,540,168 respectively, resulting to an under-funding of Kshs.199,832 or 2% of the budget. Similarly, the Project expended Kshs.10,540,168 against an approved budget of Kshs.10,740,000 resulting to an under-expenditure of Kshs.199,832 or 2% of the budget.

The underfunding and underperformance affected the planned activities and impacted negatively on service delivery to the public.

2.0 Unresolved Prior Year Audit Matters

In the audit report of the previous year, one issue was raised under other matter and one issue on report on lawfulness and effectiveness in use of public resources. This is contrary to the provisions of the Public Sector Accounting Standards Board templates.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution and 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

Failure to Conduct Internal Audit on the Project

The Project accounts and records were not subjected to internal audit contrary to Section 73(1)(a) of the Public Finance Management (PFM) Act, 2012 that mandates the project to ensure that it has appropriate arrangements for conducting internal audit according to the guidelines issued by the Accounting Standards Board.

In the circumstances, the project management was in breach of the law.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (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 comply, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) 2315 and 2330. The Standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Project's, ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

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

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

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

Because of its inherent limitations, internal 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 Programme's policies and procedures may deteriorate.

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

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

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- 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 Project'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 Programme to cease to continue 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 Programme to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with 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 communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

03 November, 2023

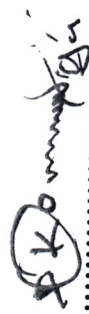
7. Statement of Receipts and Payments for the year ended 30 June 2023.

	FY 2022-2023			FY 2021-2022		
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
Receipts						
Proceeds from domestic and foreign grants						
1		10,540,168.00	10,540,168.00	15,827,126	15,827,126	227,630,556
Total receipts		10,540,168.00	10,540,168.00	15,827,126	15,827,126	227,630,556
Payments						
Purchase of goods and services						
2		10,540,168.00	10,540,168.00	15,827,126	15,827,126	226,284,236
Acquisition of non-financial assets						
3						1,346,320
Total payments						227,630,556
Surplus/ (deficit)						-


The accounting policies and explanatory notes to these Financial Statements are an integral part of the Financial Statements.



 Dr. Chris Kiptoo, CBS
 Principal Secretary
 THE NATIONAL TREASURY



 David Komen
 Project Coordinator

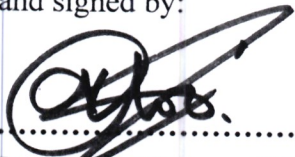


 Christine Dambya
 Project Accountant
 ICPAK Member No:13329
 22/9/23

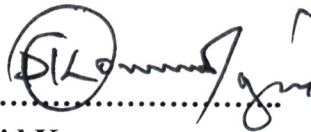
8. Statement of Financial Assets as at 30 June 2023

Financial Assets			
Cash and Cash equivalents			
Bank Balances		-	-
Cash Balances		-	-
Cash equivalents (Short-term deposits)		-	-
Total Cash and Cash equivalents		-	-
Imprests and Advances		-	-
Total Financial Assets		-	-
Financial Liabilities			
Third party Deposits and Retention		-	-
Net Assets		-	-
Represented By			
Fund Balance B/fwd.		-	-
Prior Year adjustments		-	-
Surplus/(Deficit) for the Year		-	-
Net Financial Position		-	-

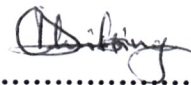
The accounting policies and explanatory notes to these Financial Statements form an integral part of the Financial Statements. The Financial Statements were approved on 27/9/ 2023 and signed by:



.....
Dr. Chris Kiptoo, CBS
Principal Secretary
The National Treasury



.....
David Komen
Project Coordinator

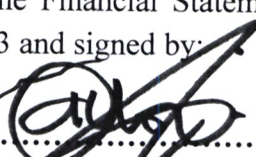


.....
Christine Dambya
Project Accountant
ICPAK Member No:13329

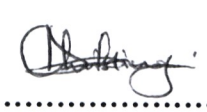
9. Statement of Cashflow for the year ended 30 June 2023

Cashflow from operating activities			
Receipts			
Proceeds from domestic and foreign grants	1	10,540,168.00	15,827,126
Payments from operating activities			
Purchase of goods and services	2	(10,540,168.00)	(15,827,126)
Total Payments		(10,540,168.00)	(15,827,126)
Net cash flow from operating activities		-	-
Cashflow from investing activities			
Net cash flows from investing activities		-	-
Cash flow from financing activities			
Proceeds from foreign borrowings		-	-
Net cash flow from financing activities		-	-
Net increase in cash and cash equivalents		-	-
Cash and cash equivalent at beginning of the year	-	-	-
Cash and cash equivalent at end of the year	-	NIL	NIL

The accounting policies and explanatory notes to these financial statements form an integral part of the Financial Statements. The entity Financial Statements were approved on 27/9/23 2023 and signed by:


.....
Dr. Chris Kiptoo, CBS
Principal Secretary
The National Treasury



.....
David Komen
Project Coordinator


.....
Christine Dambya
Project Accountant
ICPAK Member No:13329

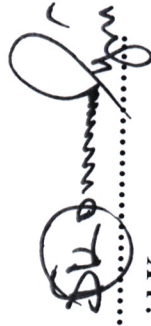
10. Statement of Comparison of Budget and Actual amounts for year ended 30 June 2023

Receipts				
Transfer from Government entities				
Proceeds from domestic and foreign grants	10,740,000		10,740,000	
Proceeds from borrowings				98%
Miscellaneous receipts				
Total Receipts	10,740,000		10,540,168.00	98%
Payments				
Compensation to employees				
Purchase of goods and services	10,740,000		10,540,168.00	98%
Social security benefits				
Acquisition of non-financial assets				
Transfers to other government entities				
Other grants and transfers				
Total Payments	10,740,000		10,540,168.00	98%
Surplus or Deficit				


Note: The significant budget utilisation/performance differences in the last column are explained in Annex 2 to these Financial Statements.



Dr. Chris Kiptoo, CBS
Principal Secretary



David Komen
Project Coordinator



Christine Dambya
Project Accountant
ICPAK Member No:13329
 27/9/23

11. Significant Accounting Policies

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

a) Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with Cash-basis IPSAS financial reporting under the cash basis of accounting, as prescribed by the PSASB and set out in the accounting policy note below. This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions. The financial statements comply with and conform to the form of presentation prescribed by the PSASB.

The accounting policies adopted have been consistently applied to all the years presented.

b) Reporting entity

The financial statements are for the Study and Capacity Building Fund Project under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012 .

c) Reporting currency

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

d) Recognition of receipts

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

i) Transfers from the Exchequer

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

Significant Accounting Policies (continued)

ii) External Assistance

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

iii) Other receipts

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

iv) Donations and grants

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

v) Proceeds from borrowing.

Borrowing includes external loans acquired by the Project or any other debt the Project may take and will be treated on cash basis and recognized as a receipt during the year they were received.

vi) Undrawn external assistance

These are loans and grants at reporting date as specified in a binding agreement and relate to funding for the Project currently under development where conditions have been satisfied or their ongoing satisfaction is highly likely and the project is anticipated to continue to completion. An analysis of the Project's undrawn external assistance is shown in the funding summary.

e) Recognition of payments

The Project recognises all payments when the event occurs, and the related cash has been paid out by the Project.

i) Compensation to employees

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

Significant Accounting Policies (continued)

ii) Use of goods and services

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

iii) Interest on borrowing

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

iv) Repayment of borrowing (principal amount)

The repayment of principal amount of borrowing is recognized as payment in the period in which the repayment is made. The stock of debt is disclosed as an annexure to the consolidated financial statements.

v) Acquisition of fixed assets

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment. A fixed asset register is maintained by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the consolidated financial statements.

f) In-kind donations

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

Significant Accounting Policies (continued)

g) 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.

h) Restriction on cash

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation. Amounts maintained in deposit bank accounts are restricted for use in refunding third part deposits.

i) Imprests and Advances

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

j) Contingent Liabilities

A contingent liability is:

- a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or

Significant Accounting Policies (Continued)

- b) A present obligation that arises from past events but is not recognised because:
 - i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
 - ii) The amount of the obligation cannot be measured with sufficient reliability.

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities. Letters of comfort/ support, insurance, Public Private Partnerships.

The Entity 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.

k) Contingent Assets

The National Treasury 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 Entity*) 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.

l) Pending bills

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

Significant Accounting Policies (Continued)

m) Budget

The budget is developed on a comparable accounting basis (cash basis), the same accounts classification basis (except for accounts receivable - outstanding imprest and clearance accounts and accounts payable - deposits, which are accounted for on an accrual basis), and for the same period as the financial statements. The Project's budget was approved as required by Law and National Treasury Regulations, as well as by the participating development partners, as detailed in the Government of Kenya Budget Printed Estimates for the year. The Development Projects are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognised as inter-entity transfers and are eliminated upon consolidation. A high-level assessment of the Project's actual performance against the comparable budget for the financial year/period under review has been included in an annex 2 to these Financial Statements.

n) Third party payments

Included in the receipts and payments, are payments made on its behalf by to third parties in form of loans and grants. These payments do not constitute cash receipts and payments, and are disclosed in the payment to third parties' column in the statement of receipts and payments.

o) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the Project operates (Kenya Shillings). Transactions in foreign currencies during the year/period are converted into the functional currency using the exchange rates prevailing at the dates of the transactions. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of receipts and payments.

p) Comparative figures

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

Significant Accounting Policies (Continued)

q) Subsequent events

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended June 30, 2023.

r) Prior period adjustments

Prior period adjustments relate to errors and other adjustments noted arising from previous year(s).

*The National Treasury
Study and Capacity Building Fund Project
Annual Report and Financial Statements for the financial year ended June 30, 2023
12. Notes to the Financial Statements*

1. Proceeds From Domestic and Foreign Grants

During the financial period to 30 June 2023, we received grants from donors as detailed in the table below:

Grants Received from Bilateral Donors (Foreign Governments)	-	-	-	-	-	-	-	-
AFD	See Annex 7	-	10,540,168	-	10,540,168	-	15,827,126	227,630,556
Total	-	-	10,540,168	-	10,540,168	-	15,827,126	227,630,556


2. Purchase of Goods and Services

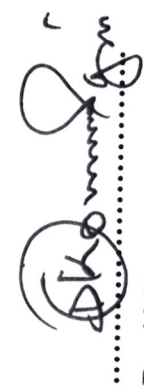
	2022-2023		FY 2021-2022		Cumulative to date
	Payments made in Cash	Payments made by cheques	Total payments	Total payments	
	Kshs	Kshs	Kshs	Kshs	Kshs
Consultancy services	-	10,540,168	10,540,168	15,827,126	227,630,556
Foreign travel and subsistence	-	-	-	-	-
Training payments	-	-	-	-	-
Total	=	10,540,168	10,540,168	15,827,126	227,630,556


*The National Treasury
Study and Capacity Building Fund Project
Annual Report and Financial Statements for the financial year ended June 30, 2023*
13. Annexes

Annex 1: Prior Year Audited Generals Recommendations

<p>73</p>	<p>Budgetary control and performance-planned activities of the project were not achieved</p>	<p>The project had scheduled some trainings but due to restrictions imposed by Covid 19 pandemic the trainings could not take place</p>	<p>Not resolved</p>	<p>N/A</p>
<p>74</p>	<p>Irregular Termination of the technical assistant</p>	<p>The technical assistant was single sourced based on his previous assignments and experience. This contract was subsequently cancelled in January 2020 as recommended in the Audit report of FY 2018/2019 and re-advertised according to the development partners guidelines.</p>	<p>Not resolved</p>	<p>N/A</p>


.....
Dr. Chris Kiptoo, CBS
Principal Secretary
The National Treasury


.....
David Komen
Project Coordinator


.....
Christine Dambya
Project Accountant
ICPAK Member No:13329

27/9/23

*The National Treasury
Study and Capacity Building Fund Project
Annual Report and Financial Statements for the financial year ended June 30, 2023*

Annex 2: Variance explanations - Comparative Budget and Actual amounts for Current FY


	a	b	c=a-b	d=b/a %
Receipts				
Proceeds from domestic and foreign grants	10,740,000	10,540,168	199,832	98%
Total Receipts	10,740,000	10,540,168	199,832	98%
Payments				
Purchase of goods and services	10,740,000	10,540,168	199,832	98%
Total payments	10,740,000	10,540,168	199,832	98%

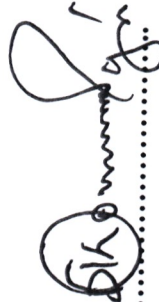
*The National Treasury
Study and Capacity Building Fund Project
Annual Report and Financial Statements for the financial year ended June 30, 2023*

Annex 3: Reconciliation of inter-entity transfers

	Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
a. Government Counterpart funding			
		-	
	Total	-	
B. Direct payments			
	Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
		-	
	Total	-	
C. Others			
	Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
		-	
	Total	-	
	Total (A+B+C)	-	

There were no inter-entity transfers during FY 2022-2023

.....

George K. Gichuru
 Head of Accounting Unit
The National Treasury
 27/9/23

.....

David Komen
 Project Coordinator

*The National Treasury
 Study and Capacity Building Fund Project
 Annual Report and Financial Statements for the financial year ended June 30, 2023*

Annex 4: Summary of Non-Current Assets Register

Office equipment, furniture and fittings & ICT Equipment	1,346,320	-	-	-	-	1,346,320	
Total	1,346,320	-	-	-	-	1,346,320	

*The National Treasury
Study and Capacity Building Fund Project
Annual Report and Financial Statements for the financial year ended June 30, 2023*

Annex 5: Reporting of Climate Relevant Expenditures

[Redacted]											

There was no expenditure on this item.

Annex 6: Reporting Disaster Management Expenditure

[Redacted]											
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments					

There was no expenditure on this item.

*The National Treasury
Study and Capacity Building Fund Project
Annual Report and Financial Statements for the financial year ended June 30, 2023*

Annex 7: Other Support Documents

- i. Cash Book
- ii. Trial Balance

THE NATIONAL TREASURY & PLANNING
RESOURCE MOBILIZATION DEPARTMENT

STUDY AND CAPACITY BUILDING FUND PROJECT
CASH BOOK FOR THE FINANCIAL YEAR 1ST JULY 2022 TO 30TH JUNE 2023

DATE	DETAILS	CASH	BANK	DATE	DETAILS	P.V. No.	CASH	BANK
30.06.2023	Balance b/fwd			09.09.2022	COLLINS ASEKA	1293		347,288.00
			10,540,168.00	09.09.2022	COLLINS ASEKA	2085		347,288.00
				09.09.2022	DICKSON KHAINGA	1296		480,000.00
				09.09.2022	DICKSON KHAINGA	1997		480,000.00
				24.10.2022	COLLINS ASEKA	3587		347,288.00
				14.11.2022	DICKSON KHAINGA	4410		480,000.00
				14.11.2022	DICKSON KHAINGA	4411		480,000.00
				14.11.2022	DICKSON KHAINGA	4412		480,000.00
				18.11.2022	COLLINS ASEKA	5064		347,288.00
				05.12.2022	COLLINS ASEKA	5884		347,288.00
				31.01.2023	DICKSON KHAINGA	7286		480,000.00
				31.01.2023	DICKSON KHAINGA	7287		480,000.00
				31.01.2023	DICKSON KHAINGA	7288		480,000.00
				31.01.2023	DICKSON KHAINGA	7289		480,000.00
				10.01.2023	COLLINS ASEKA	6948		480,000.00
				09.02.2023	COLLINS ASEKA	10336		347,288.00
				21.03.2023	COLLINS ASEKA	11384		347,288.00
				25.04.2023	COLLINS ASEKA	13341		347,288.00
				15.06.2023	COLLINS ASEKA	16476		347,288.00
				27.06.2023	DICKSON KHAINGA	17345		480,000.00
				27.06.2023	DICKSON KHAINGA	17346		480,000.00
				27.06.2023	DICKSON KHAINGA	17347		480,000.00
				27.06.2023	DICKSON KHAINGA	17348		480,000.00
				27.06.2023	DICKSON KHAINGA	17349		480,000.00
				27.06.2023	COLLINS ASEKA	14972		347,288.00
				30.06.2023	Balance c/fwd			10,540,168.00
			10,540,168.00					10,540,168.00

Prepared by: *[Signature]*
Signature: *[Signature]*
Date: 30/6/2023

Signed by: *[Signature]*
Date: 30/6/2023

CLASS OF ACCOUNTS 1 DEVELOPMENT							
VOTE 1071-THE NATIONAL TREASURY							
TRIAL BALANCE AS AT END OF JULY 2022							
CLASS OF ACCOUNTS 1 DEVELOPMENT							
VOTE 1071-THE NATIONAL TREASURY							
STUDY AND CAPACITY BUILDING PROJECT							
Admin	1071	Headquarters	Item	Description	Realised Exp/Rev	Estimated Exp/Rev	Balance
			2211310-12016001-0718019999-00000001	Receipts From Loans		0.00	
			2211310-12016001-0718019999-00000001	Contracted Professional Services		0.00	
			ADMIN BALANCE				
CLASS OF ACCOUNTS 1 DEVELOPMENT							
VOTE 1071-THE NATIONAL TREASURY							
TRIAL BALANCE AS AT END OF AUGUST 2022							
CLASS OF ACCOUNTS 1 DEVELOPMENT							
VOTE 1071-THE NATIONAL TREASURY							
STUDY AND CAPACITY BUILDING PROJECT							
Admin	1071	Headquarters	Item	Description	Realised Exp/Rev	Estimated Exp/Rev	Balance
			2211310-12016001-0718019999-00000001	Receipts From Loans		0.00	
			2211310-12016001-0718019999-00000001	Contracted Professional Services		0.00	
			ADMIN BALANCE				
CLASS OF ACCOUNTS 1 DEVELOPMENT							
VOTE 1071-THE NATIONAL TREASURY							
TRIAL BALANCE AS AT END OF SEP 2022							
CLASS OF ACCOUNTS 1 DEVELOPMENT							
VOTE 1071-THE NATIONAL TREASURY							
STUDY AND CAPACITY BUILDING PROJECT							
Admin	1071	Headquarters	Item	Description	Realised Exp/Rev	Estimated Exp/Rev	Balance
			2211310-12016001-0718019999-00000001	Receipts From Loans	1,654,576.00	0.00	(1,654,576.00)
			2211310-12016001-0718019999-00000001	Contracted Professional Services	1,654,576.00	0.00	(1,654,576.00)
			ADMIN BALANCE				
CLASS OF ACCOUNTS 1 DEVELOPMENT							
VOTE 1071-THE NATIONAL TREASURY							

TRIAL BALANCE AS AT END OF OCT 2022

CLASS OF ACCOUNTS 1 DEVELOPMENT

1071-THE NATIONAL TREASURY

STUDY AND CAPACITY BUILDING PROJECT

Admin	Item	Description	Realised Exp/Rev	Estimated Exp/Rev	Balance
1071	Headquarters				
		2211310-12016001-0718019999-00000001	2,001,864.00	0.00	(2,001,864.00)
		2211310-12016001-0718019999-00000001	2,001,864.00	0.00	(2,001,864.00)
		ADMIN BALANCE			
VOTE TOTAL					
CLASSOF ACCOUNT TOTAL					

TRIAL BALANCE AS AT END OF NOV 2022

CLASS OF ACCOUNTS 1 DEVELOPMENT

1071-THE NATIONAL TREASURY

Admin	Item	Description	Realised Exp/Rev	Estimated Exp/Rev	Balance
1071	Headquarters				
		2211310-12016001-0718019999-00000001	3,789,152.00	0.00	(3,789,152.00)
		2211310-12016001-0718019999-00000001	3,789,152.00	0.00	(3,789,152.00)
		ADMIN BALANCE			
VOTE TOTAL					
CLASSOF ACCOUNT TOTAL					

TRIAL BALANCE AS AT END OF DEC 2022

CLASS OF ACCOUNTS 1 DEVELOPMENT

1071-THE NATIONAL TREASURY

Admin	Item	Description	Realised Exp/Rev	Estimated Exp/Rev	Balance
1071	Headquarters				
		2630203-21501145-0717019999-00000001	4,136,440.00	0.00	(4,136,440.00)
		2630203-21501145-0717019999-00000001	4,136,440.00	0.00	(4,136,440.00)
		ADMIN BALANCE			
VOTE TOTAL					
CLASSOF ACCOUNT TOTAL					

CLASS OF ACCOUNTS 1 DEVELOPMENT

1071-THE NATIONAL TREASURY

TRIAL BALANCE AS AT END OF JAN 2023

CLASS OF ACCOUNTS 1 DEVELOPMENT