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REPORT	
NATIONAL ASSEMBLY PAPERS LAID	
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CLERK-AT THE-TABLE: Halima Suleman	

THE AUDITOR-GENERAL

ON

**TECHNICAL SUPPORT PROGRAMME
(FINANCING AGREEMENTS
NO. KE/FED/2009/021421; NO. KE/FED/023-733
AND NO. KE/FED/037-941)**

**FOR THE YEAR ENDED
30 JUNE, 2020**

THE NATIONAL TREASURY



TECHNICAL SUPPORT PROGRAMME

**THE NATIONAL TREASURY
(RESOURCE MOBILIZATION DEPARTMENT)**

**FINANCING AGREEMENT/CRIS; KE/FED/2009/021421 – TSP 1
FINANCING AGREEMENT/CRIS; KE/FED/023-733 – TSP 2
FINANCING AGREEMENT/CRIS; KE/FED/037-941 – TSP 3**

IDENTIFICATION NUMBER KE/003/08

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2020**

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



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1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name: The project's official name is Technical Support Programme

Objective: The key objective of the project is to build capacity for officers working on European Union related projects in Ministries, State Departments and Agencies.

Address: The project headquarters offices are in Nairobi (city), Nairobi County, Kenya.

The address of its registered office is:

The National Treasury Headquarters
P.O. BOX 30007-00100
Treasury Building
Harambee, Avenue
Nairobi, Kenya

Contacts: The following are the project contacts

Telephone: (254) 020-2252299

E-mail: info@treasury.go.ke

Website: [www.treasury go.ke](http://www.treasury.go.ke)

1.2 Project Information

Project Start Date:	The Project start date is 01/03/2012
Project End Date:	The Project end date is 06/09/2016, Extension upto 24/04/2021
Project Manager:	The Project Manager is Mr Moses K. Kanagi, Ag. Director Resource Mobilization Department at The National Treasury.
Project Sponsor:	The project sponsor is The European Union.

1.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the Resource Mobilization Department at The National Treasury
Project number	FINANCE AGREEMENT/CRIS;KE/FED/2009/021421 IDENTIFICATION NUMBER KE/003/08
Strategic goals of the project	The strategic goals of the project is to assist the fulfilment of the objective of EU-ACP Cooperation as set out in the Cotonou Agreement and objective of EU-Kenya Cooperation as set out in the country strategy paper.
Achievement of	The project management aims to achieve the goals through the following



**Technical Support Programme
Reports and Financial Statements
For the financial year ended June 30, 2020**

strategic goals	means: (i) Provision of Technical Assistance Facility (ii) Provision of Training Support for Projects and Programmes
Other important background information of the project	The project through the National Treasury together with other players in the financial sector have contributed to policies that have enabled the sector to record unprecedented growth in financial inclusion that has been recognized worldwide.
Current situation that the project was formed to intervene	The project was formed to intervene in the following areas: (i) Capacity building of the NAO office (ii) Capacity building of line ministries and implementing agencies to (iii) efficiently and effectively implement EDF and other EC funded programmes.
Project duration	The project started on various dates as follows: a) KE/FED/2009/021421, start date: 20 th April, 2010 b) KE/FED/023-733, start date: 6 th September, 2012 c) KE/FED/037-941, start date: 25 th April, 2015 To run until as indicate below: a) KE/FED/2009/021421, End date: 30 th April, 2014 b) KE/FED/023-733, End date: 6 th September, 2016 c) KE/FED/037-941, End date: 25 th April, 2020, Extension upto 24 th April, 2021

1.4 Bankers

The following are the bankers for the current year:

- (i) The Co-operative Bank of Kenya
Co-operative House Branch
Haile Selassie Avenue
P.O. Box 48231 00100
Nairobi- Kenya
Tel: +254 20 3276000
Technical Support Programme Account No: 01-141-419-783-101
Technical Support Programme Account No: 01-141-419-783-100

- (ii) Equity Bank
Bima House
Harambee Avenue
P .O. Box 10786-0100
Nairobi-Kenya
Tel: +254020318122/316467
European Union Technical support 2(TSP2) Account 024263824199

1.5 Auditors

The project is audited by the Auditor General-Kenya

1.6 Roles and Responsibilities

List the different people who will be working on the project. This list would include the project manager and all the key stakeholders who will be involved with the project. Also, record their role, their positions, and their contact information.

Names	Title designation	Key qualification	Responsibilities
Dr Julius Muia, EBS	Principal Secretary	Accounting Officer	Accounting Officer The National Treasury
Moses K. Kanagi	Ag Director Resource Mobilization	Ag Director Resource Mobilization	Project Manager
Michael C. Mukanzi	Principal Accountant	Accountant	Project Accountant

1.7 Funding summary

The Project is for duration of xxx years from 20xx to 20xx with an approved budget of US\$ xxxx (use donor currency) equivalent to KShs xxxx as highlighted in the table below:

Below is the funding summary:

Source of funds	Donor Commitment-		Amount received to date – (30 th June 2020)		Undrawn balance to date (30th June 2020)	
	<i>Donor currency</i>	<i>KShs</i>	<i>Donor currency</i>	<i>KShs</i>	<i>Donor currency</i>	<i>KShs</i>
	<i>(A)</i>	<i>(A')</i>	<i>(B)</i>	<i>(B')</i>	<i>(A)-(B)</i>	<i>(A')-(B')</i>
(i) Grant						
European Union TSP 1	4,600,000	552,000,000	3,392,116.55	407,053,986.50	1,207,883.45	144,946,013.50
European Union TSP 2	400,000	48,000,000	-	-	400,000	48,000,000
Total	5,000,000	600,000,000	3,392,116.55	407,053,986.50	1,607,883.45	192,946,013.50

1.8 Summary of Overall Project Performance:

- Budget performance against actual amounts for current year and for cumulative to-date,
- Physical progress based on outputs, outcomes and impacts since project commencement,
- Comment on value-for-money achievements,
- Indicate the absorption rate for each year since the commencement of the project.
- List the implementation challenges and recommended way forward.

1.9 Summary of Project Compliance:

- Include significant cases of non-compliance with applicable laws and regulations, and essential external financing agreements/covenants,
- Include consequences suffered on account of non-compliance or likely to be suffered
- Indicate mitigation measures taken or planned to be taken to alleviate the adverse effects of actual or potential consequences of non-compliance

2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETERMINED OBJECTIVES

Guidance

Refer to the project objectives from the Credit No and project ID which inform the program budget and annual budget. Report on the extent of the project's progress in attaining the program plan. Report on the metrics met, objectives yet to be met, challenges and opportunities of the project in implementation of its plan

Enumerate all the objectives of the project as per the program plan

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 2018-2022* plan are to:

1. Efficiently and effectively implement of EC funded programmes and projects in accordance with the objectives as set out in the Country Strategy Paper (CSP).
2. Assist the Government of Kenya in the fulfilment of the objectives of the EU-ACP cooperation as set out in the Cotonou Agreement.

Progress on attainment of Strategic development objectives

Strategic development objectives were not attained due to the following reasons:

1. The Programme Estimate (PE) for Technical Support Programme 3 was not approved by European Union
2. The Technical Assistant (TA) procurement was also not approved by European Union.

3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

The Programme did not take part in any Corporate Social Responsibility activities.

4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The *Principal Secretary* for the National Treasury and the *Project Coordinator* for *Technical Support Programme* 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

*Technical Support Programme
Reports and Financial Statements
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the financial year (period) ended on June 30, 2020. 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 (vi) making accounting estimates that are reasonable in the circumstances.

The *Principal Secretary* for the National Treasury and the *Project Coordinator* for *Technical Support Programme* 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 Coordinator* for *Technical Support Programme* 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, 2020, and of the Project's financial position as at that date. The *Principal Secretary* for National Treasury and the *Project Coordinator* for *Technical Support Programme* 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 Coordinator* for *Technical Support Programme* 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 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

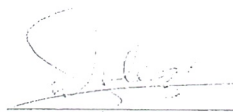
The Project financial statements were approved by the *Principal Secretary* for the National Treasury and the *Project Coordinator* for *Technical Support Programme* on 28th Aug. 2020 and signed by them.



JULIUS M. MUIA, PHD, EBS
PRINCIPAL SECRETARY/NT



MOSES K. KANAGI
PROJECT COORDINATOR



MICHAEL C. MUKANZI
ICPAK MEMBER NUMBER: 17538
PROJECT ACCOUNTANT

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5. REPORT OF THE INDEPENDENT AUDITORS ON THE TECHNICAL SUPPORT PROGRAMME

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 TECHNICAL SUPPORT PROGRAMME (FINANCING AGREEMENTS NO. KE/FED/2009/021421; NO. KE/FED/023-733 AND NO. KE/FED/037-941) FOR THE YEAR ENDED 30 JUNE, 2020 – THE NATIONAL TREASURY

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of the Technical Support Programme set out on pages 1 to 16, which comprise the statement of financial assets as at 30 June, 2020, and the statement of receipts and payments, statement of cash flows and statement of comparative budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Technical Support Programme as at 30 June, 2020, 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 No. KE/FED/2009/021421, No. KE/FED/023-733 and No. KE/FED/037-941 dated 20 April 2010, 6 September, 2012 and 25 April, 2015 respectively between the European Commission and the Republic of Kenya and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Technical Support Programme 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 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 of the Auditor-General on Technical Support Programme (Financing Agreements No. KE/FED/2009/021421; No. KE/FED/023-733 and No. KE/FED/037-941) for the year ended 30 June, 2020 – The National Treasury

Other Matter

1. Non-Receipts of Budget

The statement of comparative budget and actual amounts reflects budgeted receipts from proceeds of domestic and foreign grants and actual on comparable basis of Kshs.5,300,000 and Kshs.242,208 respectively resulting into under-funding of Kshs.5,057,792 or 95%. This is indicative of a project whose future is uncertain. Management has however, indicated intention to close the project immediately the prior year audit issues are resolved.

2. Unresolved Prior Year Matters

The following prior year audit matters remained unresolved as at 30 June, 2020.

2.1 Co-operative Bank Dormant Accounts

The Project continues to maintain two local currency Accounts No. 01141419783101 and No. 01141419783100 with Co-operative Bank of Kenya with bank balances of Kshs.1,136,902 and Kshs.359 respectively as at 30 June, 2020. No deposits or withdrawals have been made for the last four (4) financial years. The explanation that the balance of Kshs.1,136,902 in account No. 01141419783101 was insufficient to be paid back to the European Commission owing to ineligible expenditures, was not supported by way of documentary evidence. No cash books are maintained for these accounts hence the accuracy of the cash and cash equivalents balance of Kshs.24,202,681 reflected in the financial statements could not be ascertained. The continued maintenance of the dormant account may expose the Programme Account to risk of loss of funds.

2.2 Non-Disclosure of Pending Bills

As reported previously, the statement of receipts and payments as at 30 June, 2018 reflected an expenditure of Kshs.48,832,274 under use of goods and services. Examination of records maintained by the Management revealed the expenditure related to a single payment to a vendor, which appeared to have been processed in June, 2017 during the 2016/2017 financial year, but the same had not been disclosed as a pending bill as at 30 June, 2017. Failure to disclose the expenditure as pending bills contravenes the Public Finance Management Regulations, 2015 and may expose the Programme to the risk of incurring ineligible expenditure.

2.3 Unsupported Transfer to the Donor

During the prior year, the Programme transferred an amount of Kshs.13,257,502 to European Commission without details. Further, no transmittal documentation or acknowledgement from the European Commission were availed for verification in support of the transaction. In absence of sufficient and relevant supporting documents, it has not been possible to determine whether or not the amount in question was received.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS ON 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 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 control, risk management and 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) 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 overall governance.

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

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

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

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Project 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 overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

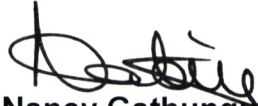
Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the 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 Project's ability to continue to sustain 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 Project 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 Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



Nancy Gathungu
AUDITOR-GENERAL

Nairobi

28 December, 2020

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**6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED
30TH JUNE 2020**

	Note	2019/2020		2018/2019		Cumulative to-date (From inception)
		Receipts and payments controlled by the entity	Payments made by third parties	Receipts and payment controlled by the entity	Payments made by third parties	
		KShs	KShs	KShs	KShs	KShs
RECEIPTS						
Proceeds from domestic and foreign grants	10.3	-	242,208.00	26,457,440.00	48,832,494.20	407,053,986.50
Miscellaneous receipts	10.4	-	-	-	-	14,038,672.10
TOTAL RECEIPTS		-	242,208.00	26,457,440.00	48,832,494.20	421,092,658.60
PAYMENTS						
Purchase of goods and services	10.6	-	242,208.00	3,392,020.90	48,832,494.20	407,053,986.50
TOTAL PAYMENTS		-	242,208.00	3,392,020.90	48,832,494.20	407,053,986.50
SURPLUS/(DEFICIT)		-	-	23,065,419.10	-	14,038,672.10

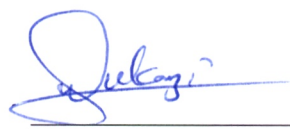
The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements.



JULIUS M. MUIA, PHD, EBS
PRINCIPAL SECRETARY/NT



MOSES K. KANAGI
PROJECT COORDINATOR



MICHAEL C. MUKANZI
ICPAK MEMBER NUMBER: 17538
PROJECT ACCOUNTANT

(IPSAS 1.3.24 requires an entity to separately disclose third party payments separately on the statement of receipts and payments. These are payments made by development partners directly on behalf of the entity. In recognising these transactions, the receipts must be equal to the payments made and therefore there is no surplus or deficit.)

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7. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2020

	Note	2019-2020	2018-2019
		KShs	KShs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	10.8.A	24,202,680.74	24,202,680.74
Cash Balances		-	-
Cash Equivalents (short-term deposits)		-	-
Total Cash and Cash Equivalents		24,202,680.74	24,202,680.74
Accounts receivables – Imprest and Advances		-	-
TOTAL FINANCIAL ASSETS		24,202,680.74	24,202,680.74
REPRESENTED BY			
Fund balance b/fwd	10.9	24,202,680.74	1,137,261.64
Prior year adjustments		-	-
Surplus/(Deficit) for the year		-	23,065,419.10
NET FINANCIAL POSITION		24,202,680.74	24,202,680.74

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on _____ 2020 and signed by:



JULIUS M. MUIA, PHD, EBS
PRINCIPAL SECRETARY/NT



MOSES K. KANAGI
PROJECT COORDINATOR



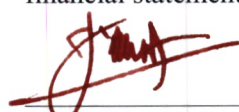
MICHAEL C. MUKANZI
ICPAK MEMBER NUMBER: 17538
PROJECT ACCOUNTANT

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For the financial year ended June 30, 2020*

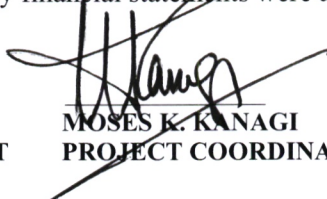
8. STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2020

		2019-2020	2018-2019
	Note	KShs	KShs
Receipts from operating activities			
Transfer from Government entities		-	-
Proceeds from domestic and foreign grants	10.3	242,208	26,457,440
Miscellaneous receipts	10.4	-	-
Payments from operating activities			
Compensation of employees	10.5	-	3,392,020.90
Purchase of goods and services	10.6	242,208	-
Social security benefits		-	-
Transfers to other government entities		-	-
Other grants and transfers		-	-
Adjustments during the year			
Decrease/(Increase) in Accounts receivable: (outstanding imprest)		-	-
Increase/(Decrease) in Accounts Payable: (deposits and retention)		-	-
Prior Year Adjustments		-	-
Net cash flow from operating activities		-	23,065,419.10
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets		-	-
Net cash flows from Investing Activities		-	-
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Foreign Borrowings		-	-
Net cash flow from financing activities		-	-
NET INCREASE IN CASH AND CASH EQUIVALENT		-	23,065,419.10
Cash and cash equivalent at BEGINNING of the year		24,202,680.74	1,137,261.64
Cash and cash equivalent at END of the year		24,202,680.74	24,202,680.74

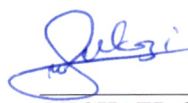
The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on _____ 2020 and signed by:



**JULIUS M. MUIA, PHD, EBS
PRINCIPAL SECRETARY/NT**



**MOSES K. KANAGI
PROJECT COORDINATOR**



**MICHAEL C. MUKANZI
ICPAK MEMBER NUMBER: 17538
PROJECT ACCOUNTANT**

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9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
Receipts						
Proceeds from domestic and foreign grants	20,000,000	14,700,000	5,300,000	242,208	5,057,792	5%
Total Receipts	20,000,000	14,700,000	5,300,000	242,208	5,057,792	5%
Payments						
Compensation of employees						
Purchase of goods and services	20,000,000	14,700,000	5,300,000	242,208	5,057,792	5%
Total Payments	20,000,000	14,700,000	5,300,000	242,208	5,057,792	5%

Note: The significant budget utilisation/performance differences in the last column are explained in **Annex 1** to these financial statements.



**JULIUS M. MUIA, PHD, EBS
PRINCIPAL SECRETARY/NT**



**MOSES K. KANAGI
PROJECT COORDINATOR**



**MICHAEL C. MUKANZI
ICPAK MEMBER NUMBER: 17538
PROJECT ACCOUNTANT**



10.1 Basis of Preparation

10.1.1 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.

10.1.2 Reporting entity

The financial statements are for the Technical Support Programme under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012 .

10.1.3 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.

10.2 Significant Accounting Policies

a) 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.

• Transfers from the Exchequer

Transfer from Exchequer is be 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.

• External Assistance

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Proceeds from borrowing

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

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

• Other receipts

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

b) Recognition of payments

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

• Compensation of employees

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

• 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.

• Interest on borrowing

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **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.

- **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.

c) 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.

d) 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.

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Accounts receivable

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year is treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as 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.

f) Contingent Liabilities

A contingent liability is:

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

Some of contingent liabilities may arise from: litigation in progress, guarantees, 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. **Annex 4** of this financial statement is a register of the contingent liabilities in the year.

Section 89 (2) (i) of the PFM Act requires the National Government to report on the payments made, or losses incurred, by the county government to meet contingent liabilities as a result of loans during the financial year, including payments made in respect of loan write-offs or waiver of interest on loans

g) Contingent Assets

The Entity 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.

h) Pending bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the Project at the

end of the year. 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.

i) 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 to these financial statements.

j) 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.

During the year Kshs.242,208.00 being grant disbursements were received in form of direct payments from third parties.

k) 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.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) 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.

m) 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, 2020.

n) Errors

Material prior period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by: i. Restating the comparative amounts for prior period(s) presented in which the error occurred; or ii. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

10.3 PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

During the 12 months to 30 June 20xx we received grants from donors as detailed in the table below:

Name of Donor	Date received	Amount received in donor currency	Grants received in cash	Grants received as direct payment*	Grants received in kind	Total amount in KShs	
						2019/20	2018/19
			KShs	KShs	KShs	KShs	KShs
Grants Received from Multilateral Donors (International Organisations)							
European Union						242,208.00	26,457,440.00
Total						242,208.00	26,457,440.00

* The direct payment grants represent payments for goods and services done directly by the donor on behalf of the project. Projects should ensure that the adequate documents and support document is requested from the donors to support this grant.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10.4. MISCELLANEOUS RECEIPTS

	2019/20			2018/19	Cumulative to- date
	Receipts controlled by the entity in Cash	Receipts controlled by third parties	Total Receipts		(from inception)
	KShs	KShs	KShs		
Other receipts not classified elsewhere	-	-	-	-	14,038,672.10
	=	=	=	=	<u>14,038,672.10</u>

There were no miscellaneous receipts in the year under review.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10.5 COMPENSATION OF EMPLOYEES

	2019/20			2018/19	Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
-					
Basic wages of temporary employees	-	-	-	48,832,494.20	407,053,986.50
Total	=	=	=	<u>48,832,494.20</u>	<u>407,053,986.50</u>

There was no compensation of employees in the year under review.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10.6 PURCHASE OF GOODS AND SERVICES

	2019/20			2018/19	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Foreign travel and subsistence	-	242,208.00	242,208.00	-	242,208.00
Total	=	242,208.00	242,208.00	=	242,208.00

This is per diem to an officer who attended a committee and commission meetings in Geneva, Switzerland.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10.7 CASH AND CASH EQUIVALENTS CARRIED FORWARD

	2019/20	2018/19
	KShs	KShs
Bank accounts (Note 10.8A)	24,202,680.74	24,202,680.74
Cash in hand	-	-
Cash equivalents (short-term deposits)	-	-
Total	24,202,680.74	24,202,680.74

The project has three (3) number of project accounts spread within the project implementation area.

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There is no foreign currency designated accounts managed by the National Treasury as listed below:

10.8 A Bank Accounts

Project Bank Accounts

	2019/20	2018/19
	KShs	KShs
<u>Foreign Currency Accounts</u>		
Central Bank of Kenya [A/c No.....]	-	-
Total Foreign Currency balances	<u>=</u>	<u>=</u>
<u>Local Currency Accounts</u>		
Co-operative Bank of Kenya [A/c No.01141419783100]	359.05	359.05
Co-operative Bank of Kenya [A/c No.01141419783101]	1,136,902.15	1,136,902.15
Equity Bank [0240263824199]	23,065,419.54	23,065,419.54
Total local currency balances	<u>24,202,680.74</u>	<u>24,202,680.74</u>
Total bank account balances	<u>24,202,680.74</u>	<u>24,202,680.74</u>

10.9 FUND BALANCE BROUGHT FORWARD

	2019/20	2018/19
	KShs	KShs
Bank accounts	24,202,680.74	1,137,261.64
Cash in hand	-	-
Cash equivalents (short-term deposits)	-	-
Outstanding imprests and advances	-	-
Total	<u>24,202,680.74</u>	<u>1,137,261.64</u>

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11.0 PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
AA/TNT/TSP/2017-2018(4/3)	Dormant Accounts held by cooperative bank	The accounts will be closed once the correct amount to be refunded back to EU is determined by both parties	Michael Mukanzi	Not resolved	N/A
AA/TNT/TSP/2017-2018(4/3)	Unsupported expenditure of Kshs. 48,832,274.00	This was an oversight the expenditure should have been disclosed as pending bill	Michael Mukanzi	Partially resolved	N/A
AA/TNT/TSP/2017-2018(4/3)	Payment not processed through IFMIS	Refunds to Development Partner is compared to funds being swept back to Exchequer and	Michael Mukanzi	Resolved	N/A

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal person to resolve the issue and designation	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		are not processed through IFMIS.			

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.

**JULIUS M. MUIA, PHD, EBS
PRINCIPAL SECRETARY/NT**

**MOSES K. KANAGI
PROJECT COORDINATOR**

**MICHAEL C. MUKANZI
ICPAK MEMBER NUMBER: 17538
PROJECT ACCOUNTANT**

ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

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	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance
	a	b	c=a-b	d=b/a %	
Receipts					
Proceeds from domestic and foreign grants	5,300,000	242,208	5,542,208	5%	A payment of Kes.5,000,000 to Ministry of Foreign Affairs was submitted late in the financial year therefore it was not processed
Total Receipts	5,300,000	242,208	5,542,208	5%	
Payments					
Compensation of employees (Foreign travel)	5,300,000	242,208	5,542,208	5%	A payment of Kes.5,000,000 to Ministry of Foreign Affairs was submitted late in the financial year therefore it was not processed
Total payments	5,300,000	242,208	5,542,208	5%	

Explain all variance below 90% and above 100%

- (i) The planned officers training did not take place due to Covid-19 outbreak*