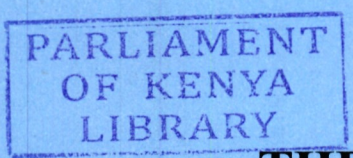
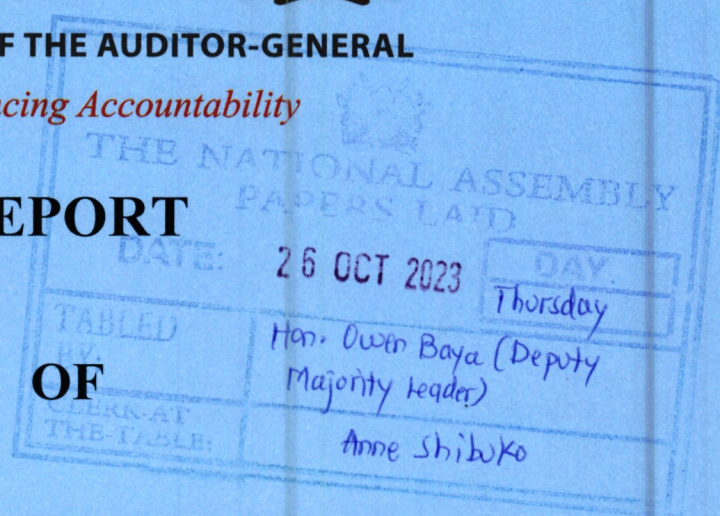


REPUBLIC OF KENYA



Enhancing Accountability

REPORT



THE AUDITOR-GENERAL

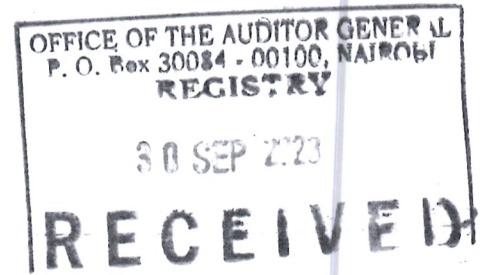
ON

**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, 2023**

THE NATIONAL TREASURY





TECHNICAL SUPPORT PROGRAMME
THE NATIONAL TREASURY
(RESOURCE MOBILISATION DEPARTMENT)

PROJECT GRANT NUMBER: KE/003/08

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)**

*The National Treasury
Technical Support Programme
Annual Report and Financial Statements for the financial year ended June 30, 2023*

Table Contents

1. Acronyms and Glossary of Terms	iv
2. Project Information and Overall Performance	v
3. Statement of Performance against Project’s Predetermined Objectives.....	xi
4. Environmental and Sustainability reporting.....	xii
5. Statement of Project Management responsibilities	xiii
6. Report of the Auditor General on Technical Support Programme.....	xv
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 the year ended 30 June 2023.....	5
11. Significant Accounting Policies	6
12. Notes to the Financial Statements	13
13. Annexes.....	17

1. Acronyms and Glossary of Terms

ACP	African Caribbean and Pacific Group of States
CSP	Country Strategic Paper
EC	European Commission
EDF	European Development Fund
EU	European Union
FED	Federalisation of the European Union
ICPAK	Institute of Chartered Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
JAORS	Joint Annual Operation Reviews
MDA	Ministries, Departments and Agencies
NAO	National Authorising Office
NIP	National Indicative Program
PFMA	Public Financial Management Act
PSASB	Public Sector Accounting Standards Board
TSP	Technical Support Project
TNT	The National Treasury

2. Project Information and Overall Performance

2.1 Name and registered office

The project's official name is **Technical Support Programme (TSP)**

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' location and contacts is as below:

P.O. Box 30007- 00100,
 Treasury Building,
 Harambee, Avenue
NAIROBI, KENYA

Contacts

Telephone: (254)020-2252299
 Email: info@treasury.go.ke
 Website: www.treasury.go.ke

The project does not have other offices or branches.

2.2 Project Information

Project Start Date:	1 st March 2012
Project End Date:	6 th September 2019 with an extension to end on 24 th April, 2021
Project Manager:	Mr. David Komen Ag. Director Resource Mobilization Department
Project Sponsor:	The European Union.

2.3 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 No. CRIS; KE/FED/ 2009/ 021421 Identification number KE/003/08

Strategic goals of the project	The strategic goal 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 strategic goals	The project management aims to achieve the goals through the following means: <ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> i. Capacity building of the NAO office ii. Capacity building of line ministries and implementing agencies iii. to efficiently and effectively implement EDF and other EC funded programmes
Project duration	The project started on various dates as follows: <ul style="list-style-type: none"> i. KE/FED/2009/021421, start date: 20th April, 2010 ii. KE/FED/023-733, start date: 6th September, 2012 iii. KE/FED/037-941, start date: 25th April, 2015 iv. To run until as indicate below: <ul style="list-style-type: none"> a) KE/FED/2009/021421, End date: 30th April, 2014 b) KE/FED/023-733, End date: 6th September, 2016 c) KE/FED/037-941, End date: 25th April 2020, Extension up to 24th April, 2021

Project Information and Overall Performance (Continued)

2.4 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

2.5 Independent Auditor

Auditor General
 Office of the Auditor General
 Anniversary Towers, University Way
 P.O Box 30084 - 00100
NAIROBI, KENYA

2.6 Roles and Responsibilities

Names	Title designation	Key qualification	Responsibilities
Dr Chris Kiptoo, CBS	Principal Secretary	Accounting Officer	Accounting Officer The National Treasury
David Komen	Ag. Director, Resource Mobilisation Department	Ag. Director, Resource Mobilisation Department	Project Manager
Charles Waweru	Senior Accountant	Accountant	Project Accountant

2.7 Funding summary

The Project was scheduled to be in operation for 72 months that included 48 months, implementation Phase and 24 months, closure phase.

*Technical Support Programme
Annual Report and Financial Statements for the financial year ended June 30, 2023*

Project information and overall performance (continued)

Below is the funding summary:

A. Source of Funds

Source of funds	Donor Commitment-		Amount received to date – (30 June 2023)		Undrawn balance to date (30 June 2023)	
	Donor currency	Kshs	Donor currency Kshs	Kshs	Donor currency	Kshs
(i) Grant	(A)	(A')	(B)	(B')	(A)-(B)	(A)-(B)
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	-	-	400,000.00	48,000,000.00
Miscellaneous Receipts		14,038,672	-	14,038,672	0	0
Total	5,000,000	614,038,672	3,392,116.55	421,092,659	1,607,883.45	192,946,013.50

B. Application of Funds

Application of funds	Amount received to date – (30 th June 2023)		Cumulative amount paid to date – (30 th June 2023)	Unutilised balance to date (30th June 2023)	
	Donor currency	Kshs		Donor currency	Kshs
(i) Grant	(A)	(A')	(B')	(A)-(B)	(A')-(B')
European Union TSP 1 &2	3,392,116.55	407,053,987	384,230,835	190,193	22,823,212
Miscellaneous Receipts	-	14,038,672	14,038,672	-	-
Total	3,392,116.55	421,092,659	398,269,507	190,193	22,823,212

Project information and overall performance (continued)

2.8 Summary of Overall Project Performance:

- i) The Project had no activities in the current year.

2.9 Summary of Project Compliance:

- i) The Project had no non-compliance issues

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 2018-2022 plan are to:

- a) Efficiently and effectively implement of EC funded programmes and projects in accordance with the objectives as set out in the Country Strategy Paper (CSP).
- b) 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

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:

Project	Objective	Outcome	Indicator	Performance
Technical Support Programme	Efficiently and effectively implement of EC funded programmes and projects in accordance with the objectives as set out in the Country Strategy Paper	<ul style="list-style-type: none"> • Project progress reports • Mid and End term reviews • Joint Annual Operation reviews (JAORS) Other External Reviews	<ul style="list-style-type: none"> • Programs prepared and approved by EC as planned in the National Indicative Program (NIP) • Number of projects/programmes completed on schedule • % Increase in absorption/ utilization of EDF resources % decrease in ineligible expenditure	<ul style="list-style-type: none"> • Increase in number of functions assumed by the office of the NAO/clarification of roles and responsibilities of all stakeholders and implementation of the same • Increase in absorption and utilization

	(CSP).			of EDF resources Decrease in ineligible expenditure
Technical Support Programme	Assist the Government of Kenya in the fulfilment of the objectives of the EU-ACP cooperation as set out in the Cotonou Agreement.	<ul style="list-style-type: none"> • Project progress reports • Mid and End term reviews • Joint Annual Operation reviews (JAORS) • Other External Reviews 	<ul style="list-style-type: none"> • Programs prepared and approved by EC as planned in the National Indicative Program (NIP) • Number of projects/programmes completed on schedule • % Increase in absorption/ utilization of EDF resources <p>% decrease in ineligible expenditure</p>	<ul style="list-style-type: none"> • Increase in number of functions assumed by the office of the NAO/clarification of roles and responsibilities of all stakeholders and implementation of the same • Increase in absorption and utilization of EDF resources <p>Decrease in ineligible expenditure</p>

4. Environmental and Sustainability reporting

The Programme 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 **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 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 **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.

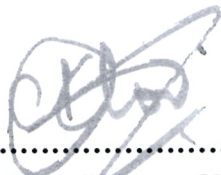
The Principal Secretary for the National Treasury and the **Project Manager** for **Technical Support Programme** are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year/period ended June 30, 2023, and of the Project's financial position as at that date. **The Principal Secretary** for the National Treasury and the **Project Manager** 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 Manager** for **Technical Support Programme** confirm that the Project has complied fully with applicable Government

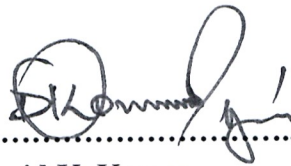
Regulations and the terms of external financing covenants, and that Project funds received during the financial year/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project Financial Statements


The Project financial statements were approved by the **Principal Secretary** for the National Treasury and the **Project Manager** and **Project Accountant** for **Technical Support Programme** on 27/09/ 2023 and signed by them.



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



.....
David K. Komen
Project Manager



.....
Charles K. Waweru
Project Accountant
ICPAK Member No.9993

REPUBLIC OF KENYA

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Technical Support Programme Project set out on pages 1 to 17, which comprise the statement of financial assets and

liabilities 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 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 Technical Support Programme 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 No. KE/FED/2009/021421, No. KE/FED/023-733 and No. KE/FED/037-941 dated 20 April, 2010, 06 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 International Standards of Supreme Audit Institutions (ISSAIs). I am independent of 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.

Emphasis of Matter

Failure to Close the Project

Records available indicate that the life of the Project was to last between 1 March, 2012 and 06 September, 2019 with an extension to 24 April, 2021. However, as at 30 June, 2023, the Project had not been closed and had an active bank account held in a local bank with a balance of Kshs.22,823,152. No explanation was provided for the failure to close the project in accordance with the terms of the Financing Agreement.

In the circumstances, the Project Management was in breach of the terms of the Financing Agreement.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, 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 OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, 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) 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 sustain services, disclosing, as applicable, matters related to

sustainability of services and using the applicable basis of accounting unless the Management is aware of the intention to terminate the project or to cease its 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 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 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 project'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 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 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 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 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.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

13 October, 2023

**Technical Support Programme
Annual Report and Financial Statements for the financial year ended June 30, 2023**

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

Note	2022-2023			2021-2022			Cumulative to-date (From inception)
	Receipts and payments controlled by the entity	Payments made by third parties	Total	Receipts and payment controlled by the entity	Payments made by third parties	Total	
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
Receipts							
Transfer from Other Government Entities	-	-	-	-	-	-	-
Proceeds from Foreign Grants	-	-	-	-	-	-	407,053,987
Miscellaneous receipts	-	-	-	-	-	-	14,038,672
	-	-	-	-	-	-	421,092,659
Payments							
Purchase of Goods and services	-	-	-	-	-	-	397,132,246
Transfers to other government entities				1,137,261	-	1,137,261	1,137,261
Total payments				1,137,261	-	1,137,261	398,269,507
Surplus/ (deficit)				-1,137,261	-	-1,137,261	22,823,152

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 K. Komen
Project Manager

.....
Charles K. Waweru
Project Accountant
ICPAK Member No. 9993

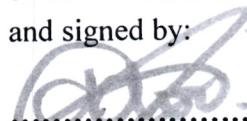
Technical Support Programme

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

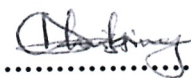
8. Statement of Financial Assets as at 30 June 2023

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
Financial Assets			
Cash and Cash equivalents			
Bank Balances	6A	22,823,152	22,823,152
Cash Balances	6B	-	-
Cash equivalents (Short-term deposits)	6C	-	-
Total Cash and Cash equivalents		22,823,152	22,823,152
Imprests and Advances		-	-
Total Financial Assets		22,823,152	22,823,152
Financial Liabilities			
Deposits and Retention monies		-	-
Net Assets		22,823,152	22,823,152
Represented By			
Fund Balance B/fwd.	7	22,823,152	23,960,413
Prior Year adjustments		-	-
Surplus/(Deficit) for the Year		-	(1,137,261)
Net Financial Position		22,823,152	22,823,152

The accounting policies and explanatory notes to these Financial Statements form an integral part of the Financial Statements. The Financial Statements were approved on 27/09/2023 and signed by:


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


.....
David K. Komen
Project Manager


.....
Charles K. Waweru
Project Accountant
ICPAK Member No. 9993

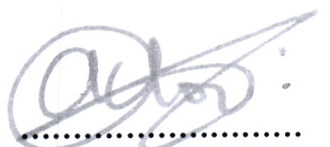
9. Statement of Cashflow for the year ended 30 June 2023

Description	Notes	2022-2023	2021-2022
		Kshs	Kshs
Cashflow from operating activities			
Receipts			
Transfer from government entities		-	-
Miscellaneous receipts		-	-
Miscellaneous receipts		-	-
Total receipts		-	-
Payments			
Compensation of employees		-	-
Purchase of goods and services		-	-
Social security benefits		-	-
Transfers to other government entities	5	-	(1,137,261)
Other grants and transfers			-
Total Payments		-	(1,137,261)
Adjustments during the year			
Prior year adjustments			-
Decrease/(increase) in accounts receivable			-
Increase/(decrease) in accounts payable:			-
Net cash flow from operating activities		-	-
Cashflow from investing activities			
Acquisition of non-financial assets			-
Net cash flows from investing activities		-	(1,137,261)
Cash flow from financing activities			
Proceeds from foreign borrowings		-	-
Net cash flow from financing activities		-	-

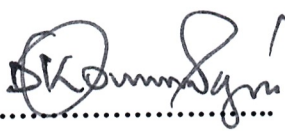
*The National Treasury
 Technical Support Programme
 Annual Report and Financial Statements for the financial year ended June 30, 2023*

Description	Notes	2022-2023	2021-2022
		Kshs	Kshs
Net increase in cash and cash equivalents			-
Cash and cash equivalent at beginning of the year	6	22,823,152	23,960,473
Cash and cash equivalent at end of the year	6	22,823,152	22,823,152

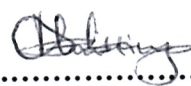
The accounting policies and explanatory notes to these Financial Statements form an integral part of the Financial Statements. The entity Financial Statements were approved on 27/09 2023 and signed by:



Dr Chris Kiptoo, CBS
Principal Secretary
The National Treasury



David K. Komen
Project Manager



 for **Charles K. Waweru**
Project Accountant
ICPAK Member No.9993

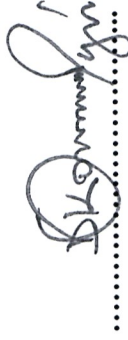
**Technical Support Programme
Annual Report and Financial Statements for the financial year ended June 30, 2023**


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

Receipts/Payments Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
Receipts						
Transfers	-	-	-	-	-	-
Total Receipts	-	-	-	-	-	-
Payments						
Purchases	-	-	-	-	-	-
Total Payments	-	-	-	-	-	-
Surplus or Deficit	-	-	-	-	-	-

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


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


.....
David K. Komen
Project Manager


.....
Charles K. Waweru
Project Accountant
ICPAK Member No. 9993

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 years presented.

c) Reporting entity

The Financial Statements are for National Treasury Capacity Strengthening Project under the National Treasury. The Financial Statements are for the reporting entity National Treasury Capacity Strengthening Project as required by Section 81 of the PFM Act, 2012.

d) 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.

e) Recognition of receipts

The National Treasury Capacity Strengthening recognises all receipts from the various sources when the event occurs, and the related cash has actually been received.

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.

ii) External Assistance

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

Significant Accounting Policies (Continued)

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.

f) Recognition of payments

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

a. 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)

b. 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.

c. 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.

d. 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.

e. 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:

Significant Accounting Policies (Continued)

- 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.

f. 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 National Treasury 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.

g. 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)

h. 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*.

i. 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, there were no disbursements

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.

j. 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.

k. 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.

Significant Accounting Policies (Continued)

1. Prior period adjustments

Prior period adjustments relate to errors and other adjustments noted arising from previous year(s). There were no prior adjustments recorded.

12. Notes to the Financial Statements

1. Transfer from Government Entities

During the financial period to 30 June 2023, the Project did not receive grants from its Financier the European Union.

Name of Donor	Date received	Amount in loan currency	Loans received in cash	Loans received as direct payment*	Total amount in Kshs	
			Kshs	Kshs	2022-2023	2021-2022
Grants received from bilateral Donors (Foreign Governments)						
European Union	-	-	-	-	-	-
Total	-	-	-	-	-	-

2. Proceed from Foreign Grants

Name of Donor	Date received	Amount in loan currency	Grants received in cash	Grants received as direct payment*	Grants received in Kind	Total Amount 2022/2023	Cumulative
			Kshs	Kshs			
European Union TSP 1	-	-	-	-		407,053,987	407,053,987
European Union TSP 2	-	-	-	-		-	-
Total	-	-	-	-		407,053,987	407,053,987

3. Miscellaneous Receipts

	2022-2023			2021/2022	Cumulative to-date (from inception)
	Receipts controlled by the entity in Cash	Receipts controlled by third parties	Total receipts	Total receipts	
	Kshs	Kshs	Kshs	Kshs	Kshs
Income	-	-	-	-	14,038,672
Total	-	-	-	-	14,038,672

Notes to the Financial Statements (continued)

4. Purchase of Goods and services

	2022/2023			2021/2022	Cumulative to- date
	Payments made in Cash	Payments made by third parties	Total payments	Total payments	
	Kshs	Kshs	Kshs	Kshs	
Purchases of Goods and Services	-	-	-		398,269,507
Total	=	=	=		<u>398,269,507</u>

The project had no expenditure in the financial year.

5. Transfers to other government entities

	2022-2023			2021/2022	Cumulative to- date
	Payments made in Cash	Payments made to third parties	Total payments	Total payments	
	Kshs	Kshs	Kshs	Kshs	
Transfers to the government of Kenya	-	-	-	1,137,261	1,137,261
Total	=	=	=	<u>1,137,261</u>	<u>1,137,261</u>

These refer to bank balances that were held at Co-operative bank accounts 01141419783100 Kshs 359.05 and account no 01141419783101 Kshs 1,136,902.15. The two-bank account were closed and the amount transferred to the Kenya Government, exchequer account since the balances belonged to the Government.

6. Cash and cash Equivalentents

Details	2022-2023	2021-2022
	Kshs	Kshs
Equity Bank Account No.02402638244199	22,823,152	22,823,152
Total	<u>22,823,152</u>	<u>22,823,152</u>

Notes to the Financial Statements (continued)

6 A Project Bank Accounts

Details	2022-2023	2021-2022
	Kshs	Kshs
<u>Local Currency Accounts</u>		
Co-operative Bank of Kenya [A/c No.01141419783100]	-	-
Co-operative Bank of Kenya [A/c No.01141419783101]	-	-
Equity Bank [A/c No.02402638244199]	22,823,152	22,823,152
Total local currency balances	<u>22,823,152</u>	<u>22,823,152</u>
Total bank account balances	<u>22,823,152</u>	<u>22,823,152</u>

6 B Cash in hand

Description	2022-2023	2021-2022
	KShs	KShs
Location 1	-	-
Total cash in hand balances	<u>=</u>	<u>=</u>

The project does not transact in Cash.

6 C Cash equivalents (short-term deposits)

Description	2022-2023	2021-2022
	Kshs	Kshs
Cash Equivalent	-	-
Total	<u>=</u>	<u>=</u>

The project does not keep short term deposits

Notes to the Financial Statements (continued)

7. Fund Balance Brought Forward

Description	2022-2023	2021-2022
	Kshs	Kshs
Bank accounts	22,823,152	22,823,152
Cash in hand	-	-
Cash equivalents (short-term deposits)	-	-
Outstanding imprests and advances	-	-
Total	22,823,152	22,823,152

*The National Treasury
Technical Support Programme
Annual Report and Financial Statements for the financial year ended June 30, 2023*

13. Annexes

Annex 1: Progress on Follow Up of Prior Year Auditor's Recommendations

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	There were no material issues noted during the audit of the programme.	Dormant account for the project that were subject to emphasis of matter were closed by end of June 2022	N/A	N/A

Annex 2: Variance explanations - Comparative Budget and Actual amounts for FY 2022-2023

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance (below 90% and over 100%)
	a	b	c=a-b	d=b/a %	
Receipts					
Transfer from Government entities	-	-	-	-	
Total Receipts	-	-	-	-	
Payments					
Transfers to other government entities	-	-	-	-	

*The National Treasury
 Technical Support Programme
 Annual Report and Financial Statements for the financial year ended June 30, 2023*

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance (below 90% and over 100%)
Total payments	-	-	-	-	

*The National Treasury
Technical Support Programme
Annual Report and Financial Statements for the financial year ended June 30, 2023*

Annex 3: Summary of Fixed Assets Register

Asset class	Opening Cost (KShs) 2022/23 (a)	Donations in form of assets (KShs) 2022/23 (b)	* Purchases/ Additions in the Year (KShs) 2022/23 (c)	** Disposals in the Year (KShs) 2022/23 (d)	Transfers in/(out) Kshs 2022/23 (d)	Closing Cost (KShs) 2023 (e)= (a)+ (b)+c)- (d)+(-)d
Land	-	-	-	-	-	-
Total	-	-	-	-	-	-


This was a services financing with no fixed assets

Annex 4: Reconciliation of inter-entity transfers

Project Name:	
Breakdown of transfers from the Technical Support Project	
a. Government Counterpart funding	Bank Statement Date
	Amount (Kshs)
	-
	Total
	-
B. Direct payments	Bank Statement Date
	Amount (Kshs)
	-
	Total
	-

**The National Treasury
 Technical Support Programme
 Annual Report and Financial Statements for the financial year ended June 30, 2023**

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
 *Cuchuma Cook*
28/9/23

Annex 5: Reporting of Climate Relevant Expenditures

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

There was no expenditure on this item.

*The National Treasury
 Technical Support Programme
 Annual Report and Financial Statements for the financial year ended June 30, 2023*

Annex 6: Reporting Disaster Management Expenditure

Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments

*The National Treasury
 Technical Support Programme
 Annual Report and Financial Statements for the financial year ended June 30, 2023*

Annex 7: Project Closure Information

Project Information	Responsibility	Status	Comment
Implementation	TNT	Completed	
Expenditure verification	EU	Completed	
Audit issues	TNT	None	
Operating Bank Accounts			
a) Co-operative Bank of Kenya Account No.01141419783100	TNT	Closed	
b) Co-operative Bank of Kenya Account No.01141419783100	TNT	Closed	
c) Equity Bank of Kenya Account No.02402638244199	TNT	Open	A balance of Kshs.22,823,152.00 to be refunded to the DP (NB: As at the preparation of these FS, the funds have been transferred to the DP upon request for refund)
Financial Statement	TNT	Auditor General to issue closure approval	2022/2023 Final Statement

*The National Treasury
Technical Support Programme
Annual Report and Financial Statements for the financial year ended June 30, 2023*
