

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

*Paper laid by
Deputy Majority Whip
on 2/3/2016 (PM)*

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
KENYA NATIONAL SAFETY NET
PROGRAM

FOR THE YEAR ENDED
30 JUNE 2015

MINISTRY OF LABOUR, SOCIAL
SECURITY AND SERVICES



Persons Cash Transfer Program, Hunger Safety Net Program and the Social Protection Secretariat as is required under paragraph 1.4.23 of IPSAS (Cash Basis).

In the circumstances, it has not been possible to confirm the accuracy of the figures consolidated in the Kenya National Safety Net Program as at 30 June 2015.

3. Cash Disbursements

i) Payments to Beneficiaries through Kenya Commercial Bank

Reconciliations received from the service provider - Kenya Commercial Bank with regard to cash disbursements to beneficiaries reflect amounts totalling Kshs.462,268,000.00 as refunds due to the Ministry of Labour from undisbursed cash for Orphans and Vulnerable Children(OVC), Older Persons Cash Transfer (OPCT), and Persons with Severe Disability (PWSD) for the period January 2015 to April 2015. The amount of Kshs.462,268,000.00 was refunded on 9 July 2015, two months after the stipulated due date set for refunds.

However, no interest was shown as having accrued from Kshs.462,268,000.00 held for two months by the bank.

ii) Payments to Beneficiaries through Postal Corporation of Kenya

During the financial year ended 30 June 2015 the Ministry of Labour remitted a total of Kshs.1,968,000,000.00 to Postal Corporation of Kenya for onward payment to beneficiaries under the Older Persons Cash Transfer Programme. However, no reconciliation was done showing the total payments to the beneficiaries and the refunds made to the Ministry as required in the mutual agreement between the Ministry and Postal Corporation of Kenya.

In the absence of the required reconciliations, the status of Kshs.1,968,000,000 remitted to Postal Corporation of Kenya and the payments therein could not be established.

4. Refunds due from the Postal Corporation of Kenya

Correspondence seen between the Ministry and the Postal Corporation of Kenya revealed that a total of Kshs.245,501,480.00 was owed by the Corporation out of which a total of Kshs.76,201,480.00 was confirmed through the bank statements as having been refunded as follows:

Refunds due from the Postal Corporation of Kenya

| Due date | Date paid | No. of Months O/S | Amount Refunded Kshs. |
|--------------------|------------|-------------------|------------------------------|
| Total amount due | | | 245,501,480.00 |
| | | | Less |
| 15/01/2015 | 03/08/2015 | 7 | 40,260,000.00 |
| 15/01/2015 | 09/11/2015 | 10 | <u>35,941,480.00</u> |
| Balance O/S | | | <u>169,300,000.00</u> |

No explanation was given as to why the outstanding balance of Kshs.169,300,000.00 had not been refunded by the stipulated due date of 15th day of the month following the close of the pay period.

Further, no interest appears to have accrued on the amount of Kshs.40,260,000.00 refunded six months after the September/December payment cycle as well as on the Kshs.35,941,480.00 refunded ten months after the September/December payment cycle as tabulated above.

5. Differences in Trial Balance and Financial Statement Balances

The balances reflected in the consolidated statement of receipts and payments for the Kenya National Safety Net Program differ with the balances in the Trial Balance in the following expenditure components:

| Expenditure | Consolidated Statement of Receipts and Payments Kshs. | Trial Balance Kshs. | Variance Kshs. |
|-------------------------------------|--|--------------------------------|---------------------------|
| Compensation of Employees | 45,669,911 | 45,050,711 | 619,200 |
| Social security benefits in cash | 12,169,989,110 | 15,305,446,770 | 3,135,457,660 |
| Use of goods and services | 1,330,523,925 | 1,584,417,311.38 | 253,893,387 |
| Acquisition of Non-Financial Assets | 391,102,462 | 404,122,370 | 13,019,908 |
| Total | 13,937,285,408 | 17,339,037,162.38 | 3,402,990,155 |

No explanation was given for the difference totalling Kshs.3,402,990,155.00 between the two sets of records. As a result, the accuracy of the consolidated financial statements could not be ascertained as at 30 June 2015.

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Kenya National Safety Net Program as at 30 June 2015, 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 agreement for the National Safety Net Program for Results between the Republic of Kenya and International Development Association - Credit Number 5287-KE.

Other Matter

1. Failure to Absorb Funds

The total budgeted transfer of funds to beneficiaries was Kshs.19,295,533,932. However, the actual cash transfer during the year was Kshs.13,945,805, 684 (72.3%) of the total project budget receipts. The Program was not able to absorb Kshs.3,882,326,078 (32%) of the actual receipts.

No explanation has been provided for failure to utilize the funds received to meet the need of the given number of beneficiaries in the country.

2. DFID Transfers to Beneficiaries

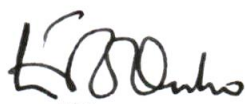
The consolidated statement of receipts and payments reflects Kshs.3,441,798,502.00 as transfers to the beneficiaries from DFID grant under the Hunger Safety Net Program for the year ended 30 June 2015. However, records made available indicate that Kshs.3,637,558,730.00 was initially budgeted for transfer to the beneficiaries from DFID resulting in a difference of Kshs.195,760,228.00.

The difference of Kshs.195,760,228.00 between the budgeted and the amount actually transferred was attributed to failure to reach the targeted number of beneficiaries that was set at the beginning of the financial year due to lack of National Identity Cards (IDs) to enable the potential beneficiaries open bank accounts. As a result, intended beneficiaries are left suffering while project funds remain unutilized.

3. Verification of Beneficiary Disbursements

The sampled audit reports for specific projects under the Program revealed that cash disbursements to the enlisted beneficiaries were not utilized in accordance with the program objectives. Consequently, there is need for extensive in-depth verification of the beneficiary cash disbursements.

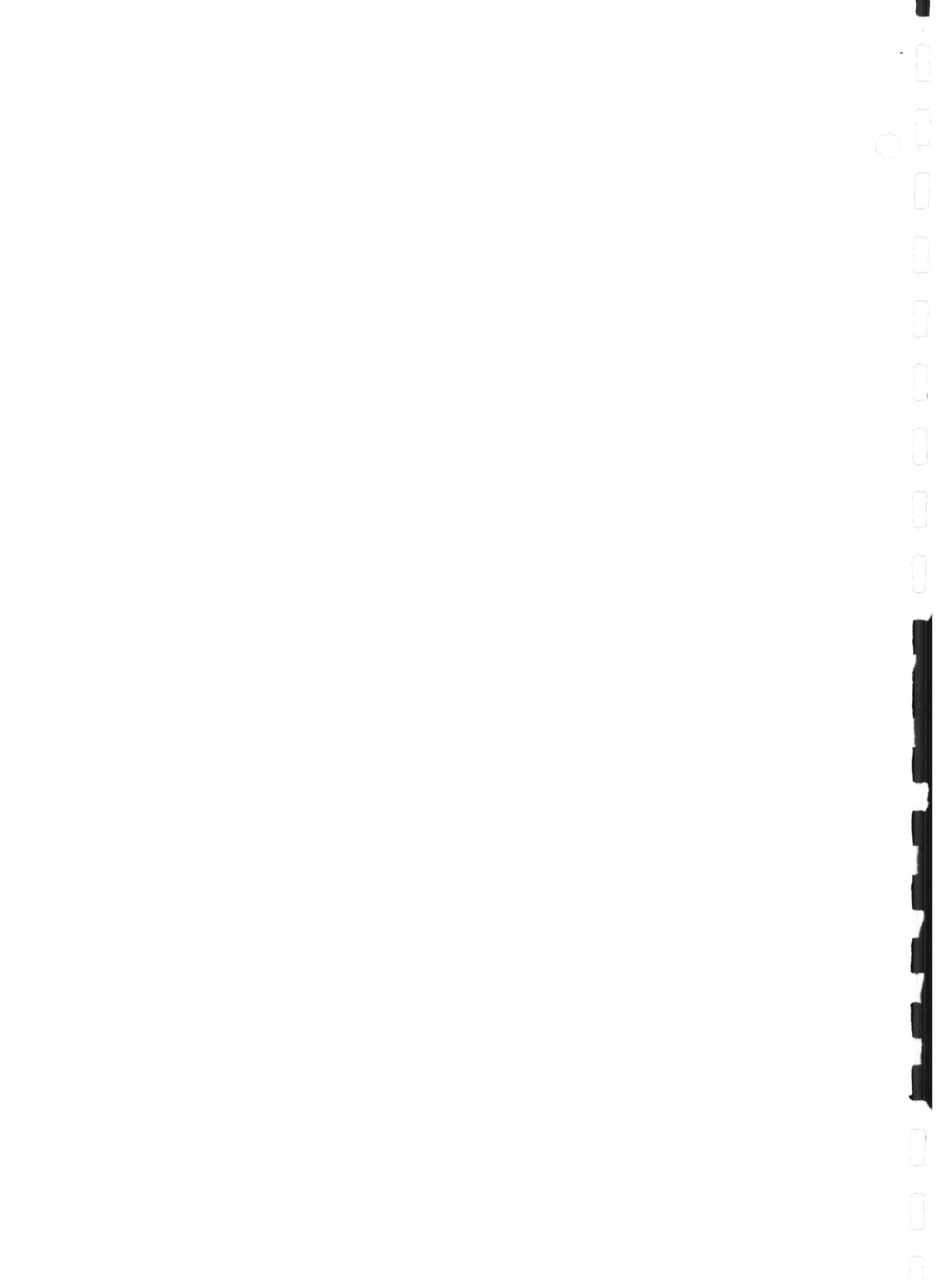
My opinion is however not qualified in respect to these matters.



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

Nairobi

23 February 2016





OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA NATIONAL SAFETY NET PROGRAM FOR THE YEAR ENDED 30 JUNE 2015

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya National Safety Net Program set out on pages 9 to 18, which comprise the statement of assets as at 30 June 2015, and the statement of consolidated receipts and payments 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, Section 8 of the Public Audit Act, 2003 and Financing Agreements Number 5287-KE between the International Development Association and the Government of Kenya dated 9 September, 2013. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 7 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 9 of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229 (7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design

audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Program's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

1. Consolidated Budget Shortfall

The cash transfer programmes under the Kenya National Safety Net Programme had a consolidated budget of Kshs.19,295,533,932.00 expected from the following sources:

| Revenue Source | Budget Amount Kshs. | Actual Amount Kshs. | Excess (+) / Shortfall (-) Kshs. | % Variance |
|---------------------------|----------------------------|----------------------------|---|-------------------|
| Government of Kenya grant | 13,038,668,728 | 12,509,676,290 | -528,992,438 | 4% |
| External financing | 6,256,865,204 | 5,316,159,252 | -940,705,952 | 15% |
| Miscellaneous Receipts | 0 | 2,296,220 | +2,296,220 | 0% |
| Total | 19,295,533,932 | 17,828,131,762 | -1,467,402,170 | 8% |

The total actual receipts amounted to Kshs.17,828,131,762.00 resulting in a gross shortfall of Kshs.1,467,402,170.00 or 8%. The shortfall of Kshs.940,705,952.00 in external financing was attributed to non-requisition of funds for planned activities that were not carried out while the shortfall of Kshs.528,992,438 under Government of Kenya was attributed to non-release of exchequer from the National Treasury.

No reasons have been provided for non-release of Kshs.528,992,438.00 budgeted funds from the exchequer and the failure to requisition for planned activities' funds from external financing of Kshs.940,705,952.00 has affected provision of services to the intended beneficiaries.

2. Failure to Prepare Financial Statements

The consolidated financial statement under the National Safety Net Program (NSNP) was not prepared in accordance with paragraph 1.3.14 of the International Public Sector Accounting Standards (Cash Basis) which requires that financial statements of the controlling entity be prepared line by line. Further, out of the six (6) programs under NSNP, three programs did not have a separate financial statement namely; Older

KENYA NATIONAL SAFETY NET PROGRAM (NSNP)

REPORTS AND FINANCIAL STATEMENTS

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

Kenya National Safety Net Program

*Reports and Financial Statements
For the year ended June 30, 2015*

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PROGRAM INFORMATION AND PERFORMANCE

1. **Program Institutional Details/Information:** Program implementing agencies, physical locations, address, names, account numbers and address of bankers, names and address of the independent auditor.
2. **Key Members of the Program Management:** Names and designations
3. **Background Information on the Program:** Including start date, institutional arrangements, implementing agencies, funding sources and sizes, closing date, etc.
4. **Program Development Objective/s:** As per the program documents.
5. **Program Budget, Funding Arrangements and Costs:** As per the program documents and legal agreements, as well as other information deemed relevant.
6. **Program Disbursements:** Include disbursements by IDA to the National Treasury during the year under the Program-for-Results funding mechanism, both in US Dollars and Kenya Shillings, including cumulative disbursements to date.
7. **Summary of Program Performance:** Include budget performance against actual amounts, physical progress and value-for-money achievements, challenges, way forward, etc.
8. **Summary of Program Compliance:** Include major cases of non-compliance with applicable laws and regulations, as well as essential external financing covenants.

STATEMENT OF PROGRAM MANAGEMENT RESPONSIBILITIES – MINISTRY OF LABOUR, SOCIAL SECURITY AND SERVICES

The Principal Secretary for the Ministry of Labour, Social Security and Services is responsible for the preparation and presentation of the annual financial statements which give a true and fair view of the activities and transactions of the following four programs during the fiscal year (period) ended on June 30, 2015, and of the programs' assets and liabilities as at that date, as reflected in the notes indicated.

- | | |
|---|---------|
| 1. Older Persons Cash Transfer Program | Note 6 |
| 2. Hunger Safety Net Program | Note 10 |
| 3. Cash Transfer for Persons with Severe Disabilities | Note 8 |
| 4. Cash Transfer for Orphans and Vulnerable Children | Note 9 |

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 transactions and activities of the program; (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 program; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

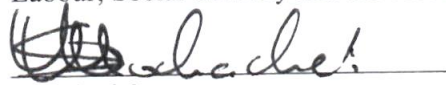
The Principal Secretary for the Ministry of Labour, Social Security and Services accepts responsibility for the program's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS).

The Principal Secretary for the Ministry of Labour, Social Security and Services is of the opinion that the financial statements give a true and fair view of the state of programs' activities and transactions during the fiscal year/period ended June 30, 2015, and of the programs' assets and liabilities as at that date. The Principal Secretary for Labour Social Security and Services further confirms the completeness of the accounting records maintained for the programs, which have been relied upon in the preparation of the program financial statements as well as the adequacy of the systems of internal financial control.

The Principal Secretary for the Ministry of Labour, Social Security and Services confirms that the programs have complied fully with all applicable Government Regulations and the terms of external financing covenants, and that program funds received during the year/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the programs' financial statements

The program financial statements were approved and signed by the Principal Secretary for the Ministry of Labour, Social Security and Services on _____.


Principal Secretary

22-1-16
Date

STATEMENT OF PROGRAM MANAGEMENT RESPONSIBILITIES – MINISTRY OF DEVOLUTION AND PLANNING

The Principal Secretary for the Ministry of Devolution and Planning is responsible for the preparation and presentation of the annual financial statements for the Hunger Safety Net Program which give a true and fair view of the state of affairs of the program's activities and transactions during the fiscal year (period) ended on June 30, 2015, and the program's assets and liabilities as at that date, as reflected at Note 10.

This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial transactions and activities of the program; (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 program; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

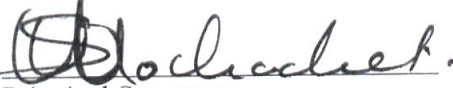
The Principal Secretary for the Ministry of Devolution and Planning accepts responsibility for the program's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS).

The Principal Secretary for the Ministry of Devolution and Planning is of the opinion that the financial statements give a true and fair view of the state of the program's activities and transactions during the fiscal year/period ended June 30, 2015, and of the program's assets and liabilities as at that date. The Principal Secretary for Devolution and Planning further confirms the completeness of the accounting records maintained for the program, which have been relied upon in the preparation of the program financial statements as well as the adequacy of the systems of internal financial control.

The Principal Secretary for the Ministry of Devolution and Planning confirms that the program has complied fully with all applicable Government Regulations and the terms of external financing covenants, and that program funds received during the year/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the programs' financial statements

The program financial statements were approved and signed by the Principal Secretary for the Ministry of Devolution and Planning on _____


Principal Secretary


22 - 1 - 16
Date

STATEMENT OF PROGRAM MANAGEMENT RESPONSIBILITIES – SOCIAL PROTECTION SECRETARIAT

The National Coordinator of the Social Protection Secretariat is responsible for the proper consolidation and presentation of the annual financial statements for the following four cash transfer programs for the fiscal year (period) ended on June 30, 2015.

- | | |
|---|---------|
| 1. Older Persons Cash Transfer Program | Note 6 |
| 2. Cash Transfer for Persons with Severe Disabilities | Note 8 |
| 3. Cash Transfer for Orphans and Vulnerable Children | Note 9 |
| 4. Hunger Safety Net Program | Note 10 |

The National Coordinator of the Social Protection Secretariat accepts responsibility for the accurate preparation and presentation of reliable programs' consolidated financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS).



National Coordinator, Social Protection Secretariat

Date 20-1-2016

REPORT OF THE AUDITOR GENERAL ON THE KENYA NATIONAL SAFETY NET PROGRAM

REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Kenya National Safety Net Program which comprise the statement of receipts and payments for the fiscal year ended June 30, 2015, and a summary of significant accounting policies and other explanatory notes.

Responsibility for the Financial Statements

The Principal Secretary for Ministry of Labour Social Security and Services is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (IPSAS). This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an independent opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depended on our professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered the internal controls relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of financial affairs of the Kenya National Safety Net Program for the fiscal ended June 30, 2015 in accordance with International Public Sector Accounting Standards (IPSAS).

REPORT OF THE AUDITOR GENERAL ON THE
KENYA NATIONAL SAFETY NET PROGRAM (Continued)

REPORT ON EFFICIENCY AND ECONOMY REVIEW

Based on our audit, we report that nothing came to our attention to indicate significant cases of inefficient and uneconomic use of program resources. However, we identified a few minor cases, which have been included in our separate Management Letter to the Principal Secretary.

REPORT ON COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS

Based on our audit, we report that nothing came to our attention to indicate substantial non-compliance with applicable laws and regulations, as well as essential external financing covenants, including contracts with debarred firms and individuals. However, we identified a few minor cases of non-compliance, which have been included in our separate Management Letter to the Principal Secretary.

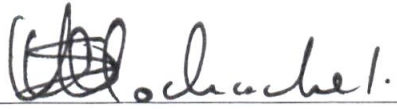
Auditor General, KENYA

Date

**CONSOLIDATED STATEMENT OF RECEIPTS AND PAYMENTS FOR
THE YEAR ENDED 30TH JUNE 2015**

| | Note | 2015 | 2014 Kshs | Cumulative |
|--|------|------------------------------|-----------------------------|------------------------------|
| RECEIPTS | | | | |
| CASH BALANCE B/F | 2 | 926,180,479 | 30,509,668 | 956,690,147 |
| RECEIPTS DURING THE YEAR/PERIOD | | | | |
| Government of Kenya | 3 | 12,509,676,290 | 6,416,364,951 | 18,926,041,241 |
| External Financing | 4 | 5,316,159,252 | 2,943,749,029 | 8,259,908,281 |
| Miscellaneous Receipts | 5 | <u>2,296,220</u> | <u>3,654,166</u> | <u>5,950,386</u> |
| TOTAL RECEIPTS | | <u>17,828,131,762</u> | <u>9,363,768,146</u> | <u>27,191,899,908</u> |
| PAYMENTS | | | | |
| Older Persons Cash Transfer Program | 6 | 3,233,292,524 | 2,560,112,645 | 5,793,405,166 |
| Urban Food Subsidy Cash Transfer Program | 7 | - | 281,546,058 | 281,546,058 |
| Cash Transfer for Persons with Severe Disabilities | 8 | 714,806,797 | 352,484,219 | 1,067,291,016 |
| Cash Transfer for Orphans and Vulnerable Children | 9 | 5,591,653,627 | 4,043,068,692 | 9,634,722,319 |
| Hunger Safety Net Program | 10 | 4,076,727,570 | 1,216,279,281 | 5,293,006,851 |
| Social Protection Secretariat | 11 | <u>329,325,167</u> | <u>14,606,440</u> | <u>343,931,607</u> |
| TOTAL PAYMENTS | | <u>13,945,805,684</u> | <u>8,468,097,335</u> | <u>22,413,903,019</u> |
| CASH BALANCE C/F | | <u>4,808,506,557</u> | <u>926,180,479</u> | <u>5,734,687,036</u> |

The notes to these financial statements are an integral part of the financial statements.


Principal Secretary

22-1-16
Date

STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

| | Budget 2015 Kshs | Actual 2015 Kshs | Variance 2014 Kshs |
|--|------------------------------|------------------------------|------------------------------|
| RECEIPTS DURING THE YEAR/PERIOD | | | |
| Government of Kenya | 13,038,668,728 | 12,509,676,290 | -528,992,438 |
| External financing | 6,256,865,204 | 5,316,159,252 | -940,705,952 |
| Miscellaneous receipts | <u>0</u> | <u>2,296,220</u> | <u>2,296,220</u> |
| TOTAL RECEIPTS | <u>19,295,533,932</u> | <u>17,828,131,762</u> | <u>-1,467,402,170</u> |
| PAYMENTS DURING THE YEAR/PERIOD | | | |
| Older Persons Cash Transfer Program | 5,930,585,940 | 3,233,292,524 | -2,697,293,416- |
| Urban Food Subsidy Cash Transfer Program | - | - | - |
| Cash Transfer for Persons with Severe Disabilities | 770,000,000 | 714,806,797 | -55,193,203 |
| Cash Transfer for Orphans and Vulnerable Children | 7,755,540,606 | 5,591,653,627 | -2,163,886,979 |
| Hunger Safety Net Program | 4,261,558,730 | 4,076,727,570 | -184,831,160 |
| Social Protection Secretariat | 577,848,656 | 329,325,167 | -248,523,489 |
| TOTAL PAYMENTS | <u>19,295,533,932</u> | <u>13,945,805,684</u> | <u>-5,349,728,248</u> |

The deficit of actual expenditure over the budget of 28% was due to low absorption rates and also timing differences between the time funds were released by the donor and the Government financial year. There were no other material variances.

Material variances are considered to be those of Kshs.1 Million and over under any account heading, as per prevailing National Treasury practice.

STATEMENT OF ASSETS (PER PROGRAM)

| | Older persons cash transfer program | Urban food subsidy cash transfer program | Cash transfer for persons with severe Disabilities | Cash transfer for orphans and Vulnerable children | Hunger Safety Net programme Project | Social protection secretariat | Total |
|----------------------------------|-------------------------------------|--|--|---|-------------------------------------|-------------------------------|----------------------|
| FINANCIAL ASSETS | | | | | | | |
| Cash and Cash Equivalents | | | | | | | |
| Bank Balances | 2,042,611,810 | 0.00 | 250,606,984 | 1,740,777,640 | 2,322,579 | 0.00 | 4,036,319,012 |
| cash equivalents | 362,086,000 | 0.00 | 89,602,000 | 313,063,173 | 6,915,853 | 0.00 | 771,667,026 |
| Outstanding Imprest | | | | 520,518 | 0.00 | 0.00 | 520,518 |
| TOTAL FINANCIAL ASSETS | 2,404,697,810 | 0.00 | 340,208,984 | 2,054,361,332 | 9,238,432 | 0.00 | 4,808,506,557 |
| REPRESENTED BY: | | | | | | | |
| Cash and cash equivalents b/fwd | 0.00 | 0.00 | 285,015,781 | 620,997,200 | 20,167,499 | 0.00 | 926,180,480 |
| Surplus For the Period | 2,404,697,810 | 0.00 | 55,193,203 | 1,433,364,132 | (10,929,068) | 0.00 | 3,882,326,078 |
| NET FINANCIAL POSITION | 2,404,697,810 | 0.00 | 340,208,984 | 2,054,361,332 | 9,238,432 | 0.00 | 4,808,506,557 |

Signed



Principal Secretary

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of Preparation

The financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting.

b) Cash Basis of Accounting

The cash basis of accounting recognizes transactions and events only when cash (including cash equivalents) is received or paid by the entity. Cash equivalents are defined as short-term, highly liquid investments that are readily convertible into known amounts of cash, and which are subject to an insignificant risk of change in value.

c) Budget

The budget is developed on the same accounting basis (cash basis), same classification basis, and for the same period as the financial statements. The budget was approved as required by Law and Treasury Regulations as detailed in the Government of Kenya Budget Printed Estimates

d) Derived Cash Balances

Derived cash balances refer to balances logically attributed to individual programs. This arises from the use of commingled institutional (ministerial) level development and recurrent accounts for all programs. Derived cash balances are arrived at by taking specific program exchequer receipts and reconciling them to specific eligible program expenditures against the overall ministry-level physical cash balances.

e) Debarred Firms and Individuals

Debarred firms and individuals are ineligible to be awarded a World Bank-financed contract for specific periods indicated because they have been sanctioned under the Bank's fraud and corruption policy as set forth in the World Bank [Procurement Guidelines](#) or [Consultant Guidelines](#).

| | 2015 | 2014 |
|-----------------------------------|--------------------|-------------------|
| 2.CASH BALANCE B/F | | KSH |
| Actual program cash/bank balances | 926,180,479 | 30,509,668 |
| | <u>926,180,479</u> | <u>30,509,668</u> |

3. RECEIPTS FROM GOVERNMENT OF KENYA

| | 2015 KSH | 2014 KSH |
|-------------------|-----------------------|------------------------|
| Expected receipts | 13,038,668,728 | 8,911,456,139 |
| Actual receipts | <u>12,509,676,290</u> | <u>6,416,364,951</u> |
| Variance | <u>(528,992,438)</u> | <u>(2,495,091,188)</u> |

4. EXTERNAL FINANCING

| | 2015 KSH | 2014 KSH |
|-------------------|----------------------|------------------------|
| Expected receipts | 6,256,865,204 | 4,006,045,672 |
| Actual receipts | 5,316,159,252 | 2,943,749,029 |
| Variance | (940,705,952) | (1,062,296,643) |

5. MISCELLANEOUS RECEIPTS

| | 2015 KSH | 2014 KSH |
|---------------------------|-------------------------|--------------------------|
| Interest From NIC Bank | - | 2,281,180 |
| Cooperative Bank Interest | <u>2,296,220</u> | <u>1,372,986</u> |
| Total | <u>2,296,220</u> | <u>3,654,166.</u> |

6. OLDER PERSONS CASH TRANSFER PROGRAM

| | 2015 KSH | 2014 KSH |
|-------------------------------------|-----------------------------|-----------------------------|
| Compensation of employees | 5,012,000 | 2,328,000 |
| Social security benefits in cash | 2,868,337,470 | 2,420,119,880 |
| Use of goods and services | 346,695,732 | 137,664,765 |
| Acquisition of non financial assets | 13,247,322 | - |
| | <u>3,233,292,524</u> | <u>2,560,112,645</u> |

7. URBAN FOOD SUBSIDY CASH TRANSFER PROGRAM

| | 2015 KSH | 2014 KSH |
|----------------------------------|-------------|--------------------|
| Compensation of employees | - | - |
| Social security benefits in cash | - | 260,000,000 |
| Use of goods and services | - | 21,546,058 |
| | - | <u>281,546,058</u> |

8. CASH TRANSFER FOR PERSONS WITH SEVERE DISABILITIES

| | 2015 KSH | 2014 KSH |
|-------------------------------------|--------------------|--------------------|
| Compensation of employees | 38,150,511 | - |
| Social security benefits in cash | 644,615,880 | 308,699,360 |
| Use of goods and services | 6,740,506 | 43,784,859 |
| Acquisition of non financial assets | 25,299,900 | - |
| | <u>714,806,797</u> | <u>352,484,219</u> |

9. CASH TRANSFER FOR ORPHANS AND VULNERABLE CHILDREN

| | 2015 KSH | 2014 KSH |
|-------------------------------------|----------------------|----------------------|
| Compensation of employees | 2,297,400 | 5,298,900 |
| Social security benefits in cash | 5,036,697,660 | 3,900,743,807 |
| Use of goods and services | 392,348,320 | 137,025,985 |
| Acquisition of non financial assets | 160,310,247 | - |
| | <u>5,591,653,627</u> | <u>4,043,068,692</u> |

10. HUNGER SAFETY NET PROGRAM

| | 2015 KSH | 2014 KSH |
|-------------------------------------|-----------------------------|-----------------------------|
| Compensation of employees | - | 4,068,390 |
| Social security benefits in cash | 3,620,338,100 | 1,197,168,400 |
| Use of goods and services | 447,869,193 | 12,132,191 |
| Acquisition of non Financial assets | 8,520,277 | 2,910,300 |
| | <u>4,076,727,570</u> | <u>1,216,279,281</u> |

11. SOCIAL PROTECTION SECRETARIAT

| | 2015 KSH | 2014 KSH |
|-------------------------------------|---------------------------|--------------------------|
| Compensation of employees | 210,000 | - |
| Use of goods and services | 136,870,174 | 14,606,440 |
| Acquisition of non Financial assets | 192,244,993 | |
| | <u>329,325,167</u> | <u>14,606,440</u> |

12. CASH BALANCEC/F

| | 2015 KSH | 2014 KSH |
|-----------------------------------|----------------------|---------------------|
| Actual program cash/bank balances | 4,036,319,012 | 969,713,239 |
| Other Cash equivalents | 771,667,026 | 0 |
| Outstanding Imprests and advances | 520,518 | 2,215,112 |
| | 4,808,506,557 | 971,928,351 |

STATEMENT OF BUDGET PERFORMANCE

CASH TRANSFER

PROGRAM

| | Approved Budget | Exchequer Release to June 30,2015 | UnReleased Budget | Actual Expenditure To Date | % of Actual to to Budget | Commiments (Unpaid pos) |
|-----------------------------------|-----------------------|---|----------------------|----------------------------------|--------------------------------|----------------------------|
| | a | b | a-b | c | d | d |
| 1.Older Person Cash | | | | | | |
| Transfer Program | 5,930,585,940 | 5,607,235,299 | 323,350,641 | 3,233,292,524 | 54.52 | 0 |
| 2.Urban Food Subsidy | | | | | | |
| Cash Transfer Program | 0 | 0 | 0 | 0 | 0 | 0 |
| 3.Cash Transfer for persons | | | | | | |
| with severe Disability | 770,000,000.00 | 770,000,000 | 0 | 714,806,797 | 92.834 | 0 |
| 4.Cash Transfer for Orphans | | | | | | |
| & Vulnerable Children | 7,755,540,606 | 5,591,653,627 | 2,163,886,979 | 5,591,653,627 | 72.10 | 0 |
| 5. Hunger Safety Net Programme | 4,261,558,730 | 4,068,207,293 | 193,351,437 | 4,076,727,570 | 95.66 | |
| 6.Social Protection | | | | | | |
| Secretariat | 577,848,656 | 329,325,167 | 248,523,489 | 329,325,167 | 56.99 | 0 |
| Total | 19,295,533,932 | 13,992,478,611 | 5,303,055,320 | 13,945,805,684 | 72.27 | |