

REPORT

THE NATIONAL ASSEMBLY
 PAPERS LAID

OF

DATE: 23 FEB 2021

DAY.
TUESDAY

TABLED BY:

LOM

Moses Lemura

PARLIAMENT
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THE AUDITOR-GENERAL

ON

**KENYA ITALY DEBT FOR DEVELOPMENT
 PROGRAM (KIDDP)**

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

MINISTRY OF EDUCATION

**STATE DEPARTMENT FOR VOCATIONAL
 AND TECHNICAL TRAINING**



PROJECT NAME: KENYA ITALY DEBT FOR DEVELOPMENT PROGRAM

IMPLEMENTING ENTITY: MINISTRY OF EDUCATION

**STATE DEPARTMENT OF VOCATIONAL AND TECHNICAL
TRAINING**

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
30 JUNE, 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: Revitalization of youth polytechnics under Kenya Italy Debt for Development program.

Objective: The key objective of the program is to improve access to quality vocational training for youth from poor backgrounds. This is to be achieved through revitalization of Youth Polytechnics (YPs) in particular and the vocational training sector in general through capacity building, curriculum implementation, provision of training equipment and rehabilitation of infrastructure.

Address: The Program headquarters offices are located in Jogoo and Uchumi House, Nairobi Kenya.

The address of its registered office is:

Ministry of Education
State Department of Vocational and Technical Training
P. O. Box 9583-00200
NAIROBI

Contacts: The following are the Program contacts at the Ministry of Education Headquarter

Telephone: 254-020-2648534

E-mail: dvetke@gmail.com

Website: www.scienceandtechnology.go.ke

1.2 Project Information

Project/Program Start Date:	The Program start date is 23 January 2007
Project/Program End Date:	The Program end date is 30 June 2021
Project/Program Manager:	The Program Manager is Mr. Elijah Obwori
Project/Program Sponsor:	The Program sponsor is Government of Italian Republic and GOK

1.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the Ministry of Education - State Department of Vocational and Technical Training (Department of Vocational Education and Training)
Strategic goal of the Project	The strategic goal of the project is: To improve access to quality and relevant skills training for youth from poor background.
Achievement of strategic goal	The project management aims to achieve the goal through the following; <ul style="list-style-type: none"> (i) Capacity building of instructors and other stakeholders (ii) Provision of training tools and equipment (iii) Rehabilitation of existing infrastructure (iv) Provision of infrastructure (workshops) (i) Pilot Scholarship for Youth Programme (YP) students/trainees
Other important background information of the Project/Program	Kenya Italy Debt for Development Programme (KIDDP) is a debt for development swap agreement between the Government of Kenya and Government of Italian Republic. The program started in 2007 with several development initiatives in vocational training in rural and remote areas in 6 Districts. In 2015/2016 financial year, 18 Youth Polytechnics in 7 counties were selected to benefit under this program. They include: Kithuru, Marimanti, Sina, Kapenguria Sigor, Kodich, Chepararia, Ortum, Kinangop, Melangine, Lereshwa, Mariakani, Mkwanjuni, Vitengeni, Waondo, Nyagwethe, Lucy Onono and Mbaa-ini, Ebusiralo and Mfangano.
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) Revitalisation of Youth Polytechnics (ii) Human capacity building by upgrading skills of instructors in selected YPs and stakeholders and managerial skills under KIDDP support (iii) Upgrading of infrastructure in selected YP sin areas with high poverty index
Project duration	The project started in 2007 and was expected to run until 30 June 2018

1.4 Bankers

Kenya Commercial Bank Limited
Kencom House
Moi Avenue
P.O. Box 30081-00100
Nairobi

1.5 Auditors

Auditor General
Anniversary Towers, University Way
P.O Box 30084-00100
Nairobi

1.6 Principal Legal Advisor

The Attorney General
State Law office
Harambee Avenue
P.O Box 40112-00200
Nairobi

1.7 Roles and Responsibilities

Names	Title designation	Key Qualification	Responsibilities
Mr. Alphonse M. Mwaa	Director Vocational Education and Training	Mechanical Engineering, Graduate	Project Coordinator
Elijah O. Obwori	Principal Vocational Training Officer	MBA, PGDE. Bachelor of Arts	Program Manager AIE holder Member of KIDDP National Technical Committee
Mrs. Joan Omuruli	Principal Vocational Training Officer	Master of Arts Bachelor of Education Diploma in Project Management	Liaison officer Member of KIDDP National Technical Committee DVET - KIDDP Liaison Officer
Arch. Mwangi. Kiragu	Snr. Supt. Architect – MOEST	Master of Urban Management B. Sc (Architecture)	Architect in charge of Development of Technical Drawings for construction projects
Mr. Peter G. Kamau	Snr. Supt. Quantity Surveyor - MOEST	B.A (Quantity Surveyor)	QS in charge of Development of BQ for construction projects
Mr. Kelly Onyango	Deputy Director Supply Chain Management		Procurement
Anthony Masinde	Finance Officer	B.COM	Chief Finance Officer
CPA Tom Ojwando	Project Accountant	MBA(Finance) B.COM(Accounting) CPA(K)	Accounts reconciliation and reporting
Arch. J.F. Kagiri	County Works Officer Nyeri	BSc. Architect	Site Project Manager Mbaa-ini Projects
Eng. L. N. Musili	County Works Of County Works Officer Nyandarua	B.Sc (Engineering)	Site Project Manager Lereshwa Projects
Arch. Fred O. Ochieng'	County Works Officer Siaya	B. Sc (Architecture)	Site Project Manager Lucy Onono Twin Projects
Maina Njoroge	County Works Officer Homabay		Site Project Manager Lucy Onono Mfangano, Nyagwethe and Waondo Projects
QS.Maurice Angira	Snr. Supt. Quantity Surveyor - Vihiga	B.A (Quantity Surveyor)	Project Manager Ebusiralo Project County
Eng. J. N. Muraa	County Project		Project Manager

**Kenya Italy Debt for Development Program
Reports and Financial Statements
For the year ended 30 June 2020**

	Manager Kilifi County		Vitengeni Project
Structural, Electrical Engineers and Quantity surveyors serving at the Counties			Day to day supervision of construction projects
Service Providers	Contractors for construction works Training Providers		Provision of Services
YP community	Community Parents and other local leaders in		Provide land for construction

Kenya Italy Debt for Development Program
Reports and Financial Statements
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Below is the funding summary:

Source of funds	Donor Commitment-		Amount received to date – (30 06 2020)		Undrawn balance to date (30 06 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) Loan						
The Republic of Italy: The Direct Payments	\$1,364,282			547,015,300		
The Republic of Italy: The Direct Payments	€ 42,913,028					
(ii) Counterpart funds						
Government of Kenya						
Total	1,364,282			547,015,300		

2. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Principal Secretary for the State Department of Vocational and Technical Training in the Ministry of Education, and the Project Coordinator for Revitalization of Youth Polytechnics under Kenya Italy Debt For Development Program 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 ended on 30 June, 2020. This responsibility includes: (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting financial year; (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 State Department of Vocational and Technical Training in the Ministry of Education Science and Technology and the Project Coordinator for revitalization of Youth Polytechnics under Kenya Italy Debt For Development Program 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 State Department of Vocational and Technical Training in the Ministry of Education Science and Technology, and the Project Coordinator revitalization of Youth Polytechnics in particular under Kenya Italy Debt For Development Program 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 ended 30 June, 2020, and of the Project's financial position as at that date. The Principal Secretary for the State Department of Vocational and Technical Training in the Ministry of Education Science and Technology, and the Project Coordinator for revitalization of Youth Polytechnics under Kenya Italy Debt For Development Program 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 State Department of Vocational and Technical Training in the Ministry of Education Science and Technology, and the Project Coordinator for revitalization of Youth Polytechnics under Kenya Italy Debt For Development Program 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 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 State Department of Vocational and Technical Training in the Ministry of Education and the Project Coordinator for revitalization of Youth Polytechnics under Kenya Italy Debt For Development Program and signed by them.



Dr. Julius Jwan
Principal Secretary
Date 30/09/2020



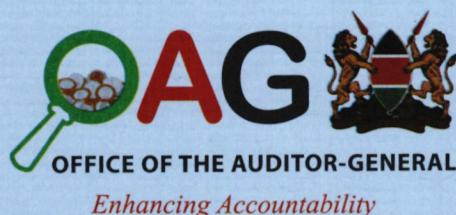
Elijah Obwori
Project Coordinator
Date 30.09.2020



CPA. Tom Ojwando
Project Accountant
Date 30/09/2020
ICPAK Member No:7740

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 KENYA ITALY DEBT FOR DEVELOPMENT PROGRAM (KIDDP) FOR THE YEAR ENDED 30 JUNE, 2020 – MINISTRY OF EDUCATION – STATE DEPARTMENT FOR VOCATIONAL AND TECHNICAL TRAINING

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kenya Italy Debt for Development Program (KIDDP) set out on pages 1 to 10, 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 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 Kenya Italy Debt for Development Program (KIDDP) 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 Agreement on Debt for Development Swap between the Government of the Italian Republic and the Government of Kenya dated 27 October, 2006 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 Kenya Italy Debt for Development Program (KIDDP) 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.

Report of the Auditor-General on Kenya Italy Debt for Development Program (KIDDP) for the year ended 30 June, 2020 – Ministry of Education – State Department for Vocational and Technical Training

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.

Other Matter

Budget Control and Performance

The statement of comparative budget and actual amounts reflects nil receipts and nil actual on comparable basis. However, the project spent an amount of Kshs.17,077,694 against the approved budget of Kshs.46,641,000 resulting to an under expenditure of Kshs.29,563,306. Management has explained that the Project utilized past savings and attributed the under expenditure to late uploading of the Project's budget into Integrated Financial Management Information System (IFMIS), and challenges of the Covid-19 pandemic.

In the circumstances, the citizens have not received services as planned as a result of the slow implementation of the Project.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Delay in Completion of Construction

The statement of receipts and payments reflects an expenditure of Kshs.10,262,746 under acquisition of non-financial assets which includes an amount of Kshs.3,083,317 in respect to works at Ebusiralo Vocational Training Center in Vihiga County and Mfangano Vocational Training Center in Homabay County. The contracts were awarded in January and March, 2017 respectively for a contract period of ten (10) weeks at a combined contract sum of Kshs.30,074,140. Examination of the contract documents and Program Progress Reports as at the time of audit in the month of November, 2020 revealed that the two projects were incomplete and that the contract periods expired in the month of April and March, 2020. No further contract period extensions had been approved.

Although Management has explained that the projects were practically complete, hand over certificates and certificates of completion were not availed for audit review.

In the circumstances, stakeholders may not get value for money, if the projects are not completed and put into their intended purposes.

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 overall governance.

In preparing the financial statements, Management is responsible for assessing the Program'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 Program 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 Program 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 Program financial reporting process, reviewing the effectiveness of how the entity 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 overall 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 Program's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Program to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Program 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

15 December, 2020

4. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30 JUNE 2020

	Note	FY 2019/20		FY 2018/2019		Cumulative to Date
		Receipts and payments controlled by the entity	Receipts and Payments made by third parties	Receipts and payments controlled by the entity	Payments made by third parties	
		Kshs	Kshs	Kshs	Kshs	Kshs
RECEIPTS						
Loan from External Development Partners		-	-	-	-	547,015,300
TOTAL REVENUES		-	-	-	-	547,015,300
PAYMENTS						
Use of Goods and Services	8.3	6,814,948	-	7,227,662	-	60,144,760
Acquisition of Non-financial Assets	8.4	10,262,746	-	13,060,952	-	446,716,622
Other grants and transfers and payments	8.5	-	-	-	-	8,662,400
TOTAL PAYMENTS		17,077,694	-	20,288,614	-	515,523,782
SURPLUS/DEFICIT		(17,077,694)	-	(20,288,614)	-	31,491,518

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



Dr. Julius Jwan
 Principal Secretary
 Date 30/09/2020



Elijah Obwori
 Project Coordinator
 Date 30.09.2020

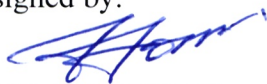



CPA. Tom Ojwando
 Project Accountant
 Date 30/09/2020
 ICPAK Member No:7740

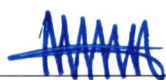
5. STATEMENT OF FINANCIAL ASSETS AS AT 30 JUNE 2020

	Note	FY 2019/20	FY 2018/19
		Kshs	Kshs
Bank Balances	8.6	26,159,554	43,237,248
Total Cash and Cash equivalents		26,159,554	43,237,248
TOTAL FINANCIAL ASSETS		26,159,554	43,237,248
Fund balance b/fwd		43,237,248	63,525,862
Surplus / (deficit) for the year		(17,077,694)	(20,288,614)
NET FINANCIAL POSITION		26,159,554	43,237,248

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:


Dr. Julius Jwan
 Principal Secretary
 Date 30/09/2020


Elijah Obwori
 Project Coordinator
 Date 30.09.2020



CPA. Tom Ojwando
 Project Accountant
 Date 30.09.2020
 ICPAK Member No:7740


**Kenya Italy Debt for Development Program
Reports and Financial Statements
For the year ended 30 June 2020**


6. STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30 JUNE 2020

	Note	2019- 2020	2018- 2019
		Kshs	Kshs
CASH FLOW FROM OPERATING ACTIVITIES			
Payments for operating expenses			
Use of goods and services	8.3	6,814,948	7,227,662
		6,814,948	7,227,662
Adjusted for:			
Change in Imprests & Advances		-	-
Adjustments during the year		-	-
Net cashflow from operating activities		6,814,948	7,227,662
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Non-financial Assets	8.4	10,262,746	13,060,952
Net cash flows from Investing Activities		(10,262,746)	(13,060,952)
NET INCREASE IN CASH AND CASH EQUIVALENT		17,077,694	20,288,614
Cash and cash equivalent at BEGINNING of the year		43,237,248	63,525,862
Cash and cash equivalent at END of the year		26,159,554	43,237,248

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


Dr. Julius Jwan
 Principal Secretary
 Date 30/09/2020


Elijah Obwori
 Project Coordinator
 Date 30.09.2020


CPA. Tom Ojwando
 Project Accountant
 Date 30/09/2020
 ICPAK Member No:7740

7. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

Consolidated	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Utilisation Variance	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %
Receipts/Payments Item						
Receipts	-	-	-	-	-	
Total Receipts	-	-	-	-	-	
Payments						
Use of goods and services	-	10,241,000	10,241,000	6,814,948	3,426,052	67%
Acquisition of Non-financial Assets	9,600,000	26,800,000	36,400,000	10,262,746	26,137,254	28%
Total Payments	9,600,000	37,041,000	46,641,000	17,077,694	29,563,306	37%

The budget utilization was at 67% and 28% because the KIDDP budget was uploaded during the 2nd supplementary. Furthermore, covid-19 pandemic brought challenges with the undertaking of works at the various construction sites.

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



Dr. Julius Jwan
Principal Secretary
Date 30/09/2020



Elijah Obwori
Project Coordinator
Date 30.09.2020



CPA. Tom Ojwando
Project Accountant
Date 30:09:2020
ICPAK Member No:7740

8. NOTES TO THE FINANCIAL STATEMENTS

8.1 Basis of preparation

The financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting. The financial statements comply with and conform to the form of presentation prescribed by the Accounting Standards Board of Kenya.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the Project and all values are rounded to the nearest one Shilling. The accounting policies adopted have been consistently applied to all of the years presented.

The financial statements have been prepared on the cash basis following the Government's standard chart of accounts. The cash basis of accounting recognizes transactions and events only when cash is received or paid out by the Project.

8.2. Significant Accounting Policies

i. Recognition of revenue and expenses

The Project recognizes all revenues from the various sources when the event occurs and the related cash has actually been received by the Project. In addition, the Project recognizes all expenses when the event occurs and the related cash has actually been paid out by the Project.

ii. In-kind donations

In-kind donations are contributions 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 of in-kind donations can be reliably determined, the Project includes such value in the statement of receipts and payments both as revenue and as an expense in equal and opposite amounts; otherwise, the donation is not recorded.

iii. **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/period. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorized public officers and/or institutions which had not been surrendered or accounted for at the end of the financial year/period.

iv. **Pending bills**

Pending bills consist of unpaid liabilities at the end of the financial year/period arising from contracted goods or services during the year/period or in past years/periods. As pending bills do not involve the payment of cash in the reporting period, they are simply disclosed as an Annex to the financial statements. 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.

v. **Budget**

The budget is developed on the same accounting basis (cash basis), the same accounts classification 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. 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.

vi. **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 CBK exchange rates prevailing at the bid closing date of the tenders.

vii. **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.

viii. **Subsequent events**

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements as at 30th June 2020

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8.3 USE OF GOODS AND SERVICES

	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		Cumulative to- date	Cumulative Prior Year
			FY 2019/20	FY 2018/19		
	KShs	KShs	KShs	KShs	KShs	KShs
Domestic travel and subsistence	6,754,550		6,754,550	5,135,162	18,910,932	12,156,382
Training expenses			-	2,092,500	40,836,820	40,836,820
Other operating expenses	60,398		60,398	-	397,008	336,610
Total	<u>6,814,948</u>	=	<u>6,814,948</u>	<u>7,227,662</u>	<u>60,144,760</u>	<u>53,329,812</u>

8.4 ACQUISITION OF NON-FINANCIAL ASSETS

	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		Cumulative to-date	Cumulative Prior Year
			FY 2019/20	FY 2018/19		
	KShs	KShs	KShs	KShs	KShs	KShs
Construction of buildings	10,262,746		10,262,746	13,060,952	366,253,985	355,991,239
Purchase of specialised plant, equipment and machinery			-		80,462,637	80,462,637
Total	<u>10,262,746</u>	=	<u>10,262,746</u>	<u>13,060,952</u>	<u>446,716,622</u>	<u>436,453,876</u>

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8.5 OTHER GRANTS AND OTHER PAYMENTS

	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		Cumulative to-date	Cumulative Prior Year
			FY 2019/20	FY 2018/19		
	KShs	KShs	KShs	KShs	KShs	KShs
Grants for scholarships			-		8,662,400	8,662,400
	-	-	-	-	8,662,400	8,662,400

8.6 Cash and Cash equivalents

CASH AND CASH EQUIVALENTS C/FWD	FY 2019/20	FY 2018/19
	KShs	KShs
Bank accounts (Note 8.6A)	26,159,554	43,237,248
8.6 A Local Currency Accounts		
Kenya Commercial Bank [A/c No: 1109219547]	26,159,554	43,237,248
Total	26,159,554	43,237,248

9. PROGRESS ON FOLLOW UP OF PRIOR YEARS 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 Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe : (Put a date when you expect the issue to be resolved)
	Budget control and Performance	Low rate of absorption was due to slow pace of projects implementation by the contractors.	Project Manager	Resolved	

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.



Dr. Julius Jwan
Principal Secretary

Date 30/09/2020



CPA. Tom Ojwando
Project Accountant
ICPAK Member No: 7740
Date 30.09.2020