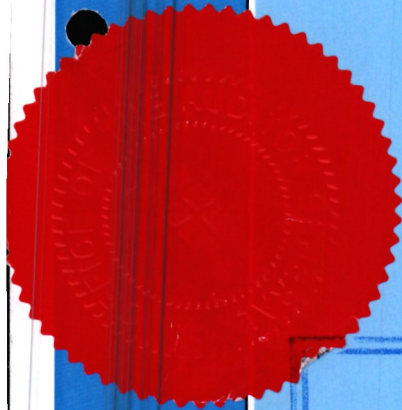

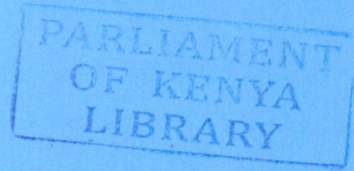




*Enhancing Accountability*



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CLERK-AT THE-TABLE: S. Madaya	<b>THE AUDITOR-GENERAL</b>

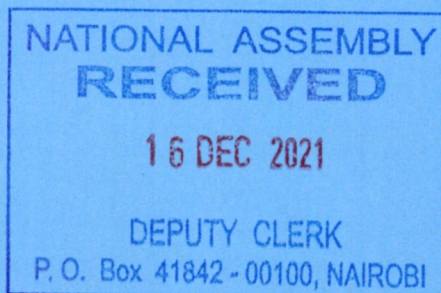


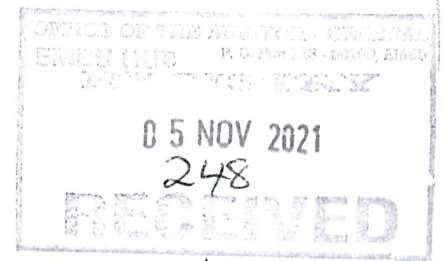
**ON**

**EAST AFRICA SKILLS FOR TRANSFORMATION  
AND REGIONAL INTEGRATION PROJECT  
(IDA LOAN NO. 6334-KE)**

**FOR THE YEAR ENDED  
30 JUNE, 2021**

**MERU NATIONAL POLYTECHNIC**





**Project Name: EAST AFRICA SKILLS FOR TRANSFORMATION AND REGIONAL  
INTEGRATION (EASTRIP)**

**Implementing Entity: The Meru National Polytechnic.**

**PROJECT GRANT/CREDIT NUMBER: 6334-KE**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2021**

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**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**

EAST AFRICAN SKILLS FOR TRANSFORMATION AND REGIONAL INTEGRATION PROJECT (EASTRIP),

The key objective of the project is to increase the **access** and improve the **quality** of TVET programmes and to support **regional integration** and regional economic corridors.

**Address**

The project headquarters offices are **Meru** County, Kenya.

The address of its registered office is: **111-60200, Meru**

The project also has offices/branches as follows: N/A

**Contacts:** The following are the project contacts

Telephone+254 93937581

E-mail: [info@merunationalpolytechnic.ac.ke](mailto:info@merunationalpolytechnic.ac.ke)

Website: [www.merunationalpolytechnic.ac.ke](http://www.merunationalpolytechnic.ac.ke)

**PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)**

**1.2 Project Information**

<b>Project Start Date:</b>	The project start date is <b>16/09/2019</b>
<b>Project End Date:</b>	The project end date is <b>31/12/2024</b>
<b>Project Manager:</b>	The project manager is <b>Eng. Stephen N Rukaria</b>
<b>Project Sponsor:</b>	The project sponsor is <b>World Bank (IDA)</b>

**1.3 Project Overview**

Line Ministry/State Department of the project	The project is under the supervision of the Ministry of Education.
Project number	6334-KE
Strategic goals of the project	<p>The strategic goals of the project are as follows:</p> <ul style="list-style-type: none"> <li>(i) To provide high quality market driven academic programs and produce competent workforce to the economy</li> <li>(ii) To attract and retain an adequate, competent and efficient work force</li> <li>(iii) To strengthen the Polytechnic financial management system</li> <li>(iv) To enhance Information Communication Technology (ICT) Integration</li> <li>(v) To upgrade training equipment and Polytechnic physical infrastructure</li> <li>(vi) To enhance a strong and distinct image of the Polytechnic</li> <li>(vii) To strengthen the established Quality Management System</li> </ul>
Achievement of strategic goals	<p>The project management aims to achieve the goals through the following means:</p> <ul style="list-style-type: none"> <li>(i) By providing high quality market driven academic programs through adoption of</li> </ul>

	<p>CBET curricula and industry involvement.</p> <p>(ii) By upgrading of trainers’ skills through capacity building.</p> <p>(iii) Through capacity building of senior management officers on financial management.</p> <p>(iv) Through training on emerging technologies and ICT.</p> <p>(v) Through construction of RFTI centre and equipping of workshops and labs.</p> <p>(vi) Through co-operative training and exchange programs, the image of the polytechnic will be enhanced.</p> <p>(vii) Through strengthening of the quality Management System</p> <p>(viii) Through outreach of non-project TVET and signing of MoUs to increase collaborations and partnerships.</p>
<p>Current situation that the project was formed to intervene</p>	<p>The project was formed to intervene in the following areas:</p> <p>(i) Insufficient Budgetary allocation</p> <p>(ii) Old and below standard facilities and infrastructure such as classrooms, laboratories, library, waterline and fence, vehicles, offices and training equipment.</p> <p>(iii) Absence of basic facilities such as: laboratory equipment, workshop equipment, reference books, hostels, staff houses and lack of upgraded machinery.</p> <p>(iv) Poor research and development programs</p> <p>(v) Low industry –TVET linkage</p> <p>(vi) Inadequate technical staff at the required levels</p> <p>(vii) Insufficient internet accesses</p>

**PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)**

**1.4 Bankers**

The following are the bankers for the current year:

- (i) **Equity Bank Ltd.**

**1.5 Auditors**

The project is audited by the **Office of the Auditor General**

**1.6 Roles and Responsibilities**

<b>Names</b>	<b>Title designation</b>	<b>Key qualification</b>	<b>Responsibilities</b>
Eng. Stephen N Rukaria Tel:0722861868 Email: info@merunationalpolytechnic.ac.ke	Principal/ Project co-ordinator	Bsc. Civil Engineering	To manage the project at all levels
Peter Karanu Mbaka Tel:0722977299 Email: karanumbaka@gmail.com	Centre leader	M Sc. Civil Engineering B Sc. Civil Engineering B Ed. Technology Education	To assist the project co-ordinator in running the project
Stephen Kathurima Tel: 0724556698 Email: kathurimastephen@yahoo.com	ILO Officer	B.Tech. Building Construction Dip. Building and Civil Engineering Dip. Technical Education	To establish MoUs with partners and engagement of the industry
Patricia Mwendwa Tel:0720335969 Email: eastripfo@merunationalpolytechnic.ac.ke	Project Accountant	MBA Supply Chain Management B A Economics CPA (K) ICAPK25428	Preparation of financial reports, control and monitoring of resources
Ian Mutwiri Tel:0713413326 Email: procurement@merunationalpolytechnic.ac.ke	Procurement Officer	B.A Procurement	To procure project equipment and materials
Catherine Kinoti	M & E Officer	M.A Linguistics	To conduct

**EASTRIP Project**  
**Reports and Financial Statements**  
**For the financial year ended June 30, 2021**

Tel:0713253706 Email: ckinoti05@gmail.com		B Ed. English Literature	tracer studies and monitor DLI achievement
Jane Mawira Tel:0721669686 Email:janemicro@yahoo.com	Environmental & Social safeguards Officer	Msc. Microbiology Bed. Biology and Chemistry	To ensure adherence to health safety, gender balance and social safeguards.

**1.7 Funding summary**

The Project is for duration of 5 years from 2019 to 2024 with an approved budget of EURO 10,800,000 Equivalent to Kshs 1,242,791,640 (conversion rate is 1 EURO = KES.115.0733. as per the CBK rate on 16th September 2019) as highlighted in the table below

**PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)**

Below is the funding summary:

**A. Source of Funds**

Source of funds	Donor Commitment-		Amount received to date – (30/06/2021)		Undrawn balance to date (30/06/2021)	
	Donor currency (A)	KShs (A')	Donor currency (B)	KShs (B')	Donor currency (A)-(B)	KShs (A')-(B')
<b>GRANTS</b>						
World Bank IDA	10,800,000	1,242,791,640	2,737,386	315,000,000	8,062,614	927,791,640
<b>Total</b>	<b>10,800,000</b>	<b>1,242,791,640</b>	<b>2,737,386</b>	<b>315,000,000</b>	<b>8,062,614</b>	<b>927,791,640</b>

**PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)**

**B. Application of Funds**

Application of funds	Amount received to date – (30 <sup>th</sup> June 2021)		Cumulative Amount paid to date – (30 <sup>th</sup> June 2021)	Unutilised balance to date (30 June 2021)	
	Donor currency	Kshs		Donor currency	Kshs
	(A)	(A')	(B')	(A)-(B)	(A')-(B')
<b>(i) Loan</b>					
World Bank - IDA	2,737,386	315,000,000	89,143,884.70	1,962,715	225,856,115.30
<b>Total</b>	<b>2,737,386</b>	<b>315,000,000</b>	<b>89,143,884.70</b>	<b>1,962,715</b>	<b>225,856,115.30</b>

## **PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)**

### **1.8 Summary of Overall Project Performance:**

- i) Budget performance against actual amounts for current year and for cumulative to-date is at 77%, the low absorption rate was occasioned by lengthy procurement procedures whereby several procurement procedures have been initiated but not completed as at the close of the fourth quarter of the financial year 2020/2021
- ii) Physical progress based on outputs, outcomes and impacts since project commencement  
A number of procurement processes have been initiated and completed:
  - ✓ Purchase of two project Motor Vehicles at a cost of Kes. 15,210,000.00
  - ✓ A contract was awarded to Symbion Kenya Limited consultants for Design and supervision, for a Lumpsum of Kes. 38,002,897.50. The final designs and bills of quantities With prices of Kes. 466,218,773.38 have already been submitted to the institution as per contract agreement and now the institution is to use the bill of quantity to advertise for the construction works tender.
  - ✓ The Polytechnic has awarded the tender for equipment supply, installation, testing, commissioning and training of trainers tender, to a supplier named Inter-tech FZC International Limited of Kes.236,273,788 ,awaiting the equipment supply.
- iii) Comment on value-for-money achievements,  
Due diligence has been observed in the above procurement processes to ensure the Polytechnic acquires the best value in terms of economy, efficiency, effectiveness, environmental and equity considerations.
- iv) The implementation challenges and recommended way forward: The procurement processes are lengthy. However, to ensure that the project objectives are met within the stipulated time frame, we have merged a number of procurement activities to ensure faster implementation.

### **1.9 Summary of Project Compliance:**

Significant cases of non-compliance with applicable laws and regulations, and essential external financing agreements/covenants: **None**

-Consequences suffered on account of non-compliance or likely to be suffered: **None**

-Mitigation measures taken or planned to be taken to alleviate the adverse effects of actual or potential consequences of non-compliance: **N/A**

## **2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETRMINED OBJECTIVES**

The Meru National Polytechnic is a government institution under the Ministry of Education (MoE) with a core mandate to provide Technical and Vocational Education and Training (TVET). The Polytechnic is one of the key flagship training centres in Civil Engineering and Building Technology.

The training centre is envisaged to enhance research and innovation capabilities in the field of civil engineering and building technology. The government proposes to provide infrastructure that will include a series of workshops, laboratories, lecture rooms and a library among other facilities for the training centre to meet its enhanced mandate. It is further projected to be a world class high technology research facility and a centre of excellence to cater for civil engineering and building technology needs at the national, regional and international levels.

### **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 2019-2024* plan are to:

- a) To increase access and improve the quality of TVET programs
- b) To support regional Integration and regional economic corridors

### **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-bund (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement: Below we provide the progress on attaining the stated objectives:

<b>Project</b>	<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
EASTRIP	To increase access and improve the quality of TVET programs	Introduction of new Short courses	Higher enrolment rates and number of programmes developed	<b>7 new courses developed</b>
EASTRIP	To support regional Integration and regional economic corridors	Regional accreditation	Higher regional enrolment rates	<b>Regional students enrolled</b>

### **3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING**

The Ministry of Education overall goal is to increase access to education and training for all learners; improve quality and relevance of education; reduce inequality as well as leverage on knowledge and skills in Science, Technology and Innovation.

The Ministry envisions to be “a globally competitive education, training, research and innovation for sustainable development”.

The State Department of Vocational and Technical Training (VTT), which is mandated to implement the **East Africa Skills for Transformation and Regional Integration Project (EASTRIP)** was established in the year 2015 and ratified through the Executive Order No. 1 of 2016.

The State Department derives its mandate from Article 53 of the Constitution of Kenya 2010, the Technical and Vocational Education and Training Act, 2013 and the Executive Order No. 1/2016 of May 2016

The State Department has a major responsibility of ensuring availability of middle level work force that will be needed to drive the economy towards the attainment of the Vision 2030.

The success of the Vision 2030 is hinged in the sheer numbers, skills and quality of its work force. This addresses the constitutional requirement articulated in Article 55 (a-c) regarding access to relevant education and training, employment and participation in national development by the youth and in Article 53 1(b) regarding provision of free and compulsory basic education.

The **EASTRIP** project development objective (PDO) is to increase the access and improve the quality of TVET programs in selected regional flagship TVET institutes and to support regional integration in Eastern Africa Region.

The Project will support the Ministry to improve quality of skills by: a) financing identification of specific skills and qualifications that the TVET institute will focus on; (b) understanding the capacity gaps in the TVET institute in terms of faculty, curriculum, provision of training facilities, and governance and management; (c) rallying the institutional and National support for improving infrastructural facilities in the flagship TVET institutes.

The project will also support to bridge the gap between the education and training and Industry requirements by creating a strong industrial linkage where a symbiotic relationship will exist between the industry and training providers.

Effective implementation of the Project’s objectives therefore will culminate into empowering trainees from our TVET Institutions with technical and entrepreneurship skills that will cultivate self-employment, job creation, produce competent graduates who are market-ready upon graduation and facilitate the achievement of regional development envisaged in the Big “4” agenda, the Africa Agenda 2063 and the United Nations Sustainable Development Goals (SDGs). This is expected to create income streams for majority of youth in the Country and the entire Eastern Africa region.

#### 4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The *Principal/ Project Coordinator* and the **Project's finance officer** for *EASTRIP project* are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year (period) ended on June 30, 2021.

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/ Project Coordinator* and the **Project's finance officer** for *EASTRIP project* accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.


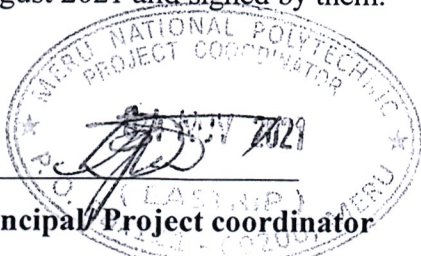
The *Principal/ Project Coordinator* and the **Project's finance officer** for *EASTRIP project* are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year/period ended June 30, 2021, and of the Project's financial position as at that date. The *Principal/ Project Coordinator* and the **Project's finance officer** for *EASTRIP project* further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

**The Principal/ Project Coordinator and the Project's finance officer for EASTRIP**

**project** confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the 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 Principal/ Project Coordinator and the Project's finance officer for EASTRIP project on 30<sup>th</sup> August 2021 and signed by them.**

**Principal/ Project coordinator**

Name: Eng. Stephen N Rukaria.

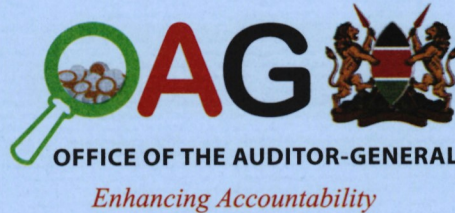

**Project Finance Officer**

Name: Patricia Mwendwa Mbaya.

ICPAK Member Number:25428

# 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 EAST AFRICA SKILLS FOR TRANSFORMATION AND REGIONAL INTEGRATION PROJECT (IDA LOAN NO. 6334-KE) FOR THE YEAR ENDED 30 JUNE, 2021 – MERU NATIONAL POLYTECHNIC**

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### **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 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 control, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Opinion**

I have audited the accompanying financial statements of East Africa Skills for Transformation and Regional Integration Project (EASTRIP) set out on pages 1 to 37, which comprise the statement of financial assets as at 30 June, 2021, and the statement

*Report of the Auditor-General on East Africa Skills for Transformation and Regional Integration Project (IDA Loan No. 6334-KE) for the year ended 30 June, 2021 – Meru National Polytechnic*

of receipts and payments, statement of cash flows and statement of comparative budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of East Africa Skills for Transformation and Regional Integration Project as at 30 June, 2021, 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 provisions of the financing agreement dated 18 December, 2018 between the Republic of Kenya and International Development Association and the Public Finance Management Act, 2012. In addition, the Special Accounts Statement present fairly the transactions therein and the closing balances have reconciled with the books of accounts.

### **Basis of Opinion**

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

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. I have determined that there are no other key audit matters to communicate in my report.

### **Other Matter**

#### **1.0 Budgetary Control and Performance**

##### **1.1 Expenditure Analysis**

The Project's statement of comparison of budget and actual amounts: recurrent and development for the year ended 30 June, 2021 reflects an approved expenditure budget of Kshs.116,000,000 and an actual expenditure of Kshs.89,143,885 resulting to an under expenditure of Kshs.26,856,115.

The under spending of the budget by Kshs.26,856,115 represents equivalent services budgeted for but not delivered to the residents of Kenya. There is need, therefore, for the Management to relook at its budgeting mechanism with a view to focusing on priority areas which will improve service delivery to the residents of Kenya.

## 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 on whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities which 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 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.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the International Development Association (IDA), I report based on my audit that;

- i. 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;
- ii. In my opinion, adequate accounting records have been kept by the Project, so far as appears from the examination of those records; and
- iii. The Project's financial statements are in agreement with the accounting records and returns.

### **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

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*Report of the Auditor-General on East Africa Skills for Transformation and Regional Integration Project (IDA Loan No. 6334-KE) for the year ended 30 June, 2021 - Meru National Polytechnic*

Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance

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

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements 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 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 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 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 Project 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 Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

08 December, 2021

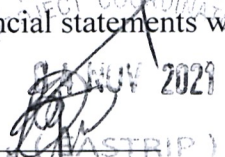


**EASTRIP Project**  
**Reports and Financial Statements**  
**For the financial year ended June 30, 2021**

**7. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2021**

	Note	2020-2021	2019-2020
		KShs	KShs
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances	11.A	225,856,155.30	200,000,000
<b>Total Cash and Cash Equivalents</b>		<b>225,856,155.30</b>	<b>200,000,000</b>
Accounts Receivables	12	0	0
<b>TOTAL FINANCIAL ASSETS</b>		<b>225,856,155.30</b>	<b>200,000,000</b>
<b>FINANCIAL LIABILITIES</b>			
Payables	13	0	0
<b>NET ASSETS</b>		<b>225,856,155.30</b>	<b>200,000,000</b>
<b>REPRESENTED BY</b>			
Fund balance b/fwd	14	200,000,000	0
Prior year adjustments	15	0	0
Surplus/(Deficit) for the year		25,856,155.30	200,000,000
<b>NET FINANCIAL POSITION</b>		<b>225,856,155.30</b>	<b>200,000,000</b>

The financial statements were approved on 30<sup>th</sup> August 2021 and signed by


  
Principal/Project Coordinator  
Date

  
Project Accountant  
Date  
ICPAK Member No. 25428


**8. STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2021**

		2020-2021	2019-2020
	Note	KShs	KShs
<b>CASHFLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts from operating activities</b>			
Transfer from Government entities	1		
Proceeds from domestic and foreign grants	2		
Miscellaneous receipts	4		
<b>Payments from operating activities</b>			
Compensation of employees	5		
Purchase of goods and services	6	(89,143,844.70)	0
Social security benefits	7		
Transfers to other government entities	9		
Other grants and transfers	10		
<b>Adjustments during the year</b>			
Prior Year Adjustments	15		
Decrease/(Increase) in Accounts Receivable	16		
Increase/(Decrease) in Accounts Payable:	17		
<b>Net cash flow from operating activities</b>		<b>(89,143,844.70)</b>	<b>0</b>
<b>CASHFLOW FROM BORROWING ACTIVITIES</b>			
Proceeds from Foreign Borrowings	3	115,000,000	200,000,000
<b>Net cash flow from financing activities</b>		<b>115,000,000</b>	<b>200,000,000</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
<b>Cash and cash equivalent at BEGINNING of the year</b>	11	200,000,000	0
<b>Cash and cash equivalent at END of the year</b>	11	<b>225,856,155.30</b>	<b>200,000,000</b>

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 30<sup>th</sup> August 2021 and signed by:

  
Principal/Project Coordinator

Date

  
Project Accountant

Date

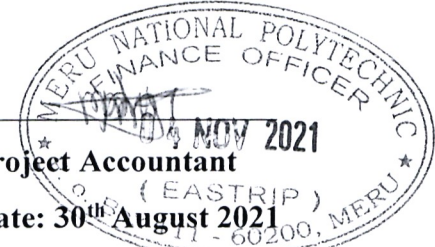
ICPAK Member No. 25428

**EASTRIP Project**  
**Reports and Financial Statements**  
**For the financial year ended June 30, 2021**

**9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS**

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
<b>Receipts</b>						
Proceeds from borrowings	200,000,000	(84,000,000)	116,00,000	115,000,000	1,000,000	99%
<b>Total Receipts</b>	<b>200,000,000</b>	<b>(84,000,000)</b>	<b>116,00,000</b>	<b>115,000,000</b>	<b>1,000,000</b>	<b>99%</b>
<b>Payments</b>						
Purchase of goods and services	75,000,005		75,000,005	68,025,825.70	6,974,179.30	91%
Acquisition of non-financial assets	124,999,995	(84,000,000)	40,999,995	21,118,019.00	19,881,976	51%
<b>Total Payments</b>	<b>200,000,000</b>	<b>(84,000,000)</b>	<b>116,00,000</b>	<b>89,143,844.70</b>	<b>26,856,155.30</b>	<b>77%</b>

  
**Principal/ Project Coordinator**  
**Date: 30<sup>th</sup> August 2021**

  
**Project Accountant**  
**Date: 30<sup>th</sup> August 2021**  
**ICPAK Member No. 25428**

## **10. SIGNIFICANT ACCOUNTING POLICIES**

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

### **10.1 Basis of Preparation**

### **10.2 Statement of compliance and basis of preparation**

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

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

### **10.3 Reporting entity**

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

#### **10.3.1 Reporting currency**

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

## **10.4 Significant Accounting Policies**

### **a) Recognition of receipts**

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

#### **i) Transfers from the Exchequer**

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

#### **ii) External Assistance**

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

#### **iii) Other receipts**

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

### **b) 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.

**Significant Accounting Policies (Continued)**

**c) Proceeds from borrowing**

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

**d) Undrawn external assistance**

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

**e) Recognition of payments**

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

**i) Compensation of employees**

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

**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.

**Significant Accounting Policies (Continued)**

**iii) Interest on borrowing**

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

**iv) Repayment of borrowing (principal amount)**

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

**v) Acquisition of fixed assets**

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

A fixed asset register is maintained by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the consolidated financial statements.

**f) In-kind donations**

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

**Significant Accounting Policies (Continued)**

**g) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank

account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**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.

**h) Accounts receivable**

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

**Significant Accounting Policies (Continued)**

**i) Contingent Liabilities**

A contingent liability is:

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

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

The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. Annex 5 of this financial statement is a register of the contingent liabilities in the year.

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

**j) Contingent Assets**

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

**Significant Accounting Policies (Continued)**

**k) Pending bills**

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

**l) 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.

**m) 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.

**Significant Accounting Policies (Continued)**

**n) 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.

**o) 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.

**p) 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, 2021.

**q) Errors**

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

**11. NOTES TO THE FINANCIAL STATEMENTS**

**1. RECEIPTS FROM GOVERNMENT OF KENYA**

These represent counterpart funding and other receipts from government as follows:

	2020/21	2019/20	Cumulative to-date(from inception)
	KShs	KShs	
<i>Counterpart funding through Ministry xxx</i>			
Counterpart funds Quarter 1	-	-	-
Counterpart funds Quarter 2	-	-	-
Counterpart funds Quarter 3	-	-	-
Counterpart funds Quarter 4	-	-	-
<b>Total (See Annex 2)</b>	=	=	=
<i>Other transfers from government entities</i>			
Appropriations-in-Aid	-	-	-
<b>Total</b>	=	=	=

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**2. PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS**

During the 12 months to 30 June 2021 we received grants from donors as detailed in the table below:

Name of Donor	Date received	Amount received in donor currency	Grants received in cash	Grants received as direct payment *	Grants received in kind	Total amount in KShs	
						2020/21	2019/20
			KShs	KShs	KShs	KShs	KShs
<b>Grants Received from Bilateral Donors (Foreign Governments)</b>							
Insert name of foreign Government	-					-	-
<b>Grants Received from Multilateral Donors (International Organizations)</b>							
Insert name of international organization	-					-	-
<b>Grants Received from Local Individuals and organizations</b>							
Insert name of individual or local organization	-					-	-
<b>Total</b>	-					-	-

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**3. LOAN FROM EXTERNAL DEVELOPMENT PARTNERS**

During the 12 months to 30 June 2021 we received funding from development partners in form of loans negotiated by the National Treasury donors as detailed in the table below:

Name of Donor	Date received	Amount in loan currency	Loans received in cash	Loans received as direct payment*	Total amount in KShs	
			KShs	KShs	2020/21	2019/20
<b>Loans Received from Multilateral Donors (International Organisations)</b>						
World Bank (IDA)	21/06/2021	999,363.01	115,000,000	0	115,000,000	200,000,000
<b>Total</b>		<b>999,363.01</b>	<b>115,000,000</b>	<b>0</b>	<b>115,000,000</b>	<b>200,000,000</b>

**4. MISCELLANEOUS RECEIPTS**

	2020/21			2019/2020	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
Property income	-	-	-	-	-
Sales of goods and services	-	-	-	-	-
Administrative fees and charges	-	-	-	-	-
Fines, penalties and forfeitures	-	-	-	-	-
Voluntary transfers other than grants	-	-	-	-	-
Other receipts not classified elsewhere	-	-	-	-	-
<b>Total</b>	-	-	-	-	-

*EASTRIP Project  
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For the financial year ended June 30, 2021*

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**5. COMPENSATION OF EMPLOYEES**

	2020/2021			2019/2020	Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	KShs	KShs	KShs	KShs	KShs
-					
Basic salaries of permanent employees	-	-	-	-	-
Basic wages of temporary employees	-	-	-	-	-
Personal allowances paid as part of salary	-	-	-	-	-
Personal allowances paid as reimbursements	-	-	-	-	-
Personal allowances provided in kind	-	-	-	-	-
Pension and other social security contributions	-	-	-	-	-
Compulsory national social security schemes	-	-	-	-	-
Compulsory national health insurance schemes	-	-	-	-	-
Social benefit schemes outside government	-	-	-	-	-
Other personnel payments	-	-	-	-	-
<b>Total</b>	-	-	-	-	-

**EASTRIP Project**  
**Reports and Financial Statements**  
**For the financial year ended June 30, 2021**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**6. PURCHASE OF GOODS AND SERVICES**

	2020/2021		2019/2020	Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	
	KShs	KShs	KShs	KShs
Utilities, supplies and services	181,694.00		181,694.00	181,694.00
Communication, supplies and services	16,000.00		16,000.00	16,000.00
Domestic travel and subsistence	18,912,459.00		18,912,459.00	18,912,459.00
Foreign travel and subsistence	4,952,133.40		4,952,133.40	4,952,133.40
Printing, advertising and information supplies	1,219,200.00		1,219,200.00	1,219,200.00
Rentals of produced assets				
Training payments	13,713,380.00		13,713,380.00	13,713,380.00
Hospitality supplies and services	4,226,790.00		4,226,790.00	4,226,790.00
Insurance costs	557,380.00		557,380.00	557,380.00
Specialized materials and services	16,953,297.80		16,953,297.80	16,953,297.80
Other operating payments	2,928,647.00		2,928,647.00	2,928,647.00
Routine maintenance – vehicles and other transport equipment	576,848.00		576,848.00	576,848.00
Routine maintenance- other assets	3,787,996.50		3,787,996.50	3,787,996.50
Exchange rate losses/gains (net)				
<b>Total</b>	<b>68,025,825.70</b>	<b>0</b>	<b>68,025,825.70</b>	<b>68,025,825.70</b>

***EASTRIP Project  
Reports and Financial Statements  
For the financial year ended June 30, 2021***

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**7. SOCIAL SECURITY BENEFITS**

	2020/21			2019/20	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	KShs	KShs	KShs	KShs	
Government pension and retirement benefits	-	-	-	-	-
Social security benefits in cash and in kind	-	-	-	-	-
Employer social benefits in cash and in kind	-	-	-	-	-
<b>Total</b>	-	-	-	-	-

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**8. ACQUISITION OF NON-FINANCIAL ASSETS**

	2020/21			2019/20	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	KShs	KShs	KShs	KShs	KShs
Purchase of buildings					
Construction of buildings					
Refurbishment of buildings					
Construction of roads					
Construction of civil works					
Overhaul & refurbishment of construction and civil works					
Purchase of vehicles & other transport equipment	15,210,000	0	15,210,000	0	15,210,000
Overhaul of vehicles & other transport equipment					
Purchase of household furniture & institutional equipment					
Purchase of office furniture & general equipment					
Purchase of specialised plant, equipment and machinery	5,908,019	0	5,908,019	0	5,908,019
Rehabilitation & renovation of plant, equipment & machinery					
Purchase of certified seeds, breeding stock and live animals					
Research, studies, project preparation, design & supervision					
Rehabilitation of civil works					
Acquisition of strategic stocks					
Acquisition of land					
Acquisition of other intangible assets					
<b>Total</b>	<b>21,118,019</b>	<b>0</b>	<b>21,118,019</b>	<b>0</b>	<b>21,118,019</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**9. TRANSFERS TO OTHER GOVERNMENT ENTITIES**

During the 12 months to 30 June 20xx, we transferred funds to reporting government entities as shown below:

	2020/21			2019/20	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	KShs	KShs	KShs	KShs	KShs
<b>Transfers to National Government entities</b>					
Ministry ABC	-	-	-	-	-
Project XYZ	-	-	-	-	-
	-	-	-	-	-
<b>Transfers to County Governments</b>					
County ABC	-	-	-	-	-
County XYZ	-	-	-	-	-
	-	-	-	-	-
<b>TOTAL</b>	-	-	-	-	-

We have confirmed that the beneficiary institutions have received the funds and have recorded these as inter-entity receipts. We have attached these duly signed confirmations as an Appendix to the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**10. OTHER GRANTS AND TRANSFERS AND PAYMENTS**

	2020/21			2019/20	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	KShs	KShs	KShs	KShs	KShs
Grants for scholarships	-	-	-	-	-
Transfers to lower levels of government e.g schools	-	-	-	-	-
Miscellaneous payments	-	-	-	-	-
<b>Total</b>	-	-	-	-	-

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**11. CASH AND CASH EQUIVALENTS**

	2020/21	2019/20
	KShs	KShs
Bank accounts (Note 8.13A)	225,856,155.30	200,000,000
Cash in hand (Note 8. 13B)		
Cash equivalents (short-term deposits) (Note 8.13C)		
<b>Total</b>	<b>225,856,155.30</b>	<b>200,000,000</b>

The project has one project account for the project implementation as shown below

**11. A Bank Accounts**

**Project Bank Accounts**

	2020/21	2019/20
	KShs	KShs
<b><u>Local Currency Accounts</u></b>		
<u>Local Currency Accounts</u>		
Equity Bank Limited 1040279407282	225,856,155.30	200,000,000
Total local currency balances	225,856,155.30	200,000,000
<b>Total bank account balances</b>	<b>225,856,155.30</b>	<b>200,000,000</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Special Deposit Accounts**

The balances in the Project's Special Deposit Account(s) as at 30<sup>th</sup> June 20xx are not included in the Statement of Financial Assets since they are below the line items and are yet to be drawn into the Exchequer Account as a voted provision.

Below is the Special Deposit Account (SDA) movement schedule which shows the flow of funds that were voted in the year. These funds have been reported as loans/grants received in the year under the Statement of Receipts and Payments.

**Special Deposit Accounts Movement Schedule**

	2020/21	2019/20
	KShs	KShs
<b>(i) A/c Name [A/c No.....]</b>		
Opening balance	-	-
Total amount deposited in the account	-	-
Total amount withdrawn (as per Statement of Receipts & Payments)	-	-
<b>Closing balance (as per SDA bank account reconciliation attached)</b>	-	-
<b>(ii) A/c Name [A/c No.....]</b>		
Opening balance (as per the SDA reconciliation)	-	-
Total amount deposited in the account	-	-
Total amount withdrawn (as per Statement of Receipts & Payments)	-	-
<b>Closing balance (as per SDA bank account reconciliation attached)</b>	-	-

The Special Deposit Account(s) reconciliation statement(s) has (have) been attached as *Appendix xx* support these closing balances.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**11 B Cash In Hand**

	2020/21	2019/20
	KShs	KShs
Location 1	-	-
Location 2	-	-
Location 3	-	-
Other locations ( <i>specify</i> )	-	-
<b>Total cash balances</b>	-	-

[Provide a cash count certificate for each location above]

**11 C Cash equivalents (short-term deposits)**

	2020/21	2019/20
	KShs	KShs
Kenya Commercial Bank [A/C No.....]	-	-
Co-Operative Bank of Kenya [A/C No.....]	-	-
Others ( <i>Specify</i> )	-	-
<b>Total</b>	-	-

[Provide short appropriate explanations as necessary]

**12. ACCOUNTS RECEIVABLES**

<i>Description</i>	2020-2021	2019-2020
	Kshs	Kshs
Government Imprests	-	-
Salary advances	-	-
<b>Total</b>	-	-

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**12B: BREAKDOWN OF IMPRESTS AND ADVANCES**

<i>Name of Officer or Institution</i>	<i>Amount Taken</i>	<i>Due Date of Surrender</i>	<i>Amount Surrendered</i>	<i>Balance 2021</i>	<i>Balance 2020</i>
<i>Officer 1</i>	-	-	-	-	-
<i>Xc institution</i>	-	-	-	-	-
<i>Officer 2</i>	-	-	-	-	-
<i>Officer 3</i>	-	-	-	-	-
<i>Officer 4</i>	-	-	-	-	-
<i>Officer 5</i>	-	-	-	-	-
<i>Programme 1</i>	-	-	-	-	-
<b>Total</b>	-	-	-	-	-

**13. ACCOUNTS PAYABLES**

<b>Description</b>	<b>2020-2021</b>	<b>2019-2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Retention	-	-
Deposits	-	-
<b>Total</b>	-	-

**14. FUND BALANCE BROUGHT FORWARD**

	<b>2019/20</b>	<b>2018/19</b>
	<b>KShs</b>	<b>KShs</b>
Bank accounts	200,000,000	-
Cash in hand	-	-
Cash equivalents (short-term deposits)	-	-
Outstanding imprests and advances	-	-
<b>Total</b>	200,000,000	-

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**15. PRIOR YEAR ADJUSTMENT**

	Balance b/f FY 2019/2020 as per Financial statements	Adjustments	Adjusted Balance b/f FY 2019/2020
Description of the error	Kshs	Kshs	Kshs
Bank account Balances	-	-	-
Cash in hand	-	-	-
Accounts Payables	-	-	-
Receivables	-	-	-
Others ( <i>specify</i> )	-	-	-
Total	-	-	-

**CHANGES IN RECEIVABLE**

Description of the error	2020-2021	2019-2020
	KShs	KShs
Opening Receivables as at 1 <sup>st</sup> July 20xx	-	-
Closing account receivables as at 30 <sup>th</sup> June 20xx	-	-
Change in Receivables	-	-

**16. CHANGES IN ACCOUNTS PAYABLE**

Description of the error	2020-2021	2019-2020
	Kshs	Kshs
Deposit and Retentions as at 1 <sup>st</sup> July 20xx	-	-
Closing accounts payables as at 30 <sup>th</sup> June 20xx	-	-
Change in payables	-	-

**12. OTHER IMPORTANT DISCLOSURES**

**1. PENDING ACCOUNTS PAYABLE (See Annex 3A)**

	Balance b/f FY 2019/2020	Additions for the period	Paid during the year	Balance c/f FY 2020/2021
Description	Kshs	Kshs	Kshs	Kshs
Construction of buildings	-	-	-	-
Construction of civil works	-	-	-	-
Supply of goods	-	-	-	-
Supply of services	-	-	-	-
<b>Total</b>	-	-	-	-

**2. PENDING STAFF PAYABLES (See Annex 3B)**

	Balance b/f FY 2020/2021	Additions for the period	Paid during the year	Balance c/f FY 2020/2021
Description	Kshs	Kshs	Kshs	Kshs
Senior management	-	-	-	-
Middle management	-	-	-	-
Unionisable employees	-	-	-	-
Others	-	-	-	-
<b>Total</b>	-	-	-	-

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**OTHER IMPORTANT DISCLOSURES (Continued)**

**3. OTHER PENDING PAYABLES (See Annex 3C)**

	Balance b/fFY 2020/2021	Additions for the period	Paid during the year	Balance c/fFY 2020/2021
Description	Kshs	Kshs	Kshs	Kshs
Amounts due to National Government entities	-	-	-	-
Amounts due to County Government entities	-	-	-	-
Amounts due to third parties	-	-	-	-
<b>Total</b>	-	-	-	-

**4. EXTERNAL ASSISTANCE**

	FY 2020/2021	FY 2019/2020
Description	Kshs	Kshs
External assistance received as grants	-	-
External assistance received as loans	-	-
External assistance received in kind- as payment by third parties	-	-
<b>Total</b>	-	-

**OTHER IMPORTANT DISCLOSURES (Continued)**

*a). External assistance relating loans and grants*

	<b>FY 2020/2021</b>	<b>FY 2019/2020</b>
<b>Description</b>	<b>Kshs</b>	<b>Kshs</b>
External assistance received as loans	-	-
External assistance received as grants	-	-
<b>Total</b>	-	-

*b) Undrawn external assistance*

	<b>Purpose for which the undrawn external assistance may be used</b>	<b>FY 2020/2021</b>	<b>FY 2019/2020</b>
<b>Description</b>		<b>Kshs</b>	<b>Kshs</b>
Undrawn external assistance - loans		-	-
Undrawn external assistance - grants		-	-
<b>Total</b>		-	-

*c) classes of providers of external assistance*

	<b>FY 2020/2021</b>	<b>FY 2019/2020</b>
<b>Description</b>	<b>Kshs</b>	<b>Kshs</b>
Multilateral donors	-	-
Bilateral donors	-	-
International assistance organization	-	-
NGOs	-	-
National Assistance Organization	-	-
<b>Total</b>	-	-

**OTHER IMPORTANT DISCLOSURES (Continued)**

*d. non-monetary external assistance*

	<b>FY 2020/2021</b>	<b>FY 2019/2020</b>
<b>Description</b>	<b>Kshs</b>	<b>Kshs</b>
Goods	-	-
Services	-	-
<b>Total</b>	-	-

*This may occur when goods such as vehicles, computers, medical equipment, food aid etc are contributed to a county by donors, NGO etc N/B : Disclose the basis on which the value of goods and services were determined ( This may be by : depreciated historical cost of physical assets, price attached on the goods, an assessment of value by the management of transferor, recipient or Third Party, Fair value measurement.*

*e Purpose and use of external assistance*

<b>Payments Made by Third Parties</b>	<b>FY 2020/2021</b>	<b>FY 2019/2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Compensation of Employees	-	-
Use of goods and services	-	-
Subsidies	-	-
Transfers to Other Government Units	-	-
Other grants and transfers	-	-
Social Security Benefits	-	-
Acquisition of Assets	-	-
Finance Costs, including Loan Interest	-	-
Repayment of principal on Domestic and Foreign borrowing	-	-
Other Payments	-	-
<b>TOTAL</b>	-	-

*N/B The above sub-classification will be adopted based on the purpose of the external assistance and how the external assistance was used.*

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**OTHER IMPORTANT DISCLOSURES (Continued)**

*f. External Assistance paid by Third Parties on behalf of the Entity by Source*

*This relates to external assistance paid directly by third parties to settle obligations on behalf of the entity*

	<b>FY 2020/2021</b>	<b>FY 2019/2020</b>
<b>Description</b>	<b>Kshs</b>	<b>Kshs</b>
National government	-	-
Multilateral donors	-	-
Bilateral donors	-	-
International assistance organization	-	-
NGOs	-	-
National Assistance Organization	-	-
<b>Total</b>	-	-

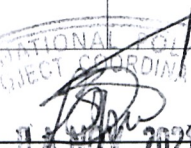

**13. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR’S RECOMMENDATIONS**

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

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
1.	Lack of segregation of duties	The issue was addressed by appointing three accounting officers through secondment from the institution’s finance department as per the attached appointment letters on 13 <sup>th</sup> January 2021.	Resolved	
2.	Audit committee did not meet in the year under review.	<ul style="list-style-type: none"> <li>The former audit and risk committee mandate lapsed when</li> </ul>	Resolved	

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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)
		<p>the council term expired in September 2019 and a new committee was formed in July 2020 by the newly appointed council hence the reason the committee did not meet in the nine months period under review.</p>		

  
  
**Principal**

\_\_\_\_\_  
**Date**

  
  
**Project Coordinator**

\_\_\_\_\_  
**Date**

**14. ANNEXES**

**ANNEX1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS**

	<b>Final Budget</b>	<b>Actual on Comparable Basis</b>	<b>Budget Utilization Difference</b>	<b>% of Utilization</b>	<b>Comments on Variance(below 90% and over 100%)</b>
	<b>a</b>	<b>b</b>	<b>c=a-b</b>	<b>d=b/a %</b>	
<b>Receipts</b>					
Proceeds from borrowings	116,00,000	115,000,000	1,000,000	99%	
<b>Total Receipts</b>	<b>116,00,000</b>	<b>115,000,000</b>	<b>1,000,000</b>	<b>99%</b>	
<b>Payments</b>					
Purchase of goods and services	75,000,005	68,025,825.70	6,974179.30	92%	
Acquisition of non-financial assets					The low absorption rate was occasioned by lengthy procurement procedures whereby several procurement procedures have been initiated but not completed as at the close of the financial year 2020/2021
	40,999,995	21,118,019.00	19,881,976	51%	
<b>Total Payments</b>	<b>116,00,000</b>	<b>89,143,844.70</b>	<b>26,856,155.30</b>	<b>77%</b>	

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**ANNEX 4 – SUMMARY OF FIXED ASSETS REGISTER**

Asset class	Opening Cost (KShs) 2020/21 (a)	Donations in form of assets (KShs) 2020/21 (b)	*Purchases/ Additions in the Year (KShs) 2020/21 (c)	**Disposals in the Year (KShs) 2020/21 (d)	Transfers in/(out) Kshs 2020/21 (d)	Closing Cost (KShs) 2020/21 (e)= (a)+(b)+(c)-(d)+(-d)
Land						
Buildings and structures						
Transport equipment	0	0	15,210,000	0	0	15,210,000
Office equipment, furniture and fittings						
ICT Equipment,	0	0	5,908,019.00	0	0	5,908,019.00
Other Machinery and Equipment						
Heritage and cultural assets						
Biological assets						
Infrastructure assets roads, rails						
Intangible assets						
Work in Progress						
<b>Total</b>	<b>0</b>	<b>0</b>	<b>21,118,019</b>	<b>0</b>	<b>0</b>	<b>21,118,019</b>

Notes

\* Purchases/Additions in the year reconciled to the amount in Statement of Receipts and Payments

\*\* The disposal amount to be disclosed in this register is the cost that the asset was acquired at and not the price at which it has been sold.

**ANNEX 5 – CONTINGENT LIABILITIES REGISTER**

	Nature of contingent liability	Payable to	Estimated Amount Kshs	Expected date of payment	Remarks
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					

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**APPENDICES**

- i. Bank balance statement as at 30<sup>th</sup> June 2021.

**MERU NATIONAL POLYTECHNIC  
BANK RECONCILIATION STATEMENT  
Equity Bank Ac.1040279407282  
PERIOD ENDED 30th June 2021**

BALANCE AS PER CASH BOOK	225,856,115.30
BALANCE AS PER BANK STATEMENT	<u>225,856,115.30</u>
Deficit / Surplus	<u><u>0.00</u></u>

Prepared by *Anthony Mwangi*

Sign *[Signature]*

- Date *30/06/2021*

Checked by *PAULINA MWABWA*

Sign

Date

