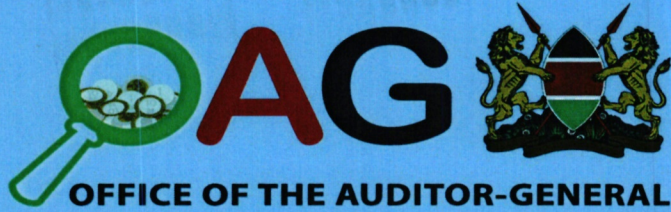



REPUBLIC OF KENYA



Enhancing Accountability

REPORT

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 23 FEB 2021	DAY: TUESDAY
TABLED BY:	LOM
CLERK-AT THE-TABLE:	Moses Lemona

PARLIAMENT
OF KENYA
LIBRARY

OF

THE AUDITOR-GENERAL

ON

**SECONDARY EDUCATION QUALITY
IMPROVEMENT PROJECT
(IDA CREDIT NO.6138-KE)**

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

TEACHERS SERVICE COMMISSION



SECONDARY EDUCATION QUALITY IMPROVEMENT PROJECT

TEACHERS SERVICE COMMISSION

PROJECT CREDIT NUMBER: IDA 6138-KE

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)

**SECONDARY EDUCATION QUALITY IMPROVEMENT PROJECT
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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**SECONDARY EDUCATION QUALITY IMPROVEMENT PROJECT
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name: Secondary Education Quality Improvement Project

Objective: To improve student learning in secondary education and transition from primary to secondary education in targeted areas.

1.2 Project Information

Project Start Date:	28 September 2017
Project End Date:	31 December 2023
Project Manager:	Dr. Reuben Nthamburi
Project Sponsor:	World Bank

1.3 Project Overview

Line Ministry of the project	The project is under the supervision of the Ministry of Education.
Project number	P160083
Strategic goals of the project	<ul style="list-style-type: none"> i) To improve student learning and transition from upper Primary to secondary education in targeted areas ii) To Improve quality of teaching in targeted areas by Reducing teacher shortage iii) To Improve quality of teaching in targeted areas by Enhancing teacher professional development
Achievement of strategic goals	<p>The project aims to achieve the Strategic goals through:</p> <ul style="list-style-type: none"> i) Recruitment of additional teachers ii) Use of alternative modes of Curriculum delivery iii) School Based Teacher Support System (SBTSS) and Teacher Professional Development (TPD)
Other important background information of the project	The project targets the Improvement of quality of teaching in targeted areas with the key objective of addressing the critical supply-side issues such as deficiencies in the quantity of teachers, quality and classroom practices that constrain teaching and learning hence poor learning outcomes. To address these

**SECONDARY EDUCATION QUALITY IMPROVEMENT PROJECT
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

	<p>sets of constraints, the Teachers Service Commission will implement Subcomponent 1.1 and Subcomponent 1.2.</p> <p>Subcomponent 1.1 aims at Reducing teacher shortage to alleviate teacher shortages in mathematics, science, and English both in primary and secondary schools, TSC has committed to allocate 10 percent of the annual budgeted new teaching posts for Science, Maths and English (SME) teachers in the project-targeted sub-counties and TSC will regularly monitor teachers' presence on duty. Subcomponent 1.2 aims at Enhancing teacher professional development which aims at improving primary and secondary teachers' competencies through Prescribed Modules Programs' and School Based TPD Programs focusing on Science, Maths and English (SME) teachers in the project-targeted sub-counties which will be implemented in a phased approach based on clusters of primary and secondary schools.</p>
<p>Current situation that the project was formed to intervene</p>	<p>The project was formed to intervene in the following areas:</p> <ul style="list-style-type: none"> i) Teacher shortage under Component 1: Subcomponent 1.1 ii) Teacher Professional Development under Component 1:Subcomponent 1.2
<p>Project duration</p>	<p>The project started on 1 July 2017 and is expected to run until 31 December 2023.</p>

1.4 Bankers

Central Bank of Kenya
 Nile Selassie Avenue
 60000 – 00200
 Kenya

itors

s, University Way

97,021,0
 89,262,7

**SECONDARY EDUCATION QUALITY IMPROVEMENT PROJECT
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

1.6 Roles and Responsibilities

Names, designation, qualifications and responsibilities of the people who will be working on the project

Names	Title designation	Key qualification	Responsibilities
Dr. Reuben Nthamburi	Director	PHD	Project Manager
Frankline Choge	Senior Deputy Director	MBA, CPA(K)	Finance
Dr. Catherine Warui	Assistant Deputy Director	PHD	Project Focal Person
Geoffrey Etyang	Assistant Deputy Director	Bachelors Degree	Project Technical Team Member
Margaret Kingo'ri	Principal supply Chain management Services officer.	Bachelors Degree, PGD-SCM MBA –SCM Option	Project Procurement Officer
Monica Munyiva	Chief Finance Officer	Bachelors Degree	Project Finance Officer
Kenneth Kinyua	Principal Accountant	Bachelors Degree, CPA(K)	Project Accountant
Wellington Otiende	Assistant Deputy Director	MBA, CPA(K)	Project Internal Auditor

1.7 Funding summary

The Project is for duration of 6 years from 2017 to 2023 with an approved budget of € 20,215,000 equivalent to KShs 2,428,630,100 for the sub-components being implemented by Teachers Service Commission:

Funding summary:

Source of funds	Donor Commitment		Amount received to date – (30 JUNE 2020)		Undrawn balance to (30 JUNE 2020)	
	<i>Euro</i> (A)	<i>KShs</i> (A')	<i>Euro</i> (B)	<i>KShs</i> (B')	<i>Euro</i> (A)-(B)	<i>KShs</i> (A')-(B')
Loan						
International Development Association	20,215,000	2,428,630,100	6,922,000	831,609,080	13,293,000	1,597,021,020
Total	20,215,000	2,428,630,100	6,922,000	831,609,080	18,553,000	2,707,021,020

**SECONDARY EDUCATION QUALITY IMPROVEMENT PROJECT
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

2. FORWARD BY THE CHIEF EXECUTIVE OFFICER

The Ministry of Education and the Teachers Service Commission are implementing the Kenya Secondary Education Quality Improvement Project (SEQIP) with support from the World Bank. The Project runs for 6 years from 7th December, 2017. The Project's Development Objective (PDO) is to improve student learning in secondary education and transition from primary to secondary education, in the targeted areas. The targeted beneficiaries are 7,852 public primary and 2,147 secondary schools across 30 and 110 educationally and economically disadvantaged Counties and Sub- counties respectively. The project has four components namely; (i) improving the quality of teaching in targeted areas (ii) improving retention in upper primary school and transition to secondary school in targeted areas (iii) system reform support and, (iv) project management, coordination, monitoring and evaluation.

The Teachers Service Commission is implementing sub component 1.1 and 1.2 whose objectives are to reduce teacher shortage in science, mathematics and English in schools in the targeted sub counties and enhance teacher professional development in science, mathematics and English respectively. To this effect, the Commission is required to allocate additional 10% posts of all additional teachers recruited annually to schools in the 110 sub counties. In addition, Teachers Service Commission is required to work with CEMASTEAM for training and support for teachers of Science and Mathematics and the University of Nairobi (UoN) for English under School Based Teacher Support system programme.

During the year ended 30 June 2020, the Commission recruited additional (10%) 1000 teachers of science mathematics and English for schools in the targeted sub counties. This is in addition to what the schools received on pro rata basis. The Commission also offered professional development training in subject matter as well as pedagogical content knowledge through School-Based Teacher Support System to 22942 teachers of Science, Mathematics and English from schools in the targeted 110 sub-counties spread across 30 counties. This was preceded by induction of 76 subject experts and training of 1088 facilitators who trained the teachers. This was followed by coaching and training of SME teachers in both primary and secondary school in the targeted areas.

Despite the Commission realized several achievements during the period, it was not without challenges, the major one being the COVID 19 pandemic. This has had an impact on trainings, classroom support and verification of already achieved Disbursement Linked Indicators.

Notwithstanding, the commission is committed to ensuring that the project objectives are achieved as scheduled especially by use of digital platforms where possible.



ACHARIA, CBS

CHIEF EXECUTIVE OFFICER

**SECONDARY EDUCATION QUALITY IMPROVEMENT PROJECT
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

3. STATEMENT OF PERFORMANCE AGAINST PREDETRMINED OBJECTIVES

The Ministry of Education and the Teachers Service Commission are implementing the Kenya Secondary Education Quality Improvement Project (SEQIP) with support from the World Bank. The Project runs for 6 years from 7th December, 2017. The Project's Development Objective (PDO) is to improve student learning in secondary education and transition from primary to secondary education, in the targeted areas. The targeted beneficiaries are 7,852 public primary and 2,147 secondary schools across 30 and 110 educationally and economically disadvantaged Counties and Sub- counties respectively. The project has four components namely; (i) improving the quality of teaching in targeted areas (ii) improving retention in upper primary school and transition to secondary school in targeted areas (iii) system reform support and, (iv) project management, coordination, monitoring and evaluation.

The Teachers Service Commission is implementing sub component 1.1 and 1.2 whose objectives are:

- i. **Objective 1.** Reducing teacher shortage in Sciences, Mathematics and English in schools in the targeted sub counties
- ii. **Objective 1.2.** Enhancing teacher professional development in Sciences Mathematics and English

Each objective attracts a number of activities and the objectives are broken down into yearly results in accordance to project appraisal document.

Objective 1

Recruit and allocate additional 10% of teachers of SME to schools in the targeted sub counties.

Objective 1.2

- a. Develop, validate and adapt the materials for SNE teachers
- b. Induct national trainers and train facilitators, and teachers of SME on SBTSS
- c. Train sub county directors CSO's and head teachers on how to offer teacher support at school level.
- d. Develop and distribute TPD modules to schools in the targeted sub counties

Progress made on attainment of the strategic development objectives

The timelines for achievement of these objectives are aligned to results that are tied to the disbursements of funds otherwise referred to as Disbursement Linked Indicators (DLIs).

The progress made in attaining the stated objectives is as shown in the table below.

**SECONDARY EDUCATION QUALITY IMPROVEMENT PROJECT
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

Sub component	Objective	Outcome	Indicator	Performance
Reducing teacher shortage in SME	Allocate additional 10% teachers of SME	Reduced teacher shortage in SME in targeted areas	Number of teachers posted to the targeted sub counties	In the FY 19/20 we recruited 1100 teachers of SME were posted to the targeted sub counties
	Train facilitators and teachers of SME on SBTSS	Improved pedagogical and content delivery of SME by teachers in targeted schools.	Number of teachers trained on SBTSS	In the FY 19/20 1088 facilitators and 22945 teachers were trained on SBTSS
Enhancing teacher professional development	Develop, validate and adapt materials for SBTSS training.	Training of teachers of SME	Materials for training SBTSS available for training	Training Materials for SBTSS were developed in 2019

ers

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ER

**SECONDARY EDUCATION QUALITY IMPROVEMENT PROJECT
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Commission Secretary for the Teachers Service Commission is 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 the period 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 period
- ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project
- iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud
- iv) Safeguarding the assets of the Project
- v) Selecting and applying appropriate accounting policies; and
- vi) Making accounting estimates that are reasonable in the circumstances.

The Commission Secretary for the Teachers Service Commission accepts 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 Commission Secretary for the Teachers Service Commission is of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the period ended 30 June 2020, and of the Project's financial position as at that date. The Commission Secretary for the Teachers Service Commission further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project's financial statements as well as the adequacy of the systems of internal financial control.

The Commission Secretary for the Teachers Service Commission confirms 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

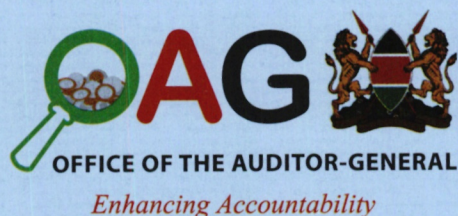
The Project financial statements were approved by the Commission Secretary for the Teachers Service Commission on 28th September 2020.


DR. NANCY NJERI MACHARIA, CBS
COMMISSION SECRETARY
DATE: 28.09.2020


DR. REUBEN NTF
PROJECT MANA
DATE: 28.09.202

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
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HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON SECONDARY EDUCATION QUALITY IMPROVEMENT PROJECT (IDA CREDIT NO.6138-KE) FOR THE YEAR ENDED 30 JUNE, 2020 - TEACHERS SERVICE COMMISSION

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Secondary Education Quality Improvement Project set out on pages 10 to 21, which comprise of the statement of financial assets as at 30 June, 2020, statement of receipts and payments, statement of cash flows and the statement of comparative budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Secondary Education Quality Improvement Project 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 Financing Agreement No. IDA 6138-KE dated 27 September, 2017 between the International Development Association and the Republic of Kenya and the Public Finance Management Act, 2012.

In addition, the special accounts statement presents fairly the special accounts transaction and the closing balance has been reconciled with the books of account.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Secondary Education Quality Improvement Project 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 judgement, 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 that the Project received an amount of Kshs.347,526,267 or 87% of the approved budget of Kshs.400,000,000. Similarly, the Project utilized Kshs.271,065,923 on use of goods and services resulting into under expenditure of Kshs.128,934,077 or 32% of the budget. Management has attributed the low absorption to lack of funding at the beginning of the financial year and the budget being availed in December, 2019 through a supplementary budget.

In the circumstances, the under absorption of the approved budget is an indication of the activities not implemented by the Management leading to non-provision of services to the stakeholders.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by Financing Agreement No. IDA 6138-KE, except for the matters under other matter, 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 Commission

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Project's ability to continue to sustain 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 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.

Commission is responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Project monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to

address key roles and responsibilities in relation to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and 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 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.


Nancy Gathungu
AUDITOR-GENERAL

Nairobi


23 December, 2020

**SECONDARY EDUCATION QUALITY IMPROVEMENT PROJECT
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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

	Note	2019/2020	2018/2019	Cumulative to-date
			KShs	KShs
RECEIPTS				
Exchequer Releases	10.1	347,526,267	142,282,520	489,808,787
TOTAL RECEIPTS		<u>347,526,267</u>	<u>142,282,520</u>	<u>489,808,787</u>
PAYMENTS				
Uses of goods and services	10.2	271,065,923	14,802,924	285,868,847
TOTAL PAYMENTS		<u>271,065,923</u>	<u>14,802,924</u>	<u>285,868,847</u>
SURPLUS		<u>76,460,344</u>	<u>127,479,596</u>	<u>203,939,940</u>

The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements. The financial statements were approved on 28th September 2020 and signed by:


DR. NANCY NJERI MACHARIA, CBS
COMMISSION SECRETARY
DATE: 28.09.2020


DR. REUBEN NTHAMBURI
PROJECT MANAGER
DATE: 28.09.2020



KENNETH KINYUA MURIUKI
PROJECT ACCOUNTANT
ICPAK MEMBER NUMBER: 14437
DATE: 28.09.2020


**SECONDARY EDUCATION QUALITY IMPROVEMENT PROJECT
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

7. STATEMENT OF FINANCIAL ASSETS AS AT 30 JUNE 2020

	Note	2019/2020 KShs	2018/2019 KShs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	10.3.A	100,964,534	124,148,431
Cash Balances	10.3.B	-	-
Total Cash and Cash Equivalents		<u>100,964,534</u>	<u>124,148,431</u>
Accounts receivables	10.4	103,105,406	3,448,765
TOTAL FINANCIAL ASSETS		<u>204,069,940</u>	<u>127,597,196</u>
 LESS: FINANCIAL LIABILITIES			
Accounts Payables	10.5	130,000	117,600
NET FINANCIAL ASSETS		<u>203,939,940</u>	<u>127,479,596</u>
REPRESENTED BY			
Fund balance b/fwd.	10.6	127,479,596	-
Surplus for the period		76,460,344	127,479,596
NET FINANCIAL POSITION		<u>203,939,940</u>	<u>127,479,596</u>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 28th September 2020 and signed by:


DR. NANCY NJERI MACHARIA, CBS
COMMISSION SECRETARY
DATE: 28.09.2020


DR. REUBEN NTHAMBURI
PROJECT MANAGER
DATE: 28.09.2020


KENNETH KINYUA MURIUKI
PROJECT ACCOUNTANT
ICPAK MEMBER NUMBER: 14437
DATE: 28.09.2020


**SECONDARY EDUCATION QUALITY IMPROVEMENT PROJECT
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

8. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Note	2019/2020 KShs	2018/2019 KShs
Receipts for operating activities			
Exchequer Releases	10.1	347,526,267	142,282,520
Payments for operating activities			
Uses of goods and services	10.2	(271,065,923)	(14,802,924)
Adjusted for:			
Changes in receivables		(99,656,641)	(3,448,765)
Changes in Payables		12,400	117,600
Net cash flows from operating activities		<u>(23,183,897)</u>	<u>124,148,431</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS		<u>(23,183,897)</u>	<u>124,148,431</u>
Cash and cash equivalents at Beginning of the year		124,148,431	-
Cash and cash equivalents at End of the year		<u>100,964,534</u>	<u>124,148,431</u>

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 28th September 2020 and signed by:


DR. NANCY NJERI MACHARIA, CBS
COMMISSION SECRETARY
DATE: 28.09.2020


DR. REUBEN NTHAMBURI
PROJECT MANAGER
DATE: 28.09.2020


KENNETH KINYUA MURIUKI
PROJECT ACCOUNTANT
ICPAK MEMBER NUMBER: 14437
DATE: 28.09.2020


**SECONDARY EDUCATION QUALITY IMPROVEMENT PROJECT
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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


Receipts/Payments Item	Original Budget a Kshs	Adjustments b Kshs	Final Budget c=a+b Kshs	Actual on Comparable Basis d Kshs	Budget Utilization Difference e=c-d Kshs	% of Utilization f=d/c %
Receipts						
Exchequer Releases	-	400,000,000	400,000,000	347,526,267	52,473,733	87%
Total Receipts	=	<u>400,000,000</u>	<u>400,000,000</u>	<u>347,526,267</u>	<u>52,473,733</u>	<u>87%</u>
Payments						
Uses of goods and services	-	400,000,000	400,000,000	271,065,923	128,934,077	68%
Total Payments	=	<u>400,000,000</u>	<u>400,000,000</u>	<u>271,065,923</u>	<u>128,934,077</u>	<u>68%</u>

NOTE:

- i) The underutilization at 68% was as a result of late budget provision and reduced project activities as a result of the COVID – 19 pandemic.


DR. NANCY NJERI MACHARIA, CBS
COMMISSION SECRETARY
DATE: 28.09.2020


DR. REUBEN NTHAMBURI
PROJECT MANAGER
DATE: 28.09.2020


KENNETH KINYUA MURIUKI
PROJECT ACCOUNTANT
ICPAK MEMBER NUMBER: 14437
DATE: 28.09.2020

**SECONDARY EDUCATION QUALITY IMPROVEMENT PROJECT
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

10. SIGNIFICANT ACCOUNTING POLICIES

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

9.1 Basis of Preparation

9.1.1 Statement of compliance and basis of preparation

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

The financial statements comply with and conform to the form of presentation prescribed by the PSASB.

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

9.1.2 Reporting entity

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

9.1.3 Reporting currency

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

9.2 Significant Accounting Policies

a) Recognition of receipts

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

- **Transfers from the Exchequer**

Transfer from Exchequer is 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.

**SECONDARY EDUCATION QUALITY IMPROVEMENT PROJECT
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

SIGNIFICANT ACCOUNTING POLICIES (Continued)

- ***Donations and grants***

Grants and donations shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary. In case of grant/donation in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice.

- ***Proceeds from borrowing***

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

- ***Undrawn external assistance***

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

- ***Other receipts***

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

b) Recognition of payments

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

- ***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.

**SECONDARY EDUCATION QUALITY IMPROVEMENT PROJECT
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SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) In-kind donations

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

d) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

e) Accounts receivable

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

f) 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.

**SECONDARY EDUCATION QUALITY IMPROVEMENT PROJECT
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) 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.

h) 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.

i) 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.

j) 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 30 June 2020.

k) 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.

**SECONDARY EDUCATION QUALITY IMPROVEMENT PROJECT
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

11. NOTES TO THE FINANCIAL STATEMENTS

10.1 EXCHEQUER RECEIPTS

	2019/2020	2018/2019	Cumulative to-date
	KShs	KShs	KShs
Total Exchequer Releases for quarter 1	-	-	-
Total Exchequer Releases for quarter 2	-	-	-
Total Exchequer Releases for quarter 3	347,526,267	-	347,526,267
Total Exchequer Releases for quarter 4	-	142,282,520	142,282,520
Total	<u>347,526,267</u>	<u>142,282,520</u>	<u>489,808,787</u>

10.2 USES OF GOODS AND SERVICES

	2019/2020	2019/2020	2019/2020	2018/2019	Cumulative
	Payments by the Entity	Payments by third parties	Total Payments	Total Payments	to- date
	KShs	KShs	Kshs	KShs	KShs
Domestic Travel and Subsistence	19,171,759	-	19,171,759	11,186,254	30,358,013
Training expenses	245,790,835	-	245,790,835	3,616,670	249,407,505
Communication, Supp. and Services	1,767,315	-	1,767,315	-	1,767,315
Office and Gen. Supp. and Services	2,296,000	-	2,296,000	-	2,296,000
Other Operating Expenses	2,040,013	-	2,040,013	-	2,040,013
Total	<u>271,065,923</u>	=	<u>271,065,923</u>	<u>14,802,924</u>	<u>285,868,847</u>

10.3 CASH AND CASH EQUIVALENTS CARRIED FORWARD

	2019/2020	2018/2019
	KShs	KShs
Bank Accounts (Note 10.3A)	100,964,534	124,148,431
Cash in hand (Note 10.3B)	-	-
Total	<u>100,964,534</u>	<u>124,148,431</u>

**SECONDARY EDUCATION QUALITY IMPROVEMENT PROJECT
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10.3 A Bank Accounts

Project Bank Accounts

	2019/2020	2018/2019
	KShs	KShs
Central Bank of Kenya [A/c No 1000370882]	100,964,534	124,148,431
Total local currency balances	<u>100,964,534</u>	<u>124,148,431</u>

Special Deposit Accounts

The balances in the Project's Special Deposit Account as at 30 June 2020 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 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

	2019/2020	2018/2019
	KShs	KShs
A/C Name [A/c No1000368397]		
Opening balance	60,935,090.58	5,836.45
Total amount deposited in the account	602,379,785.90	59,438,022.22
Total amount withdrawn	351,159,156.00	-
Closing balance	<u>314,467,452.39</u>	<u>60,484,727.28</u>

10.3 B Cash in Hand

	2019/2020	2018/2019
	KShs	KShs
Teachers Service Commission Headquarters	-	-
Total cash balances	≡	≡

10.4 ACCOUNTS RECEIVABLES

	2019/2020	2018/2019
	KShs	KShs
Outstanding Imprest	842,350	2,956,500
Other Receivables	102,263,056	492,265
Total receivables	<u>103,105,406</u>	<u>3,448,765</u>

**SECONDARY EDUCATION QUALITY IMPROVEMENT PROJECT
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10.5 ACCOUNTS PAYABLES

	2019/2020	2018/2019
	KShs	KShs
Other Payables	130,000	117,600
Total payables	<u>130,000</u>	<u>117,600</u>

10.6 FUND BALANCE BROUGHT FORWARD

	2019/2020	2018/2019
	KShs	KShs
Bank Accounts	124,148,431	-
Cash in hand	-	-
Accounts Receivables	3,448,765	-
Accounts Payables	(117,600)	-
Total	<u>127,479,596</u>	=

**SECONDARY EDUCATION QUALITY IMPROVEMENT PROJECT
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

12. PROGRESS ON FOLLOW UP OF AUDITOR 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	Status	Timeframe
	N/A	N/A	N/A	N/A	N/A



**DR. NANCY NJERI MACHARIA, CBS
COMMISSION SECRETARY**

DATE: 28.09.2020



**DR. REUBEN NTHAMBURI
PROJECT MANAGER**

DATE: 28.09.2020

SECONDARY EDUCATION QUALITY IMPROVEMENT PROJECT
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

13. ANNEXURES

ANNEX 1: VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

Receipts/Payments Item	Original Budget a Kshs	Adjustments b Kshs	Final Budget c=a+b Kshs	Actual on Comparable Basis d Kshs	Budget Utilization Difference e=c-d Kshs	% of Utilization f=d/c %
Receipts						
Exchequer Releases	-	400,000,000	400,000,000	347,526,267	52,473,733	87%
Total Receipts	=	<u>400,000,000</u>	<u>400,000,000</u>	<u>347,526,267</u>	<u>52,473,733</u>	<u>87%</u>
Payments						
Uses of goods and services	-	400,000,000	400,000,000	271,065,923	128,934,077	68%
Total Payments	=	<u>400,000,000</u>	<u>400,000,000</u>	<u>271,065,923</u>	<u>128,934,077</u>	<u>68%</u>

NOTE:

The underutilization at 68% was as a result of late budget provision and reduced project activities as a result of the COVID – 19 pandemic.