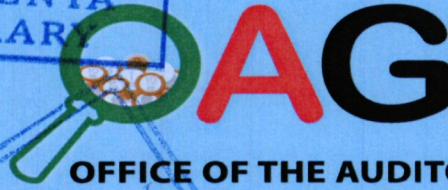


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OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR ENDED
30 JUNE, 2022**

TEACHERS SERVICE COMMISSION



THE NATIONAL ASSEMBLY
DATE: 19 APR 2023 DAY: WEDNESDAY
DEPUTY MAJORITY LEADER
TABELD BY: [Signature]
CLERK-AT-THE-TABLE:



SECONDARY EDUCATION QUALITY IMPROVEMENT PROJECT

TEACHERS SERVICE COMMISSION

PROJECT CREDIT NUMBER: IDA 6138-KE

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2022

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 2022**

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**SECONDARY EDUCATION QUALITY IMPROVEMENT PROJECT
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

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	IDA 6138-KE
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 sets of constraints, the Teachers Service Commission will implement Subcomponent 1.1 and Subcomponent 1.2.

**SECONDARY EDUCATION QUALITY IMPROVEMENT PROJECT
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

	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.
Current situation that the project was formed to intervene	The project was formed to intervene in the following areas: i) Teacher shortage under Component 1: Subcomponent 1.1 ii) Teacher Professional Development under Component 1: Subcomponent 1.2
Project duration	The project started on 1 July 2017 and is expected to run until 31 December 2023.

1.4 Bankers

Central Bank of Kenya
Haile Selassie Avenue
Box 60000 – 00200
Nairobi, Kenya

1.5 Auditors

Auditor-General
Anniversary Towers, University Way
Box 30084 - 00100
Nairobi, Kenya

**SECONDARY EDUCATION QUALITY IMPROVEMENT PROJECT
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

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 sets of constraints, the Teachers Service Commission will implement Subcomponent 1.1 and Subcomponent 1.2.

**SECONDARY EDUCATION QUALITY IMPROVEMENT PROJECT
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

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Nairobi, Kenya

**SECONDARY EDUCATION QUALITY IMPROVEMENT PROJECT
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

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

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. 2,507,070,365 for the sub-components being implemented by Teachers Service Commission:

Source of Funds

Source of funds	Donor Commitment		Amount received to date – (30 June 2022)		Undrawn balance to date (30 June 2022)	
	<i>Euro</i>	<i>KShs</i>	<i>Euro</i>	<i>KShs</i>	<i>Euro</i>	<i>KShs</i>
	<i>(A)</i>	<i>(A')</i>	<i>(B)</i>	<i>(B')</i>	<i>(A)-(B)</i>	<i>(A')-(B')</i>
Loan						
International Development Association	20,215,000	2,507,070,365	10,427,000	1,293,159,668	9,788,000	1,213,910,696
Total	20,215,000	2,507,070,365	10,427,000	1,293,159,668	9,788,000	1,213,910,696

**SECONDARY EDUCATION QUALITY IMPROVEMENT PROJECT
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

2. FORWARD BY THE CHIEF EXECUTIVE OFFICER

The Government of Kenya has partnered with the World Bank (WB) through the Secondary Education Quality Improvement Project (SEQIP) to improve student learning and transition from upper primary to secondary education in targeted sub-counties. The project development objective is to improve student learning in secondary education and transition from upper primary to secondary education in targeted areas.

The project has four components namely; (i) Improving 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 project beneficiaries are students drawn from 7,852 public primary and 2,147 secondary schools in 110 educationally and economically disadvantaged Sub- counties spread across 30 counties.

The Teachers Service Commission has been implementing Sub-components 1.1 on Reducing Teacher Shortage and 1.2 on Enhancing Teacher Professional Development. To this effect, the Commission has been allocating additional 10% posts of teachers recruited annually to schools in the 110 sub counties. In addition, Teachers Service Commission has been working with CEMASTEPA and University of Nairobi to enhance teacher pedagogical skills in Science, Mathematics and English.

During the period ending 30th June 2022, the Commission achieved the following activities: Recruited additional 374 and 634 (10% of additional) teachers of science, Mathematics and English (SME) for schools in targeted areas; Trained facilitators and teachers of science and mathematics in SBTSS; Developed and adapted teacher support and training materials; piloted and launched live streaming of lessons in ten (10) satellite schools.

Despite the achievements realized by the Commission during the financial year, there were a few challenges; the major one being delay in verification of already achieved results and lack of timely provision of budget which affected the implementation of the project activities and achievement of some of the Disbursement Linked Indicators (DLIs). The court case by Teachers' unions led to delay in implementation of DLIs under Teacher Professional Development (TPD). This has since been settled and TPD is on course. The World Bank, has since allowed revision of the results indicators and timelines.

Never the less, the aforementioned notwithstanding, the Commission is committed to ensuring that, all activities for the remaining part of the project are realized as planned.

DR. NANCY NJERI MACHARIA, CBS

COMMISSION SECRETARY

DATE: 22-09-2022

**SECONDARY EDUCATION QUALITY IMPROVEMENT PROJECT
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

3. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

Secondary Education Quality Improvement Project (SEQIP) project has four components namely; (i) Improving 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 charged with implementation of two sub components i.e. **Reducing teacher shortage** and **Improving quality of teaching of Science Mathematics English (SME) in schools in targeted sub counties**. The following are activities associated with implementation of the two sub components during the year ended 30th June 2022.

Sub component 1.1: Reducing teacher shortage

- a. Recruit and allocate additional 10% of teachers of Science, Mathematics and English in targeted areas,
- b. Review staffing norms
- c. Pilot live streaming of lessons in 12 schools.
- d. Training of TSC Regional and County Directors.

Sub component 1.2: Improving quality of teaching of SME in schools in targeted sub counties.

- a. Assessment and evaluation of SBTSS
- b. Review and adaptation of training materials
- c. Training of facilitators and teachers of science and mathematics
- d. Training of Cluster Resource Team (CRT)
- e. Monitoring of operationalisation of SBTSS in sampled schools by the CRT

PROGRESS MADE ON ATTAINMENT OF PROJECT OBJECTIVES

The timelines for achievement of these objectives are aligned to results that are tied to disbursement of funds also referred to as Disbursement Linked Indicators or Results (DLIs/ DLRs). The table below captures the progress made in achievement of the objectives in FY 2021/2022.

Sub component	Objective	Outcome	Indicator	Performance
Reducing teacher shortage	Allocate and post additional teachers of SME to schools in the targeted areas.	Increased teacher-pupil ratio.	Number of teachers posted to schools in the targeted areas/ Data from Director staffing.	In FY 2021/2022 additional 374 and 634 teachers of SME were recruited and posted to primary and secondary schools in targeted sub

SECONDARY EDUCATION QUALITY IMPROVEMENT PROJECT
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

				counties respectively.
	Pilot of live streaming of lessons	Live streaming of lessons in sampled schools.	Report on live streaming.	Pilot was successful and based on the results the programme will be up scaled to more schools.
	Sensitization of TSC field officers on SEQIP and safeguards.	Regional Directors, County Directors, Regional quality assurance Officers sensitized on SEQIP and safeguards.	Attendance lists Training reports	63 field officers in the counties trained on SEQIP activities.
	Review of staffing norms	Reviewed staffing norms.	Reports on different deliverables as captured in the terms of reference.	The process is approximately 80% done. Two deliverables were carried over to the next financial year.
Enhancing teacher professional development	Midterm assessment of School Based Teacher Support System (SBTSS).	Report on midterm assessment of SBTSS shared with TSC and World Bank.	Report by midterm assessor.	Upscaling of SBTSS training.
	Update and adapt teacher support materials.	Updated teacher support materials.	Updated and adapted science and mathematics training materials for both primary and secondary.	Updated and adapted science and mathematics training materials for both primary and secondary used in training of
	Train science and mathematics teachers in	Training of teachers of science and	Number of teachers trained.	7442 teachers of science and mathematics

**SECONDARY EDUCATION QUALITY IMPROVEMENT PROJECT
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

	SBTSS.	mathematics in SBTSS		
	Monitor and support SBTSS in sampled schools in targeted sub counties.	Improved pedagogical content delivery of science, mathematics and English by teachers in the targeted areas.	Reports from regional and county directors. Teachers trained in SME.	Monitoring and support was carried out by the cluster resource teams.
	Train teachers in modular TPD	Teachers enrolled in TPD	Number of teachers enrolled and engaged in the introductory module of TPD.	85,105 teachers, 4,286 principals, and 6,795 head teachers have enrolled for the introductory module to be completed in December 2022.

**SECONDARY EDUCATION QUALITY IMPROVEMENT PROJECT
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

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 2022. 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 2022, 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 22nd September 2022


DR. NANCY NJERI MACHARIA, CBS

COMMISSION SECRETARY

DATE: 22.09.2022

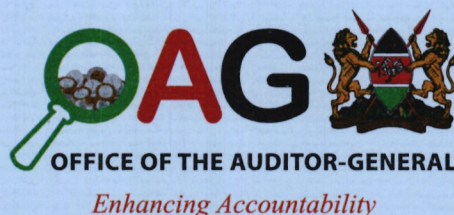

DR. REUBEN NTHAMBURI

PROJECT MANAGER

DATE: 22.09.2022

REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
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NAIROBI

REPORT OF THE AUDITOR GENERAL ON SECONDARY EDUCATION QUALITY IMPROVEMENT PROJECT (IDA CREDIT NO. 6138-KE) FOR THE YEAR ENDED 30 JUNE, 2022 - TEACHERS SERVICE COMMISSION

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 the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines, and manuals and whether public resources are applied in a prudent, efficient, economic, transparent, and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on the 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 Secondary Education Quality Improvement Project (IDA Credit No.6138-KE) set out on pages 1 to 13, which comprise

of the statement of financial assets as at 30 June, 2022, 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, 2022, 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.

Basis for opinion

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparative budget and actual amounts reflects the final receipts budget and actual on a comparable basis of Kshs.450,000,000 and Kshs.272,376,218 respectively resulting in an under-funding of Kshs.177,623,782 (or 39%) of the budget. Similarly, the Project expended Kshs.317,841,547 against an approved budget of Kshs.450,000,000 resulting in an under-expenditure of Kshs.132,158,454 (or 29%) of the budget.

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effects of the matter described in the Basis for Conclusion of Lawfulness and Effectiveness in the Use of Public Resources section of my report, 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.

Un-Surrendered Authority to Incur Expenditure Funds

The statement of financial assets reflects a balance of Kshs.14,326,719 in respect of other receivables as disclosed in Note 11.4 to the financial statements. The balance represents AIEs issued to twenty-six (26) County Directors out of which an amount of Kshs.425,504 is in respect of unspent amount of Kshs.283,854 and Kshs.141,650 for Kisii TSC County Office and the TSC Headquarters respectively which had not been surrendered as at 30 June, 2022. This was contrary to the provisions of Regulation 117 of the Public Finance Management (National Government) Regulations, 2015 which states that where an AIE holder observes that it will not be possible to utilize all the funds allocated for a particular project in a given financial year, the Accounting Officer will then surrender the resources to the National Treasury.

In the circumstances, the Project Management was in breach of the law due to the failure to surrender that amount as prescribed in law.

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 THE 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 International Development Association, 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 Financing Agreement No. IDA 6138-KE dated 27 September, 2017, 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 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 controls, risk management, and overall governance.

In preparing the financial statements, Management is responsible for assessing the Project's ability to sustain its services, disclosing, as applicable, matters related to the 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 Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to 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 of Kenya. 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 controls 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 controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls 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

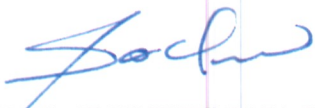
01 December, 2022


**SECONDARY EDUCATION QUALITY IMPROVEMENT PROJECT
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

6. STATEMENT OF RECEIPTS AND PAYMENTS FOR YEAR ENDED 30 JUNE 2022

	Note	2021/2022	2020/2021	Cumulative to-date
			KShs	KShs
RECEIPTS				
Exchequer Releases	11.1	272,376,218	-	762,185,005
TOTAL RECEIPTS		<u>272,376,218</u>	-	<u>762,185,005</u>
PAYMENTS				
Uses of goods and services	11.2	317,841,546	97,300,033	701,010,426
TOTAL PAYMENTS		<u>317,841,546</u>	<u>97,300,033</u>	<u>701,010,426</u>
SURPLUS		<u>(45,465,328)</u>	<u>(97,300,033)</u>	<u>61,174,579</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 22nd September 2022 and signed by:


DR. NANCY NJERI MACHARIA, CBS
COMMISSION SECRETARY
DATE: 22.09.2022


DR. REUBEN NTHAMBURI
PROJECT MANAGER
DATE: 22.09.2022



KENNETH KINYUA MURIUKI
PROJECT ACCOUNTANT
ICPAK MEMBER NUMBER: 1443
DATE: 22.09.2022

SECONDARY EDUCATION QUALITY IMPROVEMENT PROJECT
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022


7. STATEMENT OF FINANCIAL ASSETS AS AT 30 JUNE 2022

	Note	2021/2022 KShs	2020/2021 KShs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	11.3A	47,357,368	73,520,235
Cash Balances	11.3B	-	-
Total Cash and Cash Equivalents		47,357,368	73,520,235
Accounts receivables	11.4	14,326,719	33,865,522
TOTAL FINANCIAL ASSETS		61,684,087	107,385,757
LESS: FINANCIAL LIABILITIES			
Accounts Payables	11.5	509,508	745,850
NET FINANCIAL ASSETS		<u>61,174,579</u>	<u>106,639,907</u>
REPRESENTED BY			
Fund balance b/fwd.	11.6	106,639,907	203,939,940
Surplus/Deficit for the period		(45,465,328)	(97,300,033)
NET FINANCIAL POSITION		<u>61,174,579</u>	<u>106,639,907</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 22nd September 2022 and signed by:



DR. NANCY NJERI MACHARIA, CBS
COMMISSION SECRETARY
DATE: 22.09.2022



DR. REUBEN NTHAMBURI
PROJECT MANAGER
DATE: 22.09.2022



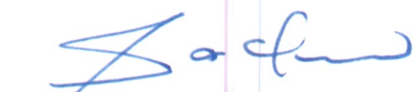
KENNETH KINYUA MURIUKI
PROJECT ACCOUNTANT
ICPAK MEMBER NUMBER: 1443
DATE: 22.09.2022


**SECONDARY EDUCATION QUALITY IMPROVEMENT PROJECT
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

8. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2022

	Note	2021/2022 KShs	2020/2021 KShs
Receipts for operating activities			
Exchequer Releases	11.1	272,376,218	-
Payments for operating activities			
Uses of goods and services	11.2	317,841,546	97,300,033
Adjusted for:			
Changes in receivables	11.7	19,538,803	69,239,885
Changes in Payables	11.8	(236,342)	615,849
Net cash flows from operating activities		(26,162,867)	(27,444,299)
NET CHANGE IN CASH AND CASH EQUIVALENTS		(26,162,867)	(27,444,299)
Cash and cash equivalents at Beginning of the year		73,520,235	100,964,534
Cash and cash equivalents at End of the year		<u>47,357,368</u>	<u>73,520,235</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 22nd September 2022 and signed by:


DR. NANCY NJERI MACHARIA, CBS
COMMISSION SECRETARY
DATE: 22.09.2022


DR. REUBEN NTHAMBURI
PROJECT MANAGER
DATE: 22.09.2022


KENNETH KINYUA MURIUKI
PROJECT ACCOUNTANT
ICPAK MEMBER NUMBER: 1443
DATE: 22.09.2022

**SECONDARY EDUCATION QUALITY IMPROVEMENT PROJECT
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a Kshs	b Kshs	c=a+b Kshs	d Kshs	e=c-d Kshs	f=d/c %
Receipts						
Exchequer Releases	600,000,000	(150,000,000)	450,000,000	272,376,218	177,623,782	61%
Total Receipts	<u>600,000,000</u>	<u>(150,000,000)</u>	<u>450,000,000</u>	<u>272,376,218</u>	<u>177,623,782</u>	<u>61%</u>
Payments						
Uses of goods and services	600,000,000	(150,000,000)	450,000,000	317,841,547	132,158,453	71%
Total Payments	<u>600,000,000</u>	<u>(150,000,000)</u>	<u>450,000,000</u>	<u>317,841,547</u>	<u>132,158,453</u>	<u>71%</u>

The under-utilization at 71% resulted from of reduced project activities occasioned by the interruption of the school calendar due to the COVID – 19 pandemic.



DR. NANCY NJERI MACHARIA, CBS
COMMISSION SECRETARY

DATE: 22.09.2022



DR. REUBEN NTHAMBURI
PROJECT MANAGER

DATE: 22.09.2022



KENNETH KINYUA MURIUKI
PROJECT ACCOUNTANT

ICPAK MEMBER NUMBER: 14437

DATE: 22.09.2022

**SECONDARY EDUCATION QUALITY IMPROVEMENT PROJECT
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

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

10.1.1 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.

10.1.2 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.

10.1.3 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.

10.2 Significant Accounting Policies

a) Recognition of receipts

The Project recognizes 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 2022**

10. 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 recognized in the financial statements the time associated cash is received.

b) Recognition of payments

The Project recognizes 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
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

10. 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 authorized 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 authorized 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 2022**

10. 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 recognized 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 recognized 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 2022.

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 2022**

11. NOTES TO THE FINANCIAL STATEMENTS

11.1 EXCHEQUER RECEIPTS

	2021/2022	2020/2021	Cumulative to-date
	KShs	KShs	KShs
Total Exchequer Releases for quarter 1	-	-	-
Total Exchequer Releases for quarter 2	-	-	-
Total Exchequer Releases for quarter 3	156,766,615	-	504,292,881
Total Exchequer Releases for quarter 4	115,609,604	-	257,892,124
Total	<u>272,376,218</u>	=	<u>762,185,005</u>

11.2 USES OF GOODS AND SERVICES

	2021/2022		2020/2021		
	Payments by the Entity KShs	Payments by third parties KShs	Total Payments	Total Payments KShs	
				Cumulative to- date KShs	
Communication, Supplies and Services	136,000	-	136,000	13,729,150	25,708,789
Domestic Travel and Subsistence	189,936,676	-	189,936,676	23,805,474	234,023,839
Foreign Travel and Subsistence	3,705,314	-	3,705,314	-	3,705,314
Printing , Advertising and Information Supplies and Services	1,764,000	-	1,764,000	-	1,764,000
Training Expenses	118,538,728	-	118,538,728	54,474,500	422,420,733
Hospitality Supplies and Services	83,500	-	83,500	-	83,500
Office and General Supplies and Services	-	-	-	3,912,990	6,208,990
Fuel Oil and Lubricants	2,063,760	-	2,063,760	393,164	2,456,924
Other Operating Expenses	1,613,568	-	1,613,568	979,255	4,632,837
Routine Maintenance - Vehicles	-	-	-	5,500	5,500
Total	<u>317,841,546</u>	=	<u>317,841,546</u>	<u>97,300,033</u>	<u>701,010,426</u>

**SECONDARY EDUCATION QUALITY IMPROVEMENT PROJECT
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

11. NOTES TO THE FINANCIAL STATEMENTS (Continued)

11.3 CASH AND CASH EQUIVALENTS CARRIED FORWARD

	2021/2022	2020/2021
	KShs	KShs
Bank accounts (Note 10.3A)	47,357,368	73,520,235
Cash in hand (Note 10.3B)	-	-
Total	<u>47,357,368</u>	<u>73,520,235</u>

11.3A Bank Accounts

Project Bank Accounts

Central Bank of Kenya [A/c No 1000370882]	47,357,368	73,520,235
Total local currency balances	<u>47,357,368</u>	<u>73,520,235</u>

Special Deposit Accounts

The balances in the Project's Special Deposit Account as at 30 June 2022 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

Description	2021/2022	2020/2021
	KShs	KShs
A/C NAME [SEC.EDUC.QUALITY IMPROV.TSC.DLI.DAA] [A/c No 1000368397]		
Opening balance	333,138,858	314,467,452
Movement due to exchange difference	(21,907,981)	18,671,406
Total amount deposited in the account	448,347,943	-
Total amount withdrawn	(272,669,188)	-
Closing balance	<u>486,909,632</u>	<u>333,138,858</u>

**SECONDARY EDUCATION QUALITY IMPROVEMENT PROJECT
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

11. NOTES TO THE FINANCIAL STATEMENTS (Continued)

11.3B Cash in Hand

	2021/2022	2020/2021
	KShs	KShs
Teachers Service Commission Headquarters	-	-
Total cash balances	=	=

11.4 ACCOUNTS RECEIVABLES

Outstanding Imprest	-	2,836,315
Other Receivables	14,326,719	31,029,207
Total receivables	<u>14,326,719</u>	<u>33,865,522</u>

11.5 ACCOUNTS PAYABLES

Other Payables	509,508	745,850
Total payables	<u>509,508</u>	<u>745,850</u>

11.6 FUND BALANCE BROUGHT FORWARD

Bank accounts	73,520,235	100,964,534
Cash in hand	-	-
Accounts Receivables	33,865,522	103,105,406
Accounts Payables	(745,850)	(130,000)
Total	<u>106,639,907</u>	<u>203,939,940</u>

11.7 (INCREASE)/ DECREASE IN RECEIVABLE

Receivables as at 1st July	33,865,522	103,105,405
Receivables as at 30th June	14,326,719	33,865,521
(Increase)/ Decrease in Receivables	<u>19,538,803</u>	<u>69,239,885</u>

11.8 INCREASE/ (DECREASE) IN ACCOUNTS PAYABLE

Payables as at 1st July	745,850	130,000
Payables as at 30th June	509,508	745,849
(Increase)/ Decrease in Payables	<u>(236,342)</u>	<u>615,849</u>

**SECONDARY EDUCATION QUALITY IMPROVEMENT PROJECT
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

12. PROGRESS ON FOLLOW UP OF AUDITOR'S RECOMMENDATIONS

The following is the summary of issues raised by the external auditor in their letter and the management comments. Focal persons have been nominated to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Ref No. on external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status	Time frame
1.	<p>Receivables- Unspent Balances in the Counties</p> <p>Note 11.4 to the financial statements shows an amount of Kshs. 31,029,206 as other receivables. The balance represents AIEs issued to thirty County Directors that had not been surrendered as at 30 June 2021. The funds are deposited in designated project bank accounts where all payments are made from and a cashbook maintained for each account. The following anomalies were noted about these balances:</p> <p>(i) Two bank accounts held at National Bank in Murang'a and West Pokot reported to hold Kshs. 149,210 had no bank reconciliation provided for audit review.</p> <p>(ii) Twenty-eight bank</p>	<p>The variances related to Kshs. 891,229.80 being Payments yet to clear in the banks</p> <p>i) Payment to trainees that had been rejected by the banks of Kshs. 891,229.80</p> <p>ii) Payments that were yet to clear in the banks of Kshs. 8,369,738.65</p> <p>iii) Bank charges of Kshs. 1,265.00</p> <p>iv) Unspent balances that had already been returned to the Central bank project account of Kshs. 3,358,386.00</p>	Director Finance & Accounts	In Progress	

**SECONDARY EDUCATION QUALITY IMPROVEMENT PROJECT
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

<p>accounts statements reconciliation revealed that there were unexplained variances between the reported bank balance and the reconciled cashbook balance all amounting to a net of Kshs. 10,835,629.85. Under the circumstances, the accuracy of the reported receivables balance could not be confirmed.</p>				
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DR. NANCY NJERI MACHARIA, CBS
COMMISSION SECRETARY
DATE: 22.09.2022

DR. REUBEN NTHAMBURI
PROJECT MANAGER
DATE: 22.09.2022

KENNETH KINYUA MURIUKI
PROJECT ACCOUNTANT
ICPAK MEMBER NUMBER: 1443
DATE: 22.09.2022