

REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

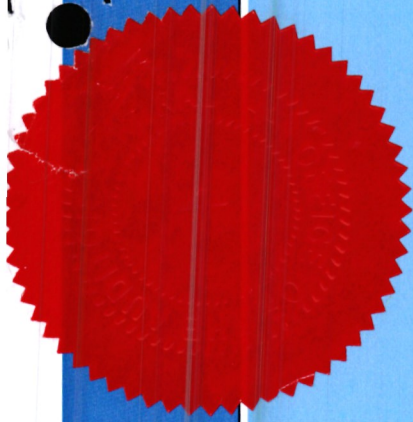
**SECONDARY EDUCATION QUALITY
IMPROVEMENT PROJECT
(CREDIT NO.61380-KE)**

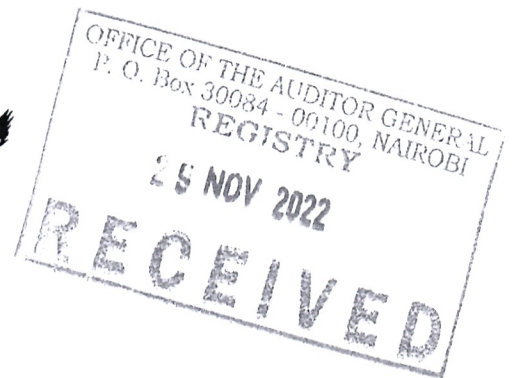
**FOR THE YEAR ENDED
30 JUNE, 2022**

**STATE DEPARTMENT FOR EARLY
LEARNING AND BASIC EDUCATION**

| | |
|-----------------------|---|
| THE NATIONAL ASSEMBLY | |
| DATE: 13 APR 2023 | |
| TABLED BY: | THE LEADER OF THE MAJORITY PARTY (Hon. Kimani Ichung'uwa) |
| CLERK AT THE TABLE: | Joyce Lemereile |
| THURSDAY | |

| | |
|-----------------------|--|
| THE NATIONAL ASSEMBLY | |
| DATE: 13 APR 2023 | |
| TABLED BY: | |
| CLERK AT THE TABLE: | |





PROJECT NAME: SECONDARY EDUCATION QUALITY IMPROVEMENT PROJECT

**IMPLEMENTING ENTITY: STATE DEPARTMENT FOR EARLY LEARNING AND
BASIC EDUCATION**

CREDIT NUMBER. 61380KE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2022

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1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name: The project's official name is **Secondary Education Quality Improvement Project**

Objective: The key objective of the project is to Improve Student Learning and Transition from primary to Secondary Education in the targeted areas

Address: The project headquarters offices are at the County, Ministry of Education, and Located in Nairobi City County, Kenya.

The address of its registered office is:

**Jogoo House B
Harambee Avenue
Nairobi.**

Contacts: The following are the project contacts

Telephone: (254) 02318581

E-mail: [ps@education .go.ke](mailto:ps@education.go.ke)

Website: www.education.go.ke

Secondary Education quality Improvement Project
Annual Report and Financial Statements for the financial year ended June 30, 2022

PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.2 Project Information

| | |
|----------------------------|---|
| Project Start Date: | The project start date is 27/9/2017 |
| Project End Date: | The project end date is 31/12/2023 |
| Project Manager: | The project manager is Ms Jane Mbugua |
| Project Sponsor: | The project sponsor is International Development Association (IDA) |

1.3 Project Overview

| | |
|--|---|
| Line Ministry/State Department of the project | The project is under the supervision of the Ministry of Education, State Department for Early Learning and Basic Education. |
| Project number | P160083 |
| Strategic goals of the project | The project activities are aligned with the Government strategic objective of providing quality basic education for Kenya's sustainable development. |
| Achievement of strategic goals | The project management aims to achieve the goals through the following means: (i) Average student test score in science subjects at form 2 at public schools in target sub counties. (ii) Average student test score in mathematics at form 2 at public schools in target sub counties Average student test score (iii) Transition rate from primary to secondary schools in targeted sub- counties. |
| Other important background information of the project | The project is being implemented in 7,852 primary schools and 2,147 secondary schools from 110 sub counties in 30 counties in vulnerable and marginalized areas. The project is being implemented by the Ministry of Education, State department for Early Learning and Basic Education as the main implementing partner in collaboration with Teachers Service Commission (TSC), Kenya Institute of Curriculum Development (KICD), Kenya National Examination Council (KNEC) and Centre for Mathematics, Science and Technology Education in Africa (CEMASTEIA). |
| Current situation that the project was formed to intervene | The project was formed to intervene in the following areas: (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. |
| Project duration | 27 September 2017 to 31 December 2023 |

PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.4 Bankers

The following are the bankers for the current year:

1. Local currency accounts.

(i) Central Bank of Kenya – Account No.1000387912
Haile Selassie Avenue,
P.O Box 60000-0200,
Nairobi, Kenya.

(ii) Central Bank of Kenya – Account No.1000370898
Haile Selassie Avenue,
P.O Box 60000-0200,
Nairobi, Kenya.

2. Foreign Currency Accounts

(i) Central Bank of Kenya – Account No.1000356669
Haile Selassie Avenue,
P.O Box 60000-0200,
Nairobi, Kenya

(ii) Central Bank of Kenya – Account No.1000368427
Haile Selassie Avenue,
P.O Box 60000-0200,
Nairobi, Kenya

1.5 Auditors

The project is audited by:

**Auditor-General
Anniversary Towers
Office of the Auditor-General
P.O Box 30084-00100
Nairobi**

PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.6 Roles and Responsibilities

| Names | Title designation | Key qualification | Responsibilities | Contact Information |
|-------------------|---|--|--|--|
| Elijah Mungai | Ag. Director Project Coordination and Delivery | Master in Education | Providing Leadership in project coordination and Delivery | Mobile: 0722 446 226 Email:ekarismungai2@gmail.com |
| Jane Mbugua | Deputy Director Education (National Project Coordinator) | Master in planning and Economics | Project Manager | Mobile: 0723 925 251 Email:janmbug@gmail.com |
| Grace Njoki | Principal Accountant | CPA (K) ,BCOM, MSC Finance | Project Accountant | Mobile: 0723 316 840 Email: gracewanjiku@ymail.com |
| John Ongosi | Deputy Director Education | Master in Education | Lead for component 2 (Improving retention in upper primary and transition school in targeted areas) | Mobile: 0722 724126 Email: ongosijohn@gmail.com |
| Catherine Micheni | Deputy Director Education | Master in Education | Lead for Component 3 (System reform support) | Mobile: 0719 448 255 Email: cmicheni45@gmail.com |
| Kezziah Wandera | Deputy Director Education | Master in Education | Lead for Component 4(Project management, coordination, and monitoring and evaluation. | Mobile: 0722 945 735 Email:kezwandera@gmail.com |

PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.7 Funding summary

The Project is for duration of six (6) years from 2017 to 2023 with an approved budget of Euros 175.5 Million equivalent to KShs 20 billion as highlighted in the table below:

A. Source of Funds.

| Source of funds | Donor Commitment- | | Amount received to date – (30, June 2022) | | Undrawn balance to date | |
|--|---------------------------|-----------------------|--|-------------------|-------------------------|-----------------------|
| | Donor currency (Euros) | KShs | Donor currency (Euros) | KShs | Donor currency KShs | KShs |
| | (A) | (A') | (B) | (B') | (A)-(B) | (A)-(B) |
| (i) Loan | | | | | | |
| International Development Association | 175,500,000 | 20,887,017,898 | 75,921,915 | 99,578,085 | 9,035,797,113 | 11,851,220,783 |
| Total | 175,500,000 | 20,887,017,898 | 75,921,915 | 99,578,085 | 9,035,797,113 | 11,851,220,783 |

PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

A. Source of Funds

| Source of funds | Donor Commitment- | | Amount received to date – (June,30 2022) | | Undrawn balance to date | |
|---------------------------------------|-------------------------------|-----------------------|--|-------------------|-------------------------------|-----------------------|
| | <i>Donor currency (Euros)</i> | <i>KShs</i> | <i>Donor currency (Euros)</i> | <i>KShs</i> | <i>Donor currency (Euros)</i> | <i>KShs</i> |
| | (A) | (A') | (B) | (B') | (A)-(B) | (A)-(B) |
| (i) Loan | | | | | | |
| International Development Association | 175,500,000 | 20,887,017,898 | 75,921,915 | 99,578,085 | 9,035,797,113 | 11,851,220,786 |
| Total | 175,500,000 | 20,887,017,898 | 75,921,915 | 99,578,085 | 9,035,797,113 | 11,851,220,786 |

B. Application of Funds

| Application of funds | Amount received to date – (30 June ,2022) | | Cumulative Amount paid to date – (30, June 2021) | Unutilised balance to date (30 June,2021) | |
|--|---|----------------------|--|--|----------------------|
| | <i>Donor currency (Euros)</i> | <i>Kshs</i> | | <i>Donor currency</i> | <i>Kshs</i> |
| | (A) | (A') | (B') | (A)-(B) | (A')-(B') |
| (i) Loan | | | | | |
| International Development Association. | 45,840,400 | 5,770,268,840 | 6,741,465,535 | 22,405,184 | 2,415,967,782 |
| Total | 45,840,400 | 5,770,268,840 | 6,741,465,535 | 22,405,184 | 2,415,967,782 |

PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.8 Summary of Overall Project Performance

(i) Budget performance against actual amounts for current year and for cumulative to-date,

During the year under review, the project received Kshs. 974,283,967 against a cumulative expenditure of Kshs 3,304,971,376

(ii) Physical progress based on outputs, outcomes and impacts since project commencement,

The Table below shows the project Physical progress based on outputs, outcomes and impacts since its inception.

| Objective | Project Outcome | Outputs |
|---|--|---|
| To Improve Quality of Education in the targeted areas | Reduced Science, Mathematics and English Teacher Shortages in Targeted Sub Counties | <ul style="list-style-type: none"> ● TSC recruited 2,506 teachers since the FY 2017 ● Teacher shortage reduced by 547 in primary schools ● 1,959 for secondary schools |
| | Pedagogical Content Knowledge (PCK) of Teachers Teaching Mathematics, Science and English Enhanced | <ul style="list-style-type: none"> ● Trained 22942 SME teachers in 68 cluster centers. ● SBTSS operational in 2,000 primary schools and 500 secondary schools ● Trained 22942 SME teachers in 68 cluster centers. ● SBTSS operational in 2,000 primary schools and 500 secondary schools |
| | Improved Learner: textbook ratio in Science, English and Mathematics text books in Public Secondary (Form 1-4) and Primary Schools (Grades 7 and 8) and SNE Learners Support Enhanced through Instructional and Learning Materials | <ul style="list-style-type: none"> ● 2,254,782 Science, Mathematics and English Text Books distributed to Grades 7& 8 Learners in 7,852 primary schools 4,329,0 ● 57 Were distributed to learners in Forms 1-4 in 2,147 Secondary schools ● 85% and above schools are reporting a 1:1 textbook ratio |

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| | | |
|---|--|--|
| <p>Improving Retention In Upper Primary School And Transition To Secondary School In Targeted Areas</p> | <p>Improved School Learning environment</p> | <ul style="list-style-type: none"> • The Design and Construction and Supervision Consultants hired • A needs Assessment for infrastructure conducted in about 3,000 Primary schools, 1,000 Secondary schools and 75 schools for learners with special needs. • The Environmental and Social Management plans developed and approved by both the World Bank and NEMA • Drawing and design for construction of classrooms, laboratories and sanitation facilities developed and approved by the Ministry of Public Works |
| | <p>Increased Retention and Transition of Poor and Vulnerable Children in Upper Primary</p> | <ul style="list-style-type: none"> • 6,675 out of Gender Champions in 7,582 in targeted primary schools 220 Chiefs, 32 MOE/TSC National Staff and 224 Field Officers (MoE& TSC) |
| | <p>Improved school attendance and retention of learners from poor households and vulnerable backgrounds in upper primary education</p> | <p>1,478,135 girls from the primary schools in the 110 Sub-Counties have been provided with Sanitary towels</p> |
| | <p>Enhanced Transition And Retention of Poor and Vulnerable Learners in Secondary Education</p> | <p>Scholarships provided to 18,000 Elimu scholarship beneficiaries</p> |
| <p>To introduce and roll out CBC from grades 4-9</p> | <p>Curriculum for Grades 4 to 9 Attuned and Responsive to Social Economic Reality of Kenya in place</p> | <ul style="list-style-type: none"> • Curriculum designs for Grades 4 to 6 developed • Draft Curriculum designs for Grades 7 to 9 developed • Curriculum designs for Grades 4 to 6 adapted for SNE learners |

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| | | |
|---|---|--|
| | | <ul style="list-style-type: none"> • Curriculum designs for Grades 4 to 6 validated and approved • 70,000 grade 4 teachers trained on CBC • 70,000 teachers trained on CBC • Competency Based Curricula (CBC) rolled out in grades 4 and 5 • Curriculum support Materials approved and distributed to schools |
| Strengthening of Monitoring Learner Achievement and National Examinations | Formative Assessment (CBA) System for Basic education Developed and Implemented | <p>CBA Frame work Developed</p> <ul style="list-style-type: none"> • Stakeholders sensitized on CBA • 70,000 grade 4 teachers trained on CBA • 70,000 teachers trained on CBA • Internet Security servers procured • NEC staff trained on internet security and item development |
| To enhance evidence-based decision making | Improved Sector governance | <ul style="list-style-type: none"> • Prevalence of GBSV and policy framework prepared. • Baseline survey for high drop out rates for upper Primary grades 7 and 8 and Sub County Specific Advocacy Salient issues developed • Capacity Assessment of Jomo Kenyatta Foundation conducted on Coordinate Management and Regulation of scholarships |

(iii.) Comment on value-for-money achievements

Through the initiative under SEQIP, the Ministry initiated a Centralized procurement of core text books for the primary and secondary schools, data verification before every disbursement done for FPE and FDSE funds and stringent guidelines for inclusion in the FPE and FDSE database. This initiative ensures savings and efficiency in the achievement of the desired educational outcomes.

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(iv.) Absorption rate for each year since the commencement of the project.

| Financial Year | Exchequer Issues (Receipts) Kshs | Fund Balances b/fwd Kshs. | Total Receipts Kshs | Expenditure Kshs | Absorption Rate |
|----------------|----------------------------------|---------------------------|---------------------|----------------------|-----------------|
| 2016/17 | 51,512,424 | - | 51,512,424 | 14,176,607 | 27.52% |
| 2017/18 | 558,676,453 | 37,335,817 | 596,012,270 | 247,637,058 | 41.55% |
| 2018/19 | 2,305,926,153 | 348,375,212 | 2,654,301,365 | 817,421,643 | 30.8% |
| 2019/20 | 345,520,825 | 1,836,879,722 | 2,182,400,547 | 1,432,603,439 | 65.64% |
| 2020/21 | 2,508,632,985 | 749,790,317 | 3,258,423,302 | 842,462,321 | 25.85% |
| 2021/22 | 971,196,695 | 2,414,074,806 | 3,385,271,501 | 3,304,971,376 | 90% |
| TOTAL | 6,741,465,535 | | | 6,661,137,610 | |

(v) List the implementation challenges and recommended way forward.

| Challenges | Mitigation Measures |
|--|--|
| 1.Prolonged Procurement process has delayed implementation of project activities across component | 1.Fast-tracking the signing of contracts |
| 2.Inadequate funds for some components such as infrastructure and scholarship | 2.Reallocation of funds for the component |
| 3.Scholars dropping out of the program | 3.Fast tracking of implementation of mentorship and gender sensitization activities |
| 4.Inadequate funds for procurement of assistive devices for all SNE learners | 4.Additional funding for procurement of assistive devices |
| 5. Inability to carry out activities during the school term due to unavailability of teachers | 5.All activities have been scheduled to take place during midterm breaks and school holidays |
| 6.limited interaction with teachers, learners and Cluster Resource Teams due to COVID 19 restrictions.(only one term) | 6.Retaining more resource persons |
| 7.Teachers were not able to create remote learning due to limited basic digital literacy, and low/ lack of internet connectivity | 7.Train the teachers on digital literacy |
| 8.Low absorption of funds | 8.Fast tracking implementation of project activities |

1.9 Summary of Project Compliance:

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The program has ensured that all its activities carried out are within the laws of the republic of Kenya and that all regulations and procedures have been followed. Among the regulations include the Environmental and Social Impact Assessment (ESIA) for which authority was issued for the implementation of the project. In cases of inconsistency between the GOK Regulations and those of Donors, the latter have been applied.

2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETRMINED OBJECTIVES

Introduction

Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer when preparing financial statements of each National Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the national government entity's performance against predetermined objectives.

The key development objectives of the project's agreement are to:

- a. To Improve Quality of Education in the targeted areas
- b. Improving Retention In Upper Primary School And Transition To Secondary School In Targeted Areas To introduce and roll out CBC from grades 4-9
- c. Strengthening of Monitoring Learner Achievement and National Examinations
- d. To enhance evidence-based decision making

Progress on attainment of Strategic development objectives

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement: Below we provide the progress on attaining the stated objectives:

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| Project | Objective | Project Outcome | Indicator | Outputs |
|---|---|--|---|--|
| Secondary Education Quality Improvement Project | To Improve Quality of Education in the targeted areas | Reduced Science, Mathematics and English Teacher Shortages in Targeted Sub Counties | 10% of new teacher posts, in addition to annual pro rata of teacher posts, recruited for schools with high shortages per the established baseline and on duty | <ul style="list-style-type: none"> ● TSC recruited 2,506 teachers since the FY 2017 ● Teacher shortage reduced by 547 in primary schools ● 1,959 for secondary schools |
| | | Pedagogical Content Knowledge (PCK) of Teachers Teaching Mathematics, Science and English Enhanced | The number of targeted primary and secondary schools in which SBTSS has been operationalized | <ul style="list-style-type: none"> ● Trained 22942 SME teachers in 68 cluster centers. ● SBTSS operational in 2,000 primary schools and 500 secondary schools ● Trained 22942 SME teachers in 68 cluster centers. ● SBTSS operational in 2,000 primary schools and 500 secondary schools |
| | | Improved Learner: textbook ratio in Science, English and Mathematics text books in Public Secondary (Form 1-4) and Primary Schools (Grades 7 and 8) and SNE Learners Support Enhanced through Instructional and Learning Materials | The percentage of schools reporting student-textbook ratio of 1:1 in science, mathematics, and English at grades 7 and 8 and Form 1 in targeted sub-counties | <ul style="list-style-type: none"> ● 2,254,782 Science, Mathematics and English Text Books distributed to Grades 7& 8 Learners in 7,852 primary schools 4,329,0 ● 57 Were distributed to learners in Forms 1-4 in 2,147 Secondary schools ● 85% and above schools are reporting a |

3. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

SEQIP is aligned to the Government's aspirations as stipulated in the Kenya Country Partnership Strategy (2014–18) of building human capital by enhancing more learner's complete secondary education.

SEQIP will contribute directly to the twin goals of the World Bank's global strategy: ending extreme poverty and boosting shared prosperity in a sustainable manner.

SEQIP, in particular focuses on transformation of lives for the households in the most educationally and economically disadvantaged areas, by benefitting the poorest and most vulnerable children. Enhancing equity in provision of quality and relevant education is the Ministry's purpose; the driving force behind everything we do. It's what guides us to deliver our strategy. Below is a brief highlight of our activities that drive towards sustainability.

1. Sustainability strategy and profile

The Project is being implemented within the existing government structures to enhance strengthening of the system governance. The project has two Financing models:

- (i) The traditional Investment Project Financing(IPF)
- (ii) Results Based Financing (RBF).

The Results- Based Financing model is aimed to support the Government in focusing her efforts on agreed program implementation progress and performance targets. This in turn will lead to a stronger and robust M&E system, improve planning and thus, more efficient allocation of resources. Moreover, lessons learnt on system support, process evaluations for continual adjustments and improvements, will be aligned with government reforms, for sustainability and possible scale-up of project initiatives.

The likelihood of sustained implementation of SEQIP by the GoK beyond the project period is promoted by five factors:

- i. The Project enjoys political good will in that:
 - (a) Education is a high priority and
 - (b) There is a strong, steadfast commitment to addressing the acute and chronic deficiencies in school participation at the upper primary and secondary levels, as well as in the quality of service delivery.
- ii. The Government of Kenya led the design of SEQIP, ensuring that the design process is participatory with consultations with a range of internal and external stakeholders.
- iii. During implementation of SEQIP, the Management plans to continue its engagement with internal and external stakeholders, with proactive engagement on program status and performance as well as feedback gathering and redressal. This continuous engagement is likely to help build wide and deep

ownership and consensus. Partnership with the private sector in relevant activities, such as the scholarship program, where the private sector has the advantage of experience and an established management system, adds to implementation sustainability.

- iv. The substantial system reform support and evaluative work to continually improve processes and inform scale-up and policy options will provide a solid foundation for continued implementation of initiatives beyond the project. And
- v. The requirements in terms of additional government budgetary resources for SEQIP initiatives are expected to be minimal, as the initiatives are in line with the Government's education reform agenda.

SEQIP is aligned to the World Bank's Africa Development Strategy priority to accelerate the demographic transition and harness the demographic dividend through reducing extreme poverty and shared boosted prosperity. The Elimu Scholarship Programme aims at improving transition of learners from primary to Secondary education in the targeted Sub-Counties. Participation in secondary school is associated with lowered fertility; by enabling more girls in poor regions to attend secondary school, the project will contribute to this objective. However, the project targeted to benefit 18,000 learners in 2 cohorts of 9,000 learners each. There is therefore need for the government to avail funds to ensure continuity of this programme.

The school Based Teacher Support system has been designed to mirror the Shanghai model of in-service training for teachers. However, the model is only exposed to the teachers in both the primary and secondary education in the targeted areas who are bound to be transferred to other schools for various reasons.

2. Environmental performance

One of the major interventions under Component 2 of the project that is earmarked to improve retention of learners in primary schools and transition of learners from Primary to secondary education is improving school environment through construction of additional classrooms, science laboratories, and sanitation facilities. The implementation of these activities will result in potential environmental and social impacts; the impacts may be reversible, localized, and easily and cost-effectively mitigated. These interventions have triggered World Bank Safeguard Policies; OP/BP 4.01 Environmental Assessment; OP/BP 4.10 Indigenous Peoples and OP/BP 4.11 Physical Cultural Resources.

To this end, the Ministry of Education prepared both the vulnerable and Marginalised Groups Framework (VMGF) and an Environmental and Social Management (ESMF) which set out the principles, rules, guidelines and procedures to assess the environmental and social impacts. The required supplementary safeguard instruments such as; ESIA's and ESMP's have been prepared. The contractors who will be engaged by the Ministry for the construction works are expected to comply all the environmental, health and safety aspects of the Project at the sub-projects level spelt out in policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA) with the ESMF of the project, country's environmental requirements, and the World Bank's Safeguard Policies and guidelines

3. Employee welfare

The Project Implementation Team comprises of the full time staff who are employees of the implementing agencies drawn from the Ministry of Education (MoE), Teachers Service Commission(TSC), the Kenya Institute of Curriculum Development (KICD), the Kenya National Examinations Council(KNEC) and the Centre for Mathematics, science and Technology in Africa (CEMASTEIA). The staff from MoE are hired in consultation and under the policies of the Public Service Commission in which the one-third gender-rule is adhered to. The rest of the staff from other agencies are hired in accordance to the policies of respective institutions. In addition, the implementation of the project activities is being supported by consulting firms who are recruited through a competitive process.

It was envisaged that project funds would continually support the capacity building of Project implementation team. The MoE Human Resource Department appraises staff annually and provides for their career progression. The mandate of the Directorate of Human Resource management and Development is to ensure compliance with the standards as spelt out in policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA).

4. Market place practices-

a) Responsible Supply chain and supplier relations

The Organization ensures an open channel communication by posting any relevant information to suppliers through the official website. In addition, in case of complex tenders the organization normally organizes a pre-bid meeting to share information with prospective bidders. In regard to implementing signed contracts the organization has a unit of officers overseeing contract management which ensures timely delivery and payment of suppliers in accordance with the contract.

b) Responsible Ethical Practice

The organization is guided by core procurement principles which guide the procurement namely; Value for money, Economy, Integrity, Fit for purpose, Efficiency, Transparency and Fairness. In this regard Open competitive approach to market is the Organizations preferred approach as it provides all eligible prospective competitors/bidders with timely and adequate advertisement of our opportunities.

c) Regulatory impact Assessment.

The organization as guided by the Core Procurement Principle on fairness and transparency, all opportunities are placed in the widely circulated dailies, posted in the organization official

website and also in the World Bank External Website through the Systematic Tracking of Exchange in Procurement (STEP)

5. Community Engagements

The SEQIP activities in different components seeks to ensure increased community participation in problem analysis and planning which in turn motivates and activates communities to address education needs. The wider community support schools in various ways; financially for specific tasks, in-kind contributions with man power for school-related tasks. Parents support learners on return to school leading to low learner absenteeism through indirect or direct costs. The community/ parents hold duty bearers /school managements and teachers to account for delivery of quality education. They support in establishing project support committees, enhancing capacity of each other to fully participate in the project/ matters education and ensuring that they participate in income Generating Activities (IGAs) hence support learners in case of additional financial needs.

There has been a series of consultative engagement with the stakeholders on project activities. For instance, the introduction and roll out of the Competency Based Curriculum and its assessment.

In addition, the beneficiaries of the Elimu Scholarship programme are identified by the Community Selection Advisory Committees.

The Stakeholder Engagement Plan is among the project documents that guide all the implementing agencies on engagement with all the stakeholders.

4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Principal Secretary for the State Department for Early Learning and Basic Education and the Project Coordinator for Secondary Education Quality Improvement (SEQIP) are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year ended on **June 30, 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 (v) Making accounting estimates that are reasonable in the circumstances.


The Principal Secretary for the State Department for Early Learning and Basic Education and the Project Coordinator for Secondary Education Quality Improvement (SEQIP) accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The Principal Secretary for the State Department for Early Learning and Basic Education and the Project Coordinator for Secondary Education Quality Improvement (SEQIP) are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year ended **June, 30 2022**, and of the Project's financial position as at that date. **The Principal Secretary for the State Department for Early Learning and Basic Education and the Project Coordinator for Secondary Education Quality Improvement (SEQIP)** further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

The Principal Secretary for the State Department for Early Learning and Basic Education and the Project Coordinator for Secondary Education Quality Improvement (SEQIP) confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

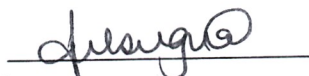
Approval of the Project financial statements

The Project financial statements were approved by the **Principal Secretary** for the **State Department for Early Learning and Basic Education** and the **Project Coordinator** for **Secondary Education Quality Improvement (SEQIP)** on 30th SEPT 2022 and signed by them.



Principal Secretary

Name: **DR. JULIUS JWAN**



Project Coordinator

Name: **JANE MBUGUA**



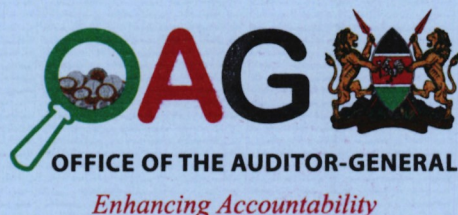
Project Accountant:

Name: **GRACE NJOKI**

ICPAK Member Number: **8829**

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON SECONDARY EDUCATION QUALITY IMPROVEMENT PROJECT (CREDIT NO.61380-KE) FOR THE YEAR ENDED 30 JUNE, 2022 – STATE DEPARTMENT FOR EARLY LEARNING AND BASIC EDUCATION

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards, and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines, and manuals and whether public resources are applied in a prudent, efficient, economic, transparent, and accountable manner to ensure Government achieves value for money and that such funds are applied for 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 controls, 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

Qualified Opinion

I have audited the accompanying financial statements of Secondary Education Quality Improvement Project set out on pages 1 to 23, 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 comparison of budget and actual amounts for the

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

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, 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 the Financing Agreement No. IDA 61380-KE dated 27 September, 2017 between the Republic of Kenya and the International Development Association and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Non-Itemization of Budget Line Items

Review of the approved budget for the financial year 2021-2022 indicated that the allocations were based on activities, however, there were no budget line items linked with the activities to enable comparison with the format of the financial statements and the Government Chart of Accounts. This was contrary to the International Public Sector Accounting Standards (IPSAS) 24 on the presentation of budget information in financial statements.

In the circumstances, the accuracy of the budget as approved and the allocation to the various line items could not be confirmed.

2.0 Unreconciled Special Account Statements

The statement of receipts and payments reflects proceeds from external development partners amount of Kshs.971,196,695 as disclosed in Note 1 to the financial statements. However, the corresponding account balance in the special account statement reflected a withdrawal amount of Kshs.972,195,810 resulting in an unreconciled and unexplained variance of Kshs.999,115. Further, the special deposit accounts movement schedule reflects an amount of Kshs.326,452,939 being the total amount withdrawn in respect of the special account which was at variance with the corresponding nil withdrawal in the special account statement as at 30 June, 2022 resulting in an unexplained variance of Kshs.326,452,939.

In the circumstances, the accuracy and completeness of the special deposit account of Kshs.971,196,695 could not be confirmed.

3.0 Undisclosed Bank Account Balance

The statement of financial assets reflects a bank balance of Kshs.83,308,697. However, review of the Equity Group Foundation bank statements revealed that the account had a balance of Kshs.17,923,635 as at 30 June, 2022 which was not disclosed in the Project's financial statements. Further, the Project Management did not provide information and documents on the scholarship beneficiaries and a list of those who did not receive the scholarships, or the reasons for the failure to remit the scholarship funds.

In the circumstances, the accuracy and completeness of the bank balance of Kshs.83,308,697 could not be confirmed.

4.0 Irregularities in the Operation of the Elimu Scholarship Fund

The statement of receipts and payments reflects cumulative other grants and transfers and payments amounting to Kshs.3,009,313,011 as disclosed in Note 6 to the financial statements in respect of SEQIP transfers to Equity Group Foundation. The following anomalies were noted: -

4.1 Unsupported List of Beneficiaries

The Project Management did not provide an approved list of beneficiaries against which the transfers were made. In the absence of the approved list by the Ministry, the audit could not establish whether the Foundation disbursed funds to bona fide students.

4.2 Unapproved Change of Contract Terms

Review of contract documents revealed that the Project Management entered into an agreement the Foundation for Consultancy Services for the Design and Support, Implementation of Scholarship, Mentorship, Gender Sensitization, and Social Support Programme for secondary students under the Secondary Education Quality Improvement Project (SEQIP) through contract-MOE/SEQIP/NCB/07/2017-2018 dated 21 November, 2019. The contract did not provide for the transfer of funds to the Foundation for onward transfer to Schools and the Procurement of School kits. The Project Management did not provide evidence to prove that the transfer of roles by the Ministry to the Foundation was approved by The National Treasury, World Bank, and the Cabinet Secretary for the Ministry of Education.

4.3 Unauthorized Opening and Operation of Project Bank Account

The Project Management transferred an amount of Kshs.2,102,385,727 to the Foundation during the year under review. However, the Project Management did not provide the following for audit verification: -

- i. Approval from The National Treasury to open the account in accordance with Section 28(1) of the Public Finance Management Act, 2012;
- ii. Details of the signatories to the account;
- iii. Monthly reports reconciling payments from the account with the recipient school in the list of approved Elimu Scholarship beneficiaries;
- iv. Monthly reports of uncleared amounts detailing the intended recipients which should be verified and approved by the client to ensure funds are allocated to the relevant cost centre;
- v. A sample of payments amounting to Kshs.2,347,473,772 analyzed from an extract in the Foundation Account revealed payments for which the Project Management did not provide supporting documents with details on the payee and bank details to which these payments were made. Further, the Project Management did not provide evidence of interest earned while the funds remained in the account;

- vi. Review of the bank statements reflected transfers to other bank accounts. However, the monthly returns indicating the details of the transferee, purpose of the transfers, the intended beneficiary, and acknowledgement by the schools or students were not provided for audit; and,
- vii. Bank credit with different particulars such as unutilized transfers and transport, banked cheques, bank transfers were noted. However, the intended recipient/source and reasons for the credit entries were not provided for audit review.

4.4 Unapproved Procurement and Distribution of School Kits

Review of the approved budget revealed that Kshs.938,286,789 was allocated for procurement of school kits for Elimu Scholarship Beneficiaries Cohort 1 and Cohort 2 as per the approved annual work plan. The procurement was made by the Equity Group Foundation without a contract and was based on an addendum made to the original contract. The Project Management did not obtain approval from The National Treasury, The World Bank, and the Cabinet Secretary - Ministry of Education authorising the procurement to be conducted by the Equity Group Foundation. Further, field verification conducted during the month of November, 2022 revealed the following anomalies: -

- i. Bank charges for the card management were born by the student which was affecting the transport of some of the students as transport is based on actual charges;
- ii. Some students had their approved transport reduced without any explanation, while other students were not provided with sufficient amount to take them to school and back home;
- iii. During monitoring and evaluation by the Project Management, it was noted that the school kits had items that were reduced or omitted as follows; books, ream papers, slippers, sugar, blue band, shoe brush, cocoa, and revision books. The reduction of the items had material implications on the contract sum and support to the students. However, no contract variation was made to cater for the reduction in the school kit;
- iv. Form three (3) students interviewed raised concerns that there were important materials like set books, geometrical sets, calculators, mathematical tables, and trips not provided for;
- v. Most of the schools were sending the students home for Parent Teachers Association (PTA) fees, development fees or other fees not paid for. This was contrary to circular reference No. MOE/HQS/3/10/18 of 12 July, 2022 exempting the students from paying any other fees;
- vi. Three (3) students in Makueni Girls Secondary School had visual impairment which was affecting their studies and needed medical attention. However, the Project had not factored in medical issues affecting the scholars which could have impacted on their studies;
- vii. Most of the students in Form three (3) did not receive the second pair of uniforms and Physical Education (PE) kits;

4.5 Students Benefiting from More than One Scholarship Programme

Review of sampled fees statement on students under Elimu Scholarship revealed that some students had fees overpayment amounting to Kshs.1,300,760 as a result of benefiting from more than one scholarship programme. This was especially noted in Kwale County where the County Government of Kwale sponsors students who qualify for National Schools on full scholarship. It was noted that the Elimu Scholarship Programme did not have structures in place to prevent multiple scholarships which may disadvantage other needy students.

4.6 Indiscipline and Poor Performance of Students under Elimu Scholarship Programme

The Project Management did not set the benchmark to be used in appraising compliance with the requirements in the Project Appraisal Document which stipulates that a scholar would continue to enjoy programme benefits until she/he completed Form Four (4), subject to satisfactory school attendance, behavior and academic performance. Interviews with the Teacher Gender Champions of the various sampled schools indicated that the performance of some of the students under the Elimu Scholarship Programme was deemed poor with cases of indiscipline.

4.7 School Fees Arrears for Form One Students

Field verification in sampled schools revealed that school fees had not been paid for Form 1 students for the whole year. This was contrary to the SEQIP Project Appraisal Document which provides that the second intervention, a secondary school scholarship program combined with child-specific mentorship, would support deserving primary school graduates in the targeted sub-counties who did not have the means to continue their education. The children eligible for the scholarship were to be selected from Grade 8 cohorts in the targeted areas in the first and second years of the Project. Scholarship recipients were to have their school fees (including boarding fees) paid for at the beginning of Form 1 at schools to which the students were admitted.

In the circumstances, the accuracy, occurrence, regularity, and validity of the expenditure of Kshs.2,102,385,727 in respect of other grants and transfers and payments for the Elimu Scholarship Fund could not be confirmed. Further, the contract for the disbursement of funds through Equity Group Foundation and procurement of the school kits was irregular.

5.0 Funding Summary

The Project's information and overall performance and funding summary at Note 1.7 reflects cumulative IDA amount received totalling Kshs.99,578,085, which differs with cumulative to date amount of Kshs.6,741,465,535 shown in the statement of receipts and payments. The difference was not explained or supported.

In the circumstances, the accuracy of the financial statements could not be confirmed.

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 qualified opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects the final receipts budget and actual on a comparable basis of Kshs.3,700,000,000 and Kshs.971,176,695 respectively resulting in an under-funding of Kshs.2,728,823,305 (or 74%) of the budget. Similarly, the Project expended an amount of Kshs.3,304,971,376 against an approved budget of Kshs.3,700,000,000 resulting in an under-expenditure of Kshs.395,028,624 (or 11%) of the budget. Further, the revised budget and annual work plan for the financial year ended 30 June, 2022 reflects an amount of Kshs.4,541,385,469 while the final budget as reported in the statement of comparison of budget and actual amounts reflected a balance of Kshs.3,700,000,000 resulting in an unexplained and unreconciled variance of Kshs.841,385,469.

The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

Key Audit Matters

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

Other Matter

Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, the Management had not resolved the issues nor given any explanation for the failure to implement the recommendations.

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 matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Failure to Return Unspent Funds for Re-Voting

The SEQIP implementing Agencies - Kenya National Examination Council (KNEC) and Kenya Institute of Curriculum Development (KICD) had balances of Kshs.150,076,157 and Kshs.247,433,842 respectively. This resulted in cumulative unspent funds of Kshs.397,509,999 as at 30 June, 2022. The funds were not returned to the Project account for re-voting. This was contrary to Regulation 117 of the Public

Finance Management (National Government) Regulations, 2015 which stipulates that an A.I.E holder should ensure that the funds are re-voted for the Project in the following financial year.

In the circumstances, Management was in breach of law.

2. Irregular and Highly Priced Consultancy Services

Review of records revealed that the Project had entered into an agreement with Equity Group Foundation for consultancy services for design and support, implementation of scholarship, mentorship, gender sensitization and social support programme for secondary students through contract-MOE/SEQIP/NCB/07/2017-2018 dated 21 November, 2019 at a sum of Kshs.1,131,568,762. The Project total cost was estimated at Kshs.4,955,050,000 at the time the contract was signed and aimed at enhancing transition and retention of poor and vulnerable learners in secondary education. This is as outlined in subcomponent 2.2: of the SEQIP Project Appraisal Document.

The single contract price is 22.83% of the total cost of the Project. This casts doubt on whether public resources have been applied in an effective, efficient and economical manner while determining the cost of the Equity Group Foundation consultancy services.

In the circumstances, the effectiveness and economy in the use of public resources could not be established.

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 controls, risk management, and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

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

Nairobi

07 December, 2022


Secondary Education quality Improvement Project
Annual Report and Financial Statements for the financial year ended June 30, 2022


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

| Note | 2021/2022 | | | 2020/2021 | | | Cumulative to-date (From inception) |
|--|--|--------------------------------|------------------------|---|--------------------------------|----------------------|-------------------------------------|
| | Receipts and payments controlled by the entity | Payments made by third parties | Total | Receipts and payment controlled by the entity | Payments made by third parties | Total | |
| | KShs | KShs | KShs | KShs | KShs | KShs | KShs |
| RECEIPTS | | | | | | | |
| 1. Loan from external development partners | 971,196,695 | - | 971,196,695 | 2,508,632,985 | - | 2,508,632,985 | 6,741,465,535 |
| 2. Miscellaneous | 3,087,272 | - | 3,087,272 | - | - | - | 3,087,272 |
| TOTAL RECEIPTS | 974,283,967 | - | 974,283,967 | 2,508,632,985 | - | 2,508,632,985 | 6,744,552,807 |
| PAYMENTS | | | | | | | |
| 3. Purchase of goods and services | 332,213,386 | - | 332,213,386 | 278,918,248 | - | 278,918,248 | 1,106,319,662 |
| 4. Acquisition of non-financial assets | 607,287,448 | - | 607,186,773 | 25,358,325 | - | 25,358,325 | 640,186,773 |
| 5. Transfers to other government entities | 263,084,815 | - | 263,084,815 | 538,185,748 | - | 538,185,748 | 1,903,452,988 |
| 6. Other grants and transfers and payments | 2,102,385,727 | - | 2,102,385,727 | 3,009,313,011 | - | - | 3,009,313,011 |
| 11. Prior year Adjustment | 3,304,971,376 | - | 3,304,971,376 | 842,462,321 | - | 842,462,321 | 1,865,176 |
| TOTAL PAYMENTS | (2,330,687,409) | - | (2,330,687,409) | 1,666,170,664 | - | 1,666,170,664 | 83,415,197 |
| SURPLUS/(DEFICIT) | | | | | | | |

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


Principal Secretary
Name: DR. JULIUS JWAN


Project Coordinator
Name: JANE MBUGUA


Project Accountant
Name: GRACE NJOKI
ICPAK Member Number: 8829

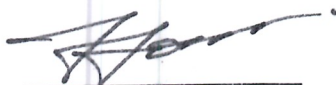
Secondary Education quality Improvement Project

Annual Report and Financial Statements for the financial year ended June 30, 2022

7. STATEMENT OF FINANCIAL ASSETS AS AT JUNE 30, 2022

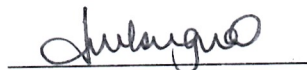
| | Note | 2021-2022 | 2020-2021 |
|--|------|---------------------|----------------------|
| | | KShs | KShs |
| FINANCIAL ASSETS | | | |
| Cash and Cash Equivalents | | | |
| Bank Balances | 7.A | 83,308,697 | 2,414,074,806 |
| Cash Balances | | - | - |
| Cash Equivalents (short-term deposits) | | - | - |
| Total Cash and Cash Equivalents | | 83,308,697 | 2,414,074,806 |
| Accounts Receivables | 8 | 99,700 | 1,886,176 |
| TOTAL FINANCIAL ASSETS | | 83,408,397 | 2,415,960,982 |
| | | | - |
| REPRESENTED BY | | | |
| Fund balance b/fwd | 10 | 2,415,960,981 | 749,790,317 |
| Surplus/(Deficit) for the year | | (2,330,687,409) | 1,666,170,664 |
| Prior Year Adjustment | 11 | (1,865,176) | |
| NET FINANCIAL POSITION | | 83,408,397 | 2,415,960,981 |

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 30th SEPT 2022 and signed by:



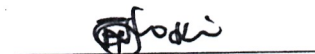
Principal Secretary

Name : DR. JULIUS JWAN



Project Coordinator

Name: JANE MBUGUA



Project Accountant

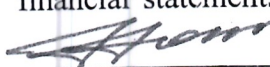
Name: GRACE NJOKI

ICPAK Member No.8829

8. STATEMENT OF CASHFLOW FOR THE YEAR ENDED JUNE, 30 2022

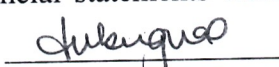
| | | 2021-2022 | 2020-2021 |
|---|------|------------------------|----------------------|
| | Note | KShs | KShs |
| CASHFLOW FROM OPERATING ACTIVITIES | | | |
| Receipts from operating activities | | | |
| Miscellaneous receipts | 2 | 3,087,272 | - |
| Payments from operating activities | | | |
| Purchase of goods and services | 3 | (332,213,386) | (278,918,248) |
| Transfers to other government entities | 5 | (263,084,815) | (538,185,748) |
| Other grants and transfers | 6 | (2,102,385,727) | - |
| Adjustments during the year | | | |
| Prior year adjustments | 11 | (1,865,176) | |
| Decrease/(increase) in accounts receivable | 12 | (1,786,476) | (1,886,176) |
| Net cash flow from operating activities | | (2,694,675,356) | (818,990,172) |
| CASHFLOW FROM INVESTING ACTIVITIES | | | |
| Acquisition of Assets | 4 | (607,287,448) | (25,358,325) |
| Net cash flows from Investing Activities | | (607,287,448) | (25,358,325) |
| CASHFLOW FROM BORROWING ACTIVITIES | | | |
| Proceeds from Foreign Borrowings | 1 | 971,196,695 | 2,508,632,985 |
| Net cash flow from financing activities | | 971,196,695 | 2,508,632,985 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | (2,330,766,109) | 1,664,284,488 |
| Cash and cash equivalent at BEGINNING of the year | 7A | 2,414,074,806 | 749,790,317 |
| Cash and cash equivalent at END of the year | 7A | 83,308,697 | 2,414,074,805 |

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 30TH SEPT. 2022 and signed by:



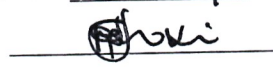
Principal Secretary

NAME: DR JULIUS JWAN



Project Coordinator

NAME: JANE MBUGUA



Project Accountant

NAME: GRACE NJOKI

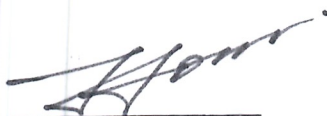
ICPAK Member No.8829

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

| Receipts/Payments Item | Original Budget | Adjustments | Final Budget | Actual on Comparable Basis | Budget Utilization Difference | % of Utilization |
|--|----------------------|------------------------|----------------------|----------------------------|-------------------------------|------------------|
| | A | b | c=a+b | D | e=c-d | f=d/c % |
| | Kshs | kshs | Kshs | Kshs | Kshs | |
| Receipts | | | | | | |
| Proceeds from borrowings | 5,820,600,000 | (2,120,600,000) | 3,700,000,000 | 971,176,695 | 2,728,823,305 | 26% |
| Miscellaneous receipts | - | - | - | 3,087,272 | (3,087,272) | - |
| Total Receipts | 5,820,600,000 | 2,120,600,000 | 3,700,000,000 | 974,263,967 | 2,725,736,033 | |
| Payments | | | | | | |
| Purchase of goods and services | 5,820,600,000 | (2,120,600,000) | 3,700,000,000 | 332,213,386 | - | - |
| Acquisition of non-financial assets | - | - | - | 607,287,448 | - | - |
| Transfers to other government entities | - | - | - | 263,084,815 | - | - |
| Other grants and transfers | - | - | - | 2,102,385,727 | - | - |
| Total Payments | 5,820,600,000 | (2,120,600,000) | 3,700,000,000 | 3,304,971,376 | 447,466,207 | 88% |
| Surplus/Deficit | | | | (2,330,687,409) | | |

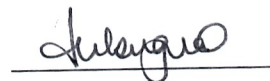
Note: 1. The significant budget utilisation/performance differences in the last column are explained in Annex 1 to these financial statements

2. The project had an opening balance of Kshs. 2,414,074,806 carried forward from 2020/21 financial year



Principal Secretary

NAME: DR JULIUS JWAN



Project Coordinator

NAME: JANE MBUGUA



Project Accountant

NAME: GRACE NJOKI

ICPAK Member No: 8829

10. SIGNIFICANT ACCOUNTING POLICIES

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

10.1 Basis of Preparation

10.2 Statement of compliance and basis of preparation

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

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

10.3 Reporting entity

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

10.3.1 Reporting currency

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

10.4 Significant Accounting Policies

a) Recognition of receipts

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

i) Transfers from the Exchequer

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

ii) External Assistance

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

iii) Other receipts

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

b) Donations and grants

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

Significant Accounting Policies (Continued)

c) Proceeds from borrowing

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

d) Undrawn external assistance

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

e) Recognition of payments

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

i) Compensation of employees

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

ii) Use of goods and services

Goods and services are recognized as payments in the period when the goods/services are consumed and paid for. If not paid for during the period where goods/services are consumed, they shall be disclosed as pending bills.

Significant Accounting Policies (Continued)

iii) Interest on borrowing

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

iv) Repayment of borrowing (principal amount)

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

v) Acquisition of fixed assets

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

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

f) In-kind donations

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

Significant Accounting Policies (Continued)

g) Cash and cash equivalents

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

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

Restriction on cash

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation. Amounts maintained in deposit bank accounts are restricted for use in refunding third part deposits.

h) Accounts receivable

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

Significant Accounting Policies (Continued)

i) Contingent Liabilities

A contingent liability is:

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

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

The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. Section 89 (2) (i) of the PFM Act requires the National Government to report on the payments made, or losses incurred, by the county government to meet contingent liabilities as a result of loans during the financial year, including payments made in respect of loan write-offs or waiver of interest on loans

j) Contingent Assets

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

Significant Accounting Policies (Continued)

k) Pending bills

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

l) Budget

The budget is developed on a comparable accounting basis (cash basis), the same accounts classification basis (except for accounts receivable - outstanding imprest and clearance accounts and accounts payable - deposits, which are accounted for on an accrual basis), and for the same period as the financial statements. The Project's budget was approved as required by Law and National Treasury Regulations, as well as by the participating development partners, as detailed in the Government of Kenya Budget Printed Estimates for the year. The Development Projects are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognised as inter-entity transfers and are eliminated upon consolidation.

A high-level assessment of the Project's actual performance against the comparable budget for the financial year/period under review has been included in an annex to these financial statements.

m) Third party payments

Included in the receipts and payments, are payments made on its behalf by to third parties in form of loans and grants. These payments do not constitute cash receipts and payments and are disclosed in the payment to third parties column in the statement of receipts and payments.

During the financial year ended June 30, 2022 no loan disbursements were received in form of direct payments from third parties.

Significant Accounting Policies (Continued)

n) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the Project operates, Kenya Shillings. Transactions in foreign currencies during the year/period are converted into the functional currency using the exchange rates prevailing at the dates of the transactions. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of receipts and payments.

o) Comparative figures

Where necessary comparative figures for the previous financial year/period have been amended or reconfigured to conform to the required changes in financial statement presentation.

p) Subsequent events

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended June 30, 2022.

q) Errors

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

11. NOTES TO THE FINANCIAL STATEMENTS

1. LOAN FROM EXTERNAL DEVELOPMENT PARTNERS

During the 12 months to June 30, 2022 we received funding from development partners in form of loans negotiated by the National Treasury donors as detailed in the table below:

| Name of Donor | Date received | Amount in loan currency | Loans received in cash | Loans received as direct payment | Total amount in KShs | |
|--|-----------------------------|-------------------------|------------------------|----------------------------------|----------------------|---------------------|
| | | | | | 2021/22 | 2020/21 |
| | | Euros | KShs | KShs | | |
| Loans Received from Multilateral Donors (International Organisations) | | | | | | |
| International Development Association (IDA) | 16 th March 2022 | 7,778,242 | 971,196,695 | - | 971,196,695 | 2,394,525,19 |
| Total | | 7,778,242 | 971,196,695 | - | 971,196,695 | 2,394,525,19 |

*Secondary Education quality Improvement Project
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2. MISCELLANEOUS RECIEPTS

| S/NO | DETAILS AMOUNT | AMOUNT |
|------|-----------------------|---------------------|
| 1 | SEQIP MAKUENI | 48,750.00 |
| 2 | SEQIP MURANGA | 145,720.00 |
| 3 | SEQIP MADERA | 57,000.00 |
| 4 | SEQIP ELGEYO MARAKWET | 8,300.00 |
| 5 | SEQIP TURKANA | 177,000.00 |
| 6 | SEQIP KAJIADO | 111,895.00 |
| 7 | SEQIP KISII | 37,030.00 |
| 8 | SEQIP WAJIR | 23,400.00 |
| 9 | SEQIP BUSIA | 22,000.00 |
| 10 | SEQIP KITUI | 132,000.00 |
| 11 | SEQIP KWALE | 2,000.00 |
| 12 | SEQIP NAROK | 8,000.00 |
| 13 | SEQIP THARAKA | 116,490.00 |
| 14 | SEQIP KILIFI | 11,110.00 |
| 15 | SEQIP BOMET | 9,000.00 |
| 16 | DORCAS MUTINDA | 645,408.00 |
| 17 | SEQIP HOMABAY | 80,300.00 |
| 18 | SEQIP BUSIA | 80,000.00 |
| 20 | UNSPENT AIE- KCB | 8,854.00 |
| 21 | SEQIP NANDI | 220,930.00 |
| 22 | KEZZIA WADERA | 645,408.00 |
| 23 | SEQIP WEST POKOT | 16,419.00 |
| 24 | ELIAS OMILLO | 31,500.00 |
| 25 | DOROTHY OUMA | 45,000.00 |
| 26 | SARAH OBWOCHA | 24,500.00 |
| 27 | ELIPHAS MUGIRA | 42,000.00 |
| 28 | ROSE NDAMBIRI | 31,500.00 |
| 29 | PETER KAMAU | 47,900.00 |
| 30 | LORNA KWAMBOKA | 19,600.00 |
| 31 | LUCYLINE NTHIIRI | 67,200.00 |
| 32 | ROSE NDAMBIRI | 14,700.00 |
| 33 | JANE MBUGUA | 10,500.00 |
| 34 | BENSON MAINGI | 14,700.00 |
| 35 | QAMAR HUSSEIN | 24,500.00 |
| 36 | MWANAISHA SHABAN | 42,000.00 |
| 37 | JOSHUA KILUNDO | 800.00 |
| 38 | LORNA KWAMBOKA | 418.00 |
| 39 | SEQIP TANA RIVER | 42,000.00 |
| 40 | STEVE CHITAI | 3,500.00 |
| 41 | UNSPENT AIE | 17,940.00 |
| | TOTAL | 3,087,272.00 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. PURCHASE OF GOODS AND SERVICES

| | 2021/2022 | | | 2020/2021 | Cumulative to-date |
|--|-------------------------------------|--------------------------------|--------------------|--------------------|----------------------|
| | Payments made by the Entity in Cash | Payments made by third parties | Total Payments | Total Payments | |
| | KShs | KShs | KShs | KShs | KShs |
| Office Equipment, Utilities, supplies and services | 201,000 | - | 201,000 | 1,767,730 | 19,156,363 |
| Communication, supplies and services | 2,441,000 | - | 2,441,000 | 2,995,000 | 6,429,000 |
| Domestic travel and subsistence | 20,069,380 | - | 20,069,380 | 28,072,893 | 180,627,725 |
| Printing, advertising and information supplies | - | - | - | 13,421,088 | 40,555,367 |
| Training payments | 1,215,720 | - | 1,215,720 | 44,626,144 | 85,982,908 |
| Hospitality supplies and services | 4,696,600 | - | 4,696,600 | 2,698,066 | 42,296,875 |
| Consultancy Services | 300,494,281 | - | 300,494,281 | 183,162,326 | 722,603,115 |
| Fuel and Motor vehicle Maintenance | 3,095,405 | - | 3,095,405 | 2,175,000 | 8,668,309 |
| Total | 332,213,386 | - | 332,213,386 | 278,918,248 | 1,106,319,662 |

4. ACQUISITION OF NON-FINANCIAL ASSETS

| | 2021/22 | | | 2020/21 | Cumulative to-date |
|--|-------------------------------------|--------------------------------|--------------------|-------------------|--------------------|
| | Payments made by the Entity in Cash | Payments made by third parties | Total Payments | Total Payments | |
| | KShs | KShs | KShs | KShs | KShs |
| Purchase of Project vehicles | 6,755,406 | - | 6,755,406 | 25,358,325 | 39,654,731 |
| Construction of Classrooms, Laboratories and Wash facilities | 600,532,042 | - | 600,532,042 | - | 600,532,042 |
| Total | 607,287,448 | - | 607,287,448 | 25,358,325 | 640,186,773 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. TRANSFERS TO OTHER GOVERNMENT ENTITIES

During the 12 months to June 30, 2022, we transferred funds to reporting government entities as shown below:

| | 2021/22 | | | 2020/21 | Cumulative to-date |
|--|-------------------------------------|--------------------------------|--------------------|--------------------|----------------------|
| | Payments made by the Entity in Cash | Payments made by third parties | Total Payments | Total Payments | |
| | KShs | KShs | KShs | KShs | KShs |
| Transfers to National Government entities | | | | | |
| KICD | 247,382,400 | - | 247,382,400 | 513,637,203 | 1,269,615,210 |
| KNEC | - | - | - | - | 590,970,468 |
| | 247,382,400 | - | 247,382,400 | 513,637,203 | 1,860,585,678 |
| Transfers to County Governments | | | | | |
| AIES to Counties | 15,702,415 | - | 15,702,415 | 24,548,545 | 42,867,310 |
| TOTAL | 263,084,815 | - | 263,084,815 | 538,185,748 | 1,903,452,988 |

6. OTHER GRANTS AND TRANSFERS AND PAYMENTS

| | 2021/22 | | | 2020/21 | Cumulative to-date |
|-------------------------|-------------------------------------|--------------------------------|----------------------|----------------|----------------------|
| | Payments made by the Entity in Cash | Payments made by third parties | Total Payments | Total Payments | |
| | KShs | KShs | KShs | KShs | KShs |
| Grants for scholarships | 2,102,385,727 | - | 2,102,385,727 | - | 3,009,313,011 |
| Total | 2,102,385,727 | - | 2,102,385,727 | - | 3,009,313,011 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7a. CASH AND CASH EQUIVALENTS

| | 2021/22 | 2020/21 |
|----------------------------------|-------------------|----------------------|
| | KShs | KShs |
| Bank accounts A/c No. 1000387912 | 23,257,262 | 2,386,450,100 |
| Bank Account A/c No. 1000387939 | 60,051,435 | 27,624,706 |
| Total | 83,308,697 | 2,414,074,806 |

The project has two (2) project accounts spread within the project implementation area and two (2) foreign currency designated accounts managed by the National Treasury as listed below:

7. b Bank Accounts

Project Bank Accounts -

| | 2021/22 | 2020/21 |
|---|----------------------|----------------------|
| | KShs | KShs |
| Foreign Currency Accounts | | |
| Central Bank of Kenya (A/c No. 1000356669) | 326,452,939 | - |
| Central Bank of Kenya (A/c No. 1000368427) | 800,291,690 | 6,792 |
| Total Foreign Currency balances | 1,126,744,629 | 6,792 |
| Local Currency Accounts | | |
| Central Bank of Kenya (A/c No. 1000387912) | 23,257,262 | 2,386,450,100 |
| Central Bank of Kenya (A/c No. 1000387939) | 60,051,435 | 27,624,706 |
| Total local currency balances | 83,308,697 | 2,414,074,806 |
| Total bank account balances | 1,210,053,326 | 2,414,081,598 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as at **June 30, 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 (SDA) movement schedule which shows the flow of funds that were voted in the year. These funds have been reported as loans/grants received in the year under the Statement of Receipts and Payments.

Special Deposit Accounts Movement Schedule

| | 2021/22 | 2020/21 |
|---|--------------------|--------------------|
| | KShs | KShs |
| (i) A/C Name : Secondary Education Quality Improvement Project (A/c No. 1000356669) | | |
| Opening balance | - | - |
| Total amount deposited in the account | | 2,394,525,197.75 |
| Total amount withdrawn (as per Statement of Receipts & Payments) | 326,452,939 | 2,394,525,197.75 |
| Closing balance (as per SDA bank account reconciliation attached) | 326,452,939 | = |
| (ii) (i) A/C Name : Secondary Education Quality Improvement Project (A/c No. 1000368427) | | |
| Opening balance (as per the SDA reconciliation) | 6,792 | 6,792 |
| Total amount deposited in the account | 1,771,481,593 | 114,107,787 |
| Total amount withdrawn (as per Statement of Receipts & Payments) | 971,196,694.7 | 114,107,787 |
| Closing balance (as per SDA bank account reconciliation attached) | 800,291,690 | 6,792 |

The Special Deposit Account(s) reconciliation statement(s) has (have) been attached as **Appendix 1** support these closing balances.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. ACCOUNTS RECEIVABLES

| <i>Description</i> | 2021-2022 | 2020-2021 |
|---------------------|---------------|------------------|
| | Kshs | Kshs |
| Government Imprests | 99,700 | 1,702,716 |
| Total | 99,700 | 1,886,176 |

8a: BREAKDOWN OF GOVERNMENT IMPRESTS

| S/NO | Name of Officer or Institution | WARRANT NO | AMOUNT (KSHS) | DATE SURRENDERED |
|------|--------------------------------|--------------|---------------|---|
| 1 | DANIEL CHEPKWONY | 4287759 | 15,000 | |
| 2 | ELDMAD SONGE | 4607739 | 63,700 | 25/7/22 |
| 3. | KENNETH NDUNGU | 4195474 | 21,000 | *Not surrendered from the FYR 2020/21* |
| | | TOTAL | 99,700 | |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. FUND BALANCE BROUGHT FORWARD

| | 2021/2022 | 2020/21 |
|------------------|----------------------|--------------------|
| | KShs | KShs |
| Fund balance b/f | 2,415,960,982 | 749,790,317 |
| Total | 2,415,960,982 | 749,790,317 |

11. Prior Year adjustment

| | Balance b/f FY (2020/2021 audited financial statements) | Adjustments | Adjusted balance b/f FY 2021/2022 |
|---|--|-------------|---|
| Description of the Adjustment | Kshs | Kshs | Kshs |
| Outstanding imprests / advances 2020/21 surrendered during the year | 1,865,176 | | 1,865,176 |
| | | | |

12. Changes in Receivable

| Description | 2021-2022 | 2020-2021 |
|---|------------------|------------------|
| | Kshs | Kshs |
| Opening Receivables as at 1 st July 2021 | 1,886,176 | 1,886,176 |
| Account receivables in the FYR 2021/22 | 99,700 | |
| Change in Receivables | 1,786,476 | 1,886,176 |

13. OTHER IMPORTANT DISCLOSURES

1. PENDING ACCOUNTS PAYABLE (ANNEX 4)

| | Balance b/f FY 2021/2022 | Additions for the period | Paid during the year | Balance c/f FY 2022/2023 |
|--------------------|-----------------------------|-----------------------------|-------------------------|-----------------------------|
| Description | Kshs | Kshs | Kshs | Kshs |
| Supply of goods | - | - | - | - |
| Supply of services | - | 236,364,305 | - | 236,364,305 |
| Total | - | 236,364,305 | - | 236,364,305 |

2. EXTERNAL ASSISTANCE

| | FY 2021/2022 | FY 2020/2021 |
|---------------------------------------|--------------------|----------------------|
| Description | Kshs | Kshs |
| External assistance received as loans | 971,196,695 | 2,508,632,985 |
| Total | 971,196,695 | 2,508,632,985 |

*Secondary Education quality Improvement Project
Annual Report and Financial Statements for the financial year ended June 30, 2022*

3. RETENTION MONIES IN THE DEPOSIT ACCOUNT OF THE MINISTRY

| S/NO | CONTRACTOR | PV NO. | AMOUNT |
|-------------|--|---------------|----------------------|
| 1 | GLOBETEX SYSTEMS (K) LTD | PV 015834 | 1,451,918.40 |
| 2 | STARTERS INVESTMENT LIMITED | PV 015501 | 330,959.10 |
| 3 | TAJ AZIZ LIMITED | PV 015832 | 3,001,422.65 |
| 4 | GLENNSTEAM ENGINEERING WORKS LTD | PV 015495 | 2,106,799.90 |
| 5 | WAASO CONSTRUCTION LTD | PV 015837 | 1,146,711.30 |
| 6 | WAASO CONSTRUCTION LTD | PV 015835 | 196,743.60 |
| 7 | WAASO CONSTRUCTION LTD | PV 015833 | 1,027,668.00 |
| 8 | PACIFIC GENERAL WORKS | PV 015500 | 4,913,499.60 |
| 9 | ALL WEATHER INVESTMENT LTD | PV 015831 | 4,512,993.10 |
| 10 | LANTANA AFRICA | PV 015498 | 639,655.20 |
| 11 | CHANJU BUILDERS LTD | PV 015499 | 6,455,465.50 |
| 12 | SAMAHA COMPANY LTD | PV 015496 | 2,923,144.70 |
| 13 | COLUMBIA DEVELOPERS (K) LTD | PV 015503 | 1,545,713.10 |
| 14 | CHANJU BUILDERS LTD | PV 015497 | 7,041,198.40 |
| 15 | GLOBETEX SYSTEMS (K) LTD | PV 016184 | 2,687,672.00 |
| 16 | WAASO CONSTRUCTION LTD | PV 016182 | 497,855.20 |
| 17 | SIMPLE SECURITY SOLUTIONS LTD | PV 015504 | 65,521.60 |
| 18 | HASHIT CONSTRUCTION & GENERAL SUPPLIES LTD | PV 016618 | 2,126,710.60 |
| 19 | ALHAMDUU ENTERPRISES LTD | PV 015836 | 2,318,442.85 |
| 20 | MARANATHA PROPERTY CONSULT LTD | PV 015830 | 927,171.00 |
| 21 | PANADIUM HOLDING LTD | PV 016183 | 902,724.90 |
| 22 | PARKLANE CONSTRUCTION LTD | PV 016831 | 5,617,592.25 |
| | | | 52,437,582.95 |

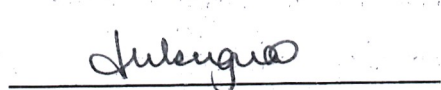
14. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS

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

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status: | Timeframe: |
|--|-----------------------------------|--|--------------|------------|
| 1.0 | Suspended infrastructural Works | The suspended infrastructural Works commenced at in June 2022 and works are ongoing. | Not Resolved | |
| 2.0 | Non-compliance with the budget | The project an opening balance of Kshs.1,832,600,713 which was carried forward from the previous financial year. During the financial year ended 30 June 2020, the project received an exchequer receipt of 345,520,825. Therefore, the project had total revenue revenue amounting to Kshs 2,178,121,538 at its disposal. | Resolved | |



Principal Secretary
NAME: DR. JULIUS JWAN



Project Coordinator
NAME: JANE MBUGUA

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15. ANNEXES

ANNEXI - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

| | Final Budget | Actual on Comparable Basis | Budget Utilization Difference | % of Utilization on | Comments on Variance (below 90% and over 100%) |
|---|----------------------|----------------------------|-------------------------------|---------------------|--|
| | A | b | c=a-b | d=b/a % | |
| Receipts | Kshs | Kshs. | Kshs. | | |
| Proceeds from domestic and foreign grants | | | | | The variance was occasioned by implementation challenges associated with infrastructure component of the project which have since been sorted out. |
| | 3,700,000,000 | 971,196,695 | 2,728,823,305 | | |
| Total Receipts | 3,700,000,000 | 971,196,695 | 2,728,823,305 | 26% | |
| Payments | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

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ANNEX 2 – SUMMARY OF FIXED ASSETS REGISTER

| Asset class | Opening Cost (KShs) 2021/22 (a) | Donations in form of assets (KShs) 2021/22 (b) | Purchases/ Additions in the Year (KShs) 2021/22 (c) | Disposals in the Year (KShs) 2021/22 (d) | Transfers in/(out) Kshs 2021/22 (d) | Closing Cost (KShs) 2022 (e) = (a)+(b)+(c)-(d)+(-d) |
|----------------|---------------------------------|--|---|--|-------------------------------------|---|
| Motor Vehicles | 32,899,325 | - | 6,755,406 | - | - | 39,654,731 |
| Total | 32,899,325 | - | 6,755,406 | - | - | 39,654,731 |

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ANNEX 3. ANALYSIS OF PENDING BILLS PAID DURING THE YEAR

| Supplier of Goods or Services | Original Amount (Kshs) | Amount Paid To-Date (Kshs.) | Outstanding Balance 2020/21 FYR | Comments |
|-------------------------------|------------------------|-----------------------------|---------------------------------|-------------------------|
| | A | B | A-B | |
| Supply of goods | | | - | |
| | | | | |
| Sub-Total | | | - | |
| Supply of services | | | | |
| 1. Equity Group Foundation | 236,364,305 | 236,364,305 | - | Paid in the FYR 2022/23 |
| Sub-Total | 236,364,305 | 236,364,305 | - | |
| Grand Total | 236,364,305 | 236,364,305 | - | |

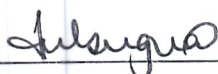
APPENDICES

- i. Bank Reconciliations
- ii. Special Deposit Account(s) reconciliation statement(s)
- iii. Trial Balance

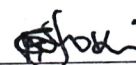
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**SECONDARY EDUCATION QUALITY IMPROVEMENT PROJECT
TRIAL BALANCE
AS AT 30 JUNE, 2022**

| LEDGER ACCOUNT | DEBIT | CREDIT |
|--|----------------------|----------------------|
| Fund balance b/fwd | | 2,414,074,806 |
| Loans from Development Partners | | 971,196,695 |
| Miscellaneous Reciepts | | 3,087,272 |
| Accounts payables | | 52,437,582 |
| Bank Balances | 135,746,279 | |
| Account Receivables | 78,700 | |
| Office Equipment's and Supplies | 201,000 | |
| Communication, supplies and services | 2,441,000 | |
| Domestic Travel/Daily Subsistence Allowance | 20,069,380 | |
| Purchase of Vehicles | 6,755,406 | |
| Construction of Classrooms, Laboratories and Wash facilities | 600,532,042 | |
| Transfers to other government entities | 263,084,815 | |
| Training | 1,215,720 | |
| Hospitality expenses | 4,696,600 | |
| Consultancy Services | 300,494,281 | |
| Fuel and motor vehicle maintenance | 3,095,405 | |
| Elimu Scholarship | 2,102,385,727 | |
| TOTAL | 3,440,796,355 | 3,440,796,355 |



Project Coordinator
Name: JANE MBUGUA



Project Accountant
Name: GRACE NJOKI
ICPAK Member No.8829