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REPORT

OF

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

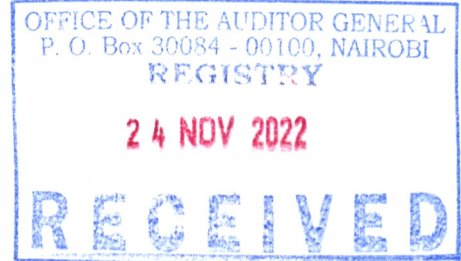
THE AUDITOR-GENERAL

ON

**KENYA DEVELOPMENT RESPONSE TO
DISPLACEMENT IMPACTS PROJECT (KRDIP)
IDA CREDIT NO.6021-KE AND GRANT
NO. TFOA 7762-KE**

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

**STATE DEPARTMENT FOR DEVELOPMENT
OF ARID AND SEMI-ARID LANDS**



Project Name: Kenya Development Response to Displacement Impacts Project (KDRDIP)

Implementing Entity: Ministry of Public Service, Gender, Senior Citizens Affairs and Special Programs

State Department for Development of ASALs

PROJECT GRANT NUMBER TFOA7762-KE AND CREDIT NUMBER: IDA 6021-KE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30th, 2022

Prepared in accordance with the Cash Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS)

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1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name

The project's official name is Kenya Development Response To Displacement Impact Project KDRDIP

Objective

The key objective of the project is to improve access to basic social services, expand economic

opportunities and enhance environmental management for communities hosting refugees in the

target areas.

Address

The project headquarters offices are Harambee House (City), Nairobi County, Kenya.

The address of its registered office is: P O BOX40213-00100 NAIROBI

The project also has offices/branches as follows:

- Turkana
- Wajir
- Garissa

Contacts: The following are the project contacts

Telephone: (254) (020)2217696 or 2227411

E-mail: info@kdrdip.go.ke

Website: www.kdrdip.go.ke

PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.2 Project Information

Project Start Date:	The project start date is 01/07/2017
Project End Date:	The project end date is 30 /04/ 2023
National Project Coordinator	The National Project Coordinator is Dr.Anne K.Kinyua
Project Manager:	The Project Manager is Mr Wilfred A.Omari

1.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the Ministry of Public Service, Gender, Senior Citizens Affairs and Special Programmes. State Department for Development of ASALs
Project number	IDA 6021-KE
Strategic goals of the project	The strategic goal of the project is as follows: -Address social, economic and environmental impacts due to the presence of refugee host communities.
Achievement of strategic goals	The project management aims to achieve the goals through the following means: - i. Implementation of community investment subprojects and livelihood support among the host communities. ii. Address the both social and environmental safeguards as they emerge during implementation.
Other important background information of the project	The project being a regional initiative adopted the Community Driven Development approach for implementation of its activities in which Community participation in all Phases of the Project cycle is the key feature.
Current situation that the project was formed to intervene.	The project was formed to intervene in the following areas: i. Social and Economic Infrastructure Services. ii. Environment and Natural Resource Management iii. Support both traditional and non-traditional livelihood interventions.
Project duration	It is a five-year project that started on 1st July 2017 and is expected to run until 30 April 2023 (including 1 year extension).

PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.4 Bankers

The following are the bankers for the current year:



The Central Bank of Kenya, Haile
Selassie Avenue
P. O. Box 60000,
City Square 00200,
Nairobi, Kenya.




1.5 Auditors

Auditor General
Office of the Auditor General,
Anniversary Towers, University Way
P O BOX 30084-00100
GPO
Nairobi, Kenya.




1.6 Roles and Responsibilities



List the different people who will be working on the project. This list would include the project manager and all the key stakeholders who will be involved with the project. Also, record their role, their positions, and their contact information.

Names	Title /Designation	Key qualification	Responsibilities
 <p>Micah Pkopus Powon, CBS,</p>	<p>Principal Secretary-ASALs</p>	<ul style="list-style-type: none"> • Master of Science in Horticulture. • Bachelor of Science in Agriculture. 	<p>Accounting Officer</p>
 <p>Dr. Anne K. Kinyua</p>	<p>Project National Coordinator</p>	<ul style="list-style-type: none"> • PHD, Educational Administration and Planning. • Masters, Educational Development and Evaluation. • Bachelor in Education 	<ul style="list-style-type: none"> • Overall Project Coordinator • Secretary to the National Steering Committee



 <p>Wilfred Omari</p>	<p>Project Manager</p>	<ul style="list-style-type: none"> • MA. Economics • MA. International Relations 	<ul style="list-style-type: none"> • Overall Project management Monitoring and Evaluation, Finance Including Management Information Systems • Alternate AIE holder
 <p>Dr. John Ngatia</p>	<p>Head Environmental and Resources Management</p>	<ul style="list-style-type: none"> • PHD, Environmental Governance and Management, • MSC, Environment Science and Technology • BSc. Forestry • Certificate Reforestation techniques • Certificate forest Certification 	<p>Support to Project Coordination and implementation, Specifically responsible for environment conservation, management of natural resources and support to policy advisor</p>
 <p>Geoffrey Leparaleg</p>	<p>Deputy Livelihood</p>	<ul style="list-style-type: none"> • Masters Degree in Social Science. • BA (Double Major – Political Science and Sociology • Diploma • Armed Conflict 	<p>Head of Component 3</p>

 <p>Dr Joy Murunga</p>	<p>Deputy Director, Livelihoods Development</p>	<ul style="list-style-type: none"> • Ph.D. Sociology, Social Organization and Demography. • MBA Strategic Management. • BA Commerce in Business Administration and Management 	<ul style="list-style-type: none"> • Responsible for rural entrepreneurship development and business development research both qualitative and quantitative data. • Capacity building and entrepreneurship development programs expert. • Review and monitor implementation of community mobilization policies, strategies, procedures and programs
 <p>John Karuma</p>	<p>Agriculture Specialist</p>	<ul style="list-style-type: none"> • Bachelor of Science in Agricultural Economics • Master of Arts in Project Planning and Management 	<p>Offer Technical Backstopping to facilitate the implementation of NRM Subprojects with emphasis on Agriculture, Soil ,Water Conservation and Irrigation</p>

 <p>Wycliffe Wangwe</p>	<p>Social Safeguard Specialist</p>	<p>MA. Project Planning and Management</p>	<ul style="list-style-type: none"> • Ensures Inclusivity • Promotes Stakeholders consultation and engagement • Safeguard Instrument Review • Grievance Redress Mechanism
 <p>Judy Gachora</p>	<p>Social Safeguard Specialist</p>	<ul style="list-style-type: none"> • BSc Animal Production • Certificate in Environmental and Social • Safeguards Management 	<ul style="list-style-type: none"> • Ensures Inclusivity • Promotes Stakeholders consultation and engagement • Safeguard Instrument Review • Grievance Redress Mechanism
 <p>Janet Tulula</p>	<p>Assistant Environmental Safeguard Specialist</p>	<ul style="list-style-type: none"> • MSc. Climate Change Science • BSc. Natural Resource Management (Forestry) 	<ul style="list-style-type: none"> • Implementation support and monitoring of subprojects. • Promotes Stakeholders consultation and engagement • Safeguard Instrument Review • Grievance Redress Mechanism

 <p>Lucy W. Gathenga</p>	<p>Specialist Finance</p>	<ul style="list-style-type: none"> • B.Com. (Finance) • CPA(K) • Member of ICPAK • MBA(Financ e) • Senior Management Course (KSG) • Public Finance Management (ESAMI) 	<ul style="list-style-type: none"> • Budget preparation, planning and costing for all project activities • Preparation and consolidation of the Project AWPB • Preparation and issuance of AIEs for office and sub- projects implementatio n • Preparation of monthly and quarterly reports for the National Treasury and the WB. • Monitoring and evaluation of funds.
 <p>David Mamati</p>	<p>Procurement Specialist</p>	<ul style="list-style-type: none"> • MBA (Finance) • Bachelor of commerce (Accounting Option) • CIPS • CPA II 	<p>Procurement planning and execution</p>

 <p>Andrew Lorenge</p>	<p>Monitoring and Evaluation Specialist</p>	<p>MA Economics- Continuing BSC. Applied Statistics</p>	<p>Support Project Monitoring and Evaluation.</p>
 <p>Sarah Mauta</p>	<p>Project Accountant</p>	<ul style="list-style-type: none"> • Bachelor of commerce • (Finance option) • CPA(K) • Member of Institute of Public Accountants of Kenya. • Diploma in Business Management • Senior Management Course (KSG) • Project Management (ESAMI) 	<ul style="list-style-type: none"> • Maintenance of Project Accountable Documents. • Submission of Quarterly Interim Financial Reports • Make direct withdrawal applications • Exchequer Requisition from National Treasury • Maintenance of Project cashbooks for both credit and Grants.

 <p>Josephat Waweru</p>	<p>Water expert</p>	<p>Bachelor of science</p>	<p>Head Social economic, infrastructure, and services. In charge of Water sector</p>
 <p>Anthony Karoki</p>	<p>ICT Specialist</p>	<ul style="list-style-type: none"> • Masters in Computer and Radio Communications Engineering. • Bachelor of Business Information Technology. • Diploma in Computer Studies. 	<ul style="list-style-type: none"> • System administrator for the KDRDIP's MIS; • Maintenance of ICT, Hardware, Software, and Systems including websites, email and video conferencing system; • Advising on ICT-related issues;

PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.7 Funding summary

The Project was for duration of 5 years from 2017 to 2022 but due to delay start it has been extended to 30 April 2023 with an approved budget of US\$ 108,180,000 equivalents to KShs. 10,818,000,000 as highlighted in the table below:

A. Source of Funds

Source of funds	Donor Commitment-		Amount received to date – (30 th June 2022)		Undrawn balance to date (30 th June 2022)	
	Donor currency USD	KShs	Donor currency USD	KShs	Donor currency USD	KShs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant						
Danida	8,180,000	818,000,000	7,986,499	854,654,576	193,501	(36,654,576)
(ii) Loan						
World Bank – IDA	100,000,000	10,000,000,000	66,695,433	7,378,927,830	33,304,567	2,621,072,170
Total	108,180,000	10,818,000,000	74,681,932	8,233,582,406	33,498,068	2,584,417,594

[Delete the non-applicable source of funds from the table above. The amounts received to date should tie/agree to what is captured in the Statement of Receipts and Payments as applicable.]

KDRDIP Project
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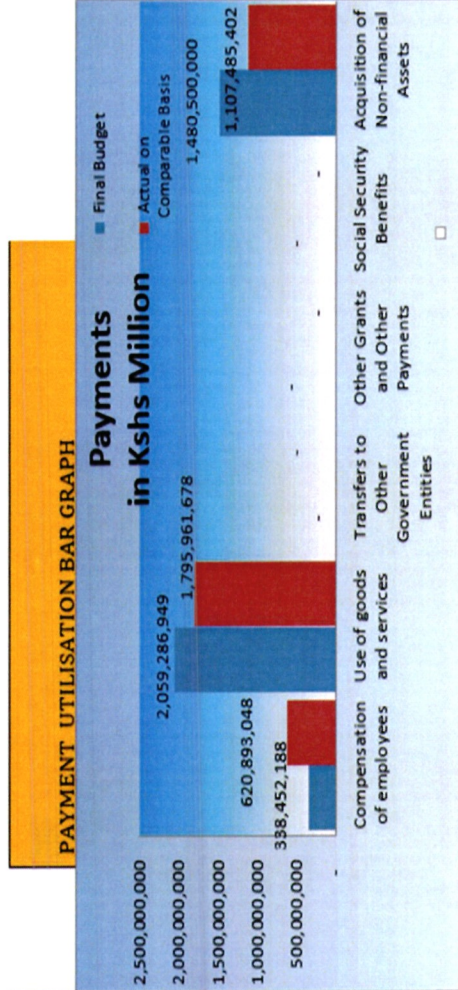
PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

B. Application of Funds

Application of funds	Amount received to date – (30 th June 2022)		Cumulative Amount paid to date – (30 th June 2022)	Unutilised balance to date (30 th June 2022)	
	Donor currencyUsed (A)	Kshs (A')		Donor currency (A)-(B)	Kshs (A')-(B')
(i) Grant					
Danida	7,986,499	854,654,576	854,654,576	193,501	(36,654,576)
(i) Loan					
World Bank-IDA	66,695,433	7,378,927,830	5,853,932,855	33,304,567	2,621,072,170
Total	74,681,932	8,233,582,406	6,708,587,431	33,498,068	2,584,417,594

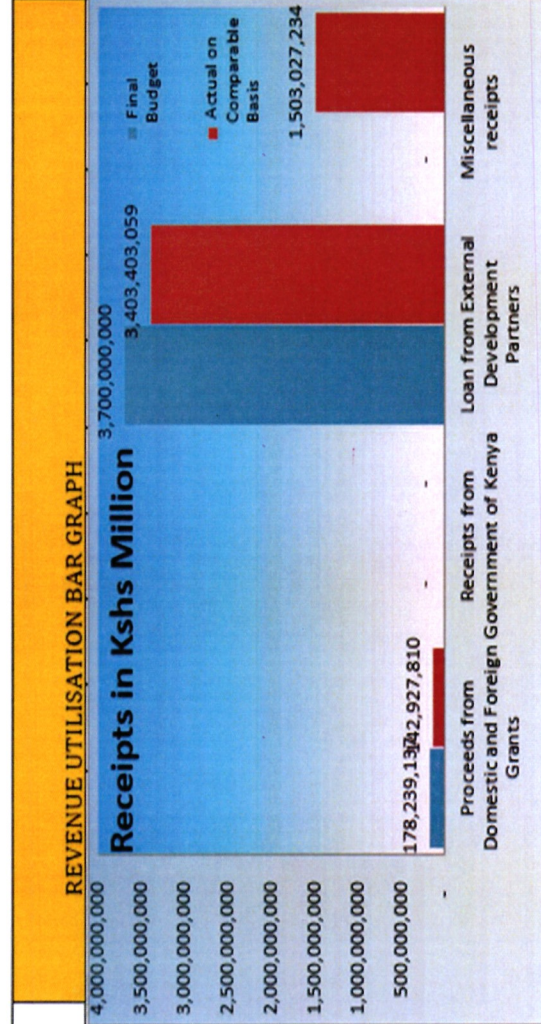
PAYMENTS UTILISATION BAR GRAPH

Payments	Final Budget	Actual on Comparable Basis
Compensation of employees	338,452,188	620,893,048
Use of goods and services	2,059,286,949	1,795,961,678
Transfers to Other Government Entities	-	-
Other Grants and Other Payments	-	-
Social Security Benefits	-	-
Acquisition of Non-financial Assets	1,480,500,000	1,107,485,402



RECEIPTS UTILISATION BAR GRAPH

RECEIPTS	Final Budget	Actual on Comparable Basis
Proceeds from Domestic and Foreign Grants	178,239,137	142,927,810
Receipts from Government of Kenya	-	-
Loan from External Development Partners	3,700,000,000	3,403,403,059
Miscellaneous receipts	-	1,503,027,234
Total Receipts	3,878,239,137	5,049,358,103



***KDRDIP Project
Reports and Financial Statements
For the financial year ended June 30, 2022***

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,
- ii) Physical progress based on outputs, outcomes and impacts since project commencement,
- iii) Comment on value-for-money achievements,
- iv) Indicate the absorption rate for each year since the commencement of the project.
- v) List the implementation challenges and recommended way forward.

1.9 Summary of Project Compliance:

- i) Include significant cases of non-compliance with applicable laws and regulations, and essential external financing agreements/covenants,
- ii) Include consequences suffered on account of non-compliance or likely to be suffered.
- iii) Indicate mitigation measures taken or planned to be taken to alleviate the adverse effects of actual or potential consequences of non-compliance.

2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETRMINED OBJECTIVES

KDRDIP will ensure that citizens participate and engage in the process of identifying and prioritizing their developmental needs, including expanding socioeconomic infrastructure and livelihood opportunities to improve self-reliance among refugee-hosting communities, improving social cohesion between refugees and host communities, increasing the voices and roles of citizens in decision making regarding development, and eliciting a greater demand for social accountability. The operational approach will be Community-Driven Development (CDD) and will involve (a) supporting grassroots institutions to be more inclusive and representative, and build their capacities; (b) ensuring that the voices of all communities/groups are heard in the decision-making process; (c) strengthening decentralized government administrative functions; and (d) investing in public service delivery and contributing to social cohesion among beneficiary communities.

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

- a) Improve access to basic social services
- b) Expand economic opportunities
- c) Enhance environmental management for communities hosting refugees in the target areas

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Implementation of 2021/2022 Annual Work Plan and Budget

During the FY 2021-2022 the project disbursed **Kshs. 3.0Billion** to carry out various fund activities across all the components as follows:

S/NO.	COMPONENT	SUB COUNTY	NUMBER OF SPs/CGs	AMOUNT (KSHS.)
1.	COMPONENT 1	TURKANA WEST	119	493,688,535
		WAJIR SOUTH	67	324,438,617
		DADAAB	35	243,273,125
		FAFI	74	255,495,298
		LAGDERA	28	168,402,374
		Sub Total	323	1,485,297,949
2.	COMPONENT 2	TURKANA WEST	57	199,560,224
		WAJIR SOUTH	37	123,936,570
		DADAAB	52	94,865,071
		FAFI	37	97,243,445
		LAGDERA	15	52,048,864
		Sub Total	198	567,654,174
3.	COMPONENT 3	TURKANA WEST	647	323,500,000
		WAJIR SOUTH	416	208,000,000
		DADAAB	317	158,500,000
		FAFI	298	149,000,000
		LAGDERA	235	117,500,000
		Sub Total	1913	956,500,000
TOTAL DISBURSEMENT				3,009,452,123

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:

Project	Objective	Outcome	Indicator	Performance
KDRDIP	The Project Development Objective (PDO) is to improve access to basic social services, expand economic opportunities, and enhance environmental management for communities hosting refugees in the target areas.	Improved access to Social and economic services	No. of water facilities funded towards constructed/rehabilitated	210 no. water facilities funded
			No. of health facilities funded for construction/renovation	38 no. health facilities funded
			KMs of road constructed	7no. of roads funded
			No. of School facilities funded for construction / renovation	60no. school facilities funded
			No. of sanitation and solid waste facilities constructed	No sanitation and solid waste facilities
			No. of market infrastructure facilities constructed	7no. of market infrastructure funded
		Restored/rehabilitated environment and Natural resources	Hectares of land restored and rehabilitated	Various activities funded to rehabilitation of 318 Ha of land
Livelihoods improved and communities' resilience strengthened	No. of SHGs	1913 no. livelihood groups funded		

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Component 1

During FY 2021/2022, the project disbursed funds to finance 323 Community investment Sub projects in the projects areas as follows:

Subsector	Wajir South	Turkana	Lagdera	Dadaab	Fafi
Water	46	65	15	23	61
Health	6	18	3	8	3
Roads	-	7	-	-	-
Education	15	23	10	4	8
Sanitation	-	-	-		
Market and Infrastructure		5	-		2
Energy		1			
Total	67	119	28	35	74

Component 2

Covering environmental activities, the project disbursed **Kshs. 567.65 Million** to fund **198** interventions. In Turkana West Kshs.199.56 Million was disbursed to fund 57 Sub projects, Kshs. 123.94 Million was disbursed to Wajir South to fund 37 Sub projects, Kshs 94.87 Million was disbursed to Dadaab Sub County to fund 52 Sub projects, Kshs. 97.24 Million was disbursed to Fafi Sub county to finance to fund 37 Sub projects and Kshs. 52.05 Million was disbursed to Lagdera Sub county to fund 15 Sub project.

Component 3

The project has disbursed **Kshs. 956.5 Million** to fund **1913 CGs** to undertake livelihood activities in the areas of traditional and non-traditional livelihoods.

In Turkana West Kshs.323.5 Million was disbursed to fund 647 Community Groups, Kshs. 208.94 Million was disbursed to Wajir South to fund 416 Community Groups, Kshs 158.50 Million was disbursed to Dadaab Sub County to fund 317 Community Groups, Kshs. 149.0 Million was disbursed to Fafi sub county to fund 298 Community Groups and Kshs. 117.5 Million was disbursed to Lagdera Sub county to fund 235 Community Groups The breakdown of 2021/22 funded groups per sub county is as follows: -

County	Sub County	Total
Turkana	Turkana West	647
Wajir	Wajir South	416
Garissa	Dadaab	317
	Fafi	298
	Lagdera	235
Total CGs Funded		1913

3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING (Two-to-three pages)

KDRDIP exists to transform lives. This is our 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 top management especially the accounting officer should make reference to sustainable efforts, broad trends in political and macroeconomic affecting sustainability priorities, reference to international best practices and key achievements and failure.

2. Environmental performance

Outline clearly, environmental policy guiding the organisation, provide evidence of the policy. Outline successes, shortcomings, efforts to manage biodiversity, waste management policy and efforts to reduce environmental impact of the organisation's products.

3. Employee welfare

Give account of the policies guiding the hiring process and whether they take into account the gender ratio, whether they take in stakeholder engagements and how often they are improved. Explain efforts made in improving skills and managing careers, appraisal and reward systems. The organisation should also disclose their policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA)

Market place practices-

The organisation should outline its efforts to:

a) Responsible competition practice.

Explain how the organisation ensures responsible competition practices with issues like anti-corruption, responsible political involvement, fair competition and respect for competitors.

b) Responsible Supply chain and supplier relations-

Explain how the organisation maintains good business practices, treats its own suppliers responsibly by honouring contracts and respecting payment practices.

c) Responsible marketing and advertisement-

Outline efforts to maintain ethical marketing practices.

d) Product stewardship-

Outline efforts to safeguard consumer rights and interests.

4. Community Engagements

The community members through a consultative process wish list/needs propose community Development Plans (CDPs). Once the communities are identified, they are mobilized, sensitized and organized into:

- i. Committees.
- ii. The aggregated Sub county CDPs are submitted to county Technical Committee composed of County Integrated Development Plan (CIDPs) and other sectoral plans for sustainability.
- iii. The communities in their first public gathering elects 5 members (men, women, youth and persons enabled differently) to form the village level committees
- iv. The Consolidated Ward CDPs are submitted to sub-county for the Project Implementation support Teams to appraise and aggregate into Sub-county CDPs with the support of CIPIUs and NPIU.
- v. The village level committee with the assistance of a community facilitator identifies and prioritizes community felt needs in a public meeting where all community members are represented.
- vi. The aggregated CDP are then submitted to County Steering committee (CSC) co-chaired by the County Secretary and County Commissioner, whose other members are County Executive Committee member for finance and economic Planning, Area Member of Parliament, UNHCR, County Focal Person and County Project Coordinator as Secretary.
- vii. The felt community needs/wish list are compiled to form the village CDPs.
- viii. Then each village elects a man and a woman to form members of a ward level committee whose role is to aggregate village CDPs into consolidated Ward CDP
- ix. The CSC reviews and approves the CDP.
- x. The approved CDP is forwarded to National Project Implementation Unit and World Bank for review and concurrence.
- xi. In total 135 villages, 29 Ward, 5 Sub county and 3 County CDPs were prepared and approved at each level.

- xii. The approved CDP are returned back to village communities for them to initiate the process of preparing Annual Work plans and Budget.
- xiii. The annual work plans and budgets are drawn from the approved CDPs.
- xiv. The preparation of Annual work plans and Budget follow the same steps of development and approval of the CDPs.
- xv. Preparation at Village Level, Aggregation at Ward and Sub county levels and eventually appraisal and approval at County level.
- xvi. The annual work-plans and budgets are finally consolidated at the sub county level and then are submitted for:-
- xvii. Appraisal by the County Technical Committee (CTC) comprising of technical County directors
- xviii. Approval by the County Steering Committee (CSC) Co-chaired by the County Commissioner and the County Secretary.
- xix. The approved consolidated CDPs and Annual Work Plans and budget from each group is consolidated and presented as the final work plan.

4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The **Principal Secretary** for the Ministry of Public Service, Senior Citizens Affairs and Special Programmes, **State Department for Development of ASALS** and the **National Project Coordinator** for **KDRDIP project** are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year (period) ended on June 30, 2022.

This responsibility include:

- (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.
- (v) Making accounting estimates that are reasonable in the circumstances.

The **Principal Secretary** for the Ministry of Public Service, Senior Citizen Affairs and Special Programs ASALs and the **National Project Coordinator** for **KDRDIP project** accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The **Principal Secretary** for the State Department of ASALs and the **National Project Coordinator** for **KDRDIP project** are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year/period ended June 30, June 2022, and of the Project's financial position as at that date. The **Principal Secretary** for State Department for Development of the ASALs and the **National Project Coordinator** for **KDRDIP project** further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

The **Principal Secretary** for the State Department of Development of the ASALs. And the **National Project Coordinator** for **KDRDIP project** confirm that the Project has complied fully with applicable

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Reports and Financial Statements
For the financial year ended June 30, 2022***

Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project financial statements

The Project Financial Statements were approved by the *Principal Secretary* for the State Department for the Development of the ASALs and the National *Project Coordinator* for

KDRDIP project on 23/11/22 2022 and signed by them.




Principal Secretary:

Date: 23/11/22



National Project Coordinator:

Date: 23/11/22

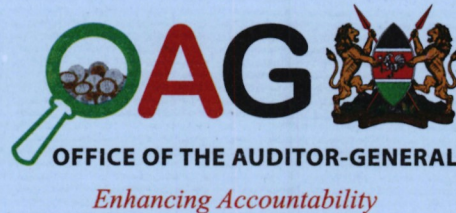


Project Accountant: 23377

Date: 23/11/22

REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON KENYA DEVELOPMENT RESPONSE TO DISPLACEMENT IMPACTS PROJECT (KRDIP) IDA CREDIT NO.6021-KE AND GRANT NO. TFOA 7762-KE FOR THE YEAR ENDED 30 JUNE, 2022 - STATE DEPARTMENT FOR DEVELOPMENT OF ARID AND SEMI-ARID LANDS

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal 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 Kenya Development Response to Displacement Impacts Project set out on pages 1 to 24, which comprise of the

Report of the Auditor-General on Kenya Development Response to Displacement Impacts Project IDA Credit No.6021-KE and Grant NO. TFOA 7762-KE for the year ended 30 June, 2022 - State Department for Development of Arid and Semi-Arid Lands

statement of financial assets as at 30 June, 2022, and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenya Development Response to Displacement Impacts 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 Public Finance Management Act, 2012 and the Financing Agreement Credit No. 6021-KE dated 29 May, 2017 and Grant No.TF0A7762-KE dated 30 January, 2019 between International Development Association and the Government of the Republic of Kenya.

Basis for Qualified Opinion

1. Inconsistencies in the Financial Statements

The statement of comparison of budget and actual amounts reflects miscellaneous receipts balance of Kshs.1,503,027,234. However, the amount has not been disclosed in both the statement of receipts and payments and statement of cashflows for the period under review. In addition, there was no note in the financial statements to show the breakdown or composition of the miscellaneous receipts balance.

In the circumstances, the accuracy and completeness of the miscellaneous receipts of Kshs.1,503,027,234 reflected in the statement of comparison of budget and actual amounts could not be confirmed.

2. Compensation of Employees

The statement of receipts and payments reflects compensation of employees' expenditure of Kshs.620,893,048 as disclosed in Note 3 to the financial statements. The expenditure includes an amount of Kshs.284,277,134 which was paid to temporary employees working under the Labour Intensive Public Works (LIPW) Program in Turkana West, Wajir South and Garissa. However, Needs Assessment Reports, Workplans, Soil Texture Tests, Site History Reports, Soil Fractional Tests or Jar Test Reports and Distribution of Seedlings Reports were not provided for audit review to confirm the effectiveness of the activities.

Further, the visited land reclaimed areas had invasive Prosopis and other overgrown invasive vegetation and the irrigation schemes have not been implemented due to heavy reliance on rains which had not materialized causing lack of any visible tangible agricultural activity on the sites.

In the circumstances, the accuracy and completeness of the expenditure of Kshs.284,277,134 incurred could not be confirmed.

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

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget of Kshs.3,878,239,137 against actual receipts of Kshs.5,049,358,103 resulting to overfunding of Kshs.1,171,118,966 or 30% of the approved budget. Similarly, the Project expended an amount of Kshs.3,524,340,128 against the final budget of Kshs.3,878,230,137 resulting to under expenditure of Kshs.353,899,009 or 9% of the budget. No explanation was provided for failure to spend all the available funds.

In addition, compensation of employees had a final budget of Kshs.338,452,188 against actual expenditure of Kshs.620,893,048 leading to an over expenditure of Kshs.282,440,860 which was not explained nor accounted for. This is non-compliance with the budget.

The 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.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Lack of Monitoring and Evaluation of the Community Groups

The statement of receipts and payments reflects purchase of goods and services expenditure of Kshs.1,795,961,678 as disclosed in Note 4 to the financial statements. The expenditure includes capital grants to community groups totalling to Kshs.1,156,852,378 which further includes an amount of Kshs.315,000,000 which was disbursed to community groups in Turkana County. However, the audit revealed that there were no regular meetings and monitoring and evaluation reports were not provided for audit.

Further, the community groups could not be verified since most of them are pastoralists and were not available for engagement and thus it could not be confirmed whether the project had a social and economic impact to them.

This is contrary to the provisions of the Community Operational Manual, which states that the Community Groups should receive livelihood grants after adhering to five core group principles which are regular meetings, proper record keeping, inter-loaning and regular repayments and thereafter approval of their business plans.

In the circumstances, the Project's Management was in breach of the Community Operational Manual and the value for the funds spent could not be confirmed.

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 complying, 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, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

Lack of Approved Information Communication Technology Policy

Review of the Information Communication Technology (ICT) systems revealed that the Project did not have an approved ICT Policy for governance and management of its ICT resources. In addition, there is no ICT Steering Committee in place to assist in the development of ICT Policy framework to enable the Project to realize long-term ICT strategic goals. Lack of an approved ICT Policy may result in an unclear direction

regarding maintenance of information security across the organization and safeguarding the Project's ICT assets. Further, without a sound and approved framework, users do not have any rules and procedures to follow in order to minimize risk of errors, fraud and the loss of data confidentiality, integrity and availability.

In the circumstances, the security, confidentiality and integrity of the Project's data could not be confirmed.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Financing Agreement between the International Development Association and the Government of the Republic of Kenya, I report based on my audit, that:

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. In my opinion, adequate accounting records have been kept by the Project, so far as it appears from the examination of those records; and,
- iii. The Project's financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and those Charged with Governance

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

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

the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Project's financial reporting process, reviewing the effectiveness of how the Project monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal controls 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 scepticism 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 applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

08 December, 2022

KDRDIP Project
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For the financial year ended June 30, 2022

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

	Note	FY 2021/22		FY 2020/21		Cumulative to Date
		Receipts and payments controlled by the entity	Kshs	Total	Kshs	
RECEIPTS			Kshs		Kshs	
Proceeds from Domestic and Foreign Grants	1	142,927,810		142,927,810		854,654,576
Loan from External Development Partners	2	3,403,403,059		3,403,403,059	3,308,061,239	7,378,927,830
Cash and cash Equivalents B/F	7	145,125,454		145,125,454	126,094,580	-
Prior Year Adjustments	8	1,357,901,780		1,357,901,780		
TOTAL REVENUES		5,049,358,103		5,049,358,103	3,434,155,819	8,233,582,406
PAYMENTS						
Compensation of Employees	3	620,893,048		620,893,048	332,277,303	988,516,026
Purchase of goods and services	4	1,795,961,678		1,795,961,678	1,642,012,017	4,405,390,575
Acquisition of Non-financial Assets	5	1,107,485,402		1,107,485,402	1,314,741,046	2,672,559,609
TOTAL PAYMENTS		3,524,340,128		3,524,340,128	3,289,030,366	8,066,466,211
SURPLUS/DEFICIT	9	1,525,017,975		1,525,017,975	145,125,454	167,116,195

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



Principal Secretary

Date:



Project Coordinator

Date: 23/11/22



Project Accountant

Date: 23/11/22

ICPAK Member Number: 23377

(IPSAS 1.3.24 requires an entity to separately disclose third party payments separately on the statement of receipts and payments. These are payments made by development partners directly on behalf of the entity. In recognising these transactions, the receipts must be equal to the payments made and therefore there is no surplus or deficit.)

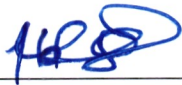
***KDRDIP Project
Reports and Financial Statements
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7. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 202

	Note	FY 2021/22	FY 2020/21
		KShs.	KShs.
Bank Balances	6	1,525,017,975	145,125,454
Total Cash and Cash equivalents		1,525,017,975	145,125,454
TOTAL FINANCIAL ASSETS		1,525,017,975	145,125,454
Surplus / (deficit) for the year		1,525,017,975	145,125,454
NET FINANCIAL POSITION		1,525,017,975	145,125,454

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 23/11/22 2022 and signed by:



Principal Secretary


Date:



Project Coordinator

Date:

23/11/22



Project Accountant

Date:

23/11/22


ICPAK Member No. 23377


KDRDIP Project
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8. STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2022

	Note	2021- 2022	2020- 2021
		KShs.	KShs.
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts for operating income			
Proceeds from Domestic and Foreign Grants	1	142,927,810	-
Prior Year adjustments	8	1,357,901,780	
		142,927,810	-
Payments for operating expenses			
Compensation of Employees	3	(620,893,048)	(332,277,303)
Use of goods and services	4	(1,795,961,678)	(1,642,012,016)
		(2,416,854,726)	(1,974,289,319)
Adjusted for:			
Change in Imprests & Advances		-	-
Net cashflow from operating activities		(916,025,136)	(1,974,289,319)
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Non-financial Assets	8	(1,107,485,402)	(1,314,741,046)
		(1,107,485,402)	
Net cash flows from Investing Activities		(3403403059)	(1,314,741,046)
CASHFLOW FROM BORROWING ACTIVITIES			
Loan from External Development Partners	2	3,403,403,059	3,308,061,239
Net cash flow from financing activities		3,403,403,059	3,308,061,239
NET INCREASE IN CASH AND CASH EQUIVALENT		<u>1,379,892,521</u>	<u>19,030,874</u>
Cash and cash equivalent at BEGINNING of the year	6	145,125,454	126,094,580
Cash and cash equivalent at END of the year	6	1,525,017,975	145,125,454

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 23/11/22 2022 and signed by:


Principal Secretary
 Date: 23/11/22


Project Coordinator
 Date: 23/11/22


Project Accountant
 Date: 23/11/22
ICPAK Member No: 23377

KDRDIP Project
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9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipts/Payments Item	Original Budget a	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Variance e=c-d	% of Utilization f=d/c %
Receipts					
Transfer from Government entities					
Proceeds from domestic and foreign grants	178,239,137	178,239,137	142,927,810	35,311,327	80%
Proceeds from borrowings	3,700,000,000	3,700,000,000	3,403,403,059	296,596,941	92%
Miscellaneous receipts	-	-	1,503,027,234	(1,503,027,234)	100%
Total Receipts	3,878,239,137	3,878,239,137	5,049,358,103	(1,171,118,966)	130%
Payments					
Compensation of employees	338,452,188	338,452,188	620,893,048	(282,440,860)	183%
Purchase of goods and services	2,059,286,949	2,059,286,949	1,795,961,678	263,325,271	87%
Acquisition of non-financial assets	1,480,500,000	1,480,500,000	1,107,485,402	373,014,598	75%
Total Payments	3,878,239,137	3,878,239,137	3,524,340,128	353,899,009	91%

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



Principal Secretary

Date: 23/11/22



Project Coordinator

Date: 23/11/22

Project Accountant

Date: 23/11/22

ICPAK Member No: 23377

10. SIGNIFICANT ACCOUNTING POLICIES

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

10.1 Basis of Preparation

10.2 Statement of compliance and basis of preparation

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

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

10.3 Reporting entity

The financial statements are for the Project 30th June 2022 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 Government has actually received the related cash.

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

Significant Accounting Policies (Continued)

i) Contingent Liabilities

A contingent liability is:

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

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

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

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

j) Contingent Assets

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

Significant Accounting Policies (Continued)

k) Pending bills

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

l) Budget

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

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

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 year there were no Payments made by Third Parties from Loan(s) and Grant(s) 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 recognized in the statements of receipts and payments.

o) Comparative figures

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

p) Subsequent events

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended June 30, 2021.

q) Errors

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

11. NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

During the 12 months to 30th June 2022 we received grants from donors as detailed in the table below:

Name of Donor	Date received	Amount received in donor currency	Grants received in cash	Grants received as direct payment*	Grants received in kind	Total amount in KShs.	
						2021/2022	2020/2021
			KShs.	KShs.	KShs.	KShs.	KShs.
Grants Received from Multilateral Donors							
Danida	10.06.2022	1,222,232	142,927,810			142,927,810	-
Total		1,222,232	142,927,810			142,927,810	-

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. LOAN FROM EXTERNAL DEVELOPMENT PARTNERS

During the 12 months to 30th June 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.
				KShs.	2021/2022	
		USD	KShs.	KShs.	2021/2022	2020/2021
Loans Received from Multilateral Donors (International Organizations)						
World Bank IDA	Various	29,858,510	3,403,403,059	-	3,403,403,059	3,308,061,239
Total					3,403,403,059	3,308,061,239

3. COMPENSATION OF EMPLOYEES

	2021/2022			2020/201		
	Payments made by the Entity in Cash	Payments made by third parties	Total Payment	Total Payments	Cumulative to- date	Cumulative Prior Year
	KShs.	KShs.	KShs.	KShs.	KShs.	KShs.
Basic wages of temporary employees	620,893,048	-	620,893,048	332,277,303	988,516,026	367,622,978
Total	<u>620,893,048</u>	-	<u>620,893,048</u>	<u>332,277,303</u>	<u>988,516,026</u>	<u>367,622,978</u>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. PURCHASE OF GOODS AND SERVICES

	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		Cumulative to- date	Cumulative Prior Year
			FY 2021/22	FY 2020/21		
	KShs	KShs	KShs	KShs	KShs	KShs
Utilities, supplies and services	267,496		267,496		267,496	-
Communication, supplies and services	5,529,480		5,529,480	3,301,779	14,358,168	8,828,688
Domestic travel and subsistence	139,786,166		139,786,166	108,056,548	421,190,756	281,404,590
Foreign travel and subsistence	3,648,101		3,648,101	102,152	15,816,937	12,168,836
Printing, advertising and information supplies & services	938,591		938,591	5,749,602	13,989,300	13,050,709
Training expenses	9,472,400		9,472,400	-	18,616,643	9,144,243
Hospitality supplies and services	33,060,849		33,060,849	19,706,469	125,507,857	92,447,008
Specialised materials and services	25,070,087		25,070,087	158,416,285	183,486,372	158,416,285
Office and general supplies and services	8,422,464		8,422,464	4,919,388	16,339,865	7,917,401
Fuel Oil and Lubricants	30,541,202		30,541,202	15,407,740	62,235,805	31,694,603
Other operating expenses	309,545,276		309,545,276	156,028,713	1,026,096,757	716,551,481
Routine maintenance – vehicles and other transport equipment	6,456,363		6,456,363	2,676,083	14,422,816	7,966,453
Routine maintenance – other assets	66,370,825		66,370,825	259,647,258	327,709,426	261,338,601
Capital Grants Community Groups	1,156,852,378		1,156,852,378	908,000,000	2,165,352,378	1,008,500,000
Total	<u>1,795,961,678</u>	=	<u>1,795,961,678</u>	<u>1,642,012,017</u>	<u>4,405,390,575</u>	<u>2,609,428,898</u>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. ACQUISITION OF NON-FINANCIAL ASSETS

	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		Cumulative to-date	Cumulative Prior Year
			FY 2021/22	FY 2020/21		
			KShs	KShs		
Purchase of buildings	-		-		-	-
Construction of buildings	200,051,988		200,051,988	517,406,329	717,458,317	517,406,329
Construction of civil works	496,939,780		496,939,780	186,291,876	708,109,606	211,169,826
Water and sewerage	371,859,632		371,859,632	522,625,454	987,107,136	615,247,504
Purchase of vehicles & other transport equipment	-		-	24,365,001	127,203,001	127,203,001
Purchase of office furniture & general equipment	3,009,055		3,009,055	4,075,764	13,897,349	10,888,294
Purchase of computers, printers and other IT equipment	-		-		18,721,220	18,721,220
Purchase of certified seeds, breeding stock and live animals	24,674,947		24,674,947	56,216,622	80,891,569	56,216,622
Purchase of Medical and Dental Equipment	10,950,000		10,950,000	3,760,000	19,171,411	8,221,411
Total	<u>1,107,485,402</u>	=	<u>1,107,485,402</u>	<u>1,314,741,046</u>	<u>2,672,559,609</u>	<u>1,565,074,207</u>

6. CASH AND CASH EQUIVALENTS

	2021/22	2020/21
	KShs.	KShs.
Bank accounts (Note 7.A)	1,525,017,975	145,125,454
Cash in hand (Note 7. B)	-	-
Total	<u>1,525,017,975</u>	<u>145,125,454</u>

The project has 8 number of project accounts spread within the project implementation area and 2 number of foreign currency designated accounts managed by the National Treasury as listed below

7. A. BANK ACCOUNTS

Project Bank Accounts

	2021/22	2020/21
	KShs.	KShs.
<u>Local Currency Accounts</u>		
Central Bank of Kenya [A/c No 1000462264] CREDIT	3,823,618	120,093,678
Central Bank of Kenya [A/c No 1000462299] GRANT	7,226,438	25,031,087
Turkana KCB [A/c No 1238459889] CREDIT	4,182,246	-
Turkana KCB [A/c No 1273370635]GRANT	12,689	-
Wajir KCB- [A/c No 1240386540] CREDIT	2,384,936	
Wajir KCB- [A/c No 1273358651] GRANT	-	-
Garissa KCB [A/c No 1238357954] CREDIT	44,908,816	-
Garissa KCB [A/c No 1273325494] GRANT	1,868,149	-
Sub Total	64,406,892	145,124,765

SUB PROJECTS AND COMMUNITY GROUPS (CGs) BANK ACCOUNTS

Sub projects Bank Accounts	1,394,481,198.23	-
Community Groups Bank Accounts	66,129,884.77	-
Sub Total	1,460,611,083	-
Total Bank Account Balances	<u>1,525,017,975</u>	<u>145,124,765</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as at 30th June 2022 are not included in the Statement of Financial Assets since they are below the line items and are yet to be drawn into the Exchequer Account as a voted provision.

Below is the Special Deposit Account (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
	Ksh	Ksh
<i>Kenya Development Responsibility to Displacement Impacts project –Grant [A/c NO: 1000411384]</i>		
Opening balance	142,927,810	-
Total amount deposited in the account	20,779,958.57	142,927,810
Total amount withdrawn (as per Statement of Receipts & Payments)	142,927,810	-
Closing balance (<i>as per SDA bank account reconciliation attached</i>)	<u>20,779,958.57</u>	<u>142,927,810</u>
<i>Kenya Development Responsibility to Displacement Impacts Project –Loan [A/c NO: 1000353988]</i>		
Opening balance (as per the SDA reconciliation)	129,693,888	96,041,396
Total amount deposited in the account	3,273,750,960	3,341,713,731
Total amount withdrawn (as per Statement of Receipts & Payments)	(3,403,403,059)	(3,308,061,239)
Closing balance (as per SDA bank account reconciliation attached)	<u>41,789</u>	<u>129,693,888</u>

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. Prior Year Adjustments

The prior year adjustment **Kshs. 1,357,901,779** is in respect of various sub –Projects, Community Groups(CGs) and Labour Intensive Public Works(LIPW), Project implementing bank accounts across the five sub-counties which were not utilised as at 30th June 2021. that were excluded in the cash and cash equivalents now expended within the financial year 2021-2022. Breakdown tabulation. **See Annex 6**

9. CASH AND CASH EQUIVALENT BROUGHT FORWARD

	2021/2022	2020/2021
	KShs.	KShs.
Bank accounts	1,503,027,234	126,094,580
Total	1,503,027,234	126,094,580

OTHER IMPORTANT DISCLOSURES

1. EXTERNAL ASSISTANCE

	FY 2021/2022	FY 2020/2021
Description	KShs.	KShs.
External assistance received as grants	142,927,810	-
External assistance received as loans	3,403,403,059	3,308,061,239
External assistance received in kind- as payment by third parties	-	-
Total	3,546,330,869	3,308,061,239

a). External assistance relating loans and grants

	FY 2021/2022	FY 2020/2021
Description	KShs.	KShs.
External assistance received as loans	3,403,403,059	3,308,061,239
External assistance received as grants	142,927,810	-
Total	3,546,330,869	3,308,061,239

b) classes of providers of external assistance

	FY 2021/2022	FY 2020/2021
Description	KShs.	KShs.
Multilateral donors	-	-
Bilateral donors	-	-
International assistance organization	3,403,403,059	3,308,061,239
NGOs	-	-
National Assistance Organization	-	-
Total	3,403,403,059	3,308,061,239

Provide details of the reasons for external assistance e.g. Economic development or welfare objective, Emergency relief, Trading activities etc

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12. 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: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.1	Observation cash and cash equivalents	The funds were utilized and reinstated in the current financial statements FY 2021-2022	Resolved	
1.2	Unpresented cheques	The Cheques have been presented and reinstated	Resolved	
2.1	Inaccuracy of Financial Statements	Unexplained variance was corrected	Resolved	
2.2	Special Account Statement	Misstatement was corrected	Resolved	
3	Management Information System (MIS).	The KDRDIP MIS is fully operational and generate reports	Resolved	
	Internal Audit and Audit Committee	The Internal Audit Charter and Internal Work plan has been implemented	Resolved	

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Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.



Principal Secretary



Project Coordinator

Date

23/11/22

Date

23/11/22

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13. ANNEXES
ANNEX1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance(below 90% and over 100%)
	a	b	c=a-b	d=b/a %	
Receipts					
Proceeds from Domestic and Foreign Grants	178,239,137	142,927,810	35,311,327	80%	
Proceeds from borrowings	3,700,000,000	3,403,403,059	296,596,941	92%	
Miscellaneous receipts	-	1,503,027,234	(1,503,027,234)	100%	
Total Receipts	3,878,239,137	5,049,358,103	(1,171,118,966)	130%	
Payments					
Compensation of employees	338,452,188	620,893,048	(282,440,860)	183%	
Purchase of goods and services	2,059,286,949	1,795,961,678	263,325,271	87%	
Acquisition of non-financial assets	1,480,500,000	1,107,485,402	373,014,598	75%	
Total payments	3,878,239,137	3,524,340,128	353,899,009	91%	

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ANNEX 2: RECONCILIATION OF INTER-ENTITY TRANSFERS

PROJECT NAME:		Bank Statement Date	Amount (KShs.)	FY to which the amounts relate
Break down of Transfers from the State Department of Development ASALS & Kenya Development Response to Displacement Impacts				
a.	Government Counterpart Funding			
			-	2021-2022
			-	2021-2022
			-	2021-2022
		Total	-	
b.	Direct Payments			
		Bank Statement Date	Amount (KShs.)	FY to which the amounts relate
		16-September-2021	192,360,000	2021/2022
		21-October-21	938,964,060	2021/2022
		7-March-2021	341,520,000	2021/2022
		6-April-2022	825,843,600	2021/2022
		18-May-2022	616,335,062.80	2021/2022
		14-June-2022	146,184,085.50	2021/2022
		27-June-2022	342,176,251.00	2021/2022
		10-June-2022	142,927,810.05	2021/2022
		TOTAL	3,546,310,869	
c.	Others			
		Bank Statement Date	Amount (KShs.)	FY to which the amounts relate
		Total	-	
		TOTAL(a+b+c)	3,546,310,869	

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The above amounts have been communicated to and reconciled with the parent Ministry/ state department of Development of ASALS

Project Coordinator



Sign

Head of Accounting Unit


Sign

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ANNEX 4 – 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.) 2021/22 (e)= (a)+ (b)+c)- (d)+(-)d
Land						
Construction of buildings	517,406,329	-	200,051,988	-	-	717,458,317
Other Infrastructure and Civil Works	211,169,826	-	496,939,780	-	-	708,109,606
Water and sewerage	615,247,504	-	371,859,632	-	-	987,107,136
Purchase of vehicles & other transport equipment	127,203,001	-	-	-	-	127,203,001
Purchase of office furniture & general equipment	10,888,294	-	3,009,055	-	-	13,897,349
Purchase of computers, printers and other IT equipment	18,721,220	-	-	-	-	18,721,220
Purchase of certified seeds, breeding stock and live animals	56,216,622	-	24,674,947	-	-	80,891,569
Purchase of Medical and Dental Equipment	8,221,411	-	10,950,000	-	-	19,171,411
Total	1,565,074,267		1,107,485,402			2,672,559,669

Notes

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

** The disposal amount to be disclosed in this register is the cost that the asset was acquired at and not the price at which it has been sold. The balance as at the end of the year is the cumulative cost of all assets bought and inherited by the Ministry, Department or Agency. Additions during

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the year should tie to note 18 on acquisition of assets during the year. Ensure this section is complete covering all the entities assets. Ensure the complete fixed asset register is separately prepared as per circular number 5/2020 and follow up reminder of circular No. 23/2020 of The National Treasury

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ANNEX 5 – CONTINGENT LIABILITIES REGISTER

	Nature of contingent liability	Payable to	Estimated Amount KShs.	Expected date of payment	Remarks
1	Accident along Eldoret-Webuye road Involving M/V Reg.No GKB 696 U Toyota Land Cruiser and a pedestrian on 18th June 2020.	-	-	-	Matter awaiting Judgment
2	Alleged intended Change of official and or deregistration of Barsaben Bohol Community Management Committee by the Defendants.	-	-	-	The matter will be mention on 23.03.2022 to report on progress of the amicable negotiations.
3	Alleged unfair and discriminatory distribution of projects in Fafi Sub county/Ward by the FaiDA -KDRDIP inactiveness in addressing complains raised by the local community of Fafi sub-county in respect of the management of funds	-	-	-	Matter coming up for hearing on 24.03.2022.
4	Dispute over a parcel of Land proposed for Construction of Kibilay Dispensary at Kibilay Location	-	-	-	Matter heard and determined.

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ANNEX 6 – PRIOR YEAR ADJUSTMENT

Unutilized Bank Balances in Various Project Implementing Groups as per 30th, June 2021

	Balance as at 30th June,2021 (Kshs.)
Component One	
DAADAB	181,826,854
FAFI	163,756,489
LAGDERA	131,356,437
Total	476,939,780
Component Two	
DAADAB	141,166,698
FAFI	64,632,000
LAGDERA	98,310,923
Total	304,109,621
Component Three	
DAADAB	79,565,349
LAGDERA	51,539,500
WAJIR SOUTH	364,549,563
TURKANA WEST	81,197,966
Total	576,852,378
Grand Total	1,357,901,780

The Prior Year adjustment is in respect of various Sub –Projects, Community Groups (CGs) and Labor Intensive Public Works (LIPW), implementing Bank accounts across the five sub-counties which were not utilized as at 30th June 2021, and were excluded in the cash and cash equivalents now expended within the financial year 2021-2022.

14. APPENDICES

- i. Signed confirmations from beneficiaries in Transfers to Other Government Entities
- ii. Bank Reconciliations statement as at 30th June 2022
- iii. Board of Survey Report
- iv. Special Deposit Account(s) reconciliation statement(s)
- v. GOK IFMIS comparison Trial Balance
- vi. Bank Balances