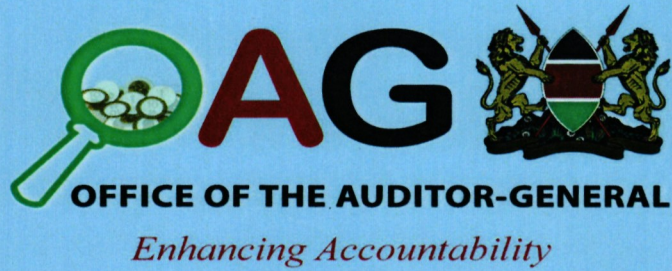


REPUBLIC OF KENYA



REPORT

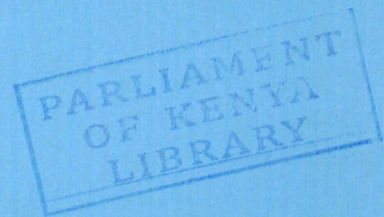
THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 10 FEB 2022

TABLED BY: LDM

CLERK AT THE TABLE: B-Inzofy

DAY: THURSDAY



OF

THE AUDITOR-GENERAL

ON

**KENYA SOCIAL AND ECONOMIC INCLUSION
PROJECT NO.P164654, IDA CREDIT NO.63480
AND GRANT NO.TFA9527**

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

**NATIONAL DROUGHT MANAGEMENT
AUTHORITY**



KENYA SOCIAL AND ECONOMIC INCLUSION PROJECT

NATIONAL DROUGHT MANAGEMENT AUTHORITY (NDMA)

PROJECT NUMBER NO. P164654

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE PERIOD ENDING
JUNE 30, 2021**

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

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I. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name: Kenya Social and Economic Inclusion Project

Objective: The key objective of the project is to strengthen delivery systems for enhanced access to social and economic inclusion services and shock-responsive safety nets for poor and vulnerable households.

Address: The project headquarters offices are in NSSF Building, Nairobi (city), and Nairobi County, Kenya P. O. Box 46205-00100 GPO, Nairobi.

Contacts: Telephone: (254) 722 319 186 E-mail: ovc@gmail.com OR ct_ovc@yahoo.com

1.2 Project Information

Project Start Date:	The project start date is 27-Nov-2018
Project End Date:	The project end date is 31-Dec-2023
Project Manager:	The project manager is Mr. Boniface Ichwa
Project Sponsor:	The project sponsor is World Bank

1.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the Ministry of Devolution and Arid and Semi-Arid Lands.(State Department for Development of Arid and Semi-Arid Lands)
Project number	P164654
Strategic goals of the project	The strategic goals of the project are as follows: <ul style="list-style-type: none"> i. Strengthening Social Protection Delivery Systems ii. Increasing Access to Social and Economic Inclusion Interventions iii. Improving the Shock Responsiveness of Safety Net System

<p>Achievement of strategic goals</p>	<p>The project management aims to achieve the goals through the following means:</p> <ul style="list-style-type: none"> i. Provision of social inclusion (nutrition-sensitive safety net and referrals to the NHIF) and economic inclusion (livelihoods enhancement support) services to the existing National Safety Net Programme beneficiaries, as well as other poor and vulnerable, to be identified through the use of an objective targeting system already being used in the country. ii. By expanding their coverage to additional households and the functionality of financing arrangements for timely response in the event of droughts. iii. Strengthening of Social Protection delivery systems by enhancing the scope and coverage of the Single Registry and support relevant program information systems, investments in the rollout of the improved payment system, and supporting greater integration and implementation of the Grievances & Case Management mechanism for all interventions supported by the proposed KSEIP.
<p>Other important background information of the project</p>	<p>Social Protection has long been an important part of the Government strategy to fight poverty and promote equitable growth and social inclusion, as well as respond to emergencies such as natural disasters. The Government is committed to move beyond cash transfers to an integrated Social Protection system to enhance social and economic inclusion of the poor and vulnerable. Therefore, the underlying objective of KSEIP is to strengthen the delivery systems.</p>
<p>Current situation that the project was formed to intervene</p>	<p>The project was formed to intervene in the following areas:</p> <ul style="list-style-type: none"> i. Strengthening Social Protection Delivery Systems ii. Increasing Access to Social and Economic Inclusion Interventions iii. Improving the Shock Responsiveness of Safety Net System
<p>Project duration</p>	<p>The project started on 27th November 2018 and is expected to run until 31st December 2023</p>

1.4 Bankers

The following are the bankers for the current year:

NCBA-Bank
Kenya Commercial Bank

Kenya Social and Economic Inclusion Project
Reports and Financial Statements for the financial year ended June 30, 2021

1.5 Auditors

The project is audited by the Office of the Auditor General

1.6 Roles and Responsibilities

Names	Title designation	Key qualification	Responsibilities	Contacts
James Oduor	Chief Executive Officer	MSc. Agricultural Extension & Training	Accounting officer	254 722 819 227
Sunya Orre	Director Technical Service	MSc. Range Management	Director Technical services	254 723 505 656
Hussein Jirma	Program Coordinator	MSc Water and Environmental Management	Project Coordinator	254 727 868 095
Boniface Ichwaa	Project Operation Manager	Bachelor of Education science	Oversees project implementation	254 722 877 110
Yussuf Bagaja	Deputy Director Finance & Accounts	MBA Finance Option CPA(K) (ICPAK No. 8335)	Financial management	254 722 322 427
Mercy Kiogora	Payment specialist	B.Com Finance option CPAK (ICPAK No. 8757)	Beneficiaries payment management	254 722 787 411
Peter Thirikwa	MIS specialist	BSC & IT	MIS operations & coordination	254 721 644 702

1.7 Funding summary

The Project is for duration of 5 years from 2018 to 2023 with an approved budget of Euro 47,500,000 and USD 13,000,000 equivalent to Kshs 6,060,758,130 and Kshs 1,406,600,637 respectively as highlighted in the table below:

Source of funds	Donor Commitment-		Amount received to date – (30-06-2021)		Undrawn balance to date (30-06-2021)	
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Loan	USD	Kshs	USD	Kshs	USD	Kshs
IDA Credit	3,000,000	330,000,000	383,584	42,194,223	182,766,540	287,805,777
(ii) Grant	EURO	Kshs	EURO	Kshs	EURO	Kshs
DFID-Grant	13,000,000	1,406,600,637	5,943,637	643,101,814	7,056,363	763,498,822
Total		7,467,358,767		986,824,714		6,480,534,052

1.8 Summary of Overall Project Performance:

The Budget performance against actual amounts for current year and for cumulative to-date is as follows.

Source of Funding	Budget	Actual Expenditure	Absorption Rate
IPF Credit	75,500,000	2400	0%
IPF Grant	208,100,000	58,535,136	28%
GOK Counterpart Funds	2,754,200,000	2,353,542,907	85%
	3,037,800,000	2,412,080,443	

However, the Disbursement Link indicators DLIS so far achieved amounts Euro 9,995,000 equivalent to Kshs 1,169,415,000 while the accumulated Eligible Expenditure Programme to date amounts to Kshs 33,957,274,680.

IMPLEMENTATION CHALLENGES

- 1) There were budget cuts by the National Treasury and delays in accessing the funds for implementation
- 2) Limited implementation period due to the Effect of COVID 19 on activities reducing the implementation period to 2 and half months.
- 3) Shortage of staff working at the county level since the Authority has only one accountant handling KSEIP funds and among other donor funded and GOK projects under NDMA.

RECOMMENDATION

The project management team is to come up with the implementation strategies to enhance the absorption rate and address the challenges in the new financial year 2021/2022.

1.9 Summary of Project Compliance:

The project has complied with applicable laws and regulations, and essential external financing agreements/covenants.

II. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETERMINED OBJECTIVES

Introduction

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting officer when preparing financial statements of each National Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the national government entity's performance against predetermined objectives.

The objective of the KSEIP is "to strengthen delivery systems for enhanced access to social and economic inclusion services and shock-responsive safety nets for poor and vulnerable households". The Project supports the GoK to build upon the achievements made under the National Safety Net Program (NSNP) through putting in place credible delivery systems for social protection (SP) services. More specifically, the Project supports results in three areas: (i) enhancing institutional capacity and further strengthening of SP delivery systems, particularly the coverage and functionality of the existing single registry as well as to continue improving the efficiency of the payment and grievance management system; (ii) investing in scale-up of existing nutrition-sensitive safety net and testing of customized economic inclusion models as a complement to the sensitive safety net and testing of customized economic inclusion models as a complement to the regular cash transfers to improve human capital and self-sufficiency of the poor and vulnerable households; and (iii) improving shock responsiveness of the safety net system expanding its coverage as well as strengthening financing arrangements for timely support to the affected households to improve their resilience and coping with recurrent climate-induced droughts.

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:

STATUS OF KSEIP DISBURSEMENT LINK INDICATORS OF THE PROGRAMES IMPLEMENTED BY NDMA AS AT 30TH JUNE 2021				
DLI 1	Scope, Coverage and Functionality of Single Registry Enhanced	Total Allocated (EUR)- 7,800,000	Total Allocated (USD)- 1,000,000	Status
DLR 1b (i)	Re-registration exercise in the four original HSNP counties completed and beneficiary list updated accordingly	3,500,000	500,000	Re-targeting complete; Awaiting account opening
DLR 1b (ii)	Registration of households completed in four expansion HSNP counties	4,300,000	500,000	Registration ongoing

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DLI 5b	Increased Coverage and Government Financing of HSNP	Total Allocated (EUR)- 38,000,000	Total Allocated (USD)- 9,600,000	Status
DLR 5a (i)	10,000 new HSNP households enrolled and paid for through the Government's budget in 2 expansion counties	12,000,000	-	Targeting ongoing
DLR 5a (ii)	22,000 new HSNP households enrolled and paid for through the Government's budget in 4 expansion counties	13,000,000	-	Targeting ongoing
DLI 5b	100% of Existing HSNP households in the Original 4 Counties financed by the Government By July 2019	13,000,000	9,600,000	Achieved
DLI 6	HSNP Scalability and Financing Arrangements Enhanced	Total Allocated (EUR)- 22,500,000	Total Allocated Amount (Grant USD)- 37,648,810	Status
DLR 6a(i)	Financing Plan for HSNP Scalability FY 19/20 Adopted and Financed	865,000		Achieved
DLR 6a(ii)	Emergency payments made in FY18/19 for 100% of the total number of households triggered in 4 counties where HSNP is Functional	3,500,000	6,900,000	Achieved
DLR 6a(iii)	Emergency payments made in FY 19/20 for 100% of the Households triggered in 4 counties where HSNP is functional and Financing Plan Updated for FY20/21	1,700,000	11,500,000	Achieved
DLR 6a (iv)	Emergency payments made in FY 20/21 for 100% of the total number of households triggered in 4 counties where HSNP is functional and financing plan for FY 21/22 updated.	1,700,000	11,000,000	Achieved
DLR 6a (v)	Emergency payments made in FY21/22 for 100% of the total number of households triggered in 6 counties where HSNP is functional and financing plan for FY22/23 updated	7,800,000	2,300,000	To be achieved in FY 2021/2022
DLR 6a (vi)	Emergency payments made in FY22/23 for 100% of the total number of households triggered in 8 counties where HSNP is functional and financing plan for FY23/24 updated and financed.	5,200,000	5,948,810	To be achieved in FY 2022/2023

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DLR 6b (i)	HSNP scalability strategy reviewed, updated and adopted	865,000	-	Achieved
DLR 6b (ii)	Midterm review of HSNP scalability strategy complete and recommendations adopted	870,000	-	To be achieved in FY 2021/2022

III. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY

1. Sustainability strategy and profile

The GoK commitment to the proposed interventions and the alignment with its policy commitment for SP and the 'Big Four' is a prerequisite for sustainability beyond the life of the project. First, the GoK expanded the NSNP at a larger scale than originally expected (under the NSNP PforR operation), demonstrating its commitment. The proportion of NSNP cash transfers financed by the GoK has more than doubled in the past five years: almost 90 % of program beneficiaries are currently financed by the GoK (compared to 38% in FY13). It has further committed to take over 74% of the HSNP cash transfer costs by FY20, such that the GoK would finance about 96% (about KSh 25 billion) of the total NSNP cost. Second, the GoK continues to invest in SP delivery systems, including consolidation of the MIS, improved payment system, citizen's engagement and shock-responsiveness. Third, the proposed KSEIP is the culmination of nearly two years of in-depth consultations and consensus building within the GoK on the need for integrated SP services to strengthen resilience and enable self-sufficiency of poor and vulnerable households. A technical working group prepared a 'Comprehensive and Integrated SP Program,' which enjoyed high-level political backing of the Permanent Secretary, as well as the Cabinet Secretary for the MLSP

2. Environmental performance

The project has been screened for short and long-term climate change and disaster risks. The climate vulnerability of the project was identified, and climate adaptation measures considered in the project design. The proposed project would improve the shock-responsiveness of the safety net system in the ASAL areas, which are most affected by droughts occasioned by climate change. The enhanced SR would contribute to a system more responsive to shocks through better identification and categorization of beneficiaries. The expanded coverage of potential beneficiaries would also enable identification for other SP programs beyond the NSNP, including social and economic inclusion services, contributing to improved resilience of poor and vulnerable households. Institutional capacity for project implementation, coordination, and M&E, as well as enhancement of capacity and implementation of the BOS can all be considered to contribute to climate change adaptation. Particularly, Component 3 of proposed KSEIP would address some of the climate related challenges in the project areas to reduce the impact and vulnerability of drought and food insecurity in counties and communities. The project would monitor progress toward shock-responsiveness and resilience to counter climate change through the outcome indicator on risk financing strategy for HSNP scalability. An assessment of the project activities was undertaken by the World Bank's Climate Change Group, which estimated the total climate co-benefits in this project to amount to US\$ 59.75 million (or 24% of the IDA contribution). The assessment found that adaptation co-benefits can be assigned for: (i) enhancing the scope and coverage of the single registry, since it will enable timely identification of households affected by climate-related emergencies; (ii) expanding the nutrition-sensitive safety net, since food insecurity has been linked to droughts and (iii) improving the shock responsiveness of the safety net system, since it will enhance the resilience of beneficiaries to the droughts induced by climate change.

3. Community Engagements

KSEIP design incorporates Kenya-specific gender considerations. First, the project builds on the NSNP cash transfer programs which have demonstrated positive impact on gender outcomes. Program targeting of both the CT-OVC and HSNP recognizes the vulnerability of female-headed households: most recipients are women, although they are not explicitly targeted as the main beneficiaries. This has been reported to enable women to increase control of household budgets and participation in income-generating activities. Analysis

of the HSNP has indicated spill over effects on more balanced household decision-making. Evaluations have found that the cash transfer programs reduced the likelihood of young women becoming pregnant and improved mental health outcomes, such as lower rates of depression, greater belief in self-agency and self-efficacy, and more positive views of the future. Second, the KSEIP would support positive gender outcomes through interventions specifically targeted to women. NICHE would support PLW and mothers to make better dietary decisions for their children and enhance existing impacts on household decision making through the provision of a top-up transfer. The KSEIP M&E framework includes gender-disaggregated indicators on proposed project beneficiaries. Project surveys would collect data on gender dimensions of program implementation and outcomes. Lastly, the SR would be leveraged to collect and monitor gender specific data.

KSEIP would use the citizen's engagement mechanism already in place for the NSNP, namely the G&CM mechanism. This mechanism has been established at the national level with adequate staff and established procedures for receiving, recording, and acting on complaints along with a feedback mechanism to close the loop. It includes service charters to guide program engagement with beneficiaries, as well as MIS modules for tracking complaints and hotlines for receiving them. Community-level structures, such as the Constituency Social Assistance Committees and Beneficiary Welfare Committees (BWCs), have been established to raise awareness of the rights and entitlements of the beneficiaries, as well as to complement program officers and serve as an additional conduit for engaging with the beneficiaries and stakeholders. Work is ongoing to further strengthen this system by fully automating and decentralizing the G&CM mechanism as well as by rolling out a recently endorsed BOS to increase beneficiary awareness of their rights and entitlements as well as the procedures for G&CM. The proposed project would further enhance the G&CM mechanism and beneficiary outreach to ensure that a consolidated and coherent citizen's engagement system is established to address complaints and grievances and facilitate community feedback on proposed KSEIP activities in a structured manner.

IV. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES.

The Chief Executive Officer National Drought Management Authority and the Project Coordinator for Kenya Social and Economic Inclusion Project are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year (period) ended on June 30, 2021. This responsibility includes: (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Chief Executive Officer National Drought Management Authority and the Project Coordinator Kenya Social and Economic Inclusion 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 Chief Executive Officer National Drought Management Authority and the Project Coordinator for Kenya Social and Economic Inclusion Project are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year/period ended June 30, 2021, and of the Project's financial position as at that date. The Chief Executive Officer National Drought Management Authority and the Project Coordinator for Kenya Social and Economic Inclusion 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 Chief Executive Officer National Drought Management Authority and the Project Coordinator for Kenya Social and Economic Inclusion Project confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project financial statements

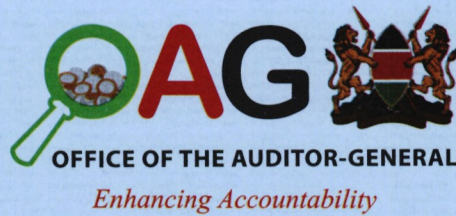
The Project financial statements were approved by the Chief Executive Officer National Drought Management Authority and the Project Coordinator for Kenya Social and Economic Inclusion Project on _____ 2021 and signed by them.

**Chief Executive Officer
James Oduor**

**Project Coordinator
Eng. Hussein Jirma**

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON KENYA SOCIAL AND ECONOMIC INCLUSION PROJECT NO. P164654, IDA CREDIT NO. 63480 AND GRANT NO. TFA9527 FOR THE YEAR ENDED 30 JUNE, 2021 - NATIONAL DROUGHT MANAGEMENT AUTHORITY

PREAMBLE

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

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

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal control, risk management and governance systems are properly designed and were working effectively in the financial year under review.

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

Report of the Auditor-General on Kenya Social and Economic Inclusion Project No. P164654, IDA Credit No. 63480 and Grant No. TFA9527 for the year ended 30 June, 2021- National Drought Management Authority

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of Kenya Social and Economic Inclusion Project (NDMA) Project No.P164654, IDA Credit No. 6480 and Grant No.TFA9527 set out on pages 1 to 17, which comprise the statement of financial assets as at 30 June, 2021, and the statement of cash flows and statement of comparative budget and actual amounts for the year then ended, and the 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 do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1. Change of Project Name and Opening Balances

1.1. Change of Project Name and Assets Handover

The Other Important Disclosures note to the financial statements indicates that Hunger Safety Net Programme (HSNP II) came to an end on 16 October, 2019 and was succeeded by Kenya Social and Economic Inclusion Project (KSEIP or HSNP III). However, in the previous year's (2019/2020) audit report, the name used for the project is National Safety Net Programme (NSNP) under the State Department for Social Protection Cr. No. 5287, while in the year under review the project's name changed to KSEIP IDA Cr. No. 63480 and Grant No. TFA9527 or Project No. P164654 under National Drought Management Authority (NDMA). The frequent changes in project names has resulted to the following observations or anomalies:

- i. KSEIP consolidates all cash transfer programmes initially under NSNP and KSEIP is being implemented by NDMA as HSNP III.
- ii. The cash and cash equivalents of Kshs.1,618,376,310 reflected in the financial statements of NSNP as at 30 June, 2020 were not fully transferred to KSEIP as opening balance on 1 July, 2020. Instead, an amount of Kshs.486,296,128(30%) was reflected as KSEIP opening balance while the brought forward receivables of Kshs.15,354,719 is also fully omitted and is not explained in the financial statements of Kenya Social and Economic Inclusion Project (KSEIP) as at 30 June, 2021.
- iii. The transfer of fixed acquired assets totaling Kshs.75,749,883 and Kshs.18,943,601 acquired in years 2019/2020 and 2018/2019 respectively from

the National Safety Net Programme to KSIEP-handover report or documentary evidence was never provided for audit review.

Consequently, it was not possible to establish the details pertaining to the transfer of fixed assets and also the accuracy and ownership of the cash and cash equivalent could not be confirmed as at 30 June, 2021.

1.2. Opening Balances

The Other Important Disclosures note to the financial statements indicates National Hunger Safety Net Programme (HSNP) amounts relating to the previous year were omitted from financial statements of KSEIP's comparative figures as at 30 June, 2021. However, it is not clear why the full opening audited balances were not reported in the 2020/2021 financial statements of KSEIP, therefore, resulting to differences as shown below.

	Comparative Balances as at 30 June, 2021 of KSEIP	Audited Balance as at 30 June, 2020 of NSNP	Difference
	Kshs.	Kshs.	Kshs.
Statement of Receipts and Payments			
Total Receipts	4,208,502,293	42,236,583,532	(38,028,081,239)
Total Payments	3,722,206,166	41,922,581,651	(38,200,375,485)
Surplus	486,296,128	314,001,881	172,294,247
Statement of Financial Assets			
Bank Balances	486,296,128	1,618,376,310	(1,132,080,182)
Fund Balance	Nil	1,319,729,148	(1,319,729,148)
B/forward	Nil	15,354,719	(15,354,719)
Receivables			

Consequently, the comparative opening balances and the differences as shown in the table for the year ended 30 June, 2021 could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

I do not express a conclusion on the effectiveness of internal controls, risk management and governance as required by Section 7(1)(a) of the Public Audit Act, 2015. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit 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 control, risk management and governance.

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

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of noncompliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Project's policies and procedures may deteriorate.

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

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

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

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

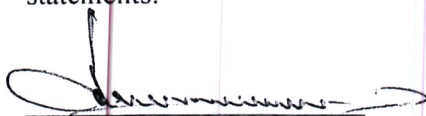
24 December, 2021

*Kenya Social and Economic Inclusion Project
Reports and Financial Statements for the financial year ended June 30, 2021*

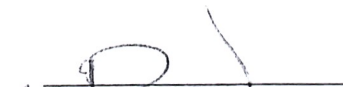
1. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2021.

	Note	2020/2021	2019/2020	Cumulative to-date (From inception)
		Receipts and payments controlled by the entity	Receipts and payment controlled by the entity	
		Kshs	Kshs	Kshs
RECEIPTS				
Government of Kenya	1	2,191,500,000	4,096,000,000	6,287,500,000
Grant from external development partners (World Bank-DFID)	2	191,851,100	55,860,912	247,712,012
Loan from external development partners (World Bank)	3	42,194,223		42,194,223
Miscellaneous receipts	4	16,368,613	56,641,381	73,009,994
TOTAL RECEIPTS		2,441,913,936	4,208,502,293	6,650,416,229
PAYMENTS				
Compensation of employees	5	135,999,175	123,966,687	259,965,862
Purchase of goods and services	6	486,582,137	180,979,211	667,561,348
Acquisition of non-financial assets	7	12,725,497	75,749,883	88,475,380
Finance Costs	8	1,289,979	625,589	1,915,568
Other grants and transfers	9	1,771,027,800	3,340,884,796	5,111,912,596
Other Payments	10	169,845,390	-	169,845,390
TOTAL PAYMENTS		2,577,469,978	3,722,206,166	6,299,676,144
SURPLUS/(DEFICIT)		(135,556,041)	486,296,128	350,740,087

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



**Chief Executive Officer
James Oduor**



**Project Coordinator
Eng. Hussein Jirma**



**Deputy Director Finance and Accounts
Yussuf Bagaja ICPAK No.8335**

Kenya Social and Economic Inclusion Project
Reports and Financial Statements for the financial year ended June 30, 2021

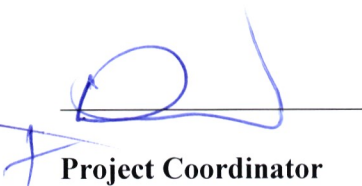
2. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2021

	Note	2020-2021	2019-2020
		Kshs	Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	11	350,740,087	486,296,128
Cash Balances			
Cash Equivalents (short-term deposits)		350,740,087	486,296,128
TOTAL FINANCIAL ASSETS		350,740,087	486,296,128
REPRESENTED BY			
Fund balance b/fwd.		486,296,128	-
Surplus/(Deficit) for the year		(135,556,041)	486,296,128
NET FINANCIAL POSITION		350,740,087	486,296,128

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 12/11/2021 2021 and signed by:



Chief Executive Officer
James Oduor



Project Coordinator
Eng. Hussein Jirma



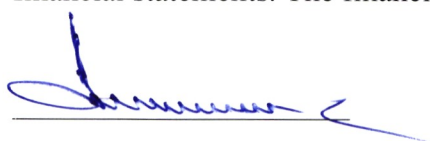
Deputy Director Finance and Accounts
Yussuf Bagaja ICPAK No.8335

*Kenya Social and Economic Inclusion Project
Reports and Financial Statements for the financial year ended June 30, 2021*

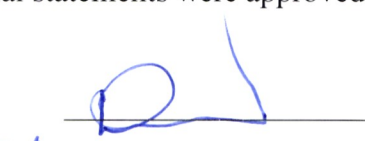
3. STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2021

		2020-2021	2019-2020
	Note	KShs	KShs
CASHFLOW FROM OPERATING ACTIVITIES			
Receipts from operating activities			
Government of Kenya	1	2,191,500,000	4,096,000,000
Grant from external development partners(World Bank-DFID)	2	191,851,100	55,860,912
Loan from external development partners (World Bank)	3	42,194,223	-
Miscellaneous receipts	4	16,368,613	56,641,381
Total Receipts from operating activities		2,441,913,936	4,208,502,293
Payments from operating activities			
Compensation of employees	5	135,999,175	123,966,687
Purchase of goods and services	6	486,582,137	180,979,211
Finance Costs	8	1,289,979	625,589
Other grants and transfers	9	1,771,027,800	3,340,884,796
Other Payments	10	169,845,390	-
Total Payments from operating activities		2,564,744,481	3,646,456,283
Net cash flow from operating activities		(122,830,545)	562,046,010
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	7	12,725,497	75,749,883
Net cash flows from Investing Activities		12,725,497	75,749,883
NET INCREASE IN CASH AND CASH EQUIVALENTS		(135,556,042)	486,296,127
Cash and cash equivalent at BEGINNING of the year	11	486,296,127	-
Cash and cash equivalent at END of the year	11	350,740,087	486,296,127

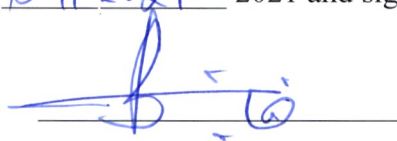
The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 12.11.2021 2021 and signed by:



**Chief Executive Officer
James Oduor**



**Project Coordinator
Eng. Hussein Jirma**



**Deputy Director Finance and Accounts
Yussuf Bagaja ICPAK No.8335**

*Kenya Social and Economic Inclusion Project
Reports and Financial Statements for the financial year ended June 30, 2021*

4.STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	%of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
Receipts						
Grant from external development partners(World Bank & DFID)	75,500,000	-	75,500,000	42,194,223	33,305,778	55.89%
Loan from external development partners (World Bank)	194,100,000	14,000,000	208,100,000	191,851,100	16,248,900	92.19%
Government of Kenya (Counterpart funding)	4,383,000,000	(1,628,800,000)	2,754,200,000	2,191,500,000	562,700,000	79.57%
Total Receipts	4,652,600,000	(1,614,800,000)	3,037,800,000	2,425,545,323	612,254,678	79.85%
Payments						
Compensation of employees	220,361,700	(124,057,294)	96,304,406	135,999,175	-39,694,769	141.22%
Purchase of Goods and Services	677,263,300	(48,871,896)	632,891,404	491,037,992	141,853,412	77.59%
Finance costs	1,500,000	-	1,500,000	1,289,979	210,021	86.00%
Acquisition of non-financial assets	13,000,000	-	13,000,000	12,725,497	274,503	97.89%
Other grants and transfers	3,740,475,000	(1,441,870,810)	2,298,604,190	1,775,482,132	523,122,058	77.24%
Total Payments	4,652,600,000	(1,614,800,000)	3,037,800,000	2,412,080,443	625,765,225	79.40%

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


Chief Executive Officer
James Oduor


Project Coordinator
Eng. Hussein Jirma


Deputy Director Finance and Accounts
Yussuf Bagaja ICPAK No.8335

5 SIGNIFICANT ACCOUNTING POLICIES

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

5.1 Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with Cash-basis IPSAS financial reporting under the cash basis of accounting, as prescribed by the PSASB and set out in the accounting policy note below. 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.

5.2 Reporting entity

The financial statements are for the Kenya Social and Economic Inclusion Project under National Drought Management Authority. The financial statements encompass the reporting entity as specified in the relevant legislation and PFM Act 2012 .

5.3 Reporting currency

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

5.4 Recognition of receipts

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

i) Transfers from the Exchequer

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

ii) External Assistance

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

iii) Other receipts

SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

iv) 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.

v) 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 and CBK reconciliations attached.

5.5 Recognition of payments

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

i) Compensation of employees

Salaries, Wages, Gratuity, Allowances, and Statutory Contributions 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.

iii) 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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the Authority and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the consolidated financial statements.

iv) 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.

5.6 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank.

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 Authority projects which were not surrendered or accounted for at the end of the financial year.

5.7 Budget

The budget is developed on a comparable accounting basis (cash basis), the same accounts classification 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.

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.

5.8 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.

5.9 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.

*Kenya Social and Economic Inclusion Project
Reports and Financial Statements for the financial year ended June 30, 2021*

6 NOTES TO THE FINANCIAL STATEMENTS

1. RECEIPTS FROM GOVERNMENT OF KENYA

These represent counterpart funding from government as follows:

	2020/21	2019/20	
<i>Counterpart funding through Ministry of Devolution and ASAL</i>	Kshs	Kshs	Cumulative to-date (from inception)
Counterpart funds Quarter 1	1,095,750,000	-	1,095,750,000
Counterpart funds Quarter 2	-	1,185,750,000	1,185,750,000
Counterpart funds Quarter 3	657,450,000	1,165,725,000	1,823,175,000
Counterpart funds Quarter 4	438,300,000	1,744,525,000	2,182,825,000
Total	2,191,500,000	4,096,000,000	6,287,500,000

Note: counterpart funding is the government's share of contribution towards the implementation of the project as mandated by the Project Agreement.

2. PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

During the 12 months to 30th June 2021, the Authority received grants from donor as detailed in the table below:

Name of Donor	Date received	Amount received in donor currency	Grants received in cash	Total amount in Kshs	
				2020/21	2019/20
		USD	Kshs	Kshs	Kshs
World Bank	06-10-20	894,449	97,050,000	97,050,000	
	17-05-21	884,557	94,801,100	94,801,100	
	30-06-20				55,860,912
Total		1,779,006	191,851,100	191,851,100	55,860,912

*Kenya Social and Economic Inclusion Project
Reports and Financial Statements for the financial year ended June 30, 2021*

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. LOAN FROM EXTERNAL DEVELOPMENT PARTNERS

During the 12 months to 30th June 2021, the Authority 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 received in donor currency	Loans received in cash	Total amount in Kshs	
				2020/21	2019/20
		USD	Kshs	Kshs	Kshs
Loans Received from Multilateral Donors (International Organizations)					
World Bank	20.11.2020	345,088	37,750,000	37,750,401	-
	31.05.2021	41,307	4,444,222	4,444,222	-
Total		386,395	42,194,223	42,194,223	-

4. MISCELLANEOUS RECEIPTS

	2020/21			Total Receipts	2019/2020	Cumulative to-date (from inception)
	Receipts controlled by the entity in Cash	Receipts controlled by third parties			Total Receipts	
	GOK	DFID GRANT	IDA LOAN			
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Bank Premiums	13,822,709	2,073,224	-	15,895,933	7,880,664	13,822,709
Other receipts		472,680	-	472,680	48,760,717	
Total	18,278,564	2,445,904		16,368,613	56,641,381	18,278,564

Note: Other receipts of Kshs 472,680/- relates to a refund to DFID from HSNP 2

*Kenya Social and Economic Inclusion Project
Reports and Financial Statements for the financial year ended June 30, 2021*

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. COMPENSATION OF EMPLOYEES

	2020/21			2019/2020		Cumulative to-date (from inception)
	Payments made by the Entity in Cash	Payments made by third parties	IDA LOAN	Total Payments	Total Payments	
	GOK	DFID GRANT	IDA LOAN			
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Basic wages of temporary employees	105,999,766	25,689,657	-	131,689,423	123,728,587	255,418,010
Compulsory national social security schemes	196,600	16,800	-	213,400	238,100	451,500
Other personnel payments (Gratuity)	1,715,881	2,380,470	-	4,096,351	-	4,096,351
Total	107,912,247	28,086,927	-	135,999,175	123,966,687	259,965,862

6. PURCHASE OF GOODS AND SERVICES

	2020/2021			2019/2020		Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	IDA LOAN	Total Payments	Total Payments	
	GOK	DFID GRANT	IDA LOAN			
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Domestic travel and subsistence	166,630,832	3,253,152	-	169,883,984		169,883,984
Rentals of produced assets	6,609,714	0	-	6,609,714		6,609,714
Training payments	45,067,677	1,915,800	-	46,983,477		46,983,477
Hospitality supplies and services	17,440,240	2,858,058	-	20,298,298		20,298,298
Insurance costs	27,600,491	3,699,434	-	31,299,925		31,299,925

Kenya Social and Economic Inclusion Project
Reports and Financial Statements for the financial year ended June 30, 2021

Specialized materials and services	119,559,776	-	-	119,559,776		119,559,776
Other operating payments		-	-	0	180,979,211	180,979,211
Routine Maintenance of Motor Vehicle	29,343,116	-	-	29,343,116		29,343,116
Communication costs and postage	10,687,199	-	-	10,687,199		10,687,199
General office supplies and services	18,626,021	-	-	18,626,021		18,626,021
Fuel and lubricants	23,707,060	-	-	23,707,060		23,707,060
Routine Maintenance of other assets	8,226,633	-	-	8,226,633		8,226,633
Utilities, services and supplies	1,356,934			1,356,934		1,356,934
Total	474,855,693	11,726,444	-	486,582,137	180,979,211	667,561,348

Note: Specialized material and services include payments made to the Payment Service Providers.

7. ACQUISITION OF NON-FINANCIAL ASSETS

	2020/21			2019/20	
	KSEIP GOK	KSEIP IPF	Total Payments	Total Payments	Cumulative to-date
	Kshs	Kshs	Kshs	Kshs	Kshs
Purchase of Motor Vehicle	3,164,353	-	3,164,353	70,269,939	73,434,292
Refurbishment of buildings	5,847,005	-	5,847,005	-	5,847,005
Purchase of office furniture & General equipment	3,714,139	-	3,714,139	5,479,944	9,194,083
Total	12,725,497	-	12,725,497	75,749,883	88,475,380

*Kenya Social and Economic Inclusion Project
Reports and Financial Statements for the financial year ended June 30, 2021*

8. FINANCE COSTS

		2020/21			2019/2020			
		Receipts controlled by the Cash	entity in	Receipts controlled by third parties	Total Receipts	Total Receipts	Cumulative to-date (from inception)	
		GOK		DFID GRANT	IDA LOAN			
		Kshs		Kshs	Kshs	Kshs	Kshs	
Bank Charges		1,239,459		48,120	2,400	1,289,979	625,589	1,915,568
Total		1,239,459		48,120	2,400	1,289,979	625,589	1,915,568

9. OTHER GRANTS AND TRANSFERS AND PAYMENTS

		2020/21			2019/2020			
		Receipts controlled by the Cash	entity in	Receipts controlled by third parties	Total Receipts	Total Receipts	Cumulative to-date (from inception)	
		GOK		DFID GRANT	IDA LOAN			
		Kshs		Kshs	Kshs	Kshs	Kshs	
Regular Transfer	Cash	1,682,203,200		-	-	1,682,203,200	3,285,910,096	4,968,113,296
Scale ups		88,824,600		-	-	88,824,600	54,974,700	143,799,300
TOTAL		1,771,027,800		-	-	1,771,027,800	3,340,884,796	5,111,912,596

Note: Regular Cash Transfer are payments made to beneficiaries on bi-monthly basis while scale up payment are made to beneficiaries during severe drought emergencies who don't form part of the regular cash transfer.

10. OTHER PAYMENTS

During the 12 months to 30th June 2021, the project advanced funds to other projects within the organization to meet contractual and statutory obligations awaiting disbursement from the exchequer as shown below:

Project name	2020/21			2019/20	Cumulative to-date
	KSEIP GOK	KSEIP IPF	Total Payments	Total Payments	
	Kshs	Kshs	Kshs	Kshs	
EU-EDE SP5/SP6	131,000,000	-	131,000,000	-	131,000,000
NDMA	10,000,000	-	10,000,000	-	10,000,000
KRDP-EWS	7,500,000	-	7,500,000	-	7,500,000
Bank Premium transfer	21,345,390		21,345,390		21,345,390
TOTAL	169,845,390	-	169,845,390		169,845,390

11. CASH AND CASH EQUIVALENTS

	2020/21	2019/20
	Kshs	Kshs
Bank accounts (Note 11.A)	350,740,087	486,296,128
Cash in hand)	-	-
Cash equivalents	-	-
Total	350,740,087	486,296,128

The project operates 11 commercial bank accounts, 8 within the project implementation area and 3 at head office as listed below.

The project also has 2 foreign currency designated accounts at CBK operated by the National Treasury:

11 (a) Project Bank Accounts

	2020/21	2019/20
	KShs	KShs
NCBA A/c No2144470116.- KSEIP- HSNP	120,207,998	466,766,005
NDMA County balances (KCB)	32,565,076	4,455,855
NCBA A/c No.2144470032.- IPF Loan	42,191,823	-
NCBA A/c No 2144470121.- IPF Grant	155,775,190	15,074,268
Total	350,740,087	486,296,128

The county bank balances of Ksh. 32,565,076 was reported under the 8 counties where the Authority is implementing the KSEIP Project. (i.e Mandera, Wajir, Garissa, Tana River, Isiolo, Samburu, Marsabit and Turkana).

Kenya Social and Economic Inclusion Project
Reports and Financial Statements for the financial year ended June 30, 2021

Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as at 30th June 2021 are not included in the Statement of Financial Assets since they are below the line items and are yet to be drawn into the Exchequer Account as a voted provision.

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

Special Deposit Accounts Movement Schedule

	2020/21	2019/20
	EUR	
(i) IDA LOAN CREDIT [A/c No. 1000411333]		
Opening balance	-	
Total amount deposited in the account	585,000	
Total amount withdrawn (as per Statement of Receipts & Payments)	-	
Closing balance (as per SDA bank account reconciliation attached)	585,000	
	2020/21	
	USD	
(ii) IDA GRANT [A/c No. 1000411368]		
Opening balance (as per the SDA reconciliation)	-	
Total amount deposited in the account	1,797,200	
Total amount withdrawn (as per Statement of Receipts & Payments)	1,797,200	
Closing balance (as per SDA bank account reconciliation attached)	-	

The Special Deposit Accounts reconciliation statements have been attached as *Appendix 3*

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7. 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)
2019/20	Nothing has come to the attention of the Authority that there were any issues raised by the Auditor	NONE		

Chief Executive Officer

12-11-2021

Date

Project Coordinator

12/11/2021

Date

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8 ANNEX 1

VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual Comparable Basis	Budget Utilization Difference	% of Utilization	
a	b	c=a+b	d	e=c-d	f=d/c %		
Receipts							
Grant from external development partners(World Bank & DFID)	75,500,000		75,500,000	42,194,223	33,305,778	56%	Unutilized funds due to lengthy approval processes by the Bank
Loan from external development partners (World Bank)	194,100,000	14,000,000	208,100,000	191,851,100	16,248,900	92%	
Government of Kenya	4,383,000,000	(1,628,800,000)	2,754,200,000	2,191,500,000	562,700,000	80%	
Total Receipts	4,652,600,000	(1,614,800,000)	3,037,800,000	2,425,545,323	612,254,678		
Payments							
Compensation of employees	220,361,700	(124,057,294)	96,304,406	135,999,175	-39,694,769	141%	Over expenditure was as a result of adjustment of budget downwards after expenditure had been incurred
Purchase of Goods and Services	677,263,300	(48,871,896)	632,891,404	486,582,137	146,309,267	77%	Under expenditure was as a result procurement processes which requires a 'no objection' from the World Bank
Finance costs	1,500,000		1,500,000	1,289,979	210,021	86%	
Acquisition of non-financial assets	13,000,000		13,000,000	12,725,497	274,503	98%	
Other grants and transfers	3,740,475,000	(1,441,870,810)	2,298,604,190	1,775,482,132	523,122,058	77%	
Total Payments	4,652,600,000	(1,614,800,000)	3,037,800,000	2,412,080,443	630,221,080		

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9. APPENDICES

- i. Bank Reconciliations statement as at 30th June 2021
- ii. Board of Survey Reports
- iii. Special Deposit Account(s) reconciliation statement(s)
- iv. Updated Asset register