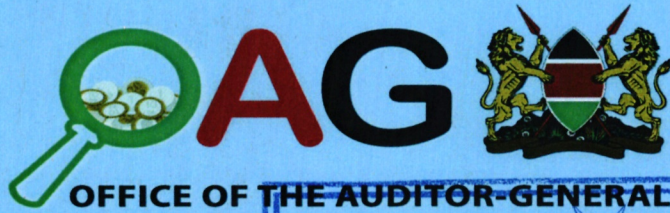


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Enhancing Accountability

THE NATIONAL ASSEMBLY
PAPERS LAID

REPORT

DATE: 23 FEB 2021

DAY:
Tuesday

TABLED BY:

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Maimah Mwangi

PARLIAMENT
OF KENYA
LIBRARY

THE AUDITOR-GENERAL

ON

**NATIONAL SAFETY NET
PROGRAMME – IDA CREDIT NO.5287**

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

**STATE DEPARTMENT
FOR SOCIAL PROTECTION**

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**NATIONAL SAFETY NET PROGRAMME
(PROJECT NUMBER: P131305)**

**MINISTRY OF LABOUR AND SOCIAL PROTECTION, STATE DEPARTMENT FOR
SOCIAL PROTECTION (SOCIAL PROTECTION SECRETARIAT)**

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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

 THE NATIONAL ASSEMBLY PAPERS LAID			
DATE: 23 FEB 2021 <table border="1" style="display: inline-table;"><tr><td style="text-align: center;">DAY.</td></tr><tr><td> </td></tr></table>		DAY.	
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I. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

The project's official Name:

National Safety Net Programme

Physical Address :(Headquarters)

NSSF Building, Nairobi (city), Nairobi County, Kenya.

P. O. Box 46205-00100 GPO, Nairobi.

CONTACTS

Telephone: (254) 722 319 186

E-mail: et_ovc@gmail.com OR ct_ovc@yahoo.com

Project Coordinator

John Gachigi

1.2 Project Information

Project Start Date:	31 st March 2009
Project End Date:	31 st December 2020
Project Manager:	John Gachigi
Project Sponsor:	World Bank ,Government of Kenya and IDA

1.3 Project Overview

Line Ministry/State Department	The project is under the supervision of the – Ministry of Labour and Social Protection, State Department for Social Protection.
Strategic goals of the	The strategic goals of the project are as follows:

*National Safety Net Programme
Reports and Financial Statements
For the financial year ended June 30, 2020*

project	<ol style="list-style-type: none"> 1. Strengthening the capacity of families to protect and care for the Orphans and Vulnerable Children (OVC), Older Persons and Persons With severe disability and Hunger Safety Net 2. Mobilizing and supporting community response; 3. Ensuring access to essential services including education, healthcare, Birth registration and others for OVC, Older Persons and Persons With Severe Disability; 4. Improving Government Policy and Regulations; 5. Creating a supportive environment through advocacy and social mobilization; 6. Developing and improving the capacity to monitor and evaluate programme effectiveness; 7. Strengthening, supporting and coordination of institutional structures;
Achievement of strategic goals	<p>The project management aims to achieve the goals through the following means:</p> <ol style="list-style-type: none"> (i) Increase social safety net access to extremely poor households in Kenya; (ii) Build the capacity of the Government systems to effectively deliver the safety net project to the vulnerable groups;
Current situation that the project was formed to intervene	<p>The project was formed to intervene in the following areas:</p> <ol style="list-style-type: none"> (i) Address cases of vulnerable group and children and be integrated to Families. This was to be achieved by giving households bi-annual Cash subsidy to take care of the vulnerable persons.
Project duration	<p>The project started on 31st March 2009 and is expected to run until 31st December, 2020</p>

1.4 Bankers

The following are the bankers for the current year:

- (i) Cooperative Bank of Kenya Limited
- (ii) Central Bank of Kenya
- (iii) KCB
- (iv) Equity Bank Limited
- (v) Post Bank
- (vi) NCBA

1.5 Auditors

The project is audited by Office of the Auditor General.

1.6 Roles and Responsibilities

Names	Title designation	Key qualification	Responsibilities
John Gachigi	Senior Assistant Director	Masters in Sociology	Head of Social Assistance Unit (Project Coordinator)
Moses Muga	Principal Accountant	MSC Com. CPA(K)	Project Accountant
Cecilia Mbaka	Deputy Director Social Development	Bachelor's Degree in Sociology	Head of Social Protection Secretariat
Sydney Paul Achia	Principal Children Officer	Bachelor's Degree in Sociology	Head of MIS and Payments

*National Safety Net Programme
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For the financial year ended June 30, 2020*

1.7 Funding summary

The Project is for duration of 7 years from 2013 to 2020 with an approved budget of US\$ 300,000,000 equivalent to Kshs.31, 560,011,400 as highlighted in the table below:

Below is the funding summary:

Source of funds	Donor Commitment-		Amount received to date – (30 June 2020)		Undrawn balance to date (30 June 2020)	
	Donor currency	<u>Kshs.</u>	Donor currency	<u>Kshs.</u>	Donor currency	<u>Kshs.</u>
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
IDA CREDIT 52870	250,000,000	26,300,009,500	209,626,018	22,052,665,035	40,373,982	4,247,344,465
IDA CREDIT 59810	50,000,000	5,260,001,900	34,288,366	3,607,137,452	15,711,634	1,652,864,448
Total	300,000,000	31,560,011,400	243,914,384	25,659,802,488	56,085,616	5,900,208,912

1.8 Summary of Overall Project Performance:

The State Department for Social Protection plays a pivotal role towards the realization of the country's transformation agenda as advocated in Kenya Vision 2030, Medium Term Plan (MTP), the Constitution, and 'Big Four Agenda'. The State Department is linked to the Social Pillar of the Kenya Vision 2030 which focuses on equity in access, control and participation in resource distribution for improved livelihoods of vulnerable groups specifically the orphans and vulnerable children, the elderly, and Persons with Disabilities.

The State Department's overall strategic focus in the National Development Agenda is geared towards empowerment of vulnerable groups. The Key Result Areas (KRA's) for the State Department during the 2019/20 period were: empowerment of communities, Persons with Disabilities (PWDs) and older persons; Social Protection for Vulnerable Groups; safeguarding the rights and welfare of children.

KEY ACHIEVEMENTS DURING THE FINANCIAL YEAR 2019/20

National Safety Net (Inua Jamii) Programme

The overall objective of this programme is to cushion the vulnerable section among the population specifically Orphans & Vulnerable Children, Older Persons and Persons with Severe Disabilities against vulnerability. The programme provides monthly cash transfers of Kshs. 2,000, delivered every two months to targeted beneficiaries to enable them meet basic human needs and live a dignified life.

- By the end of the 2019/20 financial year, the cumulative number of beneficiaries receiving the cash transfers was 1,094,045 as follows:-
 - (i) Older Persons 764,644;
 - (ii) Orphans & Vulnerable Children 295,307;
 - (iii) Persons with Severe Disabilities 34,094
- Reviewed the Consolidated Cash Transfer Operations Manual for efficient and transparent implementation of the programmes as well as ensuring compliance;
- Training of Trainers (ToT) was conducted in preparation of decentralization of Consolidated Cash Transfer CCT-MIS module;
- Developed and finalized the Beneficiary Outreach Strategy. Towards implementation of BOS, training manuals were prepared and Training of Trainers (ToT) was conducted. The trainers are expected to train BWC members and field officers in readiness for KSEIP BOS implementation;

Scale-Up the National Development Fund for Persons Living with Disabilities.

- During the period under review, the State Department provided 254 tools of trade (toolkit) to VRC graduates with disabilities for self-employment out of a target of 255.
- The State Department provided economic empowerment support and entrepreneurship training to 290 PWDs Self Help groups for income generating activities out of a target of 290.
- During the period under review, learning of 363 workers offering essential services on Kenyan Sign Language was completed.
- During the contract period the State Department;

*National Safety Net Programme
Reports and Financial Statements
For the financial year ended June 30, 2020*

- Provided sunscreen lotions to 3,650 PWAs against a target of 3,650,
 - Identified and supported 500 PWAs with eye care devices against a target of 650,
 - Provided skin cancer screening to 375 PWAs against a target of 500
 - During the period under review, the State Department;
 - Provided assistive and supportive devices to 3,544 PWDs against a target of 4,000;
 - Provided 4,032 scholarship to PWDs against a target of 4,000;
 - Supported 21 learning institutions with PWDS with infrastructure and equipment against a target of 24; and
 - Supported 21 PWD- owned businesses with LPO financing under AGPO against a target of 50.
1. The Program has gradually expanded its scope/support from 500 households pre-pilot in 2004 now reaching 1,333,000 households as at 30 June 2020.
 2. The Program has increased school enrolment and attendance and reduced rates of mortality and morbidity

II. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Principal Secretary for the State Department for Social Protection and the Project Coordinator for National Safety Net Programme 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 30 June 2020. This responsibility includes: (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Principal Secretary for the State Department for Social Protection and the Project Coordinator for National Safety Net Programme accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The Principal Secretary for the State Department for Social Protection and the Project Coordinator for National Safety Net Programme 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 30 June, 2020, and of the Project's financial position as at that date. The Principal Secretary for the State Department for Social Protection and the Project Coordinator for National Safety Net Programme further confirms 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.

***National Safety Net Programme
Reports and Financial Statements
For the financial year ended June 30, 2020***

The Principal Secretary for the State Department for Social Protection and the Project Coordinator for National Safety Net Programme 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 Principal Secretary, State Department for Social Protection and the Project Coordinator for National Safety Net Programme on 24/12/2020 and signed by them.



Principal Secretary
Nelson Marwa Sospeter, **CBS**

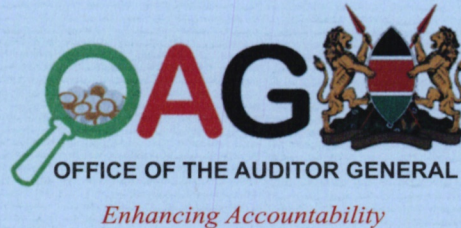


Project Coordinator
John Gachigi

**III. REPORT OF THE INDEPENDENT AUDITORS ON THE NATIONAL SAFETY NET
PROGRAMME**

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON NATIONAL SAFETY NET PROGRAMME - IDA CREDIT NO.5287 - FOR THE YEAR ENDED 30 JUNE, 2020 – STATE DEPARTMENT FOR SOCIAL PROTECTION

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of National Safety Net Programme set out on pages 1 to 22, which comprise the statement of financial assets as at 30 June, 2020, and the statement of receipts and payments, statement of cash flows and statement of comparative budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015, and the Financing Agreement IDA Credit No.5287 between the Republic of Kenya and the International Development Association (IDA) dated 9 September, 2013. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the National Safety Net Programme as at 30 June 2020, and its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Financing Agreement.

Basis for Opinion

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

Key Audit Matters

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

Other Matter

Budget Control and Performance.

The financial statements indicate that the Programme's actual revenue during the year under review amounted to Kshs.42,222,228,747 and the budget Kshs.42,175,916,416 resulting to excess receipts amounting to Kshs.46,312,331.

The Programme's expenditure budget amounted to Kshs.42,169,625,416 and actual expenditure Kshs.41,922,581,651 resulting to under-expenditure of Kshs.247,043,765. The under-expenditure mainly occurred in the Hunger Safety Net Programme at Kshs.846,579,884 and the Social Protection Secretariat at Kshs.11,478,616 equivalent to 16% and 11% of the respective budgets. On the other hand, Cash Transfers for Persons with Severe Disabilities recorded over-expenditure of Kshs.206,109,447 or 17% of the budget.

However, contrary to the reporting requirements set by the Public Sector Accounting Standards Board(PSASB), Management has not explained, in the Notes to the financial statements, the reasons for the material revenue and expenditure variances.

As a result of the aggregate under-expenditure amounting to Kshs.247,043,765, some activities planned for the year were not implemented, which in turn hindered the Programme from attaining its objectives.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance

section of my report, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

Inadequate Accounting for Imprests

Review of the Project's accounting systems indicated that the imprests register maintained by the Programme, did not indicate dates imprests are surrendered and as a result, audit and control of the imprests was not effective.

Further examination of imprest records indicated that on many occasions, imprests were issued to one staff member on behalf of one or more teams engaged in a common activity. This was contrary to regulations on imprests which require each officer to apply and be issued with imprests separately to ensure accountable and effective use of public funds.

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

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 overall governance.

In preparing the financial statements, Management is responsible for assessing the Programme's ability to continue 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 Programme, or cease operations.

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

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with 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 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 Programme'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 Programme to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Programme 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 communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

31 December, 2020

*National Safety Net Programme
Reports and Financial Statements
For the financial year ended June 30, 2020*

1 STATEMENT OF RECEIPTS AND PAYMENTS.

	Note	2019/20 Receipts and payments controlled by the entity	2018/19 Receipts and payments controlled by the entity
		Ksh	Ksh
RECEIPTS			
Government of Kenya	3	41,493,146,586	23,434,100,851
External Financing	1&2	735,153,012	1,457,119,235
Miscellaneous Receipts	3	8,283,934	26,294,600
TOTAL RECEIPTS		42,236,583,531.82	24,917,514,686.00
PAYMENTS			
Old Persons Cash Transfer Programme		27,261,224,703	16,906,166,992
Compensation of employees	4	44,819,694	27,869,914
Purchase of goods and services	5	1,478,551,209	292,306,103
Acquisition of non-financial assets	7		
Other grants and transfers payments	6	25,737,853,800	16,585,990,975
Cash Transfer for Persons with Severe Disability		1,396,109,447	953,945,530
Compensation of employees	4		92,649,720
Purchase of goods and services	5	80,735,447	9,842,450
Acquisition of non-financial assets	7		
Other grants and transfer payments	6	1,315,374,000	851,453,360
Cash Transfer for OVC		8,676,763,071	8,369,126,677
Compensation of employees	4		53,411,591
Purchase of goods and services	5	445,878,071	101,366,897
Acquisition of non-financial assets	7	153,000	280,078,615
Other grants and transfer payments	6	8,230,732,000	7,934,269,574
Hunger Safety Net Programme		4,494,820,116	3,421,789,700
Compensation of employees	4	155,926,562	85,566,959
Purchase of goods and services	5	238,440,675	509,944,740
Acquisition of non-financial assets	7	75,749,883	18,943,601
Other grants and transfer payments	6	4,024,702,996	2,807,334,400
Social Protection Secretariat		93,664,314	20,978,234
Compensation of employees	4	10,681,273	11,957,429
Purchase of goods and services	5	82,983,041	9,020,805
Acquisition of non-financial assets	7		
Other grants and transfer payments	6		

National Safety Net Programme
Reports and Financial Statements
For the financial year ended June 30, 2020

TOTAL PAYMENTS		41,922,581,651	29,672,007,133
SURPLUS/DEFICIT		314,001,880.76	-4,754,492,447

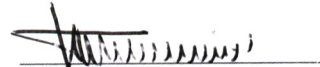
The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements. The financial statements were approved on 24/12/ 2020 and signed by:



Principal Secretary
Nelson Marwa Sospeter, **CBS**



Project Coordinator
John Gachigi



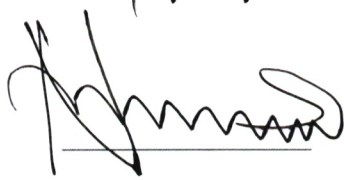
Project Accountant
Moses O. Muga
ICPAKM/Number: **14266**

***National Safety Net Programme
Reports and Financial Statements
For the financial year ended June 30, 2020***

2. STATEMENT OF FINANCIAL ASSETS.

	Note	2019/20 KShs	2018/19 KShs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	8	1,618,376,310	1,272,775,203
Total Cash and Cash Equivalents		1,618,376,310	1,272,775,203
Receivables	9	15,354,719	46,953,945
TOTAL FINANCIAL ASSETS		<u>1,633,731,029</u>	<u>1,319,729,148</u>
REPRESENTED BY			
Fund balance b/fwd	8	1,319,729,148	6,074,221,595
Surplus/Deficit for the year		314,001,881	-4,754,492,447
NET FINANCIAL POSITION		<u>1,633,731,029</u>	<u>1,319,729,148</u>

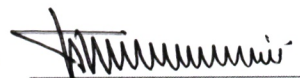
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Principal Secretary
Nelson Marwa Sospeter, CBS



Project Coordinator
John Gachigi



Project Accountant
Moses O. Muga
ICPAKM/Number: 14266

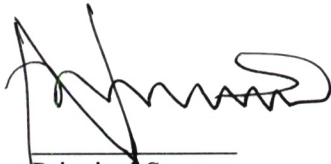
*National Safety Net Programme
Reports and Financial Statements
For the financial year ended June 30, 2020*

3. STATEMENT OF CASH FLOWS.

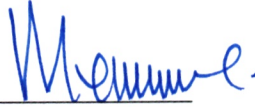
		2019/20(Kshs)	2018/19(Kshs)
Receipts for operating activities			
Transfer from The National Treasury	3	41,493,146,586	23,434,100,851
Proceeds from foreign grants-External Financing	1&2	391,430,112	1,457,119,235
Miscellaneous Receipts	3	8,283,934	8,881,851
		41,892,860,632	24,900,101,937
Payments for operating activities			
Compensation of employees	4	211,427,529	271,455,613
Purchase of goods and services	5	2,326,588,443	922,480,994
Other grants and transfers	6	39,308,662,796	28,179,048,309
		41,846,678,768	29,372,984,916
Adjustments during the year			
Receivables		31,599,226	(29,541,196)
Net cash flow from operating activities		31,599,226	(4,502,424,176)
Cash flow from investing activities			
Acquisition of Assets	7	75,902,883	299,022,216
Net cash flows from Investing Activities		(75,902,883)	(299,022,216)
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Foreign Borrowings	3	343,722,900	
Net cash flow from financing activities		343,722,900	
NET INCREASE IN CASH AND CASH EQUIVALENT		345,601,107	(4,801,446,393)
Cash and Cash equivalent at beginning of the year		1,272,775,203	6,074,221,596
Cash and cash equivalent at END of the year		1,618,376,310	1,272,775,203

***National Safety Net Programme
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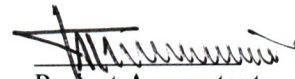
The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 24/12/2020 and signed by:



Principal Secretary
Nelson Marwa Sospeter, CBS



Project Coordinator
John Gachigi

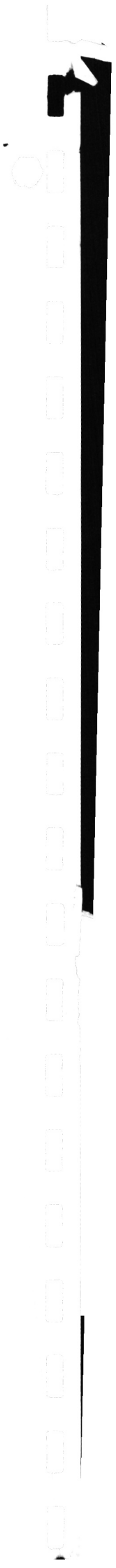


Project Accountant
Moses O. Muga
ICPAK M/No. 14266


**National Safety Net Programme
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4. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS.

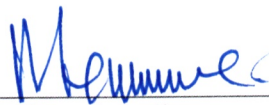
Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments
	a	b	c=a+b	d	e=c-d	f=d/c %	
Receipts							
Old Persons Cash Transfer Programme	18,036,450,486	9,266,187,000	27,302,637,486	27,261,224,703	41,412,783	100 %	
Cash Transfer for Persons with Severe Disability	1,190,000,000		1,190,000,000	1,190,000,000	0	100 %	
Cash Transfer for OVC	7,930,736,000	300,000,000	8,230,736,000	9,002,194,884	(771,458,884)	109 %	
Hunger Safety Net Programme	5,347,400,000		5,347,400,000	4,675,144,846	672,255,154	87 %	Exchequer release Kshs. 515,000,000 meant for FY2018/19 was received in the FY2019/20.
Social Protection Secretariat	31,218,312	73,924,618	105,142,930	93,664,314	11,478,616	89 %	Lack of excheque
Total Receipts	32,535,804,798	9,640,111,618	42,175,916,416	42,222,228,747	-46,312,331		
Payments							
Old Persons Cash Transfer Programme	18,036,450,486	9,266,187,000	27,302,637,486	27,261,224,703	41,412,783	100 %	
Cash Transfer for Persons with Severe Disability	1,190,000,000	0	1,190,000,000	1,396,109,447	206,109,447	117 %	Expenditure on surplus funds brought forward
Cash Transfer for OVC	7,930,736,000	300,000,000	8,230,736,000	8,676,763,071	446,027,071	105 %	
Hunger Safety Net Programme	5,341,400,000	-	5,341,400,000	4,494,820,116	846,579,884	84 %	Delay in exchequer release from National Treasury and World bank resulted to under-expenditure.
Social Protection Secretariat	31,218,312	73,924,618	105,142,930	93,664,314	11,478,616	89 %	Lack of excheque
Total Payments	32,529,513,798	9,640,111,618	42,169,625,416	41,922,581,651	247,043,765		



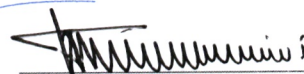
**National Safety Net Programme
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For the financial year ended June 30, 2020**



Principal Secretary
Nelson Marwa Sospeter, CBS



Project Coordinator
John Gachigi



Project Accountant
Moses O. Muga
ICPAK M/No.14266

5. NOTES TO THE FINANCIAL STATEMENTS

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

5.1 Basis of Preparation

5.1.1 Statement of compliance and basis of preparation

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

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

5.1.2 Reporting entity

The financial statements are for the National Safety Net Programme under The Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act, 2012 .

5.1.3 Reporting currency

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

5.2 Significant Accounting Policies

a) Recognition of receipts

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

- **Transfers from the Exchequer**

Transfer from Exchequer is to 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.

- **External Assistance**

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

Donations and grants

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

Proceeds from borrowing

Borrowing includes Treasury Bill, Treasury Bonds, Corporate Bonds, Sovereign Bonds and external loans acquired by the Project or any other debt the Project may take on will be treated on cash basis and recognized as a receipt during the year they were received.

Undrawn external assistance

These are loans and grants at reporting date as specified in a binding agreement and relate to funding for the Project currently under development where conditions have been satisfied or their ongoing satisfaction is highly likely and the

project is anticipated to continue to completion. An analysis of the Project's undrawn external assistance is shown in the funding summary

- **Other receipts**

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

b) Recognition of payments

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

- **Compensation of employees**

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

- **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.

- **Interest on borrowing**

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

- **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.

- **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.

c) In-kind donations

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

d) Cash and cash equivalents

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

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 party deposits

e) Accounts receivable

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

f) Pending bills

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

g) Budget

The budget is developed on a comparable accounting basis (cash basis), the same accounts classification basis (except for accounts receivable - outstanding imprest and clearance accounts and accounts payable - deposits, which are accounted for on an accrual basis), and for the same period as the financial statements. The Project's budget was approved as required by Law and National

Treasury Regulations, as well as by the participating development partners, as detailed in the Government of Kenya Budget Printed Estimates for the year. The Development Projects are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognized as inter-entity transfers and are eliminated upon consolidation.

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

h) Exchange rate differences

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

i) Comparative figures

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

j) Subsequent events

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended 30 June, 2020.

k) Errors

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

NOTES TO THE FINANCIAL STATEMENTS

1. PROCEEDS FROM FOREIGN GRANTS-EXTERNAL FINANCING

During the 12 months to 30 June 2020 we received grants from donors as detailed in the table below:

Name of Donor	FY 2019/20			FY 2018/19
	Direct Receipt	Receipt in Cash	Total Receipts	
Grants Received from World Bank				
Grant-World Bank(Kenya National Hunger Safety Net)	55,860,912		55,860,912	1,111,007,545
Grant-DFID(State Department for Social Protection)	335,569,200		335,569,200	346,111,690
Total	391,430,112	0	391,430,112	1,457,119,235

2. PROCEEDS FROM FOREIGN LOAN

During the 12 months to 30 June 2020 we received Loan from IDA Credit as detailed in the table below:

Name of Donor	FY 2019/20			FY 2018/19
	Kshs	Kshs		Kshs
	Direct Receipt	Receipt in Cash	Total Receipts	
IDA Credit(KSEIP)	0	343,722,900	343,722,900	0.00
Other External Financing	0	0	0	
Total	0	343,722,900	343,722,900	0

3. RECEIPTS FROM GOVERNMENT OF KENYA

During the 12 months to 30 June 2020 we received cash from Government of Kenya as detailed in the table below:

	FY 2019/20	FY 2018/19
	Ksh	Ksh
Receipts from GOK	41,493,146,586	23,434,100,851
Misc Receipt (HSNP)	8,283,934	8,881,850
Receivable (PWSD)		17,412,749
Total	41,501,430,520	23,460,395,451



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ANALYSIS OF RECEIPT FROM GOVERNMENT OF KENYA PER PROGRAMME

PROGRAMME	TRANSFERS FROM TREASURY	MISC RECEIPTS	TOTAL
Old Persons Cash Transfer Programme	27,275,579,488.00		27,275,579,488.00
Urban and Safety			0.00
Cash Transfer for Persons with Severe Disability	1,190,000,000		1,190,000,000.00
Cash Transfer for OVC	8,322,902,784.00		8,322,902,784.00
Hunger Safety Net Programme	4,611,000,000	8,283,934	4,619,283,933.82
Social Protection Secretariat	93,664,314		93,664,314.00
TOTAL	41,493,146,586.00	8,283,933.82	41,501,430,519.82

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4 COMPENSATION OF EMPLOYEES-BASIC WAGES TO TEMPORARY EMPLOYEES.

PROGRAMME	FY 2019/20	FY 2018/19
	Ksh	Ksh
Old Persons Cash Transfer Programme	44,819,694	27,869,914
Urban and Safety		
Cash Transfer for Persons with Severe Disability	0	92,649,720
Cash Transfer for OVC	0	53,411,591
Hunger Safety Net Programme	155,926,562	85,566,959
Social Protection Secretariat	10,681,273	11,957,429
Total	211,427,529	271,455,613

5 PURCHASE OF GOODS AND SERVICES PER PROGRAMME.

PROGRAMME	FY 2019/20	FY 2018/19
	Ksh	Ksh
Old Persons Cash Transfer Programme	1,478,551,209	292,306,103
Urban and Safety		
Cash Transfer for Persons with Severe Disability	80,735,447	9,842,450
Cash Transfer for OVC	445,878,071	101,366,897
Hunger Safety Net Programme	238,440,675	509,944,740
Social Protection Secretariat	82,983,041	9,020,805
Total	2,326,588,443	922,480,995

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6. CASH TRANSFERS PER PROGRAMME.

PROGRAMME	FY 2019/20	FY 2018/19
	Ksh	Ksh
Old Persons Cash Transfer Programme	25,737,853,800	16,585,990,975
Urban and Safety		
Cash Transfer for Persons with Severe Disability	1,315,374,000	851,453,360
Cash Transfer for OVC	8,230,732,000	7,934,269,574
Hunger Safety Net Programme	4,024,702,996	2,807,334,400
Social Protection Secretariat		
Total	39,308,662,796	28,179,048,309

7. ACQUISITION OF NON-FINANCIAL ASSETS.

PROGRAMME	FY 2019/20	FY 2018/19
	Ksh	Ksh
Old Persons Cash Transfer Programme		
Urban and Safety		
Cash Transfer for Persons with Severe Disability		
Cash Transfer for OVC	153,000	280,078,615
Hunger Safety Net Programme	75,749,883	18,943,601
Social Protection Secretariat		
Total	75,902,883	299,022,216



8. CASH AND CASH EQUIVALENTS.

	FY 2019/20	FY 2018/19
	Ksh	Ksh
Cash equivalents	1,618,376,310	1,272,775,204
Total	1,618,376,310	1,272,775,204

The project has Nine Bank accounts spread within the project implementation area and foreign currency designated accounts managed by the National Treasury as listed below:

8A. BANK ACCOUNTS
Project Bank Accounts

	FY 2019/20	FY 2018/19
	Usd	Usd
Foreign Currency Accounts		
Co-operative Bank of Kenya [02120134198100]		
Total Foreign Currency balances	0	0
Local Currency Accounts	KES	KES
Central Bank of Kenya [1000311304]	0	0
KCB Agency for Cash Transfer(1168237459)	300,961,228.00	408,267,761.20
Cooperative Bank of Kenya	34,015,547.00	18,860,358.00
Equity Bank	116,122,794.20	59,010,120.20

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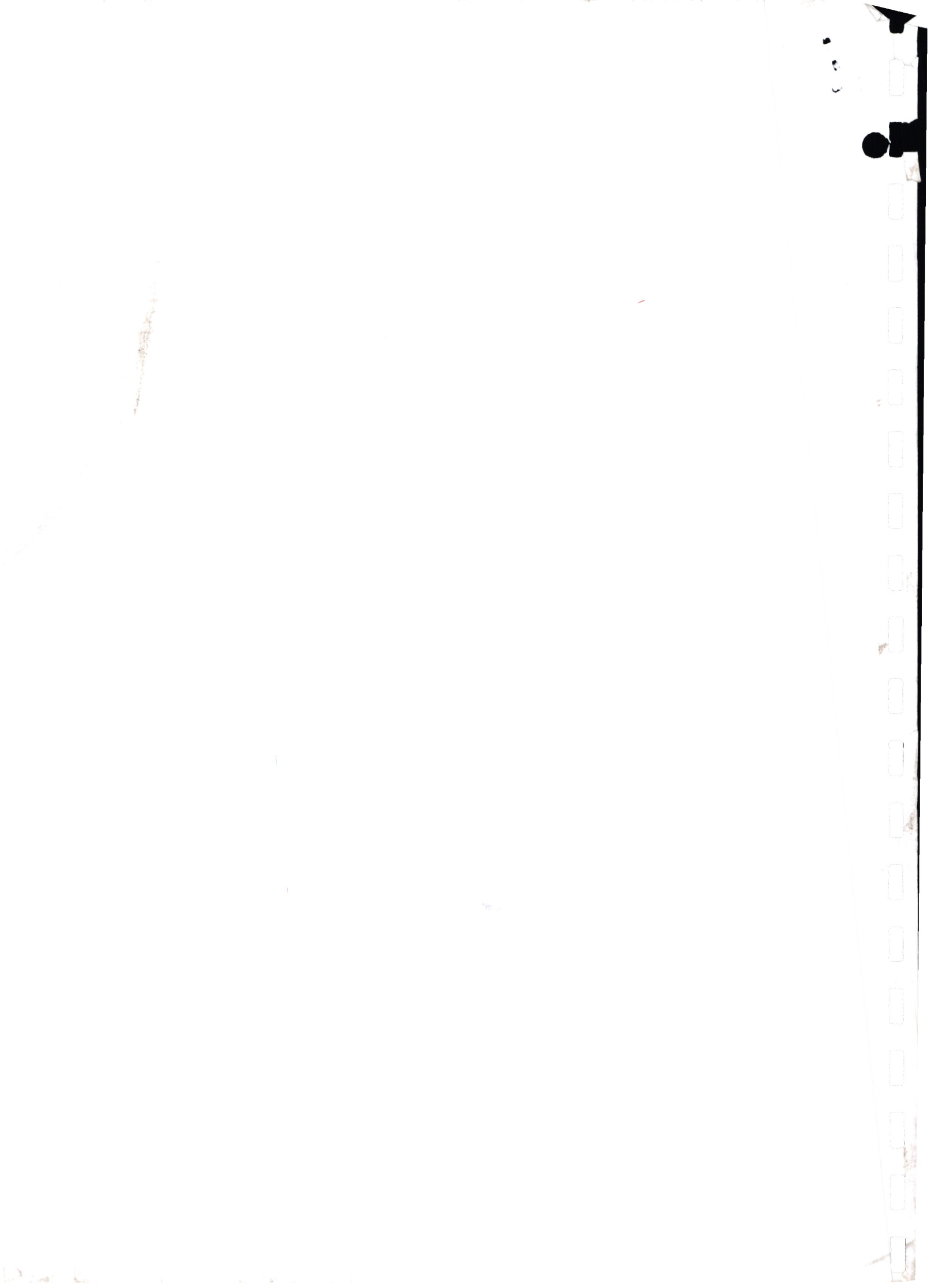
Equity Bank	54,871,103.00	
Post Bank	16,848,931.35	22,326,579.00
Kenya Hunger Safety Net(NIC Bank)	486,290,648.60	277,176,127.97
National Council for Persons With Disability	283,834,245.00	487,134,257.00
KSEIP -Central Bank of Kenya [A/c No 1000425059]	325,431,813.00	0.00
Total Local Currency balances	1,618,376,310.15	1,272,775,203.37

9. ACCOUNTS RECEIVABLE.

	FY 2019/20	FY 2018/19
	Ksh	Ksh
National Council for Persons With Disability(Postal Corporation of Kenya)	14,602,939.00	17,412,749.00
KHNSNP	751,779.67	29,541,196.00
Total	15,354,718.67	46,953,945.00

10. CONSOLIDATED STATEMENT OF RECEIPTS AND PAYMENTS FOR YEAR ENDED JUNE 2020

	Older persons cash transfer program	Cash transfer for persons with severe Disabilities	Cash transfer for orphans and Vulnerable children	Hunger Safety Net programme Project	Social protection secretariat	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
		c	d		e	g=a+b+c+d+e
CASH BALANCE B/F	100,197,057	504,547,006	408,267,761	306,717,325	-	1,319,729,149
Receivables						-



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RECEIPTS						-
Government of Kenya	27,275,579,488	1,190,000,000	8,322,902,784.00	4,611,000,000	93,664,314.00	41,493,146,586
External financing						-
(a) World Bank loan			343,722,900.00		-	343,722,900
(b) Foreign Grant			335,569,200.00	55,860,912	-	391,430,112
© Miscellaneous				8,283,934	-	8,283,934
Total	27,375,776,545	1,694,547,006	9,410,462,645	4,981,862,171	93,664,314	43,556,312,681
Payments						-
compensation of employees	44,819,694		-	155,926,562	10,681,273	211,427,529
Social security benefits in cash	25,737,853,800	1,315,374,000	8,230,732,000.00	4,024,702,996	-	39,308,662,796
Use of goods and services	1,478,551,209	80,735,447	445,878,071.00	238,440,675	82,983,041	2,326,588,443
Acquisition of non-financial assets	-		153,000.00	75,749,883	-	75,902,883
Total Payments	27,261,224,703	1,396,109,447	8,676,763,071	4,494,820,116	93,664,314	41,922,581,651
CASH BALANCE C/F	114,551,842	298,437,559	733,699,574.00	487,042,055	-	1,633,731,030

