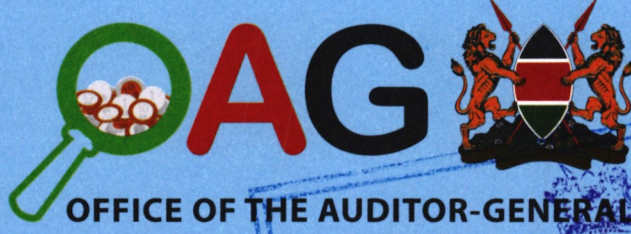


REPUBLIC OF KENYA



Enhancing Accountability

THE NATIONAL ASSEMBLY
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HON. OWEN BATA, CBS, MP
DEPUTY LEADER, MAJORITY PARTY

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REPORT

OF

THE AUDITOR-GENERAL

ON

**KENYA SOCIAL AND ECONOMIC INCLUSION
PROJECT NO. P164654 IDA CREDIT NO. 63480KE
AND GRANT NO. TF0A9527**

**FOR THE YEAR ENDED
30 JUNE, 2023**

**NATIONAL DROUGHT MANAGEMENT
AUTHORITY (NDMA)**



KENYA SOCIAL AND ECONOMIC INCLUSION PROJECT

NATIONAL DROUGHT MANAGEMENT AUTHORITY (NDMA)

**PROJECT NUMBER NO. P164654
IDA CREDIT NO 63480
GRANT NO TFA9527**

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE PERIOD ENDING
JUNE 30, 2023**

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

*Kenya Social and Economic Inclusion Project
Reports and Financial Statements for the financial year ended June 30, 2023*

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Kenya Social and Economic Inclusion Project
Reports and Financial Statements for the financial year ended June 30, 2023

Kenya Social and Economic Inclusion Project
Reports and Financial Statements for the financial year ended June 30, 2023

1. Acronyms and Glossary of Terms

ASALS	Arid and Semi Arid Lands
CBK	Central Bank of Kenya
CIT	Cash In Transit
Comparative FY	Financial year preceding the current financial year.
CT-OVC	Cash Transfers-Orphans and Vulnerable Children
G&CM	Grievance & Case Management
HSNP	Hunger Safety Net Programme
ICPAK	Institute of Certified Public Accountants of Kenya
IDA	International Development Authority
IMF	International Monetary Fund
IPF	Investment Project Financing
IPSAS	International Public Sector Accounting Standards
KSEIP	Kenya Social and Economic Inclusion Project
NSNP	National Safety Net Programme
NT	National Treasury
NHIF	National Hospital Insurance Fund
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
PSP	Payment Service Provider
SR	Single Registry
WB	World Bank

2. Project Information and Overall Performance

2.1 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 ovc@yahoo.com

Project information and overall performance (continued)

2.2 Project Information

Project Start Date:	27-Nov-2018
Project End Date:	31-Dec-2023
Project Manager:	Boniface Ichwaa Naukot
Project Sponsor:	The World Bank

2.3 Project Overview

Line Ministry/State Department of the project	Ministry of East African Community (EAC), the ASALs and Regional Development / State Department for the ASALs and Regional Development
Project number	P164654
Strategic goals of the project	<p>1) Strengthening Social Protection Delivery Systems through:</p> <ul style="list-style-type: none"> • Enhancement of SR scope and coverage • Roll out of improved payment system • Enhancement in G&CM and beneficiary outreach • Institutional and capacity strengthening
	<p>2) Increasing Access to Social and Economic Inclusion Interventions through:</p> <ul style="list-style-type: none"> • Systematic access of NSNP beneficiaries to NHIF • Expansion of existing nutrition-sensitive safety net • Testing of economic inclusion interventions
	<p>3) Improving the Shock Responsiveness of Safety Net System through:</p> <ul style="list-style-type: none"> • Increased GOK financing and coverage of the HSNP • Enhanced scalability mechanism and predictable financing of emergency payments • Supporting institutional and capacity strengthening of NDMA

Kenya Social and Economic Inclusion Project
Reports and Financial Statements for the financial year ended June 30, 2023
Project Information and Overall Performance (Continued)

2.4 Bankers

The following are the bankers for the financial year 2022-2023:

- (i) NCBA Bank Kenya Plc, Harambee Avenue Branch, Nairobi
- (ii) KCB Bank Kenya Limited; eight (8) bank accounts are held in the HSNP counties
- (iii) Equity Bank Kenya Limited; Payment Service Provider
- (iv) KCB Bank Kenya Limited; Payment Service Provider

2.5 Independent Auditor

The project is audited by the Office of the Auditor General

2.6 Roles and Responsibilities

Names	Title designation	Key qualification	Responsibilities	Contacts
Hared Hassan	Chief Executive Officer	Masters degree in Strategic Security studies	Accounting Officer	254 715 828 220
Sayana Lembara	Ag. Director Technical Service	MA in environmental planning & Management	Director Technical services	254 721 704 946
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

*Kenya Social and Economic Inclusion Project
Reports and Financial Statements for the financial year ended June 30, 2023*

2.7 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:

Project information and overall performance (continued)

Below is the funding summary:

A. Source of Funds

Source of funds	Donor Commitment		Amount received to date – (30 th June 2023)		Undrawn balance to date	
	Donor currency	Local Currency	Donor currency	Local Currency	Donor currency	Local Currency
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant						
	USD	KSHS	USD	KSHS	USD	KSHS
DFID-Grant	13,000,000	1,406,600,637	3,458,320	390,219,803	9,541,680	1,016,380,834
(ii) Loan						
	EURO	KSHS	EURO	KSHS	EURO	KSHS
IDA Credit	3,000,000	330,000,000	958,770	111,146,499	2,041,230	218,853,501
Total		1,736,600,637		501,366,302		1,235,234,335

Kenya Social and Economic Inclusion Project
Reports and Financial Statements for the financial year ended June 30, 2023
Project information and overall performance (continued)

B. Application of Funds

Application of funds	Amount received to date – (30 th June 2023)		Cumulative amount paid to date – (30 th June 2023)		Unutilised balance to date (30 th June 2023)	
	Donor currency (A)	Local Currency (A')	Donor currency (B)	Local Currency (B')	Donor currency (A)-(B)	Local Currency (A')-(B')
(i) Grant	USD	KSHS	USD	KSHS	USD	KSHS
DFID-Grant	3,458,320	390,219,803	3,291,856	371,979,754	166,464	18,240,049
(i) Loan	EURO	KSHS	EURO	KSHS	EURO	KSHS
IDA Credit	958,770	111,146,499	938,160	108,826,651	20,610	2,319,848
(ii) Counterpart funds		KSHS		KSHS		KSHS
Government of Kenya	-	16,030,900,503		15,809,097,651		221,802,852
Total	-	16,532,266,805		16,289,904,056		243,440,053

Project information and overall performance (continued)

2.8 Summary of Overall Project Performance:

Source of Funding	Budget 22/23 KSHS	Expenditure 22/23 KSHS	Cumulative expenditure to date KSHS
Grant from external development partners (World Bank & DFID)	192,000,000	166,612,710	371,979,754
Loan from external development partners (World Bank)	49,000,000	64,288,201	108,826,651
Government of Kenya	5,081,300,000	4,947,665,683	15,809,097,651
Total	5,322,300,000	5,178,566,594	16,289,904,056

Absorption Rate per Year since Commencement

Source of funds/financial year	2019/2020	2020/2021	2021/2022	2022/2023
Investment Project Financing -Credit	-	-	41%	108%
Investment Project financing -Grant	-	-	60%	86.78%
GOK Counterpart Funds	90%	98%	97%	97%

IMPLEMENTATION CHALLENGES

- i) Inadequate HSNP budget estimates, resulting to insufficient funds for Scale Up emergency payments.
- ii) Delays in exchequer releases caused untimely and unpredictable cash transfer payments.
- iii) Activities before the national elections affected beneficiary participation and delayed essential field-based programme activities.
- iv) A shortage of staff at the county level, as the Authority has only one accountant handling KSEIP funds along with other donor-funded and GOK projects under NDMA.

2.9 Summary of Project Compliance:

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

3. 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.

Kenya Social and Economic Inclusion Project
Reports and Financial Statements for the financial year ended June 30, 2023

Below we provide the progress on attaining the stated objectives:

Project	Objective	Outcome	Indicator	Performance
KSEIP	Registration of households in the four expansion HSNP counties of Samburu, Isiolo, Tana River and Garissa by Dec, 2022	Registration of households in the four expansion HSNP counties of Samburu, Isiolo, Tana River, and Garissa by Dec 2022.	Re-registration data and beneficiary list for Group 1 and Group 2	Achieved
KSEIP	10,000 new HSNP households to be enrolled and paid for through the Gok budget in four expansion counties by Dec 2022	10,000 new HSNP households enrolled and paid for through the Gok budget in four expansion counties by Dec 2022.	Registration data, beneficiaries list for both Group 1 and Group 2	Achieved
KSEIP	12,000 new HSNP households are to be enrolled and paid for through the budget in four expansion counties by June 2023	12,000 new HSNP households enrolled and paid for through the Gok budget in four expansion counties by June 2023.	Registration data, beneficiaries list for both Group 1 and Group 2	Achieved

4. Environmental and Sustainability Reporting

At the forefront of the Kenya Social and Economic Inclusion Project (KSEIP) lies a steadfast commitment to sustainability, with deliberate efforts woven into every facet of its design and implementation. Recognizing the paramount importance of ensuring enduring positive impacts, the project has strategically integrated a range of measures that not only safeguard its long-term effectiveness but also contribute to the broader goals of environmental, social, and economic stability. Through meticulous planning, innovative approaches, and a robust framework for collaboration, the KSEIP embarks on a journey to not only address immediate challenges but also to lay the foundation for sustained progress that extends far beyond the project's lifespan.

1. Sustainability Strategy and Profile

The GoK commitment to the interventions and the alignment with its policy commitment for SP and the 'Bottom Up' is a prerequisite for sustainability beyond the life of the project. First, the GoK is expanding the NSNP at a larger scale than originally expected (increasing beneficiaries by 1.5 million), demonstrating its commitment. The proportion of NSNP cash transfers financed by the GoK has more than doubled in the past five years: 100 % of program beneficiaries are currently financed by the GoK (compared to 38% in FY13). 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 government's bottom-up agenda places increased focus on the vulnerable population within the country.

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 project is improving 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 contributes to a system more responsive to shocks through better identification and categorization of beneficiaries.

The expanded coverage of potential beneficiaries enables 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 addresses 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 monitors 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. Employee welfare

The Authority is an equal opportunity employer and does not in its recruitment and staff selection discriminate on the basis of gender, race, religion, ethnicity or any other form of discrimination. The constitutional requirement on mainstreaming of gender and people with disabilities is observed at all times alongside any policies issued by the National Cohesion and Integration Commission.

The efficiency of the Authority depends on the quality of employees it engages. The Authority therefore endeavours to recruit suitably qualified and experienced staff with the right competencies and skills required to achieve the Authority's goals and objectives. The policies are reviewed regularly after every five years.

The objective of the Authority is to develop and reward employees for their contribution in a fair and equitable manner. The Authority has in place a Performance Management System designed to encourage career development by enhancing employees' skills and competencies and to appropriately reward employees' performance.

The Authority recognizes the need for training and development of all employees. It therefore, offers training opportunities to all its employees in order to improve their work performance and personal development to meet its objectives. The training and development interventions are strictly drawn from the performance management system and consolidated into costed training plans for each year.

The Authority recognizes and commits itself to the achievement of the highest standards of health and safety in the workplace, and the elimination or minimization of health and safety hazards and risks that may affect its employees. In this regard, the Authority implements policies and programmes that assure employees of their protection from such hazards and disasters. The policies and programmes are implemented in compliance with the provisions of Occupational Safety and Health Act, 2007 and other Labour Laws as may be amended from time to time.

4. Market place practices-

a) Responsible Supply chain and supplier relations-

The Authority adheres to Article 227 of the Constitution of Kenya in the procuring and contracting for goods or services in accordance with a system that is fair, equitable, transparent, competitive and cost-effective, In doing so, procurement opportunities are advertisement in UN Business, the Local Dailies, on the Public Procurement Information Portal (PPIP) as well as the Authority's website. This ensures that the available opportunities are widely circulated to reach a wide audience of potential bidders.

b) Responsible ethical practices

In carrying out the processing of the bidders, the bids are opened in public and all declarations read out and documented appropriately. Notification of intention to award are also circulated to the participating bidders proving the reasons why their bids were not successful and informing of the bidder who was successful. This open the stand-still window of 14 days (10 Business days) for any complaints and grievances to be raised. Once the 10 business days are over, and no complaints are received, the contracting process then continues.

Complaints and grievance mechanisms are provided for in the bidding documents and windows of appeal provided to address any arising complaints.

*Kenya Social and Economic Inclusion Project
Reports and Financial Statements for the financial year ended June 30, 2023*

The tender processing committees also commits themselves to the highest standards of ethical behaviour by signing declarations to ensure highest standards of ethical behaviour.

c) Regulatory impact assessment

In carrying out the procurement process, the Authority is guided by the World Bank Procurement Regulations, 4th Edition of November, 2020. The Regulations help Borrowers carry out their procurement with the aim of achieving value for money with integrity in delivering sustainable development, taking social factors and sustainable procurement in to account.

5. Community Engagements

KSEIP implementation 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 supports positive gender outcomes through interventions specifically targeted to women. NICHE supports 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 uses 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), raises 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.

5. 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, 2023. 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, 2023, 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

Kenya Social and Economic Inclusion Project

Reports and Financial Statements for the financial year ended June 30, 2023


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 22nd August 2023 and signed by them.

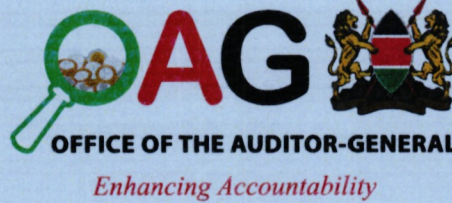

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REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON KENYA SOCIAL AND ECONOMIC INCLUSION PROJECT NO. P164654 IDA CREDIT NO. 63480KE AND GRANT NO. TFOA9527 FOR THE YEAR ENDED 30 JUNE, 2023 – NATIONAL DROUGHT MANAGEMENT AUTHORITY (NDMA)

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kenya Social and Economic Inclusion Project set out on pages 1 to 28, which comprise of the statement of financial

Report of the Auditor-General on Kenya Social and Economic Inclusion Project No. P164654 IDA Credit No. 63480KE and Grant No. TFOA9527 for the year ended 30 June, 2023– National Drought Management Authority (NDMA)

assets as at 30 June, 2023, and the statement of receipts and payments, statement of cash flows, statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, in all material respects, the financial position of Kenya Social and Economic Inclusion Project as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012 and the Financing Agreement Credit No. 6348 - KE dated 31 January, 2019 between International Development Association and the Government of the Republic of Kenya.

Basis for Opinion

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

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final budget and actual amounts for grants from external development partners, loan from external partners and miscellaneous receipts totalling Kshs. 251,000,000 and Kshs. 150,663,260 respectively resulting to a shortfall of Kshs. 100,336,740 or 40% of the budget.

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

2. Unresolved Prior Year Audit Matters

Annex 1 to the financial statements reflects prior year audit issues raised. However, the issues remained unresolved as at 30 June, 2023. The Project Management explained

that the issues have been internally resolved but awaiting invitation by the Public Accounts Committee for final resolution.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, 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 comply, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. In my opinion, adequate accounting records have been kept by the Project, so far as appears from the examination of those records; and,

- iii. The Project's financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Project's ability to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of 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 following the authorities which govern them, and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit

report. However, future events or conditions may cause the Project to cease to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, SBS
AUDITOR-GENERAL

Nairobi

31 october, 2023

*Kenya Social and Economic Inclusion Project
Reports and Financial Statements for the financial year ended June 30, 2023*

7. Statement of Receipts and Payments for the year ended 30th June 2023.

Particulars	Note	GOK	Total		Receipts and payment	Total	Cumulative to-date (From inception)
			Kshs.	Kshs.			
Receipts			FY 2022-23	FY 2021-22			
Transfer from Government entities	1	5,081,300,000	5,081,300,000	4,662,100,000	4,662,100,000	16,030,900,000	
Proceeds from domestic and foreign grants	2	142,507,791	142,507,791	-	-	390,219,803	
Loan from external development partners	3	-	-	73,396,499	73,396,499	115,590,722	
Miscellaneous receipts	4	8,155,469	8,155,469	178,317,511	178,317,511	259,482,973	
Total receipts		5,231,963,260	5,231,963,260	4,913,814,009	4,913,814,009	16,796,193,498	
Payments							
Compensation to employees	5	132,582,495	132,582,495	282,749,209	282,749,209	675,285,666	
Purchase of goods and services	6	445,454,784	445,454,784	586,232,754	586,232,754	1,700,823,545	
Finance Costs	7	4,151,886	4,151,886	1,999,756	1,999,756	6,504,448	
Acquisition of non-financial assets	8	129,528,662	129,528,662	100,302,503	100,302,503	242,556,662	
Other grants and transfers	9	4,444,440,531	4,444,440,531	4,126,109,218	4,126,109,218	13,682,462,345	
Other payments	-	-	-	-	-	169,845,390	
Total payments		5,156,158,358	5,156,158,358	5,097,393,440	5,097,393,440	16,553,227,939	
Surplus/ (deficit)		75,804,902	75,804,902	183,579,430	183,579,430	242,965,559	

**Kenya Social and Economic Inclusion Project
Reports and Financial Statements for the financial year ended June 30, 2023**

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



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Hared Hassan
Chief Executive Officer



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Saiyana Lembara
Project Coordinator



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Yussuf Bagaja
D/Director Finance
ICPAK Member No:8335

8. Statement of Financial Assets as at 30th June 2023

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
Financial Assets			
Cash and Cash equivalents			
Bank Balances	10	242,965,559	167,160,657
Total Cash and Cash equivalents		242,965,559	167,160,657
Total Financial Assets		242,965,559	167,160,657
Financial Liabilities			
Net Assets		242,965,559	167,160,657
Represented By			
Fund Balance B/fwd.	11	167,160,657	350,740,087
Surplus/(Deficit) for the Year		75,804,902	(183,579,430)
Net Financial Position		242,965,559	167,160,657

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 20.09.2023 and signed by:

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Hared Hassan
 Chief Executive Officer

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Saiyana Lembara
 Project Coordinator

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Yussuf Bagaja
 D/Director Finance
 ICPAK Member No:8335

*Kenya Social and Economic Inclusion Project
Reports and Financial Statements for the financial year ended June 30, 2023*

9. Statement of Cashflow for the year ended 30th June 2023

Description	Notes	2022-2023 Kshs	2021-2022 Kshs
Cashflow from operating activities			
Receipts			
Government of Kenya	1	5,081,300,000	4,662,100,000
Grant from external development partners(World Bank-DFID)	2	142,507,791	-
Loan from external development partners (World Bank)	3	-	73,396,499
Miscellaneous receipts	4	8,155,469	178,317,511
Total receipts		5,231,963,260	4,913,814,009
Payments			
Compensation of employees	5	132,582,495	282,749,209
Purchase of goods and services	6	445,454,784	586,232,754
Finance Costs	7	4,151,886	1,999,756
Other grants and transfers	9	4,444,440,531	4,126,109,218
Total Payments		5,026,629,696	4,997,090,937
Net receipts/(payments)		205,333,564	-83,276,927
Adjustments during the year			
Decrease/(increase) in accounts receivable		-	-
Increase/(decrease) in accounts payable:		-	-
Net cash flow from operating activities		205,333,564	-83,276,927
Cashflow from investing activities			
Acquisition of non-financial assets	8	129,528,662	100,302,503
Net cash flows from investing activities		129,528,662	100,302,503
Cash flow from financing activities			
Net cash flow from financing activities		-	-
Net increase in cash and cash equivalents		75,804,902	183,579,430
Cash and cash equivalent at beginning of the year	10	167,160,657	350,740,087
Cash and cash equivalent at end of the year	10	242,965,559	167,160,657

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 26.09.2023 and signed by:

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Hared Hassan
Chief Executive Officer

.....
Saiyana Lembara
Project Coordinator

.....
Yussuf Bagaja
D/Director Finance

*Kenya Social and Economic Inclusion Project
Reports and Financial Statements for the financial year ended June 30, 2023*

ICPAK Member No:8335

*Kenya Social and Economic Inclusion Project
Reports and Financial Statements for the financial year ended June 30, 2023*

10. Statement of Comparison of Budget and Actual amounts for year ended 30th June 2023

Receipts / Payments Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
Receipts						
Grant from external development partners (World Bank & DFID)	192,000,000	-	192,000,000	142,507,791	38,792,209	78.60%
Loan from external development partners (World Bank)	59,700,000	(10,700,000)	49,000,000	-	59,700,000	0.00%
Government of Kenya	5,081,300,000	-	5,081,300,000	5,081,300,000	-	100.00%
Miscellaneous receipts	10,000,000	-	10,000,000	8,155,468.85	1,844,531	81.55%
Total Receipts	5,343,000,000	(10,700,000)	5,322,300,000	5,231,963,260	100,336,740	98.12%
Payments						
Compensation to employees	133,000,000	-	133,000,000	132,582,495	417,505	99.69%
Purchase of goods and services	405,000,000	-	405,000,000	445,454,784	(40,454,784)	109.99%
Finance costs	4,200,000	-	4,200,000	4,151,886	48,114	98.85%
Acquisition of non-financial assets	100,000,000	-	100,000,000	129,528,662	(29,528,662)	129.53%
Other grants and transfers	4,620,800,000	-	4,620,800,000	4,444,440,531	176,359,469	96.18%
Total Payments	5,263,000,000	-	5,263,000,000	5,156,158,358	106,841,642	97.9%
Surplus or Deficit	80,000,000	-	-	75,804,902		

Note: The significant budget utilisation/performance differences in the last column are explained in Annex 2 to these financial statements.

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Hared Hassan
Chief Executive Officer

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Saiyana Lembara
Project Coordinator

.....
Yussuf Bagaja
D/Director Finance
 ICPAK Member No:8335

11. Significant Accounting Policies

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

a) 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.

b) 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.

c) 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.

d) Recognition of receipts

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

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.

Significant Accounting Policies (continued)

ii) External Assistance

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

iii) Other receipts

These include Appropriation-in-Aid and relates to receipts such as proceeds from disposal of assets and sale of tender documents. These are recognized in the financial statements at the time 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) Proceeds from borrowing.

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

vi) 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.

Significant Accounting Policies (continued)

e) Recognition of payments

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

i) Compensation to employees

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

ii) Use of goods and services

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

iii) Interest on borrowing

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

iv) Repayment of borrowing (principal amount)

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

v) Acquisition of fixed assets

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment. A fixed asset register is maintained by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the consolidated financial statements.

Significant Accounting Policies (continued)

f) In-kind donations

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

g) Cash and cash equivalents

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

h) Restriction on cash

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

i) Imprests and Advances

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

This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

Significant Accounting Policies (Continued)

j) Contingent Liabilities

A contingent liability is:

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

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities. Letters of comfort/ support, insurance, Public Private Partnerships, The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

k) Contingent Assets

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

revenue are recognized in the financial statements of the period in which the change occurs.

Significant Accounting Policies (Continued)

l) 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' 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.

m) Budget

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

n) Third party payments

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

and are disclosed in the payment to third parties' column in the statement of receipts and payments.

Significant Accounting Policies (Continued)

o) Exchange rate differences

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

p) 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.

q) 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, 2023.

12. Notes to the Financial Statements

1. Transfers from Government entities

These represent counterpart funding and other receipts from government as follows:

Description	2022-2023	2021-2022	Cumulative to date (from inception)
	Kshs	Kshs	Kshs
<i>Counterpart funding through Ministry of East African Community (EAC), the ASALs and Regional Development</i>			
Counterpart funds Quarter 1	1,270,325,000	1,587,025,000	6,635,875,000
Counterpart funds Quarter 2	-	1,025,025,000	2,050,050,000
Counterpart funds Quarter 3	-	-	1,314,900,000
Counterpart funds Quarter 4	3,810,975,000	2,050,050,000	8,787,675,000
Total (See Annex 3)	5,081,300,000	4,662,100,000	18,788,500,000

*Kenya Social and Economic Inclusion Project
Reports and Financial Statements for the financial year ended June 30, 2023*
Notes to the Financial Statements (Continued)

2. Proceeds From Domestic and Foreign Grants

During the financial period to 30 June 2023, we received grants from donors as detailed in the table below:

Name of Donor	2022-2023						2021-2022		Cumulative to date
	Date received	Amount received USD	Grants received in cash	Grants received as direct payment	Grants received in kind	Total amount	Total Amount		
		USD	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Grants Received from Multilateral Donors (International Organizations)									
World Bank-IPF	14/02/2023	560,000	68,275,200	-	-	68,275,200	191,851,100	390,219,803	
	28/04/2023	555,550	74,232,591	-	-	74,232,591	191,851,100	390,219,803	
Total		1,115,550	142,507,791	-	-	142,507,791	191,851,100	390,219,803	

Kenya Social and Economic Inclusion Project
Reports and Financial Statements for the financial year ended June 30, 2023
Notes to the Financial Statements (Continued)

3. Loan from External Development Partners

During the financial period to 30 June 2023, we received funding from development partners in form of loans negotiated by the National Treasury as detailed in the table below:

Description	2022-2023			2021-2022		Cumulative to date
	Date received	Amount in loan	Loans received in actual amount	Loans received as direct payment	Total amount in Kshs	
Name of Donor		EUR	Kshs	Kshs	Kshs	Kshs
Loans received from Multilateral Donors (International Organizations)						
World Bank-IDA Credit	-	-	-	-	73,396,499	111,146,498.50
Total	-	-	-	-	73,396,499	111,146,498.50

Kenya Social and Economic Inclusion Project
Reports and Financial Statements for the financial year ended June 30, 2023
Notes to the Financial Statements (Continued)

4. Miscellaneous receipts

Description	2022-2023				2021-2022		Cumulative to-date (from inception)
	Receipts controlled by the entity in Cash	Receipts controlled by third parties		Total receipts	Total receipts		
	GOK	DFID GRANT	IDA CREDIT	Kshs	Kshs	Kshs	Kshs
Bank Premiums	5,776,087	1,436,486	942,895.95	8,155,469	29,817,510		
Other Receipts (CIT)	-	-	-	-	148,500,000		202,841,592
Total	5,776,087	1,436,486	942,895.95	8,155,469	178,317,510		

Kenya Social and Economic Inclusion Project
Reports and Financial Statements for the financial year ended June 30, 2023
Notes to the Financial Statements (Continued)

5. Compensation to Employees

Description	2022-2023			2021-2022	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	IDA CREDIT		
-	GOK	DFID GRANT	IDA CREDIT		
	Kshs	Kshs	Kshs	Kshs	Kshs
Basic wages of temporary employees	95,017,414	33,273,725	-	131,689,423	817,811,666
Compulsory national social security schemes	537,880	36,400	-	213,400	1,798,880
Other personnel payments (Gratuity)	579,474	3,137,601	-	4,096,351	14,469,541
Total	96,134,769	36,447,726	-	135,999,175	834,080,087
				Total payments	Total payments
				Kshs	Kshs
				128,291,139	817,811,666
				574,280	1,798,880
				3,717,076	14,469,541
				132,582,495	834,080,087

*Kenya Social and Economic Inclusion Project
Reports and Financial Statements for the financial year ended June 30, 2023*

Notes to the Financial Statements (Continued)

6. Purchase of Goods and Services

Description	KSEIP GOK		DFID GRANT		IDA CREDIT		Total payments		2021-2022		Cumulative to-date
	Kshs		Kshs		Kshs		Kshs		Kshs		
Domestic travel and subsistence	61,812,034		3,701,393.00		9,278,810.00		74,792,237		243,632,766.15		731,941,752.94
Rentals of produced assets	4,315,590				-		4,315,590		3,941,680.95		8,257,271.15
Training payments	2,521,647		38,138,427.00		1,802,800.00		42,462,874		47,319,457.80		184,085,266.80
Hospitality supplies and services	4,305,005		240,880.00		2,292,100.00		6,837,985		14,897,931.00		56,932,145.00
Insurance costs	28,565,932		1,907,126.00		-		30,473,058		30,686,322.60		123,145,628.60
Specialized materials and services	216,308,252		-		-		216,308,252		56,953,350.00		449,774,728.00
Other operating payments	-		-		-		-		30,611,135.05		30,611,135
Maintenance of Motor Vehicle	15,213,032		27,300.00		-		15,240,332		10,517,638.00		65,618,724.00
Communication costs	15,983,033		-		-		15,983,033		25,996,035.00		78,662,302.00
General office supplies and services	2,514,756		-		-		2,514,756		108,404,757.57		237,950,292.57
Fuel and lubricants	16,652,714		-		-		16,652,714		7,093,478.00		54,546,730.00
Maintenance of building & Stations	1,432,210		-		-		1,432,210		3,036,971.40		13,731,904.00
Maintenance of computers	2,244,574		-		-		2,244,574		-		8,491,744.05
maintenance of Office equipment	12,500		-		-		12,500		1,227,900.00		-
Consultancy Costs	256,876		2,365,965.00		-		2,622,841		-		2,244,574
Utilities	3,308,150		-		-		3,308,150		1,913,330.05		2,622,841.00
Postage	398,063		-		-		398,063		-		398,063.00
Advertising Expenses	404,473		259,768.75		259,768.75		924,010		-		7,782,121
Assessment Expenditures	7,782,121		-		-		7,782,121		-		1,149,484
Sanitary and cleaning	1,149,484		-		-		1,149,484		-		-
Total	385,180,445		46,640,860		13,633,479		445,454,784		586,232,754		2,057,946,707.11

*Kenya Social and Economic Inclusion Project
Reports and Financial Statements for the financial year ended June 30, 2023*

Notes to the Financial Statements (Continued)

7. Finance Costs

Description	Payments made by the Entity in Cash (GOK) Kshs	2022-2023		2021-2022		Cumulative to-date Kshs
		DFID GRANT Kshs	IDA CREDIT Kshs	Total Payments Kshs	Total Payments Kshs	
Bank Charges	1,117,904	84,777	61,961	1,264,643	1,999,756	7,441,621
Tax expense on Premiums	2,527,829	217,980	141,434	2,887,243	-	
Total	3,645,733	302,757	203,395	4,151,886	1,999,756	7,441,621

Notes to the Financial Statements (Continued)

8. Acquisition of Non-Financial Assets

Description	2022-2023			2021-2022		Cumulative to-date
	KSEIP GOK	DFID GRANT	IDA CREDIT	Total payments	Total payments	
	Kshs.	Kshs.		Kshs	Kshs	Kshs
Purchase of Motor Vehicle	-	79,030,000	-	79,030,000	40,448,350	
Refurbishment of buildings	-	-	-	-	1,310,017	242,556,662
Purchase of office furniture & General equipment	-	-	-	-	58,544,136	
Purchase of IT Equipment	-	-	50,498,662	50,498,662	-	
Total	-	79,030,000	50,498,662	129,528,662	100,302,503	242,556,662

Notes to the Financial Statements (Continued)

9. Other Grants, Transfers and Payments

Description	KSEIP GOK	2022-2023		2021-2022	Cumulative to-date
		DFID GRANT	IDA CREDIT	Total payments	
	Kshs	Kshs		Kshs	Kshs
Regular Cash Transfers	3,790,332,768	-	-	3,216,012,600	10,023,246,236
Scale ups	654,107,763	-	-	910,096,618	
Total	4,444,440,531	-	-	4,126,109,218	10,023,246,236

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. Cash And Cash equivalents

Description	2022-2023	2021-2022
	Kshs	Kshs
Bank accounts (Note 11)	243,440,053	167,160,657
Total	243,440,053	167,160,657

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:

10A. Bank Accounts

Project Bank Accounts

Details	2022-2023	2021-2022
	Kshs	Kshs
NCBA A/c No2144470116.- KSEIP- HSNP	221,802,852	41,400,871
NCBA A/c No.2144470032.- IPF Loan	2,319,848	65,712,488
NCBA A/c No 2144470121.- IPF Grant	18,240,049	23,375,717
KCB A/c No KSEIP GOK FUNDS TANA RIVER	78,637	5,654,953
KCB A/c No 1276016697 KSEIP GOK FUNDS GARISSA	33,316	2,567,724
KCB A/c No 1276010761 KSEIP GOK FUNDS SAMBURU	62,637.80	10,949,792
KCB A/c No 1276382146 NATIONAL DROUGHT MGT AUTH KSEIP ISIOLO	4,926	4,327,113
KCB A/c No 1265642877 KSEIP-HSNP3 GOK FUNDS MARSABIT	56,566	2,323,606
KCB A/c No 1265356467 KSEIP-HSNP 3-GOK FUNDS WAJIR	223,897	3,202,410
KCB A/c No 1265234094 KSEIP-HSNP 3 GOK FUNDS MANDERA	157	660,172
KCB A/c No 1265353840 KSEIP-HSNP 3-GOK FUNDS TURKANA	69,123	6,985,810
Assessment County Balances	38,847	-
Total bank account balances	242,965,559	167,160,657

Notes to the Financial Statements (Continued)

Kenya Social and Economic Inclusion Project

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Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as at 30th June 2023 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

Description	2022-2023	2021-2022
	Kshs	Kshs
(i) IDA LOAN CREDIT [A/c No. 1000411333]		
Opening balance	-	585,000
Total amount deposited in the account	-	-
Total amount withdrawn (as per Statement of Receipts & Payments)	-	585,000
Closing balance (as per SDA bank account reconciliation attached)	-	-
(ii) IDA GRANT [A/c No. 1000411368]		
Opening balance (as per the SDA reconciliation)	-	-
Total amount deposited in the account	1,500,000	-
Total amount withdrawn (as per Statement of Receipts & Payments)	1,115,550	-
Closing balance (as per SDA bank account reconciliation attached)	<u>384,450</u>	-

(The Special Deposit Accounts reconciliation statements have been attached as Appendix 6 support these closing balance.

Notes to the Financial Statements (Continued)

11. Fund Balance Brought Forward

Description	2022-2023	2021-2022
	Kshs	Kshs
Bank accounts	167,160,657	350,740,087
Total	167,160,657	350,740,087

Other Important Disclosures

1. External Assistance

There was no any external assistance handed to the project for the financial year 2022-2023.

2. Related Party Disclosures

Related party disclosure is encouraged under non-mandatory section of the Cash Basis IPSAS. The comprise of related parties to the Project

- i) Key management personnel including the program director/manager
- ii) The implementing entity/ministry/ department
- iii) Other Ministries and Departments.
- iv) The National Treasury

Related party transactions:

	2022-2023	2021-2022
	Kshs	Kshs
Compensation to Key Management		
Compensation to the program manager/ director	8,304,000	8,304,000
Communication Specialist	5,538,000	5,538,000
Audit Specialist	3,638,400	3,638,400
Monitoring & Evaluation Specialist	4,747,200	4,747,200
MIS Specialist	6,288,000	6,288,000
Payment Specialist	3,144,000	6,288,000
Project Accountant	1,423,800	2,847,600
Total Compensation to Key Management	33,083,400	37,651,200
Transfers to related parties		
Transfers to other government entities	-	-
Total Transfers to related parties	-	-
Transfers from related parties		
Transfers from the Ministry/ department	5,223,807,791	4,927,347,599
Total Transfers from related parties	5,223,807,791	4,927,347,599

13. Annexes

Annex 1: Prior Year Auditor-General's Recommendations

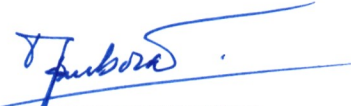
Reference No. on the external audit Report	Issue Observations from Auditor	Management comments	Status:	Timeframe:
NDMA/KSEIP/2021-2022(2)	Unsupported Expenditure on purchase of goods and services	Missing documents provided to the auditors	Awaiting resolution by PIC	
	Multiple cash transfers to beneficiaries	The project has developed a single registry to avoid such incidences	Awaiting resolution by PIC	
	Unsupported payments to disbursement service providers	Supporting documents provided. The contract agreement is normally filed by the procurement department.	Awaiting resolution by PIC	
	Delayed payments to beneficiaries	This was due to exchequer releases and has been taken up by the management for future payments	Awaiting resolution by PIC	

Kenya Social and Economic Inclusion Project
Reports and Financial Statements for the financial year ended June 30, 2023

Reference No. on the external audit Report	Issue Observations from Auditor	Management comments	Status:	Timeframe:
	Irregularities in the registration of beneficiaries	The management conducted a re-registration exercise to resolve this	Awaiting resolution by PIC	
	Unapproved Reallocation of Funds	The Authority undertook austerity measures to reduce on operational expenses to make savings that would be channeled to pay for emergency households. The re-allocation is usually re-submitted to NDMA board for approval.	Awaiting resolution by PIC	



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Hared Hassan
Chief Executive Officer



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Saiyana Lembara
Project Coordinator

Kenya Social and Economic Inclusion Project
Reports and Financial Statements for the financial year ended June 30, 2023
Annex 2: Variance explanations - Comparative Budget and Actual amounts for FY 2022-2023

	Final Budget a	Actual on Comparable Basis b	Budget Utilization Difference c=a-b	% of Utilization d=b/a %	Comments on Variance (below 90% and over 100%)
Receipts	Kshs	Kshs	Kshs		
Grant from external development partners (World Bank & DFID)	192,000,000	142,507,791	49,492,209	78.60%	Delay on disbursements by the NT
Loan from external development partners (World Bank)	59,700,000.00	-	-59,700,000	0.00%	Delay on disbursements by the NT
Government of Kenya	5,081,300,000	5,081,300,000	-	100.00%	-
Miscellaneous receipts	10,000,000	8,155,469	1,844,531	81.55%	Due to late receipt of funds premiums earned for the year reduced
Total Receipts	5,332,300,000	5,231,963,260	100,336,740	98.12%	
Payments					
Compensation of employees	133,000,000	132,582,495	417,505	99.69%	-
Purchase of Goods and Services	405,000,000	445,454,784	-40,454,784	109.99%	Made payments for purchase of procurement made in previous year using balances brought forward
Finance costs	4,200,000	4,151,886	48,114	98.85%	-
Acquisition of non-financial assets	100,000,000	129,528,662	-29,528,662	129.53%	Made payments for purchase of assets made in previous year
Other grants and transfers	4,620,800,000.00	4,444,440,531	176,359,469	96.18%	-
Total payments	5,263,000,000	5,156,158,358	106,841,642	97.97%	

*Kenya Social and Economic Inclusion Project
Reports and Financial Statements for the financial year ended June 30, 2023*

Annex 3: Reconciliation of inter-entity transfers

Project name: KSEIP HSNP III			
Break down of transfers from the State Department of ASAL			
	Bank Statement Date	Amount (Kshs)	Financial Year
a. Government Counterpart funding			
	17/10/2022	1,270,325,000	2022-2023
	02/06/2023	1,143,292,500	2022-2023
	27/06/2023	2,667,682,500	2022-2023
	Total	5,081,300,000	
B. Direct payments			
	Bank Statement Date	Amount (Kshs)	
	Total		
C. Others			
KSEIP IPF Grant	Bank Statement Date	Amount (Kshs)	Financial Year
	14/02/2023	68,275,200	2022-2023
	28/04/2023	74,232,591	2022-2023
	Total	142,507,791	
	Total (A+B+C)	5,223,807,791	

Kenya Social and Economic Inclusion Project
Reports and Financial Statements for the financial year ended June 30, 2023
Annex 4: Summary of Fixed Assets Register

Asset class	Opening Cost (KShs) 2022-2023 (a)	Donations in form of assets (KShs) 2022-2023 (b)	Purchases/ Additions in the Year (KShs) 2022-2023 (c)	Disposals in the Year (KShs) 2022-2023 (d)	Transfers in/(out) Kshs 2022-2023 (d)	Closing Cost (KShs) 2023 (e)= (a)+ (b)+c)- (d)+(-)d
Purchase of Motor Vehicle	43,612,703	-	79,030,000	-	-	122,642,703
Refurbishment of buildings	7,157,022	-	-	-	-	7,157,022
Purchase of office furniture & General equipment	62,258,275	-	-	-	-	62,258,275
Purchase of IT Equipment	-	-	50,498,662	-	-	50,498,662
Total	113,028,000	-	129,528,662	-	-	242,556,662

Kenya Social and Economic Inclusion Project
Reports and Financial Statements for the financial year ended June 30, 2023
Annex 5: Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities	Project Expenditures				Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		
KSEIP	Scale Up Emergency Payments	To Improve the Shock Responsiveness of Safety Net System through predictable financing of emergency payments	Cash Transfers to vulnerable households	-	409,074,300	-	297,283,500	GOK	GOK
KSEIP	Kenya Food Security Assessment	The main objective of the assessment is to determine the impacts of the short and long rains on food and nutrition security in 23 ASAL counties.	2022 Long rains assessment (LRA) and 2023 Short rains assessments (SRA)	4,593,400	-	3,188,721	-	GOK	United Nations (UN) agencies

Annex 9: Other Support Documents

- i. Bank Reconciliations statement as at 30th June 2023
- ii. Board of Survey Report
- iii. Special Deposit Account(s) reconciliation statement(s)