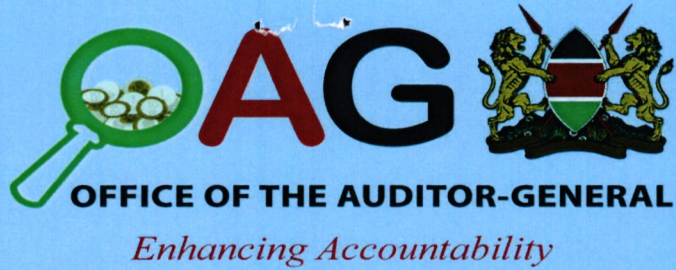


REPUBLIC OF KENYA



REPORT

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 10 FEB 2022

TABLED BY:

CLERK AT THE TABLE:

Ld
B. Inzori

DAY:
Thurs

PARLIAMENT
OF KENYA
LIBRARY

OF THE AUDITOR-GENERAL

ON

**KENYA ITALY DEBT FOR DEVELOPMENT
PROGRAM (KIDDP)**

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

**STATE DEPARTMENT FOR VOCATIONAL
AND TECHNICAL TRAINING**



KENYA ITALY DEBT FOR DEVELOPMENT PROGRAM

IMPLEMENTING ENTITY: MINISTRY OF EDUCATION
STATE DEPARTMENT OF VOCATIONAL AND TECHNICAL TRAINING

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30 JUNE 2021

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

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1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name: Revitalization of youth polytechnics under Kenya Italy Debt for Development Program.

Objective: The key objective of the program is to improve access to quality vocational training for youth from poor backgrounds. This is to be achieved through revitalization of Youth Polytechnics (YPs) in particular and the vocational training sector in general through capacity building, curriculum implementation, provision of training equipment and rehabilitation of infrastructure.

Address: The Program headquarters offices are located in Jogoo and Uchumi House, Nairobi Kenya.

The address of its registered office is:

Ministry of Education
State Department of Vocational and Technical Training
P. O. Box 9583-00200
NAIROBI

Contacts: The following are the Program contacts at the Ministry of Education Headquarter

Telephone: 254-020-2648534

E-mail: dvetke@gmail.com

Website: www.scienceandtechnology.go.ke

PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.2 Project Information

Project/Program Start Date:	The Program start date is 23 January 2007
Project/Program End Date:	The Program end date is 30 June 2022
Project/Program Manager:	The Program Manager is Mr. Elijah Obwori
Project/Program Sponsor:	The Program sponsor is Government of Italian Republic and GOK

1.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the Ministry of Education - State Department of Vocational and Technical Training (Department of Vocational Education and Training)
Strategic goal of the Project	The strategic goal of the project is: To improve access to quality and relevant skills training for youth from poor background.
Achievement of strategic goal	The project management aims to achieve the goal through the following: (i) Capacity building of instructors and other stakeholders (ii) Provision of training tools and equipment (iii) Rehabilitation of existing infrastructure (iv) Provision of infrastructure (workshops) (i) Pilot Scholarship for Youth Programme (YP) students/trainees
Other important background information of the Project/Program	Kenya Italy Debt for Development Programme (KIDDP) is a debt for development swap agreement between the Government of Kenya and Government of Italian Republic. The program started in 2007 with several development initiatives in vocational training in rural and remote areas in 6 Districts. In 2015/2016 financial year, 18 Youth Polytechnics in 7 counties were selected to benefit under this program. They include: Kithuru, Marimanti, Sina, Kapenguria Sigor, Kodich, Cheparararia, Ortum, Kinangop, Melangine, Lereshwa, Mariakani, Mkwanjuni, Vitengeni, Waondo, Nyagwethe, Lucy Onono and Mbaa-ini, Ebusiralo and Mfangano.
Current situation that the project was formed to intervene	The project was formed to intervene in the following areas: (i) Revitalisation of Youth Polytechnics

Kenya Italy Debt for Development Program
Reports and Financial Statements
for the year ended 30 June 2021

	<p>(ii) Human capacity building by upgrading skills of instructors in selected Youth Polytechnics and stakeholders and managerial skills under KIDDP support</p> <p>(iii) Upgrading of infrastructure in selected Youth Polytechnic in areas with high poverty index</p>
Project duration	The project started in 2007 and was expected to run until 30 June 2022

PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.4 Bankers

Kenya Commercial Bank Limited
Kencom House
Moi Avenue
P.O. Box 30081-00100
Nairobi.

1.5 Auditors

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

1.6 Roles and Responsibilities

Names	Title designation	Key Qualification	Responsibilities
Mr. Alphonse M. Mwaa	Director Vocational Education and Training	Mechanical Engineering, Graduate	Project Coordinator
Elijah O. Obwori	Principal Vocational Training Officer	MBA, PGDE. Bachelor of Arts	Program Manager AIE holder Member of KIDDP National Technical Committee
Mrs. Joan Omuruli	Principal Vocational Training Officer	Master of Arts Bachelor of Education Diploma in Project Management	Liaison officer Member of KIDDP National Technical Committee DVET - KIDDP Liaison Officer
Arch. Mwangi. Kiragu	Snr. Supt. Architect – MOEST	Master of Urban Management B. Sc (Architecture)	Architect in charge of Development of Technical Drawings for construction projects
Mr. Peter G. Kamau	Snr. Supt. Quantity Surveyor - MOEST	B.A (Quantity Surveyor)	QS in charge of Development of BQ for construction projects

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Reports and Financial Statements
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Mr. Dickson Lugonzo	Deputy Director Supply Chain Management		Supplies chain Management
Anthony Masinde	Finance Officer	B.COM	Chief Finance Officer
CPA Tom Ojwando	Project Accountant	MBA(Finance) B.COM(Accounting) CPA(K)	Accounts reconciliation and reporting
Arch. J.F. Kagiri	County Works Officer Nyeri	BSc. Architect	Site Project Manager Mbaa-ini Projects
QS. Mwaniki	County Works Officer Nyandarua	B.Sc (Engineering)	Site Project Manager Lereshwa Projects
Arch. Fred O. Ochieng'	County Works Officer Siaya	B. Sc (Architecture)	Site Project Manager Lucy Onono Twin Projects
Vitalis Ondiege	Sub- County Works Officer Homabay		Site Project Manager Lucy Onono Mfangano, Nyagwethe and Waondo Projects
QS.Maurice Angira	Snr. Supt. Quantity Surveyor - Vihiga	B.A (Quantity Surveyor	Project Manager Ebusiralo Project County
Eng. J. N. Muraa	County Project Manager Kilifi County		Project Manager Vitengeni Project
Structural, Electrical Engineers and Quantity surveyors serving at the Counties			Day to day supervision of construction projects
Service Providers	Contractors for construction works Training Providers		Provision of Services
YP community	Community Parents and other local leaders in		Provide land for construction

1.7 Funding summary

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 06 2021)		Undrawn balance to date (30 06 2021)	
	<i>Donor currency</i> (A)	<i>KShs</i> (A')	<i>Donor currency</i> (B)	<i>KShs</i> (B')	<i>Donor currency</i> (A)-(B)	<i>KShs</i> (A')-(B')
(i) Loan						
The Republic of Italy: The Direct Payments	\$1,364,282			547,015,300		
The Republic of Italy: The Direct Payments	\$ 42,913,028					
(ii) Counterpart funds						
Government of Kenya						
Total	1,364,282			547,015,300		

*Kenya Italy Debt for Development Program
Reports and Financial Statements
for the year ended 30 June 2021*

B. Application of Funds

Application of funds	Amount received to date – (30 th June 2021)		Cumulative Amount paid to date – (30 th June 2021)	Unutilised balance to date (30 TH June 2021)	
	<i>Donor currency</i>	<i>Kshs</i>	<i>Kshs</i>	<i>Donor currency</i>	<i>Kshs</i>
	(A)	(A')	(B')	(A)-(B)	(A')-(B')
(i) Grant					
Republic of Italy	\$	547,015,300	531,844,890		15,170,410
(i) Loan	-	-	-	-	-
Insert name of development partner	-	-	-	-	-
Insert name of development partner	-	-	-	-	-
	-	-	-	-	-
(ii) Counterpart funds	-	-	-	-	-
Government of Kenya	-	-	-	-	-
Total	-	547,015,300	531,844,890	-	15,170,410

PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.8 Summary of Overall Project Performance:

- i) Budget performance against actual amounts for current year; The budget utilization in the current year was 46% this was a result of the inclusion of the budget line during the first supplementary and the projects had to be procured before being implemented
- ii) Physical progress based on outputs, outcomes and impacts since project commencement; the projects which were mainly infrastructure projects, had seen the construction of workshops and hostels as the outputs, over the years these projects has experienced increased trainee enrolment as there is availability of more modern space, better tools and equipment and this has had the impact of better lifestyles in the beneficiary localities and access to other amenities like water and electricity.
- iii) Value-for-money; the project has supported the construction of workshops and provision of tools and equipment in twenty vocational training centres. This has led to increase of trainee population who seek to acquire skills for personal improvement.
- iv) Absorption rate; the absorption rate of the funds over the years has been on average at 45%.
- v) Project implementation challenges; slow progress of construction works by contractors, delay in processing of payment due to incomplete documentation, inaccessibility of sites due to adverse weather conditions.

Recommendations; Strict adherence to the set work plans by the contractors, provision of checklist for documentation

1.9 Summary of Project Compliance:

- i) Cases of non-compliance with applicable laws and regulations, and essential external financing agreements/covenants; The project has not experienced any non-compliance to the existing laws and regulations
- ii) Consequences suffered on account of non-compliance or likely to be suffered; None at all
- iii) Mitigation measures taken or planned to be taken to alleviate the adverse effects of actual or potential consequences of non-compliance; all procurement and payments are done as per the acts and regulations.

2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETERMINED OBJECTIVES

Introduction

The Kenya Italy –Debt for Development programme (KIDDP) is a debt swap donor funded programme aimed at converting part of debt owed by Government of Kenya to Italian Government into development projects. The programme commenced in 2007 and over the years it has supported in improving access to quality vocational training for youth from poor background. This has been achieved through the implementation of the following initiatives:

- a) Rehabilitation of existing infrastructure
- b) Construction of new infrastructure
- c) Provision of training tools, equipment
- d) Capacity building of instructors and stakeholders and
- e) Scholarships for trainees in Vocational Training Centres

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

- a) Increase acquisition of relevant Vocational Skills by youth
- b) Poverty alleviation through employment creation

All the objectives have been met as the program is coming to an end in the year 2022

Project	Objective	Outcome	Indicator	Performance
Vocational Education and Training	To Improve Infrastructure in Vocational Training Centres	Increased space for trainee instruction	Number of operationalized institutions	In Financial Year 2020/2021 the following institutions infrastructure was improved. 1)Ebusiralo 2) Mfangano 3) Nyawethe 4) Mbaaini 5) Lereshwa

3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

The KIDDP project exists to improve the lives of especially the Kenyan Youth through the acquisition of skills for self-employment. This has been our purpose and the driving force behind the infrastructure improvement.

1. Sustainability strategy and profile

The infrastructure improvement has been done in operating institutions. The Vocational Training centres are under the County governments and the counties have over time allocated resources both human and financial towards the improvement of the institutions and the overall training.

2. Environmental performance

The program when implementing the initiatives does involve the National Environmental Management Authority in accessing environmental impact and giving directions which are followed as the projects are being implemented

3. Employee welfare

The programme projects are implemented by hiring the local people where the projects are being implemented. The stakeholder participation and training was being done during the project implementation process.

The project takes recognizes safety and compliance with occupational safety and Health Act of 2007(OSHA). It ensures the contractors takes care of the safety of its contracted workers by providing them with safety gadgets. The infrastructural facilities are designed to allow for quick escape in case of fire and the provision for the physically disadvantaged people. Firefighting equipment's are provided to the beneficiary institutions.

Market place practices-

The organisation should outline its efforts to:

a) Responsible competition practice.

The Kenya Italy Debt for Development Program as an initiative by the Italian government to give a grant to the Kenyan government identified projects to benefit from the grant by using the National poverty index. Then the identified projects in the lowest poverty clusters were the beneficiary of the projects. The local politicians at times are requested to construct access roads to these institutions and connect them with electricity.

b) Responsible Supply chain and supplier relations-

The program carries out advertisement for bidders when putting up the infrastructure projects and during the purchase of tools and equipment. This is done competitively as per the Kenyan government procurement regulations.

c) Responsible marketing and advertisement-

The training institutions market themselves through local radio stations

d) Product stewardship-

The trainees are provided with certificates which they use when seeking contracts or work.

4. Community Engagements

Projects under Kenya Italy Debt for Development Program are aimed at promoting quality of life through improving infrastructure and tools in vocational training centres to make the institutions to offer better quality vocational skills to the youth and other community members. This is with hope that it will equip youth with relevant skills that will enable them to become gainfully engaged and earn a decent income to improve the quality of their life. The contractors employ local manpower to work during the construction of the infrastructure and this offers job opportunities to the local community thus improving their lives.

4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Principal Secretary for the State Department of Vocational and Technical Training in the Ministry of Education, and the Project Coordinator for Revitalization of Youth Polytechnics under Kenya Italy Debt For Development Program are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year ended on 30 June, 2021. This responsibility includes:

- (i) Maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting financial year
- (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
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Principal Secretary for the State Department of Vocational and Technical Training in the Ministry of Education Science and Technology and the Project Coordinator for revitalization of Youth Polytechnics under Kenya Italy Debt for Development Program accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The Principal Secretary for the State Department of Vocational and Technical Training in the Ministry of Education Science and Technology, and the Project Coordinator revitalization of Youth Polytechnics in particular under Kenya Italy Debt for Development Program are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year ended 30 June, 2021, and of the Project's financial position as at that date. The Principal Secretary for the State Department of Vocational and Technical Training in the Ministry of Education Science and Technology, and the Project Coordinator for revitalization of Youth Polytechnics under Kenya Italy Debt for Development Program further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

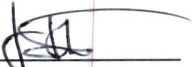
The Principal Secretary for the State Department of Vocational and Technical Training in the Ministry of Education Science and Technology, and the Project Coordinator for revitalization of Youth Polytechnics under Kenya Italy Debt For Development Program confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during

Kenya Italy Debt for Development Program
Reports and Financial Statements
For the year ended 30 June 2021

the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project financial statements

The Project financial statements were approved by the Principal Secretary for the State Department of Vocational and Technical Training in the Ministry of Education and the Project Coordinator for revitalization of Youth Polytechnics under Kenya Italy Debt for Development Program and signed by them.



Dr. Margaret Mwakima
Principal Secretary
Date 24/11/2021



Elijah Obwori
Project Coordinator
Date 24/11/2021

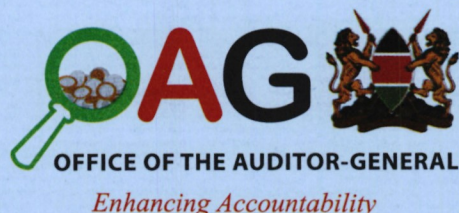


CPA. Joseph Kiraita
HAU
Date 24/11/2021
ICPAK Member No:3644

***Kenya Italy Debt for Development Program
Reports and Financial Statements
For the year ended 30 June 2021***

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 KENYA ITALY DEBT FOR DEVELOPMENT PROGRAM (KIDDP) FOR THE YEAR ENDED 30 JUNE, 2021 - MINISTRY OF EDUCATION - STATE DEPARTMENT FOR VOCATIONAL AND TECHNICAL TRAINING

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, gazetted notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution 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 Italy Debt for Development Program, set out on pages 1 to 15, which comprise the statement of financial assets as at 30 June, 2021, statement of receipts and payments, statement of cashflow and statement of comparison of budget and actual amounts for the period 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, the financial statements present fairly, in all material respects, the financial position of Kenya Italy Debt for Development Program as at 30 June, 2021, 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 Agreement on Debt-for-Development Swap between the Government of the Italian Republic and the Government of the Republic of Kenya done at Rome on 27 October, 2006.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kenya Italy Debt for Development Program 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

Budgetary Control and Performance

The statement of comparative budget and actual amounts reflects a final budget of Kshs.34,694,945 against an actual of Kshs.16,321,108 resulting to an under expenditure of Kshs.18,373,837 or 53%. In addition, the budget of Kshs.34,694, 945 was higher than the available funds which amounted to Kshs.26,159,554, yet there was no evidence of funding being provided by GOK to cover the excess budget.

In the circumstance, the citizens have not received services as planned as a result of the slow implementation of the project.

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, nothing has come to my attention to cause me to believe that internal controls, risk management and 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 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Agreement in the Form of Exchange of Letters – Kenya Italy Debt for Development Program, 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 Program, so far as appears from the examination of those records; and,
- iii. The Program's financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Program'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 program or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in

an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of 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 Program's policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Program'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 Program 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 Program to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi


15 December, 2021

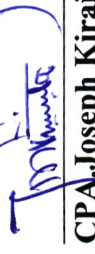
*Kenya Dairy Development Program
Reports and Financial Statements
For the year ended 30 June 2021*

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

	Note	2020/2021		2019/2020		Cumulative to-date (From inception)
		Receipts and payments controlled by the entity Kshs	Payments made by third parties Kshs	Receipts and payment controlled by the entity Kshs	Payments made by third parties Kshs	
RECEIPTS						
Loan from external development partners		-	-	-	-	547,015,300
Miscellaneous receipts		-	-	-	-	-
TOTAL RECEIPTS						547,015,300
PAYMENTS						
Compensation of employees		-	-	-	-	-
Purchase of goods and services	1	5,134,198	-	6,814,948	-	6,814,948
Acquisition of non-financial assets	2	11,186,910	-	10,262,746	-	10,262,746
Other grants and transfers and payments	3	-	-	-	-	8,662,400
TOTAL PAYMENTS		16,321,108	-	17,077,694	-	531,844,890
SURPLUS/(DEFICIT)		(16,321,108)	-	(17,077,694)	-	15,170,410

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


Dr. Margaret Mwakima
Principal Secretary
Date 24/11/2021

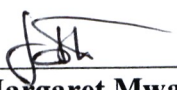

CPA Joseph Kiraita
HAU
Date
ICPAK Member No:3644

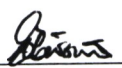
(IPSA 1.3.24 requires an entity to separately disclose third party payments separately on the statement of receipts and payments. These are payments made by development partners directly on behalf of the entity. In recognising these transactions, the receipts must be equal to the payments made and therefore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

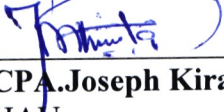
7. STATEMENT OF FINANCIAL ASSETS AS AT 30 JUNE 2021

	Note	2020-2021	2019-2020
		KShs	KShs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	4	9,838,446	26,159,554
Cash Balances		-	-
Cash Equivalents (short-term deposits)		-	-
Total Cash and Cash Equivalents		9,838,446	26,159,554
Accounts Receivables		-	-
TOTAL FINANCIAL ASSETS		9,838,446,	26,159,554
FINANCIAL LIABILITIES			
Payables- Deposits and Retentions		-	-
NET ASSETS		-	-
REPRESENTED BY			
Fund balance b/fwd	5	26,159,554	43,237,248
Prior year adjustments		-	-
Surplus/(Deficit) for the year		(16,321,108)	(17,077,694)
NET FINANCIAL POSITION		9,838,446	26,159,554

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 30th September 2021 and signed by:


Dr. Margaret Mwakima
Principal Secretary
Date 24/11/2021

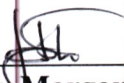

Elijah Obwori
Project Coordinator
Date 24/11/2021



CPA Joseph Kiraita
HAU
Date 24/11/2021
ICPAK Member No:3644

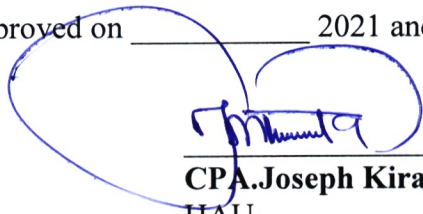
8. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2021

			2020-2021	2019-2020
		Note	KShs	KShs
CASHFLOW FROM OPERATING ACTIVITIES				
Receipts from operating activities				
	Transfer from Government entities		-	-
	Proceeds from domestic and foreign grants		-	-
	Miscellaneous receipts		-	-
Payments from operating activities				
	Compensation of employees		-	-
	Purchase of goods and services	1	(5,134,198)	(6,814,948)
	Social security benefits		-	-
	Transfers to other government entities		-	-
	Other grants and transfers (GOK)		-	-
Adjustments during the year				
	Prior Year Adjustments		-	-
	Decrease/(Increase) in Accounts Receivable		-	-
	Increase/(Decrease) in Accounts Payable:		-	-
	Net cash flow from operating activities		(5,134,198)	(6,814,948)
CASHFLOW FROM INVESTING ACTIVITIES				
	Acquisition of Non- Assets	2	(11,186,910)	(10,262,746)
	Net cash flows from Investing Activities		(11,186,910)	(10,262,746)
CASHFLOW FROM BORROWING ACTIVITIES				
	Proceeds from Foreign Borrowings		-	-
	Net cash flow from financing activities		-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS				
			(16,321,108)	(17,077,694)
	Cash and cash equivalent at BEGINNING of the year	4	26,159,554	43,237,248
	Cash and cash equivalent at END of the year	5	9,838,446	26,159,554

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 _____ 2021 and signed by:


Dr. Margaret Mwakima
Principal Secretary
Date 24/11/2021


Elijah Obwori
Project Coordinator
Date 24/11/2021


CPA. Joseph Kiraita
HAU
Date 24/11/2021
ICPAK Member No:3644

9. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021


Receipts/Payments Item	Original Budget a(K.shs)	Adjustments b(K.shs)	Final Budget c=a+b(K.shs)	Actual on Comparable Basis d(K.shs)	Budget Utilization Difference e=c-d(K.shs)	% of Utilization f=d/c %
Payments						
Purchase of goods and services	-	6,350,533	6,350,533	5,134,198	1,216,335	81%
Acquisition of non-financial assets	4,500,000	23,844,412	28,344,412	11,186,910	17,157,502	40%
Transfers to other government entities	-	-	-	-	-	-
Other grants and transfers (GOK)	-	-	-	-	-	-
Total Payments	4,500,000	30,194,945	34,694,945	16,321,108	18,373,837	47%


Note.


- i) *The budget utilization was at 81% and 40% because the KIDDP budget was uploaded during the 2nd supplementary. Furthermore, covid-19 pandemic brought challenges with the undertaking of works at the various construction sites.*
- ii) *Budget for the purchase of Motor Vehicle for Ksh. 4,500,000 was not funded by Treasury.*

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

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements and are set out from page 5 to page 10 of this report.


DR. Margaret Mwakima
Principal Secretary
Date 24/11/2021


Elijah Obwori
Project Coordinator
Date 24/11/21


CPA Joseph Kiraita
HAU
Date
ICPAK Member No:3644

10. SIGNIFICANT ACCOUNTING POLICIES

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

10.1 Basis of Preparation

10.2 Statement of compliance and basis of preparation

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

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

10.3 Reporting entity

The financial statements are for the KIDDP Project under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation Public Finance Management (PFM) Act, 2012 .

10.3.1 Reporting currency

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

10.4 Significant Accounting Policies

a) Recognition of receipts

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

i) Transfers from the Exchequer

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

ii) External Assistance

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

iii) Other receipts

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

b) Donations and grants

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

c) Proceeds from borrowing

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

d) Undrawn external assistance

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

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

e) Recognition of payments

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

i) Compensation of employees

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

ii) Use of goods and services

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

iii) Interest on borrowing

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

iv) Repayment of borrowing (principal amount)

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

v) Acquisition of fixed assets

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration

and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

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

f) In-kind donations

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

g) Cash and cash equivalents

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

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

Restriction on cash

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

h) Accounts receivable

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

i)Contingent Assets

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

j) 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.

k) 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.

l) Third party payments

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

During the year no loan disbursements were received in form of direct payments from third parties.

m) 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.

n) 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.

o) Subsequent events

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

p) Errors

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

11. NOTES TO THE FINANCIAL STATEMENTS

1. PURCHASE OF GOODS AND SERVICES

	2020/2021			2019/2020	
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	Cumulative to- date
	KShs	KShs	KShs	KShs	KShs
Domestic travel and subsistence	5,104,827	-	5,104,827	6,754,550	24,015,759
Training payments/Consultancy	-	-	-	-	40,836,820
Other operating payments	29,371	-	29,371	60,398	426,379
Total	5,134,198	-	5,134,198	6,814,948	65,278,958

2. ACQUISITION OF NON-FINANCIAL ASSETS

	2020/21			2019/20	
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	Cumulative to-date
	KShs	KShs	KShs	KShs	KShs
Purchase of buildings	-	-	-	-	-
Construction of buildings	11,186,910	-	11,186,910	10,262,746	377,440,895
Purchase of specialised plant, equipment and machinery	-	-	-	-	80,462,637
Total	11,186,910	-	11,186,910	10,262,746	457,903,532

3. OTHER GRANTS AND TRANSFERS AND PAYMENTS

	2020/21			2019/20	
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	Cumulative to-date
	KShs	KShs	KShs	KShs	KShs
Grants for scholarships	-	-	-	-	8,662,400
Total	-	-	-	-	8,662,400

4. CASH AND CASH EQUIVALENTS


	2020/21	2019/20
	KShs	KShs
Bank accounts	9,838,446	26,159,554
Cash in hand	-	-
Cash equivalents (short-term deposits)	-	-
Total	9,838,446	26,159,554

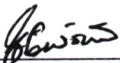
The project has no project accounts spread within the project implementation area and no foreign currency designated accounts managed by the National Treasury as listed below:

5. BANK ACCOUNTS

Project Bank Accounts

	2020/21	2019/20
	KShs	KShs
<u>Foreign Currency Accounts</u>		
Central Bank of Kenya [A/c No.....]	-	-
Others (<i>specify</i>)	-	-
Total Foreign Currency balances	=	=
<u>Local Currency Accounts</u>		
Central Bank of Kenya [A/c No.....]	-	-
Kenya Commercial Bank [A/c No1109219547]	9,838,446	26,159,554
Others (<i>specify</i>)	-	-
Total local currency balances	=	=
Total bank account balances	<u>9,838,446</u>	<u>26,159,554</u>


Dr. Margaret Mwakima
 Principal Secretary
 Date 24/11/2021


Elijah Obwori
 Project Coordinator
 Date 24/11/21


CPA Joseph Kiraita
 HAU
 Date
 ICPAK Member No:3644

12. APPENDICES

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

13. GLOSSARY

- a. **KIDDP**-Kenya Italy Debt for Development Program.
- b. **PSASB**- Public Sector Accounting Standard Board
- c. **PFM**- Public Finance Management
- d. **FY**-Financial Year