

REPUBLIC OF KENYA



Enhancing Accountability

THE NATIONAL ASSEMBLY
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REPORT

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BY:

Hon Naomi Wago, MP
Deputy majority whip

CLERK OF
THE HOUSE

OF



THE AUDITOR-GENERAL

ON

**NATIONAL AGRICULTURAL AND RURAL
INCLUSIVE GROWTH PROJECT
(IDA CREDIT NO. 5900-KE)**

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

**STATE DEPARTMENT FOR CROP
DEVELOPMENT**





OFFICE OF THE AUDITOR GENERAL,
P. O. Box 30084 - 00100, NAIROBI
REGISTRY

17 NOV 2023

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**PROJECT NAME: NATIONAL AGRICULTURAL AND RURAL INCLUSIVE
GROWTH PROJECT
(NARIGP)**

**IMPLEMENTING ENTITY: MINISTRY OF AGRICULTURE AND
LIVESTOCK DEVELOPMENT**

PROJECT CREDIT NUMBER: 5900 KE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2023

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

National Agricultural and Rural Inclusive Growth Project (NARIGP)
Reports and Financial Statements
For the financial year ended June 30, 2023
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1. Project Information and Overall Performance

1.1 Name and registered office

Name

The project’s official name is National Agricultural and Rural Inclusive Growth Project (NARIGP)

Objective

The key objective of the project is “to increase agricultural productivity and profitability of targeted rural communities in selected Counties, and in the event of an Eligible Crisis or Emergency, to provide immediate and effective response.”

Address

The project headquarters offices are at Capitol Hill Towers 5th Floor Nairobi, Kenya. The address of its registered office is: Capitol Hill Towers 5th Floor, Cathedral Road Next to Kilimo House.

Post office address: Box 8073 00200,
 Nairobi - Kenya

The project also has offices in 21 participating Counties as follows: -

Selected 21 NARIGP participating Counties

| | Arid Areas | | Semi-Arid Areas | | Medium to High Rainfall Areas |
|---|-------------------|---|------------------------|----|--------------------------------------|
| 1 | Turkana | 1 | Makueni | 1 | Kirinyaga |
| 2 | Samburu | 2 | Meru | 2 | Kiambu |
| | | 3 | Kitui | 3 | Muranga`a |
| | | 4 | Embu | 4 | Nakuru |
| | | 5 | Kilifi | 5 | Bungoma |
| | | 6 | Kwale | 6 | Trans Nzoia |
| | | 7 | Narok | 7 | Nandi |
| | | | | 8 | Vihiga |
| | | | | 9 | Kisii |
| | | | | 10 | Nyamira |

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| | | | | | |
|--|--|--|--|----|----------|
| | | | | 11 | Migori |
| | | | | 12 | Homa Bay |

Contacts: The following are the project contacts

Telephone: (254) 020 2715466

E-mail: narigp@kilimo.go.ke

Website: www.narigp.go.ke

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Project Information and Overall Performance (Continued)

1.2 Project Information

| | |
|----------------------------|-----------------------------------------------------------------------------------------------------------|
| Project Start Date: | The project start date is 23-Aug-2016 |
| Project End Date: | The initial project end date was 30-Nov-2021 however the project was restructured to end on 31 March 2024 |
| Project Manager: | The project manager is Dr. Samuel Guto |
| Project Sponsor: | The project sponsor is World Bank – IDA and the GOK |

1.3 Project Overview

| | |
|------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Line Ministry/State Department of the project | The project is under the supervision of the State Department for Crops Development and Livestock Development, Ministry of Agriculture and Livestock Development |
| Project number | 5900KE |
| Strategic goals of the project | The strategic goal of the project is as follows: (i) NARIGP’s project development objective (PDO) is “to increase agricultural productivity and profitability of targeted rural communities in selected Counties, and in the event of an Eligible Crisis or Emergency, to provide immediate and effective response.” |
| Summary of Project Strategies for Achievement of strategic goals | The project will contribute to GoK’s high-level objective, which aims at transforming smallholder subsistence agriculture into an innovative, commercially oriented, and modern sector by: (i) increasing the productivity, commercialization, and competitiveness of selected agricultural commodities; and (ii) developing and managing key factors of production, particularly land, water, and rural finance. |
| Areas that the project was formed to intervene | The project was formed to intervene in the following areas: (i) Through the increased adoption of new technologies and improved practices and by federating into POs and other forms of rural institutions like SACCOs (Savings and |

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| | |
|------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | Credit Cooperatives), rural smallholder farmers will be able to increase their productivity, incomes, and profitability. |
| Project duration | The project started on 23 August 2016 and was expected to run until 30 November 2021 however during restructuring the project was extended to 31 March 2024 |

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Project Information and Overall Performance (Continued)

1.4 Bankers

The following are the bankers for the current year:

- (i) Central Bank of Kenya
- (ii) Kenya Commercial Bank

1.5 Independent Auditor

The project is audited by Office of the Auditor General (OAG).

1.6 Roles and Responsibilities

The following is the list of the different people working for the project. The list includes the project manager and the key stakeholders who are involved with the project. Also included in the list is their role and their positions.

| Names | Positions | Key Qualifications | Responsibilities |
|------------------------|---------------------------------------------|---------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|
| Samuel Guto, PhD | National Project Coordinator | Doctor of Science - Soil and water management in smallholder farming systems | Overall Coordination of the Project |
| Mary Maingi | Component 1 Lead | -Masters in Environmental Studies | Responsible for supporting Community-Driven Development |
| Annastacia Kivuva | Component 2 Lead | -MSc. International Trade Policy and Trade Law | Responsible for Strengthening Producer Organizations and Value Chain Development |
| Eng. Isaac Ngugi Wakhu | Component 3 Lead | B. Sc in Agricultural Engineering | Responsible for Supporting County Community-Led Development |
| Mutoko Morgan, PhD | Planning, Monitoring and Evaluation Officer | Doctor of Philosophy - Economics and | Oversee the development and implementation of the NARIGP planning, monitoring and evaluation system |

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| | | Systems Analysis | |
|--------------------------|----------------------------------------------|-------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Cosmas Omolo | Monitoring & Evaluation Officer | -MSc. Agriculture Production Chain Management | Assist in the Development and Implementation of the NARIGP planning, monitoring and evaluation system |
| Peter N. Gitau | Finance Officer | - MSc Finance and Economics - CPAK | Responsible for managing project finances in accordance with the requirements of the Financing Agreement and related Project documents |
| Japhlet Gikunda | Procurement Officer | - BSc. Procurement and Logistics | Responsible for overseeing the preparation and execution of the project procurement plans to effectively support project operations, ensuring strict adherence to World Bank and GoK procurement guidelines |
| Stanley Maina | Project Internal Auditor | - MSc. Finance - CPAK | Responsible the controls system is in place and effective procurement and financial management of the project |
| Titus Mutisya | Environmental and Social Safeguards Officer | -MSc. Environmental Science | Responsible for ensuring that all NARIGP activities are implemented in accordance to the Environmental and Social Safeguard Frameworks laid out for the project |
| Judith Amadiva | Education and Communication Officer | -BA. Economics, Community Development and Cooperation | Planning and execution of the project communications strategy for maintaining healthy internal and external relations |
| Harrison Mwaniki Muthanu | Information Communication Technology Officer | -MSc. Geographic Information Systems | Responsible for the smooth operation of NPCU and CPCUs ICT related functions. |

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1.7 Funding summary

The Project is for a duration of 5 years from 2016 to 2021 (extended to 31 March 2024 during restructuring) with a total project cost of US\$ 219 million, of which the International Development Association (IDA) will finance US\$ 200 million under an Investment Project Financing (IPF) instrument. The estimated project cost takes into account GoK counterpart funds (US\$ 2 million equivalent), County governments' co-financing (US\$ 7 million equivalent), and beneficiary contributions (US\$10 million equivalent) amounting to US\$ 19 million equivalent as detailed in the table below: -

| Project Components | Project Cost (US\$ million) | IDA Financing (US\$ million) | IDA Financing (%) | Counterpart Contribution (US\$ million) | Counterpart Contribution (%) |
|---------------------------------------------------------------------|-----------------------------|------------------------------|-------------------|-----------------------------------------|------------------------------|
| 1. Supporting Community-Driven Development | 80 | 75 | 94% | 5 | 6% |
| 2. Strengthening Producer Organizations and Value Chain Development | 50 | 45 | 90% | 5 | 10% |
| 3. Supporting County Community- Led Development | 72 | 65 | 90% | 7 | 10% |
| 4. Project Coordination and Management | 17 | 15 | 88% | 2 | 12% |
| Total Project Costs | 219 | 200 | 91% | 19 | 9% |

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Project Information and Overall Performance (Continued)

Below is the funding summary:

Source of Funds

| Source of funds | Donor Commitment- | | Amount received to date – 30 June 2023 | | Undrawn balance to date 30 June 2023 | |
|-------------------------------|-----------------------|---------------------|----------------------------------------|---------------------|--------------------------------------|---------------------|
| | <i>Donor currency</i> | <i>Kshs</i> | <i>Donor currency</i> | <i>Kshs</i> | <i>Donor currency</i> | <i>Kshs</i> |
| | (A) | (A') | (B) | (B') | (A)-(B) | (A')-(B') |
| (i) Loan | \$Million | Kshs Million | \$Million | Kshs Million | \$ Million | Kshs Million |
| World Bank | 200 | 22,058 | 215 | 21,498 | (0) | 560 |
| (ii) Counterpart Funds | | | | | | |
| County Governments | 17 | 1,875 | 13 | 1,437 | 4 | 438 |
| National Government | 2 | 221 | 0 | 38 | 2 | 182 |
| Total | 219 | 24,154 | 228 | 22,973 | 6 | 1,181 |

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Project Information and Overall Performance (Continued)

A. Application of Funds

| Application of funds | Amount received to date – 30 June 2023 | | Cumulative amount paid to date - 30th June 2023 | | Un utilized balance to 30 June 2023 | |
|-------------------------------|----------------------------------------|---------------------|-------------------------------------------------|---------------------|-------------------------------------|---------------------|
| | <i>Donor currency</i> | <i>Kshs</i> | <i>Donor currency</i> | <i>Kshs</i> | <i>Donor currency</i> | <i>Kshs</i> |
| | <i>(A)</i> | <i>(A')</i> | <i>(B)</i> | <i>(B')</i> | <i>(A)-(B)</i> | <i>(A')-(B')</i> |
| | | | | | | |
| (i) Loan | \$Million | Kshs Million | \$Million | Kshs Million | \$ Million | Kshs Million |
| World Bank | 215 | 21,498 | 210 | 21,318 | 4.51 | 179 |
| | | | | | - | - |
| (ii) Counterpart Funds | | | | | | |
| County Governments | 13 | 1,437 | 14 | 1,437 | - | - |
| National Government | 0 | 38 | 0 | 38 | - | - |
| | | | | | 0.03 | - |
| Total | 228 | 22,973 | 225 | 22,794 | 3 | 179 |

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Project Information and Overall Performance (Continued)**

1.8 Summary of Overall Project Performance:

(i) Budget performance against actual amounts for current year and for cumulative to-date.

| PDO Statement: The proposed development objective is to increase agricultural productivity and profitability of targeted rural communities in selected Counties, and in the event of an Eligible Crisis or Emergency, to provide immediate and effective response. | | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|-------------------------------|-------------------|
| Project Development Objective (Outcome) indicators | | | |
| Indicator | Disaggregation | Cumulative achievement | End target |
| <i>No of direct project beneficiaries reached</i> | | 528,945 | 360,000 |
| Disaggregation by gender | Male | 215,144 | 180,000 |
| | Female | 313,801 | 180,000 |
| <i>Number of beneficiaries who have adopted improve agricultural technology and innovation management practices (TIMPs) promoted by the project</i> | | 326,741 | 176,400 |
| Percentage yield increase in the selected priority agricultural value chains supported by the project | | 41% | 30% |
| Percentage Producer Organizations (POs) supported by the project reporting increase in profitability | | 145/84 (172%) | 70% |

(ii) Physical progress based on outputs, outcomes and impacts since project commencement

| NARIGP RESULTS (Based on Deliverables) | | | |
|---------------------------------------------------------------------------------------------------------------------|-----------------------|-------------------------------|------------------------------------|
| Result framework report based on database information | | | |
| Project Development Objective | | | |
| Building Capacity of Community Institution (Output) Indicators | | | |
| Indicator description | Disaggregation | Cumulative achievement | Target for the while period |
| <i>Number of micro-projects implemented</i> | | 15,455 | 12,600 |
| disaggregated by windows | SLM/VC | 9,749 | 7,200 |
| | Market oriented | 3,124 | 3,000 |
| | VMG | 1,737 | 1,200 |
| | Nutrition | 845 | 600 |
| <i>Client days of training provided for in TIMPs</i> | | 1,225,611 | 1,266,000 |
| Disaggregated by gender | Male | 392196 (32%) | 50% |
| | Female | 833415 (68%) | 50% |
| Land area where sustainable land management (SLM) practices have been adopted as a result of the project (Hectares) | | 113,451 | 71,400 |

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| Strengthening Producer Organizations and Value Chain Development (Output) Indicators | | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|-------------------------------|------------------------------------|
| Indicator description | Disaggregation | Cumulative achievement | Target for the while period |
| <i>Number of CIGs and VMGs that are members of supported POs</i> | | 10,806 | 8400 |
| <i>Increase in average annual sales turnover of targeted POs (Percentage)</i> | | 9% | 20% |
| <i>Public-Private Partnerships (PPPs) established by POs (Number)</i> | | 112 | 21 |
| <i>Number of POs with bankable Enterprise Development Plans (EDPs)</i> | | 308 | 84 |
| | | | |
| Supporting County Community-Led Development (Output) Indicators | | | |
| Indicator description | Disaggregation | Cumulative achievement | Target for the while period |
| <i>Percentage participating counties including county-level project investments and community micro-projects into their Annual County Development Plans</i> | | 100 | 100 |
| <i>Number of agricultural and rural development infrastructure and natural resource management (NRM) investments implemented under the project at the county level</i> | | 154 | 45 |
| | VC/IF | 40 | 35 |
| | SLM/NRM | 114 | 10 |
| <i>Number of labour days completed by beneficiaries of employment programs supported by the project</i> | | 1,664,143 | 3,000,000 |

(iii) Absorption Rate for each year since the commencement of the project

| | | |
|----------------------------|---------------------------|---------------------|
| Project cost in Kes | 24,153,510,000 | |
| | | |
| Financial Year | Absorption in Kshs | % Absorption |
| FY 17 | - | - |
| FY 18 | 1,225,515,180 | 5% |
| FY 19 | 1,463,340,990 | 11% |
| FY 20 | 5,339,734,882 | 33% |
| FY 21 | 4,844,265,454 | 53% |
| FY 22 | 5,172,106,960 | 75% |
| FY 23 | 4,748,543,172 | 94% |
| Total | 22,793,506,638 | 94% |

(i) Implementation challenges

Some of the challenges faced is lack of counterpart funding especially from the National Government and also the financing proportions of the project. To avert this the National Government should honour its contribution and also restructure the project to revise the financing proportions.

1.9 Summary of Project Compliance:

NARIGP projects operate within the World Bank project guidelines and as per the Kenyan Constitution. The project has been operating within the above guidelines and no non-compliance issues have been noted.

2. Statement of Performance against Project’s Predetermined Objectives

(i) 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 key development objectives of the *project’s agreement/ plan* are to:

- a) Strengthen community institution
- b) Increase agricultural production, marketing and nutrition
- c) Strengthen Producer Organization
- d) Strengthen value chain coordination
- e) Strengthen County capacities

(ii) Project objective and progress towards meeting these objectives

| Project objectives | Performance area | Target | Achievement |
|------------------------------------------------------------|---------------------------------------------------|---------------|--------------------|
| Increased agricultural production, marketing and nutrition | Number of micro-projects implemented | 17,975 | 15,455 |
| Strengthening of Producers Organization | Number of producer organizations reporting | 84 | 145 |
| Strengthened County Capacity | Number of Multi-community Investments implemented | 160 | 153 |

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(iii) 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:

The following table provides the progress on attainment of the stated objectives; -

| Project | Objective | Outcome | Indicator | Performance |
|-------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|
| National Agricultural and Rural Inclusive Growth Project (NARIGP) | Strengthen community capacity for market-oriented agricultural development | Strengthened community institutions | No of direct project beneficiaries reached disaggregated gender | Project reached cumulative 523,774 beneficiaries |
| | | Increased agricultural production, marketing and nutrition | Number of micro project implemented | In FY 23/24, 15,455 micro projects were disbursed to various CIGs/VMGs |
| | Strengthen capacities of Producer Organizations to support members in the targeted value chains | Strengthened Producer Organizations | Number of POs with bankable Enterprise Development Plans (EDPs) | By end of FY 23/24, 97 POs Bankable EDP grants were funded |
| | | Strengthened value chain development | Number of value chain investments established | By end of FY 23/24, 30 value chain investments were completed |
| | Strengthen capacities of County governments to support community-led agricultural development | Strengthened county government capacities | Number of beneficiary satisfied with the multi-community investments | Survey is yet to be carried out on this |
| | | Increased agricultural production and marketing | Number of agricultural and rural development infrastructure and natural resource management (NRM) investments implemented under the project at the county level | In FY 23/24, a total of 153 multi community investments were under implementation |
| | | | | |

3 Environmental and Sustainability Reporting

NARIGP has a corporate social responsibility to the participating communities to manage the social, environmental and economic effects of its operations responsibly and in line with public expectations. The project self-regulates through initiatives or strategies to ensure that the community

approves how implementation of activities are carried out and thereby avoid reputational loss. CSR for the project focuses on environmental, ethical, and economic considerations as outlined below:

a) Sustainability strategy and profile

NARIGP was a 5-year project (2018 July -2023 June), but has since received two extensions and is expected to end on 31st March 2024. To ensure continuity in the interventions initiated at community level beyond the project period, benefiting groups (CIGs/VMGs and FPOs) have since federated and signed PPP agreements with other value chain actors to enhanced market participation. To increase access to rural finance and enhance the sustainability of project interventions, CIGs/VMGs have been encouraged to form savings groups that will federate into Savings and Credit Cooperatives (SACCOs), so far 359 SACCOs have been registered. The project provided matching grants to boost SACCOs' capital of up to 50 percent of members' total savings. These intermediary financial institutions will ultimately be linked to micro-finance institutions and commercial banks for finance and credit access in the post-project period

b) Environmental performance

The environmental frameworks guiding the project are as follows:

1. Environmental Management and Coordination Act, 1999(amended 2015)
 - a. The project investments always screened and developed ESMP after or undertook ESIA before implementation. There is evidence for the ESIA reports and the ESMPs to guide on environmental management.
2. United Nations Framework Convention on Climate Change (1992).
 - a. The project implemented climate smart agriculture to limit emissions from the agricultural practices and also put in place carbon emissions accounting by training the ToTs who also trained the facilitators and the M&Es
3. International Plant Protection Convention of FAO (1952)

c) Employee Welfare

At the coordinating units, the project ensured conducive working environment by renovating offices, acquiring office equipment (computers, photocopiers) and vehicles for operations.

- (i) The project ensured that the workers are not discriminated against including the exclusion of the VMGs (ESS 7

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- (ii) The project established grievance management systems which were utilized by staff (National and County) and project beneficiaries to address grievances
- (iii) The employment of the project workers was also based on the principle of equal opportunity and fair treatment as per the employment act 2007
- (iv) The project developed a Labour Management Plan (LMP) an annex of the ESMF to help identify the human resources necessary to address the labour issues associated with the project implementation. The LMP has helped to achieve the following:
 - Promoted the safety and health at work for all the workers
 - Promoted fair treatment, non-discrimination and equal opportunities for all workers
 - Protected all the project workers including the VMGs such as women, people with disabilities (DAPs), working age Children, migrant workers to medium and MCI sites, community and primary supply workers
 - Prevented use of all forms of forced, child labour and hazardous work
 - Provided project workers with accessible means to raise workplace concerns
- (v) The Project developed guidelines in the community grant manual that addresses the gender parity/gender rule in the formation of the Community institutions (CDDCs, SAIC, FSC, PSC etc)
- (vi) The project ensured all workers including the contractors and sub-contractors underwent pre - employment screening and regular health screening and trainings and including the voluntary screening for the STDs.
- (vii) The project ensured that COVID-19 protocols and guidelines by the ministry of health were adhered to.
- (viii) Ensuring all the work sites were fenced and the signs put up around the work fronts and the construction sites advising the public on the risk associated with the trespass
- (ix) The project undertook stakeholder engagement and consultation to educate the staff (stakeholders) on the meaning of all signages

To achieve the above, the project has triggered the following National labour legislation frameworks as indicated below:

| Sr | Framework | Remarks |
|----|--------------------------------------------|--------------------------------------------------------------------|
| 1. | Article 2 of the Kenya's Constitution 2010 | This recognizes the ratified treaties as part of the laws of Kenya |

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| | | |
|----|-----------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2. | Article 41 of the Kenyan Constitution on labour relations | This addresses the entitlement and guarantees afforded to workers and project employees |
| 3. | The Employment Act 2007 - Article 4(1), 5(1) and 6(1) | <ul style="list-style-type: none"> • These articles give guidelines to recruitments, using forced labour, grievance management through the industrious courts and SEAH/sexual exploitation issues in the course of duty • The Act also stipulates minimum wage, Hours per week, • Annual leave and maternity/Paternity leaves, death treatments and medical and treatment of the sick workers |
| 4. | Occupational health and Safety (OHS) Act | This is the Kenya's law that codifies safety and health of the workers which has been aligned to the project |
| 5. | The Work injury Benefits Act (WIBA) | This act addresses workplace safety and health. The Act provides for the compensation of 'injured' |
| 6. | The Natimal Childrens Policy Kenya 2010 | The commitment to the Sustainable Development Goals (SDGs) and the articulation of children issues in Kenya's Vision 2030 is a demonstration of this obligation that whoever is working for the people of Kenya must observe. |
| 7. | The Kenya National Action Plan on Women, Peace, and Security 2020-2024 | The Kenya National Action Plan on Women, Peace, and Security 2020-2024 |
| 8. | National Prevention and Response Plan on Violence Against Children (VAC) In Kenya 2019 – 2023 | The policy helps the project to sensitize the coordinating units against violating children's rights as NARIGP is mainly domiciled in the rural areas and the value chains are agricultural in nature |

d) Market place practices-

The project's efforts to:

(i) Responsible Supply chain and supplier relations

NARIGP implements its procurement activities in conformity with the various laws and regulations guiding procurement. This includes the Public Procurement and Asset Disposal Act (PPDA), World Bank Procurement Guidelines. The Project strives to ensure that the supplier's contracts are honoured and respective payments made with the stipulated timelines.

(ii) Responsible ethical practices

A number of ways have been used to maintain ethical and anti-corruption and responsible political involvement through the following:

- The project has been able to capacity build all the stakeholders on the environmental and social risks management for all the project activities. These included the OPs/BPs, GBV/SEAH, code of conduct, Occupational health and safety, grievance redress channels requirements and SEP.SMPs, SEAH,
- All the tenders have always been publicly disclosed to the public and all the processes are above board.
- Several trainings were carried out to enhance farmers and communities' awareness.
- All the investment in the project area are geo- tagged and resources used are publicly disclosed (Costs, contractors details & beneficiaries)
- All the grievances coming out as a result of the project implementations were timely redressed/managed.
- All the incidents including the corruption cases are promptly reported through the established systems within 48 hours.
- All the project staff CVs were screened and the background checks done to check on the qualifications, equal and equitable opportunities.

(iii) Regulatory impact assessment

NARIGP mainly deals with agricultural commodities, agricultural outputs and input.

The following aspects of ethical market are upheld by the project;

- Food safety- Food processing and storage are well separated from inputs such as chemicals and fertilizers. All NARIGP affiliated products must have Kenya Bureau of Standards(KEBs)

certification before rolling out to the public. Poisonous products are always marketed as such and warning given for safety purposes.

- Transparency- Products advertisements ensures information given is as true as possible and also proper labelling is included in efforts to maintain ethical marketing practices.

e) Community Engagements

The project involved communities' mobilization through the Participatory and integrated Community Development (PICD) process. The communities were involved in determination and identification of agricultural development activities required by communities, identified gaps and came up with interventions for these gaps. The communities were able to make informed decisions to increase agricultural productivity and profitability for improved livelihoods.

The communities were given grants through micro projects proposals through which they were trained on various Technologies and Innovation Management practices (TIMPs) which they were expected to adopt. The project formed community institutions in the name of community Driven Development Committees (CDDCs) that were mandated to manage the community resources.

The Project also involved the youth through the Participatory Education Theatre (PET) where they were trained on various project issues and were able to sensitize the community through drama and song

f) Labour Relations:

During the reporting period the project implemented Sustainable Land Management (SLM) Multi Community Investments (MCIs), infrastructural MCIs and Farmer Producer Organizations (FPO) investments. Infrastructural MCIs and FPO investments were implemented through contractual arrangement. MCI contracts were signed between the respective County governments and a contractor while FPO contracts were signed between the FPO and a contractor. In either contract documents there was provision that the contractor would source and hire unskilled labour from within the beneficiaries and ensure adherence to the constitutional two thirds gender rule requirement. Additionally, the contracts required the contractor provides insurance for workers to cover personal injury or death of workers.

For SLM MCIs, a subcommittee appointed by the County Project Steering Committee (CPSC) with the County Labor Officer as chairman was mandated to oversee recruitment and remuneration of youth engaged under the project labour employment program.

Some beneficiaries of youth employment program have invested part of the money gotten from the youth employment program in income generating activities.

g) Water and Sanitation:

The project implemented water harvesting infrastructure for crop and livestock production. This included water pans, earth dams and farm ponds. As part of the investment, the designs provided for a water intake tower with inbuild screens to reduce water turbidity, community water point for hygienic water collection by the community, livestock water points to safeguard against direct entry of livestock into the reservoir, an ablution block to serve those using the water infrastructure, fencing to guard against wild life and livestock and general protection of water reservoir from runoff from adjacent land. All these was provided to enhance the safety of the water for domestic use. The communities through the Water Users Associations (WUA) were sensitized on the need to take additional measures at homestead level to ensure the water is safe for domestic use.

To ensure that communities were involved in the project initiatives, the Participatory Integrated Community Development (PICD) process was used by NARIGP. This is a process where communities were mobilized and facilitated to identify problems in the community, establish the causes and suggest potential solutions. Consequently, the potential solutions were prioritized and community development plans developed indicating resources required and target institutions to take action. PICD was conducted within the initial 6-9 months of the project commencement to allow communities to participate fully in selecting priority value chains and alternative livelihood interventions and in planning micro-projects. The ample participation period enhanced ownership and sustainability of the interventions supported by the project. NARIGP also supported interventions targeting vulnerable and marginalized groups, including women- and youth-only groups.

Even though NARIGP is carefully designed and has posted impressive achievements to date, potential unexpected problems and complaints may arise that create tension and leave some of the parties unsatisfied or some project objectives unfulfilled. The problems and complaints may relate to potential non-compliance with Government and project implementation guidelines, perception of wrongdoing or mismanagement, or other concerns. NARIGP takes all problems and complaints that arise from beneficiaries seriously, irrespective of the cause. The project implementing agencies at National, County and Community levels are responsible for responding to complaints and concerns that arise during project preparation and implementation. In addition, the Project has adopted guidelines that need to be respected that include Environmental and Social Safeguards, Fiduciary Standards, Gender Equality, Stakeholder Engagement, Indigenous Peoples, Project Operations. In addition, the project has in place a Grievance

National Agricultural and Rural Inclusive Growth Project (NARIGP)
Reports and Financial Statements
For the financial year ended June 30, 2023

Management System to respond to complaints from project-affected people and communities, including on potential policy non-compliance.

4. Statement of Project Management Responsibilities

The *Principal Secretary State Department for Crops Development, Ministry of Agriculture and Livestock Development* and the *National Project Coordinator for NARIGP 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 the financial year ended 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 (v) Making accounting estimates that are reasonable in the circumstances.

The *Principal Secretary State Department for Crops Development, Ministry of Agriculture and Livestock Development* and the *National Project Coordinator for NARIGP project* accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The *Principal Secretary State Department for Crops Development, Ministry of Agriculture and Livestock Development* and the *National Project Coordinator for NARIGP 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 *Principal Secretary State Department for Crops Development, Ministry of Agriculture and Livestock Development* and the *National Project Coordinator for NARIGP project* further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

The *Principal Secretary State Department for Crops Development, Ministry of Agriculture and Livestock Development* and the *National Project Coordinator for NARIGP project* confirm that the

National Agricultural and Rural Inclusive Growth Project (NARIGP)
Reports and Financial Statements
For the financial year ended June 30, 2023

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

Approval of the Project financial statements

The Project financial statements were approved by the **Principal Secretary State Department for Crops Development, Ministry of Agriculture and Livestock Development and the National Project Coordinator for NARIGP project** on 30/10/2023 2023 and signed by them.



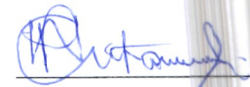
Principal Secretary

Name: Dr. Paul K. Ronoh, PhD



National Project Coordinator

Name: Samuel Guto, PhD



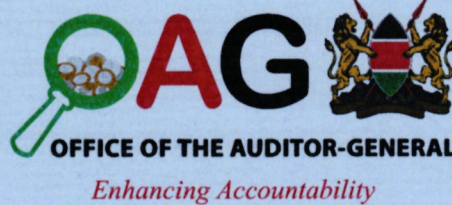
Project Accountant

Name: Peter N. Gitau

ICPAK No: 10338

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON NATIONAL AGRICULTURAL AND RURAL INCLUSIVE GROWTH PROJECT (IDA CREDIT NO. 5900-KE) FOR THE YEAR ENDED 30 JUNE, 2023 - STATE DEPARTMENT FOR CROP DEVELOPMENT

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 National Agricultural and Rural Inclusive Growth Project set out on pages 1 to 27, which comprise of the statement of financial assets as at 30 June, 2023, and the statement of receipts and payments,

Report of the Auditor-General on National Agricultural and Rural Inclusive Growth Project (IDA Credit No. 5900-KE) for the year ended 30 June, 2023 – State Department for Crop Development

statement of cash flows and the 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, the financial statements present fairly, in all material respects, the financial position of the National Agricultural and Rural Inclusive Growth Project as at 30 June, 2023, 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 Financing Agreement No.5900-KE between the International Development Association (IDA) and the Republic of Kenya dated 14 October, 2016 and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the National Agricultural and Rural Inclusive Growth Project Management in accordance with ISSAI 130 on the 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.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Non-Remittance of Counterpart Funds

The statement of receipts and payments and as disclosed in Note 11.1 to the financial statements reflects transfer from Government entities - Counties and National Government amounting to Kshs.590,369,039. Review of the transfers from other Government entities revealed that the National and County Governments had not

remitted counterpart funds, contrary to the financing agreement, amounting to Kshs.159,606,369 and Kshs.592,876,249 respectively.

In the circumstances, the non-remittance of the counterpart funding may have impacted negatively on the implementation and development of the Programmes hence affecting delivery of goods and services to the public.

2. Non-Implementation of Component Three Project

Review of project documents and the County project implementation status reports in the various sampled Counties revealed that amounts totaling Kshs.227,716,690 had been disbursed to various Counties for implementation of Component Three Projects with a budget amount of Kshs.412,108,985. However, one of the project - Limuru Dairy UHT in Kiambu County with a contract sum of Kshs.99,861,000 and a planned completion date of 20 July, 2021 had not commenced despite funds being available.

In the circumstances, the value for money on the disbursements amounting to Kshs.99,861,000 towards the projects could not be ascertained.

3. Delays in Commissioning of Projects

The Programme implemented various multi-community investment projects in the twenty-one (21) participating Counties. However, twenty-two (22) Multi-Community Investments projects amounting to Kshs.1,105,544,711 had been completed but not yet commissioned and handed over to the community by the respective Counties.

In the circumstances, the delay in commissioning of the projects is negatively affecting delivery of goods and services to the public.

4. Delayed Micro Project Funding

Migori County project steering committee had approved one hundred and seventy-two (172) micro projects Community Investment Groups (CIGs) and Vulnerable & Marginalized Groups projects with a budgeted amount of Kshs.55,930,700. The projects were to be implemented in the fourth and last phase of NARIGP as per letter to all CDDCs chairs ref. MIG/NARIGP/CDDC/34/VOL.1/121 dated 25 July, 2022. Review of the micro project records revealed that an amount of Kshs.20,131,800 was disbursed to fifty-five (55) micro groups as budgeted. However, the County Government of Migori disregarded the approved groups list and initiated formation of new CIGs which has delayed the projects' implementation. No explanation was provided for the change in groups to be funded in the last phase.

In the circumstances, the County project steering committee was in breach of the project implementation plan and therefore causing delays.

5. Delayed Absorption of Funds

The statement of receipts and payments and as disclosed in Note 11.6 to the financial statements reflects transfer to County Governments amount of Kshs.3,771,481,061. Examination of the respective bank accounts in the month of September, 2023 revealed that funds totalling to Kshs1,163,012,972 for twenty-one (21) Counties had not been

absorbed yet the project has a closing date of 31 March, 2024. No clear explanation was given as regards to the delayed absorption of funds.

The under absorption of funds has denied the public the opportunity to benefit from the activities that would have undertaken from the funds disbursed.

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 processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal 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 overall governance.

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

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are

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

Those charged with governance are responsible for overseeing the Project's financial reporting process, reviewing the effectiveness of how Management 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 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 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 the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi


03 November, 2023

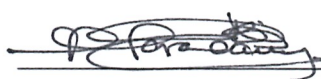
National Agricultural and Rural Inclusive Growth Project (NARIGP)
Reports and Financial Statements
For the financial year ended June 30, 2023

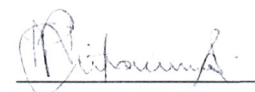
6. Statement of Receipts and Payments for the Year Ended 30th June 2023

| | Note | 2022/23 | | | 2021/22 | | | Cumulative to-date (From Inception) |
|-----------------------------------------------------|------|------------------------------------------------|--------------------------------|----------------------|-----------------------------------------------|--------------------------------|----------------------|-------------------------------------|
| | | Receipts and payments controlled by the entity | Payments made by third parties | Total | Receipts and payment controlled by the entity | Payments made by third parties | Total | |
| | | Kshs | Kshs | | Kshs | Kshs | | |
| RECEIPTS | | | | | | | | |
| Transfer from Government entities - Counties and NG | 11.1 | 590,369,039 | - | 590,369,039 | 330,979,258 | - | 330,979,258 | 1,475,040,041 |
| Loan from External Development Partners | 11.2 | 3,904,481,771 | - | 3,904,481,771 | 4,759,232,317 | - | 4,759,232,317 | 21,310,308,050 |
| Direct Payment | | - | - | - | - | - | - | 187,537,887 |
| TOTAL RECEIPTS | | 4,494,850,810 | 0 | 4,494,850,810 | 5,090,211,575 | 0 | 5,090,211,575 | 22,972,885,978 |
| PAYMENTS | | | | | | | | |
| Purchase of goods and services | 11.3 | 976,288,111 | - | 976,288,111 | 814,024,921 | - | 814,024,921 | 2,826,545,983 |
| Acquisition of non-financial assets | 11.4 | 774,000 | - | 774,000 | 47,217,356 | - | 47,217,356 | 396,463,527 |
| Transfers to other State Departments | 11.5 | - | - | - | - | - | - | 53,038,363 |
| Transfers to County Governments | 11.6 | 3,771,481,061 | - | 3,771,481,061 | 4,310,864,684 | - | 4,310,864,684 | 19,517,458,766 |
| TOTAL PAYMENTS | | 4,748,543,172 | 0 | 4,748,543,172 | 5,172,106,960 | 0 | 5,172,106,960 | 22,793,506,638 |
| SURPLUS/DEFICIT | | -253,692,362 | 0 | -253,692,362 | -81,895,385 | 0 | -81,895,385 | 179,379,340 |

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


Principal Secretary
Name: Dr. Paul K. Ronoh, PhD


National Project Coordinator
Name: Dr. Samuel Guto


Project Accountant
Name: Peter N. Gitau
ICPAK No: 10338

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

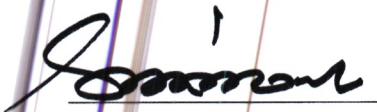


National Agricultural and Rural Inclusive Growth Project (NARIGP)
Reports and Financial Statements
For the financial year ended June 30, 2023

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

| | Note | 2022/23 | 2021/22 |
|----------------------------------------|-------|--------------------|--------------------|
| | | Kshs | Kshs |
| FINANCIAL ASSETS | | | |
| Cash Balances | 11.7 | 173,582 | 602,719 |
| Bank Balances | 11.8 | 179,205,758 | 432,468,983 |
| Outstanding Imprests and Advances | 11.9 | - | - |
| Total Cash and Cash Equivalents | | 179,379,340 | 433,071,702 |
| TOTAL FINANCIAL ASSETS | | | |
| | | 179,379,340 | 433,071,702 |
| REPRESENTED BY | | | |
| Fund balance b/fwd | 11.10 | 433,071,702 | 514,967,087 |
| Surplus/Deficit for the year | | (253,692,362) | (81,895,385) |
| NET FINANCIAL POSITION | | 179,379,340 | 433,071,702 |

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 30/10/23 2023 and signed by:



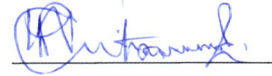
Principal Secretary

Date: 30/10/23



National Project Coordinator

Date: 30/10/23



Project Accountant

Date: 30/10/23

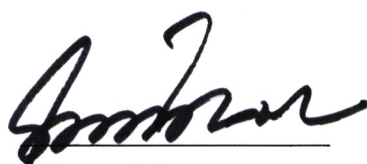
ICPAK No: 10338

National Agricultural and Rural Inclusive Growth Project (NARIGP)
Reports and Financial Statements
For the financial year ended June 30, 2023

8. Statement of Cash flow for the year ended 30th June 2023

| | Note | 2022/23 Kshs | 2021/22 Kshs |
|------------------------------------------------------------|------|----------------------|---------------------|
| Receipts for operating activities | | | |
| Transfer from Government entities - Counties and NG | 11.1 | 590,369,039 | 330,979,258 |
| Loan from External Development Partners | 11.2 | 3,904,481,771 | 4,759,232,317 |
| Payments for operating activities | | | |
| Purchase of goods and services | 11.3 | 976,288,111 | 814,024,921 |
| Transfers to other State Departments | 11.5 | - | - |
| Transfers to other government entities - Counties | 11.6 | 3,771,481,061 | 4,310,864,684 |
| Adjustments during the year (change in receivables) | | | |
| | | - | 4,222,000 |
| Net cash flow from operating activities | | (252,918,362) | (30,456,029) |
| CASHFLOW FROM INVESTING ACTIVITIES | | | |
| Acquisition of non-financial assets | 11.4 | (774,000) | (47,217,356) |
| Net cash flows from Investing Activities | | (774,000) | (47,217,356) |
| CASHFLOW FROM BORROWING ACTIVITIES | | | |
| Proceeds from Foreign Borrowings | | | - |
| Net cash flow from financing activities | | | |
| NET INCREASE IN CASH AND CASH EQUIVALENT | | (253,692,362) | (77,673,385) |
| Cash and cash equivalent at BEGINNING of the year | | 433,071,702 | 510,745,087 |
| Cash and cash equivalent at END of the year | | 179,379,340 | 433,071,702 |

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 30/10/2023 and signed by:


Principal Secretary

Date:


National Project Coordinator

Date:

30/10/23


Project Accountant

Date:

30/10/23

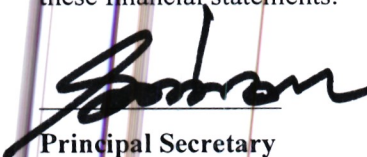
ICPAK Member No: 10338

National Agricultural and Rural Inclusive Growth Project (NARIGP)
Reports and Financial Statements
For the financial year ended June 30, 2023

9. Statement of Comparison of Budget and Actual Amounts for the year ended 30th June 2023

| Receipts/Payments Item | FY 2022-23 | | | | | |
|-----------------------------------------|-------------------------|---------------------|----------------------|------------------------------------|---------------------------------------|------------------|
| | Original Budget in Kshs | Adjustments in Kshs | Final Budget in Kshs | Actual on Comparable Basis in Kshs | Budget Utilization Difference in Kshs | % of Utilization |
| | a | b | c = a+b | d | e = c-d | f = d/c % |
| Receipts | | | | | | |
| Transfer from Government entities | 236,500,000 | (30,000,000) | 206,500,000 | 590,369,039 | (383,869,039) | 286% |
| Loan from External Development Partners | 4,061,000,000 | 839,000,000 | 4,900,000,000 | 3,904,481,771 | 995,518,229 | 80% |
| Direct Payment | | | - | - | - | |
| Total Receipts | 4,297,500,000 | 809,000,000 | 5,106,500,000 | 4,494,850,810 | 611,649,190 | |
| Payments | | | | | | |
| Purchase of goods and services | 597,093,790 | 472,132,210 | 1,069,226,000 | 976,288,111 | 92,937,889 | 91% |
| Acquisition of non-financial assets | 774,000 | - | 774,000 | 774,000 | - | 100% |
| Transfers to other State Departments | - | - | - | - | - | |
| Transfers to Government entities | 3,699,632,210 | 336,867,790 | 4,036,500,000 | 3,771,481,061 | 265,018,939 | 93% |
| Total Payments | 4,297,500,000 | 809,000,000 | 5,106,500,000 | 4,748,543,172 | 357,956,828 | 93% |

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


Principal Secretary

Date: 30/10/23



National Project Coordinator

Date: 30/10/23



Project Accountant

Date: 30/10/23

ICPAK Member No: 10338

10. 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 **NARIGP Project** under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation 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 actually been received by the Government.

i) Transfers from the Exchequer

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

ii) External Assistance

External assistance is received through 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.

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 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.

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 .

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.

Significant Accounting Policies (Continued)

vii) 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.

viii) 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.

ix) 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.

ix) 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.

x) 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.

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

xi) Contingent Assets

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

Significant Accounting Policies (Continued)

xii) 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.

xiii) 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.

xiv) 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.

xv) 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.

xvi) 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.

xvii) 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.

xviii) 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.

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11. Notes to the Financial Statements

11.1 Transfers from Government Entities

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

| Transfers from County Government Entities | 2022/23 (Kshs) | 2021/22 (Kshs) | Cumulative to date (From Inception in Kshs) |
|--------------------------------------------------|-----------------------|-----------------------|----------------------------------------------------|
| Kwale | - | 6,500,000 | 31,000,000 |
| Kilifi | 25,190,504 | - | 49,690,504 |
| Meru | 50,983,795 | - | 75,483,795 |
| Embu | 56,680,562 | 56,200,000 | 135,741,894 |
| Kitui | 34,497,816 | - | 58,997,816 |
| Makueni | 18,833,494 | 6,500,000 | 49,833,494 |
| Kirinyaga | 6,500,000 | 6,500,000 | 37,500,000 |
| Muranga | 50,000,000 | - | 74,500,000 |
| Kiambu | - | - | 18,000,500 |
| Turkana | 26,744,399 | 6,500,000 | 57,758,063 |
| Samburu | 20,994,480 | - | 45,494,480 |
| Trans Nzoia | 6,500,000 | 41,636,615 | 66,136,615 |
| Nandi | 61,906,537 | 37,069,001 | 123,475,538 |
| Nakuru | 6,500,000 | 28,500,000 | 54,500,000 |
| Narok | 119,519,136 | - | 151,019,136 |
| Vihiga | - | - | 24,500,000 |
| Bungoma | - | 27,744,737 | 52,244,737 |
| Homa Bay | - | - | 24,000,000 |
| Migori | 20,475,001 | 26,103,490 | 71,078,491 |
| Kisii | 49,741,440 | 38,573,174 | 123,314,614 |
| Nyamira | 35,301,875 | 33,739,076 | 87,040,951 |
| Transfer to the Project by NT | - | - | 25,316,248 |
| Sub total | 590,369,039 | 315,566,093 | 1,436,626,876 |
| Transfers from National Government | - | 15,413,165 | 38,413,165 |
| Grand Total | 590,369,039 | 330,979,258 | 1,475,040,041 |

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Notes to the Financial Statements (Continued)

11.2 Loan from External Development Partners

During the 12 months to 30 June 2023, we received funding from development partners in form of loans negotiated by the National Treasury donors as detailed in the table below:

| Loan Received from World Bank | | | | | | |
|-------------------------------|---------------|-------------------------|------------------------|----------------------------------|----------------------|----------------------|
| DA 1 | | | | | | |
| Name of Donor | Date Received | Amount in Loan Currency | Loans Received in Cash | Loans received as direct payment | Total Amount in Kshs | |
| | | USD | Kshs | Kshs | 2022/23 | 2021/22 |
| World Bank | 19/01/2023 | 14,027,831 | 1,738,749,705 | - | 1,738,749,705 | 2,755,892,467 |
| World Bank | 26/04/2023 | 7,399,224 | 1,001,706,945 | - | 1,001,706,945 | 1,239,406,124 |
| World Bank | 13/06/2023 | 3,164,491 | 440,655,372 | - | 440,655,372 | |
| World Bank | | | | - | - | |
| World Bank | | | | - | - | |
| World Bank | | - | - | - | - | - |
| Sub Total | | 24,591,546 | 3,181,112,021 | - | 3,181,112,021 | 3,995,298,590 |
| DA 2 | | | | | | |
| Name of Donor | Date Received | Amount in Loan Currency | Loans Received in Cash | Loans received as direct payment | Total Amount in Kshs | |
| | | USD | Kshs | Kshs | 2022/23 | 2021/22 |
| World Bank | 15/11/2022 | 3,735,787 | 454,981,499 | - | 454,981,499 | 109,448,722 |
| World Bank | 19/01/2023 | 1,000,503 | 124,012,347 | - | 124,012,347 | 117,783,515 |
| World Bank | 22/03/2023 | 1,106,244 | 144,375,904 | - | 144,375,904 | 272,836,426 |
| | | | | - | - | 263,865,063 |
| Sub Total | | 5,842,534 | 723,369,750 | - | 723,369,750 | 763,933,726 |
| Total | | 30,434,080 | 3,904,481,771 | - | 3,904,481,771 | 4,759,232,317 |

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Notes to the Financial Statements (Continued)

11.3 Purchase of Goods and Services

| PURCHASE OF GOODS AND SERVICES | Total in Kshs | | Cumulative to date (From Inception in Kshs) |
|----------------------------------------------------------------|--------------------|--------------------|---------------------------------------------|
| | FY 2022/23 | FY 2021/22 | |
| Training expenses | 612,422,955 | 590,887,418 | 2,114,495,808 |
| Daily Subsistence Allowance | 147,652,267 | 49,454,617 | 197,106,884 |
| Foreign Travel and Subsistence, and other transportation costs | 6,829,420 | - | 6,829,420 |
| Communication, supplies and services | 6,382,660 | 9,638,200 | 25,659,059 |
| Printing, advertising and - information supplies & services | 2,192,095 | 31,399,119 | 68,628,213 |
| Laboratory Materials, Supplies and Small Equipment | 29,102,448 | 2,698,087 | 31,800,535 |
| Office and general supplies and services | 13,015,823 | 3,115,768 | 19,247,359 |
| Specialized materials and services | - | - | 1,120,000 |
| Routine maintenance of vehicles | 6,297,612 | 1,995,741 | 10,289,093 |
| Refurbishment of buildings | 79,331,431 | 66,502,002 | 145,833,433 |
| Consultancy services: – Technical and professional services | 65,555,763 | 50,411,729 | 166,379,221 |
| Other operating expenses | 7,505,637 | 7,922,240 | 45,682,416 |
| Total | 976,288,111 | 814,024,921 | 2,833,071,442 |

11.4 Acquisition of Non-Financial Assets

| ACQUISITION OF NON FINANCIAL ASSETS | FY 2022/23 | | | FY 2021/22 | Cumulative to date (From Inception) |
|----------------------------------------------------------|-------------------------------------|--------------------------------|----------------|-------------------|-------------------------------------|
| | Payments made by the Entity in Cash | Payments made by third parties | Total Payments | | |
| | Kshs | Kshs | Kshs | Kshs | Kshs |
| Overhaul & refurbishment of construction and civil works | - | - | - | - | 12,332,181 |
| Purchase of vehicles & other transport equipment | - | - | - | 40,351,856 | 80,703,712 |
| Purchase of office furniture & general equipment | 774,000 | - | 774,000 | 6,865,500 | 65,762,585 |
| Total | 774,000 | - | 774,000 | 47,217,356 | 158,798,477 |

Notes to the Financial Statements (Continued)

11.5 Transfers to Other State Departments

| Transfer to other State Departments in Kshs | | | | | |
|----------------------------------------------------|----------------------------------------|---------------------------------------|-----------------------|-----------------------|--------------------------------------------|
| | FY 2022/23 | | | FY 2021/22 | Cumulative to date (From Inception) |
| State Departments | Payments made by entity in Cash | Payments made by third parties | Total Payments | Total Payments | |
| National Irrigation Board | - | - | - | - | 25,557,663 |
| State Department of Aquiculture and B- Economy | - | - | - | - | 13,413,700 |
| State Department of Fisheries | - | - | - | - | 14,067,000 |
| Sub total | - | - | - | - | 53,038,363 |

We have confirmed that the beneficiary institutions have received the funds and have recorded these as inter-entity receipts. We have attached these duly signed confirmations as an Appendix to the financial statements.

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11.6 Transfers to Other Government Entities

| Counties | Summary of County Expenditures - FY 2022/23 Figures in KSh | | | | | | | | | | Committer Balances - IDA and GOON | FY 2021-22 Total Transfers to County Governments | |
|-------------|------------------------------------------------------------|------------------------|--------------------------------------------|-------------------------|------------------------|-----------------------|------------------------|-----------------------|-------------------------|------------------------|-----------------------------------|--------------------------------------------------|---------------------------------------------|
| | Donor | Bar b/wed | Transfers to County Governments FY 2020-21 | | | | Expenditures | | | | | | Total funds available to the Counties FY 23 |
| | | Quarter ending Sept 22 | Quarter ending Dec 22 | Quarter ending March 23 | Quarter ending June 23 | Total transfers FY 23 | Quarter ending Sept 22 | Quarter ending Dec 22 | Quarter ending March 23 | Quarter ending June 23 | | | |
| Kwale | IDA | 153,674,477 | - | 127,697,570 | 23,481,629 | 151,179,199 | 80,050,514 | 46,889,113 | 10,290,820 | 98,815,620 | 236,046,067 | 68,807,609 | 196,624,245 |
| | GoK | (5,135,149) | - | - | - | (5,135,149) | - | - | - | - | - | (5,135,149) | 63,672,460 |
| Kilifi | IDA | 191,728,360 | - | 147,002,605 | - | 147,002,605 | 42,366,829 | 86,047,192 | 57,730,036 | 74,784,482 | 260,928,540 | 77,802,425 | 180,034,305 |
| | GoK | (11,450,093) | - | - | 25,190,504 | 25,190,504 | - | - | - | - | - | 13,740,411 | 91,542,837 |
| Meru | IDA | 129,140,977 | - | 106,242,857 | 62,097,714 | 168,340,571 | 10,935,829 | 88,561,486 | 12,995,658 | 87,854,578 | 200,347,551 | 97,133,998 | 209,722,871 |
| | GoK | (14,797,274) | - | 44,483,795 | 69,608,355 | 50,983,795 | - | - | - | - | - | 36,186,521 | - |
| Embu | IDA | 216,025,926 | - | 106,242,857 | 69,608,355 | 175,851,212 | 52,064,794 | 152,874,567 | 43,914,996 | 41,674,607 | 290,528,964 | 101,348,174 | 253,272,699 |
| | GoK | 33,032,415 | - | 180,562 | 56,500,000 | 56,680,562 | - | - | - | - | - | 89,712,977 | 191,061,151 |
| Kitui | IDA | 140,498,259 | - | 103,311,042 | 17,052,216 | 120,363,258 | 42,283,320 | 44,780,830 | 90,979,023 | 57,317,003 | 235,360,175 | 25,501,342 | 150,349,620 |
| | GoK | (20,729,687) | - | 6,500,000 | - | 34,497,816 | - | - | - | - | - | 13,768,129 | 39,269,471 |
| Makueni | IDA | 91,131,239 | - | 123,658,614 | 12,662,575 | 136,321,189 | 227,452,428 | 14,431,300 | 46,346,879 | 75,804,947 | 143,183,818 | 84,268,610 | 146,059,722 |
| | GoK | (15,858,636) | - | 11,555,455 | 7,278,039 | 18,833,494 | - | - | - | - | - | 2,974,858 | 6,500,000 |
| Kirinyaga | IDA | 224,646,806 | - | 178,744,304 | 178,744,304 | 178,744,304 | 78,265,712 | 49,014,394 | 10,126,668 | 81,753,095 | 219,159,869 | 184,231,241 | 224,574,703 |
| | GoK | (648,862) | - | 6,500,000 | - | 6,500,000 | 5,851,138 | - | - | - | - | 5,851,138 | 190,082,379 |
| Muranga | IDA | 141,071,554 | - | 106,242,857 | 85,299,196 | 191,542,053 | 14,460,365 | 100,358,575 | 30,029,664 | 82,296,119 | 227,144,922 | 105,468,685 | 210,721,543 |
| | GoK | (17,772,435) | - | - | 50,000,000 | 50,000,000 | - | - | - | - | - | 32,227,565 | - |
| Kiambu | IDA | 162,505,416 | - | 69,625,000 | 69,625,000 | 69,625,000 | 26,673,770 | 217,339 | 2,697,263 | 117,903,886 | 147,492,258 | 84,638,158 | 203,149,442 |
| | GoK | (24,966,915) | - | - | - | - | - | - | - | - | - | (24,966,915) | 59,671,242 |
| Turkana | IDA | 145,794,565 | - | 155,480,180 | 155,480,180 | 155,480,180 | 59,313,371 | 13,980,501 | 32,598,071 | 77,687,164 | 183,579,107 | 117,695,638 | 191,299,003 |
| | GoK | (16,748,774) | - | 26,744,399 | - | 26,744,399 | 9,995,625 | - | - | 9,996,785 | 9,996,785 | (1,161) | 117,694,478 |
| Samburu | IDA | 123,378,702 | - | 89,038,279 | 49,797,005 | 138,835,284 | 4,839,270 | 58,056,804 | 14,918,946 | 96,918,029 | 174,733,049 | 87,480,937 | 149,693,815 |
| | GoK | (9,707,888) | - | - | - | 20,994,480 | - | - | 1,414,900 | - | 1,414,900 | 9,871,692 | - |
| Trans Nzoia | IDA | 77,104,167 | - | 111,538,939 | 81,127,159 | 192,666,098 | 23,428,957 | 56,424,561 | 70,001,636 | 31,962,431 | 181,817,585 | 87,952,679 | 211,327,048 |
| | GoK | 16,163,367 | - | - | 6,500,000 | 6,500,000 | 22,663,367 | - | - | - | - | 22,663,367 | 41,636,615 |
| Nandi | IDA | 107,940,880 | - | 70,579,406 | 93,420,791 | 164,000,197 | 9,646,112 | 1,975,358 | 158,104,649 | 83,154,913 | 252,881,032 | 19,060,045 | 155,603,751 |
| | GoK | 7,264,090 | - | 46,690,027 | 15,114,878 | 61,906,537 | 69,170,627 | 60,009,063 | - | - | 60,009,063 | 9,161,564 | 37,069,001 |
| Nakuru | IDA | 190,736,171 | - | 88,766,938 | 60,194,266 | 148,961,204 | 92,182,490 | 54,836,359 | 29,724,876 | 98,136,169 | 274,879,894 | 64,817,482 | 187,784,783 |
| | GoK | 7,232,465 | - | 6,500,000 | - | 6,500,000 | 13,732,465 | - | - | - | - | 13,732,465 | 28,500,000 |
| Narok | IDA | 225,561,613 | - | 117,940,050 | - | 117,940,050 | 135,238,539 | 72,982,860 | 54,968,125 | 43,141,220 | 306,330,744 | 37,170,919 | 201,028,895 |
| | GoK | (24,521,674) | - | 80,141,788 | - | 119,519,136 | 94,997,462 | 31,242,333 | - | - | 31,242,333 | 63,755,129 | - |
| Vihiga | IDA | 186,543,496 | - | - | 105,120,630 | 105,120,630 | 291,664,126 | 50,215,930 | 57,701,529 | 65,506,081 | 205,494,739 | 86,169,387 | 172,354,374 |
| | GoK | (6,048,682) | - | - | - | - | - | - | - | - | - | (6,048,682) | 80,120,705 |

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Notes to the Financial Statements (Continued)

11.7 Cash and Cash Equivalents

| | 2022/23 | 2021/22 |
|--------------|----------------|----------------|
| | Kshs | Kshs |
| Cash in hand | 173,582 | 602,719 |
| Total | 173,582 | 602,719 |

The project has 2 project bank accounts and 2 foreign currency designated accounts managed by the National Treasury as listed below:

11.8 Bank Accounts

Project Bank Accounts

| Local Currency Accounts | Kshs | Kshs |
|------------------------------------------------------------|--------------------|--------------------|
| Bank Accounts | 2022/23 | 2021/22 |
| Central Bank of Kenya [A/c No. 1000457694] - NPCU | 62,272,408 | 58,346,872 |
| Kenya Commercial Bank No. 1266645519 - National Government | 116,933,350 | 374,122,111 |
| Total local currency balances | 179,205,758 | 432,468,983 |

11.9 Breakdown of Imprests and Advances

There were no outstanding imprests and advances as at 30 June 2023

11.10 Fund Balance Brought Forward

| | 2021/22 | 2020/21 |
|-----------------------------------|--------------------|--------------------|
| | Kshs | Kshs |
| Bank accounts | 432,468,983 | 510,415,684 |
| Cash in hand | 602,719 | 329,403 |
| Outstanding imprests and advances | - | 4,222,000 |
| Total | 433,071,702 | 514,967,087 |

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Notes to the Financial Statements (Continued)

11.11 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.

The Special Deposit Accounts Movement Schedule and the reconciliation statements have been attached as support to the closing balances.

| | 2022/23 | 2021/22 |
|--------------------------------------------------------------------------|--------------------|----------------------|
| | USD | USD |
| (i) A/C Name : Designated Account A [A/c No. 1000317857] | | |
| Opening balance | 22,118,592 | 17,133,605 |
| Total amount deposited in the account | 5,744,549 | 39,189,517 |
| Total amount withdrawn (as per Statement of Receipts & Payments) | 24,591,546 | 34,204,530 |
| Closing balance (as per SDA bank account reconciliation attached) | 3,271,595 | 22,118,592 |
| Exchange rate USD 1 to Kes | 140.42 | 117.73 |
| Equivalent Closing Balance in Kes | 459,408,853 | 2,604,073,894 |

| | 2022/23 | 2021/22 |
|--------------------------------------------------------------------------|-----------|-----------|
| | USD | USD |
| (ii) A/C Name : Designated Account B [A/c No. 1000263962] | | |
| Opening balance | - | 999,623 |
| Total amount deposited in the account | 5,842,534 | 5,677,961 |
| Total amount withdrawn (as per Statement of Receipts & Payments) | 5,842,534 | 6,677,584 |
| Closing balance (as per SDA bank account reconciliation attached) | - | - |
| Exchange rate USD 1 to Kes | - | - |
| Equivalent Closing Balance in Kes | - | - |

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Notes to the Financial Statements (Continued)

11.12 Progress on Follow up of Prior Year Auditor’s Recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|---------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|-----------------------------------------------------------------------------------------|
| OAG/NARIGP /479/2021- 2022/(27) | Non-Remittance of Counterpart Funds The statement of receipts and payments as disclosed in Note 11.1 to the financial statements reflects transfer from Government entities - Counties and National Government amount of Kshs.330,979,258. However, review of the transfers schedules and other supporting documents revealed that the National and County Governments had not remitted counterpart funds | The management has been and will continue making follow up actions with reminder request letters to the counties and parent ministry to ensure the agreed proportions of the counterpart contribution are deposited in the project accounts to ensure full implementation of the project. In the current financial year, the management has factored increased budget allocations to reduce the counterpart | Continuous | Continuous |

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| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|---------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|------------------------------------------------------|-----------------------------------------------------------------------------------------|
| | <p>amounting to Kshs.159,606,369 and Kshs.157,634,404 respectively. This is contrary to schedule 2 of the Project's Financing Agreement which states that IDA and the Government of Kenya (GoK) will Fund 91% and 9% of every year's activities or expenditure of the Project respectively. In the circumstances, the non-remittance of the GoK portion of the funding may have impacted negatively on the implementation and development of the programmes hence affecting delivery of goods and services to the public.</p> | <p>contribution deficit for National Government.</p> | | |

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|-----------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|------------------------------------------------------------------------------|
| OAG/NARIGP /479/2021- 2022/(27) | Delay in Implementation of Component Three of the Project Review of project documents and County project implementation status reports in six sampled counties revealed delays in implementation of twelve (12) projects under component three of the project with a total budgeted cost of Kshs.731,370,592 despite availability of funds. As at the date of audit inspection in October, 2022 these projects were either still ongoing or not started with no clear indication by the Management on when the projects will | The management concur to the audit findings and states as follows: - The disbursement of NARIGP funds to the Counties and the Community is through the Conditional Grants Disbursement Framework developed by the Senate every year. In FY 22 the framework was approved in June 2022. The late approval of the Framework negatively affected the disbursement of funds to the counties and consequently the implementation of investments at the counties and | Resolved | Resolved |

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| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|-----------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|------------------------------------------------------------------------------|
| | <p>be completed. Consequently, the value for money from the above projects could not be ascertained.</p> | <p>especially Multi Community Investments under Component Three. The project funds were released to the counties towards the tail end of FY 22.</p> | | |
| OAG/NARIGP /479/2021-2022/(27) | <p>Anomalies in the Counties Bank Accounts Review of County bank balances documents revealed that the County Government of Migori Management had frozen the projects bank accounts from 24 June, 2022. In addition, scrutiny of signatories to the account for County Government of Homa bay revealed that there were five (5) signatories to the</p> | <p>To ensure compliance on signatories to project accounts, the management through the County of Governors has committed itself to sensitizing the new county leadership on the provisions of the project documents in an effort to avoid in eligible expenditures. Sanctions which include suspension of further disbursements will also be applied to</p> | Continuous | Continuous |

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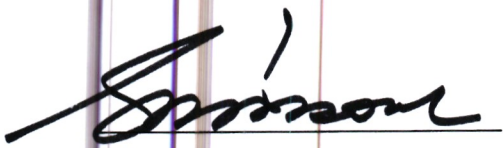
| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|-----------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|--------------------------------------------|------------------------------------------------------------------------------|
| | <p>account contrary to Section 2.3.2 Paragraph 5 of NARIGP Finance Manual which states that County level signatories to the 495 accounts will be the County project coordinator, County project accountant, and either the Accounting Officer for Finance or Agriculture. In the circumstances, the delivery of goods and services and project implementation may be inhibited by the inability to access funds for projects. In addition, the Management was in breach of the project's finance manual.</p> | <p>non-complying counties.</p> | | |

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| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|-----------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|------------------------------------------------------------------------------|
| OAG/NARIGP /479/2021- 2022/(27) | <p>Delayed Transfer of Funds from County Revenue Fund</p> <p>The statement of receipts and payments reflects transfers to County Governments of Kshs.4, 310,864,684 as disclosed under Note 11.6 to the financial statements.</p> <p>Examination of County project coordinating units bank accounts and county revenue fund account revealed that as of October, 2022, the County Governments of Kilifi, Homabay and Kiambu had not transferred amounts of Kshs.136,732,417, Kshs.104,639,790 and Kshs.110,216,401 respectively received</p> | <p>The management has through the County Project Coordination Unit made requests for the transfer of funds from the CRF to the project operations accounts as per the attached request letters (Annexes 1, 2 and 3). The management will apply sanctions to non-complying counties as recommended in the Implementation Support Mission 5 to avoid non eligible expenditures.</p> | Resolved | Resolved |

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|-----------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|--------------------------------------------|------------------------------------------------------------------------------|
| | <p>during the financial year 2021/2022 from the County revenue fund to the projects special purpose accounts. In the circumstances, the intended beneficiaries did not benefit from the scheduled programmes and projects due to failure by the County Management to release the Project funds promptly.</p> | | | |


 Principal Secretary

30/10/23
 Date


 National Project Coordinator

30/10/23
 Date

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12. Annexes

Annex 1 - Variance Explanations - Comparative Budget and Actual Amounts

| | Final Budget in Kshs | Actual on Comparable Basis in Kshs | Budget Utilization Difference in Kshs | % of Utilization | Comments on Variance |
|-----------------------------------------|---------------------------------|---------------------------------------------------|----------------------------------------------------------|-----------------------------|----------------------------------------------------------------------------------------------------------|
| | a | b | c=a-b | d=b/a % | |
| Receipts | | | | | |
| Transfer from Government entities | 206,500,000 | 590,369,039 | (383,869,039) | 286% | There was low counterpart contribution from the National Government |
| Loan from External Development Partners | 4,900,000,000 | 3,904,481,771 | 995,518,229 | 80% | 1. Lack of Framework to Disburse conditional Grants to the Counties affected the project implementation. |
| Direct Payment | - | - | - | | |
| Total Receipts | 5,106,500,000 | 4,494,850,810 | 611,649,190 | 88% | |
| Payments | | | | | |
| Purchase of goods and services | 1,069,226,000 | 976,288,111 | 92,937,889 | 91% | 1. Lack of Framework to Disburse conditional Grants to the Counties affected the project implementation. |
| Acquisition of non-financial assets | 774,000 | 774,000 | - | 100% | Delay in completion of procurement procedures |
| Transfers to other State Departments | - | - | - | | |
| Transfers to Government entities | 4,036,500,000 | 3,771,481,061 | 265,018,939 | 93% | 1. Lack of Framework to Disburse conditional Grants to the Counties affected the project implementation. |
| Total payments | 5,106,500,000 | 4,748,543,172 | 357,956,828 | 93% | |

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Annex 2 – Summary of Fixed Assets Register

| Asset class | Opening Cost as at 1st July 2022 (Kshs) | Donations in form of assets as at 30 June 2023 (Kshs) | *Purchases/ Additions in the Year as at 2022/23 (Kshs) | **Disposals in the Year 2022/23 (Kshs) | Transfers in/(out) 2023 (Kshs) | Closing Cost as at 30 June 2023 (Kshs) |
|-------------------------------------------------------------|-----------------------------------------|-------------------------------------------------------|--------------------------------------------------------|----------------------------------------|--------------------------------|----------------------------------------|
| | (a) | (b) | (c) | (d) | (d) | (e)= (a)+ (b)+c- (d)+(-)d |
| Transport equipment | 253,463,091 | - | - | - | - | 253,463,091 |
| Office equipment, furniture and fittings and ICT equipments | 129,245,193 | - | 774,000 | - | - | 130,019,193 |
| Total | 382,708,284 | - | 774,000 | - | - | 383,482,284 |

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