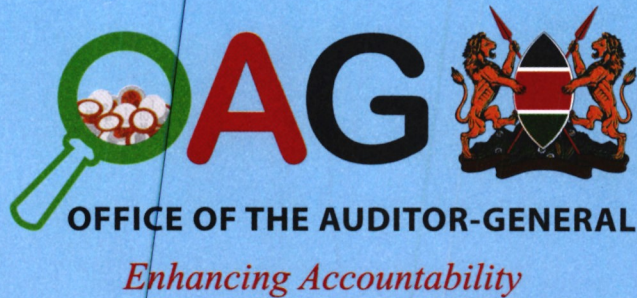


REPUBLIC OF KENYA



THE NATIONAL ASSEMBLY
REPORT
DATE: 16 NOV 2023
DAY: THUR
TABLED BY: HON. KIMANI ICHUNG'WATHMP
LEADER OF THE MAJORITY PARTY
OF
CLERK-AT-THE-TABLE: PINLAY MURUKI

PARLIAMENT
OF KENYA
LIBRARY

THE AUDITOR-GENERAL

ON

**KENYA INDUSTRY AND
ENTREPRENEURSHIP PROJECT
(CREDIT NO. IDA 6268-KE)**

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

**STATE DEPARTMENT FOR
INDUSTRIALIZATION**



KENYA INDUSTRY & ENTREPRENEURSHIP PROJECT

MINISTRY OF INVESTMENTS, TRADE AND INDUSTRY
STATE DEPARTMENT FOR INDUSTRY

PROJECT GRANT/CREDIT NUMBER: 6268-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)

Kenya Industry & Entrepreneurship Project
Annual Report and Financial Statements for the financial year ended June 30, 2023

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1. Acronyms and Glossary of Terms

CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
iTATU	Innovate ,Ideate, Implement
KIEP	Kenya Industry & Entrepreneurship Project
NT	National Treasury
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
SME's	Small and Medium Enterprises
SKIES	Strengthen Kenya Innovation Ecosystem
TEI	Tertiary Education Institutions
WB	World Bank
Comparative FY	Financial year preceding the current financial year.

2. Project Information and Overall Performance

2.1 Name and registered office

Name: The project's official name is Kenya Industry & Entrepreneurship Project (KIEP)

Objective: The key objective of the project is to increase Innovation and Productivity in select private sector firms

Address: The project headquarters offices are in Nairobi County, Kenya.

The address of its registered office is:

National Social Security Fund Building
23rd Floor Block A
Bishops Road.
Upper Hill.

Contacts: The following are the project contacts

Telephone: (254) 2731631

E-mail: ps@industrialization.go.ke and ps.moied@gmail.com

Website: www.industrialization.go.ke and www.kiep.go.ke

2.2 Project Information

Project Start Date:	3rd August 2018
Project End Date:	31st December 2024
Project Coordinator:	Mr. Philip Maitha
Project Sponsor:	World Bank (IDA)

2.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the Ministry of Investments, Trade and Industry, State Department for Industry
Project number	Project ID: P161317 Credit No: 6268-KE
Strategic goals of the project	The strategic goal of the project is as follows: To increase innovation and productivity in select private sector firms
Summary of Project Strategies for achievement of strategic goals	The project management aims to achieve the goals through the following means: Part 1. <u>Strengthening the innovation and entrepreneurship Ecosystem</u> (a) <u>Strengthening the Ecosystem’s support infrastructure</u> i. Designing and administering diagnostic tools to assess the Intermediaries’ management and operations, and the options through which each can improve and or expand their services. ii. Designing and managing a program for Intermediaries to implement action plans under Performance Contracts or Memoranda of Understanding. iii. Incorporating lessons learned to adapt and strengthen the program design, including the diagnostic tools and action plans, as needed.

	iv. Carrying out awareness raising and information dissemination activities on the program; and v. Collecting data at baseline and throughout implementation, to feed into the Project monitoring and evaluation system. (b) <u>Connecting to international networks and to local traditional industries</u> Connect the local Ecosystem to international networks and ii. bridge the gap between local industry and technology-enabled startups, and local industry and students of Tertiary Education Institutions (“TEIs”), and iii. Support coordination in the Ecosystem, through: (i) Development of international acceleration program that connects the local ecosystem to leading international networks and ecosystems. (ii) establishment and management of industry-startup linkages to bridge the gap between local industry and technology-enabled startups; and (iii) Establishment and management of an industry-academia platform to connect tertiary education institutions and their students to individual companies. Part 2: <u>SME Linkages and Upgrading</u> Strengthen the productivity and internal capabilities for innovation of Small and Medium Enterprises (“SMEs”) through a. Designing and administering diagnostic tools to assess SMEs’ management and operations, and the options through which each can improve their managerial and technical skills, and their use and access to technology. b. Designing and managing a program for SMEs to implement action plans under Performance Contracts c. Designing a mechanism to enhance SMEs engagement with lead firms, including business development to ensure flow of lead firms and SMEs into the program referred to in paragraph (b) above; d. Incorporating lessons learned to adapt and strengthen the program design, including the diagnostic tools and action
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	plans, as needed; e. Carrying out awareness raising and information dissemination activities on the program; and f. Collecting data at baseline and throughout implementation, to feed into the Project monitoring and evaluation system. Part 3: <u>Outreach, Monitoring and Evaluation, and Project Implementation Support</u>: Project management, coordination and reporting.
Other important background information of the project	The project is funded by the International Development Association (IDA) World Bank. The Project total cost is US\$ 50 million (EURO 41,400,000) and is to be implemented over six years. Project Categories The overall Project has three components’ categories as per the Financing Agreement dated 3rd August 2019: Category 1: Goods, non-consulting services, consultant’s services, Training, and Incremental Operating Costs The project has three components namely. 1. Component 1: Strengthening the innovation and entrepreneurship ecosystem. 1a. Strengthening the Ecosystem’s support infrastructure. 1a1 Sub-component: Strengthening the Ecosystem’s Support Infrastructure dubbed ‘SKIES’ 1a2 Sub-component: Industry-Startup Linkage Program 1b. Connecting to international networks and to local traditional industries. 1b.1Sub-component: International Acceleration Process dubbed ‘Startup Savanna’ 1b.2Sub-component: Industry-Academia Platform dubbed ‘ITATU’ 2. Component 2: SME Linkages and Upgrading dubbed ‘KIEP250+’ 3. Component 3: Outreach, Monitoring and Evaluation, and Project Implementation Support

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Areas that the project was formed to intervene	The project was formed to intervene in the following areas: i. Limited connections to networks of international mentors, angel investors, and venture capitalists (VCs) making it difficult for local startups to grow and compete internationally. ii. Limited contact between traditional industry and technology-enabled startups in Kenya, iii. To create the next generation of globally competitive Information and Communications Technologies (ICT) leadership, technology-enabled businesses and technology talent pool that will transform Kenya. iv. SMEs also have difficulties in improving their productivity due to poor managerial practices and information failures around how to upgrade. Firm-level data in Kenya reveals most firms have low productivity due to a skills deficit both at the managerial and technical levels v. By strengthening the innovation and entrepreneurship ecosystem and increasing firm-level innovation and productivity, will deliver Kenya’s Vision 2030, which recognizes the challenges of slow structural transformation and low productivity in sectors that employ Kenyans.
Project duration	The project started effectiveness on 22nd November 2018 and is expected to run for six years until 31st December 2024.

2.4 Bankers

The following are the bankers for the project:

- (i) Designated Account (Credit) – Central Bank of Kenya – Account Number- 1000395923
- (ii) Project Account (Credit) – Central Bank of Kenya- Account Number- 1000397144

2.5 Independent Auditor

The project is audited by the Auditor General, Office of the Auditor General (P.O Box 30084 University Way, Nairobi.) under the Article 229(4) of the Constitution of Kenya.

2.6 Roles and Responsibilities

The following are the officers who were responsible for the project

Names	Title designation	Key Qualification	Responsibilities
Dr. Juma Mukhwana	PS State Department of Industry	Bachelor's degree in Veterinary Medicine M.Sc. in Pharmacology and Toxicology Ph.D. in Soil Science	Accounting Officer
Philiph Maitha	Senior Economist	Bachelor of Arts in Economics (BA Econ), Masters of Arts (MA) Economics Policy Management Certified Public Accountant Kenya	Project Coordinator
John Muinami	Project Manager	Bachelor of Arts in Economics (BA Econ), Master of Business Administration (MBA), Certified Public Accountant Finalist (CPA) Advanced Certified Senior Project Manager (ASPM)	Project Management
Ruth Wanyonyi	Project Accountant	MSC,BCOM, CPA(K) Masters of Science –Finance, Bachelor of Commerce-Finance ,Certified Public Accountant Kenya	Financial Management

2.7 Funding summary

The Project is for duration of six years from 22nd November 2018 to 31st December 2024 with an approved budget of EURO 45,540,000 equivalent to Ksh. 5,190,781,270 as highlighted in the table below:

Below is the funding summary:

A. Source of Funds

Source of funds	Donor Commitment-		Amount received to date – (30th June, 2023)		Undrawn balance to date	
	Donor currency EURO	KShs	Donor currency EURO	KShs	Donor currency EURO	KShs
	(A)	(A')	(B)	(B')	(A)-(B)	(A)-(B)
Loan						
IDA	41,400,000.00	4,718,892,060	3,977,709.66	506,140,008	37,422,290.34	4,212,752,052
Counterpart funds						
Government of Kenya	4,140,000	471,889,206	1,380,405.60	168,906,554	2,759,594.40	302,982,652
Total	45,540,000.00	5,190,781,266	5,358,115.26	675,046,562	40,181,884.74	4,515,734,704

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B. Application of Funds

B. Application of Funds

Application of funds	Amount received to date – (30 th June 2023)		Cumulative Amount paid to date – (30 th June 2023)		Unutilised balance to date	
	Donor currency (A)	Kshs (A')	Donor currency (B)	Kshs (B')	Donor currency (A)-(B)	Kshs (A')-(B')
(i) Loan						
IDA	3,977,709.66	506,140,008	499,427,927		43,575.69	6,712,081
(ii) Counterpart funds						
Government of Kenya	1,380,405.60	168,906,554	165,904,861		29,811.46	3,001,693
Total	5,358,115.26	675,046,562	665,332,788		73,387.15	9,713,774

2.8 Summary of Overall Project Performance:

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

During the financial year 2022-2023, the project had a total budget of Kshs. 438,383,000 comprising of both donor funds and GOK Counterpart funds whereas the total expenditure amounted to Ksh. 246,990,190 giving an absorption rate of 56% compared to 14% previous Financial year . The increase of absorption rate was restarting of project activities in the last quarter of Financial year 2022/2023 , crashing and fast racking of payments due to management consultants for work completed as per the existing contracts. The year to date project absorption is 29%.

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

The KIEP Project Development Objective (PDO) for the Project is *“to increase innovation and productivity in select private sector firms”*. The Project’s direct beneficiaries are primarily formal private sector firms in Kenya, including a minimum of 30 intermediaries (incubators, accelerators, and hubs), 162 start-ups, 7 technology boot camp providers, 15 corporates, 250 SMEs and 60 students (drawn from Tertiary Education Institutes).

The project Achievements:

Component One – Strengthening the innovation and entrepreneurship Ecosystem.

a. Administration of Intermediaries:



<https://kiep-skies.co.ke/>

Contract signed in 24th March 2023 with Spineberg Limited and E4Impact for Administration & Management of Intermediaries REF. NO. KE-SDII-71150-CS-QBS; Kick-off meeting for KIEP Sub-component 1a was held on 29th March 2023; CIT held four CIT reviews for the draft Inception report 10th ,18th & 29th May 2023/and finally approved the report in June 2023; Component 1a brand developed: The KIEP-SKIES - Strengthening the ecosystem support infrastructure, with the brand name of Strengthening Kenya’s Innovation Ecosystem (SKIES), is a sub-component 1a of component 1 of KIEP.

Mapping and communication plan of Intermediaries- Incubators, Accelerators, bootcamp providers in the country finalized; Project Website and Social Media Accounts

(Facebook, Twitter, and LinkedIn) was developed to increase project visibility and engagement ; Guidelines for Applicants and Evaluation Matrix for Track 1 and Track 2 developed; Promotional Media Material developed; Online proposal platform developed-A comprehensive application guidelines and criteria that outline the requirements and expectations for interested intermediaries was developed; Grants Management System manual develop. The manual is hinged on the dedicated application portal to help in tracking and manage the performance plans and milestones to aid in the disbursement of funds; Environmental and Social Management Framework (ESMF) for the Management Firm adopted from the Kenya Industry and Entrepreneurship Project (KIEP); A Grievance Redress Mechanism (GRM) for the sub component was adopted from the KIEP broad GRM; Subcomponent Launch and call for application supporting 10 Incubators 8 boot-camp providers and 267 rapid tech students planned for 22nd August 2023 .

b. International Acceleration Process/ Startup Savanna



<https://startupsavanna.com/>

The Management Consulting firm- GrowthAfrica and Aspen Network of Development Entrepreneurs (ANDE) with Nairobi Garage as Sub-consultants was on boarded in August 2020 with budget of Kshs. 155,600,698 for phase 1 &2. First six milestones achieved as per contract: Inception Report, Stakeholders mapping report, Q1, Q2 & Q3 & Q4 Reports completed and approved; Startup Savanna launched successfully and 303 Entrepreneurs registered; 16 local and foreign Enterprise Support Organizations (ESOs) registered; Communication materials developed and finalized <https://startupsavanna.com/>; Ignite Process with Wadhani Foundation: Cohort 1- 66 enterprises for cohort 1 and 53 for cohort 2 underwent digital skills development under the LearnWISE platform and ended in October and November 2021 respectively; Cohort 3- registration ongoing; 8 startups registered for the Ventures to EDF (Electricite' de France) Africa Tour 2021 – scheduled for Nairobi early November 2021; 4 start-ups linked to IMFact and negotiation are ongoing for provision of working capital.

Growth Africa has partnered with Oracle to provide startups with free oracle products as well as trainings to enable beneficiaries digitize and use the accruing benefits; Startup Savanna supported a Kenyan start-up, Kwara, to participate in the Abu Dhabi Global Markets (Fintech Search Africa) thereby providing Kenya exposure to other participating countries; Startup Savanna entered into Partnership with MIE Group on facilitating and attracting Foreign Direct Investments (FDIs) in Kenya.

c. Industry-Academia Platform/ iTATU



<https://www.itatu.net/index.php>

The Management Consulting firm (Maastricht School of Management) and LIWA (Linking Industry with Academia) Trust with KEPSA as Sub-consultants was on boarded in August 2020; with budget of Kshs. 153,056,627 for phase 1 & 2; First Six milestones achieved as per contract: Inception Report, Stakeholders mapping report, IAP benchmarking report and IAP options report, Q1, Q2 & Q3, Q4 Reports completed and approved; Strategic Business plan developed; Marketing and Communication (M&C) Strategy developed; Project logo (iTATU - Ideate, Innovate and Implement) and website developed ;Thirteen (13) universities and 20 Corporates engaged to participate in the program; iTATU student Forum has been set up, and student representatives (iTATU ambassadors) from each university selected. Further, a WhatsApp group has been set up of iTATU student ambassadors to support the dissemination of information.

Database of 120 students developed drawn from 26 universities; 10 challenges in different stages of development; Agreements with key partners for 5 innovation challenges (including Demola) developed; Three (3) open innovation challenges designed and published:-{East Africa Grain Council – Waste Management Systems and Green Management Systems; Inter-Governmental Authority on Development (IGAD) – design of spray dryer for Gum Arabica; KENGEN – Electric Bicycle} ;The Industry Academia platform has been registered as a non-profit; limited by guarantee company; iTATU launch held on 11th July 2023- website developed <https://www.itatu.net> and social media channels created. Launch –Application portal developed- <https://portal.kenya.demola.net> ;Five Industry Academia innovation challenges, 10 corporates that will engage over from 300 Students drawn from 26 universities and across all disciplines; Innovation Challenges and corporates identified include 1. Empowering Gum Arabic Harvesters by **IGAD**, 2. Green and Digital Transition Centre of Excellence by **Kenya Power**, 3. Tracing Mangos by **Milly Fruits**, 4. Transforming Dairy Sector Through Micro dairies by **Endless Africa**, 5. Unlocking the Potential of The Telephone Farmer by **LRC Foundation**

Call for application closed on 15th August 2023; Standard operation manuals for Partners Agreement, Running Innovation challenges, generic MoU and the Grievance Redress Framework developed; To keep the interest up, MSM ran a challenge to develop a dried vegetables value chain:- (i) modifying an existing dryers to use geothermal steam; (ii) developing a dried food product that is nutritional and does not lose the expected taste; (iii) development a market with street food vendors; (iv) developing an ICT platform to supply and distribution of the products development

Component Two – Firms/SME Linkages and Upgrading



<http://250plus.kiep.go.ke/>

Management firm, Niras OY Finland with Intellectap as Sub-consultants was boarded in August 2020 with management fee of Kshs. 719,488,568 for phase 1&2; Inception Report, Cohort 1 identification and recruitment report, Quarter Progress Reports (QPR 1,2,3) prepared and approved; Call for application for cohort 1 launched in 20th November 2020; 95 SMEs submitted applications as the Longlisting; 52 SMEs passed eligibility verification stage; 49 shortlisted; 44 SMEs approved by selection committee; 39 SMEs completed due diligence and proceeded to diagnosis; Thirty-Three (33) SMEs of Cohort 1 are ready for signing of Financial Agreements with KIEP for disbursement of funds; Communication materials developed & finalized <https://kiep250plus.co.ke/>; Selection Committee (SC) Appointed; Business Advisors recruited and trained; A database of 101 Business Development Services Providers was developed and is available in the KIEP 250+ Website; Business Diagnostics methodology finalized and a Diagnosis Model developed that highlights the SME gaps, assists with mode and delivery of possible technical assistance and ranks the needs assessment outcomes as expected impact; Performance Improvement plan (PIP) templates designed; Due Diligence built into SmartME (an online processing system that is fully encrypted and auditable digital system to administer initial SME application, shortlisting, due diligence, diagnosis, technical assistance provision, monitoring and evaluation developed); Grievance Redress Mechanism designed; Grant disbursement workflow developed; 303 Strategic partners engagements conducted (with over 5,000 SMEs briefed on KIEP 250+); 101 Business Development Service Providers (BDS) screened and profiles included in web based database; Cohort two preparations ignited; and over 7 manuals/documents developed and approved (Fund Operations Manual; Selection Committee Charter; Grant Administration Manual; Grant Approval Committee Charter; SME Application Guide; BDS Application Guide; and Grievance Redress Guide); Launch of cohort two call for application planned in August 10th 2023; Follow up and validating performance improvement plans of the 39 shortlisted firms is ongoing.

iii) Indicate the absorption rate for each year since the commencement of the project.

The project budget (donor and counterpart) compared with the expenditure to date this financial year is 56% compared to 14% previous financial year as tabulated per year below;

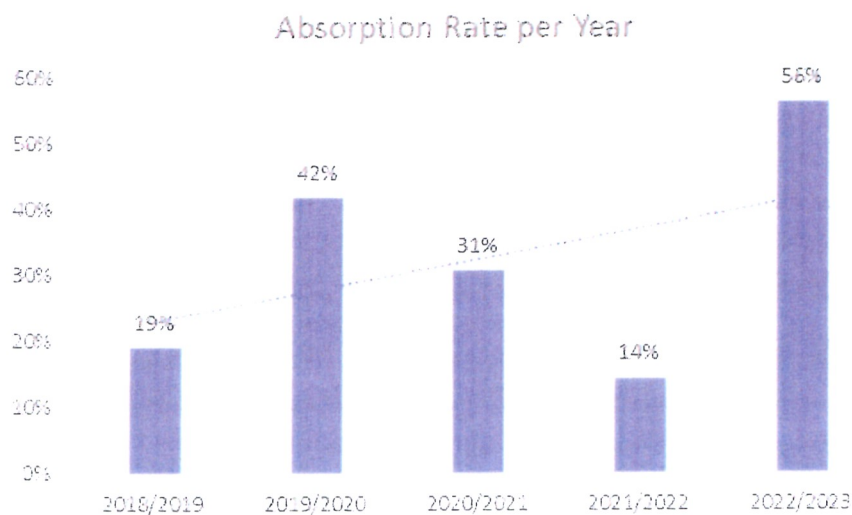
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Budget Details – Donor & Counterpart

	KIEP Financial Year					Total
	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	
Donor	24,977,348	180,000,000	498,267,183	912,000,000	400,000,000	2,015,244,531
Counterpart	100,000,000	50,000,000	16,168,878	56,500,000	38,383,000	261,051,878
Budget	124,977,348	230,000,000	514,436,061	968,500,000	438,383,000	2,276,296,409

Budget Vs Expenditure to date

	KIEP Financial Year					Total
	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	
Budget	124,977,348	230,000,000	514,436,061	968,500,000	438,383,000	2,276,296,409
Expenditure	23,877,144	96,412,037	158,436,061	139,713,236	246,990,190	665,428,668
Absorption	19%	42%	31%	14%	56%	29%



Amount Received to date

Fund Received	KIEP Financial Year					Total
	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	
IDA	-	177,492,638	102,500,266	63,687,757	162,459,347	506,140,008
GOK	25,000,000	50,000,000	19,657,450	35,865,304	38,383,800	168,906,554
Total	25,000,000	227,492,638	122,157,716	99,553,061	200,843,147	675,046,562

Overall KIEP Budget in comparison with amount received to date

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	Overall Budget	Expenditure To date	Funds Received %
IDA	4,718,892,060	506,140,008	11%
GOK	471,889,206	168,906,554	36%
Total	5,190,781,266	675,046,562	13%

The Budget vs Expenditure to date is 29% compared to 14% last financial year. This was because all the payments due to management firms we paid in the last quarter of the financial year when project activities were restarted. When the overall budget of Ksh 5,190,781,266 is compare to Expenditure to date of Ksh 675,046,562 the overall performance is 13%.

iv) List the implementation challenges and recommended next steps.

The project Implementation has been on hold for 18 months following the request and conducting of a restructuring fact finding mission. The restructuring was requested to address the following emerging areas:

- a) **Project Design:** The design envisaged implementation of the project through Management Consultants. The procurement of the consultants for implementing the various components and sub-components with the 1st consultancy having come on board in August 2021 hence the project is lagging behind on implementation. This has been mitigated by closely planning and monitoring deliverables with PIU.
- b) **World Bank Procedures vis-à-vis GOK Procedures:** Though generally the procedures are similar, the interpretation of the GOK requirements in some cases caused delay in procurement as we had to seek procurement opinion from the Public Procurement Regulatory Authority and the State Law office.
- c) **Direct payments to beneficiaries:** The design had envisaged that payments will be made by the Management consultants directly to the beneficiaries. The National Treasury opposed this arrangement, as the Government will still be accountable for the same. This has delayed payments to the beneficiaries.
- d) **Covid-19 Pandemic:** The 1st wave of Covid-19 started in March 2020 as this meant that some of the shortlisted firms could not come and negotiate the contracts. This has caused delays including the diagnosis process for the beneficiaries.

- e) **Mid-term review Process:** The project implementation has slowed down awaiting the decision to undertake a comprehensive mid-term review. This has led to the postponement of launch for Cohort 2 under KIEP 250+, Industry-Academia Program and the Startup Savannah sub-components.
- f) **Demand driven Approach:** The project design is based on a demand driven approach and with the slowness in momentum to attract the beneficiaries will affect the project upstream.
- g) **Reduced allocation of Counterpart Funds:** The project envisaged the Counterpart component of the project to support the national outreach of the project. This has been on the decline and last financial year, the National treasury provided authority to use the 2nd half allocation in the 1st half and later reduced the allocation during the supplementary budget leading to negative expenditures.
- h) **Delays in disbursement:** Though the MOUs have been signed for the 4 State Corporations and ASSEK, not all funds have been disbursed except to Kenya Industrial Estates.

2.9 Summary of Project Compliance:

- i) *Include significant cases of non-compliance with applicable laws and regulations eg treasury circulars on project investment management, PFM Act 2012 and Kenya vision 2030 flagship projects, and essential external financing agreements/covenants,*

The KIEP project has routinely monitored the below mitigation measures to alleviate the adverse effects of actual or potential consequences of non-compliance with applicable laws and regulations, and essential external financing agreements/covenants;

- Periodic Project Implementation Unit (PIU) and Contract Implementation Team weekly meetings
- Frequent adhoc weekly meeting by PIU and the World Bank to address challenges before they are out of proportion.
- Close work plan and budget monitoring from start of the project.
- Regular obtaining 'No Objection' from World Bank team for designated activities.
- Involvement of Project Implementation Unit in planning and execution of project activities.
- Develop informational flow chart with key decision tree to streamline decision making and prevent avoidable bureaucratic delays.

The project activities slowed down in the Financial year 2021/2022 to allow for review of activities however in the last half of the Financial year 2022/2023, the process of restarting the project activities was initiated and all parties agreed to fast-track the project implementation.

- ii) *Include consequences suffered on account of non-compliance or likely to be suffered.*

The slowdown of activities to allow for the restructuring/review process and non-payment of the already completed tasks to management firms had posed a compliance red flag in terms of time overruns, contract obligations, objective achievements however with the restarting of the project all management firms payment dues up to June 2021 were cleared and contract addendum agreed upon. Project targets were not realised as expected and the project may negotiate with World Bank for the time extension for the lost time.

- iii) *Indicate mitigation measures taken or planned to be taken to alleviate the adverse effects of actual or potential consequences of non-compliance.*

- Fast Tracking the KIEP review process to avoid time/cost overruns.
- Payment of the management firms due and renegotiating of the activities implementation / activity crashing based on project time left.
- Negotiate with World Bank for project life time extension so as to realise the project objectives as envisaged.

3. Statement of Performance against Project's Predetermined Objectives

Introduction

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

The key development objectives of the project's 2018-2022 plans are to:

- a) To strengthen the innovation and entrepreneurship ecosystem (Component 1)
- b) To Strengthen the ecosystem's support infrastructure - Subcomponent 1a

- c) To Connect to international networks and local traditional industries -Subcomponent 1b
- d) To strengthen the productivity and internal capabilities for innovation of select SMEs (Component 2)
- e) To provide resources for: (a) communication to facilitate diffusion and replication of promising innovations, (b) monitoring and evaluation (M&E) analyses to ensure the implementation and sustainability of the Project's activities, and (c) Project implementation support. (Component 3)

Progress on attainment of strategic development objectives

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement.

Below we provide the progress on attaining the stated objectives:

Project	Objective	Outcome	Indicator	Measure	End target	Performance
KIEP	Final result indicators To increase innovation and productivity in select private sector firms.”	Increased Innovation	Number of select firms with a developed innovation	Number	127	■ Five out of the seven management firms on-boarded, with a total contract value of US\$11.8 million (24 percent of the project), and the remaining two contracts, worth US\$ 7.5 million (15 percent) of the project size), are pending finalization and signing. ■ The International Acceleration process, dubbed ‘Startup Savanna’ has 303 Entrepreneurs registered; 16 local and foreign Enterprise Support Organizations (ESOs) registered; Ignite Process with Wadhani Foundation: 118 SMEs undertook digital skills development under the LearnWISE platform; 4 start-ups linked to IMFact and negotiation are ongoing for provision of working capital; ■ The Industry Academia platform engaged 13 universities, 20 Corporates to participate in the program; a database of 120
		To increase productivity	Number of select firms experiencing an increase in productivity	Number	50	
		Cross Cutting	Firms benefiting from private sector initiatives	Number	2,755	
			Of which are female-owned	Number	262	
Component 1	To strengthening the innovation and entrepreneurship ecosystem (Component 1)	Increase innovation	Beneficiary satisfaction with incubator and accelerator services (citizen engagement indicator)	Number	70	
			Percentage of technology bootcamp graduates that are women	Percentage	35	
			Number of individuals trained	Number	2,891	
	Crosscutting		Of which female	Number	517	

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Project	Objective	Outcome	Indicator	Measure	End target	Performance
Component 2	To strengthen the productivity and capabilities for innovation of select SMEs (Component 2)	Increase productivity	Number of beneficiary SMEs with above average revenue growth	Number	25	students developed drawn from 26 universities; 10 challenges in different stages of development; Agreements with key partners for 5 innovation challenges.
Component 2	To strengthen the productivity and capabilities for innovation of select SMEs (Component 2)	Increase productivity	Number of beneficiary SMEs with above average revenue growth	Number	25	▪ Thirty-Three (39) SMEs of Cohort 1 are ready for signing of Financial Agreements with KIEP for disbursement of funds; ▪ A database of 101 Business Development Services Providers developed and is available in the KIEP 250+ Website; ▪ 44 SMEs taken through Business Diagnostics methodology that highlights the SME gaps, and ranks the needs assessment outcomes ▪ 303 Strategic partners engagements conducted (with over 5,000 SMEs briefed on KIEP 250+); 101 Business Development Service Providers (BDS) screened and profiles included in web based database; Cohort two

Kenya Industry & Entrepreneurship Project
 Annual Report and Financial Statements for the financial year ended June 30, 2023

Project	Objective	Outcome	Indicator	Measure	End target	Performance
						preparations ignited; and over 7 manuals/documents developed and approved (Fund Operations Manual; Selection Committee Charter; Grant Administration Manual; Grant Approval Committee Charter; SME Application Guide; BDS Application Guide; and Grievance Redress Guide).

4. Environmental and Sustainability reporting

KIEP exists to transform lives by changing the business mind-set, and entrepreneurial culture through strengthening the innovation and entrepreneurship ecosystem, linking industry with academia, linking startups with industry, opening access to local and international partnerships through International acceleration process, upgrading SMEs, increasing innovation and productivity of select private firms. This is our purpose; the driving force behind everything we do. The compass that guides us to deliver our strategy.

Below is a brief highlight of our activities that drive towards sustainability.

1. Sustainability strategy and profile

In summary the implementation of KIEP project is aligned with the Kenya vision 2030, Medium Term Plan (MTP III, 2018-2022), National Industrialization Policy (2012-2030), Kenya Industrialization and Transformation Policy 2015, Medium & Small Enterprises (MSE) Act 2020 and big four Agenda. KIEP addresses challenges of low innovation and technology transfer by the SMEs, Weak linkages Academia/industry and Firm level support.

Some of KIEP sustainability measures include;

Delivery & Contracting Mechanisms-The Project Steering Committee (PSC) comprises of (KEPSA, KAM, ASSEK, MOITED, TNT, MOE, and KNCCI) among others. The involvement of business associations in design and implementation as appellate Project Steering Committee to offer top-notch intervention advisory and ensure documented programs lessons learnt are replicated and cascaded beyond project shelf life.

Participation Incubators, Accelerators, Boot camps, Universities, SMEs - The innovation ecosystem players were involvement in design and implementation of the project. These players are direct beneficiaries with establishments that are going concerns. The Stakeholders prudently agreed upon the beneficiary's selection criteria based on market competitiveness.

KIEP Management & Organization- KIEP project implementation unit composed of Ministry staff as project Implementation unit (PIU) who ensures quality delivery and

replicability of lessons learnt in their day-to-day running of the directorates. The PIU will also receive targeted training including Country Industry Development Officers (CIDO).

Creation of database for local business advisors/ boot-camp providers to train and mentor SMEs/ startups- The registration of business advisors will create a vetted database for any planning, selection and identification of business providers and provide a databank for future use.

Financial, economic & Social The project will benefit SMEs, Students, Research Institutions, Innovators through Financial Disbursements, Training and mentoring, Products developed and commercialized, Partnerships and linkages and Joint ventures.

SME Technology Upgrading—The project will support the SMEs to acquire /install appropriate production technologies; Support incubators (KEBS, KIE, KIRDI) acquire modern equipment for training & common manufacturing facilities; Provide support to boot-camp for training on highly intensive technical skills to startups;

Social, Gender and Culture- KIEP Target 30% of project beneficiaries to be women owned & led startups/SMEs. Inclusion of women owned & led startups/SMEs in implementation and benefitting from the project is one of the key approaches of the project. Project beneficiaries will not perpetuate exploitation of the vulnerable and poor women and young girls

Political & Economic Factors- KIEP project objective are anchored in the Government development policies, plans & manifestos.

2. Environmental performance

KIEP developed the Environmental Social Safeguard plan that provides guidance to project beneficiaries in the selection, preparation and implementation of activities in order to avoid or minimize environmental and social risks and negative impacts and enhance the environmental and social benefits and performance under the project.

The Project Implementation Team reviewed and appraised contract templates of potential beneficiary firms and ecosystem intermediaries and guided in environment and social safeguard requirements. Clauses on environment and social safeguard requirements were captured in the MOUs of KIRDI, KIPI, KIE, KEBS and ASSEK. PIU and selected beneficiaries were trained on Environmental Social Safeguards skills. This included ensuring beneficiaries firm use the Environmental and Social Screening Form (ESSF), develop requisite supplementary environmental safeguard instruments; Environment and Social Impact Assessment (ESIA), Environment and Social Management Plan (ESMP) and Grievance Redress Mechanism (GRM) for participating institutions / organisations/ beneficiaries which included: KIRDI, KIPI, KIE, KEBS, ASSEK, Growth Africa, MSM and NIRAS.

All Grievance Redress Mechanism (GRM) for KIEP and sub components is online, 24/7 and a respective GRM team have been appointed to oversee seamless GRM implementation.

All ESMPs were prepared, guided by requirements and applicable national laws, legislations and regulations, the World Bank environment and social safeguard policies, WBG EHS guidelines and GBV Directives and, Prevention of Sexual Exploitation and Abuse (PSEA) including Child Labour and Employment act.

3. Employee welfare

The hiring of the consultant firms and Individual consultant followed the Kenya Public Procurement and Asset Disposal Act, 2015 and the World Bank's Procurement Framework, which promotes tailored procurement approaches that emphasize choice, quality, and value for public spending. The frameworks determine the best value for money to ensure quality outcomes and sustainability by focusing on market research, needs analysis, and project-specific risks, including environmental and social issues.

4. Market place practices-

a) Responsible Supply chain and supplier relations-

The project maintains good business practices, treats its own suppliers responsibly by honouring contracts and respecting payment practices. The project has signed six contracts with management consultant firms. The contracts are binding for the project period. So far, all milestones planned for the year were achieved; Contract Implementation team reviewed and approved the respective milestone and completion certificates prepared. The ministry is working on timely payments to consultant firms.

b) Responsible ethical practices

The project makes all efforts to maintain ethical and anti- corruption practices and responsible political involvement. All the KIEP procurement activities were advertised in local dailies and United Nations Development Business (UNDB) website for global procurement market that facilitate successful bidding on international development projects and ensured fairness and ethical marketing practices.

5. Community Engagements

Stakeholders mapping for all subcomponents was conducted which informed on KIEP programming and targeting. So far more than 101 mobilization and information sessions were conducted to create project awareness, desire, knowledge, ability and inform the public on the sub component specific selection criteria for selection, selection process journey especially for SMEs that will receive Technical Assistance to improve their business productivity and innovation.

5. Statement of Project Management responsibilities

The *Principal Secretary* for State Department for Industry, Ministry of Investments, Trade and Industry and the *Project Coordinator* for *Kenya Industry and Entrepreneurship Project (KIEP)* are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year ended on June 30, 2023.

This responsibility includes (i) Maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period, (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the project, (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of the project, (v) Selecting and applying appropriate accounting policies and (vi) Making accounting estimates that are reasonable in the circumstances.

The *Principal Secretary* for State Department for Industry, and the *Project Coordinator* for *Kenya Industry and Entrepreneurship Project (KIEP)* accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The *Principal Secretary* for State Department for Industry, and the *Project Coordinator* for *Kenya Industry and Entrepreneurship Project (KIEP)* are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year ended June 30, 2023, and of the Project's financial position as at that date. The *Principal Secretary* for State Department for Industry, and the *Project Coordinator* for *Kenya Industry and Entrepreneurship Project (KIEP)* further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

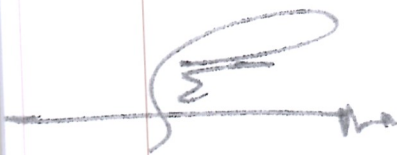
The *Principal Secretary* for State Department for Industry, and the *Project Coordinator* for *Kenya Industry and Entrepreneurship Project (KIEP)* confirm that the Project has

Kenya Industry & Entrepreneurship Project
Annual Report and Financial Statements for the financial year ended June 30, 2023

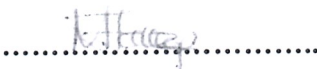
complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project Financial Statements

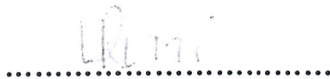
The Project financial statements were approved by the *The Principal Secretary*, Ministry of Investments, Trade and Industry, State Department for Industry and the *Project Coordinator* for *Kenya Industry and Entrepreneurship Project (KIEP)* 2023 2023 and signed by:



.....
Dr.Juma Mukhwana, PhD, HSC
Principal Secretary



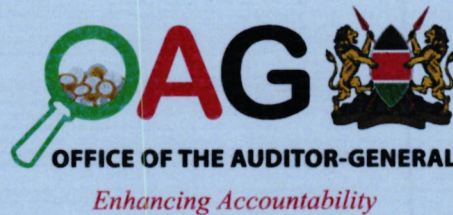
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Philip Maitha
Project Coordinator



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Ruth M.Wanyonyi
Project Accountant
ICPAK Member No: 13147

REPUBLIC OF KENYA

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HEADQUARTERS
Anniversary Towers
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA INDUSTRY AND ENTREPRENEURSHIP PROJECT (CREDIT NO. IDA 6268-KE) FOR THE YEAR ENDED 30 JUNE, 2023 – STATE DEPARTMENT FOR INDUSTRIALIZATION

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kenya Industry and Entrepreneurship Project (Credit No. IDA 6268-KE) set out on pages 1 to 19, which

Report of the Auditor-General on Kenya Industry and Entrepreneurship Project (Credit No. IDA 6268-KE) for the year ended 30 June, 2023 – State Department for Industrialization

comprise of the statement of financial assets as at 30 June, 2023, and statement of receipts and payments, statement of cash flows and 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, 2010 and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Kenya Industry and Entrepreneurship 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 complies with the Public Finance Management Act, 2012 and the Financing Agreement Credit No.6268-KE between the International Development Association (IDA) and the Republic of Kenya dated 3 August, 2018.

In addition, the special account statement presents fairly the special account transactions and the closing balance has been reconciled with the books of account.

Basis for Opinion

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

Key Audit Matters

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

Other Matter

1. Budgetary Control and Performance

During the year under review, the project had an approved Receipts budget of Kshs.438,380,000 out of which Kshs.400,000,000 was the donor component and Kshs.38,380,000 was the GoK component. The project however, received Kshs.38,383,800 from GoK and Kshs.162,459,347 from the donor totalling to Kshs.200,843,147. This resulted to an underfunding of Kshs.237,536,853 or 46% of the budget.

In addition, the project had an approved expenditure budget of Kshs.438,380,000 but the actual expenditure was Kshs.246,990,190 translating to an under-expenditure of Kshs.191,389,810 or 56% of the budget.

The Revenue underperformance and the under-expenditure has negative impact on the planned goals and objectives of the project.

In view of the above, the Project management did not implement all the planned and approved programs resulting to delayed provision of services to the citizens.

2. Unresolved Prior Year Audit Matters

In the audit report of the previous year, 2 (Two) issues were raised under the Report on Lawfulness and Effectiveness in Use of Public Resources. Management has indicated that the issues have been responded to. However, the issues remained unresolved as Parliament has not deliberated on the same.

Other Information

The Management is responsible for the other information, which comprises Project information and overall performance, statement of performance against Project's predetermined objectives, corporate social responsibility statement/sustainability reporting and statement of project management responsibilities. The other information does not include the financial statements and my auditor's report thereon.

My opinion on the project financial statements does not cover the other information and I do not express any form of assurance or conclusion thereon.

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 matter 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

Delay in Project Implementation

Review of the Project implementation revealed that the Project management had contracted various consultants in the year 2020/2021 for initial contracts ending at different dates with the last one ending in February 2023 at total contract price of Kshs.700,699,602. It was however observed that as at 30 June, 2023, a total payment of Kshs.331,875,790 had been made but the projects' implementation status could not be ascertained. In March 2023 the accounting officer extended the contract periods through addendums for twelve months to December, 2024. It was however observed that the extension procedures and the measures put in place to complete the projects were not explained.

In the circumstances, the Project had not realized the intended objectives in accordance with the Financing Agreement (Credit No.6268-KE) between the International Development Association (IDA) and the Republic of Kenya of 3 August, 2018.

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 which govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Project's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Project or 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 which 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 which govern them 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 control would not necessarily disclose all matters in the internal control which 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 misstatement 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 policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions which may cast significant doubt on the Project's ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner which achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control which 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 which may reasonably be thought to bear on my independence and where applicable, related safeguards.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

25 October, 2023

Report of the Auditor-General on Kenya Industry and Entrepreneurship Project (Credit No. IDA 6268-KE) for the year ended 30 June, 2023 – State Department for Industrialization

Kenya Industry & Entrepreneurship Project
Annual Report and Financial Statements for the financial year ended June 30, 2023

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

	Note	2022/2023 Receipts and payment controlled by the project KShs	2021/2022 Receipts and payment controlled by the project KShs	Cumulative
RECEIPTS				KShs
Transfer from Government entities	1	38,383,800	35,835,804	168,906,554
Loan from external development partners	2	162,459,347	63,687,757	506,140,008
TOTAL RECEIPTS		200,843,147	99,523,561	675,046,562
PAYMENTS				
Compensation of employees	3	13,500,000	20,771,632	69,821,632
Purchase of goods and services	4	229,172,890	118,941,604	553,565,747
Acquisition of non-financial assets	5	4,317,300	-	10,345,409
Transfer to other government entities	6	-	-	31,600,000
TOTAL PAYMENTS		246,990,190	139,713,236	665,332,788
SURPLUS/(DEFICIT)		- 46,147,043	- 40,189,675	9,713,774

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

.....
 Dr.Juma Mukhwana, PhD, HSC
Principal Secretary

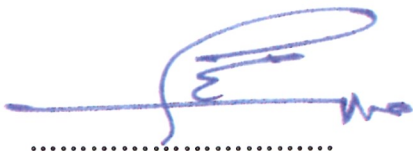
.....
 Philip Maitha
Project Coordinator

.....
 Ruth M.Wanyonyi
Project Accountant
 ICPAK Member No: 13147

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

	Note	2022/2023	2021/2022
		KShs	KShs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	7.A	9,713,774	55,860,817
Cash Balances	7.B	-	-
Cash Equivalents (short-term deposits)	7.C	-	-
Total Cash and Cash Equivalents		9,713,774	55,860,817
Accounts receivables – Imprest and Advances	8	-	
TOTAL FINANCIAL ASSETS		9,713,774	55,860,817
REPRESENTED BY			
Fund balance b/fwd	9	55,860,817	96,050,492
Prior year adjustments			
Surplus/(Deficit) for the year	-	46,147,043	- 40,189,675
NET FINANCIAL POSITION		9,713,774	55,860,817

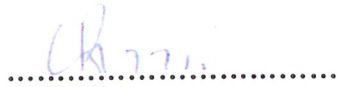
The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 12/9/2023 2023 and signed by:



Dr.Juma Mukhwana, PhD, HSC
Principal Secretary



Philip Maitha
Project Coordinator



Ruth M.Wanyonyi
Project Accountant
ICPAK Member No: 13147

Kenya Industry & Entrepreneurship Project
Annual Report and Financial Statements for the financial year ended June 30, 2023

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

		2022/2023	2021/2022
	Note	KShs	KShs
Receipts from operating activities			
Transfer from Government entities	1	38,383,800	35,835,804
Payments from operating activities			
Compensation of employees	3	13,500,000	20,771,632
Purchase of goods and services	4	229,172,890	118,941,604
Transfer to other government entities	6	-	-
Adjustments during the year			
Decrease/(Increase) in Accounts receivable: (outstanding imprest)	8	-	
Increase/(Decrease) in Accounts Payable: (deposits and retention)			
Prior Year Adjustments			
Net cash flow from operating activities		- 204,289,090	- 103,877,432
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	5	4,317,300.00	-
Net cash flows from Investing Activities		- 208,606,390	- 103,877,432
CASHFLOW FROM BORROWING ACTIVITIES			
Loan from external development partners	2	162,459,347	63,687,757
Net cash flow from financing activities		162,459,347	63,687,757
NET INCREASE IN CASH AND CASH EQUIVALENT		- 46,147,043	- 40,189,675
Cash and cash equivalent at BEGINNING of the year		55,860,817	96,050,492.00
Cash and cash equivalent at END of the year		9,713,774	55,860,817

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 12/9/23 2023 and signed by:

.....
Dr.Juma Mukhwana, PhD, HSC
Principal Secretary

.....
Philip Maitha
Project Coordinator

.....
Ruth M.Wanyonyi
Project Accountant
ICPAK Member No: 13147

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

Receipts/Payments Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual Comparable Basis d	Budget Difference e=c-d	Utilization % of Utilization f=e/d x 100
Receipts						
Transfer from Government entities	40,380,000	2,000,000	38,380,000	38,383,800	-	3,800
Proceeds from borrowings	1,260,000,000	860,000,000	400,000,000	162,459,347	237,540,653	41
Total Receipts	1,300,380,000	862,000,000	438,380,000	200,843,147	237,536,853	46
Payments						
Compensation of employees	24,225,000		24,225,000	13,500,000	10,725,000	56
Purchase of goods and services	1,151,301,150	862,000,000	289,301,150	229,172,890	60,128,260	79
Transfer to other Government Entities	120,353,850	-	120,353,850	-	120,353,850	-
Acquisition of Non-Financial Assets	4,500,000		4,500,000	4,317,300.00	182,700.00	96
Total Payments	1,300,380,000	862,000,000	438,380,000	246,990,190	191,389,810	56

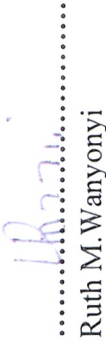
Note: The significant budget utilisation/performance differences in the last column are explained in Annex 2 to these financial statements.



.....
Dr. Juma Mukhwana, PhD, HSC
Principal Secretary



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Philip Maitha
Project Coordinator



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Ruth M. Wanyonyi
Project Accountant
ICPAK Member No: 13147

11. Significant Accounting Policies

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

a) Statement of compliance and basis of preparation

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

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

b) Reporting entity

The financial statements are for Kenya Industry & Entrepreneurship Project (KIEP) under the State Department of Industry. The financial statements are for the reporting entity Kenya Industry & Entrepreneurship Project (KIEP) as required by Section 81 of the 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 Kenya Industry & Entrepreneurship Project (KIEP) recognises all receipts from the various sources when the event occurs, and the related cash has been received.

i) Transfers from the Exchequer

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

External Assistance

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

ii) Other receipts

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

iii) 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.

iv) Proceeds from borrowing.

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

v) Undrawn external assistance

These are loans and grants at reporting date as specified in a binding agreement and relate to funding for the Project currently under development where conditions have been satisfied or their ongoing satisfaction is highly likely and the project is anticipated to continue to completion. An analysis of the Project's undrawn external assistance is shown in the funding summary.

e) Recognition of payments

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

i) Compensation to employees

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

ii) Use of goods and services

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

iii) Interest on borrowing

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

iv) Repayment of borrowing (principal amount)

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

v) Acquisition of fixed assets

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

f) In-kind donations

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

g) Cash and cash equivalents

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

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

h) Restriction on cash

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

i) Imprests and Advances

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

j) Contingent Liabilities

A contingent liability is:

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

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities. Letters of comfort/ support, insurance, Public Private Partnerships,

The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic

benefits or service potential is remote. **Annex 6** of this financial statement is a register of the contingent liabilities in the year.

k) Contingent Assets

The Project does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of *KIEP* 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.

l) Pending bills

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

m) Budget

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

n) Third party payments

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

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

o) Exchange rate differences

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

p) Comparative figures

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

q) Subsequent events

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended June 30, 2023.

r) Prior period adjustments

Prior period adjustments relate to errors and other adjustments noted arising from previous year(s). Explanations and details of these prior period adjustments are presented in Note 11 of these financial statements.

Kenya Industry & Entrepreneurship Project
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12. Notes to the Financial Statements

1. Transfers from Government entities

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

	2022/2023	2021/2022	Cumulative
	KShs	KShs	to-date(from inception)
Counterpart funding through The National Treasury			
Counterpart funds Quarter 1	-	11,749,100	21,679,100
Counterpart funds Quarter 2	12,113,205	54,920	25,652,479
Counterpart funds Quarter 3	-	3,053,774	13,036,060
Counterpart funds Quarter 4	26,270,595	20,978,010	108,538,915
Total	38,383,800	35,835,804	168,906,554

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:

Name of Donor	Date received	Amount in loan	Loans received in	Loans received as	Total amount in KShs		Cumulative to-date
		currency	cash	direct payment*	2022/2023	2021/2022	KShs
		EURO	KShs	KShs			
International Development Association (IDA)	24/3/2023	853,635.8	120,003,607		120,003,607	63,687,757	506,140,008
	17/5/2023	114,207	17,040,345		17,040,345		
	29/6/2023	165,000	25,415,395		25,415,395		
Total		1,132,842	162,459,347		162,459,347	63,687,757	506,140,008

3. COMPENSATION OF EMPLOYEES

	2022/23			2021/2022	Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Basic Salaries to Consultants	13,500,000	-	13,500,000	20,771,632	69,821,632
Total	13,500,000	-	13,500,000	20,771,632	69,821,632

Salaries is for the three employees of the project who are directly involved in the daily running of the project i.e. project manager, ecosystem manager and SME Manager.

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4. PURCHASE OF GOODS AND SERVICES

	2022/23			2021/2022	Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Domestic travel and subsistence	23,168,000		23,168,000	11,277,303	134,060,374
Foreign travel and subsistence	12,026,316	-	12,026,316	19,328,574	31,354,890
Training payments	1,937,345	-	1,937,345	1,579,500	16,477,639
Hospitality supplies and services	1,420,244		1,420,244	1,751,712	12,307,066
Other operating payments		-	-	-	1,391,757
General office supplies	625,800		625,800	-	1,191,800
Fuel			-	-	100,000
Consultancy Services	189,972,878.00		189,972,878	83,030,741	352,152,416
Communication supplies and service-telephone configuration	22,307		22,307	-	51,947
printing advertising and-information&services			-	5,500	5,500
Routine maintenance-office partition			-	1,968,274	4,497,358
Total	229,172,890		229,172,890	118,941,604	553,590,747

Consultancy services refers to funds we paid the consultant firms and one individual consultant in charge of environmental and social safeguard expert for the services rendered and milestones achieved.

5. ACQUISITION OF NON-FINANCIAL ASSETS

	2022/23			2021/22	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Purchase of household furniture & institutional equipmen	-	-	-		60,250
Purchase of office furniture & general equipment	4,317,300	-	4,317,300		10,285,159
Total	4,317,300	-	4,317,300	-	10,345,409

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6. TRANSFERS TO OTHER GOVERNMENT ENTITIES

During the 12 months to 30 June 2023, we transferred funds to reporting government entities as shown below:

	2022/23			2021/22	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	KShs	KShs	KShs	KShs	KShs
Transfers to National Government entities					
KENYA INDUSTRIAL ESTATE(KIE)			-	-	31,600,000
TOTAL	-		-	-	31,600,000

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 (i) to the financial statements.

7. CASH AND CASH EQUIVALENTS

	2022/2023	2021/2022
	KShs	KShs
Bank accounts (Note 7.A)	9,713,774	55,860,817
Total	9,713,774	55,860,817

The project has 1 number of project accounts spread within the project implementation area and 1 number of foreign currency designated accounts managed by the National Treasury as listed below:

7. A Bank Accounts

Project Bank Accounts

	2022/2023	2021/2022
	KShs	KShs
Local Currency Accounts		
Central Bank of Kenya [A/c NO.1000397144]	9,713,774	55,860,817
Total local currency balances	9,713,774	55,860,817
Total bank account balances	9,713,774	55,860,817

Special Deposit Accounts

The balances in the Project’s Special Deposit Account 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.

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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 received in the year under the Statement of Receipts and Payments.

Special Deposit Accounts Movement Schedule

	2022/2023	2021/2022
	EURO	EURO
(i) A/C Name [A/c No 1000395923]		
Opening balance	697,349	82,969
Total amount deposited in the account	1,453,454	1,113,848
Total amount withdrawn (as per Statement of Receipts & Payment)	1,132,842	499,468
Closing balance (as per SDA bank account reconciliation attach	1,017,961	697,349

The Special Deposit Account reconciliation statement has been attached as *Appendix (iv)* supports these closing balances.

7. B Cash In Hand

As at 30th June 2023, there was no cash at hand.

7. C Cash equivalents (short-term deposits)

As at 30th June 2023, there was no any short –term deposits and the project does not own any account in any commercial banks.

8. ACCOUNTS RECEIVABLES

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

8B: BREAKDOWN OF IMPRESTS AND ADVANCES

No outstanding imprests at the end of the financial year

Kenya Industry & Entrepreneurship Project
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9. FUND BALANCE BROUGHT FORWARD

	2022/2023	2021/2022
	KShs	KShs
Bank accounts	55,860,817	96,050,492
Cash in hand		
Cash equivalents (short-term deposits)		
Outstanding imprests and advances		
Total	55,860,817	96,050,492

10. CHANGES IN RECEIVABLE

There were no receivables and therefore no changes in receivables in the year ended 30th June 2023

11. OTHER IMPORTANT DISCLOSURE

1. PENDING ACCOUNTS PAYABLE (See Annex 3A)

There was no pending bills brought forward from last financial year 2021/2022 or occurred during the financial year 2022/2023.

2. EXTERNAL ASSISTANCE

	FY 2022/2023	FY 2021/2022
Description	Kshs	Kshs
External assistance received as loans	162,459,347	63,687,757
Total	162,459,347	63,687,757

a). External assistance relating loans and grants

	FY 2022/2023	FY 2021/2022
Description	Kshs	Kshs
External assistance received as loans	162,459,347	63,687,757
Total	162,459,347	63,687,757

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b) Undrawn external assistance

	Purpose for which the undrawn external assistance may be used	FY 2022/2023	FY 2021/2022
Description		Kshs	Kshs
Undrawn external assistance - loans		4,212,752,052	4,375,211,399
Total		4,212,752,052	4,375,211,399

c) Classes of providers of external assistance

	FY 2022/2023	FY 2021/2022
Description	Kshs	Kshs
Multilateral donors-IDA	162,459,347	63,687,757
Total	162,459,347	63,687,757

The reason for external assistance is for Economic development.

Kenya Industry & Entrepreneurship Project
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13. ANNEXES

Annexe 1: Prior Year Auditor-General'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 period 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)
	Unmodified Opinion			
1594	There were no material issues noted during the audit of the financial statements of the Project.	N/A	N/A	N/A
	Other Matter			
1595	Budgetary Control and Performance			
	The statement of comparative budget and actual amounts reflects actual receipts of Kshs.99,523,561 against budgeted receipts of Kshs.968,500,000 resulting in a shortfall of Kshs.868,976,439 or 90% of total budget. The shortfall arose under the IDA Loan where actual receipts amounted to Kshs.63,687,757 against the budgeted receipts of Kshs.912,000,000 resulting in a shortfall of Kshs.848,312,243 or 93% of the total budgeted receipts. In addition, actual receipts under transfer from Government entities were Kshs.35,835,804 against budgeted receipts of Kshs.56,500,000, resulting to shortfall of Kshs.20,664,196 or 37% of the total budgeted receipts. Further, the statement of comparative budget and actual amounts reflects	The shortfall of ksh.20,664,196 or 37% of the total budget was paid. due to lack of exchequer from The National Treasury while the under expenditure was as a results of the slowdown of the activities due to proposed restructuring process the state department wished to undertake thus we did not receive the full amount of the exchequer as per the approved budget. Hon. Chair we wish to confirm the full resumption of the	Waiting to appear before PAC	PAC Calendar

Kenya Industry & Entrepreneurship Project
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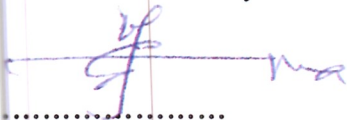
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	budgeted payments of Kshs.968,500,000 against actual payments of Kshs.139,713,236 resulting to under expenditure of Kshs.828,786,764 or 86% of total budget. In view of the above, the Project Management have not implemented all the planned and approved programmes, resulting to delayed provision of services to the citizens.	project activities and all the pending payments of Consultant Management firms for various milestones achieved have since been		
1596	Unresolved Prior Year Audit Matters In the audit report of the previous year, several issues were raised under Other Matter and the Report on Lawfulness and Effectiveness in Use of Public Resources. Management has indicated that the issues have been responded to. However, the issues remained unresolved as Parliament has not met to deliberate on the same.	The prior year Audit matters have been addressed in paragraph 1462 to 1466.3 in the Audit responses for the financial year 2020/2021	Resolved	
	REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES			
	Basis for Conclusion			
1597	Unpaid Salaries			
	As disclosed in Note 1 of other important disclosures, the Project did not pay 3 consultants salaries of 5 months from February to June, 2022 totalling Kshs.7,750,000 due to restructuring process. This was contrary to the consultancy contracts rates agreed and specified in the cost estimate and schedule of rates at annexes C and D which states that "the client shall pay the consultant for services rendered at the rate(s) per man/month spent in accordance with the rates agreed. In the circumstances, Management was	It is true that the individual consultants were not paid salaries as at 30th June 2022 due to proposed restructuring process, Chair, the salaries were paid on 6th December 2022.	Waiting to appear before PAC	PAC Calendar

Kenya Industry & Entrepreneurship Project
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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)
	in breach of the law			
	REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE Conclusion			
1598	There were no material issues relating to effectiveness of internal controls, risk management and governance.	N/A	N/A	N/A
1599	As required by International Development Agency Credit Agreement No.6268 dated 03 August, 2018, I report based on my audit, that 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. Further, adequate accounting records have been kept by the Project and the Project's financial statements agree with the accounting records and returns.	N/A	N/A	N/A

Guidance Notes:

1. Use the same reference numbers as contained in the external audit report;
2. Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
3. Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
4. Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.

.....


Name
Principal Secretary

.....


Name
Project Coordinator

Annex 2: Variance explanations - Comparative Budget and Actual amounts for Current FY

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance (below 90% and over 100%)
	a	b	c=a-b	d=b/a %	
Receipts					
Transfer from Government entities	38,380,000	38,383,800	-	100	(i)
Proceeds from borrowings	400,000,000	162,459,347	237,540,653	41	(ii)
Total Receipts	438,380,000	200,843,147	237,536,853	46	
Payments					
Compensation of employees	24,225,000	13,500,000	10,725,000	56	(iii)
Purchase of goods and services	289,301,150	229,172,890	60,128,260	79	(iv)
Transfers to other government entities	120,353,850	-	120,353,850	-	(v)
Acquisition of Non-Financial Assets	4,500,000	4,317,300	182,700	96	(vi)
Total payments	438,380,000	246,990,190	191,389,810	56	

- (i) KIEP received all the exchequers and absorbed fully
- (ii) Consultant contracts payments and approval of implementation milestone reports were not done in time due to proposed restructuring process
- (iii) The variance was due to on-going restructuring process thus the activities were slow down
- (iv) The variance was due to on-going restructuring process
- (v) Funds were meant for Transfer to other Government entities but due to proposed restructuring disbursements were not done on time.
- (vi) The variance was due to market price variations all the items were procured as planned.

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Annex 3: Reconciliation of inter-entity transfers

PROJECT NAME:				
Break down of Transfers from the State Department of Industry				
a.	DONOR FUNDS			
		<u>Bank Statement</u> Date	Amount (KShs)	<u>Indicate the FY to which the amounts</u> <u>relate</u>
	Kenya Industrial Estate Limited	20/4/2021	31,600,000	Fin year 2020/2021
		Total	31,600,000	

The above amounts have been communicated to and reconciled with the Parent Ministry/ State Department

Project Coordinator
Kenya Industry & Entrepreneurship Project

Sign -----


Head of Accounting Unit
State Department for Industry

Sign-----


Kenya Industry & Entrepreneurship Project
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Annex 4: Analysis of Pending Bills

Description	Balance b/f FY 2022/2023 Kshs	Additions for the period Kshs	Paid during the year Kshs	Balance c/f FY 2022/2023 Kshs
Supply of services	-	-	-	-
Supply of services				
Total				

Annex 5: Summary of Fixed Assets Register

Asset class	Opening Cost (KShs) 2021/2022	Donations in form of assets (KShs) 2021/2022	*Purchases/ Additions in the Year (KShs) 2022/2023	**Disposals in the Year (KShs) 2022/2023	Transfers in/(out) Kshs 2022/2023	Closing Cost (KShs) 2022/2023
	(a)	(b)	(c)	(d)	(d)	(e)= (a)+ (b)+c)-(d)+(-)d
Office equipment, furniture and fittings	60,250	0	0	0	0	60,250
ICT Equipment,	5,967,859	0	4,317,300	0	0	10,285,159
Total	6,028,109	0	0	0	0	10,345,409

No.	Item/Service Code	Item Description	Estimated Unit Cost In Ksh	Unit of Issue	Qty	Estimated Total Cost In Ksh	Procurement Method	Source Of Funds	Year Purchased	Purchased	Amount	Balane	Supplier	Status
1	M000000976	Laptops	150,000	Nc.	17	2,550,000	RFC	GOK	2020	19	1,871,500	678,500	Sun Beam Computer	Received
3	M000000979	Printers	130,000	Nc.	2	300,000	RFC	GOK	2020	2	147,204	152,796	Computerways Ltd	LFO
	FY 2023													
	M000001864	Smartboard	640,000	Nc.	1	640,000	RFC	GOK	2023	1	640,000	-	Intermass Technologies (E.A.) Ltd	Received
1	M000009875	Laptops	261,800	Nc.	8	2,094,400	RFC	GOK	2023	1	2,094,400	-	Ovarian General Supplies	Received
2	M000009875	Ipaeds	238,400	Nc.	6	1,430,400	RFC	GOK	2023		1,430,400	-	Sinnvest Supplies Ltd	Received
3		Heavy Duty Printer	152,500	Nc.	1	152,500	RFC	GOK	2023	1	152,500	-	Frontline Information services	Received
	Sub-Total										4,317,300			

Annex 6: Other Support Documents

- i. Signed confirmations from beneficiaries in Transfers to Other Government Entities
- ii. Bank Reconciliations statement as at 30th June 2023
- iii. Board of Survey Report
- iv. Special Deposit Account(s) reconciliation statement(s)
- v. GOK IFMIS comparison Trial Balance