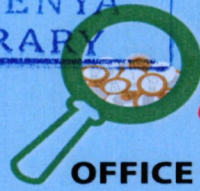


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**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

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

**FOR THE YEAR  
ENDED 30 JUNE, 2022**

**STATE DEPARTMENT FOR CROP  
DEVELOPMENT AND AGRICULTURAL  
RESEARCH**



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

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

**IMPLEMENTING ENTITY: MINISTRY OF AGRICULTURE, LIVESTOCK, FISHERIES  
AND COOPERATIVES**

**PROJECT CREDIT NUMBER: 5900 KE**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2022**

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

***National Agricultural and Rural Inclusive Growth Project (NARIGP)***  
***Reports and Financial Statements***  
***For the financial year ended June 30, 2022***

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**National Agricultural and Rural Inclusive Growth Project (NARIGP)**  
**Reports and Financial Statements**  
**For the financial year ended June 30, 2022**

**1. Project Information and Overall Performance**

**1.1 Name and registered office**

**Name**

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

**Objective**

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

**Address**

The project headquarters offices are at Capitol Hill Towers 5<sup>th</sup> Floor Nairobi, Kenya.

The address of its registered office is: Capitol Hill Towers 5<sup>th</sup> Floor, Cathedral Road Next to Kilimo House.

**Post office address:** Box 8073 00200,  
Nairobi - Kenya

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

**Selected 21 NARIGP participating Counties**

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

				10	Nyamira
				11	Migori
				12	Homa Bay

**Contacts:** The following are the project contacts

Telephone: (254) 020 2715466

E-mail: [narigp@kilimo.go.ke](mailto:narigp@kilimo.go.ke)

Website: [www.narigp.go.ke](http://www.narigp.go.ke)

**Project Information and Overall Performance (Continued)**

**1.2 Project Information**

<b>Project Start Date:</b>	The project start date is 23-Aug-2016
<b>Project End Date:</b>	The initial project end date was 30-Nov-2021 however the project was restructured to end on 30 June 2023
<b>Project Manager:</b>	The project manager is Dr. Samuel Guto
<b>Project Sponsor:</b>	The project sponsor is World Bank – IDA and the GOK

**1.3 Project Overview**

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

**National Agricultural and Rural Inclusive Growth Project (NARIGP)**  
**Reports and Financial Statements**  
**For the financial year ended June 30, 2022**

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	forms of rural institutions like SACCOs (Savings and Credit Cooperatives), rural smallholder farmers will be able to increase their productivity, incomes, and profitability.
Project duration	The project started on 23 August 2016 and was expected to run until 30 November 2021 however during restructuring the project was extended to 30 June 2023

**Project Information and Overall Performance (Continued)**

**1.4 Bankers**

The following are the bankers for the current year:

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

**1.5 Auditors**

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

**1.6 Roles and Responsibilities**

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

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

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

### 1.7 Funding summary

The Project is for a duration of 5 years from 2016 to 2021 (extended to 30 June 2023 during restructuring) with a total project cost of US\$ 219 million, of which the International Development Association (IDA) will finance US\$200 million under an Investment Project Financing (IPF) instrument. The estimated project cost takes into account GoK counterpart funds (US\$2 million equivalent), County governments' co-financing (US\$7 million equivalent), and beneficiary contributions (US\$10 million equivalent) amounting to US\$19 million equivalent as detailed in the table below: -

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

**National Agricultural and Rural Inclusive Growth Project (NARIGP)**  
**Reports and Financial Statements**  
**For the financial year ended June 30, 2022**  
**Project Information and Overall Performance (Continued)**

Below is the funding summary:

**Source of Funds**

Source of funds	Donor Commitment-		Amount received to date – 30 June 2022		Undrawn balance to date 30 June 2022	
	Donor currency	Kshs	Donor currency	Kshs	Donor currency	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
<b>(i) Loan</b>	\$Million	Kshs Million	\$Million	Kshs Million	\$ Million	Kshs Million
World Bank	200	20,258	17,593	17,593	(17,393)	2,665
<b>(ii) Counterpart Funds</b>						
County Governments	17	1,722	9	885	8	837
National Government	2	203	0	15	2	187
<b>Total</b>	<b>219</b>	<b>22,183</b>	<b>17,602</b>	<b>18,493</b>	<b>(17,383)</b>	<b>3,689</b>

*National Agricultural and Rural Inclusive Growth Project (NARIGP)*  
*Reports and Financial Statements*  
*For the financial year ended June 30, 2022*

**Project Information and Overall Performance (Continued)**

**A. Application of Funds**

Application of funds	Amount received to date – 30 June 2022		Cumulative amount paid to date - 30th June 2022		Un utilized balance to 30 June 2022	
	<i>Donor currency</i>	<i>Kshs</i>	<i>Donor currency</i>	<i>Kshs</i>	<i>Donor currency</i>	<i>Kshs</i>
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
<b>(i) Loan</b>	<b>\$Million</b>	<b>Kshs Million</b>	<b>\$Million</b>	<b>Kshs Million</b>	<b>\$ Million</b>	<b>Kshs Million</b>
World Bank	17593	17,593	169	17,145	17,424.10	448
					-	-
<b>(ii) Counterpart Funds</b>						
County Governments	9	885	9	885	-	-
National Government	0	15	0	15	-	-
<b>Total</b>	<b>17,602</b>	<b>18,493</b>	<b>178</b>	<b>18,045</b>	<b>17,424</b>	<b>448</b>

**National Agricultural and Rural Inclusive Growth Project (NARIGP)**

**Reports and Financial Statements**

**For the financial year ended June 30, 2022**

**Project Information and Overall Performance (Continued)**

**1.8 Summary of Overall Project Performance:**

**Budget performance against actual amounts for current year and for cumulative to-date.**

<b>NARIGP Key Project Monitoring Indicators report</b>				
<b>Component/Indicator</b>	<b>FY 22 achievement</b>	<b>FY 22 Current Budget</b>	<b>Cumulative achievement</b>	<b>Total Budget (Kshs)</b>
<b>A. Component 1: Supporting Community-Driven Development</b>				
1. Number of CDDCs with MOUs signed	0		415	
2. Micro-projects prepared	215	703,830,062	19,301	7,448,271,749
3. Micro-projects approved	2,466	1,290,807,120	17,598	6,237,609,977
4. Micro-projects disbursed (under implementation)	3,549	1,337,870,989	13,744	4,781,992,326
5. Micro-projects completed	4,810	1,393,830,592	9,649	2,022,921,752
6. Number of CIGs/VMGs mobilized	0	-	19,989	0
7. Number of farmers in CIGs/VMGs mobilized	46,519	-	523,774	0
9. No of CIGs/VMGs identified and trained by the community based facilitators	15,518	320,855,131	21,378	99,503,690
11. No of CIG/VMG/members getting integrated extension services	291,655	99,040,914	428,048	529,473,300
<b>B. Component 2: Strengthening Producer Organizations and Value Chain Development</b>				
1. Number of POs with signed MOUs	4	0	305	-
2. PO grants requests prepared	23	174,107,910	304	2,099,585,454
3. PO grants approved	27	113,356,673	286	1,850,572,536
4. PO grants disbursed	24	200,647,478	270	785,690,157
5. PO grants completed	55	183,144,087	227	400,140,541
6. Number of CIGs/VMGs in POs with MOUs	1,653	0	9,951	-
7. Number of farmers in POs with MOUs	13,374	0	301,889	-
<b>C. Component 3: Supporting County Community-Led Development</b>				
8. Number of multi community investment included in the CDP	10	-	320	13395588771
9. County multi-community investments proposed	11	1,171,160,670	167	8,166,779,788
10. Multi-community investments approved at county level	7	1,421,447,972	141	6,697,992,486
11. Multi-community investments approved at National level	12	1,325,335,971	123	4,041,167,245
12. Multi-community investments under implementation	27	623,451,533	84	2,456,361,301
13. Number of farmers reached through on-going Sub-projects	28,571	-	66,560	0
15. Number of labour days completed	398,442	146,743,390	506,726	195,124,404

**National Agricultural and Rural Inclusive Growth Project (NARIGP)**  
**Reports and Financial Statements**  
**For the financial year ended June 30, 2022**

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

<b>NARIGP RESULTS (Based on Deliverables)</b>						
<b>Result framework report based on database information</b>						
<b>Project Development Objective</b>						
PDO Statement: The proposed development objective is to increase agricultural productivity and profitability of targeted rural communities in selected Counties, and in the event of an Eligible Crisis or Emergency, to provide immediate and effective response.						
<b>Project Development Objective (Outcome) indicators</b>						
<b>Indicator</b>			<b>Baseline</b>	<b>Cumulative achievement</b>	<b>The end target</b>	<b>Remarks</b>
<b>No of direct project beneficiaries reached</b>			0	523,774	360,000	
Disaggregation by gender		Male	0	213,041	180,000	
		Female	0		180,000	
Disaggregation by windows		SLM in VC	0	310,733	60%	
		Market oriented	0	357,629 (75%)	25%	
		VMG	0	66,735 (14%)	10%	
		Nutrition	0	38,888 (8%)	5%	
<b>Number of beneficiaries who have adopted improve agricultural technology and innovation management practices (TIMPs) promoted by the project</b>			0	270,224	176,400	
Percentage yield increase in the selected priority agricultural value chains supported by the project			0	*23.5%	30%	*These are indicative figures based on 7 VC, and are yet to be cleaned.
Percentage Producer Organizations (POs) supported by the project reporting increase in profitability			0	78 (25%)	70%	
<b>Intermediate (Output) indicators</b>						
<b>Component 1: Supporting Community-Driven Development</b>						
<b>Number of micro-projects implemented</b>			0	13,744	12,000	
diaggregated by windows		SLM in VC	0	7,979	7,200	
		Market oriented	0	2,456	3,000	
		VMG	0	1,962	1,200	
		Nutrition	0	1349	600	
<b>Client days of training provided for in TIMPs</b>				1,088,475	1,266,000	
Disaggregated by gender		Male		33.6%	50%	
		Female		66.4%	50%	
Land area where sustainable land management (SLM) practices have been adopted as a result of the project (Hectares)				54,489	71,400	
<b>Component 2: Strengthening Producer Organizations and Value Chain Development</b>						
<b>Number of CIGs and VMGs that are members of supported POs</b>				10,014	8400	
<b>Increase in average annual sales turnover of targeted POs (Percentage)</b>				12%	20%	
<b>Public-Private Partnerships (PPPs) established by POs (Number)</b>				176	21	

**National Agricultural and Rural Inclusive Growth Project (NARIGP)**  
**Reports and Financial Statements**  
**For the financial year ended June 30, 2022**

Number of POs with bankable Enterprise Development Plans (EDPs)			265	84	
<b>Component 3: Supporting County Community-Led Development</b>					
Percentage participating counties including county-level project investments and community micro-projects into their Annual County Development Plans			100	100	
Number of agricultural and rural development infrastructure and natural resource management (NRM) investments implemented under the project at the county level			84	45	
VC/IF			12	35	
SLM/NRM			72	10	
Number of labor days completed by beneficiaries of employment programs supported by the project			506,726	3,000,000	
<b>Component 4: Project Coordination and Management</b>					
Percentage of satisfactory quarterly project financial and monitoring reports submitted on time			100	100	
Percentage grievances registered related to delivery of project benefits that are actually addressed			96	100	
Percentage increase in project stakeholders accessing information through ICT platforms			20	35	

**(ii) Comment on value-for-money achievements**

In order to ensure value for money is achieved the project has a strategic approach to procurement, use of electronic procurement and management of procurement risk. In addition, the project ensures that appropriate contract strategies are well managed and also partnerships and longer term collaboration with suppliers are applied when appropriate.

**Absorption Rate for each year since the commencement of the project**

<b>Project cost in Kes</b>	<b>22,182,510,000</b>	
<b>Financial Year</b>	<b>Absorption in Kshs</b>	<b>% Absorption</b>
FY 17	-	0%
FY 18	1,225,515,180	6%
FY 19	1,463,340,990	12%
FY 20	5,339,734,882	36%
FY 21	4,844,265,454	58%
FY 22	5,172,106,960	81%
<b>Total</b>	<b>18,044,963,466</b>	<b>81%</b>

**(iii) Implementation challenges**

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

## **1.9 Summary of Project Compliance:**

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

## **2. 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 agreement/* plan are to:

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

### **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-bund (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement: The following table provides the progress on attainment of the stated objectives; -

Project	Objective	Outcome	Indicator	Performance
National Agricultural and Rural Inclusive Growth Project (NARIGP)	Strengthen community capacity for market-oriented agricultural development	Strengthened community institutions	No of direct project beneficiaries reached disaggregated gender	Project reached cumulative 523,774 beneficiaries
		Increased agricultural production, marketing and nutrition	Number of micro project implemented	In FY 21/22, 3549 micro projects were disbursed to various CIGs/VMGs
	Strengthen capacities of Producer Organizations to support members in the targeted value chains	Strengthened Producer Organizations	Number of POs with bankable Enterprise Development Plans (EDPs)	By end of FY 21/22, 265 POs had developed Bankable EDP
		Strengthened value chain coordination	Number of value chain stakeholder platform established	A total of 84 value chain platforms have been launched by all the 21 counties implementing the project
	Strengthen capacities of County governments to support community-led agricultural development	Strengthened county government capacities	Number of beneficiary satisfied with the multi-community investments	Survey is yet to be carried out on this
		Increased agricultural production and marketing	Number of agricultural and rural development infrastructure and natural resource management (NRM) investments implemented under the project at the county level	In FY 21/22, a total of 84 multi community investments were under implementation

### 3. Environmental and Sustainability Reporting

NARIGP has a corporate social responsibility to the participating communities to manage the social, environmental and economic effects of its operations responsibly and in line with public expectations. The project self-regulates through initiatives or strategies to ensure that the community approves how implementation of activities are carried out and thereby avoid reputational loss. CSR for the project focuses on environmental, ethical, and economic considerations as outlined below:

#### a) Sustainability strategy and profile

NARIGP is a 5-year project (2018 July -2023 June) and to ensure continuity in the interventions initiated at community level beyond the project period, benefiting groups (CIGs/VMGs and FPOs) are required to contribute at least 10 percent of the estimated costs, 5 percent of which must be in cash and the rest in-kind. To increase access to rural finance and enhance the sustainability of project interventions, CIGs/VMGs have been encouraged to form savings groups that will federate into

Savings and Credit Cooperatives (SACCOs). The project provided matching grants to boost SACCOs' capital of up to 50 percent of members' total savings. These intermediary financial institutions will ultimately be linked to micro-finance institutions and commercial banks for finance and credit access in the post-project period.

NARIGP recognizes that Sustainable Land Management (SLM) is critical to the well-being of the most vulnerable and to improving the livelihoods of the targeted rural communities in the long-term. The project has therefore invested in SLM practices that increase agricultural productivity, while enhancing resilience to climate change in the targeted counties. Typical SLM investments at the county/multi-community level include tree planting, soil and water conservation measures, water harvesting and storage facilities and rehabilitation of degraded areas (e.g., water catchments, river banks, gullies, areas affected by landslides, and deforested/degraded lands).

Towards achievement of the PDO, ex-ante risk assessment of the project indicated that fiduciary risk was "High," while "political and governance", "institutional capacity for implementation" and "sustainability" risks were "Substantial." The remaining risks – macroeconomic, technical design of project, environmental and social safeguards, and stakeholders' assessment were rated to be "Moderate." For areas which were rated as either substantial or high, a risk management and mitigation measure framework has been developed by NPCU that include; Financial and Procurement risk management framework to ensure that the potential risks are addressed and sustainability of the project guaranteed.

#### **b) Environmental performance**

The project is implemented in compliance with the Environmental Management Act (EMCA) – 1999, Revised in 2015 and the World Bank policies. In order to ensure Sustainable Land Management (SLM), the project implementation is guided by the Environmental and Social Management Framework (ESMF), which also encompasses the Integrated Pest Management Plan (IPMP). The project also embraces the inclusion of the Vulnerable and Marginalised Groups (VMGs), including the Indigenous People (IPs). The project has also developed a Resettlement of Peoples Framework (RPF) as a precautionary measure in case of any physical or economic displacement of people during project implementation

NARIGP carries out its activities in an environmentally friendly manner as possible. The project promotes increased productivity but realizes that this can potentially cause environmental degradation mainly due to poor farming practices and deforestation in catchment areas leading to siltation of rivers, reservoirs, and irrigation canals, and the ultimate loss of fertile top soils. The project therefore emphasizes on integration of Sustainable Land Management (SLM) practices in the development of VCs selected by counties and communities. SLM practices are critical not only for increasing production along the selected VCs, but also for enhancing resilience to climate change shocks. The project provides competitive grants of up to Kshs 500,000 to beneficiary groups (CIGs/VMGs) to finance SLM interventions to reduce soil erosion, sedimentation, and non-point source pollution, while at the same time enhancing water quality and resilience to climate change. Additionally, the project supports Multi Community Investments (MCIs) in SLM that include landscape-wide or watershed wide investments in on-farm soil and water conservation, rehabilitation of degraded agricultural land, water harvesting and storage for agricultural/livestock production, and planting of fruit trees for vegetation cover and income generation. Typical areas targeted for these SLM investments in a given landscape include water catchments, riverbanks and gullies, areas affected by landslides, and deforested and or degraded areas covering an area of between 200 to 500 ha and 200 to 300 beneficiary households. All the micro projects under NARIGP are screened for compliance to Environmental and Social Safeguards (ESS) and the corresponding Environmental and Social Management Plans (ESMPs) developed to assist the Project staff and beneficiaries to monitor and mitigate any adverse effects to the environment and community.

Additionally, NARIGP is a category B project according to NEMA rating because no significant and/or irreversible adverse environmental issues are anticipated from the investments to be financed under the project. Proposed investments with civil works lead to relatively limited air and water pollution during the construction phases, and once the works are completed, limited loss of non-critical animal and plant habitats. The potential negative impacts for the propose investments are assessed through a screening process and appropriate mitigation measures proposed and finally implemented through environmental and social management plans.

**c) Ethical Responsibility**

NARIGP ensures ethical corporate social responsibility by ensuring fair treatment of all stakeholders, including leadership, investors, employees, suppliers, and customers. At the onset of the project all the stakeholders including the leadership and participating local communities were taken through an intensive awareness program to ensure that they understood the project development objective and the role they were expected to play to ensure effective implementation of project interventions.

Further, NARIGP runs a program that provides off-season employment for out of school youth and vulnerable and marginalized groups. A labour sub-committee of the project steering committee is mandated to oversee the operations of the employment program. The sub-committee has an ethical corporate social responsibility that include ensuring that 50% of the beneficiaries are women and that they set a minimum daily wage that is competitive by taking into account local conditions and circumstances. The beneficiaries of the employment program are encouraged to invest their proceeds in higher-income-generating or alternative livelihood micro-projects, such as off-farm and value addition activities.

**d) Economic Responsibility**

For economic cooperative social responsibility, the project provides funding to establish agriculture and rural infrastructure sub-projects such as markets, processing plants, aggregation centres and road spot improvement. The sub-projects enhance the profitability of prioritized value chain in the participating counties thereby contributing to increased incomes for rural households thus alleviating poverty and enhancing standards of living

**e) Market place practices-**

The project's efforts to:

**(i) Responsible Supply chain and supplier relations**

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

**(ii) Responsible competition practice**

The procurement activities are conducted in an open environment and the suppliers or their representatives are invited to witness the opening of the bids.

The project ensures that there is fair competition while undertaking procurement activities through competitive bidding and requests for quotation. The unsuccessful competitors are notified with reasons

**(iii) Responsible marketing and advertisement-**

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

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

- Food safety- Food processing and storage are well separated from inputs such as chemicals and fertilizers. All NARIGP affiliated products must have Kenya Bureau of Standards (KEBs) certification before rolling out to the public. Poisonous products are always marketed as such and warning given for safety purposes.
- Transparency- Products advertisements ensure information given is as true as possible and also proper labelling is included in efforts to maintain ethical marketing practices.

**(iv) Product stewardship-**

NARIGP advocates the following consumer rights;

- Right to safety in relation to consumption or handling of agricultural products and inputs respectively pertaining goods and services which are hazardous to life and property.
- Right to choose what to produce and consume
- Right to be informed and educated of any information related to the products.
- Right to be heard: In an eventuality that the consumer has concern of the product, NARIGP has an open door policy and redress within the agreed procedures.

**(g) Community Engagements**

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

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

#### **4. Statement of Project Management Responsibilities**

The ***Principal Secretary State Department for Crops Development and Agricultural Research, Ministry of Agriculture, Livestock, Fisheries and Cooperatives and the National Project Coordinator for NARIGP project*** are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for the financial year ended June 30, 2022.

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

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

The ***Principal Secretary State Department for Crops Development and Agricultural Research, Ministry of Agriculture, Livestock, Fisheries and Cooperatives and the National Project Coordinator for NARIGP project*** are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year/period ended June 30, 2022, and of the Project's financial position as at that date. The ***Principal Secretary State Department for Crops Development and Agricultural Research, Ministry of Agriculture, Livestock, Fisheries and Cooperatives and the National Project Coordinator for NARIGP project*** further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the

**National Agricultural and Rural Inclusive Growth Project (NARIGP)**  
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**For the financial year ended June 30, 2022**

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preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

The **Principal Secretary State Department for Crops Development and Agricultural Research, Ministry of Agriculture, Livestock, Fisheries and Cooperatives** and the **National Project Coordinator for NARIGP project** confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

**Approval of the Project financial statements**

The Project financial statements were approved by the **Principal Secretary State Department for Crops Development and Agricultural Research, Ministry of Agriculture, Livestock, Fisheries and Cooperatives** and the **National Project Coordinator for NARIGP project** on 30/9 2022 and signed by them.

  
Principal Secretary

Name: Dr. F. O. Owino, PhD, CBS

  
Project Coordinator

Name: Samuel Guto, PhD

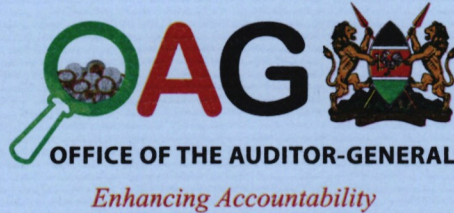
  
Project Accountant

Name: Peter N. Gitau

**ICPAK Member Number: 10338**

# REPUBLIC OF KENYA

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

## **REPORT OF THE AUDITOR-GENERAL ON NATIONAL AGRICULTURAL AND RURAL INCLUSIVE GROWTH PROJECT (IDA CREDIT NO. 5900-KE) FOR THE YEAR ENDED 30 JUNE, 2022 - STATE DEPARTMENT FOR CROP DEVELOPMENT AND AGRICULTURAL RESEARCH**

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### PREAMBLE

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

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

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

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

## REPORT ON THE FINANCIAL STATEMENTS

### Opinion

I have audited the accompanying financial statements of National Agricultural and Rural Inclusive Growth Project set out on pages 1 to 22, which comprise of the statement of financial assets as at 30 June, 2022, and the statement of receipts and payments, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the National Agricultural and Rural Inclusive Growth Project as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Financing Agreement No.5900-KE between the International Development Association (IDA) and the Republic of Kenya dated 14 October, 2016 and the Public Finance Management Act, 2012.

### Basis for Opinion

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

### Key Audit Matters

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

## REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

### Conclusion

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

## **Basis for Conclusion**

### **1. Non-Remittance of Counterpart Funds**

The statement of receipts and payments and as disclosed in Note 11.1 to the financial statements reflects transfer from Government entities - Counties and National Government amount of Kshs.330,979,258. However, review of the transfers schedules and other supporting documents revealed that the National and County Governments had not remitted counterpart funds amounting to Kshs.159,606,369 and Kshs.157,634,404 respectively. This is contrary to schedule 2 of the Project's Financing Agreement which states that IDA will Fund 91% of every year's activities or expenditure of the Project while the Government of Kenya (GOK) will fund an average of 9% of every year's Project expenditure.

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

### **2. Delay in Implementation of Component Three of the Project**

Review of project documents and County project implementation status reports in six sampled counties revealed delays in implementation of twelve(12) projects under component three of the project with a total budgeted cost of Kshs.731,370,592 despite availability of funds as detailed in appendix I.

As at the date of audit inspection in the month of October, 2022 these projects were either still ongoing or not started with no clear indication by the Management on when the projects will be completed.

Consequently, the value for money from the above projects could not be ascertained.

### **3. Anomalies in the Counties Bank Accounts**

Review of County bank balances documents revealed that the County Government of Migori Management had frozen the projects bank accounts from 24 June, 2022. In addition, scrutiny of signatories to the account for County Government of Homa bay revealed that there were five (5) signatories to the account contrary to Section 2.3.2 Paragraph 5 of NARIGP Finance Manual which states that County level signatories to the accounts will be the County project coordinator, County project accountant, and either the Accounting Officer for Finance or Agriculture.

In the circumstances, the delivery of goods and services and project implementation may be inhibited by the inability to access funds for projects. In addition, the Management was in breach of the project's finance manual.

#### **4. Delayed Transfer of Funds from County Revenue Fund**

The statement of receipts and payments reflects transfers to County Governments of Kshs.4,310,864,684 and as disclosed under Note 11.6 to the financial statements. Examination of County project coordinating units bank accounts and county revenue fund account revealed that as of October, 2022, the County Governments of Kilifi, Homabay and Kiambu had not transferred amounts of Kshs.136,732,417, Kshs.104,639,790 and Kshs.110,216,401 respectively received during the financial year 2021/2022 from the County revenue fund to the projects special purpose accounts.

In the circumstances, the intended beneficiaries did not benefit from the scheduled programmes and projects due to failure by the County Management to release the Project funds promptly.

#### **5. Idle assets**

The statement of receipts and payments and as disclosed in Note 11.6 to the financial statements reflects transfers to other Government entities of Kshs.4,310,864,684 out of which Kshs.2,423,394,921 was spent by various Counties under the programme. Included in this amount was expenditure for County Government of Meru of Kshs.5,366,600 for the supply of twenty (20) motor cycles. However, physical verification of the stores in the month of October, 2022 revealed that the motor cycles had not been dispatched to the various wards in the County. No satisfactory explanation was provided as to why these motorcycles have not been distributed since the date they were received.

In the circumstances, stakeholders may not obtain value for their resources if the motor cycles are not put to their intended use.

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

### **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

#### **Conclusion**

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

## **Basis for Conclusion**

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

## **Responsibilities of Management and those Charged with Governance**

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

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

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

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

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

## **Auditor-General's Responsibilities for the Audit**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect

a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty

exists related to events or conditions that may cast significant doubt on the Project's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease to continue to sustain its services.

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

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

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

02 December, 2022

## Appendix I

### Delay in Implementation of Component Three of the Project

County	Project Name	Cost (Kshs)	Disbursed Amount (Kshs)	Planned Start Date	Planned End Date	Status
<b>Homabay</b>	Homa Hills watershed SLM Project	8,931,720	7,692,827	1-Jul-20	22-May-22	On going
	Got Oyaró Watershed SLM Project	9,480,307	9,057,200	1-Jul-20	22-May-22	On going
	Equipping KASBONDO AIM Cooperative Society with milk processing equipment	12,833,000	-	1-Jul-20	22-Dec-22	Not Started
	Establishment of feed Mill at the Great Wang Chieng Cooperative Society	15,606,200	-	1-Jul-20	22-Dec-22	Not Started
<b>Nandi</b>	Nandi Dairy Cooperative Union Milk Processing Plant	261,300,000	131,245,684	20-Jan-22	21-Jun-22	On Going
	Lengon (Ainapng'etuny) Landscape Rehabilitation and Intergrated Sustainable Land Management Project	13,794,750	-	21-Jan-22	21-Aug-22	Not Started
	Nandi Avocado PACK HOUSE	114,235,008	-	21-Jan-22	21-Dec-22	Not Started
	Kamasia Mass Gravity Dam and Small-Scale Irrigation Project	76,859,190	-	21-Jan-22	21-Dec-22	Not Started
<b>Kwale</b>	Rehabilitation of Nyalani Irrigation	48,109,835	25,180,948	22-Jul-21	22-Jan-22	On going
<b>Bungoma</b>	Civil works for Rehabilitation of Kabkaba Earth Dam	50,866,699	15,827,000	16-May-22	23-Nov-22	On going
<b>Vihiga</b>	Wemilabi - C/Bunyore Irrigation Project	40,843,172	30,976,457	15-Feb-22	24-Nov-22	On going
<b>Trans Nzoia</b>	Chesucheki Integrated Landscape Management and Irrigation Project	78,510,711	59,899,693	28-Aug-20	21-Oct-22	On going

**National Agricultural and Rural Inclusive Growth Project (NARIGP)**

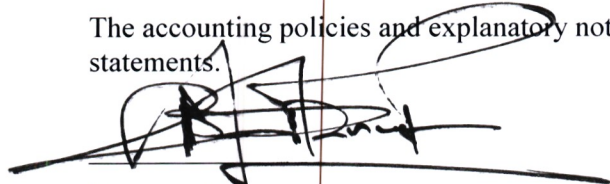
**Reports and Financial Statements**

**For the financial year ended June 30, 2022**

**6. Statement of Receipts and Payments for the Year Ended 30th June 2022**

	Note	2021/22			2020/21			Cumulative to-date (From Inception)
		Receipts and payments controlled by the entity	Payments made by third parties	Total	Receipts and payment controlled by the entity	Payments made by third parties	Total	
		Kshs	Kshs		Kshs	Kshs		
<b>RECEIPTS</b>								
Transfer from Government entities - Counties and NG	11.1	330,979,258	-	330,979,258	176,597,158	-	176,597,158	884,671,003
Loan from External Development Partners	11.2	4,759,232,317	-	4,759,232,317	4,560,991,400	-	4,560,991,400	17,405,826,279
Direct Payment		-	-	-	-	-	-	187,537,887
<b>TOTAL RECEIPTS</b>		<b>5,090,211,575</b>	<b>-</b>	<b>5,090,211,575</b>	<b>4,737,588,558</b>	<b>-</b>	<b>4,737,588,558</b>	<b>18,478,035,168</b>
<b>PAYMENTS</b>								
Purchase of goods and services	11.3	814,024,921	-	814,024,921	409,047,855	-	409,047,855	1,850,257,872
Acquisition of non-financial assets	11.4	47,217,356	-	47,217,356	28,989,204	-	28,989,204	395,689,527
Transfers to other State Departments	11.5	-	-	-	-	-	-	53,038,363
Transfers to County Governments	11.6	4,310,864,684	-	4,310,864,684	4,406,228,395	-	4,406,228,395	15,745,977,705
<b>TOTAL PAYMENTS</b>		<b>5,172,106,960</b>	<b>-</b>	<b>5,172,106,960</b>	<b>4,844,265,454</b>	<b>-</b>	<b>4,844,265,454</b>	<b>18,044,963,466</b>
<b>SURPLUS/DEFICIT</b>		<b>-81,895,385</b>	<b>-</b>	<b>-81,895,385</b>	<b>-106,676,896</b>	<b>-</b>	<b>-106,676,896</b>	<b>433,071,702</b>

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



**Principal Secretary**

**Name: Dr. F. O. Owino, PhD, CBS**



**Project Coordinator**

**Name: Dr. Samuel Guto**



**Project Accountant**

**Name: Peter N. Gitau**

**ICPAK Member Number: 10338**

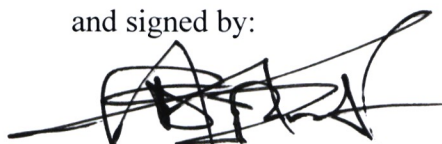
*(IPSAS 1.3.24 requires an entity to separately disclose third party payments separately on the statement of receipts and payments. These are payments made by development partners directly on behalf of the entity. In recognising these transactions, the receipts must be equal to the payments made and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

**National Agricultural and Rural Inclusive Growth Project (NARIGP)**  
**Reports and Financial Statements**  
**For the financial year ended June 30, 2022**

**7. Statement of Financial Assets as at 30th June 2022**

	Note	2021/22	2020/21
		Kshs	Kshs
<b>FINANCIAL ASSETS</b>			
Cash Balances	11.7	602,719	329,403
Bank Balances	11.8	432,468,983	510,415,684
Outstanding Imprests and Advances	11.9	-	4,222,000
<b>Total Cash and Cash Equivalents</b>		<b>433,071,702</b>	<b>514,967,087</b>
<b>TOTAL FINANCIAL ASSETS</b>			
		<b>433,071,702</b>	<b>514,967,087</b>
<b>REPRESENTED BY</b>			
Fund balance b/fwd	11.10	514,967,087	621,643,983
Surplus/Deficit for the year		(81,895,385)	(106,676,896)
<b>NET FINANCIAL POSITION</b>		<b>433,071,702</b>	<b>514,967,087</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 30/9/2022 and signed by:



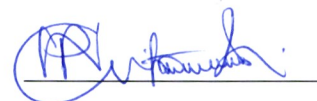
Principal Secretary

Date: 30/9/22



Project Coordinator

Date: 30/9/22



Project Accountant

Date: 30/9/22

ICPAK Member No.:10338

**National Agricultural and Rural Inclusive Growth Project (NARIGP)**  
**Reports and Financial Statements**  
**For the financial year ended June 30, 2022**

**8. Statement of Cash flow for the year ended 30th June 2022**

	Note	2021/22 Kshs	2020/21 Kshs
<b>Receipts for operating activities</b>			
Transfer from Government entities - Counties and NG	11.1	330,979,258	176,597,158
Loan from External Development Partners	11.2	4,759,232,317	4,560,991,400
<b>Payments for operating activities</b>			
Purchase of goods and services	11.3	814,024,921	409,047,855
Transfers to other State Departments	11.5	-	-
Transfers to other government entities - Counties	11.6	4,310,864,684	4,406,228,395
<b>Adjustments during the year (change in receivables)</b>			
		4,222,000	13,028,058
<b>Net cash flow from operating activities</b>		<b>(30,456,029)</b>	<b>(64,659,633)</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of non-financial assets	11.4	(47,217,356)	(28,989,204)
<b>Net cash flows from Investing Activities</b>		<b>(47,217,356)</b>	<b>(28,989,204)</b>
<b>CASHFLOW FROM BORROWING ACTIVITIES</b>			
Proceeds from Foreign Borrowings			-
<b>Net cash flow from financing activities</b>			
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>		<b>(77,673,385)</b>	<b>(93,648,838)</b>
<b>Cash and cash equivalent at BEGINNING of the year</b>		<b>510,745,087</b>	<b>604,393,925</b>
<b>Cash and cash equivalent at END of the year</b>		<b>433,071,702</b>	<b>510,745,087</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30/9/22 2022 and signed by:

  
Principal Secretary

Date: 30/9/22

  
Project Coordinator

Date: 30/9/22

  
Project Accountant

Date: 30/9/22

ICPAK Member No: 10338

**National Agricultural and Rural Inclusive Growth Project (NARIGP)**

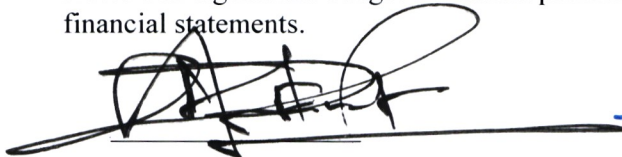
**Reports and Financial Statements**

**For the financial year ended June 30, 2022**

**9. Statement of Comparison of Budget and Actual Amounts for the year ended 30<sup>th</sup> June 2022**

Receipts/Payments Item	FY 2021-22					
	Original Budget in Kshs	Adjustments in Kshs	Final Budget in Kshs	Actual on Comparable Basis in Kshs	Budget Utilization Difference in Kshs	% of Utilization
	a	b	c = a+b	d	e = c-d	f = d/c %
<b>Receipts</b>						
Transfer from Government entities	989,257,758	(553,377,899)	435,879,858	330,979,258	104,900,600	76%
Loan from External Development Partners	7,027,957,791	(1,756,957,791)	5,271,000,000	4,759,232,317	511,767,683	90%
Direct Payment			-	-	-	
<b>Total Receipts</b>	<b>8,017,215,549</b>	<b>(2,310,335,690)</b>	<b>5,706,879,858</b>	<b>5,090,211,575</b>	<b>616,668,283</b>	
<b>Payments</b>						
Purchase of goods and services	623,786,125	200,253,522	824,039,647	814,024,921	10,014,726	99%
Acquisition of non-financial assets	40,000,000	37,191,378	77,191,378	47,217,356	29,974,022	61%
Transfers to other State Departments	-	-	-	-	-	
Transfers to Government entities	7,353,429,424	(2,547,780,590)	4,805,648,833	4,310,864,684	494,784,150	90%
<b>Total Payments</b>	<b>8,017,215,549</b>	<b>(2,310,335,690)</b>	<b>5,706,879,858</b>	<b>5,172,106,960</b>	<b>534,772,898</b>	<b>91%</b>

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




**Principal Secretary**

Date: 30/9/22



**Project Coordinator**

Date: 30/9/22



**Project Accountant**

Date: 30/9/22

ICPAK Member No: 10338

## **10. Significant Accounting Policies**

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

### **10.1 Statement of compliance and basis of preparation**

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

### **10.2 Reporting entity**

The financial statements are for the **NARIGP Project** under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012 .

### **10.3 Reporting currency**

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

### **10.4 Recognition of receipts**

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

**i) Transfers from the Exchequer**

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

**ii) External Assistance**

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

**iii) Other receipts**

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

**a) 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.

**Significant Accounting Policies (Continued)**

**b) Proceeds from borrowing**

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

**c) 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

**d) Recognition of payments**

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

**i) Compensation of employees**

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

**ii) Use of goods and services**

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

**Significant Accounting Policies (Continued)**

**iii) Interest on borrowing**

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

**iv) Repayment of borrowing (principal amount)**

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

**v) Acquisition of fixed assets**

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

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

**e) 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.

**Significant Accounting Policies (Continued)**

**f) 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.

**g) Restriction on cash**

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

**h) Imprests and Advances**

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

## **Significant Accounting Policies (Continued)**

### **i) Contingent Liabilities**

A contingent liability is:

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

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

The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

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

### **j) Contingent Assets**

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

**Significant Accounting Policies (Continued)**

**k) Pending bills**

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

**l) 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.

**m) Third party payments**

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

**Significant Accounting Policies (Continued)**

**n) 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.

**o) 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.

**p) 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, 2022.

**q) Errors**

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

*National Agricultural and Rural Inclusive Growth Project (NARIGP)  
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**11. Notes to the Financial Statements**

**11.1 Transfers from Government Entities**

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

<b>Transfers from County Government Entities</b>	<b>2021/22 (Kshs)</b>	<b>2020/21 (Kshs)</b>	<b>Cumulative to date (From Inception in Kshs)</b>
Kwale	6,500,000	6,500,000	31,000,000
Kilifi	-	6,500,000	24,500,000
Meru	-	6,500,000	24,500,000
Embu	56,200,000	-	79,061,332
Kitui	-	6,500,000	24,500,000
Makueni	6,500,000	6,500,000	31,000,000
Kirinyaga	6,500,000	7,097,158	31,000,000
Muranga	-	6,500,000	24,500,000
Kiambu	-	-	18,000,500
Turkana	6,500,000	6,500,000	31,013,664
Samburu	-	6,500,000	24,500,000
Trans Nzoia	41,636,615	-	59,636,615
Nandi	37,069,001	13,000,000	61,569,001
Nakuru	28,500,000	6,500,000	48,000,000
Narok	-	19,500,000	31,500,000
Vihiga	-	6,500,000	24,500,000
Bungoma	27,744,737	6,500,000	52,244,737
Homa Bay	-	19,000,000	24,000,000
Migori	26,103,490	6,500,000	50,603,490
Kisii	38,573,174	17,000,000	73,573,174
Nyamira	33,739,076	-	51,739,076
Transfer to the Project by NT	-	-	25,316,248
<b>Sub total</b>	<b>315,566,093</b>	<b>153,597,158</b>	<b>846,257,838</b>
Transfers from National Government	<b>15,413,165</b>	<b>23,000,000</b>	<b>38,413,165</b>
<b>Grand Total</b>	<b>330,979,258</b>	<b>176,597,158</b>	<b>884,671,003</b>

**Notes to the Financial Statements (Continued)**

**11.2 Loan from External Development Partners**

During the 12 months to 30 June 2022 we received funding from development partners in form of loans negotiated by the National Treasury donors as detailed in the table below:

Loan Received from World Bank						
DA 1						
Name of Donor	Date Received	Amount in Loan Currency	Loans Received in Cash	Loans received as direct payment	Total Amount in Kshs	
		USD	Kshs	Kshs	2021/22	2020/21
World Bank	26/05/2022	23,653,699	2,755,892,467	-	2,755,892,467	1,280,987,514
World Bank	23/06/2022	10,550,831	1,239,406,124	-	1,239,406,124	1,028,022,517
World Bank				-	-	920,637,706
World Bank				-	-	1,022,983,500
World Bank		-	-	-	-	-
<b>Sub Total</b>		<b>34,204,530</b>	<b>3,995,298,590</b>	<b>-</b>	<b>3,995,298,590</b>	<b>4,252,631,236</b>
DA 2						
Name of Donor	Date Received	Amount in Loan Currency	Loans Received in Cash	Loans received as direct payment	Total Amount in Kshs	
		USD	Kshs	Kshs	2021/22	2020/21
World Bank	24/08/2021	999,623	109,448,722	-	109,448,722	154,999,935
World Bank	17/02/2022	1,037,466	117,783,515	-	117,783,515	79,880,582
World Bank	22/03/2022	2,386,394	272,836,426	-	272,836,426	73,479,647
	14/06/2022	2,254,101	263,865,063	-	263,865,063	-
<b>Sub Total</b>		<b>6,677,584</b>	<b>763,933,726</b>	<b>-</b>	<b>763,933,726</b>	<b>308,360,163</b>
<b>Total</b>		<b>40,882,114</b>	<b>4,759,232,317</b>	<b>-</b>	<b>4,759,232,317</b>	<b>4,560,991,400</b>

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**Notes to the Financial Statements (Continued)**

**11.3 Purchase of Goods and Services**

PURCHASE OF GOODS AND SERVICES	Total in Kshs		Cumulative to date (From Inception in Kshs)
	FY 2021/22	FY 2020/21	
Training expenses	590,887,418	199,777,142	1,310,739,718
Daily Subsistence Allowance	49,454,617	107,804,288	157,258,905
Communication, supplies and services	9,638,200	1,950,710	13,539,620
Printing, advertising and information supplies & services	31,399,119	6,229,084	47,495,167
Laboratory Materials, Supplies and Small Equipment	2,698,087	-	2,698,087
Office and general supplies and services	3,115,768	2,079,184	7,274,136
Specialized materials and services	-	-	1,120,000
Routine maintenance of vehicles	1,995,741	3,025,774	8,047,288
Refurbishment of buildings	66,502,002	-	66,502,002
Consultancy services: Technical and professional services	50,411,729	82,182,751	214,777,232
Other operating expenses	7,922,240	5,998,922	42,252,383
<b>Total</b>	<b>814,024,921</b>	<b>409,047,855</b>	<b>1,871,704,537</b>

**11.4 Acquisition of Non-Financial Assets**

ACQUISITION OF NON FINANCIAL ASSETS	FY 2021/22			FY 2020/21	Cumulative to date (From Inception)
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	Kshs	Kshs	Kshs	Kshs	Kshs
Overhaul & refurbishment of construction and civil works	-	-	-	-	12,332,181
Purchase of vehicles & other transport equipment	40,351,856	-	40,351,856	25,573,348	91,498,552
Purchase of office furniture & general equipment	6,865,500	-	6,865,500	3,415,856	64,954,797
<b>Total</b>	<b>47,217,356</b>	<b>-</b>	<b>47,217,356</b>	<b>28,989,204</b>	<b>168,785,530</b>

Notes to the Financial Statements (Continued)

11.5 Transfers to Other State Departments

<b>Transfer to other State Departments in Kshs</b>					
	<b>FY 2021/22</b>			<b>FY 2020/21</b>	<b>Cumulative to date (From Inception)</b>
<b>State Departments</b>	<b>Payments made by entity in Cash</b>	<b>Payments made by third parties</b>	<b>Total Payments</b>	<b>Total Payments</b>	
National Irrigation Board	-	-	-	-	25,557,663
State Department of Aquiculture and B- Economy	-	-	-	-	13,413,700
State Department of Fisheries	-	-	-	-	14,067,000
<b>Sub total</b>	-	-	-	-	<b>53,038,363</b>

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

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**11.6 Transfers to Other Government Entities**

Summary of County Expenditures - FY 2021/22 Figures in Kshs																	
Counties	Donor	Transfers to County Governments FY 2020-21					Total transfers FY 22	Total funds available to the Counties FY 22	Expenditures					Total FY 2021-22	Unaccounted balances by the counties	Combined Balances - IDA and GOK	FY 2020-21
		Bal b/wd	Quarter ending Sept 21	Quarter ending March 22	Quarter ending June 22	Quarter ending FY 22			Quarter ending Sept 21	Quarter ending Dec 21	Quarter ending March 22	Quarter ending June 22	Total FY 2021-22				
Kwale	IDA	72,490,456	-	-	196,624,245	196,624,245	269,114,700	29,162,268	21,909,121	9,828,176	54,540,658	115,440,223	153,674,477	132,572,461			
	GoK	(7,047,047)	-	6,500,000	-	6,500,000	(547,047)	2,625,074	1,963,028	-	-	4,588,102	(5,135,149)	6,500,000	148,539,328		
Kilifi	IDA	166,228,037	-	-	180,034,305	180,034,305	346,262,342	96,410,578	33,685,805	22,142,831	2,294,769	154,533,982	191,728,360	191,629,568			
	GoK	(2,124,091)	-	-	-	-	(2,124,091)	6,656,073	2,669,928	-	-	9,326,002	(11,450,093)	6,500,000	180,278,267		
Meru	IDA	57,199,121	-	-	209,722,871	209,722,871	266,021,992	24,594,436	8,926,024	5,143,101	99,117,453	137,781,015	129,140,977	229,286,745			
	GoK	(12,019,353)	-	-	-	-	(12,019,353)	2,305,100	472,820	-	-	2,777,920	(14,797,274)	6,500,000	114,343,704		
Embu	IDA	86,251,612	-	-	253,272,699	253,272,699	339,524,311	48,303,883	43,175,620	14,214,587	17,804,294	123,498,385	216,025,926	202,274,712			
	GoK	(14,855,991)	49,700,000	6,500,000	-	56,200,000	41,344,009	4,888,267	3,423,327	-	-	8,311,595	33,032,415	249,058,341			
Kitui	IDA	119,779,303	-	-	150,349,620	150,349,620	270,128,923	30,562,592	24,125,330	38,097,572	36,845,171	129,630,664	140,498,259	248,330,166			
	GoK	(16,450,206)	-	-	-	-	(16,450,206)	2,906,466	1,373,015	-	-	4,279,481	(20,729,687)	6,500,000	119,768,572		
Makueni	IDA	88,099,324	-	-	146,059,722	146,059,722	234,159,046	11,666,894	20,428,619	31,521,626	79,410,667	143,027,806	91,131,239	252,537,978			
	GoK	(19,920,959)	-	-	6,500,000	6,500,000	(13,420,959)	1,086,581	1,351,096	-	-	2,437,677	(15,858,636)	6,500,000	75,272,603		
Kirinyaga	IDA	14,588,057	-	-	224,574,703	224,574,703	239,162,761	5,952,078	4,297,600	2,446,126	1,820,151	14,515,955	224,646,806	80,586,499			
	GoK	(6,636,642)	-	6,500,000	-	6,500,000	(136,642)	512,220	-	-	-	512,220	(648,862)	7,097,158	223,997,944		
Muranga	IDA	118,117,233	-	-	210,721,543	210,721,543	328,838,776	86,834,263	8,394,138	2,400	92,536,421	187,767,221	141,071,554	204,090,521			
	GoK	(10,182,611)	-	-	-	-	(10,182,611)	6,736,631	853,193	-	-	7,589,824	(17,772,435)	6,500,000	123,299,119		
Kiambu	IDA	127,743,100	-	-	203,149,442	203,149,442	330,892,542	80,710,550	13,976,473	49,797	73,650,306	168,387,126	162,505,416	221,762,739			
	GoK	(18,462,391)	-	-	-	-	(18,462,391)	6,320,988	183,537	-	-	6,504,525	(24,966,915)	6,500,000	137,538,501		
Turkana	IDA	63,231,921	-	-	191,299,003	191,299,003	254,530,925	19,204,644	20,312,685	5,885,876	63,333,155	108,736,360	145,794,565	173,242,631			
	GoK	(19,825,838)	-	6,500,000	-	6,500,000	(13,325,838)	1,512,377	1,910,559	-	-	3,422,937	(16,748,774)	6,500,000	129,045,791		
Samburu	IDA	171,949,707	-	-	149,693,815	149,693,815	321,643,522	97,315,409	26,862,135	32,598,398	41,488,878	198,264,820	123,378,702	163,980,369			
	GoK	(2,492,889)	-	-	-	-	(2,492,889)	6,915,585	299,414	-	-	7,214,999	(9,707,888)	6,500,000	113,670,813		
Trans Nzoia	IDA	43,906,648	-	-	211,327,048	211,327,048	255,233,696	8,958,029	14,613,553	6,444,226	148,113,720	178,129,529	77,104,167	194,364,672			
	GoK	(23,927,175)	-	13,000,000	5,599,996	41,636,615	17,709,441	872,366	673,707	-	-	1,546,073	16,163,367	93,267,534			
Nandi	IDA	63,182,213	-	-	155,603,751	155,603,751	218,785,964	33,319,236	1,364,246	6,511,115	69,650,486	110,845,084	107,940,880	282,155,442			
	GoK	(26,649,592)	-	6,500,000	29,247,542	37,069,001	10,419,409	3,049,422	105,897	-	-	3,155,319	7,264,090	13,000,000	115,204,970		

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Nakuru	IDA	55,237,985	-	187,784,783	187,784,783	243,022,768	12,378,070	20,956,986	5,019,050	13,932,490	52,286,596	190,736,171	201,067,363
	GoK	(18,747,180)	5,000,000	17,000,000	28,500,000	9,752,820	1,347,910	1,172,445	-	-	2,520,354	7,232,465	197,968,637
Narok	IDA	40,469,495	-	201,028,895	201,028,895	241,498,390	14,624,312	1,312,087	126	252	15,936,777	225,561,613	298,717,435
	GoK	(22,964,836)	-	-	-	(22,964,836)	1,445,819	1,111,019	-	-	1,556,838	(24,521,674)	201,039,939
Vihiga	IDA	123,193,963	-	172,354,374	172,354,374	295,548,337	7,345,897	13,435,094	47,150,058	41,073,791	109,004,840	186,543,496	177,346,005
	GoK	(4,504,240)	-	-	-	(4,504,240)	690,962	853,480	-	-	1,544,442	(6,048,682)	180,494,814
Bungoma	IDA	69,181,440	-	198,424,757	198,424,757	267,606,198	26,556,145	15,759,617	11,111,544	23,797,161	77,224,467	190,381,731	187,221,349
	GoK	(12,265,426)	-	27,744,737	27,744,737	15,479,311	2,262,267	1,219,547	-	-	3,481,814	11,997,497	202,379,228
Homabay	IDA	127,047,173	-	184,668,148	184,668,148	311,715,321	10,591,605	23,743,107	50,002,470	21,302,101	105,639,283	206,076,038	192,680,469
	GoK	(4,930,367)	-	-	-	(4,930,367)	868,971	1,393,875	-	-	2,262,846	(7,193,213)	198,882,826
Migori	IDA	43,823,672	-	195,247,597	195,247,597	239,071,269	22,742,469	3,319,540	55,450	17,825,259	43,942,717	195,128,552	194,744,945
	GoK	(15,328,282)	-	26,103,490	26,103,490	10,775,208	2,063,384	296,447	-	-	2,359,831	8,415,377	203,543,929
Kisii	IDA	41,708,637	-	178,831,815	178,831,815	220,540,452	13,562,238	12,717,787	9,260,273	37,144,448	72,684,746	147,855,706	248,356,455
	GoK	(9,789,683)	6,500,000	32,073,174	38,573,174	28,783,491	1,215,179	1,323,427	-	-	2,538,606	26,244,885	174,100,591
Nyamira	IDA	71,692,213	-	194,525,452	194,525,452	266,217,665	52,308,090	22,747,187	2,289,772	5,537,414	82,882,463	183,335,202	175,682,713
	GoK	(13,713,197)	4,636,117	29,102,959	33,739,076	20,025,879	8,236,913	1,567,850	5,498,695	-	15,303,458	4,722,422	188,057,624
<b>Total GoK</b>		<b>(282,837,995)</b>	<b>65,836,117</b>	<b>56,424,419</b>	<b>31,599,996</b>	<b>161,705,562</b>	<b>315,566,093</b>	<b>32,728,098</b>	<b>64,518,556</b>	<b>23,217,611</b>	<b>5,498,695</b>	<b>(60,506,764)</b>	<b>3,369,753,075</b>
<b>Total IDA</b>		<b>1,765,121,308</b>	<b>-</b>	<b>3,995,298,590</b>	<b>3,995,298,590</b>	<b>5,760,419,898</b>	<b>733,103,686</b>	<b>356,062,755</b>	<b>299,774,574</b>	<b>941,219,044</b>	<b>2,330,160,059</b>	<b>3,430,259,838</b>	<b>-</b>
<b>Grand Total</b>		<b>1,482,283,313</b>	<b>65,836,117</b>	<b>4,157,004,151</b>	<b>4,310,864,683</b>	<b>5,793,147,996</b>	<b>797,622,242</b>	<b>379,280,366</b>	<b>305,273,269</b>	<b>941,219,044</b>	<b>2,423,394,921</b>	<b>3,369,753,075</b>	<b>4,406,228,394</b>

**Summary Per component**

	Components	FY 2021-2022				Accumulated Expenditures
		Dec-21	Mar-22	Jun-22	Jun-22	
Component 1	Supporting Community-Driven Development	449,801,616	162,262,643	494,966,896	1,239,307,235	
Component 2	Strengthening Producer Organizations and Value Chain Development	78,877,386	34,947,143	130,718,996	303,851,552	
Component 3	Supporting County Community-Led Development	268,817,171	108,063,483	304,232,103	868,809,016	
Component 4	Project Coordination and Management	-	-	11,301,050	11,301,050	
	<b>Total</b>	<b>797,496,173</b>	<b>305,273,269</b>	<b>941,219,044</b>	<b>2,423,268,853</b>	

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**Notes to the Financial Statements (Continued)**

**11.7 Cash and Cash Equivalents**

	2021/22	2020/21
	Kshs	Kshs
Cash in hand	602,719	329,403
<b>Total</b>	<b>602,719</b>	<b>329,403</b>

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

**11.8 Bank Accounts**

**Project Bank Accounts**

<b>Local Currency Accounts</b>	<b>Kshs</b>	<b>Kshs</b>
<b>Bank Accounts</b>	<b>2021/22</b>	<b>2020/21</b>
Central Bank of Kenya [A/c No. 1000457694] - NPCU	58,346,872	284,250,073
Kenya Commercial Bank No. 1266645519 - National Government	374,122,111	226,165,611
<b>Total local currency balances</b>	<b>432,468,983</b>	<b>510,415,684</b>

**11.9 Breakdown of Imprests and Advances**

<b>Breakdown of Imprests and Advances</b>					
<b>Name of Officer or Institution</b>	<b>Amount Taken in Kshs</b>	<b>Due Date of Surrender</b>	<b>Amount Surrendered in Kshs</b>	<b>June 30 2022 in Kshs</b>	<b>June 30 2021 in Kshs</b>
<b>KCB Account</b>					
James D. Njaibu			-	-	4,222,000
<b>Sub total</b>	-	-	-	-	<b>4,222,000</b>
<b>CBK Account</b>					
<b>Sub total</b>	-	-	-	-	-
<b>Grand Total</b>	-		-	-	<b>4,222,000</b>

**Notes to the Financial Statements (Continued)**

**11.10 Fund Balance Brought Forward**

	<b>2021/22</b>	<b>2020/21</b>
	<b>Kshs</b>	<b>Kshs</b>
Bank accounts	510,415,684	604,365,582
Cash in hand	329,403	28,343
Outstanding imprests and advances	4,222,000	17,250,058
<b>Total</b>	<b>514,967,087</b>	<b>621,643,983</b>

**11.11 Special Deposit Accounts**

The balances in the Project's Special Deposit Account(s) as at 30<sup>th</sup> June 2022 are not included in the Statement of Financial Assets since they are below the line items and are yet to be drawn into the Exchequer Account as a voted provision.

Below is the Special Deposit Account (SDA) movement schedule which shows the flow of funds that were voted in the year. These funds have been reported as loans/grants received in the year under the Statement of Receipts and Payments.

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

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**Notes to the Financial Statements (Continued)**

**11.12 Progress on Follow up of Prior Year Auditor's Recommendations**

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

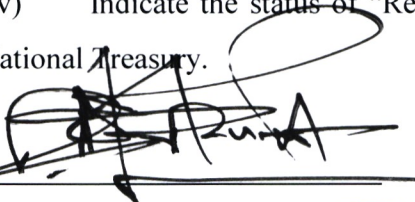
<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
OAG/NARIGP /479/2020-2021/(28)	Non-Remittance of Counterpart Funds	The project management pursued the matter and in FY 22 Kshs 15 Million Counterpart contribution was deposited in the project account	Continuous	Continuous
OAG/NARIGP /479/2020-2021/(28)	Unbudgeted Expenditure	The management will ensure that the project incurs expenditure in line with the approved workplans and budgets	Resolved	Resolved
OAG/NARIGP /479/2020-2021/(28)	Idle Assets	The Project procured 20 motor bikes for each of the 20 implementing wards in Kitui County to assist in project	The motor bikes were issued to the implementing wards	Resolved

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		extension services.		
OAG/NARIGP /479/2020-2021/(28)	Non-Tagging and Non-Serialization of Assets	The management has come up with a plan and strategy to ensure all assets are tagged to avert loss of assets.	Resolved	Resolved

**Guidance Notes:**

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

  
**Principal Secretary**

  
**Project Coordinator**

30/9/22  
**Date**

30/9/22  
**Date**

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**12. Annexes**

**Annex 1 - Variance Explanations - Comparative Budget and Actual Amounts**

	<b>Final Budget in Kshs</b>	<b>Actual on Comparable Basis in Kshs</b>	<b>Budget Utilization Difference in Kshs</b>	<b>% of Utilization</b>	<b>Comments on Variance</b>
	<b>a</b>	<b>b</b>	<b>c=a-b</b>	<b>d=b/a %</b>	
<b>Receipts</b>					
Transfer from Government entities	435,879,858	330,979,258	104,900,600	76%	There was low counterpart contribution from the National Government
Loan from External Development Partners	5,271,000,000	4,759,232,317	511,767,683	90%	1. Lack of Framework to Disburse conditional Grants to the Counties. 2. COVID -19 Pandemic affected the project implementation especially in Q4
Direct Payment	-	-	-		
<b>Total Receipts</b>	<b>5,706,879,858</b>	<b>5,090,211,575</b>	<b>616,668,283</b>	<b>89%</b>	
<b>Payments</b>					
Purchase of goods and services	824,039,647	814,024,921	10,014,726	99%	COVID -19 Pandemic affected the project implementation especially in Q4
Acquisition of non-financial assets	77,191,378	47,217,356	29,974,022	61%	Delay in completion of procurement procedures
Transfers to other State Departments	-	-	-		
Transfers to Government entities	4,805,648,833	4,310,864,684	494,784,150	90%	1. Lack of Framework to Disburse conditional Grants to the Counties. 2. COVID -19 Pandemic affected the project implementation especially in Q4
<b>Total payments</b>	<b>5,706,879,858</b>	<b>5,172,106,960</b>	<b>534,772,898</b>	<b>91%</b>	

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**Annex 2 – Summary of Fixed Assets Register**

<b>Asset class</b>	<b>Opening Cost as at 1st July 2021 (Kshs)</b>	<b>Donations in form of assets as at 30 June 2022 (Kshs)</b>	<b>*Purchases/ Additions in the Year as at 2021/22 (Kshs)</b>	<b>**Disposals in the Year 2021/22 (Kshs)</b>	<b>Transfers in/(out) 2021 (Kshs)</b>	<b>Closing Cost as at 30 June 2022 (Kshs)</b>
	<b>(a)</b>	<b>(b)</b>	<b>(c)</b>	<b>(d)</b>	<b>(d)</b>	<b>(e)= (a)+ (b)+c- (d)+(-)d</b>
Transport equipment	213,111,235	-	40,351,856	-	-	253,463,091
Office equipment, furniture and fittings and ICT equipments	122,379,693	-	6,865,500	-	-	129,245,193
<b>Total</b>	<b>335,490,928</b>	<b>-</b>	<b>47,217,356</b>	<b>-</b>	<b>-</b>	<b>382,708,284</b>